The Intertain Group Limited
FORM 51-102F4
BUSINESS ACQUISITION REPORT

Item 1. – Identity of Company

1.1 Name and Address of Company

The Intertain Group Limited (the “**Company**”)
24 Duncan Street, Floor 2
Toronto, Ontario M5V 2B8

1.2 Executive Officer

For further information please contact:

Keith Laslop
Chief Financial Officer
(647) 349-8277

Certain statements in this business acquisition report (“**Report**”) constitute forward-looking information (as defined under applicable Canadian securities laws). Readers should refer to the “Cautionary Note Regarding Forward-Looking Information” that appears at the end of this Report.

Item 2. – Details of Acquisition

2.1 Nature of Business Acquired

On April 8, 2015, the Company completed the acquisition (the “**Jackpotjoy Acquisition**”) of all of the issued and outstanding shares in the capital stock of Fifty States Limited, which holds, directly or indirectly, the Jackpotjoy, Starspins and Botemania brands and related assets (the “**Jackpotjoy Brands**”). The terms of the Jackpotjoy Acquisition were set forth in a share purchase agreement dated February 5, 2015 between the Company and Gamesys Limited (“**Gamesys**”).

As consideration for the Jackpotjoy Acquisition, the Company paid an initial purchase price consisting of cash and share consideration worth approximately £425.8 million, subject to a customary working capital adjustment (the “**Initial Purchase Price**”), plus certain cash earn out payments.

The Jackpotjoy Brands include:

Real Money Bingo-led Brands

- Jackpotjoy (UK): a real money gambling brand, comprising bingo, slots, and casino offerings in the UK market.
- Jackpotjoy (Sweden): offering of bingo, slots and casino games in the Swedish market.
- Botemania (Spain): provides bingo-led online gambling to the Spanish market.

Real Money Slots Only Brands

- Starspins (UK): slots-only gambling offering for the UK market.

Social Gaming Brands

- Jackpotjoy Social: virtual-currency gaming to a worldwide online player base through third-party platforms.
- Starspins Social: slots-only social gaming offering.

For further information on the Jackpotjoy Brands, please see “The Jackpotjoy Acquisition – Description of the Business” in the Company’s annual information form dated March 31, 2015 (the “**AIF**”), available on SEDAR at www.sedar.com.

2.2 Acquisition Date

April 8, 2015.

2.3 Consideration

On April 8, 2015, as consideration for the Jackpotjoy Acquisition, the Company paid the Initial Purchase Price (consisting of cash and share consideration worth approximately £425.8 million, subject to a customary working capital adjustment), plus certain cash earn out payments.

The Initial Purchase Price was financed through a combination of: (a) the net proceeds of the C$483 million bought public offering of subscription receipts of the Company; (b) the US$352.5 million senior secured credit facilities, consisting of a US$335.0 million term loan and a US$17.5 million revolving credit facility, which were entered into by the Company and The Intertain Group Finance LLC, a wholly-owned US subsidiary of the Company, with, among others, Macquarie US Trading LLC (as administrative agent and collateral agent) and Macquarie Capital (USA) Inc. (as sole bookrunner and sole lead arranger); and (c) the issuance of 7,361,365 common shares of the Company (at $14.73 per share) to Gamesys.

The Company may be required to make future earn-out payments, payable in cash based upon the financial performance of the Jackpotjoy business in various periods during the five years following the closing of the Jackpotjoy Acquisition (the “**Earn-Out Payments**”). For further information on the Earn-Out Payments, please see “The Jackpotjoy Acquisition – The Jackpotjoy Agreement – Earn-Out Payments” in the AIF, available on SEDAR at www.sedar.com.

2.4 Effect on Financial Position

Not applicable.

2.5 Prior Valuations

Not applicable.

2.6 Parties to Transaction

The transaction was not with an "informed person" (as such term is defined in Section 1.1 of National Instrument 51-102 - *Continuous Disclosure Obligations*), associate or affiliate of the Company.

2.7 Date of Report

September 4, 2015

Item 3. – Financial Statements

The following financial statements are appended hereto and form part of this Report:

(i) the audited carve-out financial statements of the Jackpotjoy Brands as at and for the year ended March 31, 2015, together with the notes thereto and the auditor's report thereon (the "**Jackpotjoy Financial Statements**");

(ii) the unaudited *pro forma* consolidated financial statements of the Company, comprising the unaudited *pro forma* consolidated statement of financial position as at March 31, 2015, and the consolidated statement of earnings for the 3-month period ended March 31, 2015, together with the notes thereto (the "**Pro Forma Financial Statements**").

The auditors of the Jackpotjoy Financial Statements have not given their consent to include their audit report in this Report.

Cautionary Note Regarding Forward-Looking Information

This Report contains forward looking information within the meaning of Canadian securities laws concerning the business, operations and financial performance, as applicable, of the Company and the Jackpotjoy Brands. This forward looking information is based on certain assumptions regarding expected growth, results of operations, performance, and business prospects and opportunities. While the Company considers these assumptions to be reasonable, based on information currently available, they may prove to be incorrect. Forward-looking information is subject to a number of risks, uncertainties and other factors that could cause actual results to differ materially from what the Company currently expects. 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, interest rates or tax rates, limited operating history, the fact that on-line gaming is a heavily regulated industry and that such regulation is subject to change, competition from other providers of online gaming services, the possibility that the Company be unable to integrate the Jackpotjoy Brands successfully, the risks associated with international and foreign operations and the risks discussed under the heading "Risk Factors" in the Company's annual information form for the year ended December 31, 2014. Although the Company believes its expectations are based upon reasonable assumptions and has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended.

The foregoing factors are not intended to represent a complete list of the factors that could affect the Company and the Jackpotjoy Acquisition. The Company does not intend or undertake to publically update any forward-looking statements, whether as a result of new information, future events or otherwise, except in accordance with applicable securities laws.

Cautionary Note Regarding Pro Forma Consolidated Financial Statements

This Report contains the Pro Forma Financial Statements, which are not intended to be indicative of the results that would actually have occurred, or the results expected in future periods, had the events reflected therein occurred on the dates indicated. Actual amounts recorded upon the finalization of the applicable acquisitions may differ from the Pro Forma Financial Statements. Since the Pro Forma Financial Statements have been developed to retroactively show the effect of a transaction that occurred at a later date (even though this was accomplished by following generally accepted practice using reasonable assumptions), there are limitations inherent in the very nature of pro forma data. The data contained in the Pro Forma Financial Statements represents only a simulation of the potential impact of the applicable acquisitions. Undue reliance should not be placed on the Pro Forma Financial Statements.

The Jackpotjoy, Starspins and Botemania Business Unit of Gamesys Limited

Carve-out Financial Statements

Year Ended

31 March 2015

BDO

The Jackpotjoy, Starspins and Botemania Business Unit of Gamesys Limited

Independent auditor's report

TO THE DIRECTORS OF GAMESYS LIMITED

We have audited the accompanying carve-out financial statements of the Jackpotjoy, Starspins and Botemania Business Unit of Gamesys Limited and its subsidiaries ('The Business Unit') which comprise the carve-out statement of financial position and the carve-out statement of comprehensive income, carve-out statement of changes of Business Unit deficit and carve-out statement of cashflow for the year ended 31 March 2015 and a summary of significant accounting policies and other explanatory information.

This report is made solely to the Directors of Gamesys Limited, as a body, in accordance with the terms of our engagement letter dated 26 November 2014. Our audit work has been undertaken so that we might state to the Directors of Gamesys Limited those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's Directors as a body, for our audit work, for this report, or for the opinions we have formed.

Directors' responsibility for the financial statements

The Directors of Gamesys Limited are responsible for the preparation of these carve-out financial statements in accordance with the stated accounting policies and for such internal control as the management of Gamesys Limited determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these carve-out financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as issued by the International Auditing and Assurance Standards Board. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the carve-out financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the carve-out financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the carve-out financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the carve-out financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management of Gamesys Limited, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the carve-out financial statements have been prepared, in all material respects, in accordance with accounting policies described therein.

Basis of accounting

Without modifying our opinion, we draw attention to the accounting policies on page 4 in the financial statements, which describes the basis of preparation of the carve-out financial statements.

BDO LLP

BDO LLP
Chartered Accountants
London
United Kingdom

Date 10 AUGUST 2015

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

The Jackpotjoy, Starspins and Botemania Business Unit of Gamesys Limited

Carve-out statement of comprehensive income for the year ended 31 March 2015

	Note	2015 £'000s	2014 £'000s
Revenue		**143,090**	130,944
Cost of sales		**7,410**	-
Gross profit		**135,680**	
Distribution expenses		**38,710**	40,735
Administration expenses		**29,809**	26,953
Profit from operations and before taxation		**67,161**	63,256
Taxation	5	**11,439**	11,239
Profit after taxation for the year and total comprehensive income attributable to the equity owners of Gamesys Limited		**55,722**	52,017

The notes on pages 7 to 15 form part of these financial statements.

The Jackpotjoy, Starspins and Botemania Business Unit of Gamesys Limited

Carve-out statement of financial position
at 31 March 2015

	Note	2015 £'000s	2014 £'000s
Assets			
Current assets			
Trade and other receivables	6	**18,602**	13,367
		18,602	13,367
Liabilities			
Current liabilities			
Trade and other payables	7	**31,721**	23,445
		31,721	23,445
Net liabilities		**(13,119)**	(10,078)
Business Unit deficit		**(13,119)**	(10,078)

The financial statements were approved by the Board of Directors and authorised for issue on 10 AUGUST 2015

M Mee

Michael Mee
Director

The notes on pages 7 to 15 form part of these financial statements.

The Jackpotjoy, Starspins and Botemania Business Unit of Gamesys Limited

Carve-out statement of changes in Business Unit deficit for the year ended 31 March 2015

	2015 £'000s	2014 £'000s
Business Unit deficit brought forward	**(10,078)**	(10,685)
Total comprehensive income for the year	**55,722**	52,017
Net distributions	**(58,763)**	(51,410)
Business Unit deficit carried forward	**(13,119)**	(10,078)

The notes on pages 7 to 15 form part of these financial statements.

The Jackpotjoy, Starspins and Botemania Business Unit of Gamesys Limited

Carve-out statement of cashflow
for the year ended 31 March 2015

	2015 £'000s	2014 £'000s
Profit before tax	**67,161**	63,256
Increase in trade and other receivables	**(75,436)**	(62,217)
Increase / (decrease) in trade and other payables	**8,275**	(1,039)
Net cash from operating activities and cash and cash equivalents	**-**	-

The Business Unit does not have its own bank account or cashflows of its own. Operating cashflows are accounted for through an adjustment to the related inter-company balances less notional net distributions.

The notes on pages 7 to 15 form part of these financial statements.

1 Basis of preparation

The Group and its core business

The parent company of the Group, Gamesys Limited, is a company established and domiciled in the United Kingdom. The principal activity of the group is the development and operation of online instant win, casino and bingo games.

The carve-out financial statements include the business operations of the Jackpotjoy, Starspins and Botemania brands, operated through Gamesys Limited and its subsidiary undertakings, hereafter the "Business Unit".

Purpose of the carve-out financial statements

These carve-out financial statements of the Business Unit are prepared for the contemplated sale of the assets and liabilities of the Business Unit.

Basis of preparation of the carve-out financial statements

The carve-out financial statements have been prepared in accordance with International Financial Reporting Standards including International Accounting Standards (IASs) and interpretations, (collectively IFRS), published by the International Accounting Standards Board (IASB) for the purposes of the carve-out operation's full year and half year financial statements. The carve-out financial statements have been derived from the accounting records of Gamesys Limited and its subsidiaries, hereafter the "Gamesys Group".

Carve out financial statements are generally not precise, since they include certain amounts based on estimates and judgements. When alternative methods of calculating figures exist, the directors of the Gamesys Group have chosen those methods which it deems most appropriate in the circumstances, in order to ensure that the carve-out financial statements are presented fairly, in all material respects, in accordance with IFRS.

Criteria applied in preparing the carve-out financial statements were as follows:

- The assets and liabilities that relate to the Business Unit have been included where directly identifiable and on an allocation basis following specific analysis where the assets and liabilities relate to the Business Unit and the wider Gamesys Group.
- The assets and liabilities included within the carve-out statement of financial position excludes any balances relating to property plant and equipment or cash which will remain with the Gamesys Group; and
- Income statement revenues and expenditure have been included on the basis that they are either specific to the Business Unit or have been allocated based on a either headcount or proportion of overall gross win as appropriate.

No cashflows relate to the separation of the Business Unit in the financial years presented.

Below are the financial statement items for which specific attribution criteria were adopted, in addition to that already specified in the general criteria above.

1 Basis of preparation *(continued)*

Carve-out statement of comprehensive income

- Revenue: The Business Unit's revenue relates to its Jackpotjoy, Starspins and Botemania operations. These revenues are accounted for through a number of subsidiary companies of the Gamesys Group. Revenues recognised in other group companies not relating to the Business Unit have been excluded.

- Cost of sales: Relates to gaming taxes specifically incurred in respect of revenue generated from the Jackpotjoy, Starspins and Botemania operations.

- Distribution and administrative expenses: Not all of the Business Unit's operating costs can be directly attributed to the Business Unit. Therefore different allocation methodologies have been used as follows:

    - Directly identifiable expenses: Those costs which relate in their totality directly to the Business Unit. Certain marketing and distribution costs were incurred in respect of the wider group's "owned" gaming platform and brands. These costs have been excluded from the carve-out financial statements;

    - Allocated costs: Certain employee, contractor, accommodation, technical, professional and other Gamesys Group costs where not directly identifiable to the Business Unit have been allocated to the Business Unit based on the best estimate by management. The allocation basis used is a proportion of gross win or headcount. Employee costs exclude any amounts in respect of the Gamesys Long Term Bonus Plan.

Statement of financial position

All assets and liabilities directly associated with the Business Unit have been included in the statement of financial position. Cash held within the Gamesys Group has not been included as cash balances of the Business Unit.

Client liabilities and progressive prize pools have been recognised as other payables with a corresponding receivable balance included in other receivables due from Gamesys Limited where they are directly attributable to players from the Business Unit. Progressive prize pools that have been accrued on a pooled basis and may also be won by players not from the Business Unit have been recognised in their entirety on the basis that a player from the Business Unit is capable of winning the prize pool amount in full.

The Business Unit has reflected a notional distribution which has been estimated and used as a balancing entry in the statement of financial position for each period presented. For the purposes of the carve-out financial statements, the cumulative notional dividend is a balancing entry at the start of the earliest period presented. The directors believes that the balances included in the Statement of financial position are the most accurate that can be derived given the complexities of carving-out balances from a number of entities.

Statement of compliance

The carve-out financial statements have been prepared in accordance with the specific aforementioned carve-out criteria in order to comply with the objectives mentioned in the introduction. These carve-out financial statements are prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by The International Accounting Standards Board ("IASB") and according to the specific carve-out criteria explained above for the purposes set forth in the introduction. The term "IFRS" is also used to refer to all revised International Accounting Standards ("IAS") and all interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

1 Basis of preparation *(continued)*

Significant accounting judgements, estimates and assumptions

The preparation of carve-out financial statement conforming to IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

At no point in time has the Business Unit been a separately established legal entity and therefore these carve-out financial statements have been prepared from the records of other entities which contain evidence of transactions entered in to by the Business Unit and its financial position. Certain assumptions and estimates have been made. In the opinion of management, the accounting estimates and judgements made in the course of preparing these carve-out financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1 (revised).

New EU adopted IFRS accounting policies

In the current reporting period, the Business Unit has adopted a number of new and revised Standards and Interpretations. However, none of these have had a material impact on the Business Unit. In addition, the IASB has issued a number of IFRS and IFRIC amendments or interpretations which are not yet effective and it is not expected that any of these will have a material impact on the Business Unit.

2 Significant accounting policies

Revenue

Net gaming revenue derives from online and social gaming operations and is defined as the difference between the amounts of bets placed by the players less the amount won by players. It is stated after deduction of certain bonuses, jackpots and prizes granted to players. Net gaming revenue is recognised to the extent that it is probable that economic benefits will flow to the business units and the revenue can be reliably measured. Revenue is recognised in the accounting periods in which the transactions occur.

Cost of sales

Cost of sales relates to gaming taxes.

Distribution costs

Distribution costs represent the costs of delivering the service to the customer and primarily consist of technology infrastructure royalties, gaming taxes, promotional and advertising together with gaming and regulatory testing all of which are recognised on an accruals basis.

Administrative expenses

Administrative expenses consist primarily of staff costs, corporate and professional expenses, all of which are recognised on an accruals basis.

Functional currency

Items included in the financial information are measured using the currency of the primary economic environment in which the Business Unit operates ('the functional currency') which is UK Pound Sterling. The financial information is presented in UK Pound Sterling, which is the Business Unit's presentational currency and rounded to the nearest £1,000.

2 Significant accounting policies *(continued)*

Functional currency (continued)

Transactions entered into by the Business Units in a currency other than the currency of the primary economic environment in which it operates (its "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in profit or loss.

Financial Instruments

Financial assets and financial liabilities are recognised on the Business Unit's carve-out statement of financial position when the Business Unit becomes party to the contractual provisions of the instrument. Financial assets are de-recognised when the contractual rights to the cash flows from the financial asset expire or when the contractual rights to those assets are transferred. Financial liabilities are de-recognised when the obligation specified in the contract is discharged, cancelled or expired. Financial assets are either categorised as loans or receivables or available for sale, there are no assets classified as held-to-maturity or fair value through profit or loss. All financial liabilities are classified as amortised cost and no liabilities are classified as fair value through profit or loss.

Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment. Appropriate provisions for estimated irrecoverable amounts are recognised in the statement of comprehensive income when there is objective evidence that the assets are impaired. Interest income is recognised by applying the effective interest rate, except for short term receivables when the recognition of interest would be immaterial.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Business Unit will be unable to collect all of the amounts due under the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net; such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision. Trade receivables principally comprise amounts due from payment processors.

Trade and other payables

Trade payables are initially measured at their fair value and are subsequently measured at their amortised cost using the effective interest rate method; this method allocates interest expense over the relevant period by applying the 'effective interest rate' to the carrying amount of the liability.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit reported in the carve-out statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Business Unit's liability for current tax is calculated using UK corporate tax rates that have been enacted or substantively enacted by the carve-out statement of financial position date. Had the carve-out Business Unit operated as a separate entity, income tax could have been attributable at different rates. The rates used are therefore not an indication of future tax rates that may apply to the Business Unit, the tax charge and provision has been provided for illustrative purposes only.

2 Significant accounting policies *(continued)*

Carve-out statement of cashflow

The Business Unit does not have its own bank account or cashflows of its own. Operating cashflows are accounted for through an adjustment to the related inter-company balances less notional net distributions.

Carve-out statement of other comprehensive income

There were no other comprehensive income transactions in any of the years.

Earnings per share

The Business Unit is not within the scope of IAS 33 as it is not a statutory entity and has no share capital.

Presentation of comparative information

The 2014 carve-out statement of comprehensive income has been restated to increase revenue by £4,709,000 with a corresponding increase in distribution costs. Revenue had been shown net of distribution costs in the prior year. The restatement has no impact on the reported profit or net asset position for the prior year.

3 Financial instruments - Risk Management

The Business Unit is exposed through its operations to the following financial risks:

- Credit risk
- Foreign exchange risk
- Liquidity risk

In common with all other businesses, the Business Unit is exposed to risks that arise from its use of financial instruments. This note describes the carve-out operation's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Business Unit's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them during the periods presented unless otherwise stated in this note.

Principal financial instruments

The principal financial instruments used by the Business Unit, from which financial instrument risk arises, are as follows:

- Trade and other receivables
- Trade and other payables
- Client liabilities and progressive prize pools

3 Financial instruments - Risk Management *(continued)*

Financial assets - loans and receivables

	2015 £'000s	2014 £'000s
Trade and other receivables	**16,405**	11,628

Financial liabilities - amortised cost

	2015 £'000s	2014 £'000s
Trade and other payables	**15,248**	7,687
Client liabilities and progressive prize pools	**5,034**	4,519
	20,282	12,206

None of the financial instruments are measured at fair value. Due to their short-term nature their fair value approximates the carrying value. All of the financial instruments are classified in level 3 of the fair value hierarchy and there have been no transfers between levels in any of the above periods.

Liquidity risk

Liquidity risk reflects the risk that the Business Unit will have insufficient resources to meet its financial obligations as they fall due. Management monitors liquidity to ensure that sufficient liquid resources are available. All liabilities within the carve-out statement of financial position fall due for payment within 1 month of the year end.

Credit risk

The Business Unit's principal financial assets are trade and other receivables, principally amounts due from payment processors. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the carve-out statement of financial position. There is no significant concentration of credit risk and as such the Business Unit's exposure to credit risk is limited. Management believes there are no doubtful receivables, to provide for and accordingly the allowance account has not been used.

Foreign currency risk

The Business Unit's functions give rise to foreign currency risk on transactions denominated in a currency other than pounds sterling. In respect of such transactions and other monetary assets and liabilities held in currencies other than pounds sterling, the amounts involved have historically been immaterial. Currently, to reduce foreign currency risk arising on transactions, the Business Unit has a number of foreign currency accounts. Going forward, the Business Unit will continue to monitor the position and will take steps to ensure that the net exposure is kept to an acceptable level.

3 Financial instruments - Risk Management *(continued)*

Capital management

The Business Unit is not deemed to have issued any capital and therefore the capital management disclosures as required by IAS 1 *Presentation of Financial Statements* are not applicable. The directors do not have a formal policy for managing the level of divisional deficit or surplus maintained by the Business Unit.

4 Segment Information

Information reported to the strategic chief operating decision-makers, for the purposes of resource allocation and assessment of the Business Unit's segmental performance is primarily focussed on the origination of the revenue stream. As the Business Unit has only one revenue stream there is one reporting segment only.

Geographical Analysis of Revenues

	2015 £'000s	2014 £'000s
United Kingdom	**117,275**	104,811
Rest of the World	**25,825**	26,133
	143,090	130,944

Information about major customers

There are no customers that account for greater than 10% of net revenues.

5 Tax

The tax charge for the year relates to current tax only as no deferred tax or potential deferred tax arises. The reconciliation from profit before tax to the tax charge for the year is as per below.

	2015 £'000s	2014 £'000s
Profit before taxation	**67,161**	63,256
Profit on ordinary activities at the standard rate of corporation tax in the UK of 21% (2014 - 23%)	**14,103**	14,549
Effects of:		
Difference in UK and overseas tax rate on overseas operations	**(2,664)**	(3,310)
Current tax charge	**11,439**	11,239

6 Trade and other receivables

	2015 £'000s	2014 £'000s
Trade receivables	**11,261**	7,002
Other receivables	**110**	107
Prepayments	**2,197**	1,739
Amounts due from related undertakings	**5,034**	4,519
	18,602	13,367

The fair values of trade and other receivables classified as loans and receivables are not materially different to their carrying values.

The Business Unit does not hold any collateral as security.

At all year ends there were no receivables past due and no bad debt allowances had been recognised.

7 Trade and other payables

	2015 £'000s	2014 £'000s
Trade payables	**6,878**	4,052
Client liabilities and progressive prize pools	**5,034**	4,519
Other payables	**8,370**	3,635
Corporation tax	**11,439**	11,239
	31,721	23,445

The directors consider that the carrying amount of trade and other payables approximates to their fair values which are based on the net present values of expected future cash flows.

8 Related party transactions

The Business Unit is not a legal entity and therefore does not have any formal related parties with whom it would transact with. There is no related party disclosure as the Business Unit represented by the carve-out financial statements is currently part of a larger enterprise with which it will deal with at arm's length following the transaction. All transactions between the Business Unit and Gamesys Group would be eliminated on consolidation of Gamesys Group.

9 Explanation of methodologies used in producing the Business unit' carve-out financial statements

Carve-out statement of comprehensive income

- Revenue: The Business Unit's revenue relates to its Jackpotjoy, Starspins and Botemania operations. These revenues are accounted for through a number of subsidiary companies of the Gamesys Group. Revenues recognised in other group companies not relating to the Business Unit have been excluded.

- Cost of sales: Relates to gaming taxes specifically incurred in respect of revenue generated from the Jackpotjoy, Starspins and Botemania operations.

- Distribution and administrative expenses: Not all of the Business Unit's operating costs can be directly attributed to the Business Unit. Therefore different allocation methodologies have been used as follows:

  - Directly identifiable expenses: Those costs which relate in their totality directly to the Business Unit. Certain marketing and distribution costs were incurred in respect of the wider Group's "owned" gaming platform and brands. These costs have been excluded from the carve-out financial statements;

  - Allocated costs: Certain employee, contractor, accommodation, technical, professional and other Gamesys Group costs where not directly identifiable to the Business Unit have been allocated to the Business Unit based on the best estimate by management. The allocation basis used is gross win or headcount. Employee costs exclude any amounts in respect of the Gamesys Long Term Bonus Plan.

Statement of financial position

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Client liabilities and progressive prize pools have been recognised as other payables with a corresponding receivable balance included in other receivables due from Gamesys Limited where they are directly attributable to players from the Business Unit. Progressive prize pools that have been accrued on a pooled basis and may also be won by players not from the Business Unit have been recognised in their entirety on the basis that a player from the Business Unit is capable of winning the prize pool amount in full.

The Business Unit has reflected a notional distribution which has been estimated and used as a balancing entry in the Statement of financial position for each period presented. For the purposes of the carve-out financial statements, the cumulative notional dividend is a balancing entry at the start of the earliest period presented. Management believes that the balances included in the statement of financial position are the most accurate that can be derived given the complexities of carving-out balances from a number of entities.

The Intertain Group Limited

Pro Forma Consolidated Financial Statements

Consolidated Statement of Financial Position as at March 31, 2015

Consolidated Statement of Earnings for the three months ended March 31, 2015

(Unaudited)

The Intertain Group Limited
Pro Forma Consolidated Statement of Financial Position
As at March 31, 2015
(Unaudited)
[Expressed in thousands Canadian dollars]

	The Intertain Group Ltd as at March 31, 2015	The Jackpotjoy, Starspins and Botemania Business Unit of Gamesys Limited as at March 31, 2015	Notes	Pro Forma Adjustments	Pro Forma Consolidated
Assets					
Current Assets					
Cash and cash equivalents	25,650	-	*a*	483,000	137,393
			b	(20,113)	
			a	424,881	
			c	(20,800)	
			f	(9,995)	
			f	(47,518)	
			d	(697,712)	
Restricted cash	482,511	-	*a*	(472,793)	9,718
Prepaid expenses	1,638	-		-	1,638
Customer deposits	1,409	-		-	1,409
Receivables	9,635	35,035		-	44,670
Derivative financial asset	2,478	-		-	2,478
Taxes receivable	7,913	-		-	7,913
Total Current Assets	531,234	35,035		(361,050)	205,219
Tangible assets	481	-		-	481
Intangible assets	131,443	-	*d*	666,724	798,167
		-		-	-
Goodwill	146,496	-	*d*	447,059	593,555
Long term deposits	407	-			407
Un-allocated goodwill		-			-
Total Assets	810,061	35,035		752,733	$ 1,597,829
Liabilities and Shareholders' Equity					
Current Liabilities					
Accounts payable and accured liablities	52,411	59,743	*b*	(9,906)	102,248
Interest payable	1,316	-		-	1,316
Payable to customers	1,409	-		-	1,409
Vendor take back loan	8,828	-		-	8,828
Contingent consideration	16,690	-		-	16,690
Provision for taxes	11,235	-		-	11,235
Total Current Liabilities	91,889	59,743		(9,906)	141,726
Interest payable	561	-			561
Contingent obligation	10,860	-	*d*	264,895	275,755
Deferred tax liablity	4,195	-		-	4,195
Long-term loan payable	-	-	*a*	424,881	404,081
			b	(20,800)	
Bridge loan	9,995	-	*f*	(9,995)	-
Convertible debentures	14,364	-		-	14,364
Debentures	47,518	-	*f*	(47,518)	-
Total Liabilities	179,382	59,743		601,557	840,683
Shareholders' Equity					
Share capital	202,036	-	*d*	126,468	328,504
		-	*a*	483,000	483,000
		-	*b*	(20,113)	(20,113)
Contributed Surplus	9,045	-		-	9,045
Reserve	7,598	-		-	7,598
Hedging reserve	2,478	-		-	2,478
Unit subscription receipts	463,187	-	*a*	(483,000)	(19,813)
			b	20,113	20,113
Deficit	(53,665)	(24,708)	*d*	24,708	(53,665)
					-
					-
					-
Total Shareholders' Equity	630,679	(24,708)		151,176	757,147
Total Liabilities and Shareholders' Equity	810,061	35,035		752,733	1,597,829

See accompanying notes to the pro forma consolidated financial statements

The Intertain Group Limited
Pro Forma Consolidated Statement of Operations
Three months ended March 31, 2015
(Unaudited)
[Expressed in thousands Canadian dollars]

	The Intertain Group Ltd for the three months ended March 31, 2015	The Jackpotjoy, Starspins and Botemania Business Unit of Gamesys Limited for the three months ended March 31, 2015	Notes	Pro Forma Adjustments	Pro Forma Consolidated
Revenue					
Gaming	27,213	67,170		-	94,383
Other income revenue guarantee	5,579	-		-	5,579
	32,792	**67,170**			**99,962**
Operating Expenses					
Compensation and benefits	5,921	5,586		-	11,507
Selling and marketing	10,368	13,648		-	24,016
Gaming tax	1,265	9,063			10,328
General and administrative	1,100	910		-	2,010
Platform licensing fees	4,036	9,278		-	13,314
Processing fees	1,557	2,736		-	4,293
Professional fees	506	97		-	603
Amortization	8,438	-	***e***	22,253	30,691
Acquisition related costs	24,291	-	***c***	27,483	51,774
Gain on foreign exchange	(975)	-		-	(975)
	56,506	41,318		49,736	147,560
Financing expense					
Income	(293)	-			(293)
Debenture settlement expense		-	***f***	3,135	3,135
Expense	2,759	-	***h***	8,459	11,218
	2,466	-		11,594	14,060
Loss on foreign exchange forward	-	-			-
Net (Loss) Income Before Taxes	**(26,181)**	**25,852**		**(61,330)**	**(61,659)**
Income Tax Expense					
Current tax	211	-		-	211
Deferred tax recovery	(231)	-		-	(231)
Net (Loss) Income	**$ (26,161)**	**$ 25,852**		**$ (61,330)**	**$ (61,639)**
Pro Forma Net (Loss) Income Per Share					
Net loss per share - Basic and diluted	$ (0.80)				$ (0.85)
Weighted average number of shares outstanding - basic and diluted	32,703,188				72,350,618

NOTES TO THE UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

Statement of Financial Position as March 31, 2015 and Statement of Operations for the three month period ended March 31, 2015
[*in Canadian dollars, except where otherwise noted]*

1. BASIS OF PRESENTATION

The accompanying unaudited pro forma consolidated financial statements of The Intertain Group Limited (the "Company" or "Intertain"), and The Jackpotjoy, Starspins and Botemania Business Unit of Gamesys Limited (the "Jackpotjoy Group of Companies") has been prepared by management in accordance with the international financial reporting standards accepted in Canada from information derived from the financial statements of Intertain, The Affiliate Portal and White Label Bingo Operations of Mandalay Media Ltd ("Mandalay"), Dumarca Holdings Ltd. ("Vera & John"), and The Jackpotjoy Group of Companies together with other information available to Intertain. In the opinion of the Company's management, the pro forma consolidated statement of financial position as at March 31, 2015 and statement of operations for the three month period ended March 31, 2015 include all adjustments necessary for fair presentation of the transactions.

On April 8, 2015, Intertain completed the acquisition of the entire issued share capital of a wholly-owned subsidiary of Gamesys Limited ("Gamesys") which included, directly or indirectly, the Jackpotjoy, Starspins and Botemania brands (the "Jackpotjoy Acquisition"), for the sum of: (i) approximately £370.4 million in cash, less certain intra-group debt; (ii) 7,361,365 common shares of Intertain; (iii) the assumption of the obligation to repay certain intra-group debt; (iv) certain cash adjustments; and (v) future earn-out payments, payable in cash based upon the financial performance of the Jackpotjoy business in various periods during the five years following the closing of the Jackpotjoy Acquisition. The earn-out is further described in the Company's Annual Information Form ("AIF") dated March 31, 2015, under the heading "The Jackpotjoy Acquisition – The Jackpotjoy Agreement – Earn-Out Payments".

The unaudited pro forma statement of financial position has been prepared from information derived from Intertain's unaudited condensed interim consolidated balance sheet as at March 31, 2015 and The Jackpotjoy Group of Companies' audited carve-out statement of financial position as at March 31, 2015. The unaudited pro forma consolidated statement of financial position as at March 31, 2015 has been presented assuming the Jackpotjoy Group of Companies Acquisition had been completed on March 31, 2015.

The unaudited pro forma consolidated statement of operations for the three month period ended March 31, 2015 has been prepared from information derived from the unaudited condensed interim consolidated financial statements of Intertain for the three month period ended March 31, 2015 and the unaudited financial statements of The Jackpotjoy Group of Companies for the three month period ended March 31, 2015. The unaudited financial statements of The Jackpotjoy Group of Companies for the three month period ended March 31, 2015 were derived from the monthly statements of operations prepared by the Jackpotjoy Group of Companies for the period of January 1, 2015 to March 31, 2015.

NOTES TO THE UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

Statement of Financial Position as March 31, 2015 and Statement of Operations for the three month period ended March 31, 2015
[*in Canadian dollars, except where otherwise noted]*

2. ASSUMPTIONS AND ADJUSTMENTS

a) Prior to the Jackpotjoy Group of Companies Acquisition, Intertain completed the financing of 32,200,000 commons shares of the Company with a purchase price of $15.00 (the “Common Share offering”) for a total of $483.0 million and a seven-year US$335.0 (CAD$424.9) million first-lien term loan credit facility (“Credit Facility”). The USD loan balance has been converted to CAD using the March 31, 2015 spot rate of 1.2683.

b) Underwriters who acted as brokers in connection with the Common Share Offer and the Credit Facility received a commission of $20.1 million, and $20.8 million respectively.

c) Acquisition cost for this transaction were $27.5 million, which included $16.4 million of management compensation.

NOTES TO THE UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

Statement of Financial Position as March 31, 2015 and Statement of Operations for the three month period ended March 31, 2015
[*in Canadian dollars, except where otherwise noted]*

d) On April 8, 2015, Intertain completed the Jackpotjoy Acquisition, which includes the Jackpotjoy, Starspins, and Botemania brands, and related assets from Gamesys. The purchase was completed for $691 million cash (prior to offsetting gains from hedging the foreign exchange rate movements on the purchase price), 7,361,365 common shares of Intertain, plus an earn-out. The earn-out is contingent on future Earnings Before Income Taxes Depreciation and Amortization ("EBITDA") performance of the Jackpotjoy Group of Companies. The transaction was funded through a combination of net proceeds from Subscription Receipts ($483 million), a seven-year US$335 million first-lien term loan credit facility, and issuance of common shares of Intertain. This 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.

	$ (000)
Assets acquired	
Goodwill	**447,059**
Intangible assets	**666,724**
Receivables	**35,035**
	1,148,818
Liabilities assumed	
Accounts payable and accrued liabilities	**59,743**
Net assets acquired	**1,089,075**
Consideration	
Cash	**697,712**
Share Capital	**126,468**
Fair value of contingent consideration	**264,895**
	1,089,075

e) During the three month period ended March 31, 2015, amortization expense on the Jackpotjoy purchase price intangibles was estimated to be $22.3 million.

f) As a condition of obtaining the Credit Facility, Intertain had to pay back certain outstanding debt existing prior to The Jackpotjoy Group of Companies Acquisition. A prepayment penalty of 4% of the principal balance outstanding was required to be paid on the senior secured debenture outstanding prior to the Jackpotjoy Group of Companies Acquisition as well as any accrued and unpaid interest on such these debentures.

g) The financial statements of The Jackpotjoy Group of Companies were originally expressed in GB Pound Sterling and a spot exchange rate of 1.8834 has been used to convert the unaudited statement of financial position as at March 31, 2015. The exchange rate of 1.8781, representing the average rate over the three months ended March 31, 2015, has been used to convert the unaudited carve out statement of comprehensive income for the three months ended March 31, 2015.

h) Interest expense related to the Credit Facility for the three month period ended March 31, 2015 is estimated to be $8.5 million.

3. PRO FORMA SHARE CAPITAL

The following table summarizes the pro forma share capital:

	Common Shares	
	$000	#
Intertain common shares at March 31, 2015	202,036	32,784,876
Common share issued in connection with Concurrent Equity Financing	483,000	32,200,000
Common shares issued as proceeds to acquire the Jackpotjoy Group of Companies	98,201	7,361,365
Share issue costs in connection with the Concurrent Equity Financing	(20,113)	-
Pro Forma Balance, March 31, 2015	763,124	72,346,241