



Gamesys Group plc

Unaudited Interim Condensed Consolidated Financial Statements

[in pounds sterling, except where otherwise noted]

For the Three and Nine Months Ended 30 September 2019

Gamesys Group plc
Unaudited Interim Condensed Consolidated Statements of Comprehensive Income
For the three and nine months ended 30 September 2019
(GBP)

		Three months ended 30 September 2019	Three months ended 30 September 2018	Nine months ended 30 September 2019	Nine months ended 30 September 2018	
Note		(£000's)	(£000's)	(£000's)	(£000's)	
	Gaming revenue	5	92,447	75,201	261,973	224,162
	Costs and expenses					
	Distribution costs	5, 6	50,673	36,418	138,585	111,145
	Administrative costs	6	28,970	25,221	81,745	74,229
	Severance costs	5	–	400	–	850
	Transaction related costs	5	3,039	275	15,240	1,340
	Foreign exchange loss/(gain)	5	874	(13)	597	130
	Total costs and expenses		83,556	62,301	236,167	187,694
	Fair value adjustments on contingent consideration	17	–	–	460	11,450
	Interest income	8	(114)	(83)	(333)	(253)
	Interest expense	8	4,998	4,916	14,828	14,805
	Accretion on financial liabilities	8	377	578	1,028	2,604
	Financing expenses		5,261	5,411	15,983	28,606
	Net income for the period before taxes from continuing operations		3,630	7,489	9,823	7,862
	Current tax provision		358	37	1,570	736
	Deferred tax recovery		(94)	(99)	(276)	(296)
	Net income for the period after taxes from continuing operations		3,366	7,551	8,529	7,422
	Net loss from discontinued operations	7	–	(4,055)	(660)	(4,362)
	Net income for the period attributable to owners of the parent		3,366	3,496	7,869	3,060
	Other comprehensive income/(loss): Items that will or may be reclassified to profit or loss in subsequent periods					
	Foreign currency translation gain/(loss) on retranslation of overseas subsidiaries		117	(132)	277	66
	Unrealised loss on cross currency swap	13	(4,384)	–	(4,384)	–
	Unrealised gain on foreign exchange forward	13	2,376	–	2,717	–
	Reclassification of gain on foreign exchange forward	13	(2,717)	–	(2,717)	–
	Unrealised (loss)/gain on interest rate swap	13	(744)	316	(1,828)	(658)
	Total comprehensive (loss)/income for the period attributable to owners of the parent		(1,986)	3,680	1,934	2,468
	Net income for the period per share					
	Basic	9	£0.04	£0.05	£0.11	£0.04
	Diluted	9	£0.04	£0.05	£0.10	£0.04
	Net income for the period per share - continuing operations					
	Basic		£0.04	£0.10	£0.11	£0.10
	Diluted		£0.04	£0.10	£0.11	£0.10

See accompanying notes

Gamesys Group plc
Unaudited Interim Condensed Consolidated Balance Sheets
30 September 2019
(GBP)

ASSETS	Note	As at 30 September 2019 (£000's)	As at 31 December 2018 (£000's)
Current assets			
Cash	10, 17	97,896	84,383
Restricted cash	10, 17	16,577	6,161
Customer deposits	10, 17	15,022	9,032
Trade and other receivables	11, 17	30,294	17,070
Taxes receivable		14,485	7,313
Total current assets		174,274	123,959
Non-current assets			
Tangible assets		9,790	2,232
Intangible assets and goodwill	3, 14	968,632	514,679
Right-of-use assets	4	17,050	-
Other long-term receivables	12, 17	5,252	5,036
Total non-current assets		1,000,724	521,947
Total assets		1,174,998	645,906
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	17	77,740	20,606
Other short-term payables	15, 17, 18	30,489	9,612
Short-term cross currency and interest rate swap payable	13	2,669	97
Short-term lease liabilities	4	4,579	-
Interest payable	17	434	264
Payable to customers	17	15,022	9,032
Current portion of contingent consideration	17	-	4,540
Provision for taxes		9,233	8,169
Total current liabilities		140,166	52,320
Non-current liabilities			
Other long-term payables	13, 17, 18	13,583	1,817
Lease liabilities	4	12,710	-
Deferred tax liability		877	1,196
Long-term debt	16, 17	541,843	371,450
Total non-current liabilities		569,013	374,463
Total liabilities		709,179	426,783
Equity			
Retained earnings		189,971	182,435
Share capital	19	10,843	7,434
Share premium		3,439	2,068
Other reserves		261,566	27,186
Total equity		465,819	219,123
Total liabilities and equity		1,174,998	645,906

See accompanying notes

On behalf of the Board:

(signed) " Neil Goulden "

Neil Goulden, Executive Chairman

(signed) " Keith Laslop "

Keith Laslop, Chief Financial Officer

Gamesys Group plc
Unaudited Interim Condensed Consolidated Statements of Changes in Equity
For the period ended 30 September 2019
(GBP)

Note	Share Capital (£000's)	Share Premium (£000's)	Merger Reserve (£000's)	Share-Based Payment Reserve (£000's)	Translation Reserve (£000's)	Hedge Reserve (£000's)	Retained Earnings (£000's)	Total (£000's)
Balance at 1 January 2018	7,407	1,342	(6,111)	9,971	23,649	-	167,799	204,057
Comprehensive income/(loss) for the period:								
Net income for the period (continued and discontinued operations)	-	-	-	-	-	-	3,060	3,060
Other comprehensive income/(loss)	-	-	-	-	66	(658)	-	(592)
Total comprehensive income/(loss) for the period:	-	-	-	-	66	(658)	3,060	2,468
Contributions by and distributions to shareholders:								
Conversion of debentures	6	186	-	-	-	-	-	192
Exercise of options	21	540	-	(159)	-	-	159	561
Share-based compensation	-	-	-	468	-	-	-	468
Total contributions by and distributions to shareholders:	27	726	-	309	-	-	159	1,221
Balance at 30 September 2018	7,434	2,068	(6,111)	10,280	23,715	(658)	171,018	207,746
Balance at 1 January 2019	7,434	2,068	(6,111)	10,395	24,043	(1,141)	182,435	219,123
Comprehensive income/(loss) for the period:								
Net income for the period (continued and discontinued operations)	-	-	-	-	-	-	7,869	7,869
Other comprehensive income/(loss)	-	-	-	-	277	(6,212)	-	(5,935)
Total comprehensive income/(loss) for the period:	-	-	-	-	277	(6,212)	7,869	1,934
Contributions by and distributions to shareholders:								
Issuance of common shares, net of costs	3,365	-	240,625	-	-	-	(1,355)	242,635
Exercise of options	44	1,371	-	(552)	-	-	552	1,415
Issuance of ordinary share warrants	-	-	-	-	-	-	470	470
Share-based compensation	-	-	-	242	-	-	-	242
Total contributions by and distributions to shareholders:	3,409	1,371	240,625	(310)	-	-	(333)	244,762
Balance at 30 September 2019	10,843	3,439	234,514	10,085	24,320	(7,353)	189,971	465,819

See accompanying notes

Gamesys Group plc
Unaudited Interim Condensed Consolidated Statements of Cash Flows
For the three and nine months ended 30 September 2019
(GBP)

		Three months ended 30 September 2019 (£000's)	Three months ended 30 September 2018 (£000's)	Nine months ended 30 September 2019 (£000's)	Nine months ended 30 September 2018 (£000's)
Operating activities					
Net income for the period		3,366	3,496	7,869	3,060
Add (deduct) items not involving cash					
Amortisation and depreciation		12,592	15,437	38,678	46,635
Share-based compensation expense	19	76	142	242	468
Issuance of ordinary share warrants		470	–	470	–
Current tax provision		358	37	1,570	736
Deferred tax recovery		(94)	(99)	(276)	(296)
Interest expense, net	8	5,261	5,411	15,523	17,156
Fair value adjustments on contingent consideration	17	–	–	460	11,450
Foreign exchange loss/(gain)	5	874	(32)	597	93
Loss on sale of discontinued operation, net of tax	7	–	4,047	26	4,477
		22,903	28,439	65,159	83,779
Restriction of cash balances		(2,097)	–	(9,270)	(75)
(Increase)/reduction in trade and other receivables		(1,845)	126	(6,478)	1,947
(Increase)/reduction in other long-term receivables		(19)	43	(36)	551
Increase/(reduction) in accounts payable and accrued liabilities		2,726	2,632	3,439	(690)
(Reduction)/increase in other short-term payables		(3,385)	(259)	5,812	(2,589)
Cash generated from operations		18,283	30,981	58,626	82,923
Income taxes paid		–	(29)	(4,194)	(3,265)
Income taxes received		–	2,082	–	2,484
Total cash provided by operating activities		18,283	33,034	54,432	82,142
Financing activities					
Proceeds from exercise of options		477	168	1,414	561
Proceeds from long-term debt	3, 16	173,578	–	173,578	–
Debt issuance costs	16	(2,617)	–	(2,617)	–
Debenture settlement		–	–	–	(62)
Lease payments		(811)	–	(1,437)	–
Repayment of non-compete liability		(2,000)	(2,000)	(6,000)	(6,000)
Interest repayment		(4,981)	(5,355)	(14,561)	(15,609)
Payment of contingent consideration	17	–	–	–	(63,455)
Total cash provided by/(used in) financing activities		163,646	(7,187)	150,377	(84,565)
Investing activities					
Purchase of tangible assets		(366)	(425)	(3,012)	(588)
Purchase of intangible assets		(4,885)	(1,163)	(7,579)	(3,620)
Proceeds from sale of intangible assets		–	–	–	1,450
Disposal of discontinued operation	7	6,000	17,881	18,000	17,678
Business acquisitions, net of cash acquired	3	(199,726)	–	(199,726)	–
Total cash (used in)/provided by investing activities		(198,977)	16,293	(192,317)	14,920
Net (decrease)/increase in cash during the period		(17,048)	42,140	12,492	12,497
Cash, beginning of period		114,121	29,462	84,383	59,033
Exchange gain/(loss) on cash and cash equivalents		823	(146)	1,021	(74)
Cash, end of period		97,896	71,456	97,896	71,456

See accompanying notes

1. Corporate information

Gamesys Group plc, formerly JPJ Group plc, is an online gaming holding company that was incorporated under the *Companies Act 2006* (England and Wales) on 29 July 2016. On 26 September 2019, following the completion of the Gamesys Acquisition (as defined below), JPJ Group plc changed its name to Gamesys Group plc. Gamesys Group plc's registered office is located at 35 Great St. Helen's, London, United Kingdom. Unless the context requires otherwise, use of 'Group' in these accompanying notes means Gamesys Group plc and its subsidiaries, as applicable.

The Group currently offers bingo, casino and other games to its customers using the Jackpotjoy, StarSpins, Botemania, Virgin Games, Heart Bingo, Virgin Casino, Monopoly Casino, Vera&John, InterCasino, Solid Gaming and other brands. All brands operate off proprietary software owned by the Group.

On 13 June 2019, the Group entered into a conditional agreement to acquire the business of Gamesys (Holdings) Limited, excluding sports brands and games, for a mixture of cash and new Group shares (the 'Gamesys Acquisition'). The Gamesys Acquisition was completed on 26 September 2019. The total consideration amounted to approximately £491.3 million, comprising of: (i) £237.3 million in cash (net of gains from hedging), of which £173.6 million was funded by an add-on to the Group's existing Term Facility, (ii) £10.0 million in deferred consideration and (iii) 33.7 million in newly issued shares, representing approximately £244.0 million.

These Unaudited Interim Condensed Consolidated Financial Statements were authorised for issue by the Board of Directors of Gamesys Group plc on 13 November 2019.

2. Basis of preparation

Basis of presentation

These Unaudited Interim Condensed Consolidated Financial Statements have been prepared by management on a going concern basis, are presented in compliance with International Accounting Standard ('IAS') 34 – *Interim Financial Reporting*, and have been prepared on a basis consistent with the accounting policies and methods used and disclosed in Gamesys Group plc's consolidated financial statements for the year ended 31 December 2018 (the 'Annual Financial Statements'), except as described below. Certain information and disclosures normally included in the Annual Financial Statements prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union, and in accordance with IFRS as issued by the International Accounting Standards Board, have been omitted or condensed.

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

These Unaudited Interim Condensed Consolidated Financial Statements have been prepared under the historical cost convention, other than for the measurement at fair value of the Group's Interest Rate Swap, Currency Swap, FX Forward, contingent consideration, certain hedged loan instruments, and certain loans receivable.

The comparative financial information for the year ended 31 December 2018 in these Unaudited Interim Condensed Consolidated Financial Statements does not constitute statutory accounts for that year. The auditors' report on the statutory accounts for the year ended 31 December 2018 was unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under sections 498(2) or 498(3) of the *Companies Act 2006*.

3. Business combinations

On 26 September 2019, the Group completed the Gamesys Acquisition, which includes the Virgin Games, Heart Bingo, Virgin Casino and Monopoly Casino brands and related assets. The purchase was completed for £237.3 million in cash (net of gains from hedging), of which £173.6 million was funded by an add-on to the Group's existing Term Facility, £10.0 million in deferred consideration and 33,653,846 newly issued ordinary shares of the parent company, which at the prevailing share price of £7.25 on 26 September 2019 amounted to £244.0 million. The Gamesys Acquisition has been accounted for as a business combination. The purchase price allocation set forth below represents the preliminary allocation of the purchase price and the fair value of assets acquired and is subject to change.

Effect of acquisition on the financial position of the Group

	26 September 2019 (£000's)
Assets acquired	
Current assets acquired	76,511
Non-current assets acquired	14,872
Unallocated purchase price intangible assets and goodwill	498,828
	<u>590,211</u>
Liabilities assumed	
Current liabilities assumed	89,833
Non-current liabilities assumed	9,105
	<u>98,938</u>
Net assets acquired	<u>491,273</u>
Consideration	
Cash*	237,283
Deferred consideration	10,000
Shares issued	243,990
	<u>491,273</u>

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

The excess purchase consideration over the net fair value of financial and other tangible and intangible assets and liabilities acquired will be allocated to goodwill. The goodwill recognised is primarily attributed to the expected synergies and other benefits from combining the assets and activities of Gamesys (Holdings) Limited with those of the Group.

None of the goodwill is expected to be deductible for income tax purposes. The fair value of the assets acquired and liabilities assumed will be subject to adjustments pending the completion of final purchase price allocations and post-closing adjustments, including recognition of deferred taxation balances.

Since the date of acquisition, this business combination has contributed £2.3 million in revenue and £0.2 million in net income to the Group. The results of this business combination are included in the Group's Jackpotjoy business segment. The Group has used a significant amount of judgement and simplifying assumptions in estimating the net income and operating profits before income taxes had the business combination occurred at the beginning of the year. Had the business combination occurred at the beginning of the year, it would have contributed £150.3 million in revenue and £40.1 million in operating profits before

income taxes. Operating profits before income taxes takes into account income earned from the software licence fee and other income earned by the acquired business from the reporting entity during the period before the Gamesys Acquisition. As a result of the judgement and simplifying assumptions used to generate these estimates, the amounts should not be used as an indicator of past or future performance of the Group or its acquired subsidiaries.

4. Summary of significant accounting policies

For a description of the Group's significant accounting policies, critical accounting estimates and assumptions, and related information see notes 3 and 4 to the Annual Financial Statements. Other than what is described below, there have been no changes to the Group's significant accounting policies or critical accounting estimates and assumptions during the nine months ended 30 September 2019.

Leases

Effective from 1 January 2019, the Group adopted IFRS 16 – *Leases* ('IFRS 16'), which replaces IAS 17 – *Leases* and related interpretations.

The Group elected to apply the modified retrospective approach which does not require restatement of comparative periods. As a result, lease liabilities were recognised in the opening consolidated balance sheet as at 1 January 2019 at an amount equal to the Group's remaining lease payments discounted using the Group's incremental borrowing rate. Additionally, the Group elected to measure right-of-use assets by reference to the measurement of the lease liabilities on the same date. As a result, net assets were not impacted. There was also no impact on the Group's equity at 1 January 2019.

On 1 January 2019, the Group recognised right-of-use assets and lease liabilities of £3.2 million related to its existing leases. Furthermore, the Group assumed that leases obtained as part of the Gamesys Acquisition were also subject to IFRS 16 starting on 1 January 2019 and recognised additional right-of-use assets and lease liabilities of £9.9 million as a result.

Under IFRS 16, the Group amortises its right-of-use assets and accretes interest on its lease liabilities. As at 30 September 2019, the carrying value of the right-of-use assets amounted to £17.1 million and the carrying value of lease liabilities amounted to £17.3 million, with £4.6 million of this balance shown as short-term lease liabilities and the remaining portion of £12.7 million reflected under non-current liabilities.

Hedge accounting

The Group elected to use hedge accounting for the purposes of recognising realised and unrealised gains and losses associated with the Interest Rate Swap and the Currency Swap (as defined in note 13).

IFRS 9 – *Financial Instruments* ('IFRS 9') permits hedge accounting under certain circumstances provided that the hedging relationship is:

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

Based on the Group's analysis of the requirements outlined above, it was concluded that the Interest Rate Swap and the Currency Swap meet all the necessary criteria and qualify for use of hedge accounting. Both were designated as cash flow hedges.

5. Segment information

As discussed in note 7, the Group sold its Mandalay business in the period ended 31 March 2019 and it sold its social gaming business in the period ended 30 September 2018. All current period and 2018 comparative segment figures have been restated accordingly. The Mandalay and social gaming businesses were previously reported as part of the Jackpotjoy segment. The results of the Gamesys Acquisition for the period from 27 September 2019 to 30 September 2019 are included in the Jackpotjoy segment.

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

Three months ended 30 September 2019:

	Jackpotjoy* (£000's)	Vera&John (£000's)	Unallocated Corporate Costs (£000's)	Total (£000's)
Gaming revenue	52,214	40,233	—	92,447
Distribution costs	29,485	21,188	—	50,673
Amortisation and depreciation	8,208	4,107	277	12,592
Compensation, professional, and general and administrative expenses	4,537	8,834	3,007	16,378
Transaction related costs	—	163	2,876	3,039
Foreign exchange loss	92	33	749	874
Financing, net	152	69	5,040	5,261
Income/(loss) for the period before taxes from continuing operations	9,740	5,839	(11,949)	3,630
Taxes	42	142	80	264
Net income/(loss) for the period after taxes from continuing operations	9,698	5,697	(12,029)	3,366
Net income/(loss) for the period after taxes from continuing operations	9,698	5,697	(12,029)	3,366
Interest expense, net	152	69	4,663	4,884
Accretion on financial liabilities	—	—	377	377
Taxes	42	142	80	264
Amortisation and depreciation	8,208	4,107	277	12,592
EBITDA	18,100	10,015	(6,632)	21,483
Share-based compensation	—	—	76	76
Transaction related costs	—	163	2,876	3,039
Foreign exchange loss	92	33	749	874
Adjusted EBITDA	18,192	10,211	(2,931)	25,472
Net income/(loss) for the period after taxes from continuing operations	9,698	5,697	(12,029)	3,366
Share-based compensation	—	—	76	76
Transaction related costs	—	163	2,876	3,039
Foreign exchange loss	92	33	749	874
Amortisation of acquisition related purchase price intangibles	8,085	1,892	—	9,977
Accretion on financial liabilities	—	—	377	377
Adjusted net income/(loss)	17,875	7,785	(7,951)	17,709

*Includes Gamesys Acquisition results from 27 September 2019 to 30 September 2019.

Nine months ended 30 September 2019:

	Jackpotjoy* (£000's)	Vera&John (£000's)	Unallocated Corporate Costs (£000's)	Total (£000's)
Gaming revenue	149,955	112,018	—	261,973
Distribution costs	84,704	53,856	25	138,585
Amortisation and depreciation	27,034	9,788	768	37,590
Compensation, professional, and general and administrative expenses	12,949	22,187	9,019	44,155
Transaction related costs	—	196	15,044	15,240
Foreign exchange (gain)/loss	(83)	168	512	597
Financing, net	169	76	15,738	15,983
Income/(loss) for the period before taxes from continuing operations	25,182	25,747	(41,106)	9,823
Taxes	42	1,016	236	1,294
Net income/(loss) for the period after taxes from continuing operations	25,140	24,731	(41,342)	8,529
Net income/(loss) for the period after taxes from continuing operations	25,140	24,731	(41,342)	8,529
Interest expense, net	169	76	14,250	14,495
Accretion on financial liabilities	—	—	1,028	1,028
Taxes	42	1,016	236	1,294
Amortisation and depreciation	27,034	9,788	768	37,590
EBITDA	52,385	35,611	(25,060)	62,936
Share-based compensation	—	—	242	242
Fair value adjustments on contingent consideration	—	—	460	460
Transaction related costs	—	196	15,044	15,240
Foreign exchange (gain)/loss	(83)	168	512	597
Adjusted EBITDA	52,302	35,975	(8,802)	79,475
Net income/(loss) for the period after taxes from continuing operations	25,140	24,731	(41,342)	8,529
Share-based compensation	—	—	242	242
Fair value adjustments on contingent consideration	—	—	460	460
Transaction related costs	—	196	15,044	15,240
Foreign exchange (gain)/loss	(83)	168	512	597
Amortisation of acquisition related purchase price intangibles	26,833	5,553	—	32,386
Accretion on financial liabilities	—	—	1,028	1,028
Adjusted net income/(loss)	51,890	30,648	(24,056)	58,482

*Includes Gamesys Acquisition results from 27 September 2019 to 30 September 2019.

Three months ended 30 September 2018:

	Jackpotjoy (£000's)	Vera&John (£000's)	Unallocated Corporate Costs (£000's)	Total (£000's)
Gaming revenue	49,516	25,685	—	75,201
Distribution costs	23,647	12,750	21	36,418
Amortisation and depreciation	11,205	2,593	99	13,897
Compensation, professional, and general and administrative expenses	4,120	4,582	2,622	11,324
Severance costs	—	400	—	400
Transaction related costs	—	—	275	275
Foreign exchange (gain)/loss	(22)	27	(18)	(13)
Financing, net	2	(28)	5,437	5,411
Income/(loss) for the period before taxes from continuing operations	10,564	5,361	(8,436)	7,489
Taxes	—	(62)	—	(62)
Net income/(loss) for the period after taxes from continuing operations	10,564	5,423	(8,436)	7,551
Net income/(loss) for the period after taxes from continuing operations	10,564	5,423	(8,436)	7,551
Interest expense/(income), net	2	(28)	4,859	4,833
Accretion on financial liabilities	—	—	578	578
Taxes	—	(62)	—	(62)
Amortisation and depreciation	11,205	2,593	99	13,897
EBITDA	21,771	7,926	(2,900)	26,797
Share-based compensation	—	—	142	142
Severance costs	—	400	—	400
Transaction related costs	—	—	275	275
Foreign exchange (gain)/loss	(22)	27	(18)	(13)
Adjusted EBITDA	21,749	8,353	(2,501)	27,601
Net income/(loss) for the period after taxes from continuing operations	10,564	5,423	(8,436)	7,551
Share-based compensation	—	—	142	142
Severance costs	—	400	—	400
Transaction related costs	—	—	275	275
Foreign exchange (gain)/loss	(22)	27	(18)	(13)
Amortisation of acquisition related purchase price intangibles	11,202	2,005	—	13,207
Accretion on financial liabilities	—	—	578	578
Adjusted net income/(loss)	21,744	7,855	(7,459)	22,140

Nine months ended 30 September 2018:

	Jackpotjoy (£000's)	Vera&John (£000's)	Unallocated Corporate Costs (£000's)	Total (£000's)
Gaming revenue	153,127	71,035	—	224,162
Distribution costs	73,854	37,245	46	111,145
Amortisation and depreciation	33,608	7,455	288	41,351
Compensation, professional, and general and administrative expenses	11,582	13,086	8,210	32,878
Severance costs	—	850	—	850
Transaction related costs	—	—	1,340	1,340
Foreign exchange loss/(gain)	209	(43)	(36)	130
Financing, net	5	(94)	28,695	28,606
Income/(loss) for the period before taxes from continuing operations	33,869	12,536	(38,543)	7,862
Taxes	—	426	14	440
Net income/(loss) for the period after taxes from continuing operations	33,869	12,110	(38,557)	7,422
Net income/(loss) for the period after taxes from continuing operations	33,869	12,110	(38,557)	7,422
Interest expense/(income), net	5	(94)	14,641	14,552
Accretion on financial liabilities	—	—	2,604	2,604
Taxes	—	426	14	440
Amortisation and depreciation	33,608	7,455	288	41,351
EBITDA	67,482	19,897	(21,010)	66,369
Share-based compensation	—	—	468	468
Severance costs	—	850	—	850
Fair value adjustments on contingent consideration	—	—	11,450	11,450
Transaction related costs	—	—	1,340	1,340
Foreign exchange loss/(gain)	209	(43)	(36)	130
Adjusted EBITDA	67,691	20,704	(7,788)	80,607
Net income/(loss) for the period after taxes from continuing operations	33,869	12,110	(38,557)	7,422
Share-based compensation	—	—	468	468
Severance costs	—	850	—	850
Fair value adjustments on contingent consideration	—	—	11,450	11,450
Transaction related costs	—	—	1,340	1,340
Foreign exchange loss/(gain)	209	(43)	(36)	130
Amortisation of acquisition related purchase price intangibles	33,608	5,950	—	39,558
Accretion on financial liabilities	—	—	2,604	2,604
Adjusted net income/(loss)	67,686	18,867	(22,731)	63,822

The following table presents net assets per segment and Unallocated Corporate Costs as at 30 September 2019:

	Jackpotjoy* (£000's)	Vera&John (£000's)	Unallocated Corporate Costs (£000's)	Total (£000's)
Current assets	72,692	72,594	28,988	174,274
Intangible assets and goodwill	884,949	82,608	1,075	968,632
Other non-current assets	15,567	12,191	4,334	32,092
Total assets	973,208	167,393	34,397	1,174,998
Current liabilities	89,420	39,513	11,233	140,166
Non-current liabilities	7,994	5,361	555,658	569,013
Total liabilities	97,414	44,874	566,891	709,179
Net assets	875,794	122,519	(532,494)	465,819

*Includes Gamesys Acquisition balance sheet items.

The following table presents net assets per segment and Unallocated Corporate Costs as at 31 December 2018:

	Jackpotjoy (£000's)	Vera&John (£000's)	Unallocated Corporate Costs (£000's)	Total (£000's)
Current assets	18,055	54,394	51,510	123,959
Intangible assets and goodwill	431,895	81,678	1,106	514,679
Other non-current assets	69	3,507	3,692	7,268
Total assets	450,019	139,579	56,308	645,906
Current liabilities	19,758	25,788	6,774	52,320
Non-current liabilities	—	1,196	373,267	374,463
Total liabilities	19,758	26,984	380,041	426,783
Net assets	430,261	112,595	(323,733)	219,123

During the nine months ended 30 September 2019 and 2018, revenue was earned from customers situated in the following locations: United Kingdom – 47% (nine months ended 30 September 2018 – 57%), Japan – 28% (nine months ended 30 September 2018 – 12%), Spain – 10% (nine months ended 30 September 2018 – 10%), Sweden – 4% (nine months ended 30 September 2018 – 9%), rest of Europe – 6% (nine months ended 30 September 2018 – 8%), rest of world – 5% (nine months ended 30 September 2018 – 4%).

During the nine months ended 30 September 2019, the Group's B2B Revenue, Affiliate Revenue and Game Aggregation Revenue comprised 4% (nine months ended 30 September 2018 – 3%) of total Group revenues, with the remaining portion being revenues earned from Net Gaming Revenue operations.

Non-current assets by geographical location as at 30 September 2019 were as follows: Europe £94.8 million (31 December 2018 – £85.2 million), Americas £392.2 million (31 December 2018 – £436.8 million) and United Kingdom £513.7 million (31 December 2018 – £nil).

6. Costs and expenses

As discussed in note 7, the Group sold its Mandalay business in the period ended 31 March 2019 and its social gaming business in the period ended 30 September 2018. All current period and 2018 comparative figures have been restated accordingly. The results of the Gamesys Acquisition for the period from 27 September 2019 to 30 September 2019 are included in the tables below.

	Three months ended 30 September 2019 (£000's)	Three months ended 30 September 2018 (£000's)	Nine months ended 30 September 2019 (£000's)	Nine months ended 30 September 2018 (£000's)
Distribution costs:				
Selling and marketing	18,948	12,528	49,928	39,139
Licensing fees	12,392	10,293	35,817	30,117
Gaming taxes	12,431	8,946	34,721	28,927
Processing fees	6,902	4,651	18,119	12,962
	50,673	36,418	138,585	111,145
Administrative costs:				
Compensation and benefits	11,755	7,993	31,409	22,572
Professional fees	1,292	797	3,650	2,846
General and administrative	3,331	2,534	9,096	7,460
Tangible asset depreciation	1,249	144	2,204	375
Intangible asset amortisation	11,343	13,753	35,386	40,976
	28,970	25,221	81,745	74,229

7. Discontinued operations

On 12 March 2019, the Group completed the sale of its Mandalay business for cash consideration of £18.0 million. The Mandalay business was not previously classified as held-for-sale. As discussed in note 7 of the Annual Financial Statements, the Group disposed of its social gaming business in the period ended 30 September 2018. The comparative unaudited interim condensed consolidated statements of comprehensive income are presented below to show the Mandalay and social gaming business discontinued operations separately from continuing operations. The results of the Mandalay and social gaming businesses have been excluded from notes 5 and 6 above.

Results of discontinued operations

	Three months ended 30 September 2019 (£000's)	Three months ended 30 September 2018 (£000's)	Nine months ended 30 September 2019 (£000's)	Nine months ended 30 September 2018 (£000's)
Gaming revenue	—	2,552	1,595	9,034
Social gaming revenue	—	1,800	—	7,495
Expenses	—	4,360	2,229	16,414
Results from operating activities	—	(8)	(634)	115
Income tax	—	—	—	—
(Loss)/income for the period	—	(8)	(634)	115
Loss on disposal of discontinued operations	—	(4,047)	(26)	(4,477)
Income tax on loss on disposal of discontinued operations	—	—	—	—
Loss from discontinued operations, net of tax	—	(4,055)	(660)	(4,362)
Basic loss per share from discontinued operations	—	£(0.05)	£(0.01)	£(0.06)
Diluted loss per share from discontinued operations	—	£(0.05)	£(0.01)	£(0.06)

Cash flows from discontinued operations

	Three months ended 30 September 2019 (£000's)	Three months ended 30 September 2018 (£000's)	Nine months ended 30 September 2019 (£000's)	Nine months ended 30 September 2018 (£000's)
Net cash provided by operating activities	—	1,086	525	5,266
Net cash provided by investing activities	6,000	17,881	18,000	17,678
Net cash from financing activities	—	—	—	—
Net cash flows for the period	6,000	18,967	18,525	22,944

Effect of disposal on the financial position of the Group

	30 September 2019 (£000's)
Non-current assets	3,753
Goodwill	14,273
Net assets	18,026
Consideration received, satisfied in cash	18,000
Loss on disposal of discontinued operations	(26)

Goodwill disposed of was allocated to the Mandalay business on the basis of earnings before interest, taxes, depreciation and amortisation, relative to that of the overall segment.

8. Interest income/expense

	Three months ended 30 September 2019 (£000's)	Three months ended 30 September 2018 (£000's)	Nine months ended 30 September 2019 (£000's)	Nine months ended 30 September 2018 (£000's)
Total interest income	114	83	333	253
Interest paid and accrued on long-term debt	4,992	4,916	14,711	14,799
Fair value adjustment on secured convertible loan	(248)	—	(248)	—
Interest paid and accrued on lease liabilities	254	—	365	—
Interest paid and accrued on convertible debentures	—	—	—	6
Total interest expense	4,998	4,916	14,828	14,805
Accretion of discount recognised on contingent consideration	—	151	—	1,206
Interest accretion recognised on convertible debentures	—	—	—	8
Debt issue costs and accretion recognised on long-term debt	162	147	460	429
Interest accretion recognised on other long-term liabilities	215	280	568	961
Total accretion on financial liabilities	377	578	1,028	2,604

9. Earnings per share

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

	Three months ended 30 September 2019 (£000's)	Three months ended 30 September 2018 (£000's)	Nine months ended 30 September 2019 (£000's)	Nine months ended 30 September 2018 (£000's)
Numerator:				
Net income – basic	3,366	3,496	7,869	3,060
Net income – diluted	3,366	3,496	7,869	3,060
Denominator:				
Weighted average number of shares outstanding – basic	75,589	74,279	74,802	74,211
Weighted average effect of dilutive share options	288	695	301	700
Weighted average number of shares outstanding – diluted	75,877	74,974	75,103	74,911
Net income per share ^{1,2}				
Basic	£0.04	£0.05	£0.11	£0.04
Diluted	£0.04	£0.05	£0.10	£0.04

¹ Basic income per share is calculated by dividing the net income attributable to owners of the parent by the weighted average number of shares outstanding during the period.

² Diluted income per share is calculated by dividing the net income attributable to owners of the parent by the weighted average number of shares outstanding during the period and adjusted for the number of potentially dilutive share options and contingently issuable instruments.

10. Cash, restricted cash and customer deposits

	30 September 2019 (£000's)	31 December 2018 (£000's)
Cash	97,896	84,383
Restricted cash ¹	16,577	6,161
	114,473	90,544
Customer deposits – restricted cash ²	15,022	3,853
Customer deposits – other ³	—	5,179
	15,022	9,032

¹ Increase in balance from 31 December 2018 primarily relates to reserves held with payment service providers.

² Customer deposits – restricted cash consists of cash held by the Group in relation to amounts payable to customers where the Group acts as operator. In this regard, the Group has elected to split customer deposits into sub-categories and present £3.9 million of its 31 December 2018 balance as customer deposits – restricted cash, rather than customer deposits, to improve comparability with the balances at the current reporting date.

³ Customer deposits – other includes balances held by third party operators on behalf of the Group in relation to amounts payable to customers.

11. Trade and other receivables

Trade and other receivables consist of the following items:

	30 September 2019 (£000's)	31 December 2018 (£000's)
Due from the Gamesys group	—	8,764
Due from the 888 group	—	1,665
B2B and affiliate revenue receivable	7,118	2,722
Sales tax refund receivable	2,707	1,461
Prepaid expenses	15,304	2,925
Other	6,165	533
Less: expected credit loss provision for trade and other receivables	(1,000)	(1,000)
	30,294	17,070

The following table summarises the Group's expected credit loss on its trade receivables and loan receivables:

	0-30 days (£000's)	31-60 days (£000's)	61-90 days (£000's)	90 days + (£000's)	Total (£000's)
Trade and other receivables	1	109	80	460	650
Other long-term receivables	—	—	—	350	350
	1	109	80	810	1,000

12. Other long-term receivables

In connection with the Gaming Realms Transaction, the Group recognised a long-term receivable of £3.8 million (31 December 2018 – £3.6 million) for the secured convertible loan, in accordance with IFRS 9, based on the calculation of fair value at 30 September 2019, as explained in note 17.

As at 30 September 2019, the remaining balance of £1.4 million (31 December 2018 – £1.5 million) relates to a long-term loan receivable by the Group.

13. Interest rate swap, currency swap and foreign exchange forward

Foreign exchange forward

On 26 June 2019, Gamesys Group plc entered into a foreign exchange forward agreement (the 'FX Forward') in order to minimise the Group's exposure to foreign exchange rate fluctuations between GBP and EUR as the Group added €196.0 million to its EUR Term Facility in relation to the Gamesys Acquisition. Under the FX Forward, the Group was able to convert €193.0 million to £173.7 million at an exchange rate of 0.89970 on 26 September 2019, giving rise to a £2.7 million realised gain on settlement of the foreign exchange forward.

Prior to being utilised, the FX Forward was designated as a cash flow hedge. As a result, upon utilising the FX Forward, the entire gain in the amount of £0.3 million previously shown in other comprehensive income was reclassified, in accordance with IFRS 9, and formed part of the realised gain on foreign exchange forward discussed above.

Currency swap

On 1 August 2019, the Group entered into a cross currency swap agreement (the 'Currency Swap') in order to minimise the Group's increased exposure to exchange rate fluctuations between GBP and EUR as cash generated from operations is largely in GBP, while a portion of the Group's Term Facilities is in EUR. The Currency Swap has an effective date of 30 September 2019 and a maturity date of 30 September 2022.

As at 30 September 2019, the fair value of the Currency Swap was a £4.4 million payable (31 December 2018 – £nil). The Group has included £1.7 million of this amount in current liabilities with the remaining balance included in other long-term payables, as discussed in note 18. An unrealised loss of £4.4 million for the three and nine months ended 30 September 2019 related to the Currency Swap was recognised in other comprehensive income (three and nine months ended 30 September 2018 – £nil).

Interest rate swap

On 5 August 2019, Gamesys Group plc amended the terms of its existing Interest Rate Swap to further minimise its exposure to interest rate fluctuations. Under the new terms, the Group will pay a fixed 6.08% rate of interest in place of floating GBP interest payments of GBP LIBOR plus 5.00%. On 15 August 2019, the starting Notional Amount went back to being 60% of the GBP Term Facility (£150.0 million) and will decrease to £69.0 million by 15 June 2021.

As at 30 September 2019, the fair value of the Interest Rate Swap was a £1.9 million payable (31 December 2018 – £0.5 million). The Group has included £0.9 million of this payable in current liabilities (31 December 2018 – £0.1 million), with the value of the remaining balance included in other long-term payables, as discussed in note 18. For the three and nine months ended 30 September 2019, the Group recognised an

unrealised loss of £0.7 million and £1.8 million, respectively, in other comprehensive income (three and nine months ended 30 September 2018 – a gain of £0.3 million and a loss of £0.7 million, respectively).

14. Intangible assets and goodwill

As at 30 September 2019

	Gaming licences (£000's)	Customer relationships (£000's)	Software (£000's)	Brand (£000's)	Partnership agreements (£000's)	Non-complete clauses (£000's)	Additions to intangible assets arising on business combination (£000's)	Goodwill (£000's)	Total (£000's)
Cost									
Balance, 1 January 2019	91	320,060	30,955	70,326	12,900	20,434	—	309,121	763,887
Additions*	—	—	4,986	—	4,828	—	498,828	—	508,642
Disposals (note 7)	—	(27,200)	(350)	(1,610)	—	—	—	(14,273)	(43,433)
Translation	3	(145)	(251)	48	(80)	—	—	787	362
Balance, 30 September 2019	94	292,715	35,340	68,764	17,648	20,434	498,828	295,635	1,229,458
Accumulated amortisation/impairment									
Balance, 1 January 2019	56	172,574	18,280	13,577	6,080	17,875	—	20,766	249,208
Amortisation	36	24,651	4,766	2,588	1,873	2,559	—	—	36,473
Disposals (note 7)	—	(24,700)	(329)	(378)	—	—	—	—	(25,407)
Translation	(41)	(95)	(122)	23	(7)	—	—	794	552
Balance, 30 September 2019	51	172,430	22,595	15,810	7,946	20,434	—	21,560	260,826
Carrying value									
Balance, 30 September 2019	43	120,285	12,745	52,954	9,702	—	498,828	274,075	968,632

*On 17 April 2019, the Group entered into a five-year service agreement with a third-party operator, which is reflected as an addition to partnership agreements in the schedule above. Under the terms of the service agreement, the Group will make certain software, content and services available for use by the operator in return for a share of the revenue generated by the operator from certain software, content and services made available to it by the Group.

As at 31 December 2018

	Gaming licences (£000's)	Customer relationships (£000's)	Software (£000's)	Brand (£000's)	Partnership agreements (£000's)	Non-competes clauses (£000's)	Goodwill (£000's)	Total (£000's)
Cost								
Balance, 1 January 2018	93	337,655	25,211	70,019	12,900	20,434	316,386	782,698
Additions	—	—	5,318	—	—	—	—	5,318
Disposals (note 7)	—	(18,000)	—	—	—	—	(9,638)	(27,638)
Translation	(2)	405	426	307	—	—	2,373	3,509
Balance, 31 December 2018	91	320,060	30,955	70,326	12,900	20,434	309,121	763,887
Accumulated amortisation/impairment								
Balance, 1 January 2018	81	139,333	12,551	10,005	4,458	7,661	19,605	193,694
Amortisation	44	40,496	5,518	3,502	1,622	10,214	—	61,396
Disposals (note 7)	—	(7,635)	—	—	—	—	—	(7,635)
Translation	(69)	380	211	70	—	—	1,161	1,753
Balance, 31 December 2018	56	172,574	18,280	13,577	6,080	17,875	20,766	249,208
Carrying value								
Balance, 31 December 2018	35	147,486	12,675	56,749	6,820	2,559	288,355	514,679

15. Other short-term payables

Other short-term payables consist of:

	30 September 2019 (£000's)	31 December 2018 (£000's)
Transaction related payables	6,328	516
Other short-term payables assumed through the Gamesys Acquisition	24,161	—
Current portion on non-competes clauses payable	—	8,667
Working capital adjustment payable	—	429
	30,489	9,612

16. Credit facilities

	EUR Term Facility (£000's)	GBP Term Facility (£000's)	Total (£000's)
Balance, 1 January 2018	122,903	246,584	369,487
Accretion*	172	404	576
Foreign exchange translation	1,387	—	1,387
Balance, 31 December 2018	124,462	246,988	371,450
Add-on Debt	173,578	—	173,578
Debt financing costs	(2,617)	—	(2,617)
Accretion*	141	319	460
Foreign exchange translation	(1,028)	—	(1,028)
Balance, 30 September 2019	294,536	247,307	541,843
Current portion	—	—	—
Non-current portion	294,536	247,307	541,843

*Effective interest rates are as follows: EUR Term Facility – 4.26% (2018 – 4.44%), GBP Term Facility – 5.97% (2018 – 6.01%).

On 1 July 2019, the Group completed the syndication of a €196.0 million additional term loan facility (the 'Add-on Debt') to support the Gamesys Acquisition. The Group's new incremental term loan facility is fungible with the Group's existing EUR Term Facility and the syndication came into effect on 26 September 2019.

17. Financial instruments

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

Financial assets

	Financial assets as subsequently measured at amortised cost	
	30 September 2019 (£000's)	31 December 2018 (£000's)
Cash and restricted cash	114,473	90,544
Trade and other receivables	30,294	17,070
Other long-term receivables	1,427	1,462
Customer deposits	15,022	9,032
	161,216	118,108

Financial liabilities

	Financial liabilities as subsequently measured at amortised cost	
	30 September 2019 (£000's)	31 December 2018 (£000's)
Accounts payable and accrued liabilities	77,740	20,606
Other short-term payables	30,489	9,612
Other long-term payables	10,000	1,429
Interest payable	434	264
Payable to customers	15,022	9,032
Long-term debt	541,843	371,450
	675,528	412,393

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

Other financial instruments

	Financial instruments at fair value through profit or loss – assets/(liabilities)	
	30 September 2019 (£000's)	31 December 2018 (£000's)
Interest Rate Swap	(1,868)	(485)
Currency Swap	(4,384)	—
Contingent consideration	—	(4,540)
Other long-term receivables	3,825	3,574
	(2,427)	(1,451)

Fair value hierarchy

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

	Level 2		Level 3	
	30 September 2019 (£000's)	31 December 2018 (£000's)	30 September 2019 (£000's)	31 December 2018 (£000's)
Interest Rate Swap	(1,868)	(485)	—	—
Currency Swap	(4,384)	—	—	—
Other long-term receivables	3,825	3,574	—	—
Contingent consideration	—	—	—	(4,540)

The Interest Rate Swap and Currency Swap balances represent the fair values of expected cash flows under the Interest Rate Swap and Currency Swap agreements.

Other long-term receivables represent the fair value of the loan receivable from Gaming Realms. The key inputs into the fair value estimation of this balance include the share price of Gaming Realms on the date of cash transfer, a 3.2-year risk-free interest rate of 0.6019%, and an estimated share price return volatility rate of Gaming Realms of 47.8%.

Following completion of the Gamesys Acquisition, the Group will be able to set off the remaining milestone payment for the Jackpotjoy segment against a corresponding receivable included in current assets assumed, as outlined in note 3, through a working capital adjustment. As a result, at 30 September 2019 the remaining milestone payment is considered settled.

The movement in Level 3 financial instruments is detailed below:

	(£000's)
Contingent consideration, 1 January 2018	59,583
Fair value adjustments	7,208
Payments	(63,455)
Accretion of discount	1,204
Contingent consideration, 31 December 2018	4,540
Fair value adjustments	460
Set-off against acquired assets	(5,000)
Contingent consideration, 30 September 2019	—

18. Other long-term payables

Other long-term payables consist of:

	30 September 2019 (£000's)	31 December 2018 (£000's)
Deferred consideration payable (note 3)	10,000	—
Interest Rate Swap (note 13)	934	388
Currency Swap (note 13)	2,649	—
Non-compete clauses payable	—	1,429
	13,583	1,817

19. Share capital

As at 30 September 2019, Gamesys Group plc's issued share capital consisted of 108,424,806 ordinary shares, each with a nominal value of £0.10.

	(£000's)	Ordinary shares of £0.10 #
Balance, 1 January 2018	7,407	74,064,931
Conversion of convertible debentures, net of costs	6	56,499
Exercise of options	21	207,500
Balance, 31 December 2018	7,434	74,328,930
Issuance, net of costs	3,365	33,653,846
Exercise of options	44	442,030
Balance, 30 September 2019	10,843	108,424,806

Ordinary shares

During the nine months ended 30 September 2019, Gamesys Group plc issued 33,653,846 additional ordinary shares as part of the consideration paid for the Gamesys Acquisition.

Share options

During the nine months ended 30 September 2019, nil share options were granted, 442,030 share options were exercised, 121,166 share options were forfeited, and nil share options expired.

Long-term incentive plan

On 30 September 2019, Gamesys Group plc granted additional equity-settled awards over ordinary shares of Gamesys Group plc under the Group's long-term incentive plan ('LTIP3') for key management personnel. The awards will (i) vest on the date on which the remuneration committee determines the extent to which the performance conditions (as described below) have been met and (ii) are subject to a holding period of two years beginning on the vesting date. At 30 September 2019, the number of ordinary shares that may be allotted under the Group's 2019 LTIP3 awards is 778,100.

The performance condition as it applies to 25% of each LTIP3 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 1 January 2019. The performance condition as it applies to another 25% of the award is based on the Group's total shareholder return compared with the total shareholder return of certain companies in a peer group over three years commencing on 1 January 2019. The performance condition as it applies to the remaining 50% of the award is based on the compound annual growth rate ('CAGR') of the Group's earnings per share over a three year period commencing on 1 January 2019 ('EPS CAGR Tranche') and vests as to 25% if the EPS CAGR equals 5.0%, between 25% and 100% (on a straight-line basis) if final year EPS CAGR is more than 5.0% but less than 14.0%, and 100% if final year EPS CAGR is 14.0% or more.

During the three and nine months ended 30 September 2019, the Group recorded £0.1 million and £0.2 million, respectively (three and nine months ended 30 September 2018 – £0.1 million and £0.2 million, respectively) in share-based compensation expense relating to its long-term incentive plans with a corresponding increase in share-based payment reserve.

20. Contingent liabilities

Indirect taxation

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

Where it is considered probable that a previously identified contingent liability will give rise to an actual outflow of funds, then a provision is made in respect of the relevant jurisdiction and period impacted. Where the likelihood of a liability arising is considered remote, or the possible contingency is not material to the financial position of the Group, the contingency is not recognised as a liability at the balance sheet date. As at 30 September 2019, the Group had recognised £nil (31 December 2018 – £nil) related to potential contingent indirect taxation liabilities.