Gamesys Group plc
Results for the Three and Nine Months Ended 30 September 2019

Q3 Reported revenues increase 23% and 20% pro-forma
International drives the top line and JPJ UK returns to growth, confident in 2019 outlook

LONDON, 13 November 2019 – Gamesys Group plc (LSE: GYS) (the 'Group', 'Gamesys') (formerly JPJ Group plc), the parent company of the online gaming group that provides online bingo and casino games to a global consumer base, announces its results for the three and nine months ended 30 September 2019.

Financial summary[1,2]

	Three months ended 30 September 2019 (£m)	Three months ended 30 September 2018 (£m)	**Reported change (%)**	**Nine months ended 30 September 2019 (£m)**	Nine months ended 30 September 2018 (£m)	**Reported change (%)**
Gaming revenue	**92.4**	75.2	**23**	**262.0**	224.2	**17**
Net income from continuing operations (as reported under IFRS)	**3.4**	7.6	**(55)**	**8.5**	7.4	**15**
Adjusted EBITDA[3]	**25.5**	27.6	**(8)**	**79.5**	80.6	**(1)**
Adjusted net income[3]	**17.7**	22.1	**(20)**	**58.5**	63.8	**(8)**
Diluted net income per share from continuing operations[4]	**0.04**	0.10	**(60)**	**0.11**	0.10	**10**
Diluted adjusted net income per share from continuing operations[3,4]	**0.23**	0.30	**(23)**	**0.78**	0.85	**(8)**

Pro-forma financial summary[5]

	Three months ended 30 September 2019 (£m)	Three months ended 30 September 2018 (£m)	**Reported change (%)**	**Nine months ended 30 September 2019 (£m)**	Nine months ended 30 September 2018 (£m)	**Reported change (%)**
Gaming revenue	**144.3**	119.8	**20**	**410.0**	358.1	**14**
Adjusted EBITDA[3]	**38.6**	40.2	**(4)**	**118.6**	123.8	**(4)**

Financial highlights for Q3 2019

- Strong reported financial performance
  - Gaming revenue rose 23% year-on-year (20% excluding the Gamesys Acquisition results), mainly as a consequence of high organic growth[6] in markets outside the UK and after including four days of trading from the acquired Gamesys brands (contributing £2.3 million)
  - Adjusted EBITDA[3] decreased 8% year-on-year principally due to the impact from higher UK gaming taxes introduced in the period
  - Adjusted net income[3] decreased by 20% reflecting the reduction in EBITDA

[1] All figures in the financial summary, except operating cash flows, exclude Mandalay results. For more information on the sale of the Mandalay assets, please refer to Note 7 – 'Discontinued operations' of the consolidated financial statements on pages 24 and 25 of this release.
[2] All figures in the financial summary and financial review sections of this release include results of the Gamesys Acquisition for the period from 27 September 2019 to 30 September 2019. For more information on the Gamesys Acquisition, please refer to Note 3 – 'Business combinations' of the consolidated financial statements on page 17 of this release.
[3] 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 5 – 'Segment information' of the consolidated financial statements on pages 18 through 23 of this release.
[4] Per share figures are calculated on a diluted weighted average basis using the IFRS treasury method.
[5] All figures in the pro-forma financial summary and related discussions present Group results as though the acquired Gamesys brands have been a part of the Group for the entire current year and comparative periods.
[6] Organic growth is growth achieved without accounting for acquisitions or disposals.

- Pro-forma financial performance[5] in Q3 2019 reflects accelerating growth in the acquired Gamesys brands of Virgin Games, Virgin Casino, Heart Bingo and Monopoly Casino
    - Group gaming revenue rose 20% year-on-year
    - Acquired Gamesys brands grew revenues 22% year-on-year, driven by strong organic growth[6] at Virgin Games, Virgin Casino, Heart Bingo and Monopoly Casino
    - Adjusted EBITDA[3] decreased 4% year-on-year further reflecting the impact of higher UK gaming taxes
- Completion of acquisition of Gamesys (Holdings) Limited on 26 September 2019
    - Extended existing debt facilities by £173.6 million to part-fund the cash component of the acquisition of Gamesys (Holdings) Limited of £237.3 million (net of gains from hedging)
    - Adjusted net debt[7] of £484.7 million
    - Consequently, adjusted net leverage ratio[8] of 3.02x increased from 2.47x at 30 June 2019
- Following another strong quarter, the Board remains confident on the outlook for the remainder of the year

Operational highlights for Q3 2019

- Successful completion of the Gamesys Acquisition
- Continued high growth of international revenues at Vera&John
- A return to revenue growth at Jackpotjoy UK as the impact of enhanced responsible gambling measures annualises
- Ongoing improvement in core KPIs[9,10,11] year-on-year:
    - Average Active Customers per Month[9,10,11] grew to 248,945 in the twelve months to 30 September 2019, an increase of 7% year-on-year
    - Average Real Money Gaming Revenue per Month[9,10,11] grew to £27.5 million, an increase of 13% year-on-year
    - Monthly Real Money Gaming Revenue per Average Active Customer[9,10,11] of £110, an increase of 6% year-on-year

Business segments highlights for Q3 2019 (reported)

- Jackpotjoy[10] (56% of Group revenue) – increase in gaming revenue of 5% year-on-year due to a return to growth at Jackpotjoy UK and double digit growth from Botemania in Spain as well as the inclusion of four days of revenue generated by the brands purchased as part of the Gamesys Acquisition. On a like-for-like basis, revenues in the segment were broadly flat; the decline in adjusted EBITDA[3] reflects the impact of higher gaming taxes in the UK, increased marketing spend as well as recent regulatory changes in Sweden.

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[7] Adjusted net debt consists of existing term loans, deferred consideration, fair value of interest rate swap and cross currency swap, less non-restricted cash and cash required to pay for one-time transactional liabilities.
[8] Adjusted net leverage ratio consists of existing term loans, deferred consideration, fair value of interest rate swap and cross currency swap, less non-restricted cash and cash required to pay for one-time transactional liabilities divided by LTM to 30 September 2019 pro-forma adjusted EBITDA of £160.5 million.
[9] For additional details, please refer to the information under the heading 'Key performance indicators' on page 10 of this release.
[10] Figures exclude results from the Group's Mandalay and social gaming businesses, where applicable.
[11] Figures exclude results from the Gamesys Acquisition.

- Vera&John (44% of Group revenue) – high growth in international markets reflected in an increase in gaming revenue of 57% (or 55% on a constant currency basis[12]) which translates into an adjusted EBITDA[3] increase of 22%.

Outlook

Strong trading in the third quarter supports management's confidence in the full-year outturn. Our expectation that Jackpotjoy UK would return to growth in H2 2019 has been confirmed in these numbers and our major international markets and the acquired Gamesys brands are delivering high growth.

Neil Goulden, Executive Chairman, Gamesys Group plc commented:

"I am pleased to report that the Group has delivered another stand-out quarter of revenue growth alongside the expected EBITDA impact from higher gaming taxes. Pro-forma revenues[5] were up 20% in Q3 2019, principally due to the exceptional performance of Vera&John in its international footprint and the high growth in the acquired Gamesys brands, as well as a return to revenue growth in Jackpotjoy UK.

During the quarter, the Group successfully completed the Gamesys Acquisition, creating a leading UK and international operator and offering customers an even greater choice of major brands and different games. It is also worth noting that from 2020 our Q1 and Q3 updates will be shorter form trading updates in line with general UK practice. This reflects the fact that the Group's reporting requirements in Canada will no longer oblige us to report consolidated financial statements for the respective three and nine month periods."

Lee Fenton, Chief Executive Officer, Gamesys Group plc, commented:

"It is a very exciting time for all involved at Gamesys Group plc. The successful combination of two leading and complementary businesses with a unique technology offering, a strong pool of talent and an enhanced portfolio of brands, ensures the Group is in a strong position to take advantage of future growth possibilities and we are already reaping the benefits in terms of operating performance. Q3 has seen excellent growth across the acquired Gamesys brands, an outstanding performance at Vera&John and a return to growth at Jackpotjoy UK which helps underpin our confidence in the outlook."

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 (UK shareholders); +1 866 378-3566 (Canada); or +1 866 966-5335 (US), 10 minutes prior to the scheduled start of the call using the reference "Gamesys"'. 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 2081546#. A transcript will also be made available on Gamesys Group plc's website at www.gamesysgroup.com/investors

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

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 accretion (net of interest income), income taxes, amortisation and depreciation, share-based compensation, severance costs, fair value adjustments on contingent consideration, transaction related costs and foreign exchange (gain)/loss. Management believes that Adjusted EBITDA is an important indicator of the issuer's ability to generate liquidity to service outstanding debt and uses this metric for such purpose. The exclusion of share-based compensation eliminates non-cash items and the exclusion of fair value adjustments on contingent consideration, severance costs, transaction related costs and foreign exchange (gain)/loss 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, fair value adjustments on contingent consideration, transaction related costs and foreign exchange (gain)/loss. 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), fair value adjustments on contingent consideration, severance costs, transaction related costs and foreign exchange (gain)/loss 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 from continuing operations, 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 from continuing operations 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 future performance of the Jackpotjoy segment, the possibility of the Group drawing on the RCF, 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 Group's relationship with 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 Gamesys 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 (including any such information or outlooks under the heading 'Outlook' on page 3 of 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[2]

Gaming revenue (reported)

The Group's gaming revenue during the three months ended 30 September 2019 consisted of:

- £52.2 million in revenue earned from Jackpotjoy's[10] operational activities.
- £40.2 million in revenue earned from Vera&John's operational activities.

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

- £49.5 million in revenue earned from Jackpotjoy's[10] operational activities.
- £25.7 million in revenue earned from Vera&John's operational activities.

The increase in gaming revenue for the three months ended 30 September 2019 in comparison with the three months ended 30 September 2018 relates to organic growth[6] of the Jackpotjoy[10] and Vera&John segments, where gaming revenue increased by 1% and 57%, respectively.

The Group's gaming revenue during the nine months ended 30 September 2019 consisted of:

- £150.0 million in revenue earned from Jackpotjoy's[10] operational activities.
- £112.0 million in revenue earned from Vera&John's operational activities.

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

- £153.1 million in revenue earned from Jackpotjoy's[10] operational activities.
- £71.0 million in revenue earned from Vera&John's operational activities.

The increase in gaming revenue for the nine months ended 30 September 2019 in comparison with the nine months ended 30 September 2018 relates to organic growth[6] of the Vera&John segment, where gaming revenue increased by 58%.

Costs and expenses

	Three month period ended 30 September 2019 (£000's)	Three month period ended 30 September 2018 (£000's)	**Nine month period ended 30 September 2019 (£000's)**	Nine month period ended 30 September 2018 (£000's)
Distribution costs	**50,673**	36,418	**138,585**	111,145
Administrative costs	**28,970**	25,221	**81,745**	74,229
Severance costs	**—**	400	**—**	850
Transaction related costs	**3,039**	275	**15,240**	1,340
	82,682	62,314	**235,570**	187,564

Distribution costs

	Three month period ended 30 September 2019 (£000's)	Three month period ended 30 September 2018 (£000's)	**Nine month period ended 30 September 2019 (£000's)**	Nine month period ended 30 September 2018 (£000's)
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

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[10] segment to operate on its platforms and game suppliers' fees paid by both the Vera&John and Jackpotjoy[10] segments. Gaming taxes largely consist of point of consumption taxes, payable in the regulated jurisdictions that the Group operates in. Variance in gaming taxes from prior periods relates to an increase in remote gaming duty from 15% to 21%, which came into effect in the UK in Q2 2019. 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 2019 compared to the same periods in 2018 is mainly due to increased revenue and marketing spend in the Jackpotjoy[10] and Vera&John segments.

Administrative costs

	Three month period ended 30 September 2019 (£000's)	Three month period ended 30 September 2018 (£000's)	**Nine month period ended 30 September 2019 (£000's)**	Nine month period ended 30 September 2018 (£000's)
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
Amortisation and depreciation	**12,592**	13,897	**37,590**	41,351
	28,970	25,221	**81,745**	74,229

Compensation and benefits costs consist of salaries, wages, bonuses, directors' fees, benefits and share-based compensation expense. The increase in these expenses for the three and nine months ended 30 September 2019 compared to the same periods in 2018 is primarily due to additional staff hired as well as higher bonus accruals as the business continues to grow.

Professional fees consist mainly of legal, accounting and audit fees. The increase in professional fees for the three and nine months ended 30 September 2019 compared to the same periods in 2018 can be attributed to services obtained in relation to some of the Group's operational and corporate initiatives.

General and administrative expenses consist of items, such as 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 2019 compared to the same periods in 2018 can be attributed to higher office overhead costs.

Amortisation and depreciation expenses 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 in the three and nine months ended 30 September 2019 is due to the fact that amortisation expense related to purchase price intangibles recognised in prior periods decreases with each passing period of their useful lives as a result of the amortisation method used. It further relates to the fact that the Group's non-compete clauses were fully amortised during the three months ended 31 March 2019. The decrease is marginally offset by additional depreciation recognised as a result of adoption of IFRS 16.

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 by the Group. The increase in transaction related costs in the three and nine months ended 30 September 2019 compared to the same periods in 2018 relates to the Gamesys Acquisition.

Business unit results

Jackpotjoy[10]

	Q3 2019 (£000's)	Q3 2018 (£000's)	Variance (£000's)	Variance %
Gaming revenue	**52,214**	49,516	2,698	5%
Distribution costs	**29,485**	23,647	5,838	25%
Administrative costs	**4,537**	4,120	417	10%
Adjusted EBITDA[3]	**18,192**	21,749	(3,557)	(16%)

	YTD 2019 (£000's)	YTD 2018 (£000's)	Variance (£000's)	Variance %
Gaming revenue	**149,955**	153,127	(3,172)	(2%)
Distribution costs	**84,704**	73,854	10,850	15%
Administrative costs	**12,949**	11,582	1,367	12%
Adjusted EBITDA[3]	**52,302**	67,691	(15,389)	(23%)

Gaming revenue for the Jackpotjoy[10] segment for the three months ended 30 September 2019 was 5% higher than in the same period in 2018 primarily as a result of additional revenue of £2.3 million generated by the brands purchased as part of the Gamesys Acquisition as well as increases in the Jackpotjoy UK, Starspins and Botemania brands, offset by a decline in the Jackpotjoy Sweden brand. The growth in the Jackpotjoy UK brand, which accounted for 64% (three months ended 30 September 2018 – 67%) of the segment's revenue is due to the fact that the enhanced responsible gambling measures introduced in the UK have started to annualise. The increase is further driven by growth in the Botemania brand, which accounted for 17% (three months ended 30 September 2018 – 15%) of the segment's revenue. The decline in Jackpotjoy's Swedish brand, which accounted for 2% (three months ended 30 September 2018 – 5%) of the segment's revenue is due to recent regulatory changes in Sweden.

Gaming revenue for the Jackpotjoy[10] segment for the nine months ended 30 September 2019 was 2% lower than in the same period in 2018 primarily due to a decline in the Jackpotjoy UK brand, which accounted for 65% (nine months ended 30 September 2018 – 67%) of the segment's revenue, as well as a decline in the Jackpotjoy Sweden brand, which accounted for 3% (nine months ended 30 September 2018 – 5%) of the segment's revenue. The decline in both Jackpotjoy UK and Jackpotjoy Sweden brands is due to enhanced responsible gambling measures introduced in the UK and recent regulatory changes in Sweden. The decrease was partially offset by an increase in the Botemania brand, which accounted for 17% (nine months ended 30 September 2018 – 15%) of this segment's revenue.

The increase in distribution costs for the three and nine months ended 30 September 2019 compared to the same periods in 2018 was primarily driven by an increase in marketing spend in the UK as well as an increase in gaming taxes as a result of an increase in the UK tax rates, which came into effect in Q2 2019 and the introduction of gaming taxes in Sweden.

The increase in administrative costs for the three and nine months ended 30 September 2019 compared to the same periods in 2018 was mainly driven by increases in compensation.

Vera&John

	Q3 2019 (£000's)	Q3 2018 (£000's)	Variance (£000's)	Variance %
Gaming revenue	**40,233**	25,685	14,548	57%
Distribution costs	**21,188**	12,750	8,438	66%
Administrative costs	**8,834**	4,582	4,252	93%
Adjusted EBITDA[3]	**10,211**	8,353	1,858	22%

	YTD 2019 (£000's)	YTD 2018 (£000's)	Variance (£000's)	Variance %
Gaming revenue	**112,018**	71,035	40,983	58%
Distribution costs	**53,856**	37,245	16,611	45%
Administrative costs	**22,187**	13,086	9,101	70%
Adjusted EBITDA[3]	**35,975**	20,704	15,271	74%

Gaming revenue for the Vera&John segment for the three and nine months ended 30 September 2019 increased by 57% and 58%, respectively, compared to the same periods in 2018 due to organic growth[6]. On a constant currency basis[12], revenue increased by 55% and 58% for the three and nine months ended 30 September 2019 compared to the same periods in 2018.

Distribution costs increased by 66% and 45%, respectively, for the three and nine months ended 30 September 2019 compared to the same periods in 2018 as a result of higher marketing spend and higher revenues achieved.

The increase in administrative costs for the three and nine months ended 30 September 2019 compared to the same periods in 2018 was mainly driven by increases in personnel costs, professional fees and administrative overhead costs as the segment continues to grow.

Unallocated Corporate Costs

Adjusted EBITDA[3] on Unallocated Corporate Costs decreased from (£2.5) million to (£2.9) million in the three months ended 30 September 2019 compared to the same period in 2018. The variance mainly relates to a £0.2 million increase in compensation and a £0.3 million increase in professional fees offset by a £0.1 million decrease in general administrative costs.

Adjusted EBITDA[3] on Unallocated Corporate Costs decreased from (£7.8) million to (£8.8) million in the nine months ended 30 September 2019 compared to the same period in 2018. The variance mainly relates to a £1.1 million increase in compensation and a £0.3 million increase in professional fees, offset by a £0.4 million decrease in general administrative costs.

Net loss on Unallocated Corporate Costs increased from £8.4 million to £12.0 million for the three months ended 30 September 2019 compared to the same period in 2018. This increase is primarily driven by higher transaction related costs incurred as a result of the Gamesys Acquisition.

Net loss on Unallocated Corporate Costs increased from £38.6 million to £41.3 million for the nine months ended 30 September 2019 compared to the same period in 2018. This increase is driven by higher transaction related costs incurred as a result of the Gamesys Acquisition. This movement is partially offset by lower fair value adjustments on contingent consideration due to the fact that the final earn-out period ended in Q1 2018, leaving only the fair value adjustment on the remaining milestone payment to be recognised in the current period.

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 and revenue earned from 27 September 2019 to 30 September 2019 from brands purchased as part of the Gamesys Acquisition. 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 2019	Twelve months ended 30 September 2018	Variance	Variance %
Average Active Customers per Month (#)	**248,945**	233,139	15,806	7%
Total Real Money Gaming Revenue (£000's) (1)	**329,673**	291,677	37,996	13%
Average Real Money Gaming Revenue per Month (£000's)	**27,473**	24,306	3,167	13%
Monthly Real Money Gaming Revenue per Average Active Customer (£)	**110**	104	6	6%

(1) Total Real Money Gaming Revenue for the twelve months ended 30 September 2019 consists of total revenue less revenue earned from B2B activity of £14.0 million (30 September 2018 – £7.1 million) and £2.3 million revenue earned from 27 September 2019 to 30 September 2019 from the brands purchased as part of the Gamesys Acquisition (30 September 2018 – £nil).

Monthly Real Money Gaming Revenue per Average Active Customer increased by 6% period-over-period which is in line with the Group's overall customer acquisition and retention strategy.

INDEPENDENT REVIEW REPORT TO GAMESYS 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 2019 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 Statements 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 (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 (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 2019 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
13 November 2019

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 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[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

UNAUDITED INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS	**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

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	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)[13]	–	–	–	–	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[19]	3,365	–	240,625	–	–	–	(1,355)	242,635
Exercise of options[19]	44	1,371	–	(552)	–	–	552	1,415
Issuance of ordinary share warrants	–	–	–	–	–	–	470	470
Share-based compensation[19]	–	–	–	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

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	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

SUPPLEMENTARY NOTES FOR THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2019

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
	590,211
Liabilities assumed	
Current liabilities assumed	89,833
Non-current liabilities assumed	9,105
	98,938
Net assets acquired	491,273
Consideration	
Cash*	237,283
Deferred consideration	10,000
Shares issued	243,990
	491,273

**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 and 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-compete 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-compete clauses (£000's)	Goodwill (£000's)	Total (£000's)
Cost								
Balance, 1 January 2018	93	337,655	25,211	70,019	12,900	20,434	316,386	**782,698**
Additions	—	—	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-compete 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 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.

		Ordinary shares of £0.10
	(£000's)	#
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.