JPJ Group plc
Results for the Three and Nine Months Ended 30 September 2018

Gaming revenue up 8% year-on-year, net leverage reduced significantly;
2018 outlook confirmed

LONDON, 14 November 2018 - JPJ Group plc (LSE: JPJ) (the 'Group'), a leading global online bingo-led operator, today announces the results for the three and nine months ended 30 September 2018.

Financial summary[1]

	Three months ended 30 September 2018 (£m)	Three months ended 30 September 2017 (£m)	**Reported change (%)**	**Nine months ended 30 September 2018 (£m)**	Nine months ended 30 September 2017 (£m)	**Reported change (%)**
Gaming revenue	**77.8**	71.8	**8**	**233.2**	210.1	**11**
Net income / (loss) from continuing operations (as reported under IFRS)	**7.4**	(8.2)	-	**6.6**	(29.9)	-
Adjusted EBITDA[2]	**28.8**	25.5	**13**	**84.0**	81.9	**3**
Adjusted net income[2]	**23.3**	17.1	**36**	**67.1**	56.9	**18**
Operating cash flows	**33.0**	32.6	**1**	**82.2**	78.2	**5**
Diluted net income / (loss) per share from continuing operations[3]	**0.10**	(0.11)	-	**0.09**	(0.41)	-
Diluted adjusted net income per share[2,3]	**0.31**	0.23	**35**	**0.90**	0.76	**18**

Financial highlights for the third quarter

- Ongoing good financial performance
  - Gaming revenue rose 8% year-on-year
  - Adjusted EBITDA[2] increased 13% year-on-year, reflecting strong earnings growth at Vera&John supported by the proprietary technology platform
  - Adjusted net income[2] increased 36% year-on-year, partly attributed to a 36% decrease in interest expense
- Remain highly cash generative
  - Operating cash flow of £33.0 million, an increase of 1% year-on-year, and 44p of operating cash flow per share[3]
  - Adjusted EBITDA[2] to cash conversion of 115%; free cash flow[4] of £31.4 million
  - Adjusted net debt[5] reduced by £43.1 million; adjusted net leverage ratio[6] of 3.03x down from 3.41x at 30 June 2018
- Performance in line with expectations; outlook remains positive for the full year

Operational highlights for the third quarter

- Ongoing improvement in core KPIs[7] year-on-year
  - Average Active Customers per Month[7] grew to 257,929 in the twelve months to 30 September 2018, an increase of 3% year-on-year

- Average Real Money Gaming Revenue per Month[7] grew to £25.4 million, an increase of 12% year-on-year
- Monthly Real Money Gaming Revenue per Average Active Customer[7] of £99, an increase of 10% year-on-year

Business segments highlights for the third quarter

- Jackpotjoy[8] (67% of Group revenue)
    - Quarterly gaming revenue and adjusted EBITDA[2] decreased by 3% and 4% year-on-year respectively, mainly due to a decline in the Mandalay brands that was somewhat offset by increases in Starspins and Botemania
    - Segment performance also impacted by lower revenues from Jackpotjoy UK following the closure of a number of high value accounts due to responsible gambling measures, with the impact broadly in line with the trends in the second quarter
    - Sale of the social gaming business for cash consideration of £18.0 million (excluding costs of disposal paid) completed on 31 August 2018, enabling the Group to be exclusively focussed on its core activity of real money gaming and representing another positive step in reducing net leverage
    - Group well-advanced in plans to progress the internalisation of operational functions currently residing within Gamesys and expects to update the market when it reports full year results in March 2019
    - JPJ Group can confirm that it is not its intention to seek to renew the non-compete arrangement with Gamesys when it expires in April 2019 as it does not believe it will deliver a meaningful financial benefit to the business or shareholders. While this will leave Gamesys free to consider launching new brands in the UK, Spain and Sweden, the Group does not perceive that this possibility represents a significant incremental competitive threat given JPJ Group's strong, market-leading position in these geographies
- Vera&John (33% of Group revenue)
    - Quarterly gaming revenue grew by 40% reflecting strong organic growth[9] in the segment which operates on a proprietary technology platform; on a constant currency basis[10], revenue increased by 41% year-on-year
    - Adjusted EBITDA[2] increased by 71%; on a constant currency basis[10], adjusted EBITDA[2] rose by 72%

Neil Goulden, Executive Chairman, commented:

"We are pleased with the quarterly performance of JPJ Group given reported gaming revenue growth of 8% and an uplift in adjusted EBITDA[2] of 13%. The Vera&John segment is once again the stand-out, with year-on-year revenue growth of 41% on a constant currency basis[10]. The growth at Vera&John highlights our strategy of international diversification, with 44% of Group revenue generated outside the UK in Q3.

As part of our commitment to meeting the highest industry standards on responsible gambling, revenues at Jackpotjoy UK have been impacted by the responsible gambling measures we have implemented and the closure of a number of high value accounts. We expect that the impact of closed accounts will begin to annualise during H2 2019 and, provided there are no further regulatory challenges, the Jackpotjoy[8] segment will return to revenue growth thereafter.

Overall, we remain confident in our outlook for the full year. We continue to enjoy a strong association with Gamesys in a relationship which provides mutual benefits and we are also excited by the significant growth opportunities that exist in both existing and new markets, where we are well-placed to take advantage of this promising backdrop."

Outlook

Performance in the first nine months of the financial year has been solid as gaming revenue has grown 11% and adjusted EBITDA[2] growth has accelerated over the past three months; the Board remains comfortable with market expectations for EBITDA for FY 2018.

The Group's ongoing strong free cash flow[4] generation is enabling us to rapidly deleverage, with net debt reduction to below 2.5x net debt/EBITDA remaining a key strategic target and the point at which the Board can consider options to return cash to shareholders. As previously highlighted, the Board expects the impact of responsible gambling measures implemented this year to annualise from H2 2019 and provided there are no further regulatory changes impacting the Group's operations, for revenue growth to resume at Jackpotjoy UK thereafter.

The Group also notes that Sweden is currently undergoing a regulatory process that will result in licensed operators being subject to an 18% tax on Gross Gaming Revenues from January 2019. The Group can confirm that it has applied for the required licences and, in line with other operators in the region, is awaiting confirmation of these approvals.

Conference call

A conference call for analysts and investors will be held today at 1.00pm GMT / 8.00am ET. To participate, interested parties are asked to dial +44 (0) 20 3003 2666 or +1 800 608-0547, or for US shareholders +1 866 966-5335, 10 minutes prior to the scheduled start of the call using the reference "JPJ" when prompted.

A replay of the conference call will be available for 30 days by dialling +44 (0) 20 8196 1998 or +1 866 595-5357 and using reference 6608240#. A transcript will also be made available on JPJ Group plc's website at http://www.jpjgroup.com/investors.

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Note Regarding Non-IFRS financial measures

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

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

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

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

Cautionary Note Regarding Forward-Looking Information

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

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

Financial Review

Gaming revenue

The Group's gaming revenue during the three months ended 30 September 2018 consisted of:

- £52.1 million in revenue earned from Jackpotjoy's[8] operational activities
- £25.7 million in revenue earned from Vera&John's operational activities

The Group's gaming revenue during the three months ended 30 September 2017 consisted of:

- £53.5 million in revenue earned from Jackpotjoy's[8] operational activities
- £18.4 million in revenue earned from Vera&John's operational activities

The increase in gaming revenue for the three months ended 30 September 2018 in comparison with the three months ended 30 September 2017 relates primarily to organic growth[9] of the Vera&John segment, where gaming revenue increased by 40%.

The Group's gaming revenue during the nine months ended 30 September 2018 consisted of:

- £162.2 million in revenue earned from Jackpotjoy's[8] operational activities
- £71.0 million in revenue earned from Vera&John's operational activities

The Group's gaming revenue during the nine months ended 30 September 2017 consisted of:

- £158.6 million in revenue earned from Jackpotjoy's[8] operational activities
- £51.5 million in revenue earned from Vera&John's operational activities

Costs and expenses

	Three month period ended 30 September 2018 (£000's)	Three month period ended 30 September 2017 (£000's)	**Nine month period ended 30 September 2018 (£000's)**	Nine month period ended 30 September 2017 (£000's)
Distribution costs	**37,468**	34,953	**115,776**	96,702
Administrative costs	**26,922**	27,661	**79,417**	77,679
Transaction related costs	**275**	1,361	**1,338**	2,676
Severance costs	**400**	-	**850**	-
	65,065	63,975	**197,381**	177,057

Distribution costs

	Three month period ended 30 September 2018 (£000's)	Three month period ended 30 September 2017 (£000's)	**Nine month period ended 30 September 2018 (£000's)**	Nine month period ended 30 September 2017 (£000's)
Selling and marketing	**12,717**	12,368	**39,892**	32,008
Licensing fees	**10,979**	10,499	**32,457**	30,423
Gaming taxes	**9,104**	8,742	**30,423**	25,203
Processing fees	**4,668**	3,344	**13,004**	9,068
	37,468	34,953	**115,776**	96,702

Selling and marketing expenses consist of payments made to affiliates and general marketing expenses related to each brand. Licensing fees consist of the fees for the Jackpotjoy[8] segment to operate on its platforms and game suppliers' fees paid by both the Vera&John and Jackpotjoy[8] segments. Gaming taxes largely consist of point of consumption taxes ('POC'), payable in the regulated jurisdictions that the Group operates in. Variance in gaming taxes from prior periods relates to a change in UK POC taxes where a 15% general betting duty on all free or discounted online bets ('POC2') was introduced 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 the three and nine months ended 30 September 2018 compared to the same periods in 2017 is mainly due to higher revenues achieved and increased selling and marketing spending, primarily in the Vera&John segment.

Administrative costs

	Three month period ended 30 September 2018 (£000's)	Three month period ended 30 September 2017 (£000's)	**Nine month period ended 30 September 2018 (£000's)**	Nine month period ended 30 September 2017 (£000's)
Compensation and benefits	**8,532**	8,914	**24,246**	23,514

Professional fees	**809**	667	**2,904**	2,662
General and administrative	**2,309**	2,129	**6,787**	6,471
Amortisation and depreciation	**15,272**	15,951	**45,480**	45,032
	26,922	27,661	**79,417**	77,679

Compensation and benefits costs consist of salaries, wages, bonuses, directors' fees, benefits and share-based compensation expense. The decrease in these expenses for the three months ended 30 September 2018 compared to the same period in 2017 is due to lower operational bonus accruals. The increase in these expenses for the nine months ended 30 September 2018 compared to the same period in 2017 is due to additional staff hired in the period.

Professional fees consist mainly of legal, accounting and audit fees. The slight increase in professional fees in the three and nine months ended 30 September 2018 compared to the same periods in 2017 relates to additional gaming industry regulatory requirements that came into effect in the current period.

General and administrative expenses consist of items, such as rent and occupancy, travel and accommodation, insurance, listing authority fees, technology and development costs, and other office overhead charges. The increase in these costs for the three and nine months ended 30 September 2018 compared to the same periods in the prior year can be attributed to marginally higher travel, rent and overhead costs.

Amortisation and depreciation consist of amortisation of the Group's intangible assets and depreciation of the Group's tangible assets over their useful lives. The decrease in amortisation and depreciation for the three months ended 30 September 2018 is due to the fact that amortisation expense decreases with each passing year of the Group's intangible assets' lives as a result of the amortisation method used. The increase in amortisation and depreciation for the nine months ended 30 September 2018 is due to the non-compete clauses, for which amortisation started in Q2 2017.

Transaction related costs

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

Severance costs

Severance costs during the three and nine months ended 30 September 2018 relate to personnel redundancies resulting from internal restructuring.

Business unit results

Jackpotjoy[8]

	Q3 2018 £(millions)	Q3 2017 £(millions)	**Variance £(millions)**	Variance %
Gaming revenue	**52.1**	53.5	**(1.4)**	(3%)
Distribution costs	**24.7**	25.8	**(1.1)**	(4%)
Administrative costs	**4.5**	3.8	**0.7**	18%
Adjusted EBITDA[2]	**22.9**	23.9	**(1.0)**	(4%)

	YTD 2018 £(millions)	YTD 2017 £(millions)	Variance £(millions)	Variance %
Gaming revenue	**162.2**	158.6	**3.6**	2%
Distribution costs	**78.6**	71.6	**7.0**	10%
Administrative costs	**12.6**	10.9	**1.7**	16%
Adjusted EBITDA[2]	**71.0**	76.1	**(5.1)**	(7%)

Gaming revenue for the Jackpotjoy[8] segment for the three months ended 30 September 2018 was 3% lower than in the same period in 2017 due to a decline in the Mandalay brands, which accounted for 5% of the segment's revenue. The decrease was partially offset by increases in the Starspins and Botemania brands, which collectively accounted for 27% of this segment's revenue.

Gaming revenue for the nine months ended 30 September 2018 was 2% higher than in the same period in 2017 due to organic growth[9] led by increases in the Starspins and Botemania brands. Collectively, they accounted for 26% of this segment's revenue.

The decrease in distribution costs for the three months ended 30 September 2018 compared to the same period in 2017 is driven by a marginal reduction in UK marketing spend.

The increase in distribution costs for the nine months ended 30 September 2018 is driven by costs from the segment's TV marketing campaigns, as well as an incremental gaming tax expense, which relates to tax on bonuses through UK POC2 tax introduced in Q4 2017. The increase in administrative costs for the three and nine months ended 30 September 2018 compared to the same periods in 2017 was mainly driven by increases in administrative overhead costs.

Vera&John

	Q3 2018 £(millions)	Q3 2017 £(millions)	Variance £(millions)	Variance %
Gaming revenue	**25.7**	18.4	**7.3**	40%
Distribution costs	**12.7**	9.1	**3.6**	40%
Administrative costs	**4.6**	4.4	**0.2**	5%
Adjusted EBITDA[2]	**8.4**	4.9	**3.5**	71%

	YTD 2018 £(millions)	YTD 2017 £(millions)	Variance £(millions)	Variance %
Gaming revenue	**71.0**	51.5	**19.5**	38%
Distribution costs	**37.2**	25.0	**12.2**	49%
Administrative costs	**13.1**	12.1	**1.0**	8%
Adjusted EBITDA[2]	**20.7**	14.4	**6.3**	44%

Gaming revenue for the Vera&John segment for the three and nine months ended 30 September 2018 increased by 40% and 38%, respectively, compared to the same periods in 2017 due to organic growth[9]. On a constant currency basis[10], revenue increased by 41% and 36% in the three and nine months ended 30 September 2018 compared to the same periods in 2017.

Distribution costs increased by 40% and 49%, respectively, for the three and nine months ended 30 September 2018 compared to the same periods in 2017 as a result of higher marketing spend in the current period. The increase was further driven by higher gaming tax due to increased revenue in regulated jurisdictions compared to the prior period.

The increase in administrative costs for the three and nine months ended 30 September 2018 compared to the same periods in 2017 was mainly driven by increases in personnel and administrative overhead costs as the segment continues to grow.

Unallocated Corporate Costs

Adjusted EBITDA[2] on Unallocated Corporate Costs increased from (£3.2) million to (£2.5) million in the three months ended 30 September 2018 as compared to the three months ended 30 September 2017. The variance mainly relates to a £0.6 million decrease in compensation fees and a £0.2 million decrease in general administrative overhead costs, offset by an increase of £0.1 million in professional fees.

Adjusted EBITDA[2] on Unallocated Corporate Costs increased from (£8.6) million to (£7.8) million in the nine months ended 30 September 2018 compared to the nine months ended 30 September 2017. The variance mainly relates to a £0.1 million decrease in compensation fees, a £0.5 million decrease in general administrative overhead costs and a £0.1 million decrease in professional fees.

Net loss on Unallocated Corporate Costs decreased from £20.6 million to £8.4 million in the three months ended 30 September 2018 as compared to the three months ended 30 September 2017. This decrease is primarily related to a lower foreign exchange loss and lower interest expense incurred as a result of the debt refinance that took place in Q4 2017. The decrease in net loss can further be attributed to the fact that there were no fair value adjustments on contingent consideration in the current period as the final earn-out period ended in Q1 2018.

Net loss on Unallocated Corporate Costs decreased from £75.8 million to £38.6 million in the nine months ended 30 September 2018 as compared to the nine months ended 30 September 2017. This decrease is primarily related to a lower foreign exchange loss and lower interest expense incurred as a result of the debt refinance that took place in Q4 2017. The decrease in net loss can further be attributed to the fact that there were no fair value adjustments on contingent consideration in the second and third quarters of 2018 as the final earn-out period ended in Q1 2018.

Costs included in net loss which are excluded from the Adjusted EBITDA[2] measure are discussed on page 4 of this release.

Key performance indicators

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

Total Real Money Gaming Revenue and **Average Real Money Gaming Revenue per Month** are key performance indicators used by management to assess revenue earned from real money gaming operations of the business. The Group defines Total Real Money Gaming Revenue ('Total Real Money Gaming Revenue') as revenue less revenue earned from B2B websites. The Group defines Average Real Money Gaming Revenue per Month ('Average Real Money Gaming Revenue per Month') as Real Money Gaming Revenue per month, averaged over a twelve-month period. While these measures are not recognised by IFRS, management believes that they are meaningful indicators of the Group's real money gaming operational results.

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

	Twelve months ended 30 September 2018	Twelve months ended 30 September 2017	**Variance**	Variance %
Average Active Customers per Month (#)	**257,929**	251,186	**6,743**	3%
Total Real Money Gaming Revenue (£000's) (1)	**305,331**	271,508	**33,823**	12%
Average Real Money Gaming Revenue per Month (£000's)	**25,444**	22,626	**2,818**	12%
Monthly Real Money Gaming Revenue per Average Active Customer (£)	**99**	90	**9**	10%

(1) Total Real Money Gaming Revenue for the twelve months ended 30 September 2018 consists of total revenue less revenue earned from B2B websites of £7.1 million (30 September 2017 - £6.6 million).

Monthly Real Money Gaming Revenue per Average Active Customer[7] increased by 10% year-over-year which is in line with the Group's overall customer acquisition and retention strategy.

INDEPENDENT REVIEW REPORT TO JPJ GROUP PLC

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the interim financial report for the three and nine months ended 30 September 2018 which comprises the Interim Condensed Consolidated Statements of Comprehensive Income, the Interim Condensed Consolidated Balance Sheets, the Interim Condensed Consolidated Statements of Changes in Equity, the Interim Condensed Consolidated Statement of Cash Flows and the related notes.

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

Directors' responsibilities

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

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

Our responsibility

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

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the interim financial report for the three and nine months ended 30 September 2018 is not prepared, in all material respects, with International Accounting Standard 34 as issued by the International Accounting Standards Board and International Accounting Standard 34, as adopted by the European Union.

BDO LLP

Chartered Accountants
London
14 November 2018

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

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three months ended 30 September 2018	Three months ended 30 September 2017	**Nine months ended 30 September 2018**	Nine months ended 30 September 2017
	(£000's)	(£000's)	**(£000's)**	(£000's)
Gaming revenue[4]	**77,753**	71,845	**233,196**	210,050
Costs and expenses				
Distribution costs[4,5]	**37,468**	34,953	**115,776**	96,702
Administrative costs[5]	**26,922**	27,661	**79,417**	77,679

Severance costs[4]	**400**	-	**850**	-
Transaction related costs[4]	**275**	1,361	**1,338**	2,676
Foreign exchange (gain)/loss[4]	**(13)**	4,494	**130**	11,319
Total costs and expenses	**65,052**	68,469	**197,511**	188,376
Gain on sale of intangible assets	-	-	**-**	(1,002)
Fair value adjustments on contingent consideration[16]	**-**	1,663	**11,450**	16,364
Realised loss on cross currency swap	**-**	-	**-**	3,534
Interest income[7]	**(83)**	(41)	**(253)**	(136)
Interest expense[7]	**4,916**	7,648	**14,805**	23,315
Accretion on financial liabilities[7]	**578**	2,000	**2,604**	9,051
Financing expenses	**5,411**	11,270	**28,606**	52,128
Net income/(loss) for the period before taxes from continuing operations	**7,290**	(7,894)	**7,079**	(29,452)
Current tax provision	**37**	447	**736**	806
Deferred tax recovery	**(99)**	(109)	**(296)**	(319)
Net income/(loss) for the period after taxes from continuing operations	**7,352**	(8,232)	**6,639**	(29,939)
Discontinued operation				
Income from discontinued operation, net of tax[6]	**191**	563	**898**	2,197
Loss on disposal of discontinued operation[6]	**(4,047)**	-	**(4,477)**	-
Net (loss)/income from discontinued operation	**(3,856)**	563	**(3,579)**	2,197
Net income/(loss) for the period attributable to owners of the parent	**3,496**	(7,669)	**3,060**	(27,742)
Other comprehensive income/(loss): Items that will or may be reclassified to profit or loss in subsequent periods				
Foreign currency translation (loss)/gain	**(132)**	10,150	**66**	28,793
Unrealised loss on cross currency hedge	**-**	(2,892)	**-**	(7,737)
Unrealised gain/(loss) on interest rate hedge[11]	**316**	-	**(658)**	-
Total comprehensive income/(loss) for the period attributable to owners of the parent	**3,680**	(411)	**2,468**	(6,686)
Net income/(loss) for the period per share				
Basic[8]	**£0.05**	£(0.10)	**£0.04**	£(0.38)
Diluted[8]	**£0.05**	£(0.10)	**£0.04**	£(0.38)
Net income/(loss) for the period per share - continuing operations				
Basic	**£0.10**	£(0.11)	**£0.09**	£(0.41)
Diluted	**£0.10**	£(0.11)	**£0.09**	£(0.41)

See accompanying notes

UNAUDITED INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS

	As at 30 September 2018 (£000's)	As at 31 December 2017 (£000's)
ASSETS		

Current assets

Cash[16]	**71,456**	59,033
Restricted cash[16]	**207**	208
Customer deposits[16]	**8,183**	8,180
Trade and other receivables[9,16]	**16,313**	19,379
Taxes receivable	**7,535**	6,432
Total current assets	**103,694**	93,232
Non-current assets		
Tangible assets	**1,525**	1,339
Intangible assets[12]	**239,400**	292,223
Goodwill[12]	**287,799**	296,781
Other long-term receivables[10,16]	**5,047**	5,604
Total non-current assets	**533,771**	595,947
Total assets	**637,465**	689,179

LIABILITIES AND EQUITY

Current liabilities		
Accounts payable and accrued liabilities[13,16]	**17,287**	17,821
Other short-term payables[11,14,16]	**11,529**	12,151
Interest payable[16]	**522**	924
Payable to customers[16]	**8,183**	8,180
Convertible debentures[16,18]	**-**	254
Current portion of contingent consideration[16]	**4,540**	51,866
Provision for taxes	**8,323**	7,273
Total current liabilities	**50,384**	98,469
Non-current liabilities		
Contingent consideration[16]	**4,244**	7,717
Other long-term payables[11,16,17]	**3,329**	8,245
Deferred tax liability	**1,278**	1,204
Long-term debt[15,16]	**370,484**	369,487
Total non-current liabilities	**379,335**	386,653
Total liabilities	**429,719**	485,122
Equity		
Share capital[18]	**7,434**	7,407
Share premium and other reserves	**200,312**	196,650
Total equity	**207,746**	204,057
Total liabilities and equity	**637,465**	689,179

See accompanying notes

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share Capital (£000's)	Share Premium (£000's)	Merger Reserve (£000's)	Redeemable Shares (£000's)	Share-Based Payment Reserve (£000's)	Translation Reserve (£000's)	Hedge Reserve (£000's)	Retained (Deficit)/ Earnings (£000's)	Total (£000's)
Balance at 1 January 2017	**7,298**	**403,883**	**(6,111)**	**50**	**8,667**	**(3,958)**	**-**	**(170,361)**	**239,468**

Comprehensive income/(loss) for the period:									
Net loss for the period (continued and discontinued operations)	-	-	-	-	-	-	-	(27,742)	(27,742)
Other comprehensive income/(loss)	-	-	-	-	-	28,793	(7,737)	-	21,056
Total comprehensive income/(loss) for the period:	**-**	**-**	**-**	**-**	**-**	**28,793**	**(7,737)**	**(27,742)**	**(6,686)**
Contributions by and distributions to shareholders:									
Conversion of debentures	92	2,986	-	-	-	-	-	-	3,078
Exercise of options	15	357	-	-	(105)	-	-	105	372
Cancellation of redeemable shares	-	-	-	(50)	-	-	-	-	(50)
Cancellation of share premium[2]	-	(405,932)	-	-	-	-	-	405,932	-
Share-based compensation	-	-	-	-	1,198	-	-	-	1,198
Total contributions by and distributions to shareholders:	**107**	**(402,589)**	**-**	**(50)**	**1,093**	**-**	**-**	**406,037**	**4,598**
Balance at 30 September 2017	**7,405**	**1,294**	**(6,111)**	**-**	**9,760**	**24,835**	**(7,737)**	**207,934**	**237,380**
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[18]	6	186	-	-	-	-	-	-	192
Exercise of options[18]	21	540	-	-	(159)	-	-	159	561

Share-based compensation[18]	-	-	-	-	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**

See accompanying notes

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended 30 September 2018	Three months ended 30 September 2017	**Nine months ended 30 September 2018**	Nine months ended 30 September 2017
	(£000's)	(£000's)	**(£000's)**	(£000's)
Operating activities				
Net income/(loss) for the period	**3,496**	(7,669)	**3,060**	(27,742)
Add (deduct) items not involving cash				
Amortisation and depreciation	**15,437**	16,491	**46,635**	46,651
Share-based compensation expense[18]	**142**	320	**468**	1,198
Current tax provision	**37**	447	**736**	806
Deferred tax recovery	**(99)**	(109)	**(296)**	(319)
Interest expense, net[7]	**5,411**	9,607	**17,156**	32,230
Gain on sale of intangible assets	**-**	-	**-**	(1,002)
Fair value adjustments on contingent consideration[16]	**-**	1,663	**11,450**	16,364
Realised loss on cross currency swap	**-**	-	**-**	3,534
Foreign exchange (gain)/loss	**(32)**	4,607	**93**	11,506
Loss on sale of discontinued operation, net of tax[6]	**4,047**	-	**4,477**	-
	28,439	25,357	**83,779**	83,226
Trade and other receivables	**126**	1,311	**1,947**	786
Other long-term receivables	**43**	84	**551**	536
Accounts payable and accrued liabilities	**2,632**	2,766	**(690)**	922
Other short-term payables	**(259)**	384	**(2,589)**	(3,158)
Cash generated from operations	**30,981**	29,902	**82,998**	82,312
Income taxes paid	**(29)**	-	**(3,265)**	(6,899)
Incomes taxes received	**2,082**	2,656	**2,484**	2,758
Total cash provided by operating activities	**33,034**	32,558	**82,217**	78,171
Financing activities				
Restriction of cash balances	**-**	(229)	**(75)**	(54)
Proceeds from exercise of options	**168**	-	**561**	372
Proceeds from cross currency swap settlement	**-**	-	**-**	34,373
Debenture settlement[18]	**-**	-	**(62)**	-
Repayment of non-compete liability[17]	**(2,000)**	(2,000)	**(6,000)**	(3,333)
Interest repayment	**(5,355)**	(7,903)	**(15,609)**	(23,112)
Payment of contingent consideration[16]	**-**	-	**(63,455)**	(94,218)

Principal payments made on long-term debt[15]	-	(5,965)	-	(18,771)
Total cash used in financing activities	**(7,187)**	(16,097)	**(84,640)**	(104,743)
Investing activities				
Purchase of tangible assets	**(425)**	(88)	**(588)**	(851)
Purchase of intangible assets	**(1,163)**	(822)	**(3,620)**	(2,084)
Proceeds from sale of intangible assets	**-**	-	**1,450**	1,002
Disposal of discontinued operation	**17,881**	-	**17,678**	-
Total cash provided by/(used in) investing activities	**16,293**	(910)	**14,920**	(1,933)
Net increase/(decrease) in cash during the period	**42,140**	15,551	**12,497**	(28,505)
Cash, beginning of period	**29,462**	23,963	**59,033**	68,485
Exchange loss on cash and cash equivalents	**(146)**	(306)	**(74)**	(772)
Cash, end of period	**71,456**	39,208	**71,456**	39,208

See accompanying notes

SUPPLEMENTARY NOTES FOR THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2018

1. Corporate information

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

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

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

2. Basis of preparation

Basis of presentation

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

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

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

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

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

3. Summary of significant accounting policies

For a description of the Group's significant accounting policies, critical accounting estimates and assumptions, and related information see note 3 to the Annual Financial Statements. Other than as described below, there have been no changes to the Group's significant accounting policies or critical accounting estimates and assumptions during the nine months ended 30 September 2018.

Financial instruments

Effective from 1 January 2018, the Group adopted IFRS 9 - Financial Instruments: Recognition and Measurement ('IFRS 9'). In relation to the Gaming Realms Transaction (as defined in note 10), as a result, the Group no longer separates the embedded derivative from its host contract and the entire asset is measured at fair value through profit or loss. Also in relation to this transaction, the adoption of IFRS 9 resulted in balances shown as other long-term receivables and other long-term assets at 31 December 2017 being combined into a single figure and shown as other long-term receivables at 30 September 2018.

Hedge accounting

The Group elected to use hedge accounting for the purposes of recognising realised and unrealised gains and losses associated with the Interest Rate Swap. IFRS 9 permits hedge accounting under certain circumstances provided that the hedging relationship is:

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

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

Impairment policy

In accordance with IFRS 9, the Group reviewed its impairment policy and concluded that no material impairment provision on its financial instruments, as discussed in note 16, is required. The Group uses the expected credit loss model to assess impairment.

Revenue recognition

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

4. Segment information

In March 2018, the Group determined that its reportable operating segments had changed such that the Mandalay segment was aggregated with the Jackpotjoy segment with effect from 1 January 2018, as Mandalay no longer met the criteria for a reportable operating segment, set out in IFRS 8 - Operating Segments. Mandalay was therefore aggregated with the Jackpotjoy segment, consistent with the Group's other third-party platform hosted operations. Additionally, as discussed in note 6, the Group sold its social gaming business in the current period. All current year-to-date and 2017 comparative segment figures have been restated accordingly.

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

Three months ended 30 September 2018:

	Jackpotjoy (£000's)	Vera&John (£000's)	Unallocated Corporate Costs (£000's)	Total (£000's)
Gaming revenue	**52,068**	**25,685**	**-**	**77,753**
Distribution costs	24,721	12,726	21	37,468
Amortisation and depreciation	12,580	2,593	99	15,272
Compensation, professional, and general and administrative expenses	4,422	4,606	2,622	11,650
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	**10,365**	**5,361**	**(8,436)**	**7,290**
Taxes	-	(62)	-	(62)
Net income/(loss) for the period after taxes from continuing operations	**10,365**	**5,423**	**(8,436)**	**7,352**
Net income/(loss) for the period after taxes from continuing operations	**10,365**	**5,423**	**(8,436)**	**7,352**
Interest expense/(income), net	2	(28)	4,859	4,833
Accretion on financial liabilities	-	-	578	578
Taxes	-	(62)	-	(62)
Amortisation and depreciation	12,580	2,593	99	15,272
EBITDA	**22,947**	**7,926**	**(2,900)**	**27,973**
Share-based compensation	-	-	142	142

Severance costs	-	400	-	400
Transaction related costs	-	-	275	275
Foreign exchange (gain)/loss	(22)	27	(18)	(13)
Adjusted EBITDA	**22,925**	**8,353**	**(2,501)**	**28,777**
Net income/(loss) for the period after taxes from continuing operations	**10,365**	**5,423**	**(8,436)**	**7,352**
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	12,563	2,005	-	14,568
Accretion on financial liabilities	-	-	578	578
Adjusted net income/(loss)	**22,906**	**7,855**	**(7,459)**	**23,302**

Nine months ended 30 September 2018:

	Jackpotjoy (£000's)	**Vera&John (£000's)**	**Unallocated Corporate Costs (£000's)**	**Total (£000's)**
Gaming revenue	**162,161**	**71,035**	**-**	**233,196**
Distribution costs	78,554	37,176	46	115,776
Amortisation and depreciation	37,737	7,455	288	45,480
Compensation, professional, and general and administrative expenses	12,572	13,155	8,210	33,937
Severance costs	-	850	-	850
Transaction related costs	-	-	1,338	1,338
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	**33,084**	**12,536**	**(38,541)**	**7,079**
Taxes	-	426	14	440
Net income/(loss) for the period after taxes from continuing operations	**33,084**	**12,110**	**(38,555)**	**6,639**
Net income/(loss) for the period after taxes from continuing operations	**33,084**	**12,110**	**(38,555)**	**6,639**
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	37,737	7,455	288	45,480
EBITDA	**70,826**	**19,897**	**(21,008)**	**69,715**
Share-based compensation	-	-	468	468
Severance costs	-	850	-	850
Fair value adjustments on contingent consideration	-	-	11,450	11,450
Transaction related costs	-	-	1,338	1,338
Foreign exchange loss/(gain)	209	(43)	(36)	130
Adjusted EBITDA	**71,035**	**20,704**	**(7,788)**	**83,951**
Net income/(loss) for the period after taxes from continuing operations	**33,084**	**12,110**	**(38,555)**	**6,639**
Share-based compensation	-	-	468	468

Severance costs	-	850	-	850
Fair value adjustments on contingent consideration	-	-	11,450	11,450
Transaction related costs	-	-	1,338	1,338
Foreign exchange loss/(gain)	209	(43)	(36)	130
Amortisation of acquisition related purchase price intangibles	37,687	5,950	-	43,637
Accretion on financial liabilities	-	-	2,604	2,604
Adjusted net income/(loss)	**70,980**	**18,867**	**(22,731)**	**67,116**

Three months ended 30 September 2017:

	Jackpotjoy (£000's)	Vera&John (£000's)	Unallocated Corporate Costs (£000's)	Total (£000's)
Gaming revenue	**53,490**	**18,355**	**-**	**71,845**
Distribution costs	25,839	9,094	20	34,953
Amortisation and depreciation	13,307	2,550	94	15,951
Compensation, professional, and general and administrative expenses	3,784	4,385	3,541	11,710
Transaction related costs	-	-	1,361	1,361
Foreign exchange loss	76	130	4,288	4,494
Financing, net	1	(40)	11,309	11,270
Income/(loss) for the period before taxes from continuing operations	**10,483**	**2,236**	**(20,613)**	**(7,894)**
Taxes	-	338	-	338
Net income/(loss) for the period after taxes from continuing operations	**10,483**	**1,898**	**(20,613)**	**(8,232)**
Net income/(loss) for the period after taxes from continuing operations	**10,483**	**1,898**	**(20,613)**	**(8,232)**
Interest expense/(income), net	1	(40)	7,646	7,607
Accretion on financial liabilities	-	-	2,000	2,000
Taxes	-	338	-	338
Amortisation and depreciation	13,307	2,550	94	15,951
EBITDA	**23,791**	**4,746**	**(10,873)**	**17,664**
Share-based compensation	-	-	320	320
Fair value adjustments on contingent consideration	-	-	1,663	1,663
Transaction related costs	-	-	1,361	1,361
Foreign exchange loss	76	130	4,288	4,494
Adjusted EBITDA	**23,867**	**4,876**	**(3,241)**	**25,502**
Net income/(loss) for the period after taxes from continuing operations	**10,483**	**1,898**	**(20,613)**	**(8,232)**
Share-based compensation	-	-	320	320
Fair value adjustments on contingent consideration	-	-	1,663	1,663
Transaction related costs	-	-	1,361	1,361
Foreign exchange loss	76	130	4,288	4,494
Amortisation of acquisition related purchase price intangibles	13,291	2,190	-	15,481
Accretion on financial liabilities	-	-	2,000	2,000

Adjusted net income/(loss)	**23,850**	**4,218**	**(10,981)**	**17,087**

Nine months ended 30 September 2017:

	Jackpotjoy (£000's)	Vera&John (£000's)	Unallocated Corporate Costs (£000's)	Total (£000's)
Gaming revenue	**158,592**	**51,458**	**-**	**210,050**
Distribution costs	71,604	25,020	78	96,702
Amortisation and depreciation	37,363	7,383	286	45,032
Compensation, professional, and general and administrative expenses	10,880	12,069	9,698	32,647
Transaction related costs	-	-	2,676	2,676
Foreign exchange (gain)/loss	(85)	608	10,796	11,319
Gain on sale of intangible assets	-	(1,002)	-	(1,002)
Financing, net	3	(127)	52,252	52,128
Income/(loss) for the period before taxes from continuing operations	**38,827**	**7,507**	**(75,786)**	**(29,452)**
Taxes	-	487	-	487
Net income/(loss) for the period after taxes from continuing operations	**38,827**	**7,020**	**(75,786)**	**(29,939)**
Net income/(loss) for the period after taxes from continuing operations	**38,827**	**7,020**	**(75,786)**	**(29,939)**
Interest expense/(income), net	3	(127)	23,303	23,179
Accretion on financial liabilities	-	-	9,051	9,051
Taxes	-	487	-	487
Amortisation and depreciation	37,363	7,383	286	45,032
EBITDA	**76,193**	**14,763**	**(43,146)**	**47,810**
Share-based compensation	-	-	1,198	1,198
Fair value adjustments on contingent consideration	-	-	16,364	16,364
Realised loss on cross currency swap	-	-	3,534	3,534
Transaction related costs	-	-	2,676	2,676
Gain on sale of intangible assets	-	(1,002)	-	(1,002)
Foreign exchange (gain)/loss	(85)	608	10,796	11,319
Adjusted EBITDA	**76,108**	**14,369**	**(8,578)**	**81,899**
Net income/(loss) for the period after taxes from continuing operations	**38,827**	**7,020**	**(75,786)**	**(29,939)**
Share-based compensation	-	-	1,198	1,198
Fair value adjustments on contingent consideration	-	-	16,364	16,364
Realised loss on cross currency swap	-	-	3,534	3,534
Transaction related costs	-	-	2,676	2,676
Gain on sale of intangible assets	-	(1,002)	-	(1,002)
Foreign exchange (gain)/loss	(85)	608	10,796	11,319
Amortisation of acquisition related purchase price intangibles	37,332	6,402	-	43,734
Accretion on financial liabilities	-	-	9,051	9,051
Adjusted net income/(loss)	**76,074**	**13,028**	**(32,167)**	**56,935**

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

	Jackpotjoy (£000's)	Vera&John (£000's)	Unallocated Corporate Costs (£000's)	Total (£000's)
Current assets	16,140	39,833	47,721	103,694
Goodwill	231,322	56,477	-	287,799
Other non-current assets	208,113	28,129	9,730	245,972
Total assets	**455,575**	**124,439**	**57,451**	**637,465**
Current liabilities	9,158	22,625	18,601	50,384
Non-current liabilities	-	1,278	378,057	379,335
Total liabilities	**9,158**	**23,903**	**396,658**	**429,719**
Net assets	**446,417**	**100,536**	**(339,207)**	**207,746**

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

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

During the nine months ended 30 September 2018 and 2017, revenue was earned from customers located in the following locations: United Kingdom - 61% (nine months ended 30 September 2017 - 66%), Sweden - 8% (nine months ended 30 September 2017 - 11%), rest of Europe - 18% (nine months ended 30 September 2017 - 15%), rest of world - 13% (nine months ended 30 September 2017 - 8%).

During the nine months ended 30 September 2018, the Group's affiliate and other B2B revenues comprised 2% (nine months ended 30 September 2017 - 2%) of total Group revenues. The remaining portion being revenues earned from B2C operations as described in note 1.

Non-current assets by geographical location as at 30 September 2018 were as follows: Europe £84.6 million (31 December 2017 - £87.7 million) and Americas £449.2 million (31 December 2017 - £508.2 million).

5. Costs and expenses

As discussed in note 6, the Group sold its social gaming business in the current period. As a result, all current year-to-date and 2017 comparative figures have been restated accordingly.

	Three months ended	Three months ended	**Nine months ended**	Nine months ended

	30 September 2018 (£000's)	30 September 2017 (£000's)	**30 September 2018 (£000's)**	30 September 2017 (£000's)
Distribution costs:				
Selling and marketing	**12,717**	12,368	**39,892**	32,008
Licensing fees	**10,979**	10,499	**32,457**	30,423
Gaming taxes	**9,104**	8,742	**30,423**	25,203
Processing fees	**4,668**	3,344	**13,004**	9,068
	37,468	34,953	**115,776**	96,702

Administrative costs:				
Compensation and benefits	**8,532**	8,914	**24,246**	23,514
Professional fees	**809**	667	**2,904**	2,662
General and administrative	**2,309**	2,129	**6,787**	6,471
Tangible asset depreciation	**159**	119	**420**	303
Intangible asset amortisation	**15,113**	15,832	**45,060**	44,729
	26,922	27,661	**79,417**	77,679

6. Discontinued operations

On 31 August 2018, the Group completed the sale of its social gaming business for a cash consideration of £18.0 million, excluding working capital adjustments and costs of disposal paid by the Group. The social gaming business was not previously classified as held-for-sale or as a discontinued operation. The comparative consolidated statement of comprehensive income is presented below to show the discontinued operation separately from continuing operations. The results of the social gaming business have been excluded from notes 4 and 5 above.

Results of discontinued operation

	Three months ended 30 September 2018 (£000's)	Three months ended 30 September 2017 (£000's)	**Nine months ended 30 September 2018 (£000's)**	Nine months ended 30 September 2017 (£000's)
Social gaming revenue	**1,800**	3,578	7,495	11,942
Expenses	**1,609**	3,015	**6,597**	9,745
Results from operating activities	**191**	563	**898**	2,197
Income tax	**-**	-	**-**	-
Income for the period	**191**	563	**898**	2,197
Loss on disposal of discontinued operation	**(4,047)**	-	**(4,477)**	-
Income tax on loss on sale of discontinued operation	**-**	-	**-**	-
(Loss)/income from discontinued operation, net of tax	**(3,856)**	563	**(3,579)**	2,197
Basic (loss)/income per share	**£(0.05)**	£0.01	**£(0.05)**	£0.03
Diluted (loss)/income per share	**£(0.05)**	£0.01	**£(0.05)**	£0.03

Cash flows from discontinued operation

	Three months ended	Three months ended	**Nine months ended**	Nine months ended

	30 September 2018 (£000's)	30 September 2017 (£000's)	30 September 2018 (£000's)	30 September 2017 (£000's)
Net cash provided by operating activities	**337**	1,216	**2,016**	4,003
Net cash provided by investing activities	**17,881**	-	**17,678**	-
Net cash from financing activities	**-**	-	**-**	-
Net cash flows for the period	**18,218**	1,216	**19,694**	4,003

Effect of disposal on the financial position of the Group

	30 September 2018 (£000's)
Trade and other receivables	184
Non-current assets	10,365
Goodwill	9,638
Net assets	**20,187**
Working capital adjustment payable	(1,203)
Costs of disposal	(1,118)
Consideration received, satisfied in cash	18,031
Loss on disposal of discontinued operation	**(4,477)**

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

7. Interest income/expense

	Three months ended 30 September 2018 (£000's)	Three months ended 30 September 2017 (£000's)	Nine months ended 30 September 2018 (£000's)	Nine months ended 30 September 2017 (£000's)
Interest earned on cash held during the period	**28**	41	**93**	136
Interest earned on long-term loan receivable	**55**	-	**160**	-
Total interest income	**83**	41	**253**	136
Interest paid and accrued on long-term debt	**4,916**	7,645	**14,799**	23,272
Interest paid and accrued on convertible debentures	**-**	3	**6**	43
Total interest expense	**4,916**	7,648	**14,805**	23,315
Accretion of discount recognised on contingent consideration	**151**	752	**1,206**	5,220
Interest accretion recognised on convertible debentures	**-**	5	**8**	35
Debt issue costs and accretion recognised on long-term debt	**147**	774	**429**	2,334
Interest accretion recognised on other long-term liabilities	**280**	469	**961**	1,462
Total accretion on financial liabilities	**578**	2,000	**2,604**	9,051

8. Earnings per share

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

	Three months ended 30 September 2018 (£000's)	Three months ended 30 September 2017 (£000's)	Nine months ended 30 September 2018 (£000's)	Nine months ended 30 September 2017 (£000's)
Numerator:				
Net income/(loss) - basic	**3,496**	(7,669)	**3,060**	(27,742)
Net income/(loss) - diluted[1]	**3,496**	(7,669)	**3,060**	(27,742)
Denominator:				
Weighted average number of shares outstanding - basic	**74,279**	73,988	**74,211**	73,801
Weighted average number of shares outstanding - diluted[1]	**74,974**	73,988	**74,911**	73,801
Instruments, which are anti-dilutive:				
Weighted average effect of dilutive share options	-	434	-	412
Weighted average effect of convertible debentures[2]	-	87	-	294
Net income/(loss) per share[3,4]				
Basic	**£0.05**	£(0.10)	**£0.04**	£(0.38)
Diluted[1]	**£0.05**	£(0.10)	**£0.04**	£(0.38)

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

[2] *An assumed conversion of convertible debentures had an anti-dilutive effect on loss per share for the three and nine months ended 30 September 2017.*

[3] *Basic income/(loss) per share is calculated by dividing the net income/(loss) attributable to owners of the parent by the weighted average number of shares outstanding during the period.*

[4] *Diluted income per share is calculated by dividing the net income attributable to 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.*

9. Trade and other receivables

Trade and other receivables consist of the following items:

	30 September 2018 (£000's)	31 December 2017 (£000's)
Due from the Gamesys group	**7,580**	8,634
Due from the 888 group	**1,762**	3,101
B2B and affiliate revenue receivable	**2,645**	2,481
Receivable for intangible assets sold	-	1,450
Prepaid expenses	**2,683**	2,375
Other	**1,643**	1,338
	16,313	19,379

10. Other long-term receivables

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

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

In connection with this transaction, the Group recognised a long-term receivable of £3.6 million for the secured convertible loan, in accordance with IFRS 9, based on the calculation of fair value at 30 September 2018, as explained in note 16.

11. Interest rate swap

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

As at 30 September 2018, the fair value of the Interest Rate Swap was a £0.2 million payable. The Group has included £0.1 million of this payable in current liabilities, as shown in note 14, with the value of the remaining balance, being £0.1 million, included in other long-term payables.

12. Intangible assets

As at 30 September 2018

	Gaming licences	Customer relationships	Software	Brand	Partnership agreements	Non-compete clauses	Goodwill	Total
	(£000's)	(£000's)	(£000's)	(£000's)	(£000's)	(£000's)	(£000's)	(£000's)
Cost								
Balance, 1 January 2018	93	337,655	25,211	70,019	12,900	20,434	316,386	782,698
Additions	-	-	3,312	-	-	-	-	3,312
Disposals (note 6)	-	(18,000)	-	-	-	-	(9,638)	(27,638)
Translation	(4)	201	348	172	-	-	1,387	2,104
Balance, 30 September 2018	**89**	**319,856**	**28,871**	**70,191**	**12,900**	**20,434**	**308,135**	**760,476**
Accumulated amortisation/impairment								
Balance, 1 January 2018	81	139,333	12,551	10,005	4,458	7,661	19,605	193,694
Amortisation	33	30,656	4,024	2,625	1,216	7,661	-	46,215
Disposals (note 6)	-	(7,635)	-	-	-	-	-	(7,635)
Translation	(69)	194	108	39	-	-	731	1,003
Balance, 30 September 2018	**45**	**162,548**	**16,683**	**12,669**	**5,674**	**15,322**	**20,336**	**233,277**
Carrying value								
Balance, 30 September 2018	**44**	**157,308**	**12,188**	**57,522**	**7,226**	**5,112**	**287,799**	**527,199**

As at 31 December 2017

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

13. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities consist of the following items:

	30 September 2018 (£000's)	31 December 2017 (£000's)
Affiliate/marketing expenses payable	**6,180**	6,547
Payable to game suppliers	**2,246**	1,899
Compensation payable	**5,308**	4,868
Professional fees	**782**	875
Gaming tax payable	**1,383**	2,101
Other	**1,388**	1,531
	17,287	17,821

14. Other short-term payables

Other short-term payables consist of:

	30 September 2018 (£000's)	31 December 2017 (£000's)
Transaction related payables	**1,624**	3,484
Current portion of other long-term payables (note 17)	**8,667**	8,667
Interest Rate Swap (note 11)	**35**	-
Working capital adjustment payable (note 6)	**1,203**	-
	11,529	12,151

15. Credit facilities

	Term Loan (£000's)	**Incremental First Lien Facility (£000's)**	**Second Lien Facility (£000's)**	**EUR Term Facility (£000's)**	**GBP Term Facility (£000's)**	**Total (£000's)**

Balance, 1 January 2017	220,016	67,534	83,243	-	-	370,793
Principal advanced	-	-	-	122,574	250,000	372,574
Repayment	(218,793)	(70,000)	(90,000)	-	-	(378,793)
Debt financing costs incurred	-	-	-	(1,397)	(3,434)	(4,831)
Accretion*	7,846	2,466	6,757	8	18	17,095
Foreign exchange translation	(9,069)	-	-	1,718	-	(7,351)
Balance, 31 December 2017	-	-	-	122,903	246,584	369,487
Accretion*	-	-	-	129	300	429
Foreign exchange translation	-	-	-	568	-	568
Balance, 30 September 2018	**-**	**-**	**-**	**123,600**	**246,884**	**370,484**
Current portion	**-**	**-**	**-**	**-**	**-**	**-**
Non-current portion	**-**	**-**	**-**	**123,600**	**246,884**	**370,484**

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

16. Financial instruments

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

Financial assets

	Financial assets as subsequently measured at amortised cost	
	30 September 2018 (£000's)	31 December 2017 (£000's)
Cash and restricted cash	**71,663**	59,241
Trade and other receivables	**16,313**	19,379
Other long-term receivables	**1,473**	2,104
Customer deposits	**8,183**	8,180
	97,632	88,904

Financial liabilities

	Financial liabilities as subsequently measured at amortised cost	
	30 September 2018 (£000's)	31 December 2017 (£000's)
Accounts payable and accrued liabilities	**17,287**	17,821
Other short-term payables	**11,494**	12,151
Other long-term payables	**3,188**	8,245
Interest payable	**522**	924
Payable to customers	**8,183**	8,180
Convertible debentures	**-**	254
Long-term debt	**370,484**	369,487
	411,158	417,062

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

Other financial instruments

	Financial instruments at fair value through profit or loss - assets/(liabilities)	
	30 September 2018 (£000's)	31 December 2017 (£000's)
Interest Rate Swap	**(176)**	-
Contingent consideration	**(8,784)**	(59,583)

Other long-term receivables	**3,574**	3,500
	(5,386)	(56,083)

Fair value hierarchy

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

	Level 2		**Level 3**	
	30 September 2018 (£000's)	31 December 2017 (£000's)	**30 September 2018 (£000's)**	31 December 2017 (£000's)
Interest Rate Swap	**(176)**	-	**-**	-
Other long-term receivables	**3,574**	3,500	**-**	-
Contingent consideration	**-**	-	**(8,784)**	(59,583)

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

Other long-term receivables represent the fair value of the loan receivable from Gaming Realms. The key inputs into the fair value estimation of this balance include the share price of Gaming Realms on the date of cash transfer, a five-year risk-free interest rate of 1.386%, and an estimated share price return volatility rate of Gaming Realms of 48.3%.

A discounted cash flow valuation model was used to determine the value of the contingent consideration at 31 December 2017. The model considered the present value of the expected payments, discounted using a risk-adjusted discount rate of 7%. The expected payments were determined by considering the possible scenarios of forecast EBITDA, the amount to be paid under each scenario and the probability of each scenario.

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

As at 30 September 2018, the entire contingent consideration balance relates to two remaining milestone payments for the Jackpotjoy segment.

The movement in Level 3 financial instruments is detailed below:

	(£000's)
Contingent consideration, 1 January 2017	120,187
Fair value adjustments	27,562
Payments	(94,218)
Accretion of discount	6,052
Contingent consideration, 31 December 2017	59,583
Fair value adjustments	11,450
Payments	(63,455)
Accretion of discount	1,206
Contingent consideration, 30 September 2018	**8,784**

Current portion	4,540
Non-current portion	4,244

17. Other long-term payables

The Group is required to pay the Gamesys group £24.0 million in equal monthly instalments in arrears over the period from April 2017 to April 2020, for additional non-compete clauses that came into effect in April 2017 and that expire in March 2019. The Group has included £8.7 million of this payable in current liabilities, as shown in note 14 (31 December 2017 - £8.7 million), with the discounted value of the remaining balance, being £3.2 million (31 December 2017 - £8.2 million), included in other long-term payables. During the nine months ended 30 September 2018, the Group has paid a total of £6.0 million (nine months ended 30 September 2017 - £3.3 million) in relation to the additional non-compete clauses.

18. Share capital

As at 30 September 2018, JPJ Group plc's issued share capital consisted of 74,328,930 ordinary shares, each with a nominal value of £0.10. JPJ Group plc does not hold any shares in treasury and there are no shares in JPJ Group plc's issued share capital that do not represent capital.

	Ordinary shares of £0.10	
	(£000's)	**#**
Balance, 1 January 2017	7,298	72,983,277
Conversion of convertible debentures, net of costs	92	916,498
Exercise of options	17	165,156
Balance, 31 December 2017	7,407	74,064,931
Conversion of convertible debentures, net of costs	6	56,499
Exercise of options	21	207,500
Balance, 30 September 2018	7,434	74,328,930

Ordinary shares

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

Convertible debentures

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

Share options

During the nine months ended 30 September 2018, nil share options were granted, 207,500 share options were exercised, nil share options were forfeited, and nil share options expired.

During the three and nine months ended 30 September 2018, the Group recorded £0.1 million and £0.3 million, respectively (2017 - £0.3 million and £1.2 million), in share-based compensation expense relating to the share option plan with a corresponding increase in share-based payment reserve.

Long-term incentive plan

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

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

During the three and nine months ended 30 September 2018, the Group recorded £0.1 million and £0.2 million, respectively (2017 - £0.1 million and £0.1 million), in share-based compensation expense relating to the long-term incentive plan with a corresponding increase in share-based payment reserve.

19. Contingent liabilities

Indirect taxation

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

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

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[1] All figures in this press release exclude social gaming results. For more information on the sale of social gaming assets, please refer to Note 6 - 'Discontinued operations' of the unaudited interim condensed consolidated financial statements on pages 25 and 26 of this release.

[2] This release contains non-IFRS financial measures, which are noted where used. For additional details, including with respect to the reconciliations from these non-IFRS financial measures, please refer to the information under the heading 'Note Regarding Non-IFRS Measures' on page 4 of this release and Note 4 - 'Segment Information' of the unaudited interim condensed consolidated financial statements on pages 19 through 24 of this release.

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

[4] Operating cash flow plus proceeds from sale of intangible assets (excluding proceeds from disposal of discontinued operation), net of capital expenditures.

[5] Adjusted net debt consists of existing term loan, non-compete clause payout, fair value of swap and contingent consideration liability, less non-restricted cash.

[6] Adjusted net leverage ratio consists of existing term loans, non-compete clause payout, fair value of swap and contingent consideration liability less non-restricted cash divided by LTM to 30 September 2018 Adjusted EBITDA of £105.5 million.

[7] For additional details, please refer to the information under the heading 'Key performance indicators' on page 10 of this release.

[8] Effective 1 January 2018, the Mandalay segment has been aggregated with the Jackpotjoy segment. Refer to Note 4 - Segment Information of the unaudited interim condensed consolidated financial statements on pages 19 through 24 of this release for further discussion.

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

[10]Constant currency amounts are calculated by applying the same EUR to GBP average exchange rates to both current and prior year comparative periods.