


Jackpotjoy plc Annual Report 2017

jackpotjoy plc

Jackpotjoy plc
Annual Report 2017



Delivering Strong Results

Who we are

We are a leading online bingo-led operator, providing entertainment to a global consumer base

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

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Highlights

Operational highlights

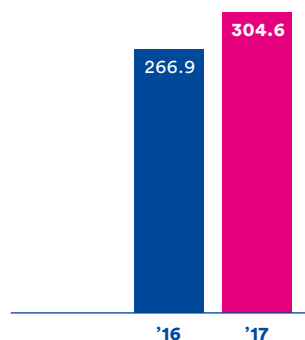
- Achieved successful listing on the London Stock Exchange ('LSE')
- Significant progress in core key performance indicators ('KPIs')
- Increased Monthly Real Money Gaming Revenue per Average Active Customer +9%
- Earn-outs substantially completed following payment of £94.2 million in June
- Debt refinanced with significant interest cost saving
- Strengthened senior operational management team

 READ MORE IN THE OPERATIONAL REVIEW, PAGE 14

Financial highlights

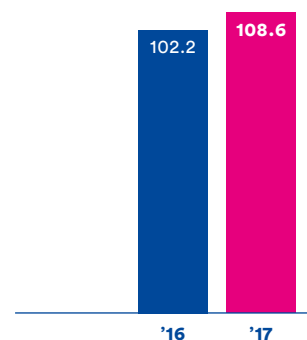
Revenues (£m)

£304.6m
+14%



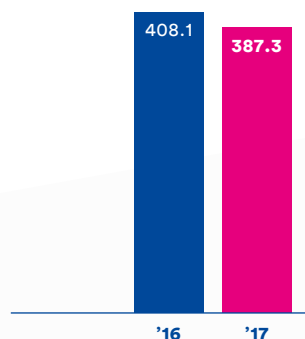
Adjusted EBITDA (£m)¹

£108.6m
+6%



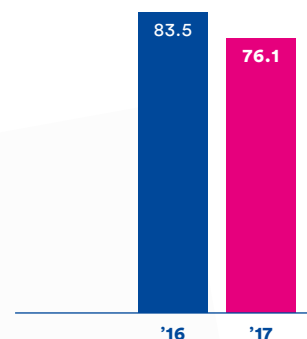
Net debt (£m)¹

£387.3m
-5%



Adjusted net income (£m)²

£76.1m
-9%



1. This is a non-IFRS measure. See page 113 for additional information.

2. Net loss as reported under IFRS was £67.9 million in 2017 and £40.6 million in 2016.



Jackpotjoy plc at a glance

Supplying global entertainment

Jackpotjoy plc currently offers bingo and casino games to its customers through Jackpotjoy, StarSpins, Botemania, Vera&John, Costa Bingo, InterCasino and other brands. Our operations are primarily focused on the UK and Northern Europe.



Divisions

Jackpotjoy



Products

- B2C Online Bingo (*Jackpotjoy, Botemania*)
- B2C Online Casino (*StarSpins*)
- B2C Social Slots (*Jackpotjoy Social, StarSpins Social*)

Software provider

Gamesys Group

Licences

Gibraltar, Spain, UK

Revenue

£211.3 million

Year-on-year revenue growth

12%

Adjusted EBITDA¹

£95.1 million

READ THE OPERATIONAL REVIEW ON **PAGE 14**

Vera&John



Products

- B2C Online Casino (*Vera&John, InterCasino*)
- B2B White Label (*Plain Gaming*)

Software provider

Proprietary

Licences

Malta, UK, Denmark

Revenue

£73.2 million

Year-on-year revenue growth

28%

Adjusted EBITDA¹

£18.0 million

READ THE OPERATIONAL REVIEW ON **PAGE 16**

Mandalay Media



Products

- B2C Online Bingo

Software provider

888 (Dragonfish)

Licences

Gibraltar, UK

Revenue

£20.2 million

Year-on-year revenue decrease

7%

Adjusted EBITDA¹

£7.1 million

READ THE OPERATIONAL REVIEW ON **PAGE 18**

1. This is a non-IFRS measure. See pages 28, 29 and 113 for additional information.

Key facts

High customer retention rates

250,321

monthly active customers

Highly cash generative

93%

operating cash flow conversion

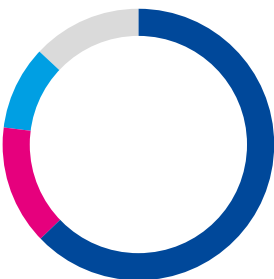
World-leading

#1

UK online bingo-led operator

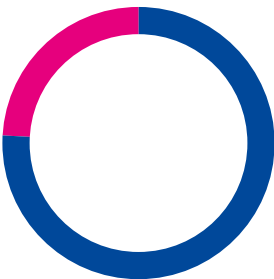
Business snapshot

Geographic revenue



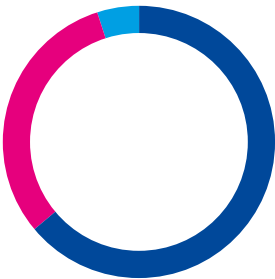
● UK	63%
● Nordics²	14%
● Rest of Europe	10%
● ROW	13%

Regulatory mix



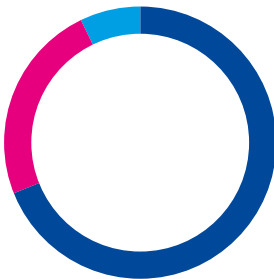
● Regulated	76%
● Unregulated	24%

Product revenue

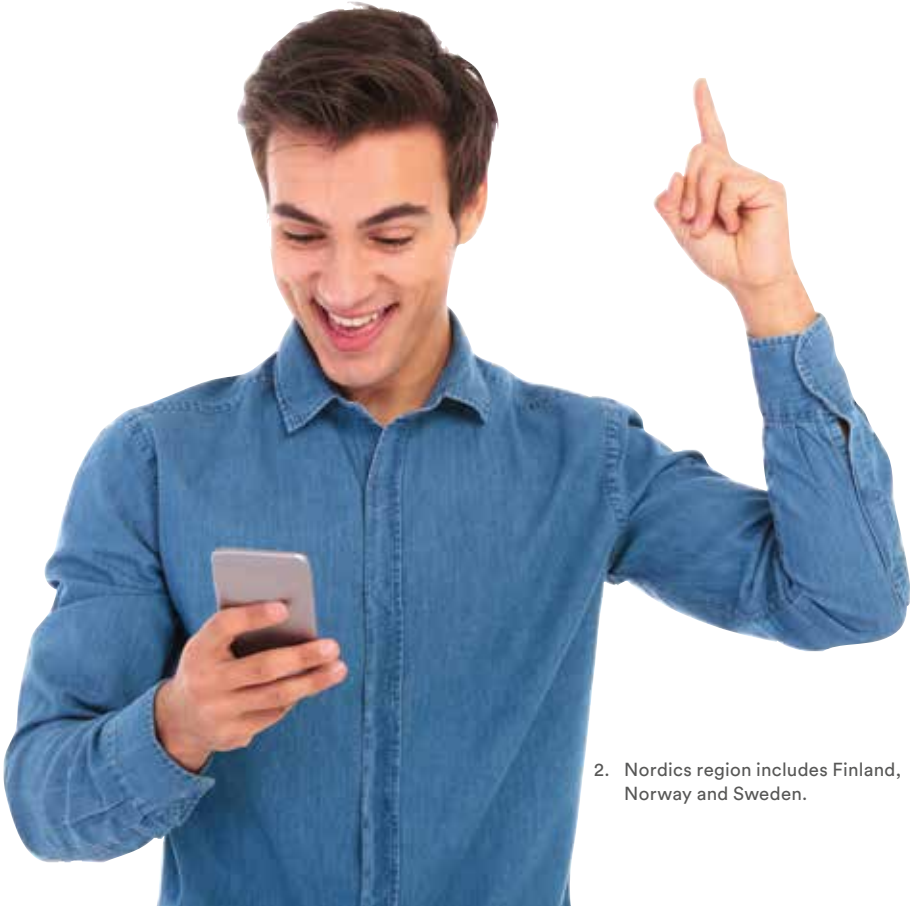


● Bingo-led	64%
● Casino	31%
● Social	5%

Divisional revenue



● Jackpotjoy	69%
● Vera&John	24%
● Mandalay	7%



2. Nordics region includes Finland, Norway and Sweden.



Chairman's Statement



Neil Goulden, Executive Chairman

A pivotal year

2017 has been a transformational year for the Group in a number of respects.

Overview and summary of results

Some of the key highlights of this year include a successful UK listing, record results and the completion of the substantial majority of earn-out payments for prior year acquisitions. In addition, we completed a refinancing of all the Group's debt facilities with a major interest cost saving. We expect to make further progress in all key areas in 2018, whilst remaining vigilant over the operational and regulatory challenges which both the Group and the online gaming industry faces.

Successful UK listing in January 2017

The journey of transition from a Canadian listed company began in July 2016 with the announcement of the intention to apply for a London listing for Jackpotjoy plc. Our largest market by far is the UK, but as well as reflecting our customer-facing profile, a primary motivation was to attain a more appropriate valuation of the Group's businesses. The Group successfully listed on the Main Market of the LSE in January 2017, and we expect the ongoing transition of shares from Canadian to international investors to be maintained. We continue to target a move to the Premium list of the LSE and remain focused on the steps needed to achieve this.

Record operational results

Gaming revenues grew 14% in 2017 to £304.6 million, while adjusted EBITDA increased 6% to £108.6 million, representing a record outturn for the Group since its inception in 2014. Following a payment of £94.2 million in June 2017 for all the non-Spanish assets acquired from Gamesys, the vast majority of our earn-out payments have now been met. We finished the year with net debt of £387.3 million and having successfully completed a major refinancing exercise our interest bill has reduced by c.£9 million per annum.

Senior divisional management appointees

During the year, we appointed two new divisional CEOs to our largest business segments to substantially enhance our key leadership team. Irina Cornides became CEO of the Jackpotjoy division in June 2017. Irina joined Interntain through the acquisition of Mandalay Media in 2014, where she served as Managing Director. Her prior industry experience spans over a decade and includes roles at PartyGaming (bwin.party/GVC) both pre- and post-IPO. Subsequently, in September 2017, it was announced that David Flynn would be joining the Group as CEO of the Vera&John division. David was most recently the Group Chief Commercial Officer at NYX Gaming Group Limited (NYX), where he was responsible for NYX's revenue generation worldwide. With more than 14 years in the iGaming business, David has extensive digital gaming experience, having previously been both CEO and COO of NYX Interactive AB, prior to its merger with NextGen Gaming. He has also held executive management roles at Microgaming and Ogame.

Leadership team and Board developments

In January 2017, Nigel Brewster and Colin Sturgeon were appointed to the Board as Non-Executive Directors. Please see pages 38 and 39 for more detail on their extensive experience.

In October 2017, we announced that Andy McIver was to step down from his role as Chief Executive Officer. After several months of careful consideration, and in consultation and agreement with Andy, the Board's view was that further operational expertise was required to ensure the Company is positioned to maximise future growth prospects through its core business segments. Andy left with our best wishes, having played a major role in achieving our listing on the LSE.

Under the Company's new management structure, I have become Executive Chairman, responsible for leading the

development and execution of the Company's long-term strategy and the Board has appointed experienced gaming executive, Simon Wykes, as Chief Executive Officer of Jackpotjoy Operations Ltd. Simon had most recently completed an external consultancy role with Ladbrokes Coral on their merger integration plans, and he was previously Chief Executive Officer at Gala Leisure and Managing Director at Gala Coral Group, where he oversaw the execution of a successful strategic turnaround of its bingo division. He also served as Managing Director of Rank Group for over four years. His main role will be working operationally in the Company's global markets with the senior management teams across each of the Company's three business segments.

Other Board developments during the year included the announcement in September that Jörgen Nordlund (a co-founder of Vera&John) was stepping down as a Non-Executive Director of Jackpotjoy plc following our successful relisting in London. We expect to announce a UK-based independent Non-Executive Director replacement in the coming months.

Overview of strategic development and execution

Our primary goals at the beginning of 2017 were to continue to execute operationally, to successfully list in London, to meet the earn-out obligations and to refinance our debt. Having successfully addressed each of these, we remain focused on the delivery of operational progress and revenue growth and also to deleverage as we seek to position the Group with a capital structure more akin to a typical UK-quoted online gaming company. In turn, we expect this to put us in a position where we can use the strong cash flow of the Group to return cash to shareholders. As we approach 2019, one of our key operational challenges will be to determine how we integrate the Jackpotjoy division employees that currently reside within Gamesys, and I am confident we have a team in place that can deliver this successfully.

Our people, customers and outlook

The record financial results we achieved in 2017 reflect the dedication, ambition and work ethic present in employees across the business. As an organisation, we are committed to delivering the best customer experience across all our gaming verticals. We also strive to represent the highest standards of consumer best practice in our industry. This is underpinned by wholehearted support for the ethos of responsible gambling and proactive monitoring of

player behaviour. We are confident of our prospects for growth against a healthy market backdrop in global online gaming and are determined to ensure we present an entertaining, fun and responsible environment for our customers to enjoy.

Neil Goulden Executive Chairman

Key events – 2017

January


Successful listing
on London Stock
Exchange

June

Substantial
completion of
earn-out payments

December

Successful
refinancing of
debt facilities and
significant interest
cost saving

 READ MORE ABOUT OUR
BUSINESS MODEL ON **PAGE 8**

Chief Executive Officer's Statement



Simon Wykes, Chief Executive Officer, Jackpotjoy Operations Ltd.

Q&A with Simon Wykes

Keeping the customer at the heart of what we do.

What were your reasons for joining the business?

That's easy! Having spent most of my career operating bingo-led gaming businesses, the chance to join a leading online global Group in the vertical was not one of my more challenging decisions!

To win in bingo-led gaming, a business needs scale and great brands.

Jackpotjoy plc has all the ingredients to win in both these respects and this virtuous circle should support ongoing market share gains.

In addition, my skills in maximising value by building customer-focused operational teams are a perfect fit for the next stages of the Company's development.

You joined Jackpotjoy plc in November 2017; what were your initial impressions?

Firstly, I have been surprised by just how strong our brands are, as demonstrated by the impressive levels of retention we deliver across our brand portfolio.

Secondly, I have been delighted by the talent, passion and sheer enthusiasm of the teams which support our broadly spread international business.

Thirdly, the level of engagement and cultural fit with our key supplier, Gamesys, has been a standout. I have been struck by Gamesys's huge emotional, as well as commercial, engagement with our brands and that they are as motivated as we are to continue the success of the Jackpotjoy division.

Finally, in terms of the market opportunity, I think we can differentiate ourselves further and build on our brand strengths in a competitive market through a relentless focus on ensuring customers are at the heart of everything we do.

What do you view as the Company's key strengths?

- The large customer bases we have established in our key markets of the UK, Spain and Sweden underpin our business. Particularly in bingo-led gaming – size matters!
- The strength of our brand portfolio in each of those markets is another vital building block, and the potential for cross-sell will increasingly become evident.
- Our focus on volume and fun within each of our brands – we appeal to our customers on the basis of recreation and entertainment.
- Our approach to technology – we have great third-party providers as well as our proprietary platform. By not being tied to a single platform we are able to offer differentiated customer experiences across our brand portfolio. This helps maximise our share of a customer's wallet/purse, allowing us to get a better return on acquisition than our competitors.

- The talent within the business – we are largely a new team (albeit with significant industry experience) leading a growing, exciting business. The sense of passion and enthusiasm within the Company is compelling.

How would you summarise the performance of the business in 2017?

Another year of revenue and profit growth across the Group – the latter despite the increase in taxation in the last quarter in our biggest market of the UK.

The Jackpotjoy division has delivered another stellar year. The shared pride in Gamesys and ourselves on this fantastic performance fills me with confidence for the years ahead.

Vera&John continues to flourish and deliver on their aggressive growth plans.

Mandalay is delivering profit growth despite having to re-engineer the business model to meet regulatory and fiscal changes, and this represents a great achievement.

What are some of the key operational highlights from 2017?

- The new marketing campaign and the evolution from the iconic Queen of Bingo Barbara Windsor to Paddy McGuinness has been a great success. There is always a sense of nervousness when the UK's Number 1 brand changes its brand ambassador, but the hard work put in behind the scenes has ensured a successful transition and increased brand awareness.

- Botemania has continued to establish itself as a leading Spanish online bingo-led brand against the backdrop of a rapidly growing market.
- The success of cross-selling into the Starspins brand in the UK also supports the great opportunity we have with our brands in established markets.
- The impressive revenue-driven growth in Vera&John in numerous markets.
- The new business model put into place in Mandalay to support a different marketing strategy.

What are your priorities for the year ahead?

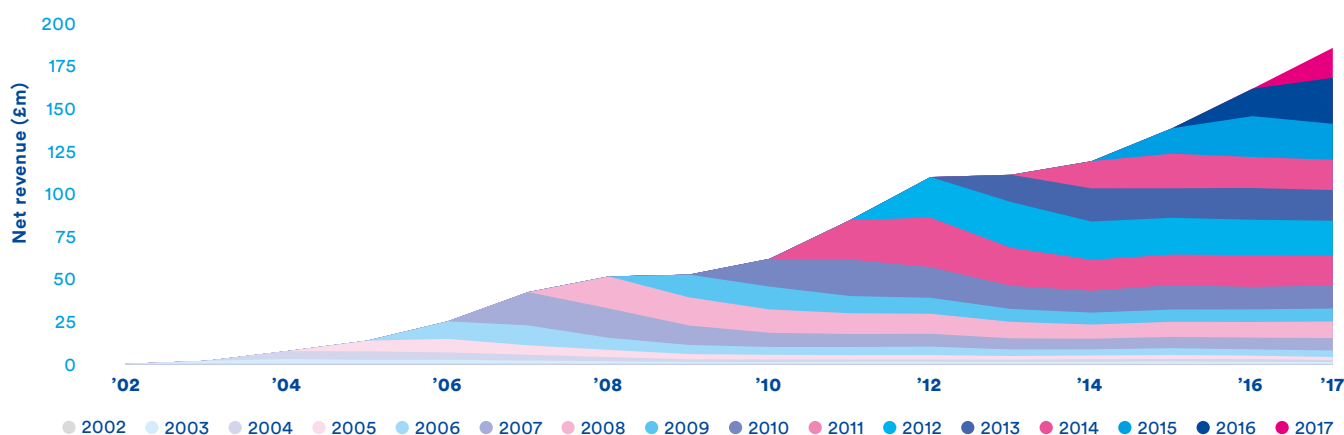
Firstly, growing volume through market share in established markets and by developing new/nascent geographies.

Secondly, providing the building blocks for a customer-centric approach to running the business through a single view of customer data and designing an organisation to focus on customers rather than platforms.

What do you see as the main market opportunities going forward?

Leveraging our dominant position in established markets and accessing new markets following either a B2C or B2B approach. Our market-leading positions and growing international footprint leaves us well positioned to make progress against the backdrop of a healthy and growing global market.

Delivering high customer retention



In the full year of 2017, 90% of the Jackpotjoy segment revenues came from players who joined in 2016 or earlier.

Source: Company data and Gamesys Group data for Jackpotjoy real money gaming businesses.

Business model

A sustainable formula for growth

Jackpotjoy plc is a leading global bingo-led operator with a strong portfolio of online gaming brands.

Across our three business segments, we utilise both third-party and proprietary technology to deliver a compelling customer experience.

Our key strengths: what sets us apart?

Operating in highly attractive markets

We are focused on regulated markets, which reduces uncertainty across our operations.

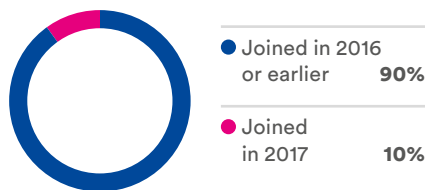
Markets by regulatory status



Superior customer retention

In 2017, c.90% of Jackpotjoy UK brand's revenues came from players who joined in 2016 or earlier.

Customer revenue by sign-up date



High volume of players

In the past year, the number of active customers per month has increased by 6%.

250k
average active customers per month

Attractive audience demographic – Jackpotjoy UK brand

Focused on female audiences, who are less targeted by sports-led operators and more interested in the social aspects of online gaming.

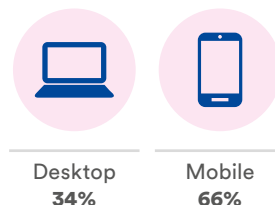
Active users by audience demographic



Multi-platform offering

Our multi-platform offering enables us to appeal to a diverse age range and to benefit from growth in the use of mobile.

Q4 2017 revenue share by device for Jackpotjoy UK brand



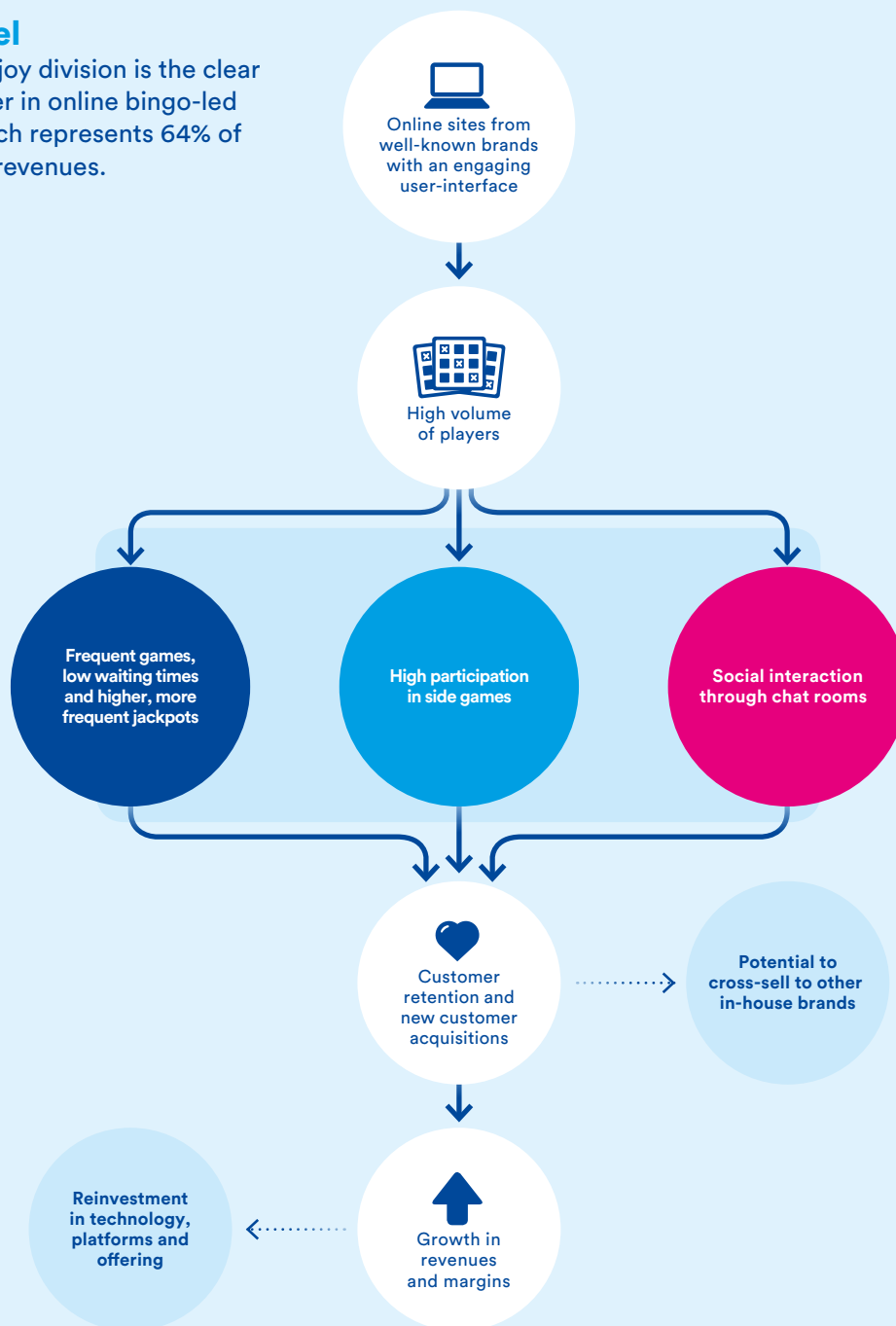
Strong financial profile

Solid capital structure and track record of strong cash generation.

22%
operating cash flow growth year-on-year

Our model

The Jackpotjoy division is the clear market leader in online bingo-led gaming, which represents 64% of the Group's revenues.



Value creation

Market leadership in online bingo drives a virtuous cycle comprised of a growing and loyal user base and enhanced liquidity through a high volume of players. This delivers higher returns on investment, greater visibility of revenues and higher operating margins for the Group. In turn, this leads to reinvestment in the business and creates high barriers to entry for other operators.

For customers

We offer a user-friendly, differentiated and multi-platform approach which suits the differing needs of customers

35 years

Average age of all players acquired in January–December 2017

For shareholders

We have a strong track record of cash and revenue generation which enables us to reinvest in the business for long-term growth.

+6%

Year-on-year adjusted EBITDA¹

1. This is a non-IFRS measure. See pages 28, 29 and 113 for additional information.

Market Review

Expanding in a growing market

The total global online gambling market is estimated to be worth c.£35 billion in 2017 and is continuing to grow at double-digit rates (19% CAGR 2014–2017).¹

Online gaming represents c.50% of global gambling revenue, equating to a market opportunity of £17.6 billion with an estimated CAGR of 20% (2014–2017). Gaming tends to be a higher business mix in many European markets (c.55–60%) compared to sports/betting.

The online gaming market is highly fragmented across geographies and operators. For example, Jackpotjoy plc's core markets of the UK and Spain represent only c.15% and 1.2% of global revenue respectively.

In 2016, Jackpotjoy plc only had a 1.8% market share of the global online gaming market, despite being a UK segment leader. This fragmentation demonstrates the possibility for multi-national growth. Further, underlying market growth is also strong across markets and geographies.

Six factors underpin strong global growth in online gaming and should remain key drivers into the medium term:

- Channel shift from land-based spend to online and mobile (reflecting wider consumer behavioural changes).
- Smartphone penetration and usage.
- Mobile network connectivity and (to a lesser extent) access to fast broadband.
- Mobile data costs.
- Access to simple, effective and cheap payments solutions.
- Ability to advertise and market online gambling.

In more mature markets, each of these factors is well developed and this creates a large, mass-market online gaming industry. In the UK for example, 34% of all commercial gaming is conducted through online devices from a revenue perspective². The UK has high smartphone penetration (c.85% in 16–75 year olds)³, a high quality 4G mobile network (up to 70% availability)⁴ and a competitive mobile supplier market. In addition, consumer banking is highly developed (e.g. card payment has now overtaken cash in retail environments)⁵ and there are liberal advertising laws (especially for bingo, which can advertise on daytime TV). Conversely, in Spain only 6% of commercial gaming is online⁶, with strong

mobile penetration and connectivity offset by a consumer economy still more weighted to cash, as well as high levels of youth unemployment. Further, this low online gaming penetration figure for Spain is likely to be even lower in many non-European markets.

Long-term growth should therefore be underpinned by each of these drivers in all markets, with the global potential for online gaming remaining considerably greater than current revenue figures. This is especially true in less mature and emerging markets, where improvements can be significant and structural rather than incremental. Jackpotjoy plc's mass-market mobile focus makes it ideally placed to capitalise on these trends, especially given a growing presence in a range of strategically significant geographies, particularly Spain.

Another key driver of global online gaming is regulation. In Europe, 14 out of 28 EU member states now have some form of Point of Consumption licensing, which regulates and taxes online gambling in the country of the customer in primacy over offshore licensing jurisdictions (such as Gibraltar and Malta). While a number of important states have yet to adopt Point of Consumption legislation (e.g. Germany,

Drivers

Female focus

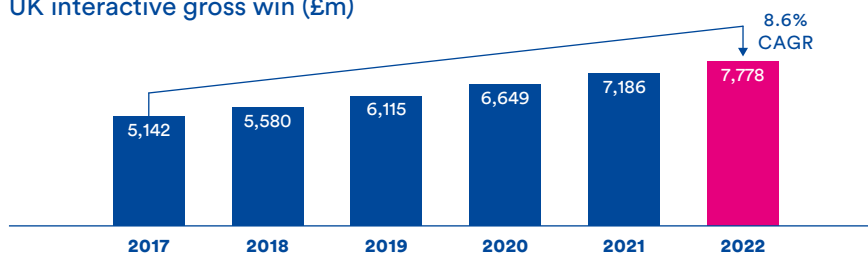
Diverse age ranges

Multi-platform offering

Social community
increases loyalty

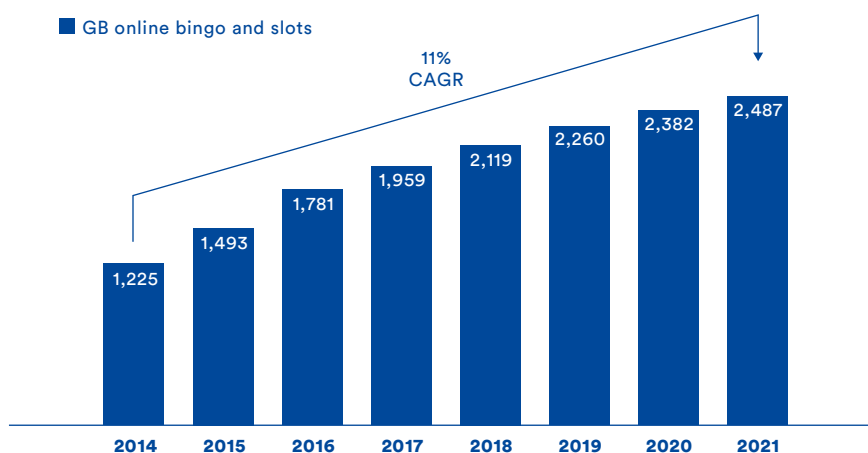
Growth in mobile
revenues

UK interactive gross win (£m)



Source: H2 Gambling Capital.

UK net gaming revenue¹ (£m)



Source: Regulus data dated January 2018. 1 Net gaming revenue excluding bonuses.

2 Based on global online gambling gross wins as of 2016. Note: Numbers may not add up due to rounding.

“

Between 2014 and 2017, the UK online bingo and slots market overall has grown at a CAGR of 17% and represented £1.9 billion revenue or 39% of the total market⁸.

Sweden and the Netherlands) and some have done so with minimal provision for gaming products (e.g. France), Point of Consumption regimes are now the primary tax structure in Europe. This is far less pronounced globally, though Colombia has now adopted a Point of Consumption regime and there are indications that other South American countries may follow. When well regulated and sensibly taxed, Point of Consumption regimes offer a much more stable and sustainable operating structure than .com markets. Jackpotjoy plc already generates 76% of its revenue from domestically regulated markets and is monitoring global regulatory trends closely.

While Jackpotjoy plc participates in the global online gaming market and is a leading operator in terms of scale, its core focus is in softer online gaming, especially in the UK. The UK market in which Jackpotjoy plc directly participates is primarily driven by bingo and slots. While the pure online bingo market has shown modest growth since Point of Consumption records began in late 2014 (revenue around £150 million–£160 million⁷), the online slots market has shown considerably more growth. Between 2014 and 2017, the UK online bingo and slots market

overall has grown at a CAGR of 17% and represented £1.9 billion revenue or 39% of the total market⁸. While growth is expected to slow from these levels, the underlying drivers highlighted above should continue to sustain attractive growth, especially from a mobile and mass market perspective. In the bingo-led vertical, Jackpotjoy is the UK market leader, albeit with significant share and underlying growth potential remaining.

1. Regulus Partners estimates, excludes Asian agent-aggregator revenue
2. Great Britain Gambling Commission 2017 data, Regulus Partners estimates (excludes lottery)
3. Deloitte statistics (September 2017)
4. Opensignal, State of Mobile Networks UK (April 2017)
5. British Retail Consortium Annual Payments Survey July 2017
6. Directorate-General for the Regulation of Gambling 2016 data, Regulus Partners estimates (excludes lottery)
7. Regulus Partners estimates
8. Great Britain Gambling Commission statistics, Regulus Partners estimates (adjusting for bonuses)

Strategic summary

Adapting to opportunities

Jackpotjoy plc's leading market position and diverse customer base (both geographically and demographically) provides us with a number of opportunities to deliver further growth.

Strategic priorities

We set out clear strategic priorities for 2017 and progress on the delivery of these objectives has been the cornerstone for the strong annual results delivered. This strategy is based on four specific opportunities, with the overriding goal to deliver further growth for the Group and build on our leading market position and loyal customer base.



Increasing market share

Reported gaming revenue growth of 14% in 2017, which includes a 12% increase in our largest business segment, the Jackpotjoy division. This highlights that we are continuing to gain traction in our core markets, the majority of which are regulated. There are significant opportunities for growth within the existing footprint given the strong presence we enjoy in our markets. We remain focused on organic growth within our leading brand portfolios through game launches, marketing campaigns and cross-Group cost efficiencies.



Product development, focusing on mobile offerings

It has been well documented that the online gaming market has undergone a transition in player engagement from desktop to mobile devices in recent years, and this shift is expected to continue. Our 2017 results highlight that Jackpotjoy UK generated 66% of house win from mobile in Q4, which was up from 57% in Q1. As well as continuing to address the mobile opportunity in the UK, we will continue to develop mobile offerings through platform enhancements across our overseas markets. In addition, we will look to add complementary products (desktop and mobile) to our existing offer wherever appropriate.



Targeted marketing campaigns

We continue to benefit from consistent and effective marketing campaigns and, during H2 2017, we returned to UK television to reinforce the market-leading brand strength of Jackpotjoy. Our customer acquisition strategy delivers a high Return on Investment ('ROI') in our key brands and our core female demographic has exhibited a high level of responsiveness to these campaigns.



Cross-selling opportunities

Following the final earn-out payment (in June 2017) for the non-Spanish assets we acquired from the Gamesys group of £94.2 million, we are now permitted to cross-sell brands and product (bingo and casino) across our different business segments. We expect to be able to mitigate customer churn through cross-sell in the medium term, supported by effective marketing over both mobile and desktop platforms across the brand portfolio.

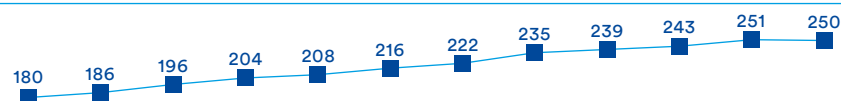
Outlook

We will continue to focus on the opportunities in each of the four key areas identified, as key strategic priorities over the medium term. In addition, we will look to diversify geographically; we are already present in a broad spread of international markets – some nascent and others more developed – and particularly as regulation and licensing becomes more prevalent, we see significant opportunities for growth.

Group KPIs

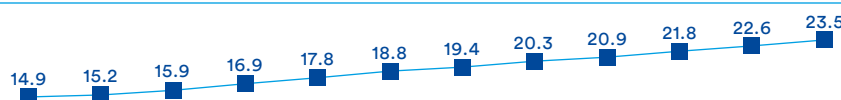
Observations

Average Active Customers per month (000's)



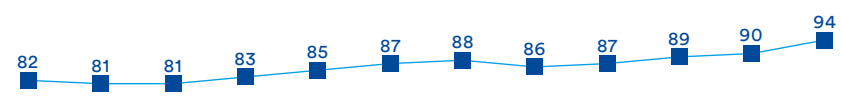
Average Active Customers grew to 250,321 in LTM 31 Dec 2017, an increase of 6% yoy

Average Monthly Gaming Revenue (£m)



Average Monthly Gaming Revenue grew to £23.5 million in LTM 31 Dec 2017, an increase of 16% yoy

Average Monthly Gaming Revenue per Active Customer (£)



Average Monthly Gaming Revenue per Active Customer of £94 in LTM 31 Dec 2017, an increase of 9% yoy

LTM Q1'15 LTM Q2'15 LTM Q3'15 LTM Q4'15 LTM Q1'16 LTM Q2'16 LTM Q3'16 LTM Q4'16 LTM Q1'17 LTM Q2'17 LTM Q3'17 LTM Q4'17

1. LTM – last 12 months.

KPIs

Measuring the delivery of our strategy is in part derived from the three KPIs defined below. As the chart shows, we made significant progress in the overall metric of Real Money Gaming Revenue in 2017 of 16%. Moving into FY18 and beyond we expect to be able to continue on an upwards trajectory in this respect to produce growth at least in line with the market.

Average Active Customers per month

250,321

2016: 235,584 **+6%**

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 12-month period. While this measure is not recognised by IFRS, management believes that it is a meaningful indicator of the Group's ability to acquire and retain customers.

Average Real Money Gaming Revenue per month

£23.5m

2016: £20.3m **+16%**

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

SEE PAGE 31 FOR FURTHER INFORMATION.

Total Real Money Gaming Revenue

£282.4m

2016: £243.0m **+16%**

Monthly Real Money Gaming Revenue per Average Active Customer

£94

2016: £86 **+9%**

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 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 Real Money Gaming Revenue.

SEE PAGE 31 FOR FURTHER INFORMATION.

Operational Review



Jackpotjoy: A market-leading brand

The Jackpotjoy division is comprised of all the brands owned by Jackpotjoy plc which operate on the Gamesys platform.

Snapshot

Products

- B2C Online Bingo (*Jackpotjoy*, *Botemania*)
- B2C Online Casino (*Star spins*)
- B2C Social Slots (*Jackpotjoy Social*, *Star spins Social*)

Software provider

Gamesys Group

Licences

Gibraltar, Spain, UK

Revenue

£211.3 million

Year-on-year revenue growth

12%

Adjusted EBITDA¹

£95.1 million

1. This is a non-IFRS measure. See pages 28, 29 and 113 for additional information.

Overview

Jackpotjoy is our flagship brand and the UK's market-leading online bingo-led product. Other brands include Star spins, Botemania (Spain) as well as our social brands Jackpotjoy Social and Star spins Social.

Financial performance

2017 was a key year for the division, as all brands except the Spanish assets completed the principal earn-out period in March and moved fully under our control. The transition was very successful, with top-line growth and EBITDA progression of 12%. Real money marketing spend included the launch of a major TV campaign in the UK while costs reflected the levy of the Point of Consumption tax on bonuses ('POC2') in the UK in Q4. We consider the major brand highlights within the Jackpotjoy division for 2017 below:

Jackpotjoy

When taking over the brand, we decided to refresh the marketing approach and to solidify Jackpotjoy's position as the market-leading UK bingo-led operator. We did that by introducing Paddy McGuinness as our new brand ambassador. The new

TV commercial aired in September, featuring Paddy as Barbara Windsor's successor. Showcasing both stars in the same commercial was unique and resonated well with our audience; brand awareness noticeably increased.

We feel that Paddy is an excellent fit for the Jackpotjoy brand and our target audience. He is someone with universal appeal and, like the ad says: "He has bingo in his blood" – his mum used to clean the bingo halls in Bolton, so he has a natural affinity for the game!

The campaign was very successful, and we are confident that our approach has elevated the profile of Jackpotjoy UK to new heights.

2017 also saw a greater focus on mobile with the launch of our chat on mobile and our new HTML5 desktop site. 66% of monthly revenue is now driven by mobile and this percentage continues to increase.

Star spins

Star spins is our slots brand that features unique 'community jackpots', offering players more ways to win with every spin.



2017 achievements

All brands except the Spanish assets completed the principal earn-out period.

Top-line growth and EBITDA progression of 12%.

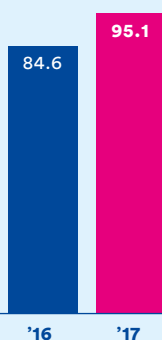
Greater focus on mobile with the launch of our chat on mobile and our new HTML5 desktop site.

“
**Jackpotjoy is our
flagship brand and the
UK's market-leading
online bingo-led
product.**

Revenue (£m)



Adjusted EBITDA (£m)



At any time a jackpot can drop where the winner receives 50% and everyone playing on the site at the time shares the remaining 50%. This Unique Selling Point ('USP') is a strong differentiator and we have further bolstered our offering by launching 37 new games from nine providers in 2017. The site has seen double-digit growth in 2017 and we are planning to continue this trajectory in 2018.

Botemania

Botemania is our bingo and casino brand in the Spanish market. We will capitalise on our leading market position by launching a new TV campaign in H1 2018, which will herald the return of 'Boteman', our very own superhero.

Outlook

With scale, strong brands, great content and a unique customer experience, the Jackpotjoy division is set to further leverage its competitive advantages in 2018. Additional investment in branding and marketing will help underpin continued growth across our key geographies.

Irina Cornides

CEO, Jackpotjoy division

Operational Review continued



Vera&John: International growth supported by proprietary technology

The Vera&John division is comprised of two leading brands, Vera&John and InterCasino.



Snapshot

Products

- B2C Online Casino (*Vera&John*, *InterCasino*)
- B2B White Label (*Plain Gaming*)

Software provider

Proprietary

Licences

Malta, UK, Denmark

Revenue

£73.2 million

Year-on-year revenue growth

28%

Adjusted EBITDA¹

£18.0 million

Overview

With licences in the UK, Denmark and Malta, an enthusiastic team of over 250 create and use our proprietary gaming platform to deliver a fun, safe and entertaining environment within which our customers can experience their own 'Winning Feeling'.

Since its launch in 2011, Vera&John has grown rapidly in its core Scandinavian marketplace. With the overall ambition to disrupt the industry by constantly challenging the stereotype of online gambling, Vera&John holds the position of a highly trusted brand in the Scandinavian market. Looking to the future, we now have the platform to deliver the promise of 'a more fun casino' across a truly international marketplace.

With over 22 years of pedigree, InterCasino is the original online casino – the underlying culture is to provide an environment where customers feel important and valued. With a goal to be the entertainment capital in the online casino category, the purpose is to make every InterCasino encounter feel like a big deal.

The Vera&John division also provides white-label services to several gaming clients using its proprietary gaming platform.

Divisional CEO overview

The year has been one of refocus and change for the division, and I am pleased to report that these changes have been very positive for the business. Early in the year, the Vera&John brand was taken back to its roots and refocused on its core Scandinavian market. Towards year-end, we set about further geographic expansion. The relaunch of InterCasino into the UK market was a key objective for the division and the early signs are very encouraging. I am personally very enthused at the welcome I received from the division when joining in October 2017 and look forward to working with our excellent team to deliver upon the growth opportunities we see for 2018 and beyond.

Financial performance

Revenue for the Vera&John division in FY2017 increased by 28% compared to FY2016 due to organic growth (including geographic expansion into new jurisdictions). On a constant currency basis, revenue increased

1. This is a non-IFRS measure. See pages 28, 29 and 113 for additional information.



2017 achievements

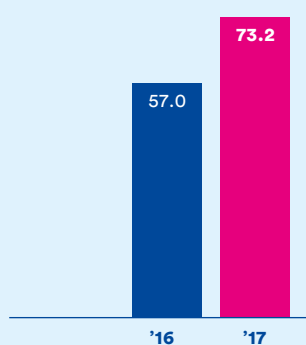
Early in the year, the Vera&John brand was taken back to its roots and refocused on its core Scandinavian market.

The relaunch of InterCasino into the UK market was a key objective for the division and the early signs are very encouraging.

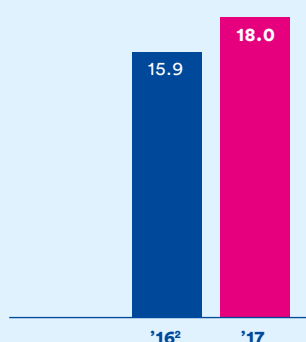
Revenue grew 28% to £73.2 million and EBITDA increased 13% to £18 million.

“
The Vera&John division will continue to invest in further marketing, product innovation and expansion in new and existing markets.”

Revenue (£m)



Adjusted EBITDA (£m)



by 20% from FY2016. Distribution costs also increased by 29% in FY2017 compared to FY2016, as game suppliers and payment providers' costs moved proportionally with revenue.

Increases in administration costs for the year 2017 compared to 2016 were mainly driven by a step-up in personnel costs as the segment continues to grow.

Highlights

The continued strength of Vera&John, coupled with the relaunch of InterCasino, made for a very successful year. Revenue grew 28% to £73.2 million and EBITDA increased 13% to £18.0 million compared to FY2016. The major highlights within the division for 2017 are as follows:

During the year, the InterCasino brand was launched in the UK market using a combined television and offline media marketing approach. The Vera&John brand was launched into the Danish and German markets. Initial results from these activities are very encouraging, and helped drive growth in the number of Average Active Customers compared to FY 2016.

Our development organisation released a new version of the InterCasino site, focused on mobile customers. Overall, the percentage of mobile revenues continues to increase month on month, as we focus on improving our offering to these customers.

Outlook

With our customers at the heart of everything we do, the Vera&John division will continue to invest in further marketing, product innovation and expansion in new and existing markets. Using our proprietary platform as a point of differentiation, the opportunity to leverage a dual brand approach will continue to deliver positive results and further expand our reach across a more diverse customer profile.

David Flynn
CEO, Vera&John division

2. Excludes £2.1m of other income earned from the Revenue Guarantee and from Platform Migration Revenue in 2016.

Operational Review continued



Mandalay Media: Robust profit performance

The Mandalay Media division operates 28 UK-facing bingo and slots brands, most of which are on 888's Dragonfish platform.



Snapshot

Products

- B2C Online Bingo

Software provider

888 (Dragonfish)

Licences

Gibraltar, UK

Revenue

£20.2 million

Year-on-year revenue

(7)%

Adjusted EBITDA¹

£7.1 million

Overview

Costa Bingo is Mandalay's best-known bingo brand, while in recent years several new slots brands have been created, including Slot Crazy and Costa Games. An original and exciting addition to the portfolio of brands is JackpotHappy.com, which is hosted on the Gaming Realms platform.

Financial performance

As a division with a traditionally bonus-heavy offering, 2017 had the potential to be a tough year following the introduction of POC2. Prudence and optimisation were key as all aspects of divisional operations were reappraised, from standard customer bonus provision through to the allocation of marketing spend. Pleasingly, all efforts paid off in what was a profitable year for the division. Adjusted EBITDA was up by 8% year-on-year to £7.1 million although revenues came down -7% to reflect the shift away from the bonus-led offers approach.

Operational developments

As noted above, the Mandalay Media division has traditionally relied on the heavy provision of customer bonuses as a means of inducing loyalty. A reappraisal of the entire approach to loyalty and customer needs in 2017 meant, for example, we placed more emphasis on our 'Diamond Club' loyalty scheme, a Mandalay Media USP. Increased focus was also made on the VIP player segment too.

Meanwhile, running alongside this, a much more targeted approach to CRM marketing was taken, with technology driving increased understanding across multiple player segments. By better understanding the needs of all our players, and by striving to deliver what they want and at the right time, we were able to steadily increase Mandalay Media unique player values throughout 2017.

1. This is a non-IFRS measure. See pages 28, 29 and 113 for additional information.

2017 achievements

As a division with a traditionally bonus-heavy offering, 2017 had the potential to be a tough year.

Pleasingly, all efforts paid off in what was a profitable year for the division.

Adjusted EBITDA was up by 8% year-on-year to £7.1 million.

“

The outlook for the Mandalay Media brands is bright over the longer term given our proven ability to change and adapt to prevailing market conditions.

Revenue (£m)



Adjusted EBITDA (£m)



Outlook

It is fair to say that in a rapidly changing industry there are still challenges ahead of us, including the ongoing impact of the POC2 tax on bonuses and similar offers which kicked in during Q4 2017. That said, the outlook for the Mandalay Media brands is bright over the longer term given our proven ability to change and adapt to prevailing market conditions. By continuing to invest in our people, we will improve our collective knowledge to best serve the needs of our customers and concurrently generate increased longer-term value for the Group.

Garry McGibbon

MD, Mandalay Media division

Principal risks and uncertainties

Managing our risks

Risk is intrinsic to the industry in which Jackpotjoy plc operates. As a result, considering, and accepting, the impact, both positive and negative, which risk can have on our business is key to the successful delivery of our strategy.

Understanding our principal risks and ensuring that we have sufficient controls in place is critical to our continued growth and success. Although we operate in a fast-changing business environment, we have considered our principal risks alongside our strategy over the next three years.

Ultimate accountability for risk management lies with the Board, supported by the Audit & Risk Committee. We have acknowledged the importance of developing our approach to risk management, and have engaged PricewaterhouseCoopers to support the

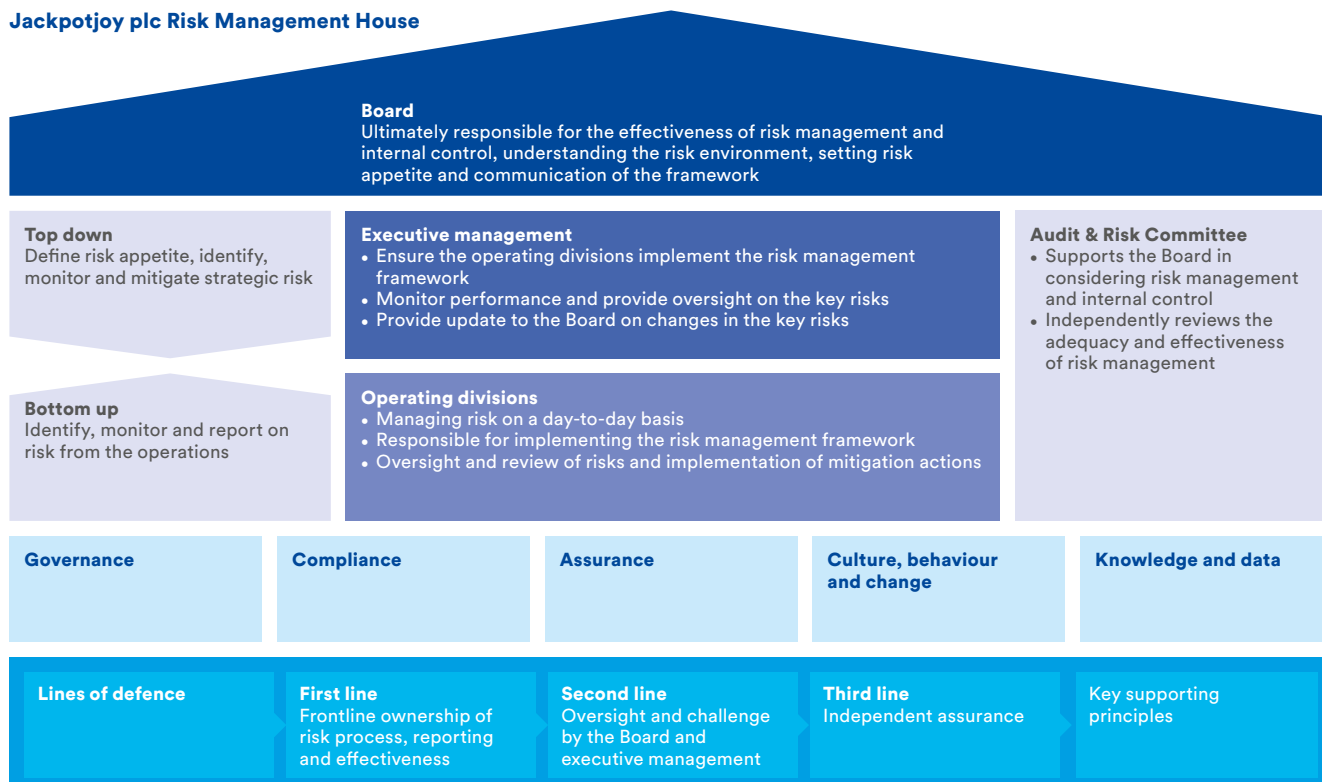
Group in the design and implementation of a framework to allow for the identification, assessment, mitigation and monitoring of risk throughout the Group and operating divisions.

Jackpotjoy plc follows the UK Corporate Governance Code and supports its application in delivering a well-governed business. This has influenced the development of our risk management framework to provide clarity on risk governance and oversight whilst encouraging ownership and accountability for risk management. The framework

summarises the formal process for the identification, assessment, mitigation, reporting, monitoring and review. We are continuing to implement this process whilst developing a risk-aware culture, supported by expected behaviours, throughout the business during 2018.

This has been developed to ensure we have in place three lines of defence, whilst being dynamic and practical to our needs. This will allow us to respond to changes in the business environment, whilst continuing to deliver on our expectations of increased transparency, value protection and creation.

Jackpotjoy plc Risk Management House



How we manage risk at Jackpotjoy plc

Prior to the IPO, the Company did not undertake any business activities and therefore this section focuses on the post-IPO risks and mitigants. Through late 2017, we completed a review of the existing risk management information with the support of PwC. Our executives and senior management developed an aggregated view of risk from high-level discussions with the operating divisions on their view of strategic risk and incorporating a bottom-up perspective. The Board and our executives reviewed these risks to develop the Group's understanding of its principal risks and to ensure that there were adequate controls in place to mitigate these, where applicable. During these discussions, the Board concluded that it was comfortable with the potential impact of the principal risks, against our inherent risk appetite, and communicated the importance of the risk management clearly across the business. Work will be undertaken in 2018 with the operating divisions and our key partners to build a richer picture of risk information alongside implementation of some key areas.

The priorities for risk management throughout 2018 will be to:

- Continue to review the UK Corporate Governance Code using the comply or explain basis.
- Progressively assess our risk appetite against the principal risks to allow for informed decision-making against our strategic priorities.
- Continue to embed the risk management framework, encouraging ownership and accountability throughout the operating divisions.
- Complete a bottom-up review through the operating divisions to provide greater detail on the operational risk information available, including detailed control assessment.
- Embed the 'three lines of defence' (as reflected in the Risk Management House) approach to assurance through the business, management (supported by the risk function) and independent assurance, where appropriate.

With regard to the effectiveness of risk and internal control throughout the business, this has been covered on page 45, under the Corporate Governance Report.

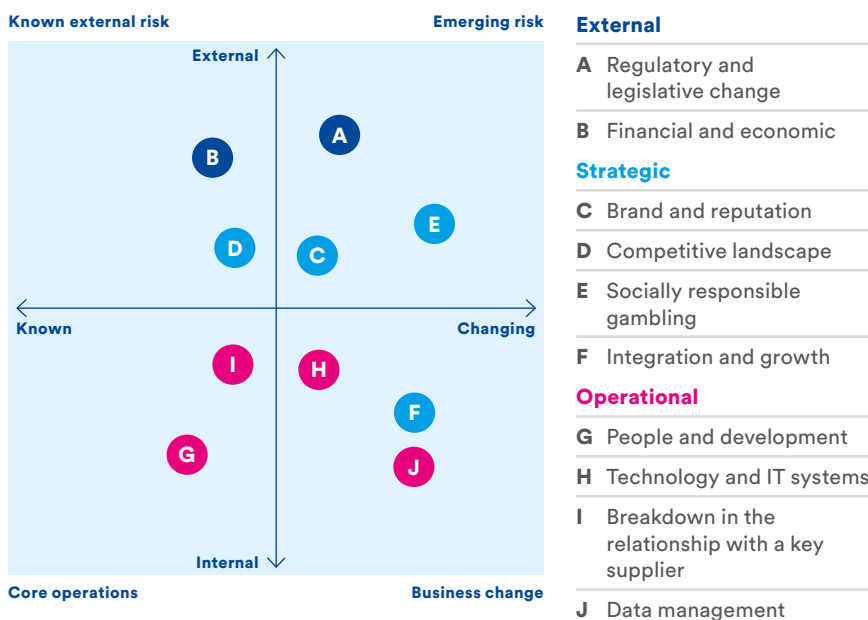
Our principal risks

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

The radar shows the position of our principal risks. As this is the first year of reporting, following the listing in early 2017, there is no trend to show how these have changed in priority, but we have taken the decision to split these into three areas over which we can have varying levels of control and oversight.

These three areas are:

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



Further detail on the principal risks has been provided on the following pages, which includes information on the key mitigations, links to our strategic priorities, what has happened in 2017 and what the focus will be for 2018.

Principal risks and uncertainties continued

EXTERNAL

Risk

Regulatory and legislative change

Licensing, taxes, laws and regulatory changes in key markets could have a materially adverse impact on the Group and operations.

Strategy links



Increasing market share



Product development, focusing on mobile offerings

Financial and economic

Potential macroeconomic change, including currency fluctuations and interest rates, have a negative impact on Jackpotjoy plc.

Strategy links



Increasing market share



Product development, focusing on mobile offerings

Key mitigations

Close relationship with the key regulators who have issued licences.

Engaged external consultancy (Oakhill), who provide guidance and commentary on UK regulatory change.

Strong network of external advisers who provide guidance and support to understand incoming legislation and prospective regulation.

Member of the Remote Gambling Association, in which we participate actively.

Strong network of like-minded individuals with industry understanding and real-time information.

Online gaming has a proven track record of being resilient to recession and economic decline.

Wide range of products and geographical spread of customers.

Less reliance on VIPs than many of our peers.

External debt is denominated in the currencies which we generate.

From a working capital perspective, there is limited exposure due to the cash nature of the business.

Monitoring changes in the macroeconomic environment on an ongoing basis.

Developments in 2017

Developed the Jackpotjoy plc suite of regulatory and legislative controls which includes regulatory reporting, internal checks and balances and experienced compliance team based in Malta.

Targeted recruitment of industry-experienced individuals to further embed the controls at Group and across the operating divisions.

The refinancing which was put in place in late 2017 has allowed us to align our external debt with a ratio similar to that of the currencies where we generate revenue.

Focus for 2018

Ongoing review and enhancement of the suite of regulatory and legislative controls.

Further integration and development of the controls within the business and operating divisions.

Monitoring the hedging in place to minimise our exposure.

Continuous review and evolution of our products, as shown in greater detail in our strategic summary on page 12.

STRATEGIC

Risk

Brand and reputation

A major incident could leave a negative impact on the Jackpotjoy brand.

Strategy links



Targeted marketing campaigns



Product development, focusing on mobile offerings

Competitive landscape

Jackpotjoy plc potentially fails to adapt and innovate to maintain their position as a market leader.

Strategy links



Product development, focusing on mobile offerings



Cross-selling opportunities

Key mitigations

Key response plan in place.

Business impact analysis of the key areas that could impact the business, including proactive plans, in place to manage.

Ongoing competitor and market analysis to ensure wider awareness and drive discussion on innovation required.

The Innovation Group, headed by Darren Rennick, President of Jackpotjoy Operations Ltd., has been put in place to identify and deliver the key initiatives.

Customer insights, business development and data analytics capabilities in place.

Developments in 2017

Listing of the business on the London Stock Exchange with the required activities completed.

Identified the need to develop a multiple brand and customer-focused strategy.

A group (Innovation Group) has been set up, headed by the President of Jackpotjoy Operations Ltd., to consider analysis of competitors, markets and customer data. The Innovation Group's objectives are to: (i) promote Company-wide awareness and an internal discussion of competitive and systemic threats to our business; and (ii) to review the strategic opportunities available which differentiate Jackpotjoy from our competition.

Development of more formalised infrastructure to capture key data and drive decisions.

Agreed the budget to build resource for customer insights, business development and data analytics capabilities.

Introduced a number of new offerings in pilot locations to test viability.

Focus for 2018

Review of the compliance checks in place across the business.

Customer charter is under development which will place the customer at the heart of our decision-making. This will be used to influence our discussions with the wider industry on the risks around socially responsible gambling.

Development and implementation of the multiple brand strategy to build resilience and customer offerings.

Ongoing development of the Innovation Group and delivery of key projects.





Development of our data analytics to drive product development with the customer-centric model.

Customer Insights and Business Development team to be embedded.

Formal launch of pilot offerings following completion of the testing programme.

Principal risks and uncertainties continued







STRATEGIC CONTINUED

Risk	Key mitigations	Developments in 2017	Focus for 2018
<p>Socially responsible gambling</p> <p>Jackpotjoy plc recognises the need to apply high standards to the welfare of our customers.</p> <p>Strategy links</p> <ul style="list-style-type: none">  Targeted marketing campaigns  Product development, focusing on mobile offerings 	<p>KPIs in place which allow the business to monitor the key customer metrics in relation to potential trends that could be of concern.</p> <p>Increased personalisation of the customer experience with a culture based around growing customer numbers.</p> <p>Identified the need to take a proactive approach to the management of potential issues with the development of the customer charter and industry engagement.</p>	<p>Identified the need to develop a multiple brand and customer-focused strategy.</p> <p>Initial discussions with the broader industry on the need to ensure that customer welfare is a focus area.</p>	<p>Using our position as the market leader to ensure the required attention is given to corporate responsibility by the broader industry.</p> <p>Lead the industry in making corporate responsibility a key part of our business strategy; further detail on this is given under Corporate Social Responsibility on pages 34 to 37.</p> <p>Our approach to corporate responsibility will be discussed with our peers and suppliers to encourage a proactive approach to embed this into established ways of working.</p>
<p>Integration and growth</p> <p>Timely integration of the legacy business and delivering a clear strategy is key for the growth of Jackpotjoy plc.</p> <p>Strategy links</p> <ul style="list-style-type: none">  Increasing market share  Cross-selling opportunities 	<p>Quarterly governance meetings with platform providers.</p> <p>Regular joint working groups with platform providers.</p> <p>Use of external consultants for marketing advice as required.</p> <p>Strategy is reviewed on a quarterly basis and updated as required.</p>	<p>Engagement with platform providers on the integration requirements.</p> <p>Initial discussions on the strategy for growth.</p>	<p>Development and delivery of the integration plan working towards execution in 2019.</p> <p>Clear strategy for growth on the products, platforms and brands.</p> <p>Development of a marketing structure and capability.</p> <p>Recruitment of a Non-Executive Director with skills in marketing and digital strategy.</p>

OPERATIONAL

Risk	Key mitigations	Developments in 2017	Focus for 2018
<p>People and development</p> <p>Failure to build the internal capability and capacity to deliver the growth targets identified.</p> <p>Strategy links</p> <ul style="list-style-type: none">  Increasing market share  Product development, focusing on mobile offerings 	<p>Recruitment and succession plans in place.</p> <p>Cross-business collaboration to bring efficiencies and best practice.</p> <p>Ongoing investment in people and development.</p>	<p>Recruited widely across the Group to bring in additional capacity and capability.</p> <p>Review of the strategy and business model to align this to a people and customer focus.</p>	<p>Introduce a Group approach to the management of the business divisions, including the development and management of our people.</p> <p>Design a staff development programme and roll this out across the Group.</p> <p>Build a marketing team with relevant experience.</p>

OPERATIONAL CONTINUED

Risk	Key mitigations	Developments in 2017	Focus for 2018
<p>Technology and IT systems A failure or damage to our technology or systems will negatively impact our operations.</p> <p>Strategy links</p> <ul style="list-style-type: none">  Increasing market share  Product development, focusing on mobile offerings 	<p>Systems improvement plan is in place and is being rolled out.</p> <p>Wider controls are covered in the key supplier risk.</p>	<p>Development of a systems improvement plan.</p> <p>Review of key suppliers to ensure we have a clear view of our systems and dependencies.</p> <p>Review of data protection and quality.</p>	<p>Delivery of the systems improvement plan.</p> <p>Delivery of the single customer view project.</p> <p>Continued development of data protection implementation.</p> <p>Further in-house development of gaming platform software.</p>
<p>Breakdown in the relationship with a key supplier Jackpotjoy plc is reliant on a number of third parties for the operation of the business through provision of our platforms and systems.</p> <p>Strategy links</p> <ul style="list-style-type: none">  Product development, focusing on mobile offerings  Cross-selling opportunities 	<p>Established and mutually beneficial relationships with the key suppliers.</p> <p>Understanding of the additional providers available in the market.</p>	<p>Identified the need to reduce the reliance on key suppliers whilst maintaining key relationships.</p>	<p>Develop our relationships with the key suppliers as critical stakeholders in our business.</p> <p>Launching new brands on new platforms to reduce reliance and provide greater offerings to our customers.</p> <p>Further areas of focus are covered in the technology and IT systems risk.</p>
<p>Data management JPJ processes customer data and recognised the need to comply with the highest standards of data protection and privacy legislation.</p> <p>Strategy links</p> <ul style="list-style-type: none">  Product development, focusing on mobile offerings  Cross-selling opportunities 	<p>Data access is managed through a wholly owned system called Active Directory, which is a management system to control access to customer data. Strict access procedures and audit trail capability are in place. Data is cloud based and not locally stored, all data is controlled by the business at all times.</p> <p>System change access is managed through management processes and permissions. Device and individual orientated controls.</p>	<p>Development of centralised data management function within Vera&John.</p> <p>A GDPR readiness assessment was completed during the year.</p> <p>The Group has implemented a plan to meet GDPR regulations. GDPR-related training has been introduced.</p>	<p>Continue to focus on meeting GDPR guidelines.</p> <p>Plans to further improve data recovery plan through the introduction of off-site replicas.</p> <p>Further development of data management systems and security capabilities.</p>
<p>Adviser and regulatory assurance e.g. United Kingdom Gambling Commission is given through ongoing audits and reviews.</p>			

Financial Review

A year of considerable progress

FY17 was a year of considerable progress in terms of operating performance and balance sheet structure.

Overview

Strong cash flow is at the heart of our business model and we generated a record £101 million of operating cash flow in 2017 (22% higher than 2016) which equates to £1.35/share. This reflects a conversion rate of Adjusted EBITDA¹ to operating cash flow of 93%. Meanwhile, the balance sheet highlight for the year was a comprehensive refinancing of our debt facilities which realised a c.300 basis point interest saving. At the year end, our adjusted net leverage ratio (including all remaining earn-outs payable) was 3.57x and it remains a top priority to reduce this leverage ratio over the course of 2018 and beyond. The following sections include the high-level performance of the Group and business segments in 2017 compared to the previous year as well as some detail on our Group KPIs.

Selected financial information

	Year ended 31 December 2017 (£000's)	Year ended 31 December 2016 (£000's)
Total revenue and other income	304,646	269,044
Net loss	(67,897)	(40,643)
Basic net loss per share	£(0.92)	£(0.57)
Diluted net loss per share	£(0.92)	£(0.57)

Comparison of the year ended 31 December 2017 and 2016

Net loss

The Group's higher net loss of £67.9 million for the year ended 31 December 2017 compared to a net loss of £40.6 million in 2016 can be primarily attributed to a loss of £12.5 million on the cross currency swap in 2017 compared to a gain of £34.1 million on the cross currency swap in 2016. The increase is further driven by higher

1. This is a non-IFRS measure. See pages 28, 29 and 113 for additional information.

accretion on financial liabilities (2017 – £25.0 million and 2016 – £17.9 million) related to debt refinance that took place in Q4 2017, as well as higher interest expense (2017 – £30.2 million and 2016 – £18.2 million) due to additional debt obtained in Q4 2016. These increases are offset by lower fair value adjustments on contingent consideration (2017 – £27.6 million and 2016 – £49.4 million).

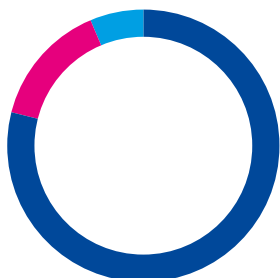
Total revenue and other income

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

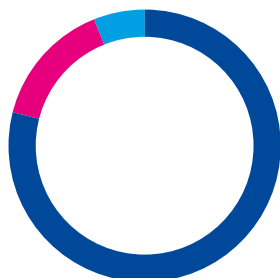
- £211.3 million in revenue earned from Jackpotjoy's operational activities.
- £73.2 million in revenue earned from Vera&John's operational activities.
- £20.2 million in revenue earned from Mandalay's operational activities.

The Group's revenues during the year ended 31 December 2016 consisted of:

- £188.2 million in revenue earned from Jackpotjoy's operational activities.
- £57.0 million in revenue earned from Vera&John's operational activities.
- £21.7 million in revenue earned from Mandalay's operational activities.
- £2.1 million in other income earned from the revenue guarantee relating to the service agreement entered into with Amaya Inc. (the 'Revenue Guarantee') and Platform Migration Revenue (the 'Platform Migration Revenue') from Amaya Inc. included in the Vera&John operating segment.

2016 Divisional
adjusted EBITDA

● Jackpotjoy	£84.6m
● Vera&John	£15.9m¹
● Mandalay	£6.6m

2017 Divisional
adjusted EBITDA

● Jackpotjoy	£95.1m
● Vera&John	£18.0m
● Mandalay	£7.1m

1. Excludes £2.1 million of other incomes earned from the Revenue Guarantee and from Platform Migration revenue.

The increase in revenue for the year ended 31 December 2017 in comparison with the year ended 31 December 2016 relates primarily to organic growth² of the Vera&John and Jackpotjoy segments, where revenues increased by 28% and 12%, respectively.

2. The Group defines organic growth as growth achieved without accounting for acquisitions or disposals.

Costs and expenses

	Year ended 31 December 2017 (£000's)	Year ended 31 December 2016 (£000's)
Expenses:		
Distribution costs	147,483	130,735
Administrative costs	113,039	96,200
Transaction related costs	6,710	22,767
Severance costs	700	5,695
	267,932	255,397

Distribution costs

	Year ended 31 December 2017 (£000's)	Year ended 31 December 2016 (£000's)
Selling and marketing	49,760	46,744
Licensing fees	47,067	42,653
Gaming taxes	37,851	29,769
Processing fees	12,805	11,569
	147,483	130,735

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 Mandalay and Jackpotjoy segments to operate on their respective platforms and game suppliers' fees paid by the Vera&John and Jackpotjoy segments. Gaming taxes largely consist of point of consumption ('POC') tax, which is a 15% tax on Total Real Money Gaming Revenue (a non-IFRS measure; please refer to page 113 for additional information) 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 was introduced in the UK in August 2017 and 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.

The increase in distribution costs for year ended 31 December 2017 compared to the same period in 2016 is mainly due to the higher revenues achieved.

Administrative costs

	Year ended 31 December 2017 (£000's)	Year ended 31 December 2016 (£000's)
Compensation and benefits	34,848	29,490
Professional fees	3,749	3,741
General and administrative	11,400	6,836
Amortisation and depreciation	63,042	56,133
	113,039	96,200

Financial Review continued

Compensation and benefits costs consist of salaries, wages, bonuses, directors' fees, benefits and share-based compensation expense. The increase in costs for the year ended 31 December 2017 compared to the same period in 2016 relates to staff additions, bonus accruals, and salary increases in various business units.

Professional fees consist mainly of legal, accounting and audit fees. Professional fees incurred in the year ended 31 December 2017 are flat in comparison to year ended 31 December 2016 as the prior year balances included one-time costs related to the Independent Committee.

General and administrative expenses consist of items such as rent and occupancy, travel and accommodation, insurance, listing fees, technology and development costs, write-offs of accounts

receivable and other office overhead charges. The increase in these expenses for the year ended 31 December 2017 compared to the same period in 2016 relates to accounts receivable write-offs of £1.5 million, as well as higher travel costs and overheads.

Transaction related costs

Transaction related costs consist of legal, professional, due diligence, other direct costs/fees associated with transactions and acquisitions contemplated or completed, initiatives, costs related to corporate structure optimisation, and the refinancing of the Group's external debt. 2016 and Q1 2017 transaction related costs also included costs associated with the UK strategic review and initiatives undertaken by the Intertain board of directors. Transaction related costs for the year ended 31 December 2016 additionally included special committee fees.

Adjusted EBITDA, Adjusted Net Income, and Diluted Adjusted Net Income per share for the year ended 31 December 2017 and 2016

The following table highlights Adjusted EBITDA, Adjusted Net Income, and Diluted Adjusted Net Income per share for the year ended 31 December 2017 and 2016 and a reconciliation of the Group's reported results to its adjusted measures.

	Year ended 31 December 2017 (£000's)	Year ended 31 December 2016 (£000's)
Net Loss for the period	(67,897)	(40,643)
Interest expense, net	30,007	18,087
Accretion on financial liabilities	25,049	17,857
Taxes	701	(64)
Amortisation and depreciation	63,042	56,133
EBITDA¹	50,902	51,370
Share-based compensation	1,429	2,264
Severance costs	700	5,695
Fair value adjustment on contingent consideration	27,562	49,382
Gain on sale of intangible assets	(1,271)	–
Independent Committee related expenses	–	1,693
Loss/(gain) on cross currency swap	12,512	(34,070)
Transaction related costs	6,710	22,767
Foreign exchange loss	10,051	3,098
Adjusted EBITDA¹	108,595	102,199
Net Loss for the period	(67,897)	(40,643)
Share-based compensation	1,429	2,264
Severance costs	700	5,695
Fair value adjustment on contingent consideration	27,562	49,382
Gain on sale of intangible assets	(1,271)	–
Independent Committee related expenses	–	1,693
Loss/(gain) on cross currency swap	12,512	(34,070)
Transaction related costs	6,710	22,767
Foreign exchange loss	10,051	3,098
Amortisation of acquisition related purchase price intangibles and non-compete clauses	61,227	55,505
Accretion on financial liabilities	25,049	17,857
Adjusted Net Income¹	76,072	83,548
Diluted Net Loss per share	£(0.92)	£(0.57)
Diluted Adjusted Net Income per share¹	£1.02	£1.13

1. This is a non-IFRS measure. See page 113 for additional information.

Summary of results by segment

Results by segment

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

Year ended 31 December 2017:

	Jackpotjoy (£000's)	Vera&John (£000's)	Mandalay (£000's)	Unallocated corporate costs ¹ (£000's)	Totals (£000's)
Gaming revenue	211,302	73,167	20,177	–	304,646
Net Income/(Loss) for the year	48,600	7,939	1,089	(125,525)	(67,897)
Interest expense, net	–	(166)	4	30,169	30,007
Accretion on financial liabilities	–	–	–	25,049	25,049
Taxes	–	701	–	–	701
Amortisation and depreciation	46,420	9,956	6,286	380	63,042
EBITDA²	95,020	18,430	7,379	(69,927)	50,902
Share-based compensation	–	–	–	1,429	1,429
Severance costs	–	–	–	700	700
Fair value adjustment on contingent consideration	–	–	–	27,562	27,562
Loss on cross currency swap	–	–	–	12,512	12,512
Transaction related costs	–	–	–	6,710	6,710
Gain on sale of intangible assets	–	(1,002)	(269)	–	(1,271)
Foreign exchange loss	75	599	24	9,353	10,051
Adjusted EBITDA²	95,095	18,027	7,134	(11,661)	108,595

1. Unallocated corporate costs generally include the results from activities such as acquisition negotiations, acquisition due diligence, the UK strategic review, the raising of capital to fund acquisitions, payment of interest on debt, refinancing of debt, and the reporting obligations of Jackpotjoy plc and Intertain.
2. This is a non-IFRS measure. See page 113 for additional information.

Year ended 31 December 2016:

	Jackpotjoy (£000's)	Vera&John (£000's)	Mandalay (£000's)	Unallocated corporate costs ¹ (£000's)	Totals (£000's)
Gaming revenue	188,177	57,013	21,748	–	266,938
Other income	–	2,106	–	–	2,106
Net Income/(Loss) for the year	43,485	7,849	823	(92,800)	(40,643)
Interest expense, net	–	(83)	6	18,164	18,087
Accretion on financial liabilities	–	–	–	17,857	17,857
Taxes	–	(64)	–	–	(64)
Amortisation and depreciation	41,341	8,863	5,913	16	56,133
EBITDA²	84,826	16,565	6,742	(56,763)	51,370
Share-based compensation	–	–	–	2,264	2,264
Severance costs	–	–	–	5,695	5,695
Independent Committee related expenses	–	–	–	1,693	1,693
Fair value adjustment on contingent consideration	–	–	–	49,382	49,382
Gain on cross currency swap	–	–	–	(34,070)	(34,070)
Transaction related costs	–	862	–	21,905	22,767
Foreign exchange (gain)/loss	(248)	593	(132)	2,885	3,098
Adjusted EBITDA²	84,578	18,020	6,610	(7,009)	102,199

1. Unallocated corporate costs generally include the results from activities such as acquisition negotiations, acquisition due diligence, the UK strategic review, the raising of capital to fund acquisitions, payment of interest on debt, refinancing of debt, and the reporting obligations of Jackpotjoy plc and Intertain.
2. This is a non-IFRS measure. See page 113 for additional information.

Financial Review continued



Comparison and discussion of the year ended 31 December 2017 to the year ended 31 December 2016

Jackpotjoy

	YTD 2017 £(millions)	YTD 2016 £(millions)	Variance £(millions)	Variance %
Revenue	211.3	188.2	23.1	12%
Distribution costs	99.1	88.1	11.0	12%
Administration costs	17.1	15.5	1.6	10%
Adjusted EBITDA ¹	95.1	84.6	10.5	12%

1. This is a non-IFRS measure. See pages 28, 29 and 113 for additional information.

Revenue for the Jackpotjoy segment increased in the year ended 31 December 2017 due to organic growth (as defined on page 113) led by sharp increases in Star spins and Botemania brands. Collectively, they accounted for 22% of the segment's revenue for the year ended 31 December 2017, respectively. Jackpotjoy UK brand revenue accounted for 66% of the Jackpotjoy segment's revenue for the year ended 31 December 2017. In addition to higher revenues achieved, the increase in distribution costs for the year ended 31 December 2017 is further driven by the segment's UK TV marketing campaign launched in September 2017, as well as an incremental gaming tax expense incurred in Q4 2017, which relates to the introduction of tax on bonuses through UK POC2 tax.

Vera&John

	YTD 2017 £(millions)	YTD 2016 £(millions)	Variance £(millions)	Variance %
Revenue	73.2	57.0 ¹	16.2	28%
Distribution costs	36.6	28.3	8.3	29%
Administration costs	18.6	12.8	5.8	45%
Adjusted EBITDA ²	18.0	15.9 ¹	2.1	13%

1. Excludes £2.1 million of other income earned from the Revenue Guarantee and from Platform Migration Revenue in 2016.

2. This is a non-IFRS measure. See pages 28, 29 and 113 for additional information.

Revenue for the Vera&John segment in the year ended 31 December 2017 increased by 28%, compared to the same period in 2016 due to strong organic growth (as defined on page 113). GBP to EUR exchange rate movement also impacted these results. On a constant currency basis in the year ended 31 December 2017, revenue increased by 20%, compared to the same period in 2016. Constant currency amounts are calculated by applying the same EUR to GBP average exchange rates to both, current and prior year comparative periods. Distribution costs also increased by 29% as game suppliers and payment providers' costs moved proportionally with revenue. Selling and marketing costs increased by 35% in the year ended 31 December 2017 respectively, due to several marketing campaigns launched in Q4 2017.

Increases in administration costs for the year ended 31 December 2017 compared to the same period in 2016, were mainly driven by accounts receivable write-offs recorded in Q4 2017, as well as increases in personnel costs as the segment continues to grow.

Mandalay

	YTD 2017 £(millions)	YTD 2016 £(millions)	Variance £(millions)	Variance %
Revenue	20.2	21.7	(1.5)	(7%)
Distribution costs	11.7	14.0	(2.3)	(16%)
Administration costs	1.4	1.1	0.3	27%
Adjusted EBITDA ¹	7.1	6.6	0.5	8%

1. This is a non-IFRS measure. See pages 28, 29 and 113 for additional information.

Revenue for the Mandalay segment for year ended 31 December 2017 was 7% lower compared to the same period in 2016. However, for the year ended 31 December 2017, Adjusted EBITDA was 8% higher compared to the prior period in 2016 as a result of lower marketing spend. Operational margins and deposit hold have been improving since the segment focused on changing promotional spend in Q1 2017. The segment continues to focus on developing a long-term strategy to best maximise future growth.

Unallocated Corporate Costs

Adjusted EBITDA on unallocated corporate costs decreased from (£7.0) million to (£11.7) million in the year ended 31 December 2017 as compared to the year ended 31 December 2016. This is primarily due to an increase of £1.7 million in compensation due to the addition of new staff and bonuses, a £1.2 million increase in general and administrative overhead costs associated with increased headcount and higher travel costs, as well as a £1.8 million increase in professional fees.

Key Performance Indicators

	Year ended 31 December 2017	Year ended 31 December 2016	Variance	Variance %
Average Active Customers per month (#)	250,321	235,584	14,737	6%
Total Real Money Gaming Revenue (£000's) ¹	282,375	243,042	39,333	16%
Average Real Money Gaming Revenue per month (£000's)	23,531	20,254	3,277	16%
Monthly Real Money Gaming Revenue per Average Active Customer (£)	94	86	8	9%

1. Total Real Money Gaming Revenue for the year ended 31 December 2017 consists of total revenue less other income earned from the Revenue Guarantee and Platform Migration Revenue of £nil (31 December 2016 – £2.1 million) and revenue earned from affiliate websites and social gaming revenue of £22.3 million (31 December 2016 – £23.9 million).

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

Financial Review continued

Financial position

	As at 31 December 2017 (£000's)	As at 31 December 2016 (£000's)	Variance (£000's)
Total current assets	93,232	139,077	(45,845)
Total non-current assets	595,947	652,301	(56,354)
Total assets	689,179	791,378	(102,199)
Total current liabilities	98,469	154,860	(56,391)
Total non-current financial liabilities	386,653	397,050	(10,397)
Total liabilities	485,122	551,910	(66,788)

The £36.4 million decrease in current assets (excluding the cash and restricted cash decrease of £9.5 million) since 31 December 2016, largely relates to a £38.2 million decrease in the current portion of the cross currency swap, which was terminated on 28 March 2017. Proceeds from the termination were used to fund part of the earn-out payment for the non-Spanish and Spanish assets of the Jackpotjoy segment. The decrease was further driven by a £0.4 million decrease in customer deposits and a £0.4 million decrease in taxes receivable. This was partially offset by a £2.6 million increase in trade and other receivables.

The decrease in non-current assets of £56.4 million since 31 December 2016 mainly relates to the amortisation and depreciation of intangible and tangible assets of £63.0 million and a £1.1 million disposal of intangibles, slightly offset by the additions of software development and tangible assets of £4.3 million. This was further offset by a £0.9 million increase in other long-term receivables, primarily related to the loan made to Gaming Realms, a £2.1 million increase in other long-term assets related to the conversion element of the Gaming Realms Agreement, and a £0.4 million increase in goodwill.

The decrease in current liabilities of £56.4 million since 31 December 2016 largely relates to the following:

- a decrease in contingent consideration of £35.0 million due to the final payment of the earn-out on the non-Spanish assets and the first payment on the Spanish assets within the Jackpotjoy segment, offset by accretion on financial liabilities of £6.1 million and fair value adjustments of £27.6 million.
- a decrease of £0.5 million in provision for taxes, due to a £6.9 million tax payment made in the period, partially offset by an additional provision for taxes recorded in the year.
- a decrease of £26.7 million in the current portion of long-term debt, related to the settlement of debt through the debt refinance that took place in December 2017.
- a decrease of £3.2 million in other short-term payables mainly driven by settlement of transaction related payables.
- a £0.4 million decrease in amounts payable to customers.

These decreases were partially offset by the following:

- an increase of £8.8 million in accounts payable, due to higher marketing and game supplier charges incurred in the period.
- an increase in interest payable of £0.3 million.
- an increase of £0.3 million in convertible debentures due to reclassification of convertible debentures from long-term to short-term as they are now due within one year.

The decrease in non-current liabilities of £10.4 million is largely related to the decrease in contingent consideration of £25.6 million due to the final payment of the earn-out on the non-Spanish assets and the first payment on the Spanish assets within the Jackpotjoy segment, slightly offset by the fair value adjustments on contingent consideration as noted on page 26, as well as accretion on financial liabilities. The non-current liabilities were further decreased by a £3.3 million decrease in convertible debentures due to conversions, a £6.2 million decrease in other long-term payables due to the reallocation of a portion of certain non-compete covenants from Gamesys (the 'non-compete clauses') from long-term to short-term, and a £0.7 million decrease in the deferred tax liability. These decreases were partially offset by an increase of £25.4 million in long-term debt as a result of the debt refinance that took place in December 2017.

Cash flow by activity

	Year ended 31 December 2017 (£000's)	Year ended 31 December 2016 (£000's)
Operating activity	100,970	83,005
Financing activity	(110,200)	(44,874)
Investing activity	(6,691)	(2,500)

Operating activity

Cash provided by operating activities during the year ended 31 December 2017 relates to cash generated from the operational activities of the Jackpotjoy, Vera&John, and Mandalay segments. During the year ended 31 December 2017, the operating cash flow increased compared to the same period in 2016 due to higher revenues.

Financing activity

Cash used in financing activities for the year ended 31 December 2017 relates mainly to the following transactions:

- £374.0 million in principal debt payments, which were offset by long-term debt proceeds of £367.7 million related to the debt refinance.
- £94.2 million earn-out payment related to the final payment on the non-Spanish assets and the first payment on the Spanish assets within the Jackpotjoy segment.
- £30.9 million in interest payments.
- £5.3 million in payments related to the non-compete clauses.

This was offset by £26.1 million in proceeds from the cross currency swap settlements, £0.4 million in proceeds from the exercise of options.

Investing activity

Cash in investing activities for the year ended 31 December 2017 relates to a £3.5 million secured convertible loan made to Gaming Realms and the purchase of tangible assets, as well as internally generated intangible assets. This was partially offset by proceeds from the sale of intangible assets of £1.0 million.

Contractual commitments

Contractual commitments of the Group, comprised of various office leases, amount to £2.0 million (31 December 2016 – £1.1 million) and are due within a five-year period.

Dividends

During the year ended 31 December 2017, £nil (31 December 2016 – £nil) ordinary share dividends were declared and paid.

Going concern

After review of the Group's 2018 operating budget, liquidity and cash resources, and all relevant matters, the Directors are confident that the Group has adequate financial resources to continue as a going concern for the foreseeable future and for a period of at least 12 months from the approval of this Annual Report. They have therefore continued to adopt the going concern basis in preparing the financial statements.

Viability statement

In accordance with the obligations of the UK Corporate Governance Code, the Board of Jackpotjoy plc is required to provide its assessment within the Annual Report and Accounts of the viability of the Group over an appropriate period. Accordingly, the Directors have assessed the viability of the Group over a three year period to December 2020, taking account of the Group's current position, the potential impact of the principal risks as outlined on pages 20 to 25 of this Annual Report, and the Group's key strategic initiatives. A three-year period was deemed appropriate for this assessment as it reflects the strategic planning required for the implementation of Group's strategy.

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

Key factors the Board considered within this review included:

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

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

- Remaining earn-out payments are predominately covered by current cash on hand.
- The Company has a strong interest coverage ratio.
- The business does not require a great deal of annual capital investments.

Having completed this review, the Board has full confidence that the Company will be able to continue operating and will be able to meet its liabilities over the three year period to December 2020.

Keith Laslop

Chief Financial Officer

Corporate Social Responsibility

Responsible business, responsible gaming

Jackpotjoy plc is committed to conducting itself, and running its business activities, responsibly.

Our approach to corporate responsibility is founded on three principles – putting the customer first, actively encouraging responsible gambling and treating our employees fairly. This way, Jackpotjoy plc is building a better business – in the right way.

On 25 January 2017, Jackpotjoy plc was listed on the London Stock Exchange. This provided the opportunity to formalise Jackpotjoy plc's approach to corporate responsibility across our divisions using existing processes, commitment and behaviour.

In 2017, we undertook a review of the corporate responsibility approach adopted by each of our divisions. The review will enable us to focus on establishing a clear corporate responsibility roadmap for 2018 that will bring our divisional efforts together under one defined framework. Our objectives will include developing a robust responsible business strategy, undertaking a detailed materiality process and improving how we measure progress by setting clear KPIs and targets.

This section serves as an update on what we've done so far and where we're going next.

Our corporate responsibility priorities

We conducted a desk-based materiality study in 2017 to identify the corporate responsibility issues that are of most importance to our business and stakeholders.

This study was based on a range of external sources to identify potential issues and focus areas such as regulatory guidelines and legislation, peer reviews, sustainability standards (e.g. the Global Reporting Initiative, Carbon Disclosure Project, the Dow Jones Sustainability Indices and the Sustainable Development Goals) and expert guidance.

The outcomes of the study identified two areas of importance which form the basis of our current approach to reporting on corporate responsibility: operating a responsible business and providing a consumer experience which prioritises responsible gaming.

Operating a responsible business

We maintain high standards of corporate responsibility to underpin our behaviours and our business activities. We do this by helping our people thrive, by creating a diverse and engaged culture and by reducing our environmental impacts.

To achieve this, we focus on:

- Creating an ethical culture.
- Treating our people fairly.
- Reducing our environmental impact.
- Supporting our community.

These focus areas will continue to guide our approach to corporate responsibility moving forward and also underpin our corporate values.

Responsible gaming

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

To achieve this, we focus on:

- Encouraging our customers to play responsibly.
- Setting gaming limits.
- Training our staff to put our customers first.
- Raising awareness and support.
- Responsible marketing.
- Data security and data protection.

Stakeholder engagement

Stakeholder	How we engage	Key activities in 2017
Customers (responsible gaming activities)	<ul style="list-style-type: none"> Responsible marketing Training, assurance and monitoring for support staff Algorithmic use to detect problem gambling Policies and procedures 	<ul style="list-style-type: none"> Full participation in Responsible Gambling Week Enhanced player detection models and advanced interaction and intervention programmes Continued to expand our dedicated Responsible Gambling, compliance and Anti-Money Laundering ('AML') teams alongside existing operation teams across the business
Employees	<ul style="list-style-type: none"> Annual employee engagement survey Personal development reviews Training and development opportunities Two-way communications and feedback 	<ul style="list-style-type: none"> Formalised a voluntary donation deducted from payroll Partnered with local Non-Governmental Organisations (NGOs) in order to provide them with IT equipment such as PCs and laptops Held highly structured Group and divisional conferences to develop a one-team ethic
Government and regulators	<ul style="list-style-type: none"> Participation in public policy debate Providing industry updates Engaging with government agencies 	<ul style="list-style-type: none"> Held industry meetings with Gambling Commission of Great Britain and the Committee of Advertising Practice ('CAP')/Advertising Standards Authority ('ASA') Utilised membership of the Remote Gambling Association ('RGA') for wider public policy feedback Appointed a Group Head of Compliance to work with the plc Board, senior management and leadership to advise on regulatory and compliance matters, and ensure their embeddedness in operational processes across Jackpotjoy divisions
Industry peers	<ul style="list-style-type: none"> Industry partnerships Industry events Roundtable discussions GAMSTOP project involvement 	<ul style="list-style-type: none"> Supported Gamesys in taking a leading role with the UK's GAMSTOP self-exclusion scheme (through direct financing and team support) Continued to share best practice and guidance through key memberships and contributions

Our values



We put the customer first



We actively encourage responsible gambling



We are committed to treating employees fairly

How we manage corporate responsibility

Strong corporate governance is essential for embedding responsible business practices across our operations. Our Board of Directors oversees our approach to corporate responsibility and ensures compliance with our Code of Conduct. The Board sets our strategic and financial objectives, implements robust risk management frameworks and establishes the ethical standards we abide by.

The Board is supported by our Audit & Risk Committee who assist in ensuring compliance with the Code of Conduct.

As well as financial compliance and global risk management, the Audit & Risk Committee reports to the Board on the effectiveness of our internal controls and processes to identify and manage significant risks. The Committee is also responsible for ensuring compliance with other key internal and external policies such as the UK Modern Slavery Act.

Jackpotjoy plc has determined that ultimate responsibility for our corporate responsibility activities lies with our Executive Chairman, Neil Goulden. Mr Goulden advised the Government on gambling matters as a member of

the Responsible Gambling Strategy Board (from 2008 to 2011) and was Chairman of the Responsible Gambling Trust (from 2011 to 2016). As a result, Mr Goulden is well placed to guide Jackpotjoy plc on such matters.

Beyond the Board, our divisions maintain separate governance boards and committees to ensure appropriate governance of corporate responsibility across each of our divisions.

Stakeholder engagement

Jackpotjoy plc is committed to creating, developing and maintaining strong relationships with all of our stakeholders from our customers and employees, to our shareholders, respective governments and regulators in the countries in which our businesses operate to ensure our continued success.

We engage with a wide range of stakeholders on an ongoing basis, and use their insight to help shape what we do and how we communicate. The table above describes how we engaged with our key stakeholders in 2017.

Corporate Social Responsibility continued

Diversity

	Male	Female	Total
Board of Directors	8	—	8
Senior managers	26	13	39
Employees (total)	166	118	284

GHG emissions

Emissions type	2017
Absolute values	
Scope 1 (direct) ¹ t CO ₂ e	0
Scope 2 (indirect) ² t CO ₂ e	31.4
TOTAL t CO₂e	31.4
Carbon intensity (CO₂ per m² area)³	
Normalised values	
Scope 1 (direct) t CO ₂ e/m ²	0
Scope 2 (indirect) t CO ₂ e/m ²	15.96
TOTAL t CO₂e/m²	15.96
Carbon intensity (CO₂ per full-time employee)⁴	
Normalised values	
Scope 1 (direct) t CO ₂ e/FTE	0
Scope 2 (indirect) t CO ₂ e/FTE	117.62
TOTAL	117.62

1. Scope 1: direct GHG emissions from owned assets. As Jackpotjoy plc does not combust its own energy from boilers, furnaces, company vehicles, etc. the reporting value is zero.
2. Scope 2: indirect GHG emissions from electricity supplied to the Group's worldwide offices. This calculation does not include data from our leased Group's offices in London, Toronto or Bahamas (representing 6% of our employees and 42% of our office space).
3. CO₂ per m² area: total 2,886m² over eight owned offices. 1,423m² of leased offices not included.
4. CO₂ per full-time employee: based on 267 full-time equivalent employees across eight owned offices.

Operating a responsible business

Being a responsible business means playing our part in creating an ethical culture where our people are treated fairly and we always prioritise doing the right thing. Doing so means we get the best out of our people, strengthen our business and move forward together.

Our people

We want Jackpotjoy plc to be a business where people enjoy working. We seek to achieve this by creating an environment where employees are encouraged to put their ideas into action and contribute to our success.

We facilitate professional growth through training, development opportunities and internal promotion. We also engage with our employees to gather and respond to their feedback on how we can help them thrive.

Beyond this, we arrange social events for the teams across our sites, including our summer get-together, where staff are given the day off to participate in a series of activities to show our appreciation for their efforts.

Diversity

Creating a diverse and inclusive place to work is vital for the continued success of our business. We have operations in

more than eight countries, and welcome people from all backgrounds, regardless of their race, gender, origin, sexuality or disability. This is reflected in the Group's Diversity and Inclusion Policy and underpins our corporate responsibility priority of operating a responsible business. The policy applies to all employees, focuses on employment practices and procedures and has been communicated across the Group.

Our approach to gender diversity is pivotal to our approach and we monitor our performance at a Group level. At the end of 2017, 41.4% of our global workforce and 32.5% of our senior managers were women.

Jackpotjoy employs less than 250 staff in the United Kingdom. As a result, we are not obliged to disclose the gender pay statistics outlined in UK Gender Pay Gap Reporting legislation. Nonetheless, Jackpotjoy plc is committed to championing equality and fairness both in the workplace and in society at large. Supporting transparency with regard to gender can lead to a fairer society which rewards on merit rather than gender or any other form of ability or disability. As a result, Jackpotjoy plc provides the following information representing its voluntary compliance with the incoming Gender Pay Gap legislation. Specifically, our gender pay gap is 45% (in favour of men) worldwide excluding our corporate office in London.

There are, at this time, fewer women within leadership positions in the Group, which lowers the mean average hourly rate for female employees. The disparity also reflects the challenge of attracting female talent in the gambling and technology industry. At Jackpotjoy plc a larger percentage of the Company's workforce sit within roles which traditionally attract males rather than females (e.g. software engineering and development, etc.). This means that whilst internal progression is encouraged and emphasised regardless of gender, key roles are currently filled by more men than women.

Environmental responsibility

As an office-based organisation, we are an environmentally low-impact business. However, environmental responsibility helps us achieve efficiency saving, reduce waste and play our part in acting as an ethical business.

We measure and monitor energy consumption at site level across our divisions. Our GHG emissions calculations and reporting follows the Greenhouse Gas Protocol (operational approach) and covers emissions from all sources under our control, grouped under: Scope 1 – direct GHG emissions from owned assets; and Scope 2 – GHG emissions from supplied electricity. Emissions from company vehicles, production processes and

other combustion sources are minimal and not deemed to be material. Subsequently, these are not included in the reported totals.

Responsible gaming

Our position on responsible gaming is clear – we want everyone who registers and plays on our websites to have fun and be entertained in a safe and responsible way. Our position in operating as a responsible and fair gaming operator is of paramount importance.

Playing responsibly

Responsible gaming is a key element of compliance and has been a continued focus across our Group. Our proactive approach seeks to go above and beyond legal requirements to protect our customers and give them the tools they need to play responsibly.

We strive to surpass the minimum regulatory requirements across our business units because we believe it is the right thing to do. All our websites are fully licensed and regulated, ensuring our customers are guaranteed a safe, trusted and fair gaming experience with the highest levels of member protection.

Gaming limits

To encourage our customers to play responsibly and provide them with the necessary tools, guidance and self-help links to help them become more aware and in control of their gaming. Among other measures, these include:

- *Account deposit limits* – can be set daily, weekly or monthly.
- *Session reminders and time played triggers* – helps customers stay in control of how much time they spend playing.
- *Account closure* – helps customers to close their account at any time.
- *Account cool off* – helps customers take a break from our websites for a period of between 24 hours and six months (during which time an account cannot be accessed).
- *Account self-exclusion* – enables customers to take an extended break from their gaming and self-exclude for up to six months or permanently (during which time an account cannot be accessed or reopened).
- *Account history* – gives customers full access to their account, so they can view their deposit and withdrawal history.
- *Self-assessment questions* – our websites have a series of self-assessment questions that customers can use to help determine their level of play.

- *Additional support* – our websites have links to a variety of external sources, so our customers have a range of options when seeking help and guidance for gaming.

Support staff

We want all our employees to be aligned with our responsible gaming objectives. To achieve this, we seek to raise awareness on socially responsible gaming from employee induction. All new customer-oriented employees are subject to advanced training on key regulations and guidelines, responsible gaming processes, as well as player assessment screening and soft-skill tools.

Additionally, all staff are subject to a mandatory bi-yearly refresher training. In 2017, refresher training courses took place in January and July.

Within our divisions, our staff, customer support and chat teams are available 24 hours a day, seven days a week to ensure that our customers always have access to support should they feel they need it.

Raising awareness and support

We were a keen promoter of Responsible Gambling Week in 2017. To raise awareness of the campaign, and its ambitions to raise awareness of problem gambling, dedicated banners were put across all our sites and applications for our customers to see.

Beyond this, we have developed a strong working partnership with GamCare, the leading industry support and self-help charity, and have been accredited with its Certification award. The GamCare Certification is awarded to organisations that have successfully implemented the 'GamCare Code of Conduct for Remote Platforms'. GamCare has commended our approach to responsible gaming and confirmed that our websites maintain the highest levels of responsible gaming standards.

We also support the Responsible Gambling Trust and make annual donations across all of our divisions. The Responsible Gambling Trust co-ordinates and funds research into the prevention of gambling-related harm in the UK.

Looking ahead, we look forward to integrating the UK's National Online Self-Exclusion Scheme ('GAMSTOP'). We are also preparing for the second part of the Gambling Commission of Great Britain Remote Technical Standards to launch in April 2018, which will enable us to display available balances more clearly, improve access to balance and transaction history and clarify betting amounts.

Responsible marketing

We pride ourselves on putting the player at the forefront of everything that we do, including by ensuring that our affiliate marketing meets our regulatory obligations. All affiliates are required to sign up to our affiliate programme terms and conditions, and we work closely with our affiliate network to remind them of their obligations.

We have procedures and strict controls in place to help ensure that our advertising fully adheres to the Gambling Industry Code for Socially Responsible Advertising, which is governed and administered by CAP, the Broadcast Committee of Advertising Practice ('BCAP') and ruled upon by the ASA. Our legal teams provide advice, guidance and final sign-off in respect of marketing and promotional activities to ensure compliance with all relevant advertising codes of practices mentioned above. In particular, we seek to ensure that our advertisements:

- are legal and not misleading;
- are socially responsible as described in the CAP and BCAP Codes;
- do not exploit children and other vulnerable persons in relation to gambling activity;
- are not specifically or intentionally targeted towards people under the age of 18; and
- are only sent to those customers who have opted in to receiving marketing communications.

Given the fluid nature of advertising regulation, we circulate various guidance notes and updates to the business on a regular basis to ensure that they are kept up to date on the latest regulatory position.

Beyond this, we also operate a sophisticated member due diligence process (referred to as 'Know Your Customer' or 'KYC'), which uses both automated and manual methods to verify a member's age, identity and source of funds. Our KYC process is fundamental to our integrity system, and an important component of our age verification and anti-money laundering policies and practices.

Data security and data protection

We have numerous policies in place to ensure that we are adhering to the highest standards of data security and data protection, to protect both our information as well as our customers. In light of recent legislative changes, we are currently reviewing our data protection regime to align to the upcoming General Data Protection Regulation ('GDPR').

Board of Directors

(as at 19 March 2018)



Neil Goulden¹
Executive Chairman

Term of office

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

Skills and experience

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

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

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

External listed company appointments

None.

Committee membership

Mr Goulden chairs the Nomination Committee.



Simon Wykes
Chief Executive Officer,
Jackpotjoy Operations Ltd.

Term of office

Appointed to the Board on 1 November 2017.

Skills and experience

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

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

External listed company appointments

None.

Committee membership

None.



Keith Laslop¹
Chief Financial Officer

Term of office

Appointed to the Board on 5 September 2016.

Skills and experience

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

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

External listed company appointments

None.

Committee membership

None.



Colin Sturgeon
Senior Independent
Director

Term of office

Appointed to the Board on 19 January 2017.

Skills and experience

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

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

External listed company appointments

None.

Committee membership

Mr Sturgeon chairs the Remuneration Committee and is a member of the Nomination Committee.

**David Danziger¹**

Independent Non-Executive Director

Term of office

Appointed to the Board on 5 September 2016.

Skills and experience

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

He was previously the CEO and a director of capital pool companies Aumento Capital Corporation (now Annidis Corporation), Aumento Capital III Corporation (now Exo U Inc), and Aumento Capital IV Corporation (now GreenSpace Brands Inc).

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

External listed company appointments

Mr Danziger is a Director of Eurotin Inc (TSXV) and Euro Sun Mining Inc (formerly Carpathian Gold Inc) (CSE).

Committee membership

Mr Danziger is a member of the Audit & Risk and Nomination Committees.

**Paul Pathak¹**

Independent Non-Executive Director

Term of office

Appointed to the Board on 17 August 2016.

Skills and experience

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

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

External listed company appointments

Mr Pathak is the Interim Chairman of Maricann Group Inc.

Committee membership

Mr Pathak is a member of the Remuneration Committee.

**Jim Ryan¹**

Independent Non-Executive Director

Term of office

Appointed to the Board on 5 September 2016.

Skills and experience

Mr Ryan is an experienced online gaming executive who is currently the CEO of Pala Interactive LLC. He has also held a number of other roles within the online gaming sector that include: Co-Chief Executive Officer of bwin.party digital entertainment plc, Chief Executive Officer at PartyGaming plc, St Minver Limited, Excapsa Software Limited and Chief Financial Officer of Cryptologic Software Limited.

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

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

External listed company appointments

Mr Ryan is a Director of Gaming Realms plc and Fralis LLC.

Committee membership

Mr Ryan is a member of the Audit & Risk Committee.

**Nigel Brewster¹**

Independent Non-Executive Director

Term of office

Appointed to the Board on 19 January 2017.

Skills and experience

Mr Brewster is an experienced finance and management executive who has held senior roles in private equity-backed companies in the leisure industry. From November 2015 to April 2016, Mr Brewster was CFO of Parkdean Resorts Limited, where he oversaw the merger of Park Resorts and Parkdean Holidays, a £570 million senior debt raise and various aspects of post-merger integration, having previously served as CFO of Park Resorts Limited from April 2012. Mr Brewster previously served as CFO of ADP Dental Group and has held several senior roles at Gala Coral Group, one of Europe's largest integrated gaming businesses.

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

External listed company appointments

None.

Committee membership

Mr Brewster chairs the Audit & Risk Committee and is a member of the Remuneration Committee.

Corporate Governance Report

“Made good progress towards its goal of achieving the highest standards of corporate governance”

Introductory letter on corporate governance from the Chairman

Dear Shareholder,

I am delighted to introduce the first Corporate Governance Report since our Admission to the Main Market of the London Stock Exchange. At the time of the Admission, we said that the Board is committed to the highest standards of corporate governance and that it intends to comply with the UK Corporate Governance Code ('the Code'). Although the Company is a standard listed company, the Board has also committed to voluntarily comply with certain of the requirements for Premium listed companies under the Listing Rules and voluntarily report to its shareholders on its compliance with the Code. As you read this section of the 2017 Annual Report, I hope that you will recognise the steps that the Board has taken to fulfil this commitment.

The past year has been a busy one for the Board. It has made good progress towards its goal of achieving the highest standards of corporate governance and the following report outlines some of the key work of the Board and its committees during the year. A regular programme of Board and committee activity is up and running. Whilst there is further work to be done, we expect to take further strides towards this goal during the next few months.

The year or so since Admission has not been without its corporate governance challenges, particularly in relation to the composition of the Board. Having successfully achieved the Admission, it was necessary to make changes to the composition of our senior management team, which we announced to take effect from 1 November 2017.

The Board is also aware of the unease of some of our institutional shareholders concerning the independence of two of our Non-Executive Directors. We have sought to explain the Board's view that this is a legacy of the pre-Admission composition of the Board which we expect to be resolved over time. In the meantime, we remain firmly of the view that all of the Non-Executive Directors that we classify as being independent are independent in character and judgement.

Both I, as Executive Chairman, and Colin Sturgeon, our Senior Independent Director, will be very pleased to meet or speak with shareholders if they have any concerns about the governance standards of the Company. We can be contacted via the Company Secretary.

Yours faithfully,

Neil Goulden
Executive Chairman

Introduction

Jackpotjoy plc is a public company limited by shares incorporated in the United Kingdom. It is a standard-listed company on the Main Market of the London Stock Exchange and is committed to high standards of corporate governance and control. Jackpotjoy plc is also a reporting issuer in certain Canadian jurisdictions and so is subject to, among other things, certain continuous disclosure obligations under applicable Canadian securities laws.

Further information on the Company's corporate governance policies and principles are available on its website: www.jackpotjoyplc.com.

Additional disclosure regarding Jackpotjoy plc's corporate governance practices required by applicable Canadian securities law will be provided as part of the Notice of Meeting that will be sent to shareholders in connection with our upcoming Annual General Meeting ('AGM').

Compliance with corporate governance standards

Jackpotjoy plc's approach to corporate governance is primarily based on the UK Corporate Governance Code ('the Code') published by the Financial Reporting Council ('FRC') in April 2016 and the Listing Rules of the UK Listing Authority. The Company complies with the Code or, if it does not comply, explains the reasons for non-compliance. The Code is available at www.frc.org.uk.

Prior to Admission, the Company did not undertake any business activities and, therefore, Jackpotjoy plc was not required to comply with the Code. For the period from Admission to 31 December 2017, the Board believes that Jackpotjoy plc complied with all the principles and provisions of the Code. The Board notes that Provision B.1.1 of the Code requires that the Annual Report shall identify each Non-Executive Director the Board considers to be independent. The Board notes that David Danziger, Paul Pathak and Jim Ryan hold share options which ordinarily would preclude it from assessing them as being independent. However, the circumstances under which options are held by these two Directors is a historical legacy resulting from the more common use of share options to compensate Non-Executive Directors in North America and will be resolved in due course. The Board considers that Mr Danziger, Mr Pathak and Mr Ryan are independent in character and judgement, and therefore considers that they should continue to be designated as independent Non-Executive Directors. Further information is set out below in the section headed 'Board meetings and composition'.

Board responsibilities and activities

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

The Jackpotjoy plc Board has approved a Schedule of Matters reserved to the Board and it is responsible for the following key aspects of governance and performance:

- Key strategic issues.
- Changes in share capital.
- Financial and operational performance.
- Major acquisitions and disposals and other key commercial agreements.
- Overall risk management and internal controls.
- Board appointments and remuneration.
- Corporate governance.
- Approval of internal regulations and policies.

At each scheduled Board meeting, the following items of business are reviewed:

- Minutes of previous meetings.
- Chief Executive Officer's report.
- Chief Financial Officer's report.
- Committee reports.
- Investor Relations update.
- Regulatory update.
- Meetings of the Non-Executive Directors.

During the year ended 31 December 2017, the Board met nine times for scheduled meetings and another five times to deal with specific matters outside of the scheduled meetings. The business considered at the scheduled meetings included:

Strategy

- Review of the PR strategy.
- Review of international markets.
- Review of the corporate vision.
- Review of the Gamesys markets.
- Review of Asian operations.
- New territories update.
- M&A opportunities.
- Vision 2020.

Business reviews

- Vera&John division.
- Jackpotjoy division.
- Mandalay division.

Approval of the 2018 budget

Approval of quarterly financial statements and the 2017 interim report

Approval of organisational changes, Board changes and associated arrangements

Approval of the LTIP and associated matters

Advisers

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

Regulatory and policies

- Procedures for complying with the Market Abuse Regulation.
- Review of whistleblower policy.

In addition, the Board has adopted a delegation of authority mandate which sets out the levels of authority for the Executive Directors and employees below Board level to follow when managing the Group's business day to day.

The Board considers the interests of all stakeholders by taking a long-term view of how the business needs to develop within its economic market. The Board has considered the technological developments in the wider market to ensure that its assets are managed so as to remain competitive, and that the necessary financing requirements will be available over the medium to long term to implement strategic projects.

Shareholder engagement

The Company continues to encourage shareholder engagement. The AGM was held on 7 June 2017 and all Directors, including all Committee Chairs, were in attendance. All shareholders are welcome to attend, ask questions and discuss issues with individual Directors at the AGM in 2018.

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

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

Corporate Governance Report continued

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

The 2018 AGM will be held on 7 June 2018. The business of the AGM will be conducted in accordance with the provisions B.7.1, B.7.2, E.2.1 and E.2.2 of the Code and all applicable laws. The Chairman of the Board and the chairmen of each of the Board committees will be available to answer questions put forward to them by shareholders of the Company. The Annual Report and Accounts and the Notice of the AGM will be sent to shareholders at least 20 working days prior to the date of the meeting.

Roles and responsibilities

The Board has agreed a written statement setting out the division of responsibilities between the Chairman and the Chief Executive Officer ('the Chief Executive').

The Chairman's principal responsibility is the effective running of the Board, ensuring that the Board as a whole plays a full and constructive part in the development and determination of the Group's strategy and overall commercial objectives. The Chief Executive is responsible for the running of the Company through the executive team. Neil Goulden was appointed Non-Executive Chairman on 15 August 2016. As a result of a new management structure announced on 16 October 2017, Mr Goulden became the Executive Chairman, responsible for leading the development and execution of the Group's long-term strategy.

Andy McIver stepped down from his role as Chief Executive Officer on 31 January 2018 to ensure a smooth transition of duties to the new members of the executive team, which since 1 November 2017 has been led by Simon Wykes, Chief Executive Officer, Jackpotjoy Operations Ltd. The Chief Executive Officer, Jackpotjoy Operations Ltd. is responsible for the day-to-day management of the Company, taking over this responsibility from the Chief Executive. The written statement setting out the responsibilities of the Chairman and Chief Executive has therefore been revised accordingly.

Board meetings and composition

During 2017 Jackpotjoy plc held a total of 14 Board meetings, nine of which were scheduled and a further five meetings related to additional matters. In 2018, up to the date of this report's publication, two Board meetings were held.

Members of senior management attend Board meetings by invitation to deliver presentations on the status of projects and performance of business units.

The table below sets out the attendance of each current Director at scheduled Jackpotjoy plc Board and Board Committee meetings, together with the AGM, in 2017.

Mr Brewster missed two meetings of the Board and one meeting of the Audit Committee, which took place soon after his appointment to the Board, because he was incapacitated following a major back operation.

As at 31 December 2017, the Board comprised the Executive Chairman, three Executive Directors and five Non-Executive Directors, including a Senior Independent Director.

The Board considers that each of the five Non-Executive Directors (Colin Sturgeon, David Danziger, Paul Pathak, Jim Ryan and Nigel Brewster) are independent in character and judgement, and free from any business or other relationship that could materially interfere with the exercise of their independent judgement, in compliance with the Code.

At least half the Board therefore comprises Non-Executive Directors deemed independent, and each of the principal Board committees comprises a majority of independent Non-Executive Directors. The Audit & Risk Committee and the Remuneration Committee are chaired by Non-Executive Directors. The Nomination Committee is chaired by the Executive Chairman.

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

The Board considers that David Danziger and Paul Pathak are active and valuable members of our Board who have continued to make valuable contributions to the Board during this period of change for the Company. Although they are holders of share options in the Company, these result from the more common use of share options to compensate Non-Executive Directors in North America. These are considered to be a legacy of the previous corporate structure. Neither Messrs Danziger nor Pathak will be granted or hold any more options over shares. In the meantime, the Board considers that Messrs Danziger and Pathak are independent in character and judgement, and therefore continues to consider them to be independent Non-Executive Directors. The Board will keep this assessment under review and will discuss its assessment with shareholders, if it considers that such dialogue is required.

Board expertise

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

	Board	RemCo	Audit & RiskCo	NomCo
Total number of meetings	14¹	6	5	2
Neil Goulden	14/14	–	–	2/2
Andy McIver	11/14	–	–	–
Keith Laslop	14/14	–	–	–
Simon Wykes (appointed 1 November 2017)	2/2	–	–	–
David Danziger	14/14	–	5/5	2/2
Paul Pathak	14/14	6/6	–	–
Jim Ryan	14/14	–	5/5	–
Colin Sturgeon (appointed 19 January 2017)	14/14	6/6	–	2/2
Nigel Brewster (appointed 19 January 2017)	12/14	6/6	4/5	–

1. Attendance shown related to the scheduled nine Board meetings. There were five additional meetings to deal with specific individual matters.

Induction and professional development

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

Performance evaluation

An internally facilitated annual Board evaluation was conducted in December 2017 using an internal questionnaire facilitated by the Company Secretary. Questionnaires were distributed to all Directors for their response and comment. The results were discussed by the Board as a whole.

Board performance was deemed to be satisfactory. At its meeting in December 2017, the Board agreed a plan for 2018 that would include delivery of key actions for that year, as set out in the Group's Vision 2020 paper.

The Board will consider undertaking an externally facilitated performance evaluation in one of the next two years in line with the requirements of the Code.

Board composition as of 31 December 2017¹

Name	Position	Committee membership	Appointed
Executive Directors			
Neil Goulden	Executive Chairman	NomCo: Chairman	15 August 2016
Andrew McIver	Chief Executive Officer		15 August 2016
Simon Wykes	Chief Executive Officer, Jackpotjoy Operations Ltd.		1 November 2017
Keith Laslop	Chief Financial Officer		5 September 2016
Independent Non-Executive Directors			
Colin Sturgeon	Senior Independent Director	RemCo: Chairman NomCo: member	19 January 2017
Nigel Brewster	Non-Executive Director	Audit & RiskCo: Chairman RemCo: member	19 January 2017
David Danziger	Non-Executive Director	Audit & RiskCo: member NomCo: member	5 September 2016
Paul Pathak	Non-Executive Director	RemCo: member	17 August 2016
Jim Ryan	Non-Executive Director	Audit & RiskCo: member	5 September 2016

1. Jörgen Nordlund resigned from the Board on 1 September 2017.

Board committees

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

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

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

The role and composition of each committee

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

Corporate Governance Report continued

Nomination Committee

Dear Shareholder,

2017 has been a year of transition following the Group's move to the Main Market of the London Stock Exchange early in the year. There have been changes in the composition of both the executive and non-executive elements of the Board. The Nomination Committee has been instrumental in monitoring these developments. I am, therefore, pleased to set out below the report on our activities during the year.

Responsibilities

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

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

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

Boardroom diversity

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

Activities

During 2017, the Committee met to consider and make recommendations to the Board in relation to the redesignation of the roles of the Chairman (from Non-Executive to Executive status), the planned departure of the Chief Executive and the appointment of the Chief Executive Officer, Jackpotjoy Operations Ltd. to the Board. The Committee also met to initiate the search for a new independent Non-Executive Director and review a long list of potential candidates for that position. In February 2018, the Committee has further considered progress with both short-term and long-term succession planning and the appointment process for Non-Executive Directors. It also considered the output from the internal Board evaluation exercise and oversaw the evaluation of the performance of the Chairman by the Non-Executive Directors (taking account of the views of the Executive Directors). The Committee has also approved a policy on diversity in the Group.

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

Neil Goulden

Chairman of the Nomination Committee

20 March 2018

Audit & Risk Committee

Dear Shareholder,

I am pleased to report on the work of the Audit & Risk Committee. My colleagues and I recognise the importance of our work in monitoring the integrity of Jackpotjoy plc's reporting and the management and assurances which underpin it. We also take seriously the need for the Group to have a robust risk management framework and sound systems of internal control. We therefore set out below the work we have undertaken during the year to fulfil these responsibilities.

Responsibilities

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

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

The Committee has, on behalf of the Board, reviewed the effectiveness of the Group's risk management and internal control. Such matters are also regularly considered by the Board.

As a result of the review, the Committee has recommended to the Board that it considers the measures that have been in effect throughout the year ended 31 December 2017, or are planned to be implemented, are appropriate to the Group's circumstances.

During the course of 2017 a number of activities have been undertaken to support this view. In Q1 2017 a comprehensive review of our financial internal controls was completed as part of National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings with the results of this presented to the Committee and Board; during Q3 the Committee received an update on the specific risk reviews which had been completed in the divisions; and in Q4 the Group engaged PwC to undertake a review of the existing risk framework and risks to ensure these were fit for purpose and would support the growth of the business moving forward. Further detail on the approach to risk management is given on pages 20–25.

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

An internal audit function does not currently exist within the Group. The Committee is satisfied that this is appropriate, but intends to keep it under annual review.

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

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

Corporate Governance Report continued

Activities

During 2017, the Committee met five times and its activities included the following:

Financial reporting:	<ul style="list-style-type: none"> Review and recommendation to the Board for approval of the audited Parent Company financial statements for the five months to 31 December 2016; the interim financial statements for the three months to 31 March 2017, the six months to 30 June 2017 and the nine months to 30 September 2017 and, in each case, associated Management's Discussion & Analysis ('MD&A'). Approval of a change to the presentation currency of the consolidated financial statements from Canadian Dollars to UK Sterling. Review of the significant accounting policies and judgement areas in relation to the preparation of the full-year financial statements, including revenue recognition, taxation, goodwill impairment and contingent consideration.
External audit:	<ul style="list-style-type: none"> Review of the report of the external auditor, BDO, on the audited financial statements for the Parent Company for the five months to 31 December 2016; the interim financial statements for the three months to 31 March 2017, the six months to 30 June 2017, the nine months to 30 September 2017 and associated MD&As. Approval of the engagement letter for BDO undertaking work in relation to the due diligence report in relation to the Group's debt refinancing. Review of the scope of and letter of engagement for the 2017 full-year audit and audit planning.
Risk:	<ul style="list-style-type: none"> Reviews of the Company's risk matrix.
Internal controls:	<ul style="list-style-type: none"> Review of the Company's response to the General Data Protection Regulation. Review of PwC's work regarding the framework for risk management and associated internal controls.
Internal audit:	<ul style="list-style-type: none"> A review of the Company's need for an internal audit function.
Whistleblowing:	<ul style="list-style-type: none"> Approval of amendments to the Company's whistleblowing policy.
Other:	<ul style="list-style-type: none"> Approval of EY's engagement letter in relation to N1 52-109 Certification (being a Canadian securities filing requirement) regarding the effectiveness and suitability of the Group's internal controls over financial reporting.

Significant issues and judgements that were considered in respect of the 2017 financial statements for the Company were:

- Goodwill impairment – With the assistance of external professional valuers, the Group performs an annual goodwill impairment review which tests the Group's three operating segments. Each operating segment represents a cash-generating unit ('CGU'). The Committee reviewed the impairment report verifying that key judgements, estimates and assumptions used (such as pre-tax discount rates and growth rates) were reasonable. The Committee concurred with management's assessment that goodwill in each of the Group's CGUs was not impaired.
- Contingent consideration obligations – The Committee reviewed key judgements, estimates and assumptions used by management to value outstanding contingent consideration obligations, such as probability weighting factors and discount factors. The Committee agreed with management's valuation.
- Taxation – During the year the Board reviewed the Group's overall tax structure post admission, verifying that it was aligned with the Group's business strategy and model, corporate governance objectives, and attitude to risk. External advisers were engaged to assist with this process and interacted directly with the Committee and the Board.

The Company's external auditor, BDO, was appointed in 2014 shortly after the formation of the Intertain group. Since that time, the audit partner responsible for the audit opinion on the Group's financial statements has been Kieran Storan. It is the intention of the Committee to evaluate the performance of the external auditor in May, following completion of the full-year audit. In making that evaluation, the Committee will consider the quality of the audit team's interaction with the management team and the Committee itself.

The Committee has established a policy regarding the appointment of external auditors to perform non-audit services for the Group and keeps this under continual review, receiving a report at each Committee meeting. This policy dictates that in the Company's financial year, the total fees for non-audit services provided by the external auditors, excluding non-audit fees for due diligence for acquisitions and other specific matters noted below, should not exceed 70% of the average of the total fees for audit services they provided in the preceding three-year period. In the year ended 31 December 2017, the total non-audit fees as a percentage of the audit fees paid to the external auditors was 50%.

In addition to their statutory duties, BDO LLP is also employed where, as a result of their position as auditors or for their specific expertise, they either must, or the Committee accepts they are best placed to, perform the work in question. This is primarily work in relation to matters such as shareholder circulars, Group borrowings, regulatory filings and certain business acquisitions and disposals. In such circumstances, the Committee will separately review the specific service requirements and consider any impact on objectivity and independence of the auditors and any appropriate safeguards to this. As such, the Committee believes it appropriate for these non-audit services to be excluded from the 70% cap calculation set out above. In the year ended 31 December 2017, the total fees paid to the external auditors in respect of due diligence for acquisitions was £nil.

On 16 March 2018, the Committee considered: (i) a review of the going concern basis of preparing the statutory accounts; (ii) a review of the system of internal control; (iii) an assessment of the principal risks and uncertainties; (iv) review of the policy for the provision of non-audit services by the external auditor; and (v) determination of the period over which it is appropriate to assess the Company's prospects with a view to preparing a viability statement as required by Provision C.2.2 of the Code.

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

Nigel Brewster

Chairman of the Audit & Risk Committee

20 March 2018

Remuneration Report

Remuneration Committee

The Remuneration Committee assists the Board in determining its responsibilities in relation to remuneration, including making recommendations to the Board on the Company's policy on executive remuneration, determining the individual remuneration and benefits package of each of the Executive Directors and recommending and monitoring the remuneration of senior management below Board level.

The membership of the Remuneration Committee comprises of three independent Non-Executive Directors (Colin Sturgeon, Paul Pathak and Nigel Brewster) with Neil Goulden, the Chairman of the Company, to attend from time to time, as an observer. Colin Sturgeon is the chairman of the Remuneration Committee.

The Remuneration Committee will meet formally at least twice a year and otherwise as required.

During 2017, the Remuneration Committee met three times and its business included:

- approval of the Executive Chairman's remuneration package following the restructure of the Board in October 2017;
- approval of the proposed terms of appointment of Mr Simon Wykes, Chief Executive Officer, Jackpotjoy Operations Ltd.;
- approval of awards under the Company's Long-Term Incentive Plan ('LTIP');
- the annual review of the salaries of the Executive Directors;
- performance under the 2017 Annual Bonus Scheme and the design of the 2018 Annual Bonus Scheme;
- the personal objectives of Executive Directors; and
- shareholder consultation on remuneration matters.

In this Remuneration Report, 2016 amounts reflect remuneration paid to Directors by The Intertain Group Limited, or its subsidiaries, prior to the Admission of shares in the Company to listing on the London Stock Exchange on 25 January 2017.

Remuneration Report continued

Letter from the Chairman of the Remuneration Committee

Dear Shareholder,

As the chair of the Remuneration Committee ('the Committee'), I am pleased to present our first Directors' Remuneration Report since the Company's shares were admitted ('Admission') to trading on the Main Market of the London Stock Exchange ('LSE') on 25 January 2017.

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

- The Directors' Remuneration Policy ('the Policy') – this sets out our forward-looking remuneration policy for Directors and will be subject to a binding vote at the 2018 Annual General Meeting ('AGM'). If approved, the Policy will take effect from the conclusion of that meeting.
- The Annual Report on Remuneration – this provides details of the amounts earned by Directors in respect of the year ended 31 December 2017 and how the Directors' Remuneration Policy will be operated for the year commencing 1 January 2018. This will be subject to an advisory vote at the 2018 Annual General Meeting.

Our core principles of remuneration

In anticipation of Admission, the Committee undertook a review of its remuneration policy for Directors in order to ensure that it is appropriate for a listed company. During the course of the year, the Committee has further developed the policy to take account of the changes to the Board during the year which are outlined below.

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

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

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

Board changes

As announced on 16 October 2017, Andrew McIver stepped down from the Board as CEO on 31 December 2017 and left the Company on 31 January 2018. Full details of Andrew's remuneration arrangements which comply with the Company's remuneration policy are provided in this report on page 63.

Neil Goulden was appointed as Executive Chairman, responsible for leading the development and execution of the Company's long-term strategy and Simon Wykes was appointed as Group Managing Director to provide additional operational expertise and work in the Company's global markets with senior management teams across each of the Company's three business segments (Jackpotjoy, Vera&John and Mandalay). Both appointments were effective 1 November 2017. We have considered how we intend to apply the remuneration framework outlined in the Admission prospectus in light of these Board changes, and further details are outlined below.

Performance and annual bonus outturn in 2017

As outlined in the Chairman's Statement on pages 4 and 5, 2017 has been a transformational year for the Group in a number of respects. We achieved record operational results during the year, gaming revenues grew 14% in 2017 to £304.6 million, while EBITDA increased 6% to £108.6 million, representing a record outturn for the Group since its inception in 2014, finishing the year with net debt of £387.3 million, having successfully completed a major refinancing exercise which reduced our interest bill by c.£9 million per annum. We have also met the vast majority of our earn-out payments during the year.

For the financial year ended 31 December 2017, Keith Laslop and Andrew McIver were eligible for a maximum bonus of up to 100% of base salary. The bonus was assessed against Adjusted EBITDA and Net Leverage performance measures, weighted equally. As set out on page 61, based on the Adjusted EBITDA performance of £108.6 million, Andrew McIver earned a bonus of 15% of salary (£75,000).

For 2017, the minimum bonus payable to Keith Laslop under his service agreement was US\$357,500 (i.e. 65% of his base salary). This arrangement applies for 2017 only and was agreed as part of the discussions with him in connection with his entry into new service contracts consistent with UK market practice. For 2018 and future years, Keith Laslop's bonus will be determined in accordance with the shareholder-approved Directors' Remuneration Policy.

In light of the fact that Simon Wykes joined the Board on 1 November 2017, the Committee agreed that he would be eligible for a maximum bonus of up to £61,600 (i.e. 2/12 of his salary). Simon Wykes' bonus was assessed against his contribution to the business and corporate performance over this period. The Committee determined that a bonus of £25,000 would be payable for 2017.

Neil Goulden's fees as Chairman for 2017 were set at the level of £170,000 as referred to in the prospectus. During 2017 he was paid an additional £50,000 to reflect additional work undertaken in the year and associated time commitment, including in relation to the Admission and the transition of the Group's executive team.

There were no LTIP awards which vested in respect of performance in 2017.

Implementation of our Policy in 2018

2018 will see the first year of full operation of our Directors' Remuneration Policy. The Policy is subject to a binding shareholder vote at the 2018 AGM and, subject to approval by shareholders, will become effective from that date.

Fixed pay

Neil Goulden's and Simon Wykes' salaries were set at appointment and will apply for 2018. Accordingly, salaries for 2018 will be:

Neil Goulden	£300,000
Simon Wykes	£370,000

In setting these salaries, we have ensured that the aggregate salaries for the Executive Chairman and Managing Director are no greater than the aggregate of the salary for our former Chief Executive and fees for Neil Goulden as Non-Executive Chairman (£500,000 and £170,000 respectively).

Keith Laslop's base salary for 2018 has increased by 2.5% to US\$563,750, which is in line with the increase applied to the wider workforce.

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

The Non-Executive Directors' fees will not be increased in respect of 2018.

2018 annual bonus

In line with the prospectus, the Policy provides for a maximum annual bonus opportunity for Executive Directors, other than the Executive Chairman, of 125% of salary. However, the maximum opportunity for 2017 was 100% of salary and this will also apply for 2018. For 2018, the bonus opportunity will be based on EBITDA (50% of salary), Net Leverage (15% of salary), share price (15% of salary) and individual strategic objectives (20% of salary), with any vesting under the individual strategic objectives being subject to the achievement of the threshold EBITDA target.

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

The Committee considers that EBITDA, Net Leverage and share price targets are closely aligned to the Group's key performance metrics and encourage sustainable growth year by year, and that the use of individual/strategic objectives provides an appropriate link to the Group's longer-term strategy.

2018 LTIP

As disclosed in the prospectus, the LTIP provides for a maximum annual award of 125% of salary (or 250% in exceptional circumstances), and these maxima are included in the Policy. Awards were granted in 2017 at the level of 125% of salary, and this level will also apply for 2018, other than in the case of the Executive Chairman who will not participate in the LTIP for 2018. Further details in relation to the LTIP performance measures for 2018, which are weighted equally between earnings per share ('EPS') and relative total shareholder return for 2018, are set out on page 68. As outlined above, reflecting best practice and to ensure alignment with shareholders, LTIP awards are subject to an additional two-year holding period after the end of the vesting period.

We have consulted with shareholders on the design and implementation of our Policy and, overall, the views of our shareholders on the new Policy were positive. We will continue to engage with our shareholders and trust that you will support the resolutions to be proposed at the 2018 AGM in relation to the Director's Remuneration Report.

In closing, I hope that the Policy and report will give our shareholders a clear understanding of our approach to executive remuneration and assurance that we are adopting an approach which properly incentivises the achievement of the Company's objectives. I will be happy to answer questions on executive remuneration at the AGM and I hope that shareholders will give the Policy and the report their firm backing at that meeting. My Committee colleagues and I are happy to receive any questions or comments from shareholders at any stage.

Colin Sturgeon

Chairman of the Remuneration Committee

20 March 2018

Remuneration Report continued

Directors' Remuneration Policy

This part of the Directors' Remuneration Report sets out Jackpotjoy plc's Directors' Remuneration Policy which, subject to shareholder approval at the 2018 Annual General Meeting, shall take binding effect from the close of that meeting.

The Policy is determined by the Company's Remuneration Committee ('the Committee').

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

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

Policy for Executive Directors

BASE SALARY

Purpose and link to strategy

Core element of fixed remuneration reflecting individual's role and experience.

Operation

The Committee ordinarily reviews base salaries annually taking into account a number of factors, including (but not limited to) the value of the individual, their skills and experience and performance.

The Committee also takes into consideration:

- pay increases generally; and
- Group organisation, profitability and prevailing market conditions.

Maximum opportunity

Whilst there is no maximum salary, increases will normally be within the range of salary increases awarded (in percentage of salary terms) to other employees of the Group. However, higher increases may be awarded in certain circumstances, such as:

- on promotion or in the event of an increase in scope of the role or individual's responsibilities;
- where an individual has been appointed to the Board at a lower than typical market salary to allow for growth in the role, in which case larger increases may be awarded to move salary positioning to a typical market level as the individual gains experience;
- change in size and complexity of the Group; and/or
- significant market movement.

Such increases may be implemented over such time period as the Committee deems appropriate.

Performance measures

While no formal performance conditions apply, an individual's performance in their role is taken into account in determining any salary increase.

BENEFITS

Purpose and link to strategy

Core element of benefits provided on a market competitive basis.

Operation

The Company provides benefits in line with market practice and includes the use of a fully expensed car (or car allowance), medical cover for the Executive Director and his/her spouse and dependent children, permanent health insurance and life assurance scheme.

Other benefits may be based on individual circumstances, which may include relocation costs, travel and accommodation expenses.

Reimbursed expenses may include a gross-up to reflect any tax or social security due in respect of the reimbursement.

Maximum opportunity

Whilst the Committee has not set an absolute maximum on the level of benefits Executive Directors may receive, the value is set at a level which the Committee considers to be appropriately positioned taking into account relevant market levels based on the nature and location of the role and individual circumstances.

Performance measures

Not applicable.

Remuneration Report continued

Directors' Remuneration Policy continued

RETIREMENT BENEFITS

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

ANNUAL BONUS

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

LONG-TERM INCENTIVE PLAN ('LTIP')

Purpose and link to strategy

The LTIP provides a clear link between the remuneration of the Executive Directors and the creation of value for shareholders by rewarding the Executive Directors for the achievement of longer-term objectives aligned to shareholders' interests.

The Executive Chairman will not participate in the LTIP in respect of 2018.

Operation

Under the LTIP, the Committee may grant awards as conditional shares, as nil (or nominal) cost options or as cash-settled equivalents.

Awards will usually vest following the assessment of the applicable performance conditions, but will not be released (so that the participant is entitled to acquire shares) until the end of a holding period of two years beginning on the vesting date. Alternatively, awards may be granted on the basis that the participant is entitled to acquire shares following the assessment of the applicable performance conditions but that (other than as regards sales to cover tax liabilities) the award is not released (so that the participant is able to dispose of those shares) until the end of the holding period.

An additional payment (in the form of cash and shares) may be made in respect of shares which vest under the LTIP to reflect the value of dividends which would have been paid on those shares during the period beginning with the date of grant and ending with the release date (this payment may assume that dividends had been reinvested in Jackpotjoy plc shares on a cumulative basis).

The Committee may, at its discretion, structure awards as Qualifying LTIP Awards, consisting of a tax-qualifying CSOP option with a per share exercise price equal to the market value of a share at the date of grant and an ordinary nil-cost LTIP award, with the ordinary award scaled back at exercise to take account of any gain made on exercise of the Company Share Option Plan ('CSOP') option.

Recovery provisions apply.

Maximum opportunity

The maximum award level in respect of any financial year is 125% of salary, or 250% of salary in exceptional circumstances.

If a Qualifying LTIP is granted, the value of shares subject to the CSOP option will not count towards the limit referred to above, reflecting the provisions for the scale back of the ordinary LTIP award.

Performance measures

Performance measures under the LTIP will be based on financial measures (which may include, but are not limited to, EPS and relative TSR).

Awards will vest as to 25% for threshold performance, rising to 100% for maximum performance.

Remuneration Report continued

Directors' Remuneration Policy continued

Recovery provisions (malus and clawback)

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

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

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

Explanation of performance metrics

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

Annual bonus

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

For 2018, the bonus opportunity for the non-Chairman Executive Directors will be based on EBITDA (50% of salary), Net Leverage (15% of salary), share price (15% of salary) and individual strategic objectives (20% of salary), with any vesting under the individual strategic objectives being subject to the achievement of the threshold EBITDA target.

For 2018, the Executive Chairman's bonus opportunity will be based on the same performance measures and weightings as for the other Executive Directors, as regards a bonus of up to 100% of salary; the remaining 50% of salary opportunity will be based on key strategic objectives. The Committee considers that EBITDA, Net Leverage and share price targets are closely aligned to the Group's key performance metrics and encourage sustainable growth year by year, and that the use of individual/strategic objectives provides an appropriate link to the Group's longer-term strategy.

LTIP

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

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

Operation of share plans

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

Shareholding guidelines

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

Policy for Non-Executive Directors

FEES AND BENEFITS

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

Policy for the remuneration of employees more generally

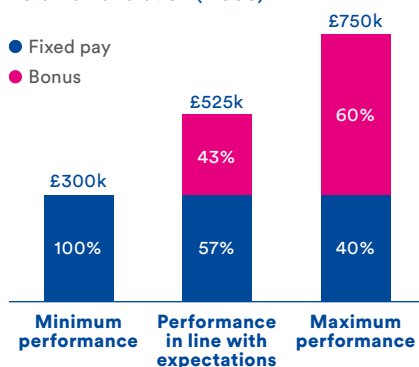
The Group aims to provide a remuneration package that is competitive in an employee's country of employment and which is appropriate to promote the long-term success of the Company. The Company intends to apply this policy fairly and consistently, and does not intend to pay more than is necessary to attract and motivate staff. In respect of the Executive Directors, a greater proportion of the remuneration package is 'at risk' and determined by reference to the performance conditions.

Illustrations of application of remuneration policy

The following charts provide an illustration, for each of the Executive Directors, of the application for the 2018 financial year of the policy. The charts show the split of remuneration between fixed pay (base salary, benefits and employer pensions contributions/salary supplement), annual bonus and long-term incentive pay on the basis of minimum remuneration, remuneration receivable for performance in line with Jackpotjoy plc's expectations and maximum remuneration (not allowing for any share price appreciation).

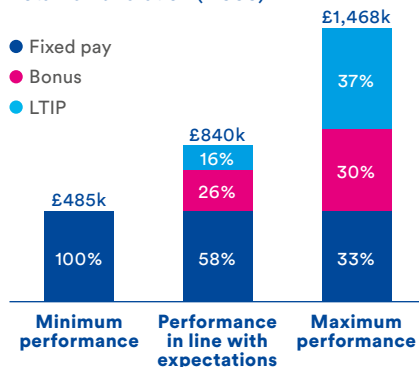
Neil Goulden

Total remuneration (£'000)



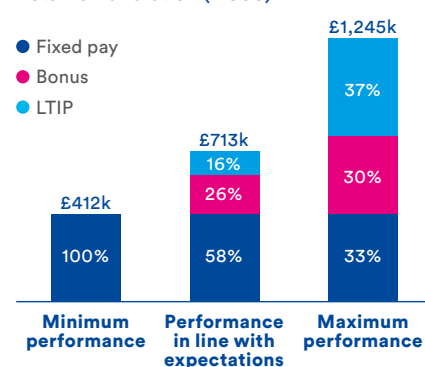
Keith Laslop

Total remuneration (£'000)



Simon Wykes

Total remuneration (£'000)



Remuneration Report continued

Directors' Remuneration Policy continued

In illustrating the potential reward, the following assumptions have been made.

Executive Chairman (the Executive Chairman will not participate in the LTIP in 2018)

	Fixed pay	Annual bonus
Minimum performance	Base salary of £300,000 and benefits disclosed in the single figure table on page 60 for the 2017 financial year.	No bonus
Performance in line with expectations		Bonus equal to 75% of salary is earned.
Maximum performance		Bonus equal to 150% of salary is earned.

Other Executive Directors

	Fixed pay	Annual bonus	LTIP
Minimum performance	Base salary (being the latest known salary as at 1 January 2018), converted into pounds sterling for Keith Laslop at a rate of 0.7744, consistent with the rate used on page 60 for 2017. Employer pension contributions at an assumed rate of 10% based on the latest known salary. In the case of Keith Laslop, benefits as disclosed in the single figure table on page 60 for 2017. In the case of Simon Wykes, Keith Laslop's benefits figure for 2017 has been used for illustrative purposes.	No bonus	No LTIP vesting
Performance in line with expectations		Bonus equal to 50% of salary is earned.	LTIP vests at 25% of the maximum award.
Maximum performance		Bonus equal to 100% of salary is earned.	LTIP vests in full (125% of salary).

Recruitment remuneration policy

When hiring a new Executive Director, the Committee will seek to align the remuneration package with the above policy.

When determining appropriate remuneration arrangements, the Committee may include other elements of pay which it considers are appropriate. However, this discretion is capped and is subject to the limits referred to below.

Base salary will be set at a level appropriate to the role and the experience of the Executive Director being appointed. This may include agreement on future increases up to market rate, in line with increased experience and/or responsibilities, subject to good performance, where it is considered appropriate. Pension will only be provided in line with the above policy.

The Committee will not offer non-performance-related incentive payments (for example a 'guaranteed sign-on bonus').

Other elements may be included in the following circumstances:

- an interim appointment being made to fill an Executive Director role on a short-term basis;
- if exceptional circumstances require that the Chairman or a Non-Executive Director takes on an executive function on a short-term basis;
- if an Executive Director is recruited at a time in the year when it would be inappropriate to provide a bonus or long-term incentive award for that year as there would not be sufficient time to assess performance. Subject to the limit on variable remuneration set out below, the quantum in respect of the months employed during the year may be transferred to the subsequent year so that reward is provided on a fair and appropriate basis; and
- if the Director will be required to relocate in order to take up the position, it is the Company's policy to allow reasonable relocation, travel and subsistence payments. Any such payments will be at the discretion of the Committee.

The Committee may also alter the performance measures, performance period, vesting period and holding period of the annual bonus or LTIP, subject to the rules of the LTIP, if the Committee determines that the circumstances of the recruitment merit such alteration. The rationale will be clearly explained in the next Directors' Remuneration Report.

The maximum level of variable remuneration which may be granted (excluding 'buyout' awards as referred to below) is 375% of salary.

The Committee may make payments or awards in respect of hiring an employee to 'buy out' remuneration arrangements forfeited on leaving a previous employer. In doing so, the Committee will take account of relevant factors, including any performance conditions attached to the forfeited arrangements and the time over which they would have vested. The Committee will generally seek to structure 'buyout' awards or payments on a comparable basis to the remuneration arrangements forfeited. Any such payments or awards are excluded from the maximum level of variable remuneration referred to above. 'Buyout' awards will ordinarily be granted on the basis that they are subject to forfeiture or 'clawback' in the event of departure within 12 months of joining Jackpotjoy plc, although the Committee will retain discretion not to apply forfeiture or clawback in appropriate circumstances.

Any share awards referred to in this section will be granted as far as possible under Jackpotjoy plc's ordinary share plans. If necessary, and subject to the limits referred to above, recruitment awards may be granted outside of these plans as permitted under the Listing Rules which allow for the grant of awards to facilitate, in unusual circumstances, the recruitment of an Executive Director.

Where a position is filled internally, any ongoing remuneration obligations or outstanding variable pay elements shall be allowed to continue in accordance with their terms.

Fees payable to a newly appointed Chairman or Non-Executive Director will be in line with the policy in place at the time of the appointment.

Policy on service contracts

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

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

Keith Laslop may terminate his service agreement by giving six months' notice, other than if he terminates employment for certain 'good reason' circumstances (including a takeover of the Company or any substantially adverse change in his title, status or position) in which case he may terminate the employment immediately.

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

1. All Directors will offer themselves for election or re-election, as the case may be, at the 2018 AGM.
2. Each Executive Director, other than Mr Laslop, is employed under a rolling service agreement which may be terminated by the Executive Director giving six months' notice or the employer giving 12 months' notice. Each Non-Executive Director is appointed pursuant to a letter of appointment for an initial fixed term of three years.
3. Keith Laslop has a service agreement with both the Company and Jackpotjoy Operations Ltd (formerly Intertain (Bahamas) Ltd). The latter agreement's commencement date is 1 July 2017. These service agreements replaced Keith Laslop's legacy employment contract with The Intertain Group Limited dated 1 January 2015, as amended on 21 February 2016 (the Legacy Contract).

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

Remuneration Report continued

Directors' Remuneration Policy continued

Policy on payment for loss of office

The following table summarises the Company's policy on the determination of payments for loss of office by Executive Directors. The provisions outlined below for Mr Laslop in the event of termination of his employment prior to 1 July 2018 were agreed as part of the discussions with him in connection with his entry into new service contracts consistent with UK market practice. Entitlement to the payments outlined below on termination of his employment prior to 1 July 2018 only apply on termination of his employment by the Company without cause or by Mr Laslop for 'good reason' (including a change of control of the Company).

Provision	Treatment
Fixed remuneration	<p>Salary/fees, benefits and pension will be paid to the date of termination.</p> <p>Where a payment in lieu of notice is made, this will include salary, benefits and pension (or a cash equivalent) until the end of the notice period that would otherwise have applied. Alternatively, the Company may continue to provide the relevant benefits.</p> <p>In accordance with Mr Laslop's service agreements:</p> <ul style="list-style-type: none"> Prior to 1 July 2018, Mr Laslop's employment may be terminated with immediate effect and: (1) he shall receive the fee he would have been entitled to under his contract with the Company for the following 12 months; (2) he shall receive the salary and car allowance that would have been paid to him by Jackpotjoy Operations Ltd. (formerly Intertain (Bahamas) Ltd) had his employment continued for the following 13.5 months; and (3) he shall continue to receive for 13.5 months reimbursement of all reasonable medical expenses (including medical insurance premiums) that Mr Laslop or any member of his immediate family may incur (up to a maximum amount of US\$100,000 per annum); and On or after 1 July 2018, Mr Laslop's employment may be terminated with 12 months' notice (or a payment in lieu of notice).
Annual bonus	<p>Entitlement to an annual bonus will be reviewed on an individual basis taking into account the terms of the relevant service agreement. The decision whether or not to award a bonus in full or in part will be dependent on a number of factors, including the circumstances of the departure, contribution to the business during the bonus period and the terms of the service agreement. Any bonus would typically be pro-rated to reflect time in service to termination and paid at the usual time (although the Committee retains discretion to pay the bonus earlier in appropriate circumstances).</p> <p>Keith Laslop's service agreements provide that:</p> <ul style="list-style-type: none"> on termination of his employment by the Company without cause or by Mr Laslop for 'good reason' (including a change of control of the Company) he shall be entitled to a bonus for the year of termination, pro-rated to reflect the period in service as a proportion of the bonus year; on termination of his employment on or after 1 July 2018 by the Company without cause, Mr Laslop shall receive a bonus in respect of the period from the date of termination to the end of the bonus year in which termination occurs subject to the satisfaction of the applicable performance measures.
LTIP	<p>If an Executive Director ceases employment with the Group as a result of death, ill health, injury, disability, the sale of his/her employer out of the Group or any other reason at the Committee's discretion before an award under the LTIP vests, the award will usually be released on the ordinary release date (although the Committee retains discretion to release the award at some other time, such as following the end of the performance period in the case of an award that would otherwise be subject to a holding period). In either case, the award will vest to the extent determined by reference to the performance conditions and, unless the Committee determines otherwise, the proportion of the performance that has elapsed at cessation.</p> <p>If an Executive Director ceases employment with the Group after an award under the LTIP has vested but before it is released (that is, if he or she ceases during a holding period), his/her award will continue and be released at the normal release date (unless the cessation is for summary dismissal, in which case the award will lapse). The award will be released to the extent it has vested by reference to performance conditions. The Committee retains discretion to release the award at cessation.</p>
Change of control	<p>In the event of a change of control, unvested awards under the new LTIP will be released to the extent determined by the Committee taking into account the relevant performance conditions and, unless the Committee determines otherwise, the extent of vesting so determined shall be reduced to reflect the proportion of the relevant performance period that has elapsed.</p>

Provision	Treatment
Other payments	<p>The Committee reserves the right to make additional exit payments where such payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such obligation) or by way of settlement or compromise of any claim arising in connection with the termination of a Director's office or employment. Any such payments may include, but are not limited to, paying any fees for outplacement assistance and/or the Director's legal and/or professional advice fees in connection with his/her cessation of office or employment.</p> <p>Where a 'buyout' or other award is made in connection with recruitment, the leaver provisions would be determined at the time of the award.</p> <p>In accordance with his service agreement, on termination of employment by the Company without cause or by Mr Laslop for 'good reason' prior to 1 July 2018, Keith Laslop is entitled to a lump sum in accordance with the provisions of section 5.3 (i) (e) of his Legacy Contract (which is summarised on pages 300 and 301 of the prospectus).</p>

The Non-Executive Directors are not entitled to compensation on termination of their appointment.

Consideration of employment conditions elsewhere in the Group

The Committee does not formally consult with employees as part of its process when determining Executive Director pay. However, as noted on the policy table on page 51, the level of salary increases of employees within the wider Group is considered when setting base salary for Executive Directors. The Committee is also kept informed of general decisions made in relation to employee pay and related issues.

Legacy remuneration arrangements

The Committee reserves the right to make any remuneration payments and/or payments for loss of office (including exercising any discretions available to it in connection with such payments) notwithstanding that they are not in line with the policy set out above where the terms of the payment were agreed:

- before the policy comes into effect; or
- at a time when the relevant individual was not a Director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the Company.

For these purposes, 'payments' includes the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are 'agreed' at the time the award is granted.

Any such payment shall include the satisfaction of any awards originally granted under The Intertain Group Limited Share Option Plan which have been exchanged for options over shares in Jackpotjoy plc under the Company's Share Option Plan as disclosed in the prospectus.

Remuneration Report continued

Annual Report on Remuneration

In this Remuneration Report, remuneration paid to Directors prior to the Admission of shares in the Company to listing on the London Stock Exchange on 25 January 2017 includes amounts paid by the Intertain Group Limited and by Jackpotjoy Operations Ltd (formerly Intertain (Bahamas) Ltd).

	Salary and fees ^(a) £'000		Benefits ^(b) £'000		Annual bonus ^(c) £'000		Pension ^(d) £'000		Other ^(e) £'000		Total remuneration £'000	
	2017	2016 ⁷	2017	2016 ⁷	2017	2016	2017	2016 ⁷	2017	2016 ⁷	2017	2016 ⁷
Executive Directors												
Neil Goulden ¹	50	—	—	—	0	—	—	—	—	—	50	—
Keith Laslop ^{2,3}	407	314	5	2	277	—	—	—	—	561	689	877
Simon Wykes ⁴	62	—	—	—	25	—	—	—	—	—	87	—
Andrew McIver ²	500	354	—	—	75	—	50	25	—	196	625	575
Non-Executive Directors												
Neil Goulden ⁵	192	267	—	—	—	—	—	—	—	167	192	434
Nigel Brewster	84	—	—	—	—	—	—	—	—	—	84	—
David Danziger ³	61	520	—	—	—	—	—	—	—	154	61	674
Jörgen Nordlund ⁶	91	180	—	—	—	—	—	—	—	20	91	200
Paul Pathak ³	61	450	—	—	—	—	—	—	—	154	61	604
Jim Ryan	62	27	—	—	—	—	—	—	—	59	62	86
Colin Sturgeon	95	—	—	—	—	—	—	—	—	—	95	—
Total	1,655	2,112	5	2	377	—	50	25	—	1,311	2,097	3,450

1. Neil Goulden was appointed Executive Chairman on 1 November 2017. The 2017 Executive Director figures reflect his remuneration as an Executive Director from 1 November 2017 to 31 December 2017.
2. Both Keith Laslop and Andrew McIver have service agreements with the Company and a service agreement with Jackpotjoy Operations Ltd (its wholly owned subsidiary). The sums in the above table include remuneration earned under each agreement where required.
3. Keith Laslop's remuneration is paid in US\$ and bonus payments made to David Danziger and Paul Pathak in respect of 2016 were paid in CA\$. For the purposes of the above table, these have been converted into pounds Sterling (£) using an exchange rate of 0.7744 for 2017 (0.7407 or 0.5567 for 2016).
4. Simon Wykes was appointed Chief Executive Officer, Jackpotjoy Operations Limited on 1 November 2017; the figures above reflect his remuneration from 1 November 2017 to 31 December 2017.
5. Neil Goulden was appointed Executive Chairman on 1 November 2017; the 2017 figures reflect his remuneration as Non-Executive Chairman up to the point of his executive appointment and the 2016 figures reflect his service as Non-Executive Chairman in 2016.
6. Jörgen Nordlund stepped down as a Non-Executive Director on 1 September 2017; the figures reflect his remuneration until his departure.
7. These sums represent monies paid by The Intertain Group Limited or its subsidiaries.

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

(a) Salary and fees	<p>The amount of salary/fees earned in respect of the year. This includes:</p> <p>2016</p> <p>£180,000 earned by Neil Goulden in aggregate in additional Directors' fees from Intertain in respect of additional work done in connection with Admission and the debt raising, as referred to on page 302 of the prospectus. This is included in the sum of £267,000 disclosed above. As referred to on page 302 of the prospectus, David Danziger and Paul Pathak earned fees of CA\$930,000 and CA\$805,000 respectively for the year ended 31 December 2016.</p> <p>2017</p> <p>In addition to fees of £142,000, Neil Goulden earned an additional sum of £50,000 to reflect additional work undertaken in the year and associated time commitment, including in relation to Admission and the transition of the Company's executive team. £20,000 earned by each of Nigel Brewster and Colin Sturgeon from Intertain in respect of work done in connection with the Admission prior to their appointment to the Board on 19 January 2017, as referred to on page 303 of the prospectus. This is in addition to their basic and additional Non-Executive Director fees as set out on page 61.</p>
(b) Benefits	The taxable value of benefits received in the year. These are principally private medical insurance, car allowance, legal expenses and travel and accommodation expenses.
(c) Annual bonus	The cash value of the bonus earned in respect of the financial year. A description of performance against the performance measures which applied for the financial year is provided on page 61.
(d) Pension	The pension figure represents the cash value of pensions contributions to the defined contribution pension arrangements and any cash payments in lieu of pension contributions made in the year.
(e) Other	<p>2016</p> <p>Additional sums earned by David Danziger and Paul Pathak of CA\$100,000 in respect of membership of the Special Committee, as disclosed on page 302 of the prospectus.</p> <p>A bonus of US\$750,000 earned by Keith Laslop for 2016 in respect of recognition of his contribution to the recapitalisation of the Group and the strategic initiatives leading to the UK Listing of Jackpotjoy plc.</p> <p>Options granted to each of Neil Goulden, Andrew McIver, David Danziger, Jörgen Nordlund, Paul Pathak and Jim Ryan over shares in Intertain which were subsequently exchanged for options over shares in the Company as disclosed on page 304 of the prospectus.</p>

Additional disclosures in respect of the single figure table (audited)**Base salary and fees**

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

	Salaries from 1 January 2017 (or date of appointment if later)	Salaries from 1 January 2016	Increase %
Neil Goulden (appointed 1 November 2017)	£300,000	N/A	N/A
Keith Laslop ¹	US\$550,000	\$500,000	10
Simon Wykes (appointed 1 November 2017)	£370,000	N/A	N/A
Andrew McIver	£500,000	£500,000	N/A

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

Details of Chairman and Non-Executive Directors' fees since market admission are set out below.¹

	Fees from 1 January 2017
Chairman's fee	170,000 ²
Basic fee paid to all Non-Executive Directors	65,000
Supplementary fees: ³	
Senior Independent Director	10,000
Remuneration Committee Chairman	5,000
Audit & Risk Committee Chairman	5,000

1. The fees ignore any additional fees paid in 2016 or 2017 in connection with Admission.

2. Fee rate applicable from 1 January 2017 to 31 October 2017, at which point the Chairman was appointed as Executive Chairman on a salary as referred to above.

3. There is no supplementary fee for chairing the Nomination Committee.

Annual incentive plan (audited)

For the financial year ended 31 December 2017, the Executive Directors were awarded a maximum bonus opportunity equal to 100% of base salary, except for Neil Goulden and Simon Wykes who were appointed during the year and are not eligible to participate in the 2017 bonus. The bonus was assessed against the following performance measures:

- 50% Adjusted EBITDA
- 50% Net Leverage

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

Adjusted EBITDA

	Performance (£m)	Vesting (% of salary) ¹	Actual performance
Budget	105.0	10%	108.6m
Target	115.5	25%	
Target + 5%	121.2	30%	
Target + 10%	127.0	35%	
Target + 15%	132.8	40%	
Target + 20%	138.6	50%	

1. Vesting is on a straight-line basis between consecutive performance levels.

Remuneration Report continued

Annual Report on Remuneration continued

Net Leverage²

	Performance (£m)	Vesting (% of salary) ¹	Actual performance
Budget	3.35x	10%	
Target	3.20x	25%	
Target less 0.1x	3.10x	30%	3.66x
Target less 0.2x	3.00x	40%	
Target less 0.3x	2.90x	50%	

1. Vesting is on a straight-line basis between consecutive performance levels.
2. Net Leverage calculated as debt plus the sum of earn-outs, convertible debentures, milestone payments and non-compete payments less cash, expressed as a multiple of EBITDA.

Based on the EBITDA performance outlined above, Andrew McIver earned a bonus of 15% of salary (£75,000).

For 2017, the minimum bonus payable to Keith Laslop under his service agreement is US\$357,500 (i.e. 65% of his base salary). This arrangement applies for 2017 only and was agreed as part of the discussions with him in connection with his entry into new service contracts consistent with UK market practice. The provisions on termination of employment under Keith Laslop's service agreement are set on page 58. For 2018 and future years, Keith Laslop's bonus will be determined in accordance with the shareholder-approved Directors' Remuneration Policy.

In light of the fact that Simon Wykes joined the Board on 1 November 2017, the Committee agreed that he would be eligible for a maximum bonus of up to £61,600 (i.e. 2/12 of his salary). Simon Wykes' bonus was assessed against his contribution to the business and corporate performance over this period. The Committee determined that an on-target of bonus of £25,000 would be payable for 2017.

Long-term incentives (audited)

Awards granted during the financial year

Awards were granted to the Executive Directors on 24 May 2017 on the following basis:

	Type of award	Maximum opportunity	Number of shares	Face value at grant (£'000)	% of award vesting at threshold	Performance period ⁴
Andrew McIver ^{1,2}	LTIP	125% of salary	104,427	625	25%	January 2017–December 2019
Keith Laslop	LTIP	125% of salary	88,520	530 ³	25%	January 2017–December 2019

1. In addition to his LTIP award, Andrew McIver was also granted a tax-qualifying option over 5,012 shares at an exercise price of £5.985 per share. The tax-qualifying option is subject to the same performance conditions as the LTIP award. To the extent the tax-qualifying option is exercised at a gain, the extent to which the LTIP award can be exercised shall be reduced by the amount of the gain so that there is no increase in the pre-tax value of award.
2. Andrew McIver's LTIP award and tax-qualifying option lapsed on 31 January 2018.
3. Keith Laslop is paid partly in US\$. For the purposes of determining the number of shares subject to his award, that part of his salary was converted into £ using an exchange rate of US\$1:£0.770620, the exchange rate applying on the day before the date of grant. For these purposes, the face value of the award is calculated by multiplying the number of shares over which the award was granted by £5.985, the average closing share price for each of the five business days prior to the date of grant.
4. Each award is subject to performance conditions assessed over the period January 2017 to December 2019 (as described further below). To the extent the awards vest following the end of the performance period, they will be released so that the Executive Director can acquire the shares following the end of a two-year holding period.

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

Each award is subject to a performance condition based on the Company's total shareholder return ('TSR') compared to the TSR of the companies constituting the FTSE 250 Index (excluding investment trusts and financial service companies) as regards 50% of the award. For these purposes, TSR is assessed from 25 January 2017, the date of Admission of the Company's shares to trading on the London Stock Exchange.

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

Each award is subject to a performance condition based on the Company's earnings per share in 2019 as regards 50% of the award. For these purposes, EPS shall be underlying basic earnings per share as disclosed in the Annual Report and Accounts for that year.

EPS	Percentage of award vesting
Below 133.5p	0%
133.5p	25%
Between 133.5p and 160p	On a straight-line basis between 25% and 100%
160p	100%

The above EPS targets equate to a three-year compound annual growth rate of c.5.5% for threshold vesting and c.12.5% for maximum vesting by reference to an adjusted (diluted) EPS of 113.0p for 2016.

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

No payments for loss of office and no payments to any former Director of the Company were made in the year other than the fees paid to Jörgen Nordlund until his departure from the Board on 1 September 2017.

Andrew McIver stepped down from the Board on 31 December 2017 and left the business on 31 January 2018. The following arrangements applied to his remuneration.

- Salary, pension contributions and benefits from 1 January 2018 to 31 January 2018, amounting to £45,833 in aggregate.
- As Mr McIver remained with the business for the whole of 2017, he earned a bonus of £75,000 on the basis described on pages 61 and 62 and as disclosed in the single figure table on page 60.
- Mr McIver will receive a payment in lieu of his 12-month notice period in respect of salary, pension contributions and benefits. This will be paid in 12 monthly instalments of £45,833 from February 2018 and will be reduced to reflect alternative employment secured by Mr McIver during that period. The payments may become due immediately in the event of a delay in payment or a change of control or the Company or Jackpotjoy Operations Ltd.
- Mr McIver's awards under the Jackpotjoy plc Long-Term Incentive Plan lapsed on 31 January 2018.
- Mr McIver has retained his options under the Jackpotjoy plc Share Option Plan, which shall continue to vest up to 31 January 2019 and may be exercised for a period of 90 days from that date. Those options shall be treated in accordance with the rules of that plan in the event of a change of control.
- Mr McIver received a contribution of £5,200 in respect of his legal fees.
- Mr McIver shall not earn a bonus in respect of 2018.

Remuneration Report continued

Annual Report on Remuneration continued

Statement of Directors' shareholding and share interests (audited)

The interests of the Directors and their connected persons in the Company's ordinary shares as at 31 December 2017 were as set out below. There have been no changes to those interests between 31 December 2017 and the date of this report.

Actual shares owned:

	At 25/01/2017 (or, if later, date of appointment)	At 31/12/2017 (or, if earlier, date of stepping down from the Board)
Executive Directors		
Neil Goulden	10,000	40,000
Keith Laslop	738,606	738,606
Simon Wykes	–	–
Andrew McIver	–	18,500
Non-Executive Directors		
Nigel Brewster	–	5,000
David Danziger	21,243	21,243 ¹
Jörgen Nordlund	–	1,114,378
Paul Pathak	3,000	3,000 ²
Jim Ryan	–	10,000
Colin Sturgeon	–	5,000

1. Mr Danziger also holds an aggregate of 20,982 Exchangeable Shares directly or indirectly. Each Exchangeable Share may be converted into one ordinary share of Jackpotjoy plc at the prescribed exchangeable share transfer price.
2. Mr Pathak also holds 28,225 Exchangeable Shares directly or indirectly. Each Exchangeable Share may be converted into one ordinary share of Jackpotjoy plc at the prescribed exchangeable share transfer price.

Awards under share plans:

	Award	At 25/01/2017	Granted in the year	Lapsed/ forfeited in the year	Exercised in the year	Exercise price	At 31/12/2017	Status
Executive Directors								
Neil Goulden	2016 share options ³	85,000	–	–	–	£6.79	85,000	1/6th vest on grant; 1/36th vest per month, for a period of 30 months
Keith Laslop	2017 LTIP	–	88,520	–	–	–	88,520	Unvested, subject to performance conditions ¹
	2014 share options ³	340,076	–	–	–	£2.42	340,076	Fully vested on 11 February 2017 and exercisable up to 11 February 2019
Simon Wykes	–	–	–	–	–	–	–	–
Andrew McIver	2017 LTIP	–	104,427 ²	–	–	–	104,427	Unvested, subject to performance conditions ^{1, 2}
	2017 CSOP	–	5,012 ²	–	–	£5.985	5,012	Unvested, subject to performance conditions ^{1, 2}
	2016 share options ³	100,000	–	–	–	£6.79	100,000	1/6th vest on grant; 1/36th vest per month, for a period of 30 months

	Award	At 25/01/2017	Granted in the year	Lapsed/ forfeited in the year	Exercised in the year	Exercise price	At 31/12/2017	Status
Non-Executive Directors								
David Danziger	2016 share options ³	50,000	–	–	–	£6.79	50,000	1/6th vest on grant; 1/36th vest per month, for a period of 30 months
	2015 share options ³	55,000	–	–	–	£9.73	55,000	Fully vested on 13 February 2016 and exercisable up to 11 February 2020
	2014 share options ³	27,206	–	–	–	£2.42	27,206	Fully vested on 11 February 2017 and exercisable up to 11 February 2019
Jörgen Nordlund ⁴	2016 share options ³	10,000	–	–	–	£6.79	10,000	1/6th vest on grant; 1/36th vest per month, for a period of 30 months
	2015 share options ³	30,000	–	–	–	£9.79	30,000	1/36th vest per month, for a period of three years
Paul Pathak	2016 share options ³	50,000	–	–	–	£6.79	50,000	1/6th vest on grant; 1/36th vest per month, for a period of 30 months
	2015 share options ³	55,000	–	–	–	£9.73	55,000	Fully vested on 13 February 2016 and exercisable up to 11 February 2020
	2014 share options ³	27,206	–	–	–	£2.42	27,206	Fully vested on 11 February 2017 and exercisable up to 11 February 2019
Jim Ryan	2016 share options ³	30,000	–	–	–	£6.79	30,000	1/6th vest on grant; 1/36th vest per month, for a period of 30 months

1. The performance conditions applying to the 2017 LTIP and 2017 CSOP are set out on page 63.

2. Andrew McIver's awards lapsed on 31 January 2018.

3. These options over shares in Jackpotjoy plc, were granted pursuant to Jackpotjoy plc's Share Option Plan upon implementation of the Plan of Arrangement. These options were originally granted by Intertain over common shares of Intertain, all as disclosed on page 304 of the prospectus.

4. Awards are stated as at the date of stepping down from the Board on 1 September 2017. Mr Nordlund's options lapsed on 30 November 2017.

Remuneration Report continued

Annual Report on Remuneration continued

The Committee has adopted a shareholding guideline for the Executive Directors, which specifies a shareholding equivalent to 200% of base salary, as further described in the Director's Remuneration Policy. The Executive Directors' achievement of this guideline at 31 December 2017 is summarised below:

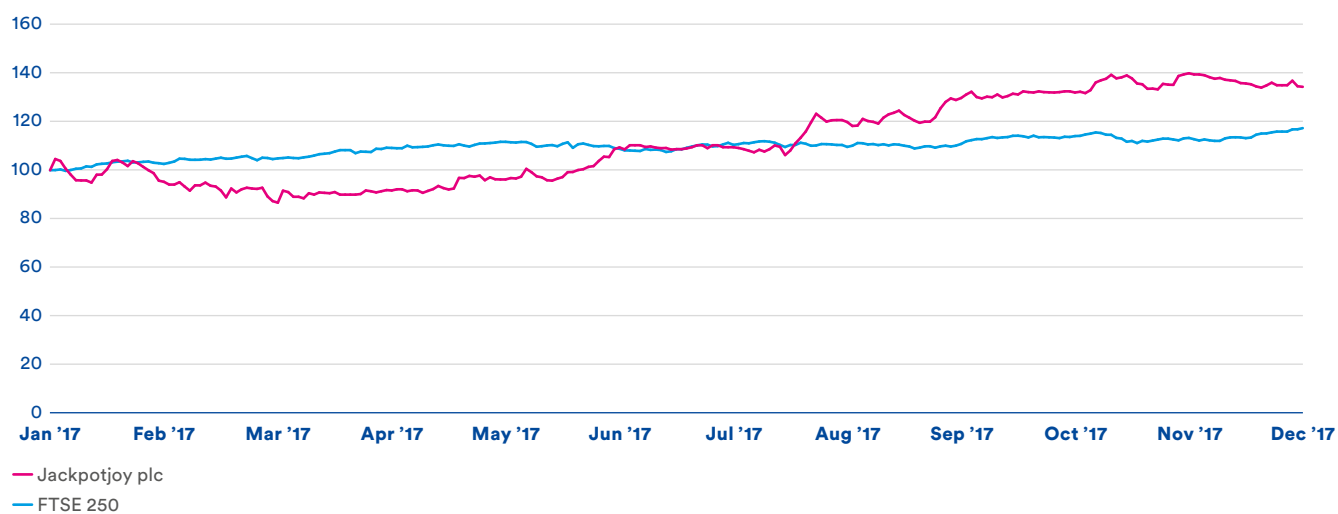
Executive Director	Shares counting towards the guideline at 31 December 2017	Value of shares counting towards the guideline ¹	Value of shares as a percentage of 2017 salary
Neil Goulden ²	40,000	£331,400	110%
Keith Laslop	738,606	£6,119,351	1,504%
Simon Wykes	–	–	–
Andrew McIver	18,500	£153,273	31%

1. Based on a share price of £8.285, being the prevailing mid-market closing share price on 31 December of the given year.
2. Based on an annual salary of £300,000, reflecting Neil Goulden's appointment as Executive Chairman on 1 November 2017.

Performance graph

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

Total shareholder return (rebased to £100)



CEO pay increase in relation to all employees

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

	Percentage change between 2016 and 2017 for the Chief Executive Officer ¹	Percentage change between 2016 and 2017 for the wider workforce ²
Salary	0	14
Taxable benefits	0	(55)
Annual bonus	N/A	(26)

1. As Andrew McIver was Chief Executive Officer for the majority of 2017, the Chief Executive Officer remuneration is based on his remuneration for that year. In order to provide a meaningful comparison and so that remuneration between 2016 and 2017 can be viewed on a like-for-like basis, the Chief Executive Officer remuneration for 2016 is based on the annualised rate of salary and annualised benefits earned by Andrew McIver for 2016.
2. For these purposes, the wider workforce is consolidated Group employees (including Directors and excluding Gamesys employees). This excludes transaction costs and the transaction bonus paid in 2016 and excludes severance payments.

Spend on pay

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

	2017 £'000	2016 £'000	Percentage change
Dividends and share buybacks	N/A	N/A	N/A
Overall expenditure on pay ¹	13,398	16,396	(18)

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

External directorships

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

During the portion of 2017 for which they were Executive Directors of Jackpotjoy plc, Neil Goulden and Simon Wykes were Non-Executive Directors of Britbet LLP, Nottingham Trent University, Clarion Housing Group, Ambitious About Autism Charity and the Sue Ryder Charity (in the case of Neil Goulden) and Leisure Electronics Limited and Wexel Gaming (in the case of Simon Wykes). Each were appointed as Non-Executive Directors before their appointment to Jackpotjoy plc as an Executive Director. Neil Goulden and Simon Wykes were only Executive Directors of the Company for two months in 2017; the fees they received as a Non-Executive Director of these organisations, which they retained, are not disclosed. In the Directors' Remuneration Report for 2018, we will disclose any fees paid to any Executive Director released to serve as a Non-Executive Director elsewhere.

Implementation of the Directors' Remuneration Policy for the financial year commencing 1 January 2018

Information on how Jackpotjoy plc intends to implement the Directors' Remuneration Policy for the financial year commencing on 1 January 2018 is set out below.

Salary/fees and benefits

Neil Goulden's and Simon Wykes' salaries were set at appointment in November 2017. Both were reviewed as part of the Group's annual salary review in December 2017 and it was agreed that no increase would apply to their respective salaries for 2018.

Keith Laslop's base salary for 2018 has increased by 2.5% to US\$563,750, which is in line with the increase applied to the wider workforce. The Non-Executive Directors' fees will not be increased in respect of 2018.

Annual bonus

The maximum bonus opportunity for FY18 will remain at 100% of salary for Keith Laslop and Simon Wykes. The bonus will be subject to stretching performance measures weighted 50% EBITDA, 15% Net Leverage, 15% share price and 20% based on the achievement of strategic objectives. The Committee considers the targets are commercially sensitive matters as they provide competitors with insight into our business plans and expectations and therefore they should remain confidential to the Group. However, the Committee intends to disclose the performance targets and performance against them retrospectively in the FY18 Directors' Remuneration Report, as it has done on page 61 in respect of the targets for the FY17 bonus.

Neil Goulden shall be eligible to earn a bonus of up to 150% of salary for FY18. The bonus opportunity up to 100% of salary will be subject to the same weightings and performance measures as apply to Keith Laslop and Simon Wykes. Mr Goulden will be able to earn a bonus of up to a further 50% of salary based on the achievement of strategic objectives reflecting the Group's strategy. The additional bonus opportunity for Mr Goulden reflects that he will not participate in the LTIP in 2018.

Remuneration Report continued

Annual Report on Remuneration continued

LTIP

The Committee has granted each of Keith Laslop and Simon Wykes an LTIP award in respect of FY18 over shares with a value equal to 125% of salary. Neil Goulden will not participate in the LTIP in 2018.

The performance measures will be equally weighted between TSR and EPS, as follows.

TSR ¹	Percentage of award vesting
Below median	0%
Median	25%
Between median and upper quartile	On a straight-line basis between 25% and 100%
Upper quartile or above	100%

1. Compared to the TSR of the companies constituting the FTSE 250 Index (excluding investment trusts and financial service companies)

EPS ¹ compound annual growth rate	Percentage of award vesting
Below 5.5% p.a.	0%
5.5% p.a.	25%
Between 5.5% p.a. and 14% p.a.	Between 25% and 100% straight-line basis
14% p.a.	100%

1. Base EPS is the underlying basic earnings per share as disclosed in the 2017 Annual Report and Accounts on page 97.

Consideration by the Directors of matters relating to Directors' remuneration

The Remuneration Committee is composed of three independent Non-Executive Directors: Colin Sturgeon, Paul Pathak and Nigel Brewster. The Chairman of the Remuneration Committee is Colin Sturgeon.

The Remuneration Committee met a total of five times and all members of the Remuneration Committee attended these meetings.

The Committee's key responsibilities are:

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

Advisers

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

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

Deloitte is retained to provide objective and independent advice to the Committee as required. Deloitte is a member of the Remuneration Consultants Group and, as such, voluntarily operated under the Code of Conduct in relation to executive remuneration consulting in the UK. Deloitte's fees for providing remuneration advice to the Committee were £17,250 for the year ended 31 December 2017. The Committee assesses from time to time whether this appointment remains appropriate or should be put out to tender and takes into account the Remuneration Consultants Group Code of Conduct when considering this. Deloitte was appointed by the Committee and has provided share scheme advice and general remuneration advice to the Company. No additional services were provided by Deloitte to Jackpotjoy plc.

Additional information

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

Approval

This report was approved by the Board on 19 March 2018 and signed on its behalf by:

Colin Sturgeon

Chairman of the Remuneration Committee

20 March 2018

Directors' Report

Introduction

In accordance with section 415 of the Companies Act 2006, the Directors of Jackpotjoy plc present their report to shareholders for the financial year ending 31 December 2017, which they are required to produce by applicable UK company law. The Directors' Report comprises the Directors' Report section of this report, together with the sections of the Annual Report incorporated by reference. As permitted by legislation, some of the matters normally included in the Directors' Report have instead been included in other sections of the Annual Report, as indicated below.

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

Dividends	<p>The Company's aim is to generate long-term value for its stakeholders and design a shareholder distribution policy that reflects the growth prospects and profitability of the Company while maintaining appropriate levels of operational liquidity. Subject to ensuring sufficient cash remains in the business, including to meet forecast working capital requirements, contingent and financial liabilities (including with respect to the Jackpotjoy division earn-out payments) and other capital requirements, the Board intends to target an annual total dividend of 50% of the Group's Adjusted Net Income (a non-IFRS measure), as defined and calculated from time to time by the Company. The Board intends to introduce such a policy once the Group's leverage has reduced to levels commensurate with its UK-listed peers. When implemented, it is envisaged that interim dividends would be paid in November of each financial year, and that final dividends would be paid in May of the next financial year. It is intended that the interim and final payments would represent approximately one-third and two-thirds of the total annual dividend, respectively.</p> <p>The Board will continue to reassess the Company's shareholder distribution policy from time to time. The introduction and payment of dividends by the Company will be subject to its ongoing assessment of its ability to satisfy its contingent liability payments (including with respect to the Jackpotjoy division earn-out payments), financial liabilities and operational working capital needs, as well as various additional factors, including those outside of the direct control of the Group. There can therefore be no assurance that the Company will introduce a dividend or, if one is paid, that it will be of the quantum or on the timelines outlined above.</p> <p>No interim dividend was paid for the half-year ended 30 June 2017 and no final dividend is recommended for the year ended 31 December 2017.</p>
Share capital	<p>Details of the Company's share capital are set out in note 20 to the Consolidated Financial Statements, including details on the movements in the Company's issued share capital during the year.</p> <p>As of 31 December 2017, the Company's issued share capital consisted of 74,064,431 ordinary shares. No shares are held in treasury. Therefore, the total number of voting rights in the Company is 74,064,431.</p> <p>The Company's issued ordinary share capital ranks pari passu in all respects and carries the right to receive all dividends and distributions declared, made or paid on or in respect of the ordinary shares. There are currently no redeemable non-voting preference shares or subscriber shares of the Company in issue.</p>
Authority to purchase own shares	Details of the Company's authority to purchase its own shares, which will be sought at the Company's forthcoming Annual General Meeting, will be set out in the Notice of Meeting for that AGM.
Directors	Biographies of the Directors who served on the Board during the year are provided in the Governance section on pages 38 and 39.
Directors' appointment and re-election	<p>The Board has the power at any time to elect any person to be a Director but the number of Directors must not exceed the maximum number fixed by the Company's Articles of Association.</p> <p>Any person so appointed by the Directors will retire at the next AGM and then be eligible for election. In accordance with the UK Corporate Governance Code, the Directors are subject to annual re-election by shareholders.</p> <p>For additional information about Directors' appointments and resignations, see the Corporate Governance Report on pages 40 to 46.</p> <p>All of the continuing Directors will stand for re-election at the AGM to be held on Thursday 7 June 2018.</p>
Directors' interests	Information on share ownership by Directors can be found in this Report and in the Remuneration Report on page 64.
Directors' indemnities and Director and officer liability insurance	As at the date of this Report, the Company has granted qualifying third-party indemnities to each of its Directors against any liability that attaches to them in defending proceedings brought against them, to the extent permitted by the Companies Act. In addition, Directors and officers of the Company and its subsidiaries have been and continue to be covered by Director and officer liability insurance.
Powers of Directors	<p>Subject to the Company's Articles of Association, UK legislation and to any directions given by special resolution, the business of the Company is managed by the Board, which may exercise all the powers of the Company. The Articles of Association contain specific provisions concerning the Company's power to borrow money and also provide the power to make purchases of any of its own shares.</p> <p>The Directors have the authority to allot shares or grant rights to subscribe for or to convert any security into shares in the Company. Further details of the proposed authorities are set out in the Notice of the AGM.</p>
Major interests in shares	Notifiable major share interests of which the Company has been made aware are set out in this Directors' Report.

Directors' Report continued

Research and development	Jackpotjoy plc outsources some of its software development activities and engages in research and development activity within its Vera&John division.
Sustainable development	<p>The Corporate Social Responsibility section of this report focuses on the health and safety, environmental and employment performance of the Company's operations, and outlines the Company's core values and commitment to the principles of sustainable development and development of community relations programmes.</p> <p>Details of the Company's policies and performance are provided in the Corporate Social Responsibility section on pages 34 to 37.</p>
Political donations	No political contributions were made in 2017.
Greenhouse gas emissions	<p>In 2017, in accordance with the requirements of the Companies Act 2006 (Strategic and Directors' Report) Regulations 2013, Jackpotjoy plc undertook to assess full emissions of greenhouse gases from facilities under its control.</p> <p>Details can be found in the Corporate Social Responsibility section on pages 34 to 37.</p>
Employees	Information regarding the Company's employees can be found in the Our People section on page 36.
Overseas branches	Jackpotjoy plc does not have any branches. A full list of the Group's controlled subsidiaries is disclosed in note 2 of the Consolidated Financial Statements.
Financial risk management and financial instruments	Information regarding the financial risk management and internal control processes and policies, as well as details of hedging policy and exposure to the risks associated with financial instruments, can be found in note 2 to the Consolidated Financial Statements, the Corporate Governance, Risk Management and Internal Control sections on pages 40 to 45, and the Financial Review on pages 26 to 33.
Going concern	<p>The financial position and performance of the Group and its cash flows are set out in the Financial Review section of the report on pages 26 to 33.</p> <p>The Directors have considered the Group's cash flow projections and an analysis of projected debt covenants compliance for the period to the end of December 2020.</p> <p>The Board is satisfied that the Group's forecasts and projections, taking into account reasonably possible changes in trading performance, show that the Group will continue in operation for the foreseeable future and has neither the intention nor the need to liquidate or materially curtail the scale of its operations.</p> <p>For this reason, the Group continues to adopt the going concern basis in preparing its financial statements.</p> <p>More details are provided in note 2 to the Consolidated Financial Statements on page 85.</p>
Future developments	Information on the Group and its subsidiaries' future developments is provided in the Strategic Report on pages 12 and 13.
Events since the reporting date	The major events after 31 December 2017 are disclosed in note 30 to the Consolidated Financial Statements on page 112.
Annual General Meeting ('AGM')	<p>The 2018 AGM will be held on 7 June 2018 in London. At the AGM, shareholders will have the opportunity to put questions to the Board, including the chairmen of the Board committees.</p> <p>Full details of the AGM, including explanatory notes, are contained in the Notice of the AGM, which will be distributed at least 20 working days before the meeting. The Notice sets out the resolutions to be proposed at the AGM and an explanation of each resolution.</p> <p>All documents relating to the AGM are available on the Company's website at www.jackpotjoyplc.com.</p>
Electronic communications	<p>A copy of the 2017 Annual Report, the Notice of the AGM and other corporate publications, reports and announcements are available on the Company's website at the following link:</p> <p>www.jackpotjoyplc.com</p> <p>Shareholders may elect to receive notification by email of the availability of the Annual Report on the Company's website instead of receiving paper copies. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Group's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.</p>
Corporate Governance Statement	<p>The Disclosure and Transparency Rules (DTR 7.2) require certain information to be included in a Corporate Governance Statement set out in a company's Directors' Report.</p> <p>In common with many companies, Jackpotjoy plc has an existing practice of issuing, within its Annual Report, a Corporate Governance Report that is separate from its Directors' Report. The information that fulfils the requirement of DTR 7.2 is located in the Jackpotjoy plc Corporate Governance Report (and is incorporated into this Directors' Report by reference), with the exception of the information referred to in DTR 7.2.6, which is located in this Directors' Report.</p>

Major shareholdings

The Company's issued share capital at of 31 December 2017 was 74,064,931 ordinary shares and at 19 March 2018 was 74,077,431 ordinary shares. No shares are held in treasury. Thus, the total voting rights are 74,077,431 ordinary shares.

At 31 December 2017, the Company had been notified pursuant to the Financial Conduct Authority's Disclosure and Transparency Rule (DTR 5) of the following notifiable interests in the Company's issued share capital.

	Number of ordinary shares	% of issued ordinary shares
Intertain JerseyCo Ltd ¹	11,550,179	15.60
HG Vora Special Opportunities Master Fund Limited	10,774,622	14.55
DNB Asset Management A/S	4,923,521	6.65
UBS Securities	4,840,925	6.54
Bank Julius Baer	3,440,637	4.65
Canaccord Genuity	3,409,282	4.60
Credit Suisse	2,446,812	3.30
Mr Noel Hayden	2,427,708	3.29

As at 16 March 2018, being the latest practicable date before the approval of the Annual Report and Accounts, the Company had been notified pursuant to DTR 5 that the above positions had changed as follows.

	Number of ordinary shares	% of issued ordinary shares
HG Vora Special Opportunities Master Fund Limited	11,114,000	15.00
Intertain JerseyCo Ltd ¹	8,066,177	10.89
UBS Securities	5,592,832	7.55
Paulson & Co	3,510,000	4.74
Bank Julius Baer	2,480,637	3.36
Credit Suisse	2,438,350	3.28
Mr Noel Hayden	2,427,708	3.28
DNB Asset Management A/S	2,380,932	3.21

1. Intertain JerseyCo Ltd ('JerseyCo') was incorporated in order to facilitate the exercise of voting rights in the Company by the holders of exchangeable shares in The Intertain Group Limited. JerseyCo holds underlying shares in the Company, the voting rights of which are directed by holders in exchangeable shares in The Intertain Group Limited pursuant to a power of attorney granted by JerseyCo to a voting trustee. See page 72 for more information. When Intertain exchangeable shareholders exchange their exchangeable shares for ordinary shares in the Company, JerseyCo transfers the relevant number of ordinary shares to such holder. JerseyCo does not carry on any business except in connection with these functions and does not sit within the Group.

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

Listing Rule disclosures

For the purposes of LR 9.8.4R, the information required to be disclosed by LR 9.8.4R can be found in the following locations:

Item	Location
Interest capitalised	Note 17 to the Consolidated Financial Statements
Publication of unaudited financial information	Not applicable
Detail of long-term incentive schemes	Note 20 to the Consolidated Financial Statements, Remuneration Report
Waiver of emoluments by a Director	Not applicable
Waiver of future emoluments by a Director	Not applicable
Non pre-emptive issues of equity for cash	Not applicable
Non pre-emptive issues of equity for cash in relation to major subsidiary undertakings	Not applicable
Parent participation in a placing by a listed subsidiary	Not applicable
Contract of significance in which a Director is interested	Not applicable
Contracts of significance with a controlling shareholder	Relationship Agreement section below
Provision of services by a controlling shareholder	Not applicable
Shareholder waiver of dividends	Not applicable
Shareholder waiver of future dividends	Not applicable
Agreements with controlling shareholder	Relationship Agreement section below

Significant contractual arrangements

Relationship Agreement

The Board is satisfied that the Company is capable of carrying on its business independently of Intertain JerseyCo Ltd ('JerseyCo') and that the Board makes its decisions in a manner consistent with its duties to the Company and stakeholders of Jackpotjoy plc. JerseyCo was incorporated in order to facilitate the exercise of voting rights in the Company by the holders of exchangeable shares in The Intertain Group Limited. JerseyCo holds underlying shares in the Company, the voting rights of which are directed by holders in exchangeable shares in The Intertain Group Limited pursuant to a power of attorney granted by JerseyCo to a voting trustee. See page 72 for more information. When Intertain exchangeable shareholders exchange their exchangeable shares for ordinary shares in the Company, JerseyCo transfers the relevant number of ordinary shares to such holder. JerseyCo does not carry on any business except in connection with these functions and does not sit within the Group.

Directors' Report continued

Other agreements

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

Keith Laslop's service agreements provide that Mr Laslop may terminate his employment immediately in the event of a change of control (or at any time within 180 days following a change of control). In the event that Mr Laslop so terminates his employment, he is entitled to certain payments as set out on pages 58 and 59.

Articles of Association

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

Share rights

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

Voting rights

There are no other restrictions on voting rights or transfers of shares in the Articles other than those described in these paragraphs. Details of deadlines for exercising voting rights and proxy appointment will be set out in the Notice of the 2018 AGM.

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

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

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

Transfer of shares

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

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

Audit information

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

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

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

The Jackpotjoy plc Directors' Report has been prepared in accordance with applicable UK company law and was approved by the Board on 20 March 2018.

By the order of the Board

Dan Talisman

Chief Legal Officer & Company Secretary

Jackpotjoy plc
20 March 2018

Directors' responsibility statements

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

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

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

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

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

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

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

Responsibility statement under the Disclosure and Transparency Rules

Each of the Directors whose names and functions are listed on pages 38 and 39 confirm that to the best of their knowledge:

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

Statement under the UK Corporate Governance Code

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

By the order of the Board

Neil Goulden Executive Chairman

Jackpotjoy plc
20 March 2018

Independent auditor's report to the members of Jackpotjoy plc

Opinion

We have audited the financial statements of Jackpotjoy plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2017 which comprise the consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, the consolidated statement of cash flows, the Parent Company balance sheet, the Parent Company statement of changes in equity, the Parent Company statement of cash flows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ('IFRSs') as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2017 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Basis for opinion

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

Use of our report

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

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the Annual Report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the Annual Report set out on pages 20-25 that describe the principal risks and explain how they are being managed or mitigated;
- the Directors' confirmation set out on page 21 in the Annual Report that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity;

- the Directors' statement set out on page 33 in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the Directors' identification of any material uncertainties to the Group and the Parent Company's ability to continue to do so over a period of at least 12 months from the date of approval of the financial statements;
- whether the Directors' statement relating to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the Directors' explanation set out on page 33 in the Annual Report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures, drawing attention to any necessary qualifications or assumptions.

Key audit matters

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

Key audit matter**Revenue recognition**

The Group's revenue of £304.6 million (2016: £266.9 million) is comprised of B2C real money gaming revenues of £282.4 million (2016: £243.0 million), social gaming revenues transacted through app stores of £15.5 million (2016: £18.2 million) and B2B revenues of £6.7 million (2016: £5.7 million).

For its B2C revenue streams, the Group is reliant on a number of IT systems which are either outsourced under licencing agreements or operated by third parties with the Group receiving a revenue share, or which are owned and operated by the Group. These IT systems record all gaming transactions including deposits, withdrawals, wagers, wins and losses and their ability to process data accurately is critical. Any weaknesses in the IT systems would constitute a risk of material misstatement.

B2B revenue is a source of income which gives rise to risks in the proper presentation of revenue based on the contractual arrangements entered in to. There is a potential risk that revenue is recorded incorrectly from a timing perspective and/or inappropriately recognised on a gross versus net basis. Alongside traditional affiliate income streams the Group has also entered into contracts to resell gaming software and enter into other partnership arrangements.

The Group's accounting policy for revenue recognition is disclosed in note 3 and the financial statements disclose further detail concerning the Group's revenues in note 5.

How we addressed the matter in our audit

We assessed the design, implementation and operation effectiveness of the controls over the gaming systems which process the Group's B2C transactions from the front-end gaming platforms through the various interfaces surrounding the data warehouse to the Group's financial reporting systems. This work was performed at the Group's largest outsourced IT operation (for Jackpotjoy real money gaming revenues) and the largest in-house system (for Vera&John gaming revenues) to determine whether appropriate controls were in place to ensure the proper reporting of transactions with customers.

On this foundation, we planned and performed a range of substantive and IT controls-based audit procedures to validate the completeness and accuracy of gaming revenues and player balances reported in the financial statements. These procedures included, inter alia, live environment test bets and re-performance of reconciliations between revenue, cash and player balances.

In relation to other third-party hosted IT systems (including those for which transactions pass through app stores) we compared the Group's reported revenues and, as applicable, direct costs to information provided by the third parties.

We assessed whether the revenue recognition policies adopted by the Group comply with accounting standards as well as industry practices. Particular areas of focus were the appropriateness of the presentation of customer bonuses on B2C revenues in the statement of comprehensive income and verifying that management had correctly determined the treatment of and presented revenues and costs on the basis of the Group acting as principal rather than as agent in relation to its B2B contractual arrangements.

Our application of materiality

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

Level of materiality applied and rationale

We consider Adjusted Profit Before Tax to be the most appropriate performance measure for the basis of materiality in respect of the audit of the Group as this measure reflects the Group's profitability excluding the impact of certain non-recurring and business acquisition-related items. Adjusted Profit Before Tax is calculated for this purpose as Net Loss for the Year Before Taxes adjusted for accretion of liabilities arising in connection with acquisitions of businesses and non-compete clauses, accelerated loan arrangement fees written off, amortisation of acquisition-related purchase price intangibles and non-compete clauses, severance costs, loss/(gain) on cross currency swap, fair value adjustments on contingent consideration, transaction-related costs, foreign exchange, and gain on sale of intangible assets (totalling to a net £139.6 million increase in profit). Using this benchmark, we set materiality at £3.6 million (2016: £5.0 million) being 5% of Adjusted Profit Before Tax (2016: 5% of Adjusted EBITDA).

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

Performance materiality was set at 70% of materiality for both the Group and Parent Company audits. In setting the level of performance materiality we considered a number of factors including the expected total value of known and likely misstatements (based on past experience and other factors) and management's attitude towards proposed adjustments.

Independent auditor's report to the members of Jackpotjoy plc continued

Component materiality

We set materiality for each component of the Group based on a percentage of between 25% and 55% of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £1 million to £2 million. In the audit of each component, we further applied a performance materiality level of 65% of the component materiality level to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Agreement with the Audit Committee

We agreed with the Audit Committee that we would report to the Committee all audit differences individually in excess of £160k (2016: £206k). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

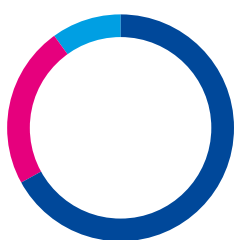
An overview of the scope of our audit

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

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

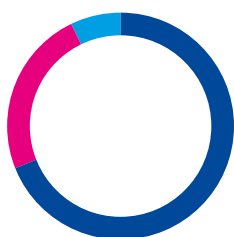
In relation to the component auditor's work on the Vera&John component, we determined the level of involvement required by us to determine whether sufficient appropriate audit evidence had been obtained. We discussed the planned procedures ahead of the audit, examined the conduct, results and findings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

Adjusted Profit Before Tax



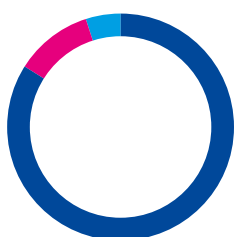
● Full scope audit – BDO UK	67%
● Full scope audit – other BDO member firms	23%
● BDO UK limited scope review	10%

Revenue



● Full scope audit – BDO UK	69%
● Full scope audit – other BDO member firms	24%
● BDO UK limited scope review	7%

Total assets



● Full scope audit – BDO UK	84%
● Full scope audit – other BDO member firms	11%
● BDO UK limited scope review	5%

Other information

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

We have nothing to report in this regard.

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

- **Fair, balanced and understandable, set out on page 73** – the statement given by the Directors that they consider the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit Committee reporting, set out on pages 45 and 46** – the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code, set out on page 41** – the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 73, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Other matters which we are required to address

Following the recommendation of the audit committee, we were appointed by the Audit Committee on 24 September 2014 to audit the financial statements for the year ending 31 December 2014 and subsequent financial periods. The period of total uninterrupted engagement is four years, covering the years ending 31 December 2014 to 31 December 2017 inclusive.

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

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

Kieran Storan

Senior Statutory Auditor

For and on behalf of BDO LLP,
Statutory Auditor
London
20 March 2018

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

Consolidated Statements of Comprehensive Income

	Notes	Year ended 31 December 2017 (£000's)	Year ended 31 December 2016 (£000's)
Revenue and other income			
Gaming revenue		304,646	266,938
Other income earned from revenue guarantee		–	1,181
Other income earned from platform migration		–	925
Total revenue and other income	5	304,646	269,044
Costs and expenses			
Distribution costs	5,6	147,483	130,735
Administrative costs	6	113,039	96,200
Severance costs	5	700	5,695
Transaction related costs	5	6,710	22,767
Foreign exchange loss	5	10,051	3,098
Total costs and expenses		277,983	258,495
Gain on sale of intangible assets	5,13	(1,271)	–
Fair value adjustments on contingent consideration	18	27,562	49,382
Loss/(gain) on cross currency swap	12	12,512	(34,070)
Interest income	7	(182)	(156)
Interest expense	7	30,189	18,243
Accretion on financial liabilities	7	25,049	17,857
Financing expenses	5	95,130	51,256
Net loss for the year before taxes		(67,196)	(40,707)
Current tax provision	22	1,128	347
Deferred tax recovery	22	(427)	(411)
Net loss for the year attributable to owners of the parent		(67,897)	(40,643)
Other comprehensive income/(loss): Items that will or may be reclassified to profit or loss in subsequent periods			
Foreign currency translation gain/(loss)		27,607	(18,382)
Loss on cross currency swap	12	(7,737)	–
Reclassification of loss on cross currency swap	12	7,737	–
Total comprehensive loss for the year attributable to owners of the parent		(40,290)	(59,025)
Net loss for the year per share			
Basic	8	£(0.92)	£(0.57)
Diluted	8	£(0.92)	£(0.57)

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

Consolidated Balance Sheets

	Notes	As at 31 December 2017 (£000's)	As at 31 December 2016 (£000's)	As at 1 January 2016 (£000's)
ASSETS				
Current assets				
Cash	9	59,033	68,485	31,762
Restricted cash	9	208	253	175
Customer deposits		8,180	8,573	6,522
Trade and other receivables	10	19,379	16,763	17,269
Current portion of cross currency swap	12,18	–	38,171	762
Taxes receivable		6,432	6,832	7,375
Total current assets		93,232	139,077	63,865
Non-current assets				
Tangible assets		1,339	852	233
Intangible assets	13	292,223	352,473	380,443
Goodwill	13	296,781	296,352	288,326
Cross currency swap	12,18	–	–	3,972
Other long-term receivables	11,18	3,528	2,624	1,317
Other long-term assets	11,18	2,076	–	–
Total non-current assets		595,947	652,301	674,291
Total assets		689,179	791,378	738,156
LIABILITIES AND EQUITY				
Current liabilities				
Accounts payable and accrued liabilities	14	17,821	8,992	6,235
Other short-term payables	15	12,151	15,321	530
Interest payable		924	633	–
Payable to customers		8,180	8,573	6,522
Convertible debentures	20	254	–	–
Current portion of long-term debt	17	–	26,695	25,160
Current portion of contingent consideration	18	51,866	86,903	5,996
Provision for taxes		7,273	7,743	9,834
Total current liabilities		98,469	154,860	54,277
Non-current liabilities				
Contingent consideration	18	7,717	33,284	203,629
Other long-term payables	19	8,245	14,505	–
Deferred tax liability		1,204	1,897	1,953
Convertible debentures	20	–	3,266	7,266
Long-term debt	17	369,487	344,098	181,998
Total non-current liabilities		386,653	397,050	394,846
Total liabilities		485,122	551,910	449,123
Equity				
Retained earnings		(238,133)	(170,361)	(130,094)
Share capital	20	7,407	7,298	7,051
Share premium		407,274	403,883	396,984
Other reserves		27,509	(1,352)	15,092
Total equity		204,057	239,468	289,033
Total liabilities and equity		689,179	791,378	738,156

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

Consolidated Statements of Changes in Equity

	Notes	Share capital (£000's)	Share premium (£000's)	Merger reserve (£000's)	Redeemable shares (£000's)	Share-based payment reserve (£000's)	Translation reserve (£000's)	Cross currency hedge reserve (£000's)	Retained (deficit)/earnings (£000's)	Total (£000's)
Balance at 1 January 2016		7,051	396,984	(6,111)	–	6,779	14,424	–	(130,094)	289,033
Comprehensive loss for the year:										
Net loss for the year		–	–	–	–	–	–	–	(40,643)	(40,643)
Other comprehensive loss		–	–	–	–	–	(18,382)	–	–	(18,382)
Total comprehensive loss for the year:		–	–	–	–	–	(18,382)	–	(40,643)	(59,025)
Contributions by and distributions to shareholders:										
Conversion of debentures	20	185	5,484	–	–	–	–	–	–	5,669
Exercise of common share warrants	20	4	187	–	–	–	–	–	–	191
Exercise of options	20	58	1,228	–	–	(376)	–	–	376	1,286
Redeemable shares		–	–	–	50	–	–	–	–	50
Share-based compensation	20	–	–	–	–	2,264	–	–	–	2,264
Total contributions by and distributions to shareholders:		247	6,899	–	50	1,888	–	–	376	9,460
Balance at 1 January 2017		7,298	403,883	(6,111)	50	8,667	(3,958)	–	(170,361)	239,468
Comprehensive income/(loss) for the year:										
Net loss for the year		–	–	–	–	–	–	–	(67,897)	(67,897)
Loss on cross currency swap		–	–	–	–	–	–	(7,737)	–	(7,737)
Reclassification of loss on cross currency swap		–	–	–	–	–	–	7,737	–	7,737
Other comprehensive income		–	–	–	–	–	27,607	–	–	27,607
Total comprehensive income/(loss) for the year:		–	–	–	–	–	27,607	–	(67,897)	(40,290)
Contributions by and distributions to shareholders:										
Conversion of debentures	20	92	2,986	–	–	–	–	–	–	3,078
Exercise of options	20	17	405	–	–	(125)	–	–	125	422
Cancellation of redeemable shares		–	–	–	(50)	–	–	–	–	(50)
Share-based compensation	20	–	–	–	–	1,429	–	–	–	1,429
Total contributions by and distributions to shareholders:		109	3,391	–	(50)	1,304	–	–	125	4,879
Balance at 31 December 2017		7,407	407,274	(6,111)	–	9,971	23,649	–	(238,133)	204,057

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

Consolidated Statements of Cash Flows

	Notes	Year ended 31 December 2017 (£000's)	Year ended 31 December 2016 (£000's)
Operating activities			
Net loss for the year		(67,897)	(40,643)
<i>Add (deduct) items not involving cash</i>			
Amortisation and depreciation		63,042	56,133
Share-based compensation expense	20	1,429	2,264
Current tax provision	22	1,128	347
Deferred tax recovery	22	(427)	(411)
Interest expense, net	7	55,056	35,944
Gain on sale of intangible assets		(1,271)	–
Fair value adjustments on contingent consideration	18	27,562	49,382
Realised/unrealised loss/(gain) on cross currency swap		12,512	(34,070)
Foreign exchange loss	12	10,051	3,098
		101,185	72,044
<i>Change in non-cash operating items</i>			
Trade and other receivables		(3,009)	3,434
Other long-term receivables		640	(1,161)
Accounts payable and accrued liabilities		6,363	1,851
Other short-term payables		(3,170)	7,987
Cash provided by operating activities		102,009	84,155
Income taxes paid		(6,899)	(6,680)
Income taxes received		5,860	5,530
Total cash provided by operating activities		100,970	83,005
Financing activities			
Restriction of cash balances		(72)	–
Proceeds from exercise of warrants		–	209
Proceeds from exercise of options		422	1,286
Proceeds from long-term debt, net of debt issue costs	17	367,743	150,726
Proceeds from cross currency swap settlements	12	26,094	3,645
Payment of non-compete liability	19	(5,333)	–
Interest repayment		(30,874)	(17,526)
Payment of contingent consideration	18	(94,218)	(156,308)
Principal payments made on long-term debt	17	(373,962)	(26,906)
Total cash used in financing activities		(110,200)	(44,874)
Investing activities			
Purchase of tangible assets		(981)	(638)
Purchase of intangible assets		(3,212)	(1,862)
Proceeds from sale of intangible assets		1,002	–
Secured convertible loan	11	(3,500)	–
Total cash used in investing activities		(6,691)	(2,500)
Net (decrease)/increase in cash during the year		(15,921)	35,631
Cash, beginning of year		68,485	31,762
Exchange gain on cash and cash equivalents		6,469	1,092
Cash, end of year		59,033	68,485

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

Parent Company Balance Sheets

	Notes	As at 31 December 2017 (£000's)	As at 31 December 2016 (£000's)
ASSETS			
Current assets			
Cash	9	5,422	–
Restricted cash	9	74	–
Trade and other receivables	10	444	50
Intercompany receivable	10	238,394	–
Investment in subsidiaries	2,28	415,807	–
Total current assets		660,141	50
Tangible assets		49	–
Total non-current assets		49	–
Total assets		660,190	50
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	14	972	–
Other short-term payables	15	277	–
Interest payable		672	–
Total current liabilities		1,921	–
Long-term debt	17	246,584	–
Total non-current liabilities		246,584	–
Total liabilities		248,505	–
Equity			
Retained earnings		(4,277)	–
Share capital	20	7,407	–
Share premium		407,274	–
Other reserves		1,281	50
Total equity		411,685	50
Total liabilities and equity		660,190	50

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

The Parent Company has taken advantage of the exemption allowed under s408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements. The loss after tax of the Parent Company for the year was £4,327,000 (2016: £nil).

Parent Company Statements of Changes in Equity

	Notes	Share capital (£000's)	Share premium (£000's)	Redeemable shares (£000's)	Share-based payment reserve (£000's)	Retained (deficit)/earnings (£000's)	Total (£000's)
Balance at incorporation on 29 July 2016		–	–	–	–	–	–
Comprehensive loss for the period:							
Net loss for the period		–	–	–	–	–	–
Other comprehensive loss		–	–	–	–	–	–
Total comprehensive loss for the period:		–	–	–	–	–	–
Contributions by and distributions to shareholders:							
Issuance of redeemable shares, net of costs		–	–	50	–	–	50
Total contributions by and distributions to shareholders:		–	–	50	–	–	50
Balance at 1 January 2017		–	–	50	–	–	50
Comprehensive income (loss) for the period:							
Net loss for the period		–	–	–	–	(4,327)	(4,327)
Other comprehensive income (loss)		–	–	–	–	–	–
Total comprehensive income (loss) for the period:		–	–	–	–	(4,327)	(4,327)
Contributions by and distributions to shareholders:							
Issuance of ordinary shares, net of costs		7,372	405,932	–	–	–	413,304
Conversion of debentures	20	29	937	–	–	–	966
Exercise of options	20	6	405	–	(50)	50	411
Cancellation of redeemable shares		–	–	(50)	–	–	(50)
Share-based compensation	20	–	–	–	1,331	–	1,331
Total contributions by and distributions to shareholders:		7,407	407,274	(50)	1,281	50	415,962
Balance at 31 December 2017		7,407	407,274	–	1,281	(4,277)	411,685

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

Parent Company Statements of Cash Flows

	Notes	Year ended 31 December 2017 (£000's)	Year ended 31 December 2016 (£000's)
Operating activities			
Net loss for the year		(4,327)	–
<i>Add (deduct) items not involving cash</i>			
Amortisation and depreciation		12	–
Share-based compensation expense	20	1,331	–
Interest expense, net		(87)	–
		(3,071)	–
<i>Change in non-cash operating items</i>			
Trade and other receivables		(444)	–
Accounts payable and accrued liabilities		1,299	–
Intercompany balances		(2,014)	–
Total cash used in operating activities		(4,230)	–
Financing activities			
Restriction of cash balances		(74)	–
Proceeds from exercise of options		411	–
Proceeds from long-term debt, net of debt issue costs	17	246,566	–
Total cash provided by financing activities		246,903	–
Investing activities			
Purchase of tangible assets		(61)	–
Issuance of intercompany loan		(237,190)	–
Total cash used in investing activities		(237,251)	–
Net increase in cash during the year		5,422	–
Cash, beginning of year		–	–
Cash, end of year		5,422	–

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

Notes to the Audited Consolidated Financial Statements

31 December 2017

1. Corporate information

Jackpotjoy plc is an online gaming holding company and the Parent Company of The Intertain Group Limited ('Intertain'). Jackpotjoy plc was incorporated pursuant to 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. Jackpotjoy plc became the Parent Company of Intertain on 25 January 2017, following a plan of arrangement transaction involving a one-for-one share exchange of all and the then outstanding common shares of Intertain shares for, at each shareholder's election, ordinary shares of Jackpotjoy plc or exchangeable shares of Intertain. Unless the context requires otherwise, use of 'Group' in these accompanying notes means Jackpotjoy plc and its subsidiaries, as applicable, and use of 'Parent Company' refers to Jackpotjoy plc.

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 B2B software and support provider. The Vera&John and InterCasino brands operate off proprietary software owned by the Group. The Mandalay segment's bingo offerings operate off the Dragonfish platform, a software service provided by the 888 group.

These Consolidated Financial Statements were authorised for issue by the Board of Directors of Jackpotjoy plc (the 'Board of Directors') on 20 March 2018.

2. Basis of preparation

Basis of presentation

These Consolidated and Parent Company Financial Statements have been prepared under the historical cost convention, other than for the measurement at fair value of the Group's cross currency swap, contingent consideration, and certain hedged loan instruments.

These Consolidated and Parent Company Financial Statements have been prepared by management on a going concern basis, are presented in accordance with International Financial Reporting Standards ('IFRS') as adopted by the EU.

Following Jackpotjoy plc becoming the Parent Company of the Group (as detailed in note 1), these Consolidated Financial Statements have been prepared under the merger method of accounting as a continuation of the Intertain business. This method is commonly applied in such situations as the accounting for such transactions is not prescribed by IFRS 3 – *Business Combinations*, or other applicable IFRS, which instead prompts IFRS-reporting entities to look to alternative generally accepted accounting principles for guidance. The result of the application is to present the Consolidated Financial Statements as if Jackpotjoy plc has always been the Parent Company and owned all of the subsidiaries, and the comparatives have also been prepared on that basis. The balance on the Group's merger reserve of £6,111,000 arises on recognition of the Parent Company's investment in Intertain recorded at the Intertain net asset value on 25 January 2017 as explained in note 1 above. The adoption of the merger method of accounting had no impact on reported earnings per share.

As at 31 December 2017, the Group has consolidated current assets and current liabilities of £93.2 million and £98.5 million, respectively, giving rise to a net current liability of £5.3 million. Cash generated through future operating activities is sufficient to cover the net current liability.

Basis of consolidation

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

Notes to the Audited Consolidated Financial Statements continued

31 December 2017

2. Basis of preparation continued

The subsidiaries of Jackpotjoy plc, all of which have been included in these Consolidated Financial Statements, are wholly owned by the Group and constitute investment in subsidiaries on the Parent Company's Balance Sheets, are as follows, taking into account the exchangeable shares constituting 15.6% of the issued share capital of The Intertain Group Limited held by Intertain JerseyCo Limited:

Name of business	Country of incorporation and principal place of business	Registered address
Intertain CallCo ULC	Canada	P.O. Box 997 Halifax, NS, B3J 3N2, Canada
The Intertain Group Limited	Canada	24 Duncan Street, Floor 2, Toronto, ON, M5V 2B8, Canada
Plain Management Bahamas Ltd. Libita Group Ltd. Ludus Group Ltd. Jackpotjoy Operations Ltd. Wagerlogic Bahamas Ltd. Golden Hero Group Ltd.	Bahamas	303 Shirley Street, P.O. Box N-492, Nassau, The Bahamas
Mandalay Media Ltd. Jet Management Group Ltd.	Bahamas	Suite 205A, Saffrey Square, Bank Lane & Bay Street, P.O. Box N-4244, Nassau, The Bahamas
JPJ Group Jersey Finance Ltd. JPJ Holdings II Ltd. JPJ Group Holdings Ltd. JPJ Holding Jersey Ltd. JPJ Jersey Ltd.	Jersey	22 Grenville Street, St Helier, Jersey JE4 8PX, Channel Islands
Dumarca Holdings Ltd. Dumarca Services Ltd. Dumarca Gaming Ltd.	Malta	The Emporium, Level 3, St Louis Street, MSD 1421, Msida, Malta
Wagerlogic Malta Holdings Ltd. Cryptologic Operations Ltd. Cryptologic Trading Ltd.	Malta	Office 1/4457, Level G Quantum House, 75 Abate Rigord Street, Ta'Xbiex, XBX 1120 Malta
Wagerlogic Alderney Ltd.	Alderney	Inchalla, La Val, GY9 3UL, Alderney
Wagerlogic Israel Ltd.	Israel	4 Berkowitz Street, 7th Floor, P.O. Box 33111, Tel Aviv, 61330, Israel
Jet Media Ltd.	Gibraltar	Suite 2B, 143 Main Street, Gibraltar
Fifty States (Gibraltar) Ltd.	Gibraltar	Suite 23, Portland House, GX11 1AA, Gibraltar
Ramona Investments Ltd.	Turks and Caicos	P.O. Box 170, 2nd Floor Yellowman & Sons Building Off Old Airport Road Granf Turk, Turks and Caicos Islands
Intertain Management (UK) Ltd.	United Kingdom	3 Bunhill Row, London, EC1Y 8YZ United Kingdom
Plain Support SA	Costa Rica	San Jose Mata Redonda, Del Am-Pm, 200 Oeste Y 25 Sur, Costa Rica
Dumarca Asia Ltd. Simplicity V8 Hong Kong Ltd.	Hong Kong	Office L, 17th Floor, MG Tower, 133 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong
Intertainment Asia Inc. Entserv Asia Ltd.	British Virgin Islands	Akara Bldg., 24 De Castro Street, Wickhams Cay 1, Road Town, Tortola, VG 1110, British Virgin Islands

Name of business	Country of incorporation and principal place of business	Registered address
Silverspin AB	Sweden	P.O. Box 113, SE-541 23 SKOVDE, Sweden
Intertain Financial Services AB	Sweden	Ingemar Bergmansgata 2, SE114 34, Stockholm, Sweden
Fifty States Ltd.	Isle of Man	Fort Anne, Douglas, IM1 5PD Isle of Man
Intertain Group Finance LLC	United States of America	2711 Centerville Road, New Castle Country, Wilmington, 19808 Delaware
Bei Jing Lang Chen Rui Bo Technology Co, Ltd.	China	No. b148, 1-2-(2) of Commercial Area B, Bldg. 1, Yard 66, No. 66 South Sha Tan, Chaoyang District, Beijing City
Luxembourg Investment Company 192 S.a.r.l.	Luxembourg	6, rue Eugene Ruppert, Luxembourg, Luxembourg

3. Summary of significant accounting policies

Business combinations and goodwill

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

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

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

Segmental reporting

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

Revenue recognition

Jackpotjoy plc earns its revenue from operating online bingo and casino websites, social gaming, and affiliate services. Revenue from online bingo and casino consists of the difference between total amount wagered by players less all winnings payable to players, bonuses allocated, and jackpot contributions ('Net Revenue'). Social gaming revenues are recognised at the consideration receivable from players at the point of the transaction, gross of platform fees deducted by platform operators. Affiliate revenue is calculated in line with the contracts, typically based on fixed price per player and is recognised to the extent that its probable economic benefits will flow to Jackpotjoy plc and the revenue can be reliably measured. Revenue is recognised in the accounting periods in which the transactions occur.

Notes to the Audited Consolidated Financial Statements continued

31 December 2017

3. Summary of significant accounting policies continued

Fair value measurement

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

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

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

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

Foreign currency translation

Functional and presentation currency

Effective from 1 January 2017, the Group changed its presentation currency from Canadian dollars ('CAD' or '\$') to pounds sterling ('GBP' or '£'). Comparative information has been restated in pounds sterling in accordance with the guidance defined in IAS 21 – *The Effects of Changes in Foreign Exchange Rates* and a statement of financial position as at the beginning of the previous financial year has been presented. The 2016 Consolidated Financial Statements have been retranslated from Canadian dollars to pounds sterling using the procedures outlined below:

- income and expenses were translated into pounds sterling at average quarterly rates of exchange (£:£ – 0.6036). Differences resulting from the retranslation on the opening net assets and the results for the year have been taken to reserves;
- assets and liabilities were translated at spot rates in effect at the balance sheet closing dates (£:£ 2016 – 0.6037 and 2015 – 0.4900);
- share capital and other reserves were translated at historic rates prevailing at the dates of transactions;
- quarterly average exchange rates were used to convert changes in items not involving cash and cash provided by/(used in) operating activities, financing activities, and investing activities. Spot rates were used to convert cash balances, beginning of year and cash balances, end of year.

As a result of this change, no retranslation movement will be recorded in the Statements of Comprehensive Income for subsidiaries whose functional currency is GBP.

Foreign currency transactions and balances

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

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

Financial instruments

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

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

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

Fair value through profit or loss

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

Loans and receivables

Loans and receivables are non-derivative financial instruments with fixed or determinable payments that are not quoted in an active market. After initial measurement, such instruments are subsequently measured at amortised cost using the effective interest rate ('EIR') method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in interest income or expense in the Consolidated Statements of Comprehensive Income. This category generally applies to cash, restricted cash, customer deposits, trade and other receivables, and other long-term receivables.

Financial liabilities at amortised cost

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

Impairment of financial assets

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Financial assets are impaired when there is objective evidence that a financial asset or a group of financial assets is impaired.

Objective evidence of impairment could include:

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

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

Compound financial instruments

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

Subsequent to initial recognition, the liability component of the convertible debentures is measured at amortised cost using the effective interest method. The equity component of the convertible debentures is not remeasured subsequent to initial recognition.

The Group's compound financial instruments further comprise of a convertible loan receivable that can be converted to equity of the loan party after 12 months following the date of the loan agreement. As a result, the instrument is composed of an asset component and an embedded derivative component. The asset component is recognised initially at the fair value of a similar asset that does not have an equity conversion option. The embedded derivative component is separated from the host contract and is recognised initially at the fair value established using a risk-neutral simulation model.

Subsequent to initial recognition, both, the asset component and the embedded derivative component of the convertible loan receivable, are measured at amortised cost using the effective interest method.

Offsetting of financial instruments

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

Derivative financial instruments

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

Notes to the Audited Consolidated Financial Statements continued

31 December 2017

3. Summary of significant accounting policies continued

Hedge accounting

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

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

IAS 39 – *Financial Instruments: Recognition and Measurement* permits hedge accounting under certain circumstances provided that the hedging relationship is:

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

For the purpose of hedge accounting, hedges are classified as:

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

Fair value hedge

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

At 31 December 2017, the Group had no hedges designated as fair value hedges. Subsequent to year-end, the Group entered into an interest rate swap agreement and designated it as a fair value hedge.

Cash flow hedges

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

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

Effective from 31 March 2017, the Group designated its New Currency Swap (as defined in note 12) as a cash flow hedge.

Hedge of net investments in foreign operations

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

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

At 31 December 2017, no material ineffectiveness arising on net investment hedge was included in the Consolidated Statement of Comprehensive Income.

Income taxes

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

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

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

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

Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks and excludes restricted cash.

The effect on the Consolidated Statements of Cash Flows of restrictions either taking effect on, or being lifted from, cash balances is reported with regard to the linkage principle, under which changes in cash are classified based on the purpose for which the restricted cash is used. Under this principle, changes in cash (such as cash, which is obtained for the financing of business combinations becoming restricted) are treated as a financing cash outflow.

Tangible assets

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

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

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

Intangible assets

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

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

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

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

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

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

Notes to the Audited Consolidated Financial Statements continued

31 December 2017

3. Summary of significant accounting policies continued

Investments in subsidiaries

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

Share-based compensation and long-term incentive plan

Compensation expense for equity-settled stock options awarded under the Share Option Plan (as defined in note 20) is measured at the fair value at the grant date using the Black-Scholes valuation model and is recognised using the graded vesting method over the vesting period of the options granted. Compensation expense for equity-settled stock options awarded under the LTIP (as defined in note 20) is measured at the fair value at the grant date using the Black-Scholes valuation model for the EPS Tranche (as defined in note 20) and the Monte Carlo model for the TSR Tranche (as defined in note 20).

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

Earnings per share

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

Provisions

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

Research and development costs

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

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

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

Leases

Jackpotjoy plc has classified its rental leases as operating leases. Operating lease payments are recognised on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed, in which case that systematic basis is used. Operating lease payments are recorded under administrative costs in the Consolidated Statements of Comprehensive Income unless they are attributable to qualifying assets, in which case they are capitalised.

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

4. Summary of significant accounting estimates and assumptions

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

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

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

Business combinations and contingent consideration

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

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

Goodwill and intangible assets

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

Taxes

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

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

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5. Segment information

Segments are reported in a manner consistent with internal reporting provided to the Chief Operating Decision Maker. The Chief Operating Decision Maker has been identified as the management team comprising of the Executive Chairman and the Chief Financial Officer.

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

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

Year ended 31 December 2017

	Jackpotjoy (£000's)	Vera&John (£000's)	Mandalay (£000's)	Unallocated Corporate Costs (£000's)	Total (£000's)
Gaming revenue	211,302*	73,167	20,177	–	304,646
Distribution costs	99,095	36,582	11,660	146	147,483
Amortisation and depreciation	46,420	9,956	6,286	380	63,042
Compensation, professional, and general and administrative expenses	17,112	18,558	1,383	12,944	49,997
Severance costs	–	–	–	700	700
Transaction related costs	–	–	–	6,710	6,710
Foreign exchange	75	599	24	9,353	10,051
Gain on sale of intangible assets	–	(1,002)	(269)	–	(1,271)
Financing, net	–	(166)	4	95,292	95,130
Income/(loss) for the year before taxes	48,600	8,640	1,089	(125,525)	(67,196)
Taxes	–	701	–	–	701
Net income/(loss) for the year	48,600	7,939	1,089	(125,525)	(67,897)
Net income/(loss) for the year	48,600	7,939	1,089	(125,525)	(67,897)
Interest (income)/expense, net	–	(166)	4	30,169	30,007
Accretion on financial liabilities	–	–	–	25,049	25,049
Taxes	–	701	–	–	701
Amortisation and depreciation	46,420	9,956	6,286	380	63,042
EBITDA	95,020	18,430	7,379	(69,927)	50,902
Share-based compensation	–	–	–	1,429	1,429
Severance costs	–	–	–	700	700
Fair value adjustment on contingent consideration	–	–	–	27,562	27,562
Loss on cross currency swap	–	–	–	12,512	12,512
Transaction related costs	–	–	–	6,710	6,710
Gain on sale of intangible assets	–	(1,002)	(269)	–	(1,271)
Foreign exchange	75	599	24	9,353	10,051
Adjusted EBITDA	95,095	18,027	7,134	(11,661)	108,595
Net income/(loss) for the year	48,600	7,939	1,089	(125,525)	(67,897)
Share-based compensation	–	–	–	1,429	1,429
Severance costs	–	–	–	700	700
Fair value adjustment on contingent consideration	–	–	–	27,562	27,562
Loss on cross currency swap	–	–	–	12,512	12,512
Transaction related costs	–	–	–	6,710	6,710
Gain on sale of intangible assets	–	(1,002)	(269)	–	(1,271)
Foreign exchange	75	599	24	9,353	10,051
Amortisation of acquisition related purchase price intangibles and non-compete clauses	46,420	8,568	6,239	–	61,227
Accretion on financial liabilities	–	–	–	25,049	25,049
Adjusted net income/(loss)	95,095	16,104	7,083	(42,210)	76,072

* Jackpotjoy gaming revenue figure includes social gaming revenue of £15,394,000 for 2017.

Year ended 31 December 2016

	Jackpotjoy (£000's)	Vera&John (£000's)	Mandalay (£000's)	Unallocated Corporate Costs (£000's)	Total (£000's)
Gaming revenue	188,177*	57,013	21,748	–	266,938
Other income	–	2,106	–	–	2,106
Distribution costs	88,080	28,349	14,039	267	130,735
Amortisation and depreciation	41,341	8,863	5,913	16	56,133
Compensation, professional, and general and administrative expenses	15,519	12,750	1,099	10,699	40,067
Severance costs	–	–	–	5,695	5,695
Transaction related costs	–	862	–	21,905	22,767
Foreign exchange	(248)	593	(132)	2,885	3,098
Financing, net	–	(83)	6	51,333	51,256
Income/(loss) for the year before taxes	43,485	7,785	823	(92,800)	(40,707)
Taxes	–	(64)	–	–	(64)
Net income/(loss) for the year	43,485	7,849	823	(92,800)	(40,643)
Net income/(loss) for the year	43,485	7,849	823	(92,800)	(40,643)
Interest (income)/expense, net	–	(83)	6	18,164	18,087
Accretion on financial liabilities	–	–	–	17,857	17,857
Taxes	–	(64)	–	–	(64)
Amortisation and depreciation	41,341	8,863	5,913	16	56,133
EBITDA	84,826	16,565	6,742	(56,763)	51,370
Share-based compensation	–	–	–	2,264	2,264
Severance costs	–	–	–	5,695	5,695
Independent Committee related expenses	–	–	–	1,693	1,693
Fair value adjustment on contingent consideration	–	–	–	49,382	49,382
Gain on cross currency swap	–	–	–	(34,070)	(34,070)
Transaction related costs	–	862	–	21,905	22,767
Foreign exchange	(248)	593	(132)	2,885	3,098
Adjusted EBITDA	84,578	18,020	6,610	(7,009)	102,199
Net income/(loss) for the year	43,485	7,849	823	(92,800)	(40,643)
Share-based compensation	–	–	–	2,264	2,264
Severance costs	–	–	–	5,695	5,695
Independent Committee related expenses	–	–	–	1,693	1,693
Fair value adjustment on contingent consideration	–	–	–	49,382	49,382
Gain on cross currency swap	–	–	–	(34,070)	(34,070)
Transaction related costs	–	862	–	21,905	22,767
Foreign exchange	(248)	593	(132)	2,885	3,098
Amortisation of acquisition related purchase price intangibles	41,341	8,251	5,913	–	55,505
Accretion on financial liabilities	–	–	–	17,857	17,857
Adjusted net income/(loss)	84,578	17,555	6,604	(25,189)	83,548

* Jackpotjoy gaming revenue figure includes social gaming revenue £18,137,000 for 2016.

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5. Segment information continued

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

	Jackpotjoy (£000's)	Vera&John (£000's)	Mandalay (£000's)	Unallocated Corporate Costs (£000's)	Total (£000's)
Current assets	14,573	41,970	6,387	30,302	93,232
Goodwill	224,348	55,821	16,612	–	296,781
Long-term assets	238,943	31,878	10,760	17,585	299,166
Total assets	477,864	129,669	33,759	47,887	689,179
Current liabilities	7,666	19,877	3,292	67,634	98,469
Long-term liabilities	–	1,204	–	385,449	386,653
Total liabilities	7,666	21,081	3,292	453,083	485,122
Net assets	470,198	108,588	30,467	(405,196)	204,057

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

	Jackpotjoy (£000's)	Vera&John (£000's)	Mandalay (£000's)	Unallocated Corporate Costs (£000's)	Total (£000's)
Current assets	15,033	38,870	6,509	78,665	139,077
Goodwill	224,348	55,392	16,612	–	296,352
Long-term assets	277,702	38,163	18,020	22,064	355,949
Total assets	517,083	132,425	41,141	100,729	791,378
Current liabilities	5,790	16,711	1,483	130,876	154,860
Long-term liabilities	–	1,897	–	395,153	397,050
Total liabilities	5,790	18,608	1,483	526,029	551,910
Net assets	511,293	113,817	39,658	(425,300)	239,468

During the years ended 31 December 2017 and 2016, substantially all of the revenue earned by the Group was in Europe. Revenues were earned from customers located in the following locations: United Kingdom – 63% (2016 – 65%), Sweden – 10% (2016 – 10%), rest of Europe – 14% (2016 – 12%), rest of world – 13% (2016 – 13%). Non-current assets by geographical location as at 31 December 2017 were as follows: Europe £87.7 million (31 December 2016 – £93.6 million) and the Americas £508.2 million (31 December 2016 – £558.7 million).

6. Costs and expenses

	Year ended 31 December 2017 (£000's)	Year ended 31 December 2016 (£000's)
Distribution costs:		
Selling and marketing	49,760	46,744
Licensing fees	47,067	42,653
Gaming taxes	37,851	29,769
Processing fees	12,805	11,569
	147,483	130,735
Administrative costs:		
Compensation and benefits	34,848	29,490
Professional fees	3,749	3,741
General and administrative	11,400	6,836
Tangible asset depreciation	424	338
Intangible asset amortisation	62,618	55,795
	113,039	96,200

7. Interest income/expense

	Year ended 31 December 2017 (£000's)	Year ended 31 December 2016 (£000's)
Interest earned on cash held during the year	182	156
Total interest income	182	156
Interest paid and accrued on long-term debt	30,144	17,825
Interest paid and accrued on convertible debentures	45	418
Total interest expense	30,189	18,243
Accretion of discount recognised on contingent consideration	6,052	15,545
Debt issue costs and accretion recognised on long-term debt*	17,095	1,919
Accretion recognised on non-compete clauses	1,860	77
Accretion recognised on convertible debentures	42	316
Total accretion on financial liabilities	25,049	17,857

* Includes accelerated accretion of costs of £14.1 million as a result of debt refinancing that took place in December 2017.

8. Earnings per share

	Year ended 31 December 2017 (£000's)	Year ended 31 December 2016 (£000's)
Numerator:		
Net loss – basic	(67,897)	(40,643)
Net loss – diluted ¹	(67,897)	(40,643)
Denominator:		
Weighted average number of shares outstanding – basic	73,865	71,239
Instruments, which are anti-dilutive:		
Weighted average effect of dilutive share options	453	726
Weighted average effect of convertible debentures ²	238	2,312
Net loss per share ^{3,4}		
Basic	£(0.92)	£(0.57)
Diluted ¹	£(0.92)	£(0.57)

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 years ended 31 December 2017 and 31 December 2016.
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 year.
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.

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9. Cash and restricted cash

Group

	31 December 2017 (£000's)	31 December 2016 (£000's)
Cash	58,725	33,558
Segregated cash*	308	34,927
Cash and cash equivalents	59,033	68,485
Restricted cash – other	208	253
Total cash balances	59,241	68,738

* This balance consists of cash on deposit with payment service providers, as well as segregated funds held in accordance with the terms of the Jackpotjoy earn-out payment, where the Group was required to segregate 90% of its excess cash flow, less mandatory repayments of the Group's long-term debt and earn-out payments, in a non-operational bank account. Since the Group made a payment of £94.2 million for the final earn-out on the non-Spanish assets and the first earn-out instalment on the Spanish assets of the Jackpotjoy segment on 21 June 2017, no cash was required to be segregated for this purpose at 31 December 2017 (£34.7 million as at 31 December 2016). Segregated cash does not qualify as restricted cash and, as such, it is included in cash.

Parent Company

	31 December 2017 (£000's)	31 December 2016 (£000's)
Cash	5,422	–
Restricted cash – other	74	–
Total cash balances	5,496	–

10. Trade and other receivables

Group

	31 December 2017 (£000's)	31 December 2016 (£000's)
Due from the Gamesys group	8,634	9,242
Due from the 888 group	3,101	1,625
Affiliate revenue receivable	2,481	1,766
Receivable for intangible assets sold	1,450	–
Swap-related receivable	–	1,948
Prepaid expenses	2,375	967
Other	1,338	1,215
	19,379	16,763

Parent Company

	31 December 2017 (£000's)	31 December 2016 (£000's)
Intercompany receivable	238,394	–
Prepaid expenses	444	–
Other	–	50
	238,838	50

11. Other long-term receivables and other long-term assets

Group

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

Key terms of the Gaming Realms Transaction include: (a) five-year secured convertible loan to Gaming Realms in the principal amount of £3.5 million with an interest rate of 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.

In connection with this transaction, the Group recognised a long-term receivable of £1.4 million for the loan component of the convertible loan and a long-term asset of £2.1 for the Conversion Component of the convertible loan.

12. Cross currency swap

Group

On 23 November 2015, the Group entered into a cross currency swap agreement (the 'Currency Swap') in order to minimise the Group's exposure to exchange rate fluctuations between GBP and the US dollar ('USD') as cash generated from the Group's operations is largely in GBP, while a portion of the principal and interest payments on the credit facilities held by the Group at the time were denominated in USD. Under the Currency Swap, 90% of the Group's USD term loan interest and principal payments were swapped into GBP. The Group paid a fixed 7.81% interest in place of floating USD interest payments of LIBOR plus 6.5% (LIBOR floor of 1%). The interest and principal payments were made at a GBP/USD foreign exchange rate of 1.5135 on a USD notional amount of \$294.0 million.

On 28 March 2017, the Group terminated the Currency Swap and realised total proceeds of approximately USD 42.6 million (£34.4 million) and subsequently entered into a new cross currency swap agreement (the 'New Currency Swap'). Under the New Currency Swap, 50% of the Group's term loan interest and principal payments were swapped into GBP. The Group paid a fixed 7.4% interest in place of floating USD interest payments of LIBOR plus 6.5% (LIBOR floor of 1%). The interest and principal payments were made at a GBP/USD foreign exchange rate of 1.2584 on a USD notional amount of \$136.8 million.

On 4 December 2017, the Group made a payment of £8.3 million to settle the New Currency Swap in full. As a result, the fair value of the Group's currency swap agreements as at 31 December 2017 is £nil (31 December 2016 – asset of £38.2 million).

Excluding the termination settlements referred to above, the net cash flows arising on the cross currency swaps during the period were an outflow of £0.3 million. All other changes in the values of the cross currency swaps related to changes in the assessment of fair value.

Jackpotjoy plc elected to use hedge accounting (as described in note 3) for the purposes of recognising realised and unrealised gains and losses associated with the New Currency Swap. As a result, upon settlement of the hedged item, being the future foreign currency term loan cash payments as explained in note 17, the entire loss on the New Currency Swap in the amount of £12.5 million was reclassified to profit and loss, in accordance with IAS 39.

13. Intangible assets and goodwill

As at 31 December 2017

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

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

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13. Intangible assets and goodwill continued

As at 31 December 2016

	Gaming licences (£000's)	Customer relationships (£000's)	Software (£000's)	Revenue guarantee (£000's)	Brand (£000's)	Partnership agreements (£000's)	Non- compete clauses (£000's)	Goodwill (£000's)	Total (£000's)
Cost									
Balance, 1 January 2016	76	337,502	17,175	4,010	68,284	12,900	–	306,295	746,242
Additions	–	–	1,836	–	–	–	20,434	–	22,270
Translation	18	3,425	2,659	783	1,770	–	–	11,534	20,189
Expiry	–	–	–	(4,793)	–	–	–	–	(4,793)
Balance, 31 December 2016	94	340,927	21,670	–	70,054	12,900	20,434	317,829	783,908
Accumulated amortisation									
Balance, 1 January 2016	23	47,956	3,279	–	2,681	1,558	–	17,969	73,466
Amortisation	9	47,405	3,683	–	3,466	1,232	–	–	55,795
Translation	2	1,450	452	–	376	34	–	3,508	5,822
Balance, 31 December 2016	34	96,811	7,414	–	6,523	2,824	–	21,477	135,083
Carrying value									
Balance, 31 December 2016	60	244,116	14,256	–	63,531	10,076	20,434	296,352	648,825

Goodwill impairment testing

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

The recoverable amount of the Vera&John CGU has been determined based on a fair value less selling costs calculation using cash flow projections from financial forecasts approved by senior management covering a five-year period. The pre-tax discount rate applied to cash flow projections is 22% (2016 – 22%) and cash flows beyond the five-year period are extrapolated using a 2.5% (2016 – 2.5%) growth rate.

The recoverable amount of the Mandalay CGU has been determined based on a fair value less selling costs calculation using cash flow projections from financial forecasts approved by senior management covering a five-year period. The pre-tax discount rate applied to cash flow projections is 16% (2016 – 16%) and cash flows beyond the five-year period are extrapolated using a 2.5% (2016 – 2.5%) growth rate.

The recoverable amount of the Jackpotjoy CGU has been determined based on a fair value less selling costs calculation using cash flow projections from financial forecasts approved by senior management covering a five-year period. The pre-tax discount rate applied to cash flow projections is 14% (2016 – 18%) and cash flows beyond the five-year period are extrapolated using a 2.5% (2016 – 2.5%) growth rate.

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

As at 31 December 2017, there was no indication of impairment of goodwill, nor do the Directors expect any reasonably possible change in a key assumption that may give rise to an impairment.

14. Accounts payable and accrued liabilities

Group

	31 December 2017 (£000's)	31 December 2016 (£000's)
Affiliate/marketing expenses payable	6,547	3,058
Payable to game suppliers	1,899	950
Compensation payable	4,868	2,989
Loyalty program payable	252	260
Professional fees	875	349
Gaming tax payable	2,101	526
Other	1,279	860
	17,821	8,992

Parent Company

	31 December 2017 (£000's)	31 December 2016 (£000's)
Affiliate/marketing expenses payable	36	—
Compensation payable	716	—
Professional fees	216	—
Other	4	—
	972	—

15. Other short-term payables
Group

	31 December 2017 (£000's)	31 December 2016 (£000's)
Transaction related payables	3,484	9,321
Current portion of other long-term payables (note 19)	8,667	6,000
	12,151	15,321

Parent Company

	31 December 2017 (£000's)	31 December 2016 (£000's)
Transaction related payables	277	—
	277	—

16. Financial risk management

Credit risk

Credit risk is the risk of loss associated with the counterparty's inability to fulfil its payment obligations. As at 31 December 2017, the Group is largely exposed to credit risk through its relationship with its service providers, the Gamesys group, the 888 group, as well as its cash balances. Credit risk also arises from payment services providers ('PSPs'). Prior to accepting new PSPs, credit checks are performed using a reputable external source. Management monitors PSP balances on a weekly basis and promptly takes corrective action if pre-agreed limits are exceeded. As at 31 December 2017, none of the Group's receivables are considered past due or impaired. Quantitative analysis of the Group's exposure to credit risk arising from its receivables is included in note 10 and analysis of the Group's exposure to its credit risk arising from cash is presented below.

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

Group

Financial institution rating	As at 31 December 2017 (£000's)	As at 31 December 2016 (£000's)*
A+	7,677	6,931
A	7,307	39,124
A-	60	154
AA-	18,209	9,692
BBB+	289	42
BBB	7,893	6,026
BB	9,122	5,018

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16. Financial risk management continued

Parent Company

	As at 31 December 2017 (£000's)	As at 31 December 2016 (£000's)*
Financial institution rating		
A	5,422	—

* 2016 ratings have been restated to match ratings of respective banks at 31 December 2017.

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

Interest rate risk

Interest rate risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Jackpotjoy plc is exposed to cash flow interest rate risk on its credit facilities, described in note 17, which bear interest at variable rates. A one percentage point increase (decrease) in interest rates would have decreased (increased) net earnings before income taxes by approximately £3.5 million for the year ended 31 December 2017 (31 December 2016 – £3.7 million), on a consolidated basis, with all other variables held constant.

For the Parent Company, a one percentage point increase (decrease) in interest rates would have decreased (increased) net earnings before income taxes by approximately £0.1 million for the year ended 31 December 2017 (31 December 2016 – £nil), with all other variables held constant.

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

Subsequent to 31 December 2017, Jackpotjoy plc entered into an Interest Rate Swap (as defined in note 30) to mitigate its exposure to interest rate volatility.

Foreign exchange risk

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

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

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

	Net foreign currency financial assets/ (liabilities) (£000's)	Effect of 10% strengthening in foreign exchange rates on comprehensive income (£000's)	Effect of 10% weakening in foreign exchange rates on comprehensive income (£000's)
At 31 December 2017			
Canadian dollar	(816)	(82)	82
European euros	(109,095)	(10,910)	10,910
United States dollar	7,320	732	(732)
At 31 December 2016			
Canadian dollar	(7,522)	(752)	752
European euros	11,848	1,185	(1,185)
United States dollar	(202,757)	(20,276)	20,276

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

Liquidity risk

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

Liquidity risk arises from the Group's ability to meet its financial obligations as they become due. The following tables summarise the Group's undiscounted financial and other liabilities as at 31 December 2017 and 31 December 2016:

Group

	On demand (£000's)	Less than 1 year (£000's)	1-2 years (£000's)	3-5 years (£000's)	After 5 years (£000's)
At 31 December 2017					
Accounts payable and accrued liabilities	17,821	–	–	–	–
Other short-term/long-term payables	4,151	8,000	10,000	–	–
Payable to customers	8,180	–	–	–	–
Contingent consideration	–	53,348	8,750	–	–
Convertible debentures	–	258	–	–	–
Long-term debt	–	–	–	–	374,292
Interest payable on long-term debt	–	20,621	39,461	39,407	39,461
	30,152	82,227	58,211	39,407	413,753
At 31 December 2016					
Accounts payable and accrued liabilities	8,992	–	–	–	–
Other short-term/long-term payables	9,321	6,000	16,000	2,000	–
Payable to customers	8,573	–	–	–	–
Contingent consideration	–	89,386	33,602	3,750	–
Convertible debentures	–	–	3,585	–	–
Long-term debt	–	26,695	53,390	53,390	254,929
Interest payable on long-term debt	–	31,680	56,005	47,957	12,081
	26,886	153,761	162,582	107,097	267,010

Parent Company

	On demand (£000's)	Less than 1 year (£000's)	1-2 years (£000's)	3-5 years (£000's)	After 5 years (£000's)
At 31 December 2017					
Accounts payable and accrued liabilities	972	–	–	–	–
Other short-term/long-term payables	277	–	–	–	–
Long-term debt	–	–	–	–	250,000
Interest payable on long-term debt	–	15,093	28,881	28,842	28,881
	1,249	15,093	28,881	28,842	278,881

The Group manages liquidity risk by monitoring actual and forecasted cash flows in comparison with the maturity profiles of financial assets and liabilities. The Group does not anticipate fluctuations in its financial obligations (with the exception of the Jackpotjoy earn-out payment, as it is dependent on the future performance of the Jackpotjoy segment), as they largely stem from interest payments related to the EUR Term Facility (as defined below) and the GBP Term Facility (as defined below). Management believes that the cash generated from the Group's operating segments is sufficient to fund the working capital and capital expenditure needs of each operating segment in the short and long term, assuming there are no significant adverse changes in the markets in which the Group operates. The Group is actively managing its capital resources to ensure sufficient resources will be in place when the remaining Jackpotjoy earn-out payment and Term Facilities (as defined below) payments and interest repayments become due.

As at 31 December 2017, the Group believes it will be able to fund remaining obligations under the Jackpotjoy earn-out payment through internally generated cash. Subject to meeting certain financial covenants, the Group may have the ability to draw on the £13.5 million RCF (as defined below) as a further capital resource.

Notes to the Audited Consolidated Financial Statements continued

31 December 2017

17. Credit facilities

	Parent Company		Rest of Group			
	GBP Term Facility (£000's)	Term Loan (£000's)	Incremental First Lien Facility (£000's)	Second Lien Facility (£000's)	EUR Term Facility (£000's)	Total (£000's)
Balance, 1 January 2016	–	207,158	–	–	–	207,158
Principal	–	–	70,000	90,000	–	160,000
Repayment	–	(26,906)	–	–	–	(26,906)
Debt financing costs	–	–	(2,482)	(6,792)	–	(9,274)
Accretion ¹	–	1,868	16	35	–	1,919
Foreign exchange translation	–	37,896	–	–	–	37,896
Balance, 31 December 2016	–	220,016	67,534	83,243	–	370,793
Principal	250,000	–	–	–	122,574	372,574
Repayment	–	(218,793)	(70,000)	(90,000)	–	(378,793)
Debt financing costs	(3,434)	–	–	–	(1,397)	(4,831)
Accretion ¹	18	7,846	2,466	6,757	8	17,095
Foreign exchange translation	–	(9,069)	–	–	1,718	(7,351)
Balance, 31 December 2017	246,584	–	–	–	122,903	369,487
Current portion	–	–	–	–	–	–
Non-current portion	246,584	–	–	–	122,903	369,487

1. Effective interest rates are as follows: Term Loan – 8.69%, Incremental First Lien Facility – 8.32%, Second Lien Facility – 11.75%, EUR Term Facility – 4.44%, GBP Term Facility – 6.01%.

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

On 27 October 2016, the Credit Agreement was amended to, among other things, permit the plan of arrangement. On 16 December 2016, the Credit Agreement was further amended and restated to, among other things, establish a £53,276,000 incremental first lien term loan facility and the €20,000,000 first lien term loan facility under the Credit Agreement (collectively, the 'Incremental First Lien Facility' and together with the Credit Facilities, the 'First Lien Facilities'), permit the incurrence of a £90.0 million second lien term loan facility (the 'Second Lien Facility') pursuant to a second lien credit agreement (the 'Second Lien Credit Agreement'), and permit the Jackpotjoy and Starspins contingent consideration pre-payment of £150.0 million.

On 6 December 2017, Jackpotjoy plc entered into a senior facilities agreement ('Senior Facilities Agreement') pursuant to which debt facilities were made available to Jackpotjoy plc and certain of its subsidiaries in an aggregate sterling equivalent amount of approximately £388,492,000, comprised of (i) a €140,000,000 term facility (the 'EUR Term Facility', (ii) a £250,000,000 term facility (the 'GBP Term Facility' and, together with the EUR Term Facility, the 'Term Facilities') and (iii) a £13,500,000 revolving credit facility (the 'RCF' and, together with the Term Facilities, the 'Facilities'). Proceeds from the Term Facilities were used in part to repay the Group's existing First and Second Lien Facilities on 14 December 2017, at which point, the accretion of the remaining debt issue costs on the First and Second Lien facilities was accelerated. Proceeds from the RCF can be applied to, among other things, working capital and general corporate purposes and financing or refinancing capital expenditure.

The Term Facilities are non-amortising and mature in December 2024. The RCF matures in December 2023.

The EUR Term Facility has an interest rate of EURIBOR (with a 0% floor) plus an opening margin of 4.25% per annum, subject to a margin ratchet with step downs of 0.25% to 3.50% based on reductions in the senior secured net leverage ratio ('SSLR') and meeting certain ratings requirements. The GBP Term Facility has an interest rate of LIBOR (with a 0% floor) plus an opening margin of 5.25% per annum, subject to a margin ratchet with step downs of 0.25% to 4.50% based on reductions in the SSLR and meeting certain ratings requirements. The RCF has an interest rate of EURIBOR (for Euro loans, with a 0% floor) or LIBOR (for GBP and USD loans, with a 0% floor) plus, in each case, an opening margin of 4.25% per annum, subject to a margin ratchet with step downs of 0.50% to 3.25% based on reductions in the SSLR.

The Senior Facilities Agreement contains certain restrictions on, amongst other things, asset disposals, debt incurrence, loans and guarantees, joint ventures and acquisitions, subject in each case to various permissions. The Senior Facilities Agreement also contains a senior secured leverage ratio maintenance covenant and an interest cover maintenance covenant.

Jackpotjoy plc was in compliance with the terms of the Senior Facilities Agreement as at 31 December 2017.

18. Financial instruments**Group****Financial assets**

	Loans and receivables	
	31 December 2017 (£000's)	31 December 2016 (£000's)
Cash and restricted cash	59,241	68,738
Trade and other receivables	19,379	16,763
Other long-term receivables	3,528	2,624
Customer deposits	8,180	8,573
	90,328	96,698

Financial liabilities

	Financial liabilities at amortised cost	
	31 December 2017 (£000's)	31 December 2016 (£000's)
Accounts payable and accrued liabilities	17,821	8,992
Other short-term payables	12,151	15,321
Other long-term payables	8,245	14,505
Interest payable	924	633
Payable to customers	8,180	8,573
Convertible debentures	254	3,266
Long-term debt	369,487	370,793
	417,062	422,083

Parent Company**Financial assets**

	Loans and receivables	
	31 December 2017 (£000's)	31 December 2016 (£000's)
Cash and restricted cash	5,496	—
Trade and other receivables	444	—
Intercompany receivable	238,394	—
	244,334	—

Financial liabilities

	Financial liabilities at amortised cost	
	31 December 2017 (£000's)	31 December 2016 (£000's)
Accounts payable and accrued liabilities	972	—
Other short-term payables	277	—
Interest payable	672	—
Long-term debt	246,584	—
	248,505	—

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

Notes to the Audited Consolidated Financial Statements continued

31 December 2017

18. Financial instruments continued

Group

Other financial instruments

	Financial instruments recognised at fair value through profit or loss – assets (liabilities)	
	31 December 2017 (£000's)	31 December 2016 (£000's)
Cross currency swap	–	38,171
Contingent consideration	(59,583)	(120,187)
Other long-term assets	2,076	–
	(57,507)	(82,016)

Fair value hierarchy

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

	Level 2		Level 3	
	31 December 2017 (£000's)	31 December 2016 (£000's)	31 December 2017 (£000's)	31 December 2016 (£000's)
Cross currency swap	–	38,171	–	–
Other long-term assets	2,076	–	–	–
Contingent consideration	–	–	(59,583)	(120,187)

Other long-term assets represent the fair value of the Conversion Component of the secured convertible 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 1.035%, and an estimated share price return volatility rate of Gaming Realms of 46.5%.

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.

Without probability and discount factors, the fair value of the contingent consideration would be approximately 12% higher (£7.4 million), than its value at 31 December 2017, increasing the current portion of the contingent consideration, which is composed of the Botemania earn-out payment and the first Jackpotjoy milestone payment, by £5.1 million and increasing the long-term contingent consideration, which is composed of the final Jackpotjoy milestone payments due in 2019 and 2020, by £2.3 million. This assumes that the financial performance of the Jackpotjoy operating segment remains in line with management's expectations.

On 21 June 2017, Jackpotjoy plc made a payment in the amount of £94.2 million for the final earn-out on non-Spanish assets and a first earn-out instalment on the Spanish assets within its Jackpotjoy segment.

As at 31 December 2017, 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 2016	209,625
Addition	–
Fair value adjustments	49,382
Payments	(156,308)
Accretion of discount	15,545
Foreign exchange translation	1,943
Contingent consideration, 31 December 2016	120,187
Fair value adjustments	27,562
Payments	(94,218)
Accretion of discount	6,052
Contingent consideration, 31 December 2017	59,583
Current portion	51,866
Non-current portion	7,717

19. 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 (note 15, 31 December 2016 – £6.0 million), with the discounted value of the remaining balance, being £8.2 million (31 December 2016 – £14.5 million), included in other long-term payables. During the year ended 31 December 2017, the Group has paid a total of £5.3 million (31 December 2016 – £nil) in relation to the additional non-compete clauses.

20. Share capital

Group

The share capital movements presented below for periods prior to the date of completion of the plan of arrangement discussed in note 1 are presented as if each common share of The Intertain Group Limited had the same nominal value as the ordinary shares of Jackpotjoy plc. The number of Jackpotjoy plc ordinary shares in issue at the date of the plan of arrangement was 73,718,942.

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.

	(£000's)	Ordinary shares of £0.10 #
Balance, 1 January 2016	7,051	70,511,493
Conversion of convertible debentures, net of costs	185	1,853,667
Exercise of options	58	577,492
Exercise of warrants	4	40,625
Balance, 31 December 2016	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

Parent Company

	(£000's)	Ordinary shares of £0.10 #
Balance, 29 July 2016	–	–
Issuance of redeemable shares, net of costs (£1 each)	50	50,000
Cancellation of redeemable shares (£1 each)	(50)	(50,000)
Balance, 31 December 2016	–	–
Issuance of ordinary shares, net of costs	7,372	73,718,942
Conversion of convertible debentures, net of costs	29	288,165
Exercise of options	6	57,824
Balance, 31 December 2017	7,407	74,064,931

Notes to the Audited Consolidated Financial Statements continued

31 December 2017

20. Share capital continued

Convertible debentures

During the year ended 31 December 2017 (and prior to completion of the plan of arrangement), debentures at an undiscounted value of £2.3 million were converted into 628,333 common shares of Intertain. Additionally, during the year ended 31 December 2017 (and following the completion of the plan of arrangement), debentures at an undiscounted value of £1.0 million were converted into 288,165 ordinary shares of Jackpotjoy plc.

Share options

The share option plan (the 'Share Option Plan') was approved by the Board of Directors on 5 September 2016. Upon completion of the plan of arrangement, all options over common shares of Intertain under Intertain's stock option plan were automatically exchanged for options of equivalent value over ordinary shares of Jackpotjoy plc on equivalent terms and subject to the same vesting conditions under Intertain's share option plan. The strike price of each grant has been converted from Canadian dollars to pound sterling at the foreign exchange rate of 0.606, being the exchange rate at the date of the plan of arrangement. Following the grant of the replacement options, no further options were, or will be, granted under the Share Option Plan.

The changes in the number of share options outstanding during the year ended 31 December 2017 were as follows:

	Number of options #	Weighted average exercise proceeds (£)
Outstanding, 1 January 2016	2,863,776	5.81
Granted*	1,340,000	6.79
Forfeited	(375,138)	7.48
Exercised	(577,492)	2.42
Outstanding, 31 December 2016	3,251,146	6.62
Forfeited	(58,000)	9.26
Exercised	(165,156)	2.71
Outstanding, 31 December 2017	3,027,990	6.79

* Options granted expire 5 years from their grant date. The fair value of options granted is determined using the Black-Scholes options pricing model. The key inputs are as follows: expected volatility – 35%, risk-free interest rate – 0.61, term – 5 years, price on grant date and exercise price – £6.79.

Share option plan

As at 31 December 2017, 2,923,726 options are exercisable (31 December 2016 – 2,449,018). The weighted average remaining contractual life of share options outstanding as at 31 December 2017 is approximately 2.6 years (31 December 2016 – 3.5 years).

During the year ended 31 December 2017, the Group recorded £1.3 million (2016 – £2.3 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 24 May 2017, Jackpotjoy plc granted awards over ordinary shares under the Group's long-term incentive plan ('LTIP') for key management personnel. The awards (i) will vest on the date on which the Board of Directors determines the extent to which the performance condition (as described below) has been satisfied, and (ii) are subject to a holding period of two years beginning on the vesting date, following the end of which they will be released so that the shares can be acquired.

The performance condition as it applies to 50% of each award is based on the Group's total shareholder return compared with the total shareholder return of the companies constituting the Financial Times Stock Exchange 250 index (excluding investment trusts and financial services companies) over three years commencing on 25 January 2017 ('TSR Tranche'). The performance condition as it applies to the remaining 50% of the award is based on the Group's earnings per share ('EPS') in the last financial year of that performance period ('EPS Tranche') and vests as to 25% if final year EPS is 133.5 pence, between 25% and 100% (on a straight-line basis) if final year EPS is more than 133.5 pence but less than 160 pence, and 100% if final year EPS is 160 pence or more.

Each award under the LTIP is equity-settled and LTIP compensation expense is based on the award's estimated fair value. The fair value has been estimated using the Black-Scholes model for the EPS Tranche and the Monte Carlo model for the TSR Tranche.

During the year ended 31 December 2017, the Group recorded £0.1 million (2016 – £nil) in LTIP compensation expense, with a corresponding increase in share-based payment reserve.

Reserves

The following describes the nature and purpose of each reserve within the Group's Consolidated Statements of Changes in Equity.

Share capital

The purpose of this reserve is to show Jackpotjoy plc's issued share capital at its nominal value of £0.10.

Share premium

The purpose of this reserve is to show amount subscribed for Jackpotjoy plc's issued share capital in excess of nominal value.

Merger reserve

The purpose of this reserve is to present the Consolidated Statements of Changes in Equity under the merger method of accounting, as if Jackpotjoy plc has always been the Parent Company and owned all of the subsidiaries. The balance on the Group's merger reserve of £6,111,000 arises on recognition of the Parent Company's investment in Intertain recorded at the Intertain net asset value on 25 January 2017 as explained in note 1.

Redeemable shares

The purpose of this reserve is to show redeemable shares issued by Jackpotjoy plc on 15 August 2016 and cancelled following the plan of arrangement transaction described in note 1.

Share-based payment reserve

The purpose of this reserve is to show cumulative share-based compensation expense relating to the Group's Share Option Plan and LTIP and recognised in the Consolidated Statement of Comprehensive Income.

Translation reserve

The purpose of this reserve is to show gains and losses arising on retranslating balances denominated in currencies other than GBP.

Retained (deficit)/earnings

The purpose of this reserve is to show cumulative net gains and losses recognised in the Consolidated Statements of Comprehensive Income.

21. Capital management

Jackpotjoy plc defines the capital that it manages as its aggregate shareholders' equity. Its principal source of cash is operating activities, the issuance of common shares, and long-term debt. Jackpotjoy plc's capital management objectives are to safeguard its ability to continue as a going concern and to have sufficient capital to meet its financial obligations as they become due. To maintain or adjust the capital structure, Jackpotjoy plc may attempt to issue new shares, issue new debt, acquire or dispose of assets.

The Group monitors its SSLR, which is calculated in accordance with the Senior Facilities Agreement on a frequent basis as this ratio impacts, among other things, the amount of excess cash flow required to be applied in prepayment of the Term Facilities. Commencing on 31 December 2018, if the Group's SSLR is greater than 2.5, 50% of the Group's excess cash flow is required to be applied in prepayment of the Term Facilities. If the Group's SSLR falls between 2.0 and 2.5, 25% of the Group's excess cash flow is required to be applied in prepayment of the Term Facilities. If the Group's SSLR falls below 2.0, 0% of the Group's excess cash flow is required to be applied in prepayment of the Term Facilities.

Excess cash flow is calculated in accordance with the Senior Facilities Agreement and is based on consolidated EBITDA (also calculated in accordance with the Senior Facilities Agreement) to which certain adjustments are made (such as the deduction of certain items such as earn-out payments and debt prepayments). Jackpotjoy plc is not subject to any externally imposed capital requirements. Jackpotjoy plc manages the Group's capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the Group's underlying assets.

There have been no changes to Jackpotjoy plc's approach to capital management or in the items the Group manages as capital during the year ended 31 December 2017.

Notes to the Audited Consolidated Financial Statements continued

31 December 2017

22. Taxes and deferred taxes

Group

	Year ended 31 December 2017 (£000's)	Year ended 31 December 2016 (£000's)
Current tax expense		
Total current tax on profits for the year	1,128	347
Deferred tax		
Origination and reversal of temporary differences related to business combinations	(427)	(411)
Total tax expense/(credit)	701	(64)

The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax in the United Kingdom applied to profits for the year are as follows:

	Year ended 31 December 2017 (£000's)	Year ended 31 December 2016 (£000's)
Loss for the year before taxes	(67,196)	(40,707)
Tax using Jackpotjoy's domestic tax rate of 19.25% (2016 – 26%)	(12,935)	(10,584)
Effect of different tax rates applied in overseas jurisdictions	9,998	(1,726)
Non-capital loss for which no tax benefit has been recorded	3,638	12,374
Total tax expense/(credit)	701	(64)

As at 31 December 2017, taxes receivable and payable balances consist of taxes owing and recoverable related to the 2016 and 2017 fiscal years.

The Group has unused UK tax losses of approximately £18.9 million (2016 – £nil) that are available indefinitely for offsetting against future taxable profits. There is no certainty over the use or timing of use of tax losses and as a result, no deferred tax assets have been recognised in the year.

23. Contingent liabilities

Group

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. Revenues earned from customers located in any particular jurisdiction may give rise to further taxes in that jurisdiction. If such taxes are levied, either on the basis of current law or the current practice of any tax authority, or by reason of a change in the law or practice, then this may have a material adverse effect on the amount of tax payable by the Group or on its financial position.

Where it is considered probable that a previously identified contingent liability will give rise to an actual outflow of funds, then a provision is made in respect of the relevant jurisdiction and period impacted. Where the likelihood of a liability arising is considered remote, or the possible contingency is not material to the financial position of the Group, the contingency is not recognised as a liability at the balance sheet date. As at 31 December 2017, the Group had recognised £nil liability (31 December 2016 – £nil) related to potential contingent indirect taxation liabilities.

24. Related party transactions

Compensation of key management

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

	Year ended 31 December 2017 (£000's)	Year ended 31 December 2016 (£000's)
Salaries, bonuses and benefits*	3,062	3,815
Severance costs	700	5,695
Stock-based compensation	936	1,147
	4,698	10,657

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

Related party transactions

As disclosed in note 11, the Group entered into loan and services agreements with Gaming Realms plc. Jim Ryan is a Director of both Jackpotjoy plc and Gaming Realms plc. Mr. Ryan recused himself from all discussions related to these agreements.

25. Employees Group

	Year ended 31 December 2017 (£000's)	Year ended 31 December 2016 (£000's)
Wages and salaries*	12,534	15,822
Pensions	120	80
Social security	692	409
Benefits	52	85
	13,398	16,396

Parent Company

	Year ended 31 December 2017 (£000's)	Year ended 31 December 2016 (£000's)
Wages and salaries*	2,214	–
Pensions	54	–
Social security	189	–
Benefits	14	–
	2,471	–

* Wages and salaries figures for Group and Parent Company include severance costs.

Parent Company Directors' remuneration details are provided in the Directors' Remuneration Report.

The average number of employees on a full-time equivalent basis during the year was as follows:

	31 December 2017 (#)	31 December 2016 (#)
Group	198	153
Parent Company	11	–
	209	153

26. Auditors' remuneration

Remuneration of the Parent Company's auditors for the auditing of these financial statements and for other services provided are as follows:

	Year ended 31 December 2017 (£000's)	Year ended 31 December 2016 (£000's)
Audit fees	316	386
Audit related assurance services	121	137
Taxation compliance services	10	6
Taxation advisory services	24	718
Other non-audit services fees	300	1,410
	771	2,657

27. Operating leases

The Group has entered into operating leases for office facilities, which require the following approximate future minimum lease payments due under the non-cancellable operating lease payments.

	31 December 2017 (£000's)	31 December 2016 (£000's)
Within one year	1,043	664
Later than one year but not later than 5 years	998	387
	2,041	1,051

During the year ended 31 December 2017, the Group incurred £0.9 million (2016 – £0.6 million) in operating lease expenses.

Notes to the Audited Consolidated Financial Statements continued

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28. Investments

Group undertakings	(£000's)
At incorporation and 1 January 2017	–
Additions in the period	413,304
Capital contribution	2,503
At 31 December 2017	415,807

29. Recent accounting pronouncements

The Group has not adopted any new accounting standards since 31 December 2016.

Recent accounting pronouncements – not yet effective

IFRS 9 – Financial instruments

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

Management completed a review of the potential changes and impact of applying this standard on the Group's financial information and concluded that:

- it remains appropriate for the Group to continue measuring its loans and receivables, as well as its financial liabilities at amortised cost;
- it remains appropriate for the Group to continue measuring its contingent consideration at fair value through profit and loss; and
- in relation to its financial assets, the Group will no longer separate the embedded derivative from its host contract.

The Group will not be applying IFRS 9 prior to its effective date.

IFRS 15 – Revenues from contracts with customers

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

Management completed a review of the potential changes and impact of applying this standard on the Group's financial information and concluded that the new pronouncement will not impact the Group's revenue recognition policy as the Group's current policy is already in compliance with the key principles outlined in the new pronouncement.

IFRS 16 – Leases

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

Management completed a review of the potential changes and impact of applying this standard on the Group's financial information and concluded that, while the Group will have to start presenting its operating leases on its Consolidated Balance Sheets, the impact of this change will not be material as the Group does not have a large number of such leases.

The Group will not be applying IFRS 16 prior to its effective date.

30. Subsequent events

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 will be designated as a fair value hedge, as described in note 3.

Glossary

Adjusted EBITDA: Adjusted EBITDA, as defined by the Group, is income before interest expense (net of interest income), income taxes, amortisation and depreciation, share-based compensation, Independent Committee related expenses, severance costs, (gain)/loss on cross currency swap, fair value adjustments on contingent consideration, transaction-related costs, foreign exchange, and gain on sale of intangible assets.

Adjusted Net Income: This is calculated by adjusting net income for accretion on financial liabilities including accelerated debt issue costs, amortisation of acquisition related purchase price intangibles and non-compete clauses, share-based compensation, independent committee related expenses, severance costs, (gain)/loss on cross currency swap, fair value adjustments on contingent consideration, transaction related costs, foreign exchange (gain)/loss substantially arising on the Group's credit facilities, and gain on sale of intangible assets.

AGM: Annual General Meeting.

AML: Anti-money laundering.

ASA: Advertising Standards Authority, the UK's independent advertising regulator.

Average Active Customers: 'real money' customers who have placed at least one bet in a given month.

BCAP: Broadcast Committee of Advertising Practice, the UK regulatory body responsible for writing and reviewing the UK Code of Broadcast Advertising which applies to all advertisements on radio and television services licensed by Ofcom.

Bingo-led: Online bingo branded sites.

B2B: Business-to-business.

B2C: Business to consumer.

CAGR: Compound annual growth rate, annual growth rate over a specified period of time longer than one year.

CAP: Committee of Advertising Practice, the sister organisation of the ASA, responsible for writing the Advertising Codes.

CDP (formerly Carbon Disclosure Project): A not-for-profit charity that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts.

CGU: Cash-generating unit

Constant currency: Constant currency amounts are calculated by applying the same EUR to GBP average exchange rates to both current and prior year comparative periods.

CSOP: Company Share Option Plan.

DJSI: Dow Jones Sustainability Indices, a family of indices evaluating the sustainability performance of thousands of companies trading publicly and a strategic partner of the S&P Dow Jones Indices.

DTR: Disclosure and Transparency Rule.

FCA: Financial Conduct Authority.

FRG: Financial Reporting Council.

Gambling Commission of Great Britain: Public body responsible for licensing and regulating the people and businesses that provide gambling in Great Britain, including the National Lottery and remote gambling.

GamCare: An independent charity which provides counselling and treatment to those with gambling-related problems.

GAMSTOP: The UK's online self-exclusion scheme which will prevent users from accessing gambling websites and apps run by companies licensed in Britain.

GDPR: General Data Protection Regulation, regulations by which the European Parliament, the Council of the European Union, and the European Commission intend to strengthen and unify data protection for all individuals within the European Union.

GHG: Greenhouse gas.

GRI: The Global Reporting Initiative is an international independent standards organisation that helps businesses, governments and other organisations understand and communicate their impacts on issues such as climate change, human rights and corruption.

Gross gaming wins: Stakes less prizes.

IASB: International Accounting Standards Board.

IFRSs: International Financial Reporting Standards.

IPO: Initial Public Offering, the first sale of stock issued by a company to the general public.

ISAs (UK): International Standards on Auditing (UK).

KPIs: Key performance indicators.

LSE: London Stock Exchange, the main stock exchange in the United Kingdom, operating the main equity market.

LTIP: Long-Term Incentive Plan.

MD&A: Management's Discussion & Analysis.

Net Debt: Consists of existing term loan, convertible debentures, non-compete clause payout, and contingent consideration liability less non-restricted cash.

Net Leverage: The sum of term debt, earn-out, milestone payments and non-compete payments less cash balance.

NGOs: Non-Governmental Organisations.

Online gaming: Gambling by means of remote communication (using the internet, radio or any other kind of technology for facilitating communication).

Organic growth: The Group defines organic growth as growth achieved without accounting for acquisitions or disposals.

Point of Consumption licensing: Regulates and taxes online gambling in the country of the customer.

POC2: Point of Consumption tax of 15% in the UK which has been extended to gross gaming revenues from net gaming revenues previously.

Real Money Gaming Revenue: Revenue less revenue earned from affiliate websites and social gaming.

Remote Gambling Association: A London and Brussels-based trade association committed to promoting a regulated and non-discriminatory environment for responsible licensed operators in the world's remote gambling market.

Responsible Gambling Trust: A charity that funds treatment, education and research related to problem gambling.

ROI: Return on Investment.

Sustainable Development Goals: A collection of 17 global goals set by the United Nations. The broad goals are interrelated though each has its own targets to achieve. The total number of targets is 169. The SDGs cover a broad range of social and economic development issues.

TSR: Total Shareholder Return.

UK Corporate Governance Code: The April 2016 edition of the UK Corporate Governance Code.

Shareholder information

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Enquiring about your shareholding

If you want to ask, or need any information, about your shareholding, please contact our registrar, Computershare Investor Services PLC.

UK and rest of the world shareholder queries:

Computershare UK shareholder helpline:
+44 (0)370 702 0000
(8:30am to 5:30pm BST)
FAQs, access to a virtual agent and contact email and mail addresses can be found at:
www-uk.computershare.com/Investor/default.asp

Canadian shareholder information and ITX queries:

Computershare Canada shareholder services line:
1 800 564-6253 (8:30am to 8:00pm EST)

Investor relations website and share price information

The investor relations section of our website, www.jackpotjoyplc.com/investors/ includes the Annual Report, daily share price and Company announcements, including the half-year and full-year results.

Share dealing service by telephone or online

This service provides a simple way to sell or purchase shares (subject to availability) on the London Stock Exchange. Real time trading is available during market hours 8:00am to 4:30pm Monday to Friday (excluding bank holidays). There is also a convenient facility to place a sale instruction outside of market hours.

Computershare Brokerage Services
+44 (0370) 703 0084
www.computershare.trade

Electronic communications

Shareholders can elect to receive communications electronically by contacting our registrar at the numbers above. This will save on printing and distribution costs, creating environmental benefits. When you register, you will be sent a notification to say when shareholder communications are available on our website and you will be provided with a link to that information.

Financial calendar

Announcement of 2017 full-year results	20 March 2018
Quarterly results announcement	15 May 2018
Annual General Meeting	7 June 2018
Announcement of 2018 half-year results	14 August 2018
Quarterly results announcement	13 November 2018

Cautionary note regarding forward-looking statements

This Annual Report contains certain information and statements that may constitute 'forward-looking information' within the meaning of applicable laws, including applicable Canadian securities laws. Often, but not always, forward-looking information can be identified by the use of words such as 'plans', 'expects', 'estimates', 'projects', 'predicts', 'targets', 'seeks', 'intends', 'anticipates', or 'believes' or the negative of such words or other variations of or synonyms for such words, or state that certain actions, events or results 'may', 'could', 'would', 'should', 'might' or 'will' be taken, occur or be achieved. Forward-looking information involves known and unknown risks, uncertainties and other factors which may cause actual results, performance, achievements or developments to be materially different from those anticipated by the Company and expressed or implied by the forward-looking statements.

Forward-looking information contained in this Annual Report includes, but is not limited to: statements with respect to the Group's future financial performance, the future prospects of the Group's business and operations collectively and those of its lines of business individually, the Group's growth opportunities, the execution of the Group's growth strategies and the future dividend policy of the Group. These statements reflect the Company's current expectations related to future events or the Group's future results, performance, achievements or developments, and future trends affecting the Group. All such statements, other than statements of historical fact, are forward-looking information. Such forward-looking information is based on a number of assumptions of management, in light of management's experience and perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances, as of the date of this Annual Report, which may prove to be incorrect, including, but not limited to: the ability of the Group to secure, maintain and comply with all required licences, permits and certifications to carry out business in the jurisdictions in which it currently operates or intends to operate; governmental and regulatory actions, including the introduction of new laws or changes in laws (or the interpretation thereof) related to online gaming; general business, economic and market conditions (including the anticipated withdrawal of the UK from the European Union); the Group operating in foreign jurisdictions; the competitive environment; the expected growth of the online gaming market and potential

new market opportunities; anticipated and unanticipated costs; the protection of the Group's intellectual property rights; the Group's ability to successfully integrate and realise the benefits of its completed acquisitions; the expected earn-out payments required to be made in connection with the Group's completed acquisitions; the Group's relationship with the Gamesys Group and other third parties; the Group's debt service obligations; and the ability of the Group to obtain additional financing, if, as and when required. Such statements could also be materially affected by risks relating to the lack of available and qualified personnel or management; stock market volatility; taxation policies; competition; foreign operations; the Group's limited operating history; and the Group's ability to access sufficient capital from internal or external sources and the other risk factors identified in this Annual Report and in the Company's most recently filed Annual Information Form filed under the Company's profile on SEDAR at www.sedar.com. The foregoing risk factors are not intended to represent a complete list of factors that could affect the Group. Although the Company has attempted to identify important factors that could cause actual results, performance, achievements or developments to differ materially from those described in forward-looking statements, there may be other factors that cause actual results, performance, achievements or developments not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results, performance, achievement or developments are likely to differ, and may differ materially, from those expressed in or implied by the forward-looking information contained in this Annual Report. Accordingly, readers should not place undue reliance on forward-looking information. While subsequent events and developments may cause the Company's expectations, estimates and views to change, the Company does not undertake or assume any obligation to update or revise any forward-looking information, except as required by applicable securities laws. The forward-looking information contained in this Annual Report should not be relied upon as representing the Company's expectations, estimates and views as of any date subsequent to the date of this Annual Report. The forward-looking information contained in this Annual Report is expressly qualified by this cautionary statement.

Notes



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