

Playtech plc

("Playtech", or the "Company", or the "Group")

Results for the year ended 31 December 2019

Core B2B Gambling and Snaitech continue to drive Playtech; €40 million buyback launched

Playtech (LSE: PTEC) today announces its results for the year ended 31 December 2019, together with a trading update for the period to 24 February 2020.

Financial summary^{1,2}

	FY 2019	FY 2018	Change (reported)	Change (const. currency) ⁴
Revenue	€1,508.4m	€1,225.3m	23%	22%
Adjusted EBITDA ²	€383.1m	€345.1m	11%	11%
Adjusted Net Profit ³	€133.6m	€265.7m	-50%	-50%
Profit from continuing ops ³	€13.8m	€134.1m	-90%	-90%
Adjusted diluted EPS	43.2 €c	73.9 €c	-42%	-42%
Reported diluted EPS from continuing operations	4.3 €c	39.7 €c	-89%	-90%
Total dividend per share ⁵	18.1 €c	24.1 €c	-25%	n/a
Total shareholder return ⁶	€120.4m	€115.7m	4%	n/a

Group highlights

- Core B2B Gambling⁷ revenue growth of 15% vs. 2018 driven by Sports and Live Casino
- Snaitech had an outstanding 2019 with 24% growth in Underlying Adjusted EBITDA on an annualised basis (EBITDA after excluding gambling tax headwinds and 2018 World Cup impact)
- Asia remained broadly stable through H2 2019
- TradeTech restructuring underway and business under review
- Business rationalisation in progress with Casual Gaming now a discontinued operation
- €350 million bond raised, convertible bond repaid on maturity; revolving credit facility increased and extended including new Tier 1 lender joining syndicate
- Shareholder returns up 4% vs. 2018 with new €40 million share repurchase programme announced today and final dividend declared of 12 €c per share
- Board strengthened with two new non-executive directors appointed in 2019; Chairman succession nearing completion

Divisional highlights

- B2B Gambling Division
 - Core B2B Gambling revenue growth of 15% vs. 2018
 - Strong growth of 56% in Sport revenue, aided by hardware sales
 - SaaS offering showing strong momentum with over 50 new brands added throughout 2019
 - New agreement with Wplay in Colombia
 - Continued success with existing customers including Caliente and GVC
 - Increasing investment into US market
 - Newly regulated market launches in 2019 include Sweden and Switzerland
 - Strong pipeline including new structured agreements
- B2C Gambling Division
 - Snaitech 2019 adjusted EBITDA of €162.4 million driven by strong growth in online stakes of 31%

- Snaitech continues to take market share, achieving number one position in total online revenue (betting and gaming) in Italy in H2 2019
- €55 million land sale agreed in 2019 subject to expected approval in 2020; €5 million received in 2019 with balance to be received on completion which is expected in H1 2020
- Sun Bingo saw 19% revenue growth at constant currency from €33.7 million in 2018 to €40.0 million in 2019; positive EBITDA contribution following renegotiation of contract
- TradeTech Group
 - Highly challenging conditions across the industry in most of 2019
 - Revenue of €67.9 million (2018: €92.9 million) and Adjusted EBITDA of €7.8 million (2018: €29.5 million) decreased significantly due to challenging market conditions in 2019; impairment of intangible assets of €90.1 million leading to a loss for the overall Group of €19.0 million including the discontinued operation

Current trading

- Core B2B Gambling revenue for the first 55 days of 2020 was up 5% on the same period in 2019 excluding acquisitions and hardware sales
- Snaitech has seen strong start to 2020; COVID-19 has negatively impacted recent trading
- Asia revenue in February expected to be €7 million due to negative impact of COVID-19
- TradeTech has had a good start to 2020 compared to 2019

Outlook

- Playtech started the year strongly against material headwinds
- However, in the last two weeks it has started to see a material impact from changes in normal customer patterns due to COVID-19 which is significantly affecting two of its largest markets
- Accordingly, results for 2020 are likely to be below existing market expectations

Alan Jackson, Chairman of Playtech, commented:

“Our Core B2B Gambling business reported strong growth in 2019. In addition we made further strategic progress by entering newly regulated markets, signing new customers, expanding existing relationships and continuing to innovate with new product launches. Together these are laying the foundations for our future growth. In our B2C Gambling business, Snaitech had a fantastic 2019 and continues to gain market share and reached the number one market share position for online betting and gaming in Italy in H2 2019.

The strength of our diversified business model, focus on cash flows and strong balance sheet has allowed Playtech to announce today further shareholder returns with a new €40 million share buyback programme alongside our final dividend.

Playtech has taken steps to improve its Corporate Governance with two new non-executive directors appointed in 2019 and I will in due course be announcing my successor as Chairman who will lead the Board during the next phase of Playtech’s exciting future.”

– Ends –

For further information contact:

<p>Playtech plc Mor Weizer, Chief Executive Officer Andrew Smith, Chief Financial Officer c/o Headland</p>	<p>+44 (0) 20 3805 4822</p>
<p>Chris McGinnis, Director of Investor Relations and Strategic Analysis</p>	<p>+44 (0)1624 645954</p>

James Newman, Director of Corporate Affairs

Headland (PR adviser to Playtech)
Lucy Legh, Susanna Voyle, Jack Gault

+44 (0) 20 3805 4822

¹ FY 2018 numbers are restated to reflect the discontinued Casual Gaming business for the purposes of comparison. Totals in tables throughout this statement may not exactly equal the components of the total due to rounding. Figures include adoption of IFRS 16, which increased FY 2019 EBITDA by €23.2 million while simultaneously increasing FY 2019 amortisation by €19.2 million and interest costs by €6.2 million. As a result, the impact on net profit was not significant.

² Adjusted numbers relate to certain non-cash and one-off items including amortisation of intangibles on acquisitions, impairment of tangibles, intangibles and right of use assets, professional costs on acquisitions, finance costs on acquisitions, changes in deferred and contingent consideration, employee stock option scheme charges, deferred tax on acquisitions, unrealised changes in fair value of equity investments recognised in the period statement of comprehensive income, non-cash accrued bond interest, additional various non-cash charges, and in regard to the Sun Bingo contract an adjustment is made for the first seven weeks of 2019 prior to the renegotiation in February to show the effect as if the amendment to the contract with News UK had been in place from the beginning of the 2019 financial year. The Board of Directors believes that the adjusted profit, which includes realised fair value changes recognised in the statement of comprehensive income in the period on equity investments disposed of in the period, represents more closely the consistent trading performance of the business. A full reconciliation between the actual and adjusted results is provided in Note 10 of the financial statements. Given the fluctuations in exchange rates in the period, the underlying results are presented in respect of the above adjustments after excluding acquisitions and on a constant currency basis, to best represent the trading performance and results of the Group.

³ Adjusted Net Profit refers to Profit from continuing operations attributable to the owners of the parent after the relevant adjustments as detailed above. Reported Net Profit refers to Profit from continuing operations attributable to the owners of the Parent before adjustments.

⁴ Constant currency numbers exclude the exchange rate impact on the results by using previous period relevant exchange rate and exclude the total cost/income of exchange rate differences recognised in the period.

⁵ Total Dividend per share: Reduction in dividend reflects rebalancing of shareholder distribution between dividend and share buybacks as announced to the market in February 2019.

⁶ 'Total shareholder returns' refers to full shareholder distributions, including dividend and share buyback which have been approved for settlement in H2 2019 and H1 2020. This is a better representation of the Group's shareholder returns.

⁷ Core B2B Gambling refers to our B2B Gambling business excluding unregulated Asia.

Presentation and live webcast

A presentation for analysts and investors will be held today at 11.00 am at The Lincoln Centre, 18 Lincoln's Inn Fields, London WC2A 3ED.

The presentation will be webcast live and on demand at the following website:

<https://www.investis-live.com/playtech/5e18b22d0a12d41100842883/gdq>

The presentation will also be accessible via a live conference call:

Dial-in no for UK: 020 3936 2999

Dial-in for all other locations: +44 20 3936 2999

Conference password: 485183

There will also be a replay available for one week after the live webcast:

Dial-in no for UK: 020 3936 3001

Dial-in no for all other locations: + 44 20 3936 3001

Conference reference number: 739400

Forward looking statements

This announcement includes statements that are, or may be deemed to be, "forward-looking statements". By their nature, forward-looking statements involve risk and uncertainty since they relate to future events and circumstances. Actual results may, and often do, differ materially from any forward-looking statements.

Any forward-looking statements in this announcement reflect Playtech's view with respect to future events as at the date of this announcement. Save as required by law or by the Listing Rules of the UK

Listing Authority, Playtech undertakes no obligation to publicly revise any forward-looking statements in this announcement following any change in its expectations or to reflect events or circumstances after the date of this announcement.

About Playtech

Founded in 1999 and premium listed on the Main Market of the London Stock Exchange, Playtech is a technology leader in the gambling and financial trading industries.

Playtech is the gambling industry's leading technology company delivering business intelligence driven gambling software, services, content and platform technology across the industry's most popular product verticals, including, casino, live casino, sports betting, virtual sports, bingo and poker. It is the pioneer of omni-channel gambling technology through its integrated platform technology, Playtech ONE. Playtech ONE delivers data driven marketing expertise, single wallet functionality, CRM and responsible gambling solutions across one single platform across product verticals and across retail and online.

Playtech partners with and invests in the leading brands in regulated and newly regulated markets to deliver its data driven gambling technology across the retail and online value chain. Playtech provides its technology on a B2B basis to the industry's leading retail and online operators, land-based casino groups and government sponsored entities such as lotteries. As of June 2018, through the acquisition of Snaitech, Playtech directly owns and operates a leading sports betting and gaming brand in online and retail in Italy, Snai.

Playtech's Financials Division, named TradeTech Group, is a technology leader in the CFD and financial trading industry and operates both on a B2C and B2B basis.

Playtech has in total c.6,000 employees across 21 countries and is headquartered in the Isle of Man.

Chairman's statement

2019 was another important year in the development of Playtech. Management has continued to focus on delivering a transformation of the business which started in 2017, designed to secure long term growth and unlock shareholder value.

The Group reported 23% revenue growth and 11% growth in adjusted EBITDA driven by a strong performance in the Core B2B and B2C Gambling business and the inclusion of a full year of Snaitech's results. The strength in this part of the business was partially offset by the disappointing results of Asia and TradeTech and management has started to take action in 2019 and will continue to do so in 2020.

As the business continues to transition and deliver a well-diversified higher quality revenue profile, I am pleased to report that the percentage of regulated revenue rose to 88% compared to 80% in 2018.

In 2019 Core B2B Gambling revenues in regulated markets increased by 17% compared to 2018. During 2019 Playtech continued to deliver on its B2B strategy delivering new agreements with new licensees, growing our relationships with existing customers, launching in new markets and developing new tools and capabilities to assist our partners to grow in existing markets. This progress in 2019 will secure B2B growth for the coming years.

Snaitech, our B2C business in Italy continues to go from strength to strength delivering an outstanding full year performance. We are now starting to see the benefits of leveraging Playtech's technological expertise and capabilities across the Snaitech business. Underlying Adjusted EBITDA increased by 24% and Snaitech continued to take market share, finishing the year as Italy's leading online betting and gaming operator.

Management has taken decisive steps during the year to address the underperforming and non-core parts of the Group and will continue to act in 2020 to deliver the most appropriate path to realise shareholder value. During the year management took the decision to discontinue our Casual Gaming operations, which will leave us with a more focused and profitable B2C portfolio.

TradeTech had a challenging 2019 but the team has made several changes to the business and starts 2020 in a stronger position. As we announced at our interim results, we are reviewing the longer-term options for this business and will update as the year progresses.

During 2019 Playtech continued to maintain an efficient balance sheet. Following the issuance of our first public rated corporate bond in 2018, Playtech successfully raised a further €350 million 7-year bond at 4.25% in March 2019.

The Group's continued strong levels of cash generation allowed total shareholder returns of €120 million in 2019 through dividends and share buy-backs. This demonstrates Playtech's commitment to delivering high levels of shareholder returns which has seen the Company return more than €1 billion to shareholders over the last 10 years. The continued levels of cash generation mean the Board is able to announce a further €40 million share buyback programme.

Looking into 2020, in due course we will announce my successor as Chairman. With the scale of its technology, breadth of its offering and diversification of model I am confident Playtech will be at the centre of the industry for years to come.

Chief Executive Officer's review

Strategy update

Playtech believes that the industry as a whole has been in transition in recent years. As further jurisdictions regulate, operators and suppliers have had to adjust to higher taxation and greater oversight and legislation. In addition, the increase in the number of regulated territories has also led to more competition across the industry. Playtech believes that a balance between regulated and unregulated markets is still beneficial as unregulated markets remain high margin and highly cash generative. Playtech believes it is essential to have a cornerstone presence in multiple regulated jurisdictions to diversify its risks, particularly from a regulatory perspective. Playtech has achieved this diversification through the strength of its B2B technology business in various markets, its unique position in Italy with Snaitech and through the success of its agreement with Caliente in Latin America.

Looking at the entirety of the group, Playtech has a four-pronged business:

- Core B2B Gambling
- B2C Gambling
- Asia
- TradeTech

Core B2B Gambling: Playtech's Core B2B Gambling technology business comprises its B2B customers outside of Asia. The strategic focus of Playtech's Core B2B Gambling business is on higher margin regulated opportunities with Sports, Casino and Live Casino being of greatest importance. Playtech will continue to support existing licensees with new technologies and better tools and provide them with greater flexibility in running their businesses.

While Playtech's Core B2B business possesses a very strong set of assets, over the past 18 months the Company has been adjusting to the evolving industry landscape. The Company believes that a significant portion of its addressable market has been untapped. It also believes that there are a number of fast-growing markets with low online penetration where the market opportunity is sizeable.

Playtech estimates that there are over 1,000 brands globally today that previously did not use a single Playtech product or service. Playtech has been strategically investing in R&D to evolve and improve its technology and allow a faster and cheaper time to market for its licensees, in order to access previously untapped commercial opportunities and markets.

Playtech has componentised the IMS platform, allowing it to offer a more agile and flexible technology solution to licensees that previously would not have been able to access the value-add data-driven services and capabilities, which are Playtech's source of success.

This strategy has delivered more than 50 new brands through 2019. Playtech is excited about extending its reach to new customers and to new markets for existing customers in the coming years.

Playtech's intention to continue accessing opportunities includes new customers in both existing regulated markets and newly regulated markets, through structured agreements and joint ventures depending on commercial suitability and market dynamics.

B2C Gambling: Playtech's B2C business comprises Snaitech in Italy, the HPYBET B2C sport business in Germany and Austria, and white label operations such as Sun Bingo.

Snaitech had an outstanding 2019 operational performance, which excluding the Italian taxation headwinds, achieved impressive growth in adjusted EBITDA. Snaitech achieved the leading market share position in total online revenue (betting and gaming) in H2 2019, leveraging the strength of its brand and retail presence in the initial months of the advertising ban in Italy. Snaitech is an exciting part of the Group given the significant growth achieved which is expected to continue in online. Playtech intends to continue to leverage Snaitech's local expertise and powerful brand awareness to capture market share in Italy going forward.

Asia: Playtech's B2B gambling activity in Asia is different and separate from the rest of the Company. Playtech operates a different model whereby it provides content and certain services to the market principally on a distribution model basis. Operating in unregulated markets it is also higher margin and more highly cash generative compared to other parts of the Group.

TradeTech: TradeTech had a disappointing 2019 performance but Playtech continues to believe that TradeTech is an attractive asset and is currently reviewing the strategic options for this business.

Strategic review of underperforming assets

Playtech is in the process of undertaking a strategic review of its underperforming assets. The strategic review of the Casual Gaming business was completed in 2019. It is now a discontinued operation and is expected to be disposed of in the near future. An impairment loss of €23.7 million related to Casual Gaming was recognised in 2019. TradeTech had a disappointing 2019 performance. Management is currently reviewing the strategic options for this business and a €90.1 million impairment loss has been recognised in 2019.

Regulation

Regulation continued to be a major influence on the gambling industry throughout 2019 with further markets regulating and the evolution of regulation within individual existing markets.

Playtech is committed to raising industry standards and facilitating a fairer, safer and more sustainable sector and continues to actively promote regulation in existing, future and emerging markets. Effective regulation should ultimately lead to a safer gambling experience. Starting from improving the permanence of each market, to driving responsible decision making and investment in safer gambling by operators, regulatory legislation should improve consumer protection in our business of entertainment. Playtech's commitment to safer gambling and its use of technology and data to support its licensees in this area position the Group well to remain the leading platform in regulated markets.

Regulated markets in the UK, Europe, Latin America and the US remain key to our continued growth. The increase in regulated revenue is a result of the continued progress Playtech has made on its strategic goals as well as the continuing success of Snaitech in Italy. Further, expanding the relationship with GVC has given Playtech access to additional global markets. The company intends to increase its scale and distribution in these markets by leveraging its range of products and services across the gambling value chain and its global expertise to sign new licensees and expand its relationship with existing licensees into further regulated and newly regulating markets.

UK

The UK remains a key regulated market for Playtech, where the strength of Playtech ONE provides it with a strategic advantage and a cornerstone presence. Playtech expects that its commitment to safer gambling and its use of technology and data to support its licensees in this area will see it remain the go-to platform for regulated markets. Playtech's ongoing relationship with Tier 1 operators in the UK continues to deliver strong results for the Group.

Significant regulatory developments in the UK during 2019 included the cut to maximum stakes allowed at fixed-odds betting terminals (FOBTs) from £100 to £2 and an increase in Remote Gaming Duty to 21% from 15% with both measures in effect since 1 April 2019. The UK Gambling Commission also announced a ban, effective from April 2020, on operators allowing consumers in the UK to use credit cards to gamble. There is also an expectation that affordability checks will be introduced in the future and the introduction of online stake limits is currently being reviewed by the regulator

Europe

Regulated markets in Europe represent significant growth opportunities. The Swedish market launched on 1 January 2019, followed by the Swiss market in July. Playtech entered both markets and is well positioned to drive revenue growth through 2020 and beyond.

In Italy, the Group's largest market by revenue due to the presence of Snaitech, the Government introduced significant restrictions effective since July 2019 on the online advertising of gambling products. Although smaller operators, particularly those who operate online only, will likely find it difficult to compete in the market, management believes Snaitech's retail presence and the strength of its brand will see it benefit from the advertising ban in relative terms. Further, the Government increased taxes across retail and online sports betting as well as online gaming.

Looking forward, further markets will continue to regulate. For example, the Netherlands is expected to issue licenses in 2020 ahead of regulating 2020, Ukraine is expected to regulate in 2020, while Germany is expected to clarify its regulatory picture in the near future. Playtech is well positioned to enter each of these markets.

Latin America

Latin America remains a key growth territory for online gaming. Playtech continues to explore deals across Latin America and will look to leverage the success of its relationship with Caliente in Mexico where possible, having already done so in 2019 in signing a major new agreement with Wplay, the leading operator in Colombia.

In Brazil, sports betting legislation has been passed and is expected to be implemented in the next few years. Given the population and its access to the mobile channel, this could be an interesting opportunity in the future. Further jurisdictions such as Peru, individual provinces of Argentina, and Guatemala should provide opportunities for Playtech in the coming years.

US

Following the US Supreme Court's decision in 2018 to repeal PASPA, many states have moved to legalise and regulate sports betting. Online casino, which was not subject to PASPA and is allowed at the discretion of individual states, continues to only be regulated in a few states.

Since the repeal of PASPA, numerous states including New Jersey, Colorado, North Carolina, Michigan, Mississippi, Pennsylvania, Iowa and Indiana have approved legislation to legalise sports betting. Many of these markets have already launched, with others expected to launch in 2020. In total, 21 states now offer or have introduced legislation to allow sports betting with further states expected to pass legislation in 2020 and beyond. Playtech is increasing its investment in the US market in 2020 including developing a Live Casino facility in New Jersey.

Asia

Playtech's business in Asia is predominantly in China and Malaysia, which are both unregulated markets. Our business in Asia continues to be materially lower than previous years following a

significant increase in competition in China in 2018 from new market entrants, while Malaysia also remains significantly lower than its previous highs.

Increased competition in China is likely to remain and has resulted in a highly competitive pricing environment. Playtech has taken several actions to secure its position in the market focusing on underlining the premium position of its offering in the region. The company has also launched multiple new games, focusing on branded content. Playtech began implementing an incentivisation scheme to reward sub-licensees for promoting Playtech content and generating higher volumes of business.

Playtech continues to monitor developments in Asia closely including the negative impact of COVID-19 in February. While operating at a lower run rate than before, Playtech's Asia business remains high margin and highly cash generative.

Safer Gambling

As a technology specialist, Playtech's vision is to be the global leader in safer products, data analytics and player engagement solutions – partnering with our licensees to deliver safe and sustainable entertainment for the benefit of all stakeholders. In 2019 we developed a new five-year Safer Gambling and Responsible Business Strategy that underpins our commitment and aspiration to sustainable business. We welcome the call for raising standards and support the policies designed by regulators to create a safer, fairer and more sustainable industry whilst supporting the long-term success of the sector.

Playtech continues to invest in and deploy technology, data and engagement solutions to help our licensees and the industry provide a safer gambling journey and environment. In 2019 Playtech completed the integration of BetBuddy into IMS and the Engagement 360 platform, implemented enhancements to its front-end design and initiated deployment to licensees. We are combining BetBuddy with our real time player engagement and messaging platform, Player Journey, to help operators more effectively identify player risk and deliver highly personalised messaging to empower players to make safer decisions.

Playtech has invested in research to better understand and assess how we can use our data to extend our knowledge of sustainable product design, safety and smart labelling. The initiative has included the development of safe game design principles, our risk assessment framework and a new game labelling project aimed at raising player awareness of slots volatility and promoting safer gambling messaging. Playtech is leveraging partnerships with external experts including City, University of London's Research Centre for Machine Learning, to explore the relationship between game features, consumer behaviour and potential harm.

We are sharing our research, data analytics expertise and insights with a wide range of stakeholders including trade bodies, research organisations and academics. We are committed to working in collaboration with operators and partners to help raise and shape industry standards, share best practices and explore the role that technology can play in helping to address the most pressing challenges facing the gambling world today.

In 2020 Playtech will launch its 'Sustainable Success' five-year safer gambling and sustainability strategy. The strategy will support our long-term ambition to be the most trusted and innovative global leader in safer gambling products, data analytics and player engagement solutions.

We are delighted to announce that as part of the sustainable success strategy Playtech will be investing £5 million in five key areas with charity and social enterprise partners that provide research, programmes and support to promote 'healthy online living'. Building on work the Group has done in 2018 and 2019 Playtech will contribute expertise, research and financial support in five areas including preventative education and research into digital solutions and tools. The Group recognises that as the technology specialist in the industry it has a duty to extend Playtech's expertise, experience and

technology to help build a sustainable, safe and 'entertainment first' industry for the benefit of all stakeholders.

Gaming Division review

Gambling B2B

Operational momentum continued across B2B Gambling during 2019 with new customer wins, new launches and further product enhancements.

Playtech signed over 50 new brands through 2019 including Grupo Solverde in Portugal and Swiss Casinos in Switzerland. Following the extended and expanded contract with GVC in early 2019, Playtech rolled out its products to many GVC brands throughout the year. Countries launched include UK, Italy, Greece, Belgium, Brazil, Georgia, Spain and Denmark.

In Casino, Playtech rolled out a new suite of games called Kingdoms Rise, offering tailor-made jackpots and in-game tokens that players can use to complement their own game play style. In addition to new product deliverables such as in-game messaging, tokens and an interactive map as a navigation tool for players, the Kingdoms Rise suite was used as a vehicle to demonstrate our newly introduced Capped and Daily Jackpot configurations that can be networked or localised.

Playtech's Live Casino business had a strong year through the continued delivery of high-end progressive products and driving player engagement through leading games, features and tools. The business continued to leverage the broader Playtech offering through unrivalled cross-product jackpots and cross-vertical tools such as the Engagement 360 platform. Playtech also continued to increase its overall network capacity for its Live Casino offering. Product innovations included the industry's first Live Slots game with free spins introduced for the first time, as well as Quantum Blackjack, the industry's first multiplier blackjack game.

Sport continued its strong operational performance in 2019 with new customer wins, expanded business with existing customers as well as further product enhancements. The results also included multiple hardware sales which extended Playtech's scale and boosted revenue in the period.

PBS extended its agreement to supply GVC's Ladbrokes Coral retail business with the software for its self-service betting terminals (SSBTs) throughout the UK and also expanded its presence with GVC in Belgium. Latin America remains a key growth region within B2B Sport. PBS signed a major new agreement with Wplay in Colombia, including Sportsbook and Virtuals and also further extended the contract with Sportium Colombia. Growth in Mexico continued with PBS rolling out further retail bet entry points with Caliente and Sorteos Torrefiel.

PBS continued to innovate in 2019. Bet Recommender, the AI algorithmic engine which suggests relevant content to customers on the SSBT, was rolled out to operators. Match Acca, which enables users to combine multiple markets within the same event to create an accumulator bet with one specific price, continued to grow in both retail and digital channels.

Bingo performance in 2019 was in line with expectations. The Bingo business continued to work with existing customers such as Buzz Bingo who continue to grow as a key partner. Buzz Bingo added 'Buzz Trivia', 'Buzz Live' and a Playtech 'Casino' tab to their portfolio in 2019. Going forward, the division will focus on growing in territories outside of the UK such as Italy and Austria, as well as on omni-channel projects with Playtech's key Bingo licensees who have a retail estate.

Poker remains an important part of the Playtech ONE offering, with a continuously growing proposition through strategic investment in product. Operating in both unregulated and regulated markets via EU liquidity sharing, the business is well-positioned to maximise potential opportunities and mitigate the impact of potential regulatory changes elsewhere. Playtech's Poker business had strong results in

Spain and Italy in 2019. From a product perspective, Playtech developed a 5 card Omaha game and a Football Stars Speed Poker game which offers a shared jackpot with the Sporting Legends casino game.

B2C Gambling

Snaitech

The acquisition of Snaitech has created an integrated gaming company across retail and online and has given Playtech a cornerstone presence in the largest gambling market in Europe. Playtech is utilising its omni-channel technology stack to capture the online growth opportunity in Italy, where online market penetration remains low at approximately 10% of the total market (Source: H2GC).

Snaitech had an outstanding operational performance in 2019 against the backdrop of substantial legislative headwinds in the form of taxation increases across the entire Italian gambling industry. Underlying EBITDA grew 24% compared to annualised 2018 results when excluding the impact of the taxation increases and the World Cup benefit from 2018 figures.

In 2018, the government in Italy approved an advertising ban for all forms of gambling which took effect from 1 July 2019. We continue to expect Snaitech to be relatively better positioned than online-only competitors given the strength of its retail brand and presence. The effects and enforcement of the advertising ban are being monitored closely since its introduction. Since the introduction of the advertising ban Snaitech has gained market share and become the number one player in overall online (betting and gaming) in H2 2019. Playtech expects Snaitech to continue to benefit from the advertising ban going forward by further strengthening its market position in online.

Playtech is also closely monitoring the negative impact of COVID-19 in Italy.

TradeTech Group – Playtech’s financial division

TradeTech had a challenging 2019 due to both record low volatility in Q1 together with difficult market conditions in September and October that impacted all market making activities, including risk and execution, B2C and its turnkey offering. TradeTech was also negatively impacted by the introduction of European Securities and Markets Authority’s (“ESMA”) product intervention measures.

TradeTech launched a new strategy for its B2C business in June which is showing positive initial indications. Since launch KPIs have been strong including higher first deposits, higher redeposit ratios, and higher customer lifetime value (CLV). This resulted in improved revenues and EBITDA for the B2C business in H2 following the launch of the new strategy.

The CFH business within TradeTech performed well in 2019 and continues to grow by increasing customers and volumes and enters 2020 with a strong pipeline.

Following the challenging market movements in September and October, TradeTech changed its approach to market risk, in order to deliver a more sustainable and predictable revenue stream going forward. The nature of this business means there will always be some exposure to market conditions and volatility but TradeTech has changed its approach to cater for further diversification in its risk book, and reduced the potential for a significant negative impact on revenues in a specific period.

2020 has started strongly in all areas of the business. Our focus for 2020 will be on growth and sustainability of our revenues together with delivering synergies by merging certain functions across the various TradeTech businesses. TradeTech will also be aiming to optimise the efficiency of its balance sheet in order to enable release of cash currently tied up in the business.

Chief Financial Officer's review ¹

Overview

Playtech has delivered a strong financial performance driven by strength in its regulated B2B Gambling and B2C Gambling businesses. Total reported revenue increased by 23%, Adjusted EBITDA increased by 11%. On a constant currency basis, revenue increased by 23%, Adjusted EBITDA increased by 11%. Reported EBITDA increased by 16% to €335.3 million (2018: €289.9 million).

The growth in revenue and Adjusted EBITDA was driven by the inclusion of Snaitech results for the entire period (only consolidated from 5 June in 2018), in addition to Snai underlying growth, as well as growth from our Core B2B Regulated Gambling revenues. Regulated B2B Gambling revenue grew 16% on a constant currency basis, while Unregulated B2B Gambling declined 27% at constant currency largely driven by a 39% decline in revenues from Asia. 2019 Adjusted EBITDA includes the adoption of IFRS 16, which had the net impact of increasing Adjusted EBITDA by €23.2 million.

Adjusted profit before tax from continuing operations decreased by 49% to €133.0 million (2018: €259.8 million). Reported profit before tax from continuing operations was €13.2 million, a 90% decrease compared to a reported net profit of €128.1 million in 2018 and when including discontinued operations and tax, the group suffered a net loss of €19.6 million for 2019. The Group's Adjusted profit before tax from continuing operations fell despite Adjusted EBITDA growth, largely due to increased depreciation, amortisation, interest costs and taxation following the Snaitech acquisition as well as increased Group finance costs arising on bond loans in addition to significant gains from dividends and disposal of the equity investments in 2018. Impairment of intangible assets of the Markets and Alpha CGUs amounting to €90.1 million and Casual CGU amounting to €23.7 million (which has been recognised in the discontinued operations) are the main reasons for the reported net loss in the year. This is more than the offset the release of contingent consideration of Alpha amounting to €72.6 million.

Snaitech's adjusted EBITDA was €162.4 million in the year (2018: €93.0 million), the increase is mainly since 2019 includes a full year of Snai activity, compared to 7 months in 2018, since its acquisition in June 2018. In addition, Snaitech had a very strong performance with significant growth in underlying Net Profit and Adjusted EBITDA, on a pro forma basis², when excluding impact of increased taxation from legislative changes in 2019. Driven by Snaitech and the Core B2B Gambling growth, regulated revenue accounted for 88% of Group revenues in 2019 (2018: 80%).

During 2019, Playtech raised €350 million senior secured notes maturing in 2026. The proceeds from the notes were used to repay the €297 million convertible bond which matured in November 2019, as well as for general corporate purposes. Playtech continues to have a very strong balance sheet with cash and cash equivalents of €671.5 million as at 31 December 2019. Adjusted Gross cash, which excludes the cash held on behalf of clients, progressive jackpot and security deposits, was €333.2 million at the end of 2019 (2018: €312.7 million). Owing to the Group's strong cash generation, management will increase shareholder distributions versus 2018, split into a dividend and share buyback.

Group Summary³

Group Revenue	2019 €m	2018 €m	Change	Constant Currency Change
B2B Gambling	553.9	566.0	-2%	-3%
B2C Gambling	900.5	578.1	56%	56%
Intercompany	(13.9)	(11.7)	19%	18%
Total Gambling	1,440.5	1,132.4	27%	27%
Financial	67.9	92.9	-27%	-30%
Total Group Revenue	1,508.4	1,225.3	23%	22%

	2019	2018
	€m	€m
Total Group Revenue	1,508.4	1,225.3
Adjusted Costs	1,125.3	880.2
Adjusted EBITDA	383.1	345.1
Reconciliation from EBITDA to Adjusted EBITDA:		
EBITDA	335.3	289.9
Employee stock option expenses	18.1	13.7
Professional fees on acquisitions	1.9	27.1
Cost of fundamental business reorganisation	-	2.4
Additional consideration payable in respect of redemption liabilities	10.2	(2.4)
Amendment to contingent consideration	6.3	1.7
Effect from the amendment on the terms of Sun contract back dated (Reversal)/provision for other receivables	6.4	-
Impairment of investment in equity-accounted associates and non current assets	(0.2)	5.6
Gain from disposal of equity-accounted associates	5.1	8.0
Gain from disposal of equity-accounted associates	-	(0.9)
Adjusted EBITDA	383.1	345.1
Adjusted EBITDA margin	25%	28%
Adjusted EBITDA on a constant currency basis	381.6	345.1
Adjusted EBITDA margin on a constant currency basis	25%	28%
EBITDA related to acquisitions at constant currency	(154.7)	(88.0)
Underlying Adjusted EBITDA on a constant currency basis	226.9	257.1
Underlying Adjusted EBITDA margin on a constant currency basis	15%	21%

Total Group revenue increased by 23% to €1,508.4 million (2018: €1,225.3 million) and by 22% on a constant currency basis, with underlying revenue, after excluding acquisitions made in 2018 and 2019, and at constant currency, decreasing by 6%.

Key adjusting items when arriving at Adjusted EBITDA include the removal of additional consideration payable for the acquisition of BGT and the effect from the amendment of the terms of the Sun contract which relates to our Sun Bingo business, namely the amendment of our contract with News UK and the impact on the statement of comprehensive income, assuming that this had been in effect from the beginning of the year, which is discussed in detail below.

2019 EBITDA and Adjusted EBITDA include the adoption of IFRS 16, which had the impact of increasing EBITDA by €23.2 million and Adjusted EBITDA by €23.2 million. This is the amount of rent expense under IFRS 16, less the amount of capitalised development costs which related to rent in the method used before the adoption of IFRS 16.⁴ The table below shows the impact broken down by division:

	2019
	€m
B2B Gambling	14.8
B2C Gambling – Snaitech	4.9
B2C Gambling – Other components	1.5
TradeTech	2.0
IFRS 16 impact on Group Adjusted EBITDA	23.2

B2B Gambling

	2019 €m	2018 €m	Change
B2B Gambling Revenue*	553.9	566.0	-2%
Research and development	80.9	80.3	1%
Operations	181.2	151.1	20%
Administrative	57.4	62.1	-8%
Sales and marketing	19.6	20.0	-2%
B2B Gambling Costs	339.1	313.5	8%
B2B Gambling Adjusted EBITDA	214.8	252.5	-15%

**To reflect the underlying activity of the B2B Gambling division, B2B revenues include the software and services charges generated from the relevant B2C activity with fellow group companies, which is then eliminated to show the consolidated gambling division revenues.*

B2B Gambling revenue

B2B Gambling revenue decreased by 2% largely due to a 38% decline in revenues from Asia, which was offset by strong revenue growth of 17% in regulated revenues, mainly in Sport, which enjoyed an increase in sales of hardware amounting to €56.2 million. Within regulated revenues, revenue from rest of the world increased by 32%, predominantly from Caliente with the UK and the rest of Europe increasing by 17% and 14%, accordingly, mainly from Sport.

B2B Gambling Costs

Research and development (“R&D”) costs include, among others, employee related costs, dedicated teams direct expenses and proportional office and expenses. Expensed R&D costs increased in 2019 by 1% to €80.9 million. Capitalised development costs were 37% of total B2B Gambling R&D costs in the period, compared to 37% in 2018. The adoption of IFRS 16 accounting requirements, resulted in cost reduction of €2.7 million when compared to 2018, which is the amount of rent expense capitalised under IFRS 16, less the amount of capitalised development costs which related to rent in the method used before the adoption of IFRS 16.⁴

The operations cost line includes employee related costs and their direct expenses, operational marketing cost, hosting, license fees paid to third parties, branded content, terminal hardware cost & maintenance, feeds, chat moderators and proportional office cost. Operations costs increased by 20% to €181.2 million in 2019. The increase is mainly due to cost of hardware sold in Sports and when excluding this cost, operational costs would have remained flat compared to 2018. When excluding the impact of IFRS 16, which totaled €6.9 million, operations costs increased by 15% versus 2018 mainly due to a rise in employee related costs and brand and content fees.

Administrative costs decreased by 8% to €57.4 million mainly due to a significant decrease in employee related costs through tighter internal cost control. Excluding the impact of IFRS 16, which totaled €4.7 million, administrative costs were flat versus 2018.

Sales and marketing cost mainly include employee related cost, their direct expenses, marketing and exhibition costs. Sales and marketing cost decreased by 2% to €19.6 million. The decrease is mainly due to a reduction in exhibition costs. Excluding any impact of IFRS 16, which totaled €0.5 million, sales and marketing costs were flat versus 2018.

B2B Gambling Adjusted EBITDA

B2B Gambling Adjusted EBITDA decreased by 15% to €214.8 million (2018: €252.5 million) mainly due to the fall in Casino revenues from Asia flowing through to EBITDA, which was offset by growth in sale of hardware in sport and growth in revenues from Europe (excluding the UK), and the Rest of the World (excluding Asia).

B2C Gambling

	2019 €m	2018 €m	Change
Snaitech	829.7	511.9	62%
White label (incl. Sun Bingo)	51.1	52.1	-2%
Retail Sport B2C	19.7	14.1	40%
B2C Gambling Revenue	900.5	578.1	56%
Snaitech	667.3	418.9	59%
White label (incl. Sun Bingo)	41.2	76.0	-46%
Retail Sport B2C	31.6	20.2	56%
B2C Gambling Costs	740.1	515.1	44%
B2C Gambling EBITDA	160.4	63.0	155%

Snaitech

On a pro forma basis, when comparing Snaitech numbers as if it were part of the Group for all 12 months in 2018, Snaitech revenues decreased by 7% to €829.7 million (2018: €894.6 million), driven by an 14% decrease in revenues from gaming machines. This decrease was driven by increases in taxation on gambling activities in Italy, introduced in January 2019, which negatively impacted revenue, partially offset by strong growth in online. Total online revenues increased by 21% driven by a 28% increase in online wagers, which is significant given the lack of football World Cup in 2019 when comparing against 2018. Excluding the increase in taxation, total revenues increased by 4%.

Snaitech operating costs for 2019 decreased by 9%, on a pro forma basis ², to €667.3 million (2018: €734.9 million). The fall in operating costs was largely due to the decrease in cost of services and the use of third party assets, which mainly comprises the reduction in distribution costs as a direct result of the reduction in revenues following the gaming taxation increase in Italy. Higher marketing costs related to the football World Cup in 2018 were also not required in 2019. Further, the impact of IFRS 16 totalled €4.9 million.

White label (including Sun Bingo)

Overall white label revenue decreased by 2%. This was driven by strong growth from Sun Bingo, offset by declines from other white label brands which have been significantly reduced as part of a housekeeping exercise where certain brands have been consolidated or ceased operating. When excluding Sun Bingo, white label costs fell by 52% versus 2018, largely due to the reduction in operational and marketing expenditure relating to other white label activity.

Adjusted Operating costs of the Sun Bingo activity decreased by 43% to €30.7 million (2018: €54.1 million) mainly due to the terms of the extended contract signed in 2019. Making 2019 the first year in which the Sun Bingo activity Adjusted EBITDA is positive with a €9.9 million profit (2018: €20.4 million loss). Details of the extension can be found below.⁵

Other White label costs decreased by 52% with total adjusted EBITDA loss decreasing by 97% to €0.01 million (2018: €3.4 million)

Retail Sport B2C

Retail Sport B2C revenues increased significantly from a low base, growing by 40% to €19.7 million (2018: €14.1 million). This was driven by an increase in HPYBET franchise shops in 2019 and 2019 includes full year revenue compared to 8 months for 2018.

Retail Sport B2C costs increased by 56% largely driven by an increase in the number of HPYBET shops, increase in marketing costs and also includes full year costs compared to last year. The impact of IFRS 16 on B2C Gambling excluding Snaitech was €1.4 million in 2019 and the majority of this relates to Retail Sport B2C.

TradeTech Group

TradeTech's revenue decreased by 27% in 2019. The decrease was driven by a lack of market volatility during the first quarter of 2019, together with some exceptional market-making movements during September and October 2019. Revenue from TradeTech's B2C activity decreased 45% during the year, representing the impact of the aforementioned market conditions and first full year of ESMA's product intervention measures.

TradeTech's cost of operations decreased by 5% in 2019, representing increases in R&D and sales and marketing costs, offset by reductions in operational and general and administrative costs.

Below EBITDA items

Depreciation and amortisation

Depreciation increased in 2019 by 21% to €51.5 million (2018: €42.6 million), mainly due to the acquisition of Snaitech which added a full year depreciation totaling €18.4 million in 2019, compared to only 7 months of depreciation totaling €9.8 million in 2018. Excluding acquisitions, underlying depreciation decreased by 4%.

Amortisation expense increased significantly by 74% to €106.1 million (2018: €60.9 million), largely due to the acquisition of Snaitech and the €19.2 million impact of IFRS 16. Excluding the amortisation within acquisitions and effect of IFRS16, amortisation increased by 26% to €51.5 million in line with the increase in capitalised development costs.

Finance costs and income

Adjusted finance costs increased by 31% to €53.0 million. The increase was driven by a €14.3 million rise in accrued interest relating to bond loans, of which €21.2 million relates to the interest on the €530 million bond Playtech raised in October 2018 and €12.7 million relates to the €350 million bond raised in February 2019. Additionally, €2.5 million which relates to Playtech's revolving credit facility and there was a €5.0 million rise in bank fees due to the annualisation of Snaitech's bank fees. The impact of IFRS 16 was a €6.2 million increase to finance costs. On a reported basis, finance costs increased by 8% to €64.2 million (2018: €59.4 million).

Reported finance income increased by 79% to €83.3 million (2018: €46.6 million) while adjusted finance income decreased by 91% to €3.2 million (2018: €36.4 million), driven by the 100% fall in dividend income given the disposal of equity investments in Plus500 and GVC in 2018. This was partially offset by a 33% increase in interest income to €3.2 million (2018: €2.4 million).

Tax

The Group's underlying adjusted current effective tax rate of 14% (2018:10%) is impacted by the geographic mix of profits and reflects a combination of higher headline rates of tax in the various jurisdictions in which the Group operates when compared with the Isle of Man standard rate of corporation tax of 0%.

The total adjusted tax charge in 2019 was €43.9 million (2018: €35.1 million) of which €27.0million (2018: €25.9million) relates to current tax expense. The increase is mainly due to the profits being recognised in higher taxing territories increasing Playtech's effective tax rate. Cash taxes paid in the

period are lower than the Income Statement taxes mainly due to the tax loss carry forwards available in Italy.

Discontinued Operation

On 22 November 2019, the Group announced that it was reviewing its Casual and Social Gaming Business. Prior to the year end the Board of Directors made the decision to dispose of Casual and Social Gaming Business. Accordingly, Casual and Social Gaming Business were classified as a disposal group held for sale and as a discontinued operation. The Adjusted EBITDA loss, related to Casual, has increased by 118% to €4.6 million (2018: €2.1 million). Adjusted net loss increased by 136% to €8.5 million (2018: €3.6 million) and reported net loss increased by 663% to €32.8 million (2018: €4.3 million) due to the recognition of an impairment loss of €23.7 million. The impairment loss has been applied to reduce the carrying amount of the intangible assets within the disposal group.

Adjusted profit and Adjusted EPS

	2019 €m	2018 €m
Profit from continuing operations attributable to the owners of the parent	13.2	128.1
Amortisation of intangibles on acquisitions	58.1	47.2
Gain from the disposal of equity-accounted associates	-	(0.9)
Impairment of investment in associate and other non-current assets	5.1	8.0
Employee stock option expenses	18.1	13.7
Professional fees on acquisitions	1.9	27.1
Additional consideration payable in respect of redemption liabilities	10.2	(2.4)
Cost of fundamental business reorganisation	-	2.4
Notional interest on convertible bonds	9.9	10.7
Deferred tax on acquisition	(13.7)	(9.8)
Movement in contingent consideration and redemption liability	(80.1)	(1.9)
Finance costs on acquisitions	1.5	8.5
Fair value change of equity investments	0.3	1.7
Tax relating to prior years	4.1	28.4
Gain on the early repayment of the bond	-	(8.4)
Amendment to contingent consideration (Reversal)/provision for other receivables	6.3	1.7
	(0.2)	5.6
Effect from the amendments on the terms of Sun contract back dated	6.4	-
Impairment of right of use of asset	0.8	-
Impairment of tangible and intangible assets	91.1	-
Adjusted Profit for continuing operations	133.0	259.7
Adjusted basic EPS (in Euro cents)	44.1	82.4
Adjusted diluted EPS (in Euro cents)	43.2	73.9
Constant currency impact	0.2	4.6
Adjusted profit for the year attributable to owners of parent on constant currency	133.2	264.3
Adjusted Net Profit on constant currency related to acquisitions	(44.4)	(35.6)
Underlying adjusted profit for the year - attributable to owners of the parent	88.8	228.7

Reported EPS from continuing activity decreased by 89%, in line with the decrease in net profit. Adjusted diluted EPS decreased by 42% and the underlying Adjusted diluted EPS on a constant currency basis excluding acquisitions decreased by 56% compared to 2018. Adjusted diluted EPS is calculated using a weighted average number of shares in issue during 2019 of 308.0 million, which includes a weighted average number of 301.8 million equity shares.

Cashflow

Playtech continues to be cash generative and delivered operating cash flows of €317.1 million from continuing operations, with adjusted cash conversion of 83%.

Cash conversion

	2019 €m	2018 €m
Adjusted EBITDA	383.1	345.1
Net cash provided by operating activities	317.1	384.9
Cash conversion	83%	112%
Change in jackpot balances	(9.6)	(4.2)
Change in client deposits and client equity	(22.0)	(70.1)
One-off tax payment	28.0	-
Dividends payable	(0.3)	(4.3)
Professional expenses on acquisitions	1.9	27.1
Finance costs on acquisitions	1.5	8.5
ADM security deposit	(17.1)	-
Adjusted net cash provided by operating activities	299.5	341.9
Adjusted cash conversion	78%	99%

Adjusted cash conversion is shown after adjusting for jackpots, security deposits and client equity, payable dividend and professional and finance costs on acquisitions. Adjusting the above cash fluctuations is essential in order to truly reflect the quality of revenue and cash collection. This is because the timing of cash inflows and outflows for jackpots, security deposits, client equity and payable dividend only impacts the reported operating cashflow and not EBITDA, while professional expenses and finance costs relating to acquisitions are excluded from adjusted EBITDA but impact operating cashflow.

The decrease in net cash provided by operating activities is largely due to the fall in contribution from Asia, as well as the €28.0 million one-off cash payment made to the Israeli government for the settlement of additional tax relating to the Group's activities in Israel for the years 2008 to 2017 inclusive, which was provided for in 2018, this was offset by a decrease in DSO to 51 days (2018: 58). Following the necessary adjustments, adjusted cash conversion is 78% (2018:99%) which the Group believes is a true representation of cash collection in the period.

The adjusted net cash provided by operating activities excluded the security deposit repayment from Italy's online betting and gaming regulator (ADM) for 2019 and 2018. The adjusted net cash provided by operating activities includes certain notable working capital movements: during 2019, the Group received £30.0 million relating to amounts due in respect of the early settlement of the marketing services agreement with Ladbrokes as disclosed in the 2016 annual report. This is offset by the payment in the period of amounts accrued as payable under the Sun Bingo contract of £31.5 million.

Net cash outflows used in investing activities totaled €200.9 million in the period compared to a net inflow of €49.2 million in 2018. The net inflow in 2018 is mainly due to €481.1 million from proceeds of disposing the investments in Plus500 and GVC. Out of the net cash outflow in 2019, €47.3 million relates to consideration paid in relation to previous acquisitions of subsidiaries, €61.4 million was used in the acquisition of property, plant and equipment and a further €24.3 million on the acquisition of intangible assets. A further €65.5 million (2018: €58.3 million) was spent on capitalised development costs. €5 million was received during 2019 as part of an agreement for the disposal of real estate located in Milan. An additional €50 million to be received on completion, which is expected to be in H1 2020, subject to certain conditions.

Net cash outflows used in financing activities totaled €69.3 million (2018: €393.6 million) which included €297 million repayment of the convertible bond, €65.1 million buyback of Playtech shares and dividends paid to owners of the parents of €55.5 million totaling in €120.6 million of shareholders return (2018: 113.3 million), payment of lease liability of €27.2 million, which is following the adoption of IFRS 16 interest payments on loans and bank borrowings totaled €29.5 million (2018: €22.1 million), with the increase driven by the full year effect of the bond raised in 2018 and the bond raised during the first half of 2019 as well as through the acquisition of Snaitech in 2018 and dividend payed to minority shareholders of €4.4 million. These outflows were net off by €345.7 million inflow from the issue of a bond net of issue costs and €63.9 million proceeds from bank borrowings.

Balance sheet and financing

Cash

As at 31 December 2019, cash and cash equivalents amounted to €671.5 million (31 December 2018: €622.2 million). Cash net of client funds, progressive jackpot and security deposits amounted to €333.2 million (31 December 2018: €312.7 million).

Financing

In March 2019 the Group raised €350 million 7-year senior secured fixed rate notes (4.25% coupon, maturity 2026). The net proceeds of the bond were used to fully repay the €297 million convertible bond which matured in H2 2019, and for general corporate purposes, including payment of contingent consideration.

In November 2019 the group signed an amendment to its previous RCF, increasing it to €317 million and extending its term to an additional 4 years, ending in November 2023, with a one-year extension option. As at 31 December 2019 the facility has a drawn amount of €63.9 million (2018: €0).

In October 2018 the Group raised a €530 million bond (3.75% coupon, maturity 2023), mainly to refinance the old Snaitech bonds which had less favorable terms.

Total gross debt at the end of 2019 is €935.6 million (2018: €811.1 million) and €602.4 million (2018: €498.4 million) of net debt, after deducting adjusted gross cash.

Contingent consideration

Contingent consideration and redemption liability decreased by €97.7 million versus 31 December 2019 due to the payments of the CFH, Rarestone and Quickspin liabilities and reduction of the expected final payments relating to the acquisitions of Tradetech Alpha (ACM Group) and HPYbet Austria GmbH offset by movement in Playtech BGT Sports and the addition of contingent consideration resulting from the joint venture with Wplay. The existing liability as at 31 December 2019 comprised the following:

Acquisition	Contingent consideration and redemption liability as of 31.12.2019	Maximum payable earnout	Payment date
ACM Group	-	€129.2 million	Q3 2020
Playtech BGT Sports Ltd	€36.9 million	€95.0 million	Q2 2020
HPYbet Austria GmbH	-	€15.0 million	Q2 2021
Rarestone Gaming PTY Ltd	€3.8 million	€4.1 million	€1.3 million Q4 2020 €2.5 million Q1 2021
Bet Buddy	€1.4 million	€1.4 million	Q4 2020
GenWeb	€2.5 million	€2.5 million	Q1 2020

Eyecon Limited	-	€26.4 million	Q2 2021
WPlay	€16.1million	21.2 million	€16.1 million Q3 2020 €5.1 million Q1 2021
Other	€0.4 million	€0.4 million	
Total	€61.1 million	€295.2 million	

Shareholders return

In order to maximise the efficiency of shareholder returns the Board believes returns should be balanced between dividends and share buybacks. It is the Board's intention that the overall level of capital returned to shareholders will continue to be progressive, in line with medium term earnings and cash flows. The Board has approved a share repurchase programme of €40 million and a final dividend declared of 12.0 €c per share. For shareholders wishing to receive their dividends in Sterling, the last date for currency elections is 8 May 2020.

Dividend timetable:

Ex-dividend date:	Thursday 30 April 2020
Record date for dividend:	Friday 1 May 2020
Currency election date:	Friday 8 May 2020
Payment date:	Friday 29 May 2020

Playtech has entered into an irrevocable, non-discretionary arrangement with Goodbody Stockbrokers UC ("Goodbody") for Goodbody to repurchase shares on its behalf of up to €40.0 million ("Maximum Repurchase Amount") on the London Stock Exchange. The share repurchase programme will commence tomorrow (28 February 2020), subject to market conditions, and will end on the date on which the Maximum Repurchase Amount is reached or the trading day immediately preceding the date of the Company's annual general meeting to be held in 2020, whichever is earliest. Goodbody will make their trading decisions in relation to Playtech's ordinary shares independently of, and uninfluenced by, Playtech.

The share buyback programme will be conducted in accordance with Playtech's general authority to repurchase ordinary shares as approved by shareholders at its 2019 annual general meeting held on 15 May 2019 ("Buyback Authority"), the parameters prescribed by the Market Abuse Regulation 596/2014/EU and the applicable laws and regulations of the London Stock Exchange.

The maximum number of ordinary shares permitted to be repurchased by the Company pursuant to the existing Buyback Authority is 25,683,102 ordinary shares. Ordinary shares acquired by the Company will be held in treasury. The purpose of the share repurchase programme is to reduce the Company's share capital.

Details of any ordinary shares repurchased will be announced by Playtech via a Regulatory Information Service following any repurchase.

¹ *Adjusted numbers relate to certain non-cash and one-off items including amortisation of intangibles on acquisitions, impairment of tangibles, intangibles and right of use assets, professional costs on acquisitions, finance costs on acquisitions, changes in deferred and contingent consideration, employee stock option scheme charges, deferred tax on acquisitions, unrealised changes in fair value of equity investments recognised in the period statement of comprehensive income, non-cash accrued bond interest, additional various non-cash charges, and in regard to the Sun Bingo contract an adjustment is made for the first seven weeks of H1 2019 prior to the renegotiation in February to show the effect as if the amendment to the contract with News UK had been in place from the beginning of the 2019 financial year. The Board of Directors believes that the adjusted profit, which includes realised fair value changes recognised in the statement of comprehensive income in the period on equity investments disposed of in the period, represents more closely the consistent trading performance of the business. A full reconciliation between the actual and adjusted results is provided in Note 10 of the financial statements. Given the fluctuations in exchange rates in the period, the underlying results are presented in respect of the above adjustments after excluding acquisitions and on a constant currency basis, to best represent the trading performance and results of the Group.

² 'Pro forma basis' denotes the basis that we are comparing Snaitech's performance in 2019 with its performance for the full period of 2018, which allows for a like for like comparison, rather than comparing the year with only the period in 2018 after its consolidation to the Group from 5 June 2018.

³ Totals in tables throughout this statement may not exactly equal the components of the total due to rounding.

⁴ Refer to Note 4 to the financial statements for details of IFRS 16.

⁵ An amendment to our contract with News UK to run Sun Bingo was agreed and extended for a period of up to 15 years. Minimum guarantee cash payments will continue until mid-2021 under terms of original contract. From a Statement of Comprehensive Income perspective, the minimum guarantee payments will be spread over life of the extended contract. The extended contract is a joint commercial collaboration with no further minimum guarantees from mid-2021.

⁴ Adjusted Net Profit refers to the Profit Attributable to the owners of the parent

Emerging risks, principal risks and uncertainties

▪ Regulation – Licensing requirements (both Gambling and Financials divisions)

Playtech holds several licences for its activities from regulators. The review and/or loss of all or any of these licences may adversely impact on the operations, revenues and/or reputation of the Group.

▪ Regulation – Local Technical Regulatory Requirements (both Gambling and Financials divisions)

Local regulators have their own specific requirements, which often vary on a country to country basis. In addition, new requirements may be imposed. For example, a requirement to locate significant technical infrastructure within the relevant territory or to establish and maintain real-time data interfaces with the regulator. Such conditions present operational challenges and may prohibit the ability of licensees to offer the full range of the Group's products.

▪ Regulation – Data Protection (both Gambling and Financials divisions)

The EU General Data Protection Regulations (GDPR) came into force in May 2018. The GDPR applies to all organisations (whether acting as a data controller or data processor) that process personal data of EU based data subjects. In some circumstances, GDPR also applies to organisations that process personal data and are established exclusively outside the EU.

Playtech must comply with the GDPR as well as many other legal and regulatory obligations, including anti-money laundering, anti-bribery and corruption, responsible gambling, and ePrivacy. Failure to comply with these obligations could result in regulatory action, financial penalties, loss of licences to operate in certain jurisdictions. It could also impact Playtech's products and services and harm players, giving rise to significant liability.

To fully comply with GDPR, Playtech implements policies, procedures, processes, controls, systems, security measures and training across the group, to uphold all applicable legal, regulatory obligations and quality standards, and continuously reviews them to ensure they remain up to date.

Prior to the introduction of a full GDPR compliance programme in 2018, data protection reviews had commenced across EU-linked Playtech operations. Playtech's focus is now on maturing and enhancing its data protection programme. This will include increasing security and data protection training and awareness and improving internal processes and controls across all data processing departments.

GDPR will continue to challenge data controllers and processors across Europe. Playtech is making constant improvements to remain compliant with GDPR, and other applicable data processing regulations worldwide, as the global data protection regulatory landscape continues to evolve.

▪ Regulatory – Preventing Financial Crime (both Gambling and Financials divisions)

Policymakers in the EU and at national levels have taken steps to strengthen financial crime legislation covering Anti-Money Laundering (AML), such as the 5th AML(D), prevention of facilitation of tax evasion and Anti-Bribery and Corruption (ABC). Non-compliance could result in investigations, prosecutions, loss of licences and/or an adverse reputational impact.

▪ Taxation – Changes to tax rules (both Gambling and Financials divisions)

Given the international environment in which the group operates, the business is subject to continuously evolving rules and practices governing the taxation of the digital economy in various jurisdictions. As such, it is imperative to ensure compliance with all relevant tax regulations and requirements in each jurisdiction that Playtech operates. Specifically, the risk of challenge by tax authorities in respect of

transfer pricing has increased significantly for international groups that are IP rich. These risks could have a major impact on the business, such impact could ultimately increase the group's underlying effective tax rate and reduce profits available for distribution.

- **Mergers and Acquisitions (both Gambling and Financials divisions)**

Playtech has made a number of acquisitions in the past. Such acquisitions may not deliver the expected synergies and/or benefits and may diminish shareholder value if not integrated effectively or the opportunity executed successfully.

- **Key Employees (both Gambling and Financials divisions)**

The Group's future success depends in large part on the continued service of a broad leadership team including Executive Directors, senior managers and key personnel. The development and retention of these employees, along with the attraction and integration of new talent, cannot be guaranteed.

- **Cyber Crime and IT Security (both Gambling and Financials divisions)**

System downtime or a security breach, whether through cyber and distributed denial of service (DDoS) attacks or technology failure, could significantly affect the services offered to our licensees.

- **Business Continuity Planning (both Gambling and Financials divisions)**

Loss of revenue, reputational damage or breach of regulatory requirements may occur as a result of a business or location disruptive event.

- **Economic Environment (both Gambling and Financials divisions)**

A downturn in consumer discretionary spend or macroeconomic factors outside of Playtech's control could result in reduced spend by consumers on gambling and financial trading and the Group's revenues may fall. Playtech's customers and licensees are geographically diverse, which should mitigate reliance on any particular region. Management closely monitors business performance and if a downturn were to occur, remedial action commensurate with the nature and scale of the slowdown would be taken.

- **Global Diversification**

As Playtech plc continues to operate across multiple locations, servicing our clients in many markets across the globe. These operations bring with them significant opportunities for growth, however, as is well understood, globally diverse operations carry risk particularly as markets change.

- **Failure or disruption of supply chain**

Inability to supply services due to failure or disruption in global supply chains following large scale global events such as pandemics, political unrest, climate control etc. The current Corona Virus (COVID-19) may present potential risks to our supply chains should the situation worsen.

- **Large scale global events such as pandemics, political unrest, climate control**

Large scale global events such as pandemics, political unrest, climate control etc, have the potential to affect Playtech's key business markets particularly at live sporting events. The current Corona Virus (COVID-19) may present potential risks to our key business generating markets such as Asia and Italy.

Additional risks relating to the Gambling division:

- **Regulation – Safer Gambling**

Regulators, industry, charities and the public at large continue to scrutinise and challenge the gaming and betting sector to make gambling and gaming products safer, fairer and crime free. In addition, licensing requirements in regulated markets are regularly being reviewed and updated to ensure that companies in the sector provide a safe environment for consumers.

Additional risks relating to the Financials division:

- **Market exposure**

The fair value of financial assets and financial liabilities could adversely fluctuate due to movements in market prices of foreign exchange rates, commodity prices, equity and index prices.

- **Regulatory – Capital Adequacy**

The requirement to maintain adequate regulatory capital may affect the Group's ability to conduct its business and may reduce profitability.

- **Counterparty risk**

Extreme market movements in financial instruments over a very short period of time could result in the Group's financial counterparties incurring losses in excess of the funds in their account, and they may be unable to fund those losses.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Note	2019		2018	
		Actual €'000	Adjusted *€'000	Actual €'000 **Restated	Adjusted *€'000 **Restated
Continuing operations					
Revenue	9	1,508,448	1,508,448	1,225,307	1,225,307
Distribution costs before depreciation and amortisation		(1,008,020)	(1,001,118)	(779,436)	(774,422)
Administrative expenses before depreciation and amortisation		(150,280)	(114,010)	(155,927)	(105,736)
Impairment of financial assets		(14,890)	(10,254)	-	-
EBITDA		335,258	383,066	289,944	345,149
Depreciation and amortisation		(215,740)	(157,609)	(150,735)	(103,547)
Impairment of tangible and intangible assets		(91,899)	-	-	-
Finance income	12a	83,338	3,218	46,610	36,374
Finance cost	12b	(64,178)	(52,794)	(59,435)	(40,256)
Share of profit from joint ventures	18a	621	621	180	180
Share of profit/(loss) from associates	18b	1,020	1,020	(2,771)	(2,771)
Unrealised fair value changes on equity investments	19	(270)	-	(1,738)	-
Realised fair value changes on equity investments disposed	19	-	-	65,691	65,691
Profit before taxation		48,150	177,522	187,746	300,820
Tax expenses	13	(34,304)	(43,942)	(53,652)	(35,087)
Profit from continuing operations		13,846	133,580	134,094	265,733
Discontinued operation					
Loss from discontinued operation, net of tax	8	(32,814)	(8,450)	(4,315)	(3,584)
(Loss)/profit for the year - total		(18,968)	125,130	129,779	262,149
Other comprehensive income:					
<i>Items that are or may be classified subsequently to profit or loss:</i>					
Exchange gains arising on translation of foreign operations		6,733	6,733	19,348	19,348
<i>Items that will not be classified to profit or loss:</i>					
(Loss)/gain on re-measurement of employee termination indemnities		(334)	(334)	56	56
Total comprehensive (loss)/income for the year		(12,569)	131,529	149,183	281,553
(Loss)/profit for the year attributable to:					
Owners of the Company		(19,571)	124,527	123,809	256,179
Non-controlling interest		603	603	5,970	5,970
		(18,968)	125,130	129,779	262,149
Total comprehensive (loss)/income attributable to:					
Owners of the Company		(13,172)	130,926	144,412	276,782
Non-controlling interest		603	603	4,771	4,771
		(12,569)	131,529	149,183	281,553

Earnings per share attributable to the ordinary equity holders of the parent

Profit or loss

Basic (cents)	14	(6.5)	41.3	39.3	81.3
Diluted (cents)	14	(6.4)	40.4	38.4	72.9

Profit or loss from continuing operations

Basic (cents)	14	4.4	44.1	40.7	82.4
Diluted (cents)	14	4.3	43.2	39.7	73.9

*Adjusted numbers relate to certain non-cash and one-off items including amortisation of intangibles on acquisitions, impairment of tangibles, intangibles and right of use assets, professional costs on acquisitions, finance costs on acquisitions, changes in deferred and contingent consideration, employee stock option scheme charges, deferred tax on acquisitions, unrealised changes in fair value of equity investments recognised in the period statement of comprehensive income, non-cash accrued bond interest, additional various non-cash charges, and in regard to the Sun Bingo contract an adjustment is made for the first seven weeks of H1 2019 prior to the renegotiation in February to show the effect as if the amendment to the contract with News UK had been in place from the beginning of the 2019 financial year. The Board of Directors believes that the adjusted profit, which includes realised fair value changes recognised in the statement of comprehensive income in the period on equity investments disposed of in the period, represents more closely the consistent trading performance of the business. A full reconciliation between the actual and adjusted results is provided in Note 10.

** Comparative information has been re-presented due to a discontinued operation, see Note 8.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Additional paid in capital €'000	Re- measure ment of employe e terminati on indemniti es €'000	Retained earnings €'000	Employee benefit trust €'000	Convertible bond option reserve €'000	Put/Call options reserve €'000	Foreign exchange reserve €'000	Total attributable to equity holders of parent €'000	Non- controlling interest €'000	Total equity €'000
Balance at 1 January 2019	627,764	56	726,333	(17,863)	45,392	(30,820)	(8,153)	1,342,709	7,797	1,350,506
Adjustment on the initial application of IFRS 16	-	-	(7,426)	-	-	-	-	(7,426)	-	(7,426)
Adjusted balance at 1 January 2019	627,764	56	718,907	(17,863)	45,392	(30,820)	(8,153)	1,335,283	7,797	1,343,080
Total comprehensive income for the period										
(Loss)/profit for the year	-	-	(19,571)	-	-	-	-	(19,571)	603	(18,968)
Other comprehensive income/(loss) for the year	-	(334)	-	-	-	-	6,733	6,399	-	6,399
Total comprehensive income / (loss) for the year	-	(334)	(19,571)	-	-	-	6,733	(13,172)	603	(12,569)
Transactions with the owners of the Company										
Contributions and distributions										
Dividend paid	-	-	(55,545)	-	-	-	-	(55,545)	(4,412)	(59,957)
Exercise of options	-	-	(1,803)	1,688	-	-	-	(115)	43	(72)
Employee stock option scheme	-	-	18,102	-	-	-	-	18,102	-	18,102
Redemption of convertible bond	-	-	45,392	-	(45,392)	-	-	-	-	-
Share buyback	(26,810)	-	(38,322)	-	-	-	-	(65,132)	-	(65,132)
Total contributions and distributions	(26,810)	-	(32,176)	1,688	(45,392)	-	-	(102,690)	(4,369)	(107,059)
Change in ownership interests										
Acquisition of non-controlling interest	-	-	(7,358)	-	-	14,444	-	7,086	(8,332)	(1,246)
Total changes in ownership interests	-	-	(7,358)	-	-	14,444	-	7,086	(8,332)	(1,246)
Total transactions with owners of the Company	(26,810)	-	(39,534)	1,688	(45,392)	14,444	-	(95,604)	(12,701)	(108,305)
Balance at 31 December 2019	600,954	(278)	659,802	(16,175)	-	(16,376)	(1,420)	1,226,507	(4,301)	1,222,206

Adjusted balance at 1 January 2018	627,764	-	752,754	(21,644)	45,392	(31,293)	(28,700)	1,344,273	14,179	1,358,452
Total comprehensive income for the year										
Profit for the year	-	-	123,809	-	-	-	-	123,809	5,970	129,779
Other comprehensive income/(loss) for the year	-	56	-	-	-	-	20,547	20,603	(1,199)	19,404
Total comprehensive income / (loss) for the year	-	56	123,809	-	-	-	20,547	144,412	4,771	149,183
Transactions with the owners of the Company										
Contributions and distributions										
Dividend paid	-	-	(113,288)	-	-	-	-	(113,288)	-	(113,288)
Exercise of options	-	-	(4,246)	3,781	-	-	-	(465)	-	(465)
Employee stock option scheme	-	-	13,533	-	-	-	-	13,533	191	13,724
Total Contributions and distributions	-	-	(104,001)	3,781	-	-	-	(100,220)	191	(100,029)
Changes in ownership interests										
Acquisition of non-controlling interest	-	-	(46,229)	-	-	473	-	(45,756)	(41,176)	(86,932)
Non-controlling interest acquired on business combination	-	-	-	-	-	-	-	-	29,832	29,832
Total changes in ownership interests	-	-	(46,229)	-	-	473	-	(45,756)	(11,344)	(57,100)
Total transactions with owners of the Company	-	-	(150,230)	3,781	-	473	-	(145,976)	(11,153)	(157,129)
Balance at 31 December 2018	627,764	56	726,333	(17,863)	45,392	(30,820)	(8,153)	1,342,709	7,797	1,350,506

**CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2019**

	Note	2019 €'000	2018 €'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	375,905	410,088
Right of use assets	4	74,659	-
Intangible assets	17	1,499,869	1,644,133
Investments in associates and joint ventures	18	52,265	29,641
Investments held at fair value	19	1,130	1,400
Trade receivables	21	13,600	
Other non-current assets	20	37,950	15,942
		2,055,378	2,101,204
CURRENT ASSETS			
Trade receivables	21	192,844	209,854
Other receivables	22	141,154	160,473
Cash and cash equivalents	23	671,540	622,197
		1,005,538	992,524
Assets classified as held for sale	24	36,798	-
TOTAL ASSETS		3,097,714	3,093,728
EQUITY			
Additional paid in capital	25	600,954	627,764
Re-measurement of employee termination indemnities		(278)	56
Employee benefit trust	25	(16,175)	(17,863)
Convertible bonds option reserve		-	45,392
Put/Call options reserve		(16,376)	(30,820)
Foreign exchange reserve		(1,420)	(8,153)
Retained earnings		659,802	726,333
Equity attributable to equity holders of the parent		1,226,507	1,342,709
Non-controlling interest		(4,301)	7,797
TOTAL EQUITY		1,222,206	1,350,506
NON CURRENT LIABILITIES			
Loans and borrowings	26	64,396	206
Bonds	27	871,190	523,706
Lease liability	4	65,274	-
Deferred revenues		2,332	3,742
Deferred tax liability	31	78,338	73,392
Contingent consideration and redemption liability	29	2,520	110,523
Other non current liabilities	32	14,244	14,081
		1,098,294	725,650
Liabilities directly associated with assets classified as held for sale	24	3,595	-
CURRENT LIABILITIES			
Loans and borrowings	26	206	489
Bonds	27	-	287,149
Trade payables	30	62,420	73,585
Lease liability	4	25,515	-
Progressive operators' jackpots and security deposits		98,152	88,601
Client deposits		113,879	116,656
Client funds		126,309	104,200
Corporate, gaming and other taxes payable	33	120,307	144,905
Deferred revenues		6,857	3,875
Contingent consideration and redemption liability	29	58,605	48,316
Provisions for risks and charges	28	19,508	12,095

Other payables	32	141,861	137,701
		773,619	1,017,572
TOTAL LIABILITIES		1,875,508	1,743,222
TOTAL EQUITY AND LIABILITIES		3,097,714	3,093,728

The financial information was approved by the Board and authorised for issue on 26 February 2020.

Mor Weizer

Andrew Smith

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Note	2019 €'000	2018 €'000
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit for the year		(18,968)	129,779
Adjustment to reconcile net income to net cash provided by operating activities (see below)		389,699	285,643
Net taxes paid		(49,793)	(28,290)
Net cash provided by operating activities		320,938	387,132
CASH FLOWS FROM INVESTING ACTIVITIES			
Loans and deposits (paid)/repaid		(1,424)	9,055
Acquisition of property, plant and equipment		(61,384)	(54,980)
Return on investment in joint ventures and associates	18a, 18b	699	1,027
Acquisition of intangible assets		(24,320)	(5,161)
Acquisition of subsidiaries		(47,259)	(362,753)
Cash of subsidiaries on acquisition		1,039	161,129
Capitalised development costs		(65,529)	(58,297)
Acquisition of associates and joint ventures	18b, 18c	(6,453)	(1,830)
Proceeds from the sale of associates		-	3,969
Acquisition of equity investments	19	-	(37,890)
Proceeds from the sale of equity investments	19	-	447,194
Proceeds from sale of property, plant and equipment		973	788
Proceeds related to the asset held for sale		5,000	-
Return on equity investments	12a	-	33,927
Acquisition of non-controlling interest		(2,214)	(86,932)
Net cash (used in)/from investing activities		(200,872)	49,246
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid to the holders of the parent		(55,545)	(113,288)
Dividends paid to non-controlling interests		(4,412)	-
Interest paid on bonds and bank borrowing		(29,509)	(22,137)
Exercise of options		-	(465)
Issue of bond loans, net of issue costs	27	345,672	523,417
Share buyback		(65,132)	-
Repayment of bond loans	27	(297,000)	(580,605)
Repayment of loans and borrowings		-	(200,481)
Proceeds from loans and borrowings		63,906	-
Payment of lease liability		(27,230)	-
Net cash used in financing activities		(69,250)	(393,559)
INCREASE IN CASH AND CASH EQUIVALENTS		50,816	42,819
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		622,197	583,957
Exchange gain/(losses) on cash and cash equivalents		1,173	(4,579)
CASH AND CASH EQUIVALENTS AT END OF YEAR		674,186	622,197

Cash and cash equivalent consists of :			
Cash and cash equivalent - continuing operations	23	671,540	622,197
Cash and cash equivalent treated as held for sale	24	2,646	-
		674,186	622,197

		2019	2018
		€'000	€'000
ADJUSTMENT TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Income and expenses not affecting operating cash flows:			
Depreciation on property, plant and equipment		51,585	42,688
Amortisation of intangible assets		148,506	110,178
Amortisation of right of use assets		22,096	-
Share of profit from joint ventures	18a	(621)	(180)
Share of (profit)/loss from equity accounted associates	18b	(1,020)	2,771
Non- cash transaction (see below)		-	(74,938)
Impairment of other non-current assets		4,432	6,367
Impairment of investment in associates	18b	443	4,623
Impairment of right of use assets	4	827	-
Impairment of property, plant and equipment	16	895	-
Impairment of intangible assets	17	113,863	-
Changes in fair value of equity investments		270	1,738
Interest on bond loans and other interest expense		35,863	28,152
Interest on convertible bonds		9,851	10,685
Interest on lease liability		6,280	-
Income tax expense		35,339	53,643
Employee stock option plan expenses		18,102	13,724
Movement in contingent consideration and redemption liability		(69,940)	(7,443)
Return on equity investments		-	(33,927)
Exchange losses on cash and cash equivalents		(1,173)	4,579
Other		90	72
Changes in operating assets and liabilities:			
Change in trade receivables		2,442	(7,739)
Change in other receivables		(5,901)	14,447
Change in trade payables		(10,912)	18,217
Change in progressive, operators jackpot, security deposits		9,551	4,186
Change in client funds and deposits		22,046	70,083
Change in other payables		(12,200)	26,347
Change in provisions for risks and charges		7,413	(1,183)
Change in deferred revenues		1,572	(1,447)
		389,699	285,643

Acquisition of subsidiaries

	Note	2019	2018
		€'000	€'000
Acquisitions in the year			
A. Other acquisitions	34b	1,402	-
Acquisitions in previous years			
A. Acquisition of Seabrize Marketing Limited		-	20,000
B. Acquisition of Rarestone Gaming PTY Ltd		4,469	3,435
C. Acquisition of HPYBET Austria GmbH		-	15,358
D. Acquisition of Snaitech SpA		-	291,175

E. Acquisition of Piazza Hosting S.R.L.	-	6,500
F. Acquisition of ACM Group	3,420	1,673
G. Acquisition of Consolidated Financial Holdings A/A	21,979	-
H. Acquisition of Quickspin AB	14,345	-
I. Other acquisitions	1,644	24,612
	47,259	362,753

Cash of subsidiaries on acquisition

	Note	2019 €'000	2018 €'000
Acquisitions in the year			
A. Acquisition of Areascom SpA	34a	324	-
B. Other acquisitions		715	-
Acquisitions in previous years			
A. Acquisition of Seabrize Marketing Limited		-	173
B. Acquisition of Rarestone Gaming PTY Ltd		-	62
C. Acquisition of HPYBET Austria GmbH		-	2,538
D. Acquisition of Snaitech SpA		-	154,947
E. Acquisition of Piazza Hosting S.R.L.		-	395
F. Other acquisitions		-	3,014
		1,039	161,129

Non-cash transaction

	Note	2019 €'000	2018 €'000
Profit on disposal of equity-accounted associates		-	(897)
Profit on disposal of equity investments	19	-	(65,691)
Gain on early repayment of bond	27	-	(8,350)
		-	(74,938)

NOTE 1 – GENERAL

Playtech plc (the 'Company') is a company domiciled in the Isle of Man. The Company was incorporated in the British Virgin Islands as an offshore company with limited liability.

Playtech and its subsidiaries ('the Group') develop unified software platforms and provide services for the online and land based gambling industry, targeting online and land based operators. Playtech's gaming applications – online casino, online sport betting, poker, bingo, live gaming, land-based kiosk networks, land base sport betting terminals land based terminal and fixed-odds games – are fully inter-compatible and can be freely incorporated as stand-alone applications, accessed and funded by the operators' players through the same user account and managed by the operator by means of a single, powerful management interface. Since June 2018, through the acquisition of Snaitech, Playtech directly owns and operates a leading sports betting and gaming brand in online and retail in Italy, Snai, in addition to other online and retail B2C operations.

The Group's financial trading division, has four primary business models, being:

- B2C retail Contracts for difference ("CFD"), through www.markets.com where the group acts as the execution venue and the market-maker on a variety of instruments which fall under the general categories of Foreign exchanges, Commodities, Equities and indices;
- B2B clearing and execution services for other retail brokers and professional clients, through CFH, where the group acts as a matched-principal liquidity provider and straight through processes ("STPs") the trades to prime brokers and clearing houses such as BNP, Jeffries, UBS, Citi etc;
- B2B clearing and execution for other retail brokers, where the group acts as the execution venue and market-maker; and

- B2B technology and risk management services, where the group provides platform, CRM, reporting and risk-management technology to the retail broker market.

Where the Group acts as the execution venue, or provides execution services, these activities are undertaken in entities regulated by the UK's Financial Conduct Authority ("FCA"), the Australian Securities & Investments Commission ("ASIC"), the Cyprus Securities and Exchange Commission ("CySEC"), the British Virgin Islands' Financial Services Commission ("FSC"), and the South African Financial Sector Conduct Authority ("FSCA")."

NOTE 2 – BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as adopted by the European Union (EU).

Details of the Group's accounting policies are included in Note 5.

This is the first set of the Group's annual financial statements in which IFRS 16 Leases has been applied. The related changes to significant accounting policies are described in Note 4.

The Board of Directors has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

NOTE 3 – FUNCTIONAL AND PRESENTATION CURRENCY

These consolidated financial statements are presented in Euro, which is the parents's functional and presentation currency. The functional currency for subsidiaries includes Euro and United States Dollar. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

NOTE 4 – CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

The Group has adopted IFRS 16 Leases and IFRIC 23 uncertainty over income tax treatments with transition date 1 January 2019. Details of the impact these two standards have had given below. Other new amended standards and interpretations issued by IASB did not impact the Group as they are either not relevant to the Group's activities or require accounting which is consistent with the Group's current accounting policies.

IFRS 16 Leases ("IFRS 16")

As from 1 January 2019 (hereinafter: "the date of initial application") the Group applies IFRS16 which replaced IAS 17, Leases ("IAS 17" or "the previous standard").

The standard's instructions annul the existing requirement from lessees to classify leases as operating or finance leases. Instead, for lessees, the new standard presents a unified model for the accounting treatment of all leases according to which the lessee has to recognise a right-of-use asset and a lease liability in its financial statements for all the leases in which the Group has a right to control identified assets for a specified period of time. Nonetheless, IFRS 16 includes two exceptions to the general model whereby a lessee may elect to not apply the requirements for recognising a right-of-use asset and a liability with respect to short-term leases of up to one year and/or leases where the underlying asset has a low value. Accordingly, the Group recognises amortisation expenses in respect of a right-of-use asset, tests a right-of-use asset for impairment in accordance with IAS 36 Impairment of Assets and recognises financing expenses on a lease liability. Therefore, as from the date of initial application, lease payments relating to assets leased under an operating lease, which were presented as part of general and administrative expenses in the statement of comprehensive income, are capitalized to assets and written down as amortisation expenses. Until the date of application, the Group classified most of the leases in which it is the lessee as operating leases, since it did not substantially bear all the risks and rewards from the assets.

The Group elected to apply the standard using the modified retrospective approach, and measure for most contracts the right of use asset as though the standard had applied from the commencement date of the leases using the incremental borrowing rate of the lessee at the date of initial application calculated according to the average duration of the whole lease period, and recognise a liability at the present value of the balance of future lease payments discounted at its incremental borrowing rate with an adjustment to the balance of retained earnings as at 1 January 2019 and without a restatement of comparative data. For the remaining contracts, the Group elected to measure the right of use of asset in an amount equal to the lease liability. The Group measures the lease liability at the date of initial application as the present value of the remaining lease payments. The discount rate is the Group's incremental borrowing rate at that date for the remaining contracts as well.

Furthermore, as part of the initial application of the standard, the Group has chosen to apply the following expedients:

- (1) Not separating non-lease components from lease components and instead accounting for all the components as a single lease component;
- (2) Relying on a previous definition and/or assessment of whether an arrangement is a lease in accordance with current guidance with respect to agreements that exist at the date of initial application;
- (3) Relying on a previous assessment of whether a contract is onerous in accordance with IAS 37, at the transition date, as an alternative to instead of assessing impairment of right-of-use asset.
- (4) Excluding initial direct costs from measurement of the right-of-use asset at the date of initial application;
- (5) Using hindsight when determining the lease term if the contract includes an extension or termination option;

The table below presents the cumulative effects of the items affected by the initial application on the statement of financial position as at 1 January 2019:

Assets	€'000
Right of use asset	83,443
Total assets	83,443
Liabilities	
Non current lease liability	63,641
Current lease liability	27,228
Total liabilities	90,869
Total adjustment on equity:	
Retained earnings	7,426

In measurement of the lease liability, the Group discounted lease payments using the nominal incremental borrowing rate at 1 January 2019. The discount rates used to measure the lease liability range between 0.2% and 8.28% (weighted average of 4.15%). This range is affected by differences in the lease term, differences between asset groups, and so forth.

As a result of initially applying IFRS 16, the additional right-of-use asset and lease liability recognised as at 31 December 2019 are €74.7 million and €90.8 million respectively for continuing operations and €0.6 million and €0.6 million for discontinued operations.

Also, under IFRS 16 the Group has recognised amortisation and interest costs, instead of operating lease expense. During the year ended 31 December 2019, the Group recognised €19.2 million of additional amortisation charges and €6.2 million of additional interest costs from leases for continuing operations and €0.3 million of additional amortisation charges and €0.1 million of additional interest costs from leases for discontinued operation.

The table below shows the impact on the EBITDA as a result of the implementation of IFRS16.

2019	2018
-------------	-------------

	€'000	€'000
Continuing operations		
EBITDA reported	335,258	289,944
Impact of IFRS 16	(23,161)	-
	<u>312,097</u>	<u>289,944</u>

Set out below, are the carrying amount of the Group's right of use assets and lease liability and the movement during the year:

	<u>Right of use assets</u>		<u>Total</u>	<u>Lease liability</u>
	<u>Office rent</u>	<u>Hosting costs</u>		<u>Total</u>
	€'000	€'000	€'000	€'000
Continuing operations				
As at 1 January 2019	77,496	5,076	82,572	90,040
On business combination (note 34a)	3,765	-	3,765	4,170
New contracts/extension	11,465	5,239	16,704	16,704
Reclassification of lease incentive	-	-	(4,161)	-
Retirement of contract	(1,532)	(30)	(1,562)	(1,956)
Amortisation charge	(17,097)	(4,735)	(21,832)	-
Impairment	(827)	-	(827)	-
Interest expense	-	-	-	6,202
FX on lease liability	-	-	-	2,628
Payments	-	-	-	(26,999)
As at 31 December 2019	73,270	5,550	74,659	90,789

The table below explains the difference between the operating lease commitments that were disclosed under IAS 17 in the financial statements for the year ended 31 December 2018 discounted at the incremental borrowing rate at initial application, and the lease liability recognised in the statement of financial position on the date of initial application.

	€'000
Future Value of minimum lease payments as at 31 December 2018	160,277
Weighted average incremental borrowing rate as at 1 January 2019	4,15%
Discounted operating lease commitments as at 1 January 2019	132,253
Less:	
Commitments relating to variable amounts of leases that are not under IFRS 16	
Extension and termination not reasonably certain to be exercised and capitalized	(22,460)
Lease not recognised under IFRS16	(911)
Variable change	(23,091)
Add:	
Commitments relating to agreements which meet the definition of a lease as per IFRS16 but not under IAS 17	<u>5,078</u>

Presented hereunder are the main changes in accounting policies following the application of IFRS 16 as from 1 January 1 2019:

(1) Determining whether an arrangement contains a lease

On the inception date of the lease, the Group determines whether the arrangement is a lease or contains a lease, while examining if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. In its assessment of whether an arrangement conveys the right to control the use of an identified asset, the Group assesses whether it has the following two rights throughout the lease term:

- (a) The right to obtain substantially all the economic benefits from use of the identified asset; and
- (b) The right to direct the identified asset's use.

For lease contracts that contain non-lease components, such as services or maintenance, that are related to a lease component, the Group elected to account for the contract as a single lease component without separating the components.

(2) Leased assets and lease liabilities

Contracts that award the Group control over the use of a leased asset for a period of time in exchange for consideration, are accounted for as leases. Upon initial recognition, the Group recognises a liability at the present value of the balance of future lease payments (these payments do not include certain variable lease payments), and concurrently recognises a right of use asset at the same amount of the lease liability, plus initial direct costs incurred in respect of the lease.

Since the interest rate implicit in the Group's leases is not readily determinable, the incremental borrowing rate of the lessee is used. Subsequent to initial recognition, the right of use asset is accounted for using the cost model and depreciated over the shorter of the lease term or useful life of the asset.

The Group has elected to apply the practical expedient by which short-term leases of up to one year and/or leases in which the underlying asset has a low value, are accounted for such that lease payments are recognised in profit or loss on a straight-line basis, over the lease term, without recognising an asset and/or liability in the balance sheet.

(3) The lease terms

The lease term is the non-cancellable period of the lease plus periods covered by an extension or termination option if it is reasonably certain that the lessee will or will not exercise the option, respectively.

(4) Variable lease payments

Variable lease payments that depend on an index or a rate, are initially measured using the index or rate existing at the commencement of the lease and are included in the measurement of the lease liability. When the cash flows of future lease payments change as the result of a change in an index or a rate, the balance of the liability is adjusted against the right of use asset.

Other variable lease payments that are not included in the measurement of the lease liability are recognised in profit or loss in the period in which the event or condition that triggers payment occurs.

(5) Amortisation of right of use asset

After lease commencement, a right of use asset is measured on a cost basis less accumulated amortization and accumulated impairment losses and is adjusted for re-measurements of the lease liability. Amortization is calculated on a straight-line basis over the useful life or contractual lease period.

(6) Reassessment of lease liability

Upon the occurrence of a significant event or a significant change in circumstances that is under the control of the Group and had an effect on the decision whether it is reasonably certain that the Group will exercise an option, which was not included before in the lease term, or will not exercise an option, which was included before in the lease term, the Group re-measures the lease liability according to the revised leased payments using a new discount rate. The change in the carrying amount of the liability

is recognised against the right of use asset or recognised in profit or loss if the carrying amount of the right of use asset was reduced to zero.

(7) Lease modifications

When a lease modification increases the scope of the lease by adding a right to use one or more underlying assets, and the consideration for the lease increased by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the contract's circumstances, the Group accounts for the modification as a separate lease.

In all other cases, on the initial date of the lease modification, the Group allocates the consideration in the modified contract to the contract components, determines the revised lease term and measures the lease liability by discounting the revised lease payments using a revised discount rate.

For lease modifications that decrease the scope of the lease, the Group recognises a decrease in the carrying amount of the right of use asset in order to reflect the partial or full cancellation of the lease, and recognises in profit or loss a profit/loss that equals the difference between the decrease in the right of use asset and re-measurement of the lease liability.

For other lease modifications, the Group re-measures the lease liability against the right of use asset.

(8) Subleases

In leases in which the Group subleases the underlying asset, the Group examines whether the sublease is a finance lease or operating lease with respect to the right of use received from the head lease. The Group examined the subleases existing on the date of initial application based on the remaining contractual terms at that date.

(9) Sale and leaseback

The Group applies the requirements of IFRS 15 to determine whether an asset transfer is accounted for as a sale. If an asset transfer satisfies the requirements of IFRS 15 to be accounted for as a sale, the Group measures the right of use asset arising from the leaseback at the proportion of the previous carrying amount that relates to the right of use retained by the Group. Accordingly, the Group only recognises the amount of gain or loss that relates to the rights transferred. If the asset transfer does not satisfy the requirements of IFRS 15 to be accounted for as a sale, the Group continues to recognise the transferred asset and recognises a financial liability in accordance with IFRS 9, at an amount equal to the transferred proceeds.

IFRIC 23 uncertainty over income tax treatments ("IFRIC 23")

IFRIC 23 provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation requires:

- The Group to determine whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution;
- The Group to determine if it is probable that the tax authorities will accept the uncertain tax treatment; and
- If it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty. This measurement is required to be based on the assumption that each of the tax authorities will examine amounts they have a right to examine and have full knowledge of all related information when making those examinations.

The adoption of IFRIC 23 resulted in a €4.0 million increase in corporate tax liabilities, relating to the Group's transfer pricing structure. No adjustment at transition date, is charged in the current year. As such this should be there was no material impact from the adoption on the transition date

NOTE 5 – SIGNIFICANT ACCOUNTING POLICIES

The Group has consistently applied the following accounting policies to all periods presented in the consolidated financial statements, except if mentioned otherwise.

A. Basis of consolidation

i. Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the indefinable net assets acquired. Any goodwill arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

ii. Subsidiaries

Subsidiaries are entities controlled by the Group. The Group 'controls' an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

iii. Non-controlling interests (NCI)

NCI are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

iv. Interest in equity accounted investees

Where the Group has the power to participate in (but not control) the financial and operating policy decisions of another entity, it is classified as an associate or structured agreement, as appropriate.

Associates are all entities over which the group has significant influence but not control or joint control. This is generally the case where the group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting.

A structured arrangement is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights related to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

Equity accounted associates

Associates are initially recognised at cost. Subsequently associates are accounted for using the equity method, where the Group's share of post-acquisition profits or losses are recorded in the consolidated statement of comprehensive income (except for losses in excess of the Group's investment in the associate unless there is an obligation to make good those losses).

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

Structured arrangements

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

Structured agreements are initially recognised at cost and subsequently is considered for impairment. Where there is objective evidence that the investment in a structured agreement has been impaired the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

Joint arrangements

The Group is a party to a joint arrangement when there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the Group and at least one other party. Joint control is assessed under the same principles as control over subsidiaries.

The Group classifies its interests in joint arrangements as either:
Joint ventures – where the group has rights to only the net assets of the joint arrangement; or
Joint operations – where the group has rights to both the assets and obligations for the liabilities of the joint arrangement.

In assessing the classification of interests in joint arrangements, the Group considers:

- The structure of the joint arrangement;
- The legal form of joint arrangements structured through a separate vehicle;
- The contractual terms of the joint arrangement agreement; and
- Any other facts and circumstances (including any other contractual arrangements).

The Group accounts for its interests in joint ventures in the same manner as investment in equity accounted associates (i.e. using the equity method – refer above).

Any premium paid for an investment in a joint venture above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the investment in joint venture. Where there is objective evidence that the investment in a joint venture has been impaired the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

The Group accounts for its interests in joint operations by recognising its share of assets, liabilities, revenues and expenses in accordance with its contractually conferred rights and obligations.

v. Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

B. Foreign currency

i. Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss and presented within finance costs.

ii. Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into euro at the exchange rates at the reporting date. Revenue and expenses of foreign operations are translated into euro at the exchange rates at the dates of the transactions. Foreign currency differences are recognised in OCI and accumulated in the translation reserve, except to the extent that the translation difference is allocated to NCI.

C. Revenue recognition

The majority of the Group's revenue is derived from selling services with revenue recognised at a point in time when services have been delivered to the customer. Revenue comprises the fair value of the consideration received or receivable for the supply of services in the ordinary course of the Group's activities. Revenue is recognized when economic benefits are expected to flow the Group, where economic benefits are not expected to flow, revenue is not recognised. Specific criteria and performance obligations are described below for each of the Group's material revenue streams

Type of Service	Nature, timing of satisfaction of performance obligations and significant payment terms
B2B royalty income	<p>Royalty income relates to licensed technology and the provision of certain services provided via various distribution channels (online, mobile or land-based interfaces).</p> <p>Royalty income is based on the underlying gaming revenue earned by our licensees based on the contractual terms in place. Revenue is recognized when performance obligation is met which is when the gaming transaction occurs.</p>
B2B fixed-fee income	<p>Fixed-fee income includes revenue derived from the provision of certain services and licensed technology for which charges are based on a fixed-fee and stepped according to the monthly usage of the service/technology. The usage measurement is reset on a monthly basis.</p> <p>The performance obligation is met and revenue is recognised once the obligations under the contracts have been met. Where amounts are billed and obligations are not met, revenue is deferred.</p> <p>Amounts are billed on a monthly basis. Additional fees charged according to the usage of the service/technology are billed and recognized in the month that the services are provided.</p>
B2B cost based revenue	<p>Cost based revenue is the total revenue charged to the licensee based on the actual costs incurred from production and an additional percentage charged on top as a margin.</p> <p>Cost based revenues are recognised on delivery of the service.</p>
B2B revenue received from the sale of hardware	<p>Revenue received from the sale of hardware is the total revenue charged to customers upon the sale of each hardware product. The performance obligation is met and revenue is recognized on delivery of the hardware by the customer.</p>
B2C revenue	<p>In respect of B2C revenues, the Group acts as principal with the end customer, with specific revenue policies as follows:</p> <ul style="list-style-type: none"> <li data-bbox="858 1917 1391 2031">• The revenues from land based gaming machines are recognised net of the winnings, jackpots and certain flat-rate gaming tax.

	<ul style="list-style-type: none"> • The revenue from Online gaming (games of skill/casino/bingo) are recognised net of the winnings, jackpots, bonuses and certain flat-rate gaming tax. • The revenues related to the acceptance of fixed odds bets are considered financial instruments under IFRS 9 and are recognised net of certain flat-rate gaming tax , winnings, bonuses and the fair value of open bets. • Revenues related to fixed odds bets are recognised at the conclusion of the event. • Poker revenues in the form of commission (i.e rake) is recognised at the conclusion of each poker hand. The performance obligation is the provision of the poker games to the players. • All the revenues from gaming machines are recorded net of players winnings and certain gaming taxes but inclusive of compensation payable to managers, operators and platforms, as well as the concession fees payable to the ADM. <p>Where the gaming tax incurred is directly measured by reference to the individual customer transaction and related to the stake (described as “Flat-rate tax” above), this is deducted from revenue.</p> <p>Where the tax incurred is measured by reference to the Groups’ net result from betting and gaming activity this is not deducted from revenue and is recognised as an expense.</p>
Financial trading income	<p>Financial trading income represents gains (including commission) and losses arising on client trading activity, primarily in contracts for difference on shares, indexes, commodities and foreign exchange.</p> <p>Open client positions are carried at fair market value and gains and losses arising on this valuation are recognised in revenue as well as gains and losses realised on positions that have closed.</p> <p>The performance obligation is met in the accounting periods in which the trading transaction occurs and is concluded.</p>

Based on the services provided by the Group, excluding certain rebates provided to customers in the financial division, no return, refund and other similar obligations exist. Moreover, no warranties and related obligations exist.

D. Share-based payments

Certain employees participate in the Group's share option plans. The fair value of the equity settled options granted is charged to the consolidated statement of comprehensive income on a straight-line basis over the vesting period and the credit is taken to equity, based on the Group's estimate of shares that will eventually vest. Fair value is determined by the Black-Scholes and Binomial valuation model. Where equity settled share options are settled in cash at the group's discretion the debit is taken to equity.

The Group has also granted awards to be distributed from the Group's Employee Benefit Trust. The fair value of these awards is based on the market price at the date of the grant, some of the grants have performance conditions. The performance conditions are for the executive management and include targets based on growth in earnings per share and total shareholder return over a specific period compared to other competitors. The fair value of the awards with performance condition was determined by the Monte Carlo Method.

E. Income tax

Income tax expense comprises current and deferred tax.

i. Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends. Current tax assets and liabilities are offset only if certain criteria are met.

ii. Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

F. Property, plant and equipment

Property, plant and equipment are initially recognised at cost. Carrying amounts are reviewed on each reporting date for impairment. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Depreciation is calculated to write off the cost of fixed assets on a straight line basis over the expected useful lives of the assets concerned. The principal annual rates used for this purpose, which are consistent with those of the previous years, are:

	%
Computers and gaming machines	20-33
Office furniture and equipment	7-33
Freehold and leasehold buildings and improvements	3-20, or over the length of the lease
Motor vehicles	15

Land is not depreciated.

Subsequent expenditure is included in the asset carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement of comprehensive income during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing sale proceeds with carrying amount and are included in the consolidated statement of comprehensive income.

G. Intangible assets and goodwill

Externally acquired intangible assets

Externally acquired intangible assets are recognised at cost and subsequently amortised on a straight line basis over their useful economic lives. Intangible assets are recognised on business combinations if they are separable from the acquired entity or give rise to other contractual legal rights. The amounts described to such intangible are arrived at by using appropriate valuation techniques.

Internally generated intangible assets (development costs)

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets where the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use
- management intends to complete the software and use or sell it
- there is an ability to use or sell the software
- it can be demonstrated how the software will generate probable future economic benefits

- adequate technical, financial and other resources to complete the development and to use or sell the software are available, and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

Amortisation is calculated at annual rates estimated to write off the costs of the assets over their expected useful lives and is charged to operating expenses from the point the asset is brought into use. The principal annual rates used for this purpose, which are consistent with those of the previous years, are:

	%
Domain names	Nil
Internally generated capitalised development costs	20-33
Technology IP	13-33
Customer lists	In line with projected cash flows or 7-20
Affiliate contracts	5-12.5
Patents and licenses	10-33 or over the period of the license

Management believes that the useful life of the domain names and certain trading licenses is indefinite. These assets are reviewed for impairment annually.

Subsequent expenditure on capitalised intangible assets is capitalised only where it clearly increases the economic benefits to be derived from the asset to which it relates. All other expenditure, including that incurred in order to maintain an intangible assets current level of performance, is expensed as incurred.

Goodwill

Goodwill represents the excess of the cost of a business combination over the Group's interest in the fair value of identifiable assets, liabilities and contingent liabilities acquired.

Cost comprises the fair value of assets given, and liabilities assumed and equity instruments issued plus the amount of non-controlling interest in the acquire plus, if the business combination is achieved in stages, the fair value of the existing equity interest in the acquire. Contingent consideration, is included in the cost as its acquisition date fair value and, in case of contingent consideration classified as a financial liability, remeasured subsequently through profit or loss. For business combinations completed on or after 1 January 2010, direct costs of acquisition are recognised immediately as an expense.

Changes in the estimated value of contingent consideration arising on business combinations completed by this date were treated as an adjustment to cost and, in consequence, resulted in a change in the carrying value of goodwill.

Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the consolidated statement of comprehensive income.

H. Assets held for sale and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to

complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- Is a subsidiary acquired exclusively with a view to resale

I. Financial Instruments

(i) Recognition

Trade receivable and debt securities issued are initially recognised when they are originated. All other financial assets and liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instruments.

Financial assets

(ii) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are classified on the first day of the first reporting period following the change in business model.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Changes in the fair value of financial assets at FVTPL are recognised in the statement of comprehensive income.

Financial assets measured at amortised cost arise principally through the provision of services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 365 days and are therefore all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional. The group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

Other receivables consist of amounts generally arising from transactions outside the usual operating activities of the group such as the proceeds from disposal of investment. Due to the short-term nature of the other current receivables, their carrying amount is considered to be the same as their fair value. For the majority of the non-current receivables, the fair values are also not significantly different to their carrying amounts.

(iv) Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

(v) Impairment

The Group assessed all types of financial assets that are subject to the expected credit loss model:

- trade receivables
- debt investments carried at amortised cost
- cash and cash equivalents

Whilst all categories are subject to the impairment requirements of IFRS 9, the group assessed that the identified impairment loss was immaterial.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Trade receivables have been grouped based on their days past due.

Based on their past days due and the historical credit losses with the period before 31 December 2019 or 1 January 2019 respectively, the Group assessed that the expected loss rate of the trade receivables is immaterial. The historical credit losses assessed were adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP and the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusted the historical loss rates based on expected changes in these factors.

The Group has therefore concluded that the expected loss rates for trade receivables being estimated based on the contract assets, have probability of loss close to zero and therefore the impact of the impairment is immaterial for the group.

Financial liabilities

(iv) Classification and measurement

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

(vi) Derecognition

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(vii) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

J. Share capital

Ordinary shares are classified as equity and are stated at the proceeds received net of direct issue costs.

K. Share buyback

The Group cannot hold treasury shares under the Company's memorandum and article of association and therefore the shares are cancelled after the buyback.

L. Employee Benefit Trust

Consideration paid/received for the purchase/sale of shares subsequently put in the Employee Benefit Trust is recognised directly in equity. The cost of treasury shares held is presented as a separate reserve (the "Employee Benefit Trust reserve"). Any excess of the consideration received on the sale of treasury shares over the weighted average cost of the shares sold is credited to retained earnings.

M. Compound financial instruments

Compound financial instruments issued by the Group comprise convertible notes denominated in euro that can be converted to ordinary shares at the option of the holder, when the number of shares to be issued is fixed and does not vary with changes in fair value.

The liability component of compound financial instruments is initially recognised at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognised at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not remeasured.

Interest related to the financial liability is recognised in statement of comprehensive income.

N. Dividends

Dividends are recognised when they become legally payable. In case of interim dividends to equity shareholders, this is when declared by the Directors. In case of final dividends, this is when approved by the shareholders at the AGM.

O. Impairment of non financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

P. Provisions

Provisions, which are liabilities of uncertain timing or amount, are recognised when the Group has a present obligation as a result of past events, if it is probable that an outflow of funds will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

Q. Adjusted results

The Board of Directors believes that in order to best represent the trading performance and results of the Group, the reported numbers should exclude certain non-cash and one-off items including the below.

Management regularly uses the adjusted financial measures internally to understand, manage and evaluate the business and make operating decisions. These adjusted measures are among the primary factors management uses in planning for and forecasting future periods. Furthermore, compensation of the executives is based in part on the performance of the business based on these adjusted measures.

Accordingly, these are the key performance metrics used by the Board of Directors when assessing the Group's financial performance. Such exclusions include:

- Material non-cash items, e.g. amortisation of intangibles on acquisition, impairment of tangible and intangible assets, impairment of right of use assets, change in fair value of equity investments in the statement of comprehensive income and employee share option plan expenses. Management regularly monitors the operating cash conversion to adjusted EBITDA. These items are excluded to better analyse the underlying cash transactions of the business.
- Material one-off items, e.g. in regard to the Sun Bingo contract an adjustment is made for the first seven weeks of H1 2019 prior to the renegotiation in February to show the effect as if the amendment to the contract with News UK had been in place from the beginning of the 2019 financial year, professional services cost related to acquisitions, changes on the deferred and contingent consideration and other exceptional projects. In the last few years the Group has acquired new businesses on a regular basis, however, the costs incurred due to these acquisitions are not considered to be an ongoing trading cost and usually cannot be changed or influenced by management.

Underlying adjusted results exclude the following items in order to present a more accurate 'like for like' comparison over the comparable period:

- The impact of acquisitions made in the period or in the comparable period and the directly related finance costs relating to the acquisitions; and
- Currency fluctuations affecting the results in the period and the comparable period.

As these are non-GAAP measures, they should not be considered as replacements for IFRS measures. The Group's definition of these non-GAAP measures may not be comparable to other similarly titled measures reported by other companies. A full reconciliation of adjustments is included in note 10.

NOTE 6 – CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The areas requiring the use of estimates

and critical judgments that may potentially have a significant impact on the Group's earnings and financial position are detailed below.

Judgments

▪ **Structured agreements**

IFRS 10 defines 'Structured entities' as the investee where voting rights are not the dominant factor in assessing control. The definition involves judgment and the identification of investor-investee relationship is required. The following should be considered:

The purpose and design of such entities is key to determining which party controls the entity:

- The rights which investee holds
- The rights held by other parties in the investee
- Exposure to the majority of the risks and rewards from the entity
- The decision making rights and the power over those activities that significantly affect the structured entity's return

The definition of 'control' in the absence of shareholding rights is judgmental and therefore difficult to determine. Exposure to the risk and rewards, as well as decision making rights can be identified by the agreement between the two parties, however, what is considered exposure to the 'majority' of the risks and rewards and 'power' over the investee's activities are also judgmental areas. The Group has made judgements in respect of classifying arrangements as structured agreements (see note 18).

▪ **Provision for loss from onerous contracts**

Management considers the requirement for a creation of a provision from a loss-making contract by forecasting the cash flow outcomes in the remaining period of the contract. The assessment of the cash flow outcomes includes the probability of future changes in commercial terms and the steps taken to mitigate the issues encountered with the contract.

▪ **Revenue from contracts with customers**

As part of gambling activities may be physically located in casinos or in public venues (e.g. betting shops, betting terminals and bingo halls) and others may be played online. Depending on the type of game, players might place a wager against the operator (the house) or against other players (e.g. Poker).

In some jurisdictions, the operation of gambling activities is subject to a number of regulations and certain regulations prescribe a percentage of all amounts wagered that must be awarded as prizes to winners. However, in other jurisdictions, the regulations do not prescribe a fixed percentage that must be awarded to winner(s) and in such situations, the percentage could be left to the operator's discretion or predefined as game rules, which are known to the players in advance.

Therefore, the presentation of revenue depends on the nature of the gambling activity. The point of recognition is determined once the service has been provided or the bet concluded. Once the collection of payment from services provided is reasonably assured and the amount and costs of revenues can be reasonably measured, revenue is then recognised.

When the gambling contract or instrument meets the definition of a derivative, it is accounted for as a financial instrument in accordance with IFRS 9 Financial Instruments: Recognition and Measurement. When the gambling contract or instrument does not meet the definition of a derivative, the operator assesses whether it acts as a principal or an agent. In online gaming Business to Customer ("B2C") activity the operator acts as a principal, revenue is recognized as the gross amount collected from the players net of bonuses and progressive jackpot contributions, which is commonly known in the industry as Net Gaming Revenue ("NGR") with gaming taxes and other revenue driven costs classified as an expense. In retail gaming B2C activity the operator is also considered as a principal. Snaitech, being an operator in Italy, has a franchisee business model, where Snaitech holds the concessions but predominantly does not own the betting shops. Revenue is recognized as NGR less certain taxes, with the fee paid to the owners of the betting shops classified as an expense.

B2C revenue is recognized at a point of time which is determined when the relevant game or bet is settled and fully determined, based on the terms and conditions published by the operator.

The business model of the business to business (“B2B”) software and services division is predominately a revenue share model which is based on royalties from B2C gaming operators’ revenues. This activity is considered to be an agent and revenues are recognized as the net amount of royalties charged. The majority of the B2B revenue is recognized at a point of time which is determined when the gaming or betting activity used as the basis for the revenue share is settled and fully determined, based on the terms and conditions published by the operator. For the B2B and financial trading revenue streams revenue is only recognized when collection is virtually certain and the Group has determined it has a legally enforceable right to collection.

- **Internally generated intangible assets**

Expenditure on internally developed products is capitalised based on the below:

- adequate resources are available to complete and sell the product
- the Group is able to sell the product
- sale of the product will generate future economic benefits,
- expenditure on the project can be measured reliably

Significant judgements relate to the assessment of whether projects will result in future economic benefits. Management consider this on a project by project basis after considering projections prepared, past industry experience and advice of development teams. At 31 December 2019, the carrying amount of capitalized development costs was €126.1 million (2018: €117.7 million)

- **Determining the lease term under IFRS 16**

In order to determine the lease term, the Group takes into consideration the period over which the lease is non-cancellable, including renewal options that it is reasonably certain it will exercise and/or termination options that it is reasonably certain it will not exercise. The possible effects are an increase or decrease in the initial measurement of a right of use asset and lease liability and in depreciation and financing expenses in subsequent periods.

- **Determining whether an arrangement contains a lease**

In order to determine whether an arrangement contains a lease, the Group assesses whether the arrangement conveys the right to control the use of an identified asset for a period of time in exchange for consideration, while examining whether throughout the lease term it has the right to obtain substantially all the economic benefits from use of the identified asset and the right to direct the identified asset’s use. The possible effects is the recognition of right of use asset and lease liability or recognition of current expenses.

- **Regulatory**

The Group’s subsidiaries, Safecap Investments Limited, Magnasale Trading Limited, CFH Clearing Limited, TradeTech Alpha Limited, TradeTech Markets (Australia) Pty Limited, TradeTech Markets (BVI) Limited, and TradeTech Markets (South Africa) Pty Limited are regulated by the Financial Conduct Authority, Australian Securities & Investments Commission, Cyprus Securities and Exchange Commission, the Financial Services Commission, or the Financial Sector Conduct Authority. The regulatory environment is regularly changing and imposes significant demands of the resources of the subsidiaries. As the subsidiaries’ activities expand, offering new products and penetrating new markets, these regulatory demands will inevitably increase. The increasing complexity of the Group’s operations require training and recruitment be tailored to meet these regulatory demands and the costs of compliance are expected to increase.

In addition to the above, the regulated subsidiaries manage their capital resources on the basis of capital adequacy requirements as prescribed by each of the regulators, together with their own assessments of other business risks and sensitivities which may impact the business. Capital adequacy requirements are monitored on a real-time basis, including a ‘buffer’ which is deemed sufficient by management to ensure that capital requirements are not breached at any time.

Classification as held for sale

The definition of asset held for sale involves a significant degree of judgement given that in order for an asset to be classified as held for sale, it must be available for immediate sale in its present condition, its sale must be highly probable and it must genuinely be sold. The meaning of ‘highly probable’ is highly judgmental and therefore IFRS5 sets out criteria for the sale to be considered as a highly probable as follows:

- Management must be committed to a plan to sell the asset;
- An active program to find a buyer must be initiated;
- The asset must be actively marketed for sale at a price that is reasonable to its current fair value;
- The sale must be completed within one year from the date of classification;
- Significant changes to be made to the plan must be unlikely.

The Board has committed a plan to sell the Casual and Social Gaming Business and has an active process of locating a buyer by actively market the sale during 2019, the expectation of the sale to be completed within one year is unknown and is based on management's expectations. In addition, there is no specific definition of what is considered to be 'reasonable' price and the determination of the asset's fair value is a matter of estimate.

Estimates and assumptions

▪ Impairment of goodwill and other intangibles

The Group is required to test, on an annual basis, whether goodwill, intangible assets not yet in use and indefinite life assets have suffered any impairment. The Group is required to test other intangibles if events or changes in circumstances indicate that their carrying amount may not be recoverable. The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the choice of a discount rate in order to calculate the present value of the cash flows. Such estimates are based on management's experience of the business, but actual outcomes may vary. More details including carrying values are included in Note 17.

▪ Deferred tax assets

Deferred tax assets are recognized with respect to the tax losses carryovers and other significant temporary differences, to the extent that there is likely to be sufficient future taxable income against which such losses and temporary differences may be deducted in future periods. Directors are required to make significant discretionary evaluation to determine the amount of deferred tax assets that may be recognised. The directors need to estimate the probable temporary effect and the amount of the future taxable income, as well as the planning strategy for future taxes. More details included in Note 26.

▪ Income taxes

The Group is subject to income tax in several jurisdictions and significant judgement is required in determining the provision for income taxes. During the ordinary course of business, there are transactions and calculations for which the ultimate tax determination is uncertain. As a result, the Group recognises tax liabilities based on estimates of whether additional taxes and interest will be due.

These tax liabilities are recognised when, despite the company's belief that its tax return positions are supportable, the company believes it is more likely than not that a taxation authority would not accept its filing position. In these cases, the Group records its tax balances based on either the most likely amount or the expected value, which weights multiple potential scenarios. The company believes that its accruals for tax liabilities are adequate for all open audit years based on its assessment of many factors including past experience and interpretations of tax law.

This assessment relies on estimates and assumptions and may involve a series of complex judgments about future events. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will impact income tax expense in the period in which such determination is made. More details are included in Note 13.

▪ Determination of fair value of intangible and tangible assets acquired on business combinations

The fair value of the intangible assets acquired is based on the discounted cash flows expected to be derived from the use of the asset. Further information in relation to the determination of fair value of intangible assets acquired is given in Notes 34 and 35. The fair value of the tangible assets acquired on business combinations is determined through the methods of value in use and market value as determined by an external, independent property valuer.

▪ Determination of the fair value of contingent consideration and redemption liability

The fair value of contingent consideration and redemption liability is based on the probability of expected cash flow outcomes and the assessment of present values using appropriate discount rates. This can be based on actual results or forecasts for future periods. Recognition of put/call options over non-controlling interest is based on consideration of the ownership risks and rewards of the shares relating to the option to determine whether the equity is attributable to the non-controlling interest or the parent. The fair value is based on the probability of expected cashflow outcomes based on management's best estimates. This includes the interpretation of the contractual terms of the contingent consideration arrangement with specific reference to items of income or expense that may or may not be adjusted against the measure used to derive the fair value of contingent consideration (for example adjusted EBITDA) and discount rates applied. Further information in relation to the determination of the fair value of contingent consideration is given in Note 29.

- **Impairment of financial assets**

Loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculations based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Where customers within the financial trading division have not passed the necessary ongoing regulatory requirements, consideration is given as to whether financial assets relating to that customer should be impaired. The Group's exposure to various risks associated with the financial instruments is disclosed in Note 38. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned in Note 38.

- **Determining the discount rate of a lease liability under IFRS 16**

The Group discounts the lease payments using its incremental borrowing rate. The possible effects of a change in the incremental borrowing rate are an increase or decrease in the lease liability, right-of-use asset and depreciation and financing expenses recognised.

The Group discounts the lease payments using its incremental borrowing rate determined by the currency of each contract.

The possible effects of a +1% in the interest rates would be lower amortisation €1.5m and higher interest expense by €0.6m respectively. The possible effects of a -1% in the interest rates would be higher amortisation by €2.0m and lower interest expense by €0.4m respectively.

- **Provision for risks and charges and potential liabilities**

The Group ascertains a liability in the presence of legal disputes or lawsuits underway when it believes it is probable that a financial outlay will take place and when the amount of the losses which derive there from can be reasonably estimated. The Group is subject to lawsuits regarding complex legal problems, which are subject to a differing degree of uncertainty (also due to a complex legislative framework), including the facts and the circumstances inherent to each case, the jurisdiction and the different laws applicable. Given the uncertainties inherent to these problems, it is difficult to predict with certainty the outlay which will derive from these disputes and it is therefore possible that the value of the provisions for legal proceedings and disputes may vary depending on future developments in the proceedings underway. The Group monitors the status of the disputes underway and consults with its legal advisors and experts on legal and tax-related matters.

- **Fair value measurement**

A number of assets and liabilities included in the Group's financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

Level 1: Quoted prices in active markets for identical items (unadjusted)

Level 2: Observable direct or indirect inputs other than Level 1 inputs

Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

NOTE 7 – SEGMENT INFORMATION

The Group's reportable segments are strategic business units that offer different products and services.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision maker has been identified as the management team including the Chief Executive Officer and the Chief Financial Officer.

The operating segments identified are:

- Gaming B2B: including Casino, Services, Sport, Bingo, Poker and Other
- Gaming B2C: Snaitech, Sun Bingo and Casual (discontinued operations) & Other B2C
- Financial: including B2C and B2B CFD

The Group-wide profit measures are adjusted EBITDA and adjusted net profit (see Note 10).

Management believes the adjusted profit measures represent more closely the underlying trading performance of the business. No other differences exist between the basis of preparation of the performance measures used by management and the figures in the Group financial information.

There is no allocation of operating expenses, profit measures, assets and liabilities to individual products within the gaming segments, as allocation would be arbitrary.

Year ended 31 December 2019

	Core B2B	Asia B2B	Total B2B	B2C – continuing operations	Intercompany	Total Gaming	Financial	Total continued operations	B2C – discontinued operations	Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Revenue	440,023	113,892	553,915	900,475	(13,857)	1,440,533	67,915	1,508,448	17,005	1,525,453
Adjusted EBITDA			214,819	160,435		375,254	7,812	383,066	(4,573)	378,493
Adjusted profit attributable to the owners of the parent			89,982	47,818		137,800	(4,823)	132,977	(8,450)	124,527
Total assets			1,104,630	1,275,339		2,379,969	713,368	3,093,337	4,377	3,097,714
Total liabilities			761,261	857,829		1,619,090	252,823	1,871,913	3,595	1,875,508

Year ended 31 December 2018

	Core B2B	Asia B2B	Total B2B	B2C – continuing operations	Intercompany	Total Gaming	Financial	Total continued operations	B2C – discontinued operations	Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Revenue	383,432	182,590	566,022	578,078	(11,729)	1,132,371	92,936	1,225,307	15,136	1,240,443
Adjusted EBITDA			252,645	63,045		315,690	29,459	345,149	(2,100)	343,049
Adjusted profit attributable to the owners of the parent			136,490	5,864		142,354	117,409	259,763	(3,584)	256,179
Total assets			1,106,104	1,169,133		2,275,237	790,598	3,065,835	27,893	3,093,728
Total liabilities			1,096,605	293,547		1,390,152	323,411	1,713,563	29,659	1,743,222

Geographical analysis of non-current assets

The Group's information about its non-current assets by location of the domicile are detailed below:

	2019 €'000	2018 €'000
Italy	855,436	870,695
Isle of Man	448,881	539,944
Austria	179,709	176,621
UK	111,240	109,179
Cyprus	75,050	83,067
Sweden	71,641	70,157
British Virgin Islands	62,410	65,558
Denmark	42,137	42,738
Alderney	49,587	33,343
Gibraltar	39,248	33,413
Malta	25,969	21,043
Latvia	15,173	15,491
Ukraine	7,427	3,991
Estonia	8,657	7,313
Republic of Columbia	22,405	-
Australia	19,007	27,136
Rest of World	21,401	1,515
	2,055,378	2,101,204

NOTE 8 – DISCONTINUED OPERATION

As identified in note 24, the Group has treated its Casual business as discontinued in these results.

The results of the casual business for the year are presented below:

	2019		2018	
	Actual €'000	Adjusted €'000	Actual €'000	Adjusted €'000
Revenue	17,005	17,005	15,136	15,136
Distribution costs before depreciation and amortisation	(21,290)	(21,290)	(17,058)	(17,058)
Administrative expenses before depreciation and amortisation	(290)	(288)	(178)	(178)
EBITDA	(4,575)	(4,573)	(2,100)	(2,100)
Depreciation and amortisation	(3,252)	(2,567)	(2,110)	(1,362)
Impairment of intangible assets	(23,686)	-	-	-
Finance cost	(266)	(266)	(115)	(115)
Loss before taxation	(31,779)	(7,406)	(4,325)	(3,577)
Tax expenses	(1,035)	(1,044)	10	(7)
Loss from discontinued operations, net of tax	(32,814)	(8,450)	(4,315)	(3,584)

Prior to their transfer to a held for sale disposal group, all assets were assessed for impairment. As part of this exercise, an impairment loss of €23.7 million was recognised on intangible assets and the disposal group was carried at the lower of its carrying amount prior to transfer and its fair value less costs to sell. The impairment charge was included in discontinued operations in the consolidated statement of comprehensive income.

Earnings per share from discontinued operations

Basic (cents)	(10.9)	(2.8)	(1.4)	(1.1)
Diluted (cents)	(10.7)	(2.8)	(1.3)	(1.0)

The net cash flows incurred by the casual segment, are as follows:

	2019	2018
	€'000	*€'000
Operating	3,809	2,248
Investing	(3,931)	(2,647)
Financing	(229)	-
Net cash (outflow)/inflow	(351)	399

NOTE 9 – REVENUE FROM CONTRACTS WITH CUSTOMERS

The Group has disaggregated revenue into various categories in the following table which is intended to:

- Depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by recognition date; and
- Enable users to understand the relationship with revenue segment information provided in the segmental information note.

Set out below is the disaggregation of the Group's revenue:

Geographical analysis of revenues by jurisdiction of licensee

Out of the total revenue, the revenues from B2B consist of royalty Income, fixed- fee income, revenue received from the sale of hardware and cost based revenue as described in Note 5 (Significant Accounting policies) policies, paragraph C. Revenue recognition. The B2C revenues are described under B2C Revenue policy and financial revenues under financial trading income.

For the year ended 31 December 2019

	B2B	B2C	Intercompany	Total Gaming	Financial	Continuing operations	Discontinued operations	Total
Primary Geographic Markets	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Italy	22,031	834,867	(7,802)	849,096	1,745	850,841	-	850,841
United Kingdom	204,252	45,678	(2,953)	246,977	33,229	280,206	-	280,206
Philippines	97,704	-	-	97,704	40	97,744	-	97,744
Malta	40,229	-	-	40,229	162	40,391	-	40,391
Mexico	29,748	-	-	29,748	243	29,991	-	29,991
Spain	23,305	217	(23)	23,499	561	24,060	-	24,060
Greece	23,595	-	-	23,595	(209)	23,386	-	23,386
Gibraltar	16,878	-	-	16,878	22	16,900	-	16,900
Germany	2,120	14,572	(1,925)	14,767	1,371	16,138	-	16,138
Ireland	12,521	-	-	12,521	203	12,724	-	12,724
Finland	9,265	-	-	9,265	55	9,320	-	9,320

Austria	4,648	5,121	(1,149)	8,620	158	8,778	-	8,778
United Arab Emirates	-	-	-	-	7,185	7,185	-	7,185
Cyprus	1,147	-	-	1,147	5,894	7,041	-	7,041
Curacao	6,986	-	-	6,986	13	6,999	-	6,999
Rest of World	59,486	20	(5)	59,501	17,243	76,744	17,005	93,749
	553,915	900,475	(13,857)	1,440,533	67,915	1,508,448	17,005	1,525,453

Product type	B2B	B2C	Intercompany	Total Gaming	Financial	Continuing operations	Discontinued operations	Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Casino	250,967	-	(6,385)	244,582	-	244,582	-	244,582
Services	91,589	-	(2,734)	88,855	-	88,855	-	88,855
Sport	152,652	-	(3,224)	149,428	-	149,428	-	149,428
Bingo	23,352	-	(862)	22,490	-	22,490	-	22,490
Poker	8,434	-	(491)	7,943	-	7,943	-	7,943
Other	26,921	-	(161)	26,760	-	26,760	-	26,760
Total B2B	553,915	-	(13,857)	540,058	-	540,058	-	540,058
Snaitech	-	829,723	-	829,723	-	829,723	-	829,723

Sun Bingo	-	40,633	-	40,633	-	40,633	-	40,633
B2C Sport and Other B2C	-	30,119	-	30,119	-	30,119	17,005	47,124
Total B2C	-	900,475	-	900,475	-	900,475	17,005	917,480
Financial	-	-	-	-	67,915	67,915	-	67,915
	553,915	900,475	(13,857)	1,440,533	67,915	1,508,448	17,005	1,525,453

	B2B	B2C	Intercompany	Total gaming	Financial	Continuing operations	Discontinued operation	Total
Timing of transfer of performance obligations	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
At satisfaction of the performance obligation	494,929	900,475	(13,857)	1,381,547	67,915	1,449,462	17,005	1,466,467
Hardware sale (at point of transaction)	56,153	-	-	56,153	-	56,153	-	56,153
Over time	2,833	-	-	2,833	-	2,833	-	2,833
	553,915	900,475	(13,857)	1,440,533	67,915	1,508,448	17,005	1,525,453

For the year ended 31 December 2018

B2B	B2C	Intercompany	Total Gaming	Financial	Continuing operations	Discontinued Operations	Total
-----	-----	--------------	--------------	-----------	-----------------------	-------------------------	-------

Primary Geographic Markets	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Italy	23,366	519,117	(6,447)	536,036	3,686	539,722	-	539,722
UK	175,589	44,208	(3,581)	216,216	40,870	257,086	-	257,086
Philippines	170,062	-	-	170,062	1	170,063	-	170,063
Malta	30,812	-	-	30,812	220	31,032	-	31,032
Gibraltar	24,252	-	-	24,252	186	24,438	-	24,438
Mexico	23,204	-	-	23,204	663	23,867	-	23,867
Spain	21,652	555	(56)	22,151	1,398	23,549	-	23,549
Greece	13,427	-	-	13,427	1,076	14,503	-	14,503
Germany	1,329	11,769	(1,237)	11,861	2,621	14,482	-	14,482
Finland	12,827	-	-	12,827	141	12,968	-	12,968
Belgium	7,853	-	-	7,853	3	7,856	-	7,856
Austria	4,856	2,259	(408)	6,707	361	7,068	-	7,068
Seychelles	-	-	-	-	6,974	6,974	-	6,974
Ireland	6,312	-	-	6,312	446	6,758	-	6,758
Norway	5,849	-	-	5,849	752	6,601	-	6,601
Rest of World	44,632	170	-	44,802	33,538	78,340	15,136	93,476
	566,022	578,078	(11,729)	1,132,371	92,936	1,225,307	15,136	1,240,443

Product type	B2B €'000	B2C €'000	Intercompany €'000	Total Gaming	Financial €'000	Continuing operations	Discontinued Operations €'000	Total €'000
Casino	320,080	-	(4,875)	315,205	-	315,205	-	315,205
Services	84,587	-	(3,116)	81,471	-	81,471	-	81,471
Sport	98,051	-	(2,410)	95,641	-	95,641	-	95,641
Bingo	26,359	-	(884)	25,475	-	25,475	-	25,475
Poker	9,555	-	(346)	9,209	-	9,209	-	9,209
Other	27,390	-	(98)	27,292	-	27,292	-	27,292
Total B2B	566,022	-	(11,729)	554,293	-	554,293		554,293
Snaitech	-	511,907	-	511,907	-	511,907	-	511,907
Sun Bingo	-	33,713	-	33,713	-	33,713	-	33,713
Casual, B2C Sport and Other B2C	-	32,458	-	32,458	-	32,458	15,136	47,594
Total B2C	-	578,078	-	578,078	-	578,078	15,136	593,214
Financial	-	-	-	-	92,936	92,936	-	92,936

	566,022	578,078	(11,729)	1,132,371	92,936	1,225,307	15,136	1,240,443
--	----------------	----------------	-----------------	------------------	---------------	------------------	---------------	------------------

	B2B	B2C	Intercompany	Total gaming	Financial	Continuing operations	Discontinued operation	Total
Timing of transfer of services	€'000	€'000	€'000		€'000	€'000	€'000	€'000
At satisfaction of the performance obligation	561,322	578,078	(11,729)	1,127,671	92,936	1,220,607	15,136	1,235,743
Hardware sale (at point of transaction)	3,108	-	-	3,108	-	3,108	-	3,108
Over time	1,592	-	-	1,592	-	1,592	-	1,592
	566,022	578,078	(11,729)	1,132,371	92,936	1,225,307	15,136	1,240,443

There were no changes in the Group's valuation processes, valuation techniques, and types of inputs used in the fair value measurements during the period.

The vast majority of the Group's B2B contracts are for the delivery of services within the next 12 months.

In 2019, there were no licensees (2018: One licensee) who individually accounted for more than 10% of the total gaming revenue and the total revenue of the Group. Aggregate revenue from these licensees totalled €137.7 million in 2018.

The Group's deferred income includes the set-up fees paid by the licensee in the beginning of the contract. The fees cover the whole period of the contract (on average a period 36 months). The revenue is recognized on a monthly basis until the completion of the services provided. There are included in deferred income and total €9.2 million (2018: €7.6 million).

During the year, the Group earned non-recurring market-making revenue and EBITDA of \$5.5 million through its trading contract with AMC (Mauritius) plc which is ultimately own by the shareholders of ACM Group Limited, for which the Group acquired technology, intellectual property and certain customer assets on 10 October 2017.

NOTE 10 – ADJUSTED ITEMS

Management has presented the performance measures Adjusted EBITDA and Adjusted profit because it monitors performance at a consolidation level and believes that these measures are relevant to an understanding of the Group's financial performance. The definitions of adjusted items and underlying adjusted results are disclose in note 5.

As these are not a defined performance measure in IFRS, the Group's definition of adjusted items may not be comparable with similarly titled performance measures or disclosures by other entities.

The following tables give a full reconciliation between adjusted and actual results:

	2019	2018
	€'000	€'000
Revenue	1,508,448	1,225,307
Constant currency impact	(9,332)	-
Revenue on constant currency basis	1,499,116	1,225,307
Revenue related to acquisitions on a constant currency basis	(828,154)	(512,646)
Underlying revenue	670,962	712,661
Distribution costs before depreciation and amortisation	1,008,020	779,436
Employee stock option expenses	(6,902)	(5,014)
Adjusted distribution costs before depreciation and amortisation	1,001,118	774,422
Administrative expenses before depreciation and amortisation	150,280	155,927
Employee stock option expenses	(11,200)	(8,710)
Professional fees on acquisitions	(1,926)	(27,102)
Additional consideration payable in respect of redemption liabilities	(10,180)	2,391
Cost of fundamental business reorganization	(14)	(2,396)
Impairment of investment in equity-accounted associates	(443)	(8,001)
Gain from the disposal of equity-accounted associates	-	897
Amendment to contingent consideration	(6,286)	(1,705)
Reversal/(provision) for other receivables	204	(5,565)
Effect from the amendments on the terms of Sun contract back dated	(6,425)	-
Total adjusted items	(36,270)	(50,191)
Adjusted administrative expenses before depreciation and amortisation	114,010	105,736

Depreciation of property, plant and equipment – distribution costs	45,953	36,734
Depreciation of property, plant and equipment – administrative costs	5,566	5,898
Amortisation of intangible assets – distribution costs	145,002	108,103
Amortisation of the right of use assets – distribution costs	13,933	-
Amortisation of the right of use assets – administrative costs	5,286	-
Total depreciation and amortization	215,740	150,735
Amortisation of intangibles on acquisitions – distribution costs	(58,131)	(47,188)
Adjusted depreciation and amortisation	157,609	103,547
EBITDA	335,258	289,944
Employee stock option expenses	18,102	13,724
Professional fees on acquisitions	1,926	27,102
Additional consideration payable in respect of redemption liabilities	10,180	(2,391)
Cost of fundamental business reorganization	14	2,396
Impairment of investment in equity-accounted associates and other non current assets	5,079	8,001
Gain from the disposal of equity-accounted associates	-	(897)
Amendment to contingent consideration	6,286	1,705
(Reversal)/provision for other receivables	(204)	5,565
Effect from the amendments on the terms of Sun contract back dated	6,425	-
Adjusted EBITDA	383,066	345,149
Constant currency impact	(1,504)	-
Adjusted EBITDA on constant currency basis	381,562	345,149
EBITDA related to acquisitions on constant currency basis	(154,699)	(87,958)
Underlying adjusted EBITDA	226,863	257,191
Profit from continuing operations attributable to owners of the parent	13,243	128,124
Amortisation of intangibles on acquisitions	58,131	47,188
Gain from the disposal of equity-accounted associates	-	(897)
Impairment of investment in associate and other non-current assets	5,079	8,001
Employee stock option expenses	18,102	13,724
Professional fees on acquisitions	1,926	27,102
Additional consideration payable in respect of redemption liabilities	10,180	(2,391)
Cost of fundamental business reorganisation	14	2,396
Notional interest on convertible bonds	9,851	10,685
Deferred tax on acquisition	(13,704)	(9,845)
Movement in contingent consideration and redemption liability	(80,120)	(1,887)
Finance costs on acquisitions	1,532	8,494
Fair value change of equity investments	270	1,738
Tax relating to prior years (refer to note 13)	4,067	28,410
Gain on the early repayment of the bond	-	(8,350)
Amendment to contingent consideration	6,286	1,705
(Reversal)/provision for other receivables	(204)	5,565
Effect from the amendments on the terms of Sun contract back dated	6,425	-
Impairment of right of use assets	827	-
Impairment of property, plant and equipment	896	-
Impairment of intangible assets	90,176	-
Adjusted profit from continuing operations attributable to the owners of the parent	132,977	259,762
Constant currency impact	292	4,505
Adjusted profit for the year from continuing operations - attributable to owners of the parent on constant currency basis	133,269	264,267

Adjusted net profit related to acquisitions on constant currency basis	(44,497)	(35,568)
Underlying adjusted profit for the year - attributable to owners of the parent	88,772	228,699
Loss from discontinued operations attributable to owners of the parent	(32,814)	(4,315)
Amortisation of intangibles on acquisitions	685	748
Impairment of intangible assets	23,686	-
Deferred tax on acquisition	(7)	(17)
Adjusted profit from discontinued operations attributable to the owners of the parent	(8,450)	(3,584)
Total adjusted profit attributable to the owners of the parent	124,527	256,178

NOTE 11 – EBITDA

EBITDA is stated after charging:

	2019 €'000	2018 €'000
Directors compensation		
Short-term benefits of directors	3,136	2,899
Share-based benefits of directors	40	1,320
Bonuses to executive directors	2,040	717
	5,216	4,936
Auditor's remuneration		
Group audit and parent company (BDO)	1,379	572
Audit of subsidiaries (BDO)	775	634
Audit of subsidiaries (non-BDO)	450	758
Total audit fees	2,604	1,964
Non-audit services provided by parent company auditor and its international member firms		
Corporate finance services related to acquisitions	-	2,264
Other non-audit services	314	407
Tax advisory services	267	192
Total non-audit fees	581	2,863
Development costs (net of capitalised development costs of €65.5 million (2018: €58.3 million))	92,821	87,290

NOTE 12 – FINANCING INCOME AND COSTS

	2019 €'000	2018 €'000
A. Finance income		
Interest received	3,218	2,446
Dividends received from equity investments	-	33,927
Finance income - Movement in contingent consideration and redemption liability	80,120	1,887

Gain on early repayment of bond loans (Note 26)	-	8,350
	<u>83,338</u>	<u>46,610</u>
B. Finance cost		
Exchange differences	(1,030)	(4,504)
Notional interest on convertible bonds	(9,851)	(10,685)
Nominal interest on convertible bonds	(1,359)	(1,485)
Interest on bond loan	(33,849)	(19,518)
Interest on lease liability	(6,202)	-
Bank facility fees	(3,306)	(13,642)
Bank charges and interest paid	(8,581)	(9,601)
	<u>(64,178)</u>	<u>(59,435)</u>
Net financing cost	(19,160)	(12,825)

NOTE 13 – INCOME TAX EXPENSES

	2019	2018
	€'000	€'000
Current tax expense	27,314	29,938
Deferred tax (Note 31)	2,923	(4,696)
Tax for prior years	4,067	28,410
Total tax charge	<u>34,304</u>	<u>53,652</u>

The tax charge for the year can be reconciled to accounting profit as follows:

	2019	2018
	€'000	€'000
Profit before tax	48,150	187,746
Tax at effective rate in Isle of Man	-	-
Income tax on profits of subsidiary operations	27,314	29,938
Deferred tax	2,923	(4,696)
Tax for prior years	4,067	28,410
Total tax charge	<u>34,304</u>	<u>53,652</u>

The Group's policy is to manage, control and operate Group companies only in the countries in which they are registered. The international tax laws and practices in respect of the digital economy continue to evolve in many jurisdictions where the Group has significant assets or people presence. The Group's international presence means that it is possible that the amount of tax that will eventually become payable may differ from the amount provided in the financial statements.

The Group's underlying adjusted current effective tax rate of 14% (2018:10%) is impacted by the geographic mix of profits and reflects a combination of higher headline rates of tax in the various jurisdictions in which the Group operates when compared with the Isle of Man standard rate of corporation tax of 0%.

During 2018, the Group recognized an overseas tax of €28.4 million which relates to the settlement of open enquiries with tax authorities.

The deferred tax is due to the reversal of temporary differences arising on the identification of the intangible assets acquired in the current and prior years. Refer to Note 31 for more detailed information in respect of deferred taxes.

NOTE 14 – EARNINGS PER SHARE

Earnings per share have been calculated using the weighted average number of shares in issue during the relevant financial periods. The weighted average number of equity shares in issue and the earnings, being profit after tax is as follows:

	2019		2018	
	Actual €'000	Adjusted €'000	Actual €'000	Adjusted €'000
(Loss)/profit attributable to owners of the Company	(19,571)	124,527	123,809	256,179
Interest expense on convertible bond	-	-	12,170	1,485
(Loss)/Profit attributable to the owners of the Company – diluted	(19,571)	124,527	135,979	257,664
Basic (cents)	(6.5)	41.3	39.3	81.3
Diluted (cents)	(6.4)	40.4	38.4	72.9

	2019		2018	
	Actual €'000	Adjusted €'000	Actual €'000	Adjusted €'000
Profit attributable to the owners of the Company from continuing operations	13,243	132,976	128,124	259,763
Interest expense on convertible bond	-	-	12,170	1,485
Profit attributable to the owners of the Company from continuing operations- diluted	13,243	132,976	140,294	261,248
Basic (cents)	4.4	44.1	40.7	82.4
Diluted (cents)	4.3	43.2	39.7	73.9

Earnings per share for discontinued operations is disclosed in note 8.

	2019		2018	
	Actual Number	Adjusted Number	Actual Number	Adjusted Number
<i>Denominator – basic</i>				
Weighted average number of equity shares	301,790,246	301,790,246	315,066,252	315,066,252
<i>Denominator – diluted</i>				
Weighted average number of equity shares	301,790,246	301,790,246	315,066,252	315,066,252
Weighted average number of option shares	6,258,364	6,258,364	3,420,264	3,420,264
Weighted average number of convertible bonds	-	-	35,194,994	35,194,994
Weighted average number of shares	308,048,610	308,048,610	353,681,510	353,681,510

NOTE 15 – EMPLOYEE BENEFITS

Total staff costs comprise the following:

	2019 €'000	2018 €'000
Salaries and personnel-related costs	329,098	289,035
Employee stock option costs	18,102	13,724

	347,200	302,759
Average number of personnel:		
<i>Distribution</i>	5,382	4,741
<i>General and administration</i>	666	562
	6,048	5,303

The Group has the following employee share option plans ("ESOP") for the granting of non-transferable options to certain employees:

- Playtech 2005 Share Option Plan ("the Plan") and Israeli plans, options granted under the plans vest on the first day on which they become exercisable which is typically between one to four years after grant date.
- GTS 2010 Company Share Option Plan ("CSOP"), options granted under the plan vest on the first day on which they become exercisable which is three years after grant date.
- Long Term Incentive Plan 2012 ("LTIP"), awards (options, conditional awards or a forfeitable share award) granted under the plan vest on the first day on which they become exercisable which is typically between eighteen to thirty six months after grant date.

The overall term of the ESOP is ten years. These options are settled in equity once exercised. Option prices are denominated in GBP.

During 2012, the Group amended some of the rules of the equity based Plan. The amendments allow the Group, at the employees consent, to settle fully vested and exercisable options for cash instead of issuing shares.

During 2019 the Group granted:

- 620,429 nil cost awards subject to relative TSR vs constituents of the FTSE250 excluding investment trusts index and relative TSR vs constituents of a Sector comparator group of 11 sector peer companies. The fair value per share according to the Monte Carlo simulation is between £1.93 and £2.13.
Inputs used:

Expected life (years)	Share price at grant date	Dividend yield	Risk free rate	Projection period (years)	Volatility
3	£4.224	4.96%	0.85%	2.84	34%

- 3,998,179 nil cost awards out of which some are subject to relative TSR vs constituents of the FTSE250 excluding investment trusts index, relative TSR vs constituents of a Sector comparator group of 11 sector peer companies, Individual conditions relating to business area performance and EBITDA performance condition. The fair value per share according to the Monte Carlo simulation is between £2.22 and £3.91.
Inputs used (where applicable):

Expected life (years)	Share price at grant date	Dividend yield	Risk free rate	Projection period (years)	Volatility
2.62 - 3	£4.491	4.66%	0.48%	2.46	36%

- 1,900,000 nil cost awards subject to the volume weighted average price of shares exceeding the share price target set out, over a period of 30 consecutive business days. The fair value per share according to the Monte Carlo simulation is between £0.24 and £1.1.
Inputs used:

Share price at grant date	Dividend yield	Risk free rate	Projection period (years)	Volatility
£3.88	4.22%	0.54%	3 -5	30.9%

The Group granted 2,985,462 nil cost awards in 2018 at fair value per share of £5.35 in 2018.

At 31 December 2019, options under these schemes were outstanding over:

	2019 Number	2018 Number
Shares vested between 18 April 2012 and 18 April 2013 at an exercise price of £5.12 per share	18,000	18,000
Shares vested between 26 August 2012 and 26 August 2013 at an exercise price of £4.16 per share	30,500	30,500
Shares vested on 10 March 2014 at an exercise price of £3.5225 per share	25,700	25,700
Shares vested on 1 March 2018 at nil cost	102,844	102,844
Shares vested between 1 September 2016 and 1 March 2018 at nil cost	100,596	159,158
Shares vested on 1 March 2019 at nil cost	31,972	246,728
Shares vested between 1 September 2017 and 1 March 2019 at nil cost	202,161	319,742
Shares vested on 21 December 2019 at nil cost	91,446	86,205
Shares vested between 1 October 2017 and 1 April 2019 at nil cost	33,372	29,562
Shares will vest on 1 March 2020 at nil cost	522,992	1,115,570
Shares vested On 1 September 2019 at nil cost	16,703	16,703
Shares will vest On 1 March 2021 at nil cost	2,729,622	2,867,209
Shares will vest between 1 March 2021 and 1 March 2022	4,565,881	-
Shares will vest by December 19 2024	1,900,000	-
	10,371,789	5,017,921

Total number of shares exercisable as of 31 December 2019 is 636,591 (2018: 458,156).

The following table illustrates the number and weighted average exercise prices of shares options for the ESOP.

	2019 Number of options	2018 Number of options	2019 Weighted average exercise price	2018 Weighted average exercise price
Outstanding at the beginning of the year	5,017,921	2,858,578	£0.06	£0.13
Granted	6,518,608	2,985,462	Nil	Nil
Forfeited	(952,116)	(351,166)	£0.00	£0.08
Exercised	(212,624)	(474,953)	£0.00	£0.09
Outstanding at the end of the year	10,371,789	5,017,921	£0.03	£0.06

Included in the number options exercised during the year are 12,410 options (2018: 14,387) where a cash alternative was received.

The weighted average share price at the date of exercise of options was £4.166 (2018: £6.912).

Share options outstanding at the end of the year have the following exercise prices:

Expiry date	Exercise price	2019 Number	2018 Number
Between 18 April 2020 and 26 August 2020	Between £4.16 and £5.12	48,500	48,500
10 March 2021	£3.5225	25,700	25,700

Expiry date	Exercise price	2019 Number	2018 Number
21 December 2025	Nil	203,440	262,002
Between 21 December 2026 and 31 December 2026	Nil	346,766	652,675
Between 1 March 2027 and 28 June 2027	Nil	516,485	1,126,440
23 July 2028	Nil	2,765,017	2,902,604
1 March 2029	Nil	4,565,881	-
19 December 2029	Nil	1,900,000	-
		10,371,789	5,017,921

Tradetech ESOP

In addition, the Group has the following employee share option plans (“ESOP”) for the granting of non-transferable options to certain employees:

- TradeFX 2009 Global Share Option Plan (“the First Plan”), options granted under the first plan vest on the first day on which they become exercisable which is typically between one to four years after grant date.
- Tradetech Performance Share Plan 2017 (“the Second Plan”), options granted under the second plan vest three years after grant date, according to performance targets in the years 2017 and 2018.

The overall term of the ESOP is ten years. These options are settled in equity once exercised. Option prices are either denominated in USD, depending on the option grant terms.

Total number of share options exercisable as of 31 December 2019 is 6,000 (2018: 7,500).

	2019 Number	2018 Number
Shares vested between 1 December 2015 and 31 December 2018 at an exercise price of \$70 per share	4,000	4,250
Shares vested between 1 January 2019 and 31 December 2019 at an exercise price of \$70 per share	2,000	3,250
	<u>6,000</u>	<u>7,500</u>
Shares vesting between 1 January 2019 and 1 September 2020 at an exercise price of \$70 per share	2,000	5,500
Shares will vest between June 2020 November 2020 at nil cost	7,898	7,898
	<u>9,898</u>	<u>13,398</u>
	<u>15,898</u>	<u>20,898</u>

The following table illustrates the number and weighted average exercise prices of shares options for the ESOP:

	2019 Number of options	2018 Number of options	2019 Weighted average exercise price	2018 Weighted average exercise price
Outstanding at the beginning of the year	20,898	161,809	\$ 43.54	\$ 66.64
Granted through the year	-	-	-	-
Forfeited	(5,000)	(133,436)	\$70.00	\$70.00
Exercised	-	(7,475)	-	\$ 11.2

Outstanding at the end of the year	15,898	20,898	\$35.23	\$ 43.54
------------------------------------	--------	--------	---------	----------

Included in the number of options exercised during the year is 0 (2018: 6,100) where a cash alternative was received. The weighted average share price at the date of exercise of options in 2018 was \$9.67.

Share options outstanding at the end of the year have the following exercise prices:

	2019 Number	2018 Number
Share options to be expired between 1 December 2024 and 10 March 2025 at an exercise price of \$70 per share	8,000	13,000
Share options to be expired between June 2027 and November 2027 at nil cost	7,898	7,898
	15,898	20,898

NOTE 16 – PROPERTY, PLANT AND EQUIPMENT

	Computer software and hardware €'000	Gaming machines €'000	Office furniture and equipment €'000	Buildings, leasehold buildings and improvements €'000	Total €'000
Cost					
At 1 January 2019	106,222	63,365	25,263	330,840	525,690
Additions	18,173	28,472	6,596	8,261	61,502
Acquired through business combinations	-	359	91	9	459
Disposals	(979)	(14,151)	(2,354)	(550)	(18,034)
Write offs	(14,953)	(3,217)	(755)	(230)	(19,155)
Reclassifications	(22)	167	1,741	(1,886)	-
Transfer to inventory	-	(24,280)	-	-	(24,280)
Transfer to assets classified as held for sale (Note 24)	(238)	-	(193)	(33,260)	(33,691)
Foreign exchange movements	42	2	(123)	2	(77)
At 31 December 2019	108,245	50,717	30,266	303,186	492,414
Accumulated depreciation					
At 1 January 2019	77,432	14,565	9,976	13,629	115,602
Charge	16,664	21,007	5,630	8,284	51,585
Impairment	13	-	9	873	895
Disposals	(949)	(13,964)	(1,855)	(190)	(16,958)
Write offs	(14,948)	(3,212)	(729)	(161)	(19,050)
Reclassifications	(38)	44	392	(398)	-
Transfer to inventory	-	(14,418)	-	-	(14,418)
Transfer to assets classified as held for sale (Note 24)	(187)	-	(171)	(828)	(1,186)
Foreign exchange movements	21	1	17	-	39
At 31 December 2019	78,008	4,023	13,269	21,209	116,509
Net Book Value					
At 31 December 2019	30,237	46,694	16,997	281,977	375,905

	Computer software	Gaming machines	Office furniture and equipment	Buildings and leasehold	Total
--	-------------------	-----------------	--------------------------------	-------------------------	-------

	and hardware €'000	€'000	€'000	buildings and improvements €'000	€'000
Cost					
At 1 January 2018	97,307	27,036	14,944	35,401	174,688
Additions	17,469	24,103	5,674	7,734	54,980
Acquired through business combinations	771	21,539	7,647	288,633	318,590
Disposals	(794)	(8,088)	(1,585)	(903)	(11,370)
Write offs	(8,577)	(1,227)	(602)	(864)	(11,270)
Reclassifications	-	-	(838)	838	-
Foreign exchange movements	46	2	23	1	72
At 31 December 2018	106,222	63,365	25,263	330,840	525,690
Accumulated depreciation					
At 1 January 2018	69,306	8,691	7,958	8,717	94,672
Charge	17,415	15,163	4,348	5,762	42,688
Disposals	(794)	(8,063)	(1,334)	(412)	(10,603)
Write offs	(8,526)	(1,227)	(580)	(865)	(11,198)
Reclassifications	-	-	(427)	427	-
Foreign exchange movements	31	1	11	-	43
At 31 December 2018	77,432	14,565	9,976	13,629	115,602
Net Book Value					
At 31 December 2018	28,790	48,800	15,287	317,211	410,088

NOTE 17 – INTANGIBLE ASSETS

	Patents, domain names & license €'000	Technology IP €'000	Development costs €'000	Customer list & Affiliates €'000	Goodwill €'000	Total €'000
Cost						
As of 1 January 2019	199,136	106,226	264,690	631,625	961,110	2,162,787
Additions	18,884	975	65,495	250	4,261	89,865
Write offs	(636)	(1,106)	(10,922)	-	(14)	(12,678)
Reclassifications	743	-	(743)	-	-	-
Transfer to assets classified as held for sale (Note 24)	(2,925)	(4,650)	(10,816)	(526)	(15,572)	(34,489)
Assets acquired on business combinations	10	-	-	-	18,452	18,462
Foreign exchange movements	722	402	504	2,142	6,530	10,300
As of 31 December 2019	215,934	101,847	308,208	633,491	974,767	2,234,247
Accumulated amortisation						
As of 1 January 2019	42,044	57,676	146,997	271,937	-	518,654
Charge	35,497	11,727	49,600	51,730	-	148,554
Impairment	-	840	6,951	324	105,748	113,863
Transfer to assets classified as held for sale (Note 24)	(2,925)	(4,650)	(10,773)	(526)	(15,572)	(34,446)
Write offs	(636)	(1,106)	(10,922)	-	-	(12,664)
Foreign exchange Movements	156	197	248	798	(982)	417

As of 31 December 2019	74,136	64,684	182,101	324,263	89,194	734,378
Net Book Value						
As of 31 December 2019	141,798	37,163	126,107	309,228	885,573	1,499,869

Impairment relating to casuals see note 8.

	Patents, domain names & License €'000	Technology IP €'000	Development costs €'000	Customer list & Affiliates €'000	Goodwill €'000	Total €'000
Cost						
As of 1 January 2018	74,580	100,753	208,266	396,595	679,576	1,459,770
Additions	5,161	-	58,297	-	-	63,458
Write offs	-	-	(2,850)	-	-	(2,850)
Assets acquired on business combinations	117,960	4,593	-	230,520	268,121	621,194
Foreign exchange movements	1,435	880	977	4,510	13,413	21,215
As of 31 December 2018	199,136	106,226	264,690	631,625	961,110	2,162,787
Accumulated amortisation						
As of 1 January 2018	27,721	41,415	112,462	226,940	-	408,538
Charge	14,010	15,865	36,906	43,397	-	110,178
Write offs	-	-	(2,850)	-	-	(2,850)
Foreign exchange Movements	313	396	479	1,600	-	2,788
As of 31 December 2018	42,044	57,676	146,997	271,937	-	518,654
Net Book Value						
As of 31 December 2018	157,092	48,550	117,693	359,688	961,110	1,644,133

In accordance with IAS 36, the Group regularly monitors the carrying value of its intangible assets, including goodwill. Goodwill is allocated to fifteen (2018: fifteen) cash generating units ("CGU"). Management determines which of those CGU's are significant in relation to the total carrying value of goodwill as follows:

- Carrying value exceeds 10% of total goodwill; or
- Significant acquisitions during the year; or
- Significant contingent consideration exists at the reporting date.

Based on the above criteria in respect of the goodwill, management has concluded that the following are significant:

- Markets, with a carrying value of \$188.5 million, €168.0 million (2018: \$265.3 million, €232.0 million)
- Services, with a carrying value of €110.1 million (2018: €110.1 million);
- Sport, with a carrying value of €132.5 million (2018: €132.5 million);
- Casino product, with a carrying value of €51.7 million (2018: €51.7 million);
- Tradetech Alpha, with a carrying value of €47.2 million (2018: €65.6 million);
- Sports B2C, with carrying amount of €30.1 million (2018: €28.1 million);
- Snaitech, with carrying amount of €229.5 million (2018: €211 million);

The recoverable amounts of all the CGUs have been determined from value in use calculations based on cash flow projections from formally approved budgets covering one year period to 31 December 2020 in addition to 2-5 years forecasts, where management have applied an annual growth rate of

between 5% and 41% based on the underlying economic environment in which the CGU operates. Beyond this period, management has applied an annual growth rate of between 0 – 2%. Management has included appropriate capital expenditure requirements to support the forecast growth and assumed the maintenance of the current licences or anticipated licence grants in 2020-21. Management has applied discount rates to the cash flow projections between 11.67% and 22.62% (2018: between 10.24% and 21.48%).

In 2019, the results of the review indicated that there was an impairment of goodwill in two of the Group's CGU's, Tradetech Markets and Tradetech Alpha, with total impairment of €91.1 million (2018: Nil) which has been charged to the statement of comprehensive income.

The recoverable amount of the Markets GCU of €239.6 million as at 31 December 2019 has been determined using cashflow forecasts that include annual revenue growth rates of between 10% and 15% over the 2-5 year forecast period. The pre-tax discount rate applied to cash flow projections is 10.98%. As a result of this analysis, management has recognised an impairment charge of €69.3 million in the current year against goodwill.

The recoverable amount of the Tradetech Alpha GCU of €64.1 million as at 31 December 2019 has been determined using cashflow forecasts that include annual revenue growth rates of between 5% and 10% over the 2-5 year forecast period. The pre-tax discount rate applied to cash flow projections is 10.98%. As a result of this analysis, management has recognised an impairment charge of €20.7 million in the current year against goodwill.

The circumstances leading to the impairment are driven from increasing regulatory changes within the industry which require certain strategic changes to the business model, together with a continued shift in behaviors and conditions of the financial markets.

Sports B2C CGU is a significant CGU for the group. The recoverable amount of the Sports B2C CGU has been determined using cashflow forecasts that include annual revenue growth rates of between 15% and 41% over the 2-5 year forecast period. The recoverable amount would equal the carrying amount of the CGU if the annual revenue growth rate was steady at 11.2% or the discount rate applied was higher than 22.52%.

The recoverable amount of the Poker CGU has been determined using cashflow forecasts that include annual revenue growth rates of 5% over the 2-5 year forecast period. The recoverable amount would equal the carrying amount of the CGU if the annual revenue growth rate was lower by 0.34% or the discount rate applied was higher by 0.53%.

Management has also reviewed the key assumptions and forecasts for the customer lists, brands and affiliates, applying the above same key assumptions. The results of the reviews indicated there was no impairment of the intangible assets at 31 December 2019.

NOTE 18 – INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	2019	2018
	€'000	€'000
A. Investment in joint ventures	22,405	408
B. Investment in associates	13,075	12,448
C. Investment in structured agreements	16,785	16,785
	<u>52,265</u>	<u>29,641</u>

A. Investment in joint ventures

During the year, the Group entered into a long term structured agreement with Aquila Global Group SAS ("Wplay"), which is a leading gaming and betting brand in Columbia. Under the agreement the Group will become Wplay's strategic technology partner delivering its omni-channel products together with operational and marketing services across the leading brand's retail and online operations. The Group has no holding in Wplay but it has joint control over operations so the investment is measured using the equity method. The results for the period, total assets and total liabilities are immaterial.

The Group has joint venture in International Terminal Leasing (“ITL”), however the carrying amount is Nil as the Group recovered the full amount of the initial investment. Any future profits are recognized directly to the statement of comprehensive income.

Movements in the carrying value of the investment during the year are as follows:

	€'000
Investment in joint venture at 1 January 2019	408
Investment during the year	22,405
Share of profit in joint venture	621
Return of investment	(653)
Subsidiary acquired in steps (Note 34b)	(376)
Investment in joint venture at 31 December 2019	<u>22,405</u>

B. Investment in equity accounted associates

Investment in BGO

In August 2014, the Group acquired 33.33% of the shares of BGO Limited, a company incorporated in Alderney, for a total consideration of £10 million (€12.5 million). In 2015 the Group invested additional £0.7 million (€0.9 million).

The purpose of this investment is to further enhance BGO gaming applications on the Group’s platform and to enable BGO to further invest in its successful brands and grow into international markets. At the reporting date the Group’s NBV of investment in BGO totals €8.4 million (2018: €7.6 million).

Aggregated amounts relating to BGO Limited are as follows:

	2019	2018
	€'000	€'000
Total non-current assets	-	-
Total current assets	11,445	16,711
Total non-current liabilities	(3,045)	(42)
Total current liabilities	(6,794)	(3,339)
Revenues	27,257	33,520
Profit/(loss) and total comprehensive income	1,906	(836)

Other individually immaterial investments

At the reporting date the Group’s NBV of the other investments totals €5.3 million (2018: €4.8 million).

Total associates:

	€'000
Investment in associates at 1 January 2019	12,448
Additional investment in associates in the year	96
Share of profit	1,020
Return of investment	(46)
Impairment of equity accounted associates	(443)
Investment in associates at 31 December 2019	<u>13,075</u>

C. Investment in structured agreements

During 2014 the group has entered into a long term structured agreement with Turística Akalli, S. A. de C.V (“Akallil”), the owner of Tecnologia en Entretenimiento Caliplay, S. de R.L. de C.V (“Caliplay”), which is a leading betting and gaming operator operates of the “Caliente” brand in Mexico. Under the agreement the Group will become Caliplay’s strategic technology partner delivering its omni-channel products together with operational and marketing services across the leading brand’s retail and online operations. The group has no holdings in Caliplay and the investment in the structured agreement is measured using the equity method

Movement in structured agreements:

	€'000
Investment in structured agreements at 1 January 2019	16,785
Additional investment in structured agreements in the year	-
Investment in structured agreements at 31 December 2019	16,785

NOTE 19 – INVESTMENT HELD AT FAIR VALUE

	2019	2018
	€'000	€'000
Investment in equity investments at 1 January	1,400	381,346
Additions during the period	-	37,890
Reclassification on acquisition of Snaitech	-	(37,890)
Proceeds from the disposal during the period	-	(447,194)
Realised fair value changes on disposal recognised in the statement of comprehensive income	-	65,691
Unrealised fair value changes on disposal recognised in the statement of comprehensive income	(270)	(1,738)
Translation gain	-	3,295
Investment in equity investments at 31 December	1,130	1,400

As part of the takeover of Ladbrokes Coral plc ("Ladbrokes") by GVC Holdings plc ("GVC"), the Group exchange its shares in Ladbrokes for €205million of GVC shares and cash consideration of €32million. The Group subsequently sold these GVC shares for net proceeds of €254 million. In addition, the Group sold the shares in Plus500 Limited for net proceeds of €193 million.

As a result of these transactions, during the year ended 31 December 2018, the Group realised a gain on disposal of €65.7million being the net of the fair value movements from 1 January 2018 to the date of disposal.

Additions during the year ended 31 December 2018 relate to purchase of shares in Snaitech prior taking the control on 5 June. Upon taking control, these shares formed part of the cost of investment.

During the year, the Group received £30.0 million (€33.4 million) relating to amounts due in respect of the early settlement of the marketing services agreement with Ladbrokes as disclosed in the 2016 annual report.

	2019	2018
	€'000	€'000
Equity investments include the following:		
Quoted:		
Equity securities- Asia	1,130	1,400
	1,130	1,400

The fair value of quoted investments is based on published market prices (level one).

The maximum exposure of the equity investments to credit risk at the reporting date is the carrying value of the financial assets classified as equity investments.

NOTE 20 – OTHER NON-CURRENT ASSETS

	2019	2018
	€'000	€'000
Rent and car lease deposits	3,767	3,155
Guarantee for gaming licenses	3,080	2,713
Deferred tax (Note 31)	1,571	1,794
Related parties (Note 36)	3,727	-
Prepaid costs relating to Sun Bingo contract	16,699	-
Other	9,106	8,280

37,950	15,942
--------	--------

NOTE 21 – TRADE RECEIVABLES

	2019 €'000	2018 €'000
Trade receivables	252,232	255,527
Less: provision for impairment of trade receivables (Note 38a)	(55,528)	(52,950)
	196,704	202,557
Related parties (Note 36)	9,740	7,277
Trade receivables - net	206,444	209,854
Split to:		
Non current assets	13,600	-
Current assets	192,844	209,854
	206,444	209,854

NOTE 22 – OTHER RECEIVABLES

	2019 €'000	2018 €'000
Prepaid expenses	41,961	25,029
VAT and other taxes	12,472	19,533
Advances to suppliers	1,200	1,275
Proceeds from disposal of investment (Note 19)	-	33,390
Related parties (Note 36)	845	4,000
Security deposits for regulators	33,888	35,365
Prepaid costs relating to Sun Bingo contract	11,016	-
Other receivables	39,772	41,881
	141,154	160,473

NOTE 23 – CASH AND CASH EQUIVALENTS

	2019 €'000	2018 €'000
Cash at bank	638,924	586,878
Cash at brokers	22,718	26,860
Deposits	9,898	8,459
	671,540	622,197

The Group held cash balances on behalf of operators in respect of operators' jackpot games and poker and casino operations and client funds with respect to B2C, CFD and client deposits in respect of liquidity and clearing activity which is included in the current liabilities.

	2019 €'000	2018 €'000
Funds attributed to jackpots	74,166	63,714
Security deposits	23,986	24,887
Client deposits	113,879	116,656
Client funds	126,309	104,200
	338,340	309,457

NOTE 24 – ASSETS HELD FOR SALE

	2019 €'000	2018 €'000
--	---------------	---------------

Assets

A. Property, plant and equipment	32,417	-
B. Casuals CGU	4,381	-
	<u>36,798</u>	<u>-</u>

- A. On 14 May 2019, the Group entered into a preliminary sale and purchase agreement for the disposal of real estate located in Milan ("Area Sud" and "Area Nord"). Based on the agreement: (1) the purchaser is obliged to purchase the Area Sud for total consideration of €19 million and undertakes to purchase the Area Nord under certain conditions for total consideration of €36 million, (2) the purchaser is obliged to purchase the Area Nord if the municipality approves the conversion project, (3) if the reconversion will not be approved by the municipality by 31 March 2020, the purchaser is required to buy the Area Sud after deducting the €5 million already paid on the sign off of the preliminary agreement (4) in any case the purchaser still has the option to buy the Area Nord for the remaining of €36 million by 31 March 2020 unless extended by the buyer. Accordingly, the affected real estate has been classified as held for sale. Control of the land is anticipated to transfer on completion at which point the sale of land will be recognised.

At the date of the transfer to the assets classified as held for sale, an impairment review has been performed to the subject asset. No impairment has been recognised as the recoverable amount is higher than the carrying amount.

At the reporting date, the technical committee has preliminary approved the conversation project and the final approval is expected from the Municipality to complete the sale.

- B. On 22 November the Group announced that it was reviewing its Casual and Social Gaming Business. Prior to the year end the Board of Directors made the decision to dispose of the Casual and Social Gaming Businesses. Accordingly, casual and social gaming business were classified as a disposal group held for sale and as a discontinued operation. Efforts to sell the disposal group have started and a sale is expected by the end of 2020.

The major class of assets and liabilities of the disposal group classified as held for sale as at 31 December, are as follows:

	2019
	€'000
Assets	
Property, plant and equipment	89
Right of use of assets	584
Intangible assets	43
Other non current assets	50
Trade receivables	851
Other receivables	118
Cash and cash equivalent	<u>2,646</u>
Asset classified as held for sale	<u>4,381</u>
Liabilities	
Trade payables	321
Tax liabilities	251
Lease liability	613
Other payables	<u>2,410</u>
Liabilities directly associated with asset classified as held for sale	<u>3,595</u>

NOTE 25 – SHAREHOLDERS' EQUITY

A. Share Capital

Share capital is comprised of no par value shares as follows:

	2019 Number of Shares	2018 Number of Shares
Authorised*	N/A	N/A
Issued and paid up	303,791,693	317,344,603

The Group has no authorised share capital but is authorized under its memorandum and article of association to issue up to 1,000,000,000 shares of no par value.

During 2019 the Group has cancelled 13,552,910 shares as part of share buy back for a total consideration of € 65,131,871.

B. Employee Benefit Trust

In 2014 the Group established an Employee Benefit Trust by acquiring 5,517,241 shares for a total consideration of €48.5 million. During the year 200,214 shares (2018: 459,983) were issued as a settlement for employee share option exercises with a cost of €1.7 million (2018: €3.8 million), and as of 31 December 2019, a balance of 1,925,366 (2018: 2,125,580) shares remains in the trust with a cost of €16.2 million (2018: €17.9 million).

C. Share options exercised

During the year 212,624 (2018: 474,953) share options were exercised. The Group cash-settled 12,410 share options during the year (2018: 14,387).

D. Distribution of Dividend

In June 2019, the Group distributed €37,159,079 as a final dividend for the year ended 31 December 2018 (12.0 € cents per share).

In October 2019, the Group distributed € 18,866,968 as an interim dividend in respect of the period ended 30 June 2019 (6.1 € cents per share). A number of shareholders waived their rights to receive dividends amounting to €480.890.

E. Reserves

The following describes the nature and purpose of each reserve within owner's equity:

Reserve	Description and purpose
Additional paid in capital	Share premium (i.e. amount subscribed for share capital in excess of nominal value)
Employee Benefit Trust	Cost of own shares held in treasury by the trust
Put/Call options reserve	Fair value of put options as part of business acquisition
Foreign exchange reserve	Gains/losses arising on retranslating the net assets of overseas operations
Convertible bond option reserve	Amount of proceeds on issue of convertible debt relating to the equity component (i.e. option to convert the debt into share capital)
Retained earnings	Cumulative net gains and losses recognised in the consolidated statement of comprehensive income

F. Non controlling interest

The Group acquired additional interest in a number of subsidiaries in 2019; Consolidated Financial Statements A/S, ECM Holdings Limited and Sunfox Games GmbH. The total carrying amount of the subsidiaries net assets in the Group's consolidated financial statements on the date of acquisition was €49.4million.

2019
€'000

Carrying amount of Non-controlling interest acquired	8,332
Consideration paid to Non-controlling interest	(1,246)
Increase in equity attributable to holders of the parent	<u>7,086</u>

NOTE 26 – LOANS AND BORROWINGS

The main credit facility of the Group is a revolving credit facility of €317.0 million available until November 2023 with option for extension for one year. Interest payable on the loan is based on a margin on Euro Libor rates. As at the reporting date the credit facility drawn amounted to €64.4 million (2018: Nil).

NOTE 27 – BONDS

	Convertible bonds €'000	Snai bond €'000	2018 Bond €'000	2019 Bond €'000	Total €'000
As of 1 January 2018	276,464	-	-	-	276,464
On business combinations	-	588,955	-	-	588,955
Issue of bond	-	-	523,417	-	523,417
Repayment of bond	-	(580,605)	-	-	(580,605)
Notional interest expenses on convertible bonds	10,685	-	-	-	10,685
Notional interest expenses on other bonds	-	-	289	-	289
Gain on early repayment of bond	-	(8,350)	-	-	(8,350)
As at 31 December 2018	287,149	-	523,706	-	810,855
Issue of bond	-	-	-	345,672	345,672
Notional interest expenses on convertible bonds	9,851	-	-	-	9,851
Notional interest expenses on other bonds	-	-	1,315	497	1,812
Repayment of bond	(297,000)	-	-	-	(297,000)
As at 31 December 2019	-	-	525,021	346,169	871,190

Convertible bonds

On 12 November 2014 the Group issued €297.0 million of senior, unsecured convertible bonds due November 2019 and convertible into fully paid Ordinary Shares of Playtech plc (the “Bonds”). The net proceeds of issuing the Bonds, after deducting commissions and other direct costs of issue, totaled €291.1 million.

The Bonds were issued at par and redeemed on 19 November 2019 at their principal amount.

Bonds

(a) Snai bond

Through the acquisition of Snaitech in 2018, the Group obtained bond loans. This debt was recognised at acquisition at the fair value based on the market prices of the loan notes. The bonds were issued on 7 November 2016, with a fixed rate tranche of €320 million (6.375% coupon, maturity 2021) and a floating rate tranche of €250 million (three months Euribor floored at 0% plus a spread of 6%, maturity 2021). Following the acquisition by Playtech, the change of control clause within the bonds required the issuer to offer a repayment opportunity. The early redemption procedure applied in accordance with the “change of control offer” and these bonds were fully repaid by Playtech in 2018. Total amount paid was €581 million which gave rise to a gain on the redemption of €8.4 million which has been recognised in statement of comprehensive income under finance income in the year ended 31 December 2018.

(b) 2018 Bond

On 12 October 2018, the Group issued €530 million of senior secured notes (‘2018 Bond’) due on October 2023. The net proceeds of issuing the 2018 Bond after deducting commissions and other direct costs of issue totalled €523.4 million. Commissions and other direct costs of issue have been offset against the principal balance and are amortized over the period of the bond.

The issue price of Notes is 100% of their principal amount. The 2018 Bond bear interest from 12 October 2018 at the rate of 3.75% per annum payable semi-annually in arrears on 12 April and 12 October in each year commencing on 12 April 2019.

The fair value of the bond at 31 December 2019 was €552 million (31 December 2018: €516 million).

(c) 2019 Bond

On 7 March 2019, the Group issued €350 million of senior secured notes ('2019 Bond') due on March 2026. The net proceeds of issuing the 2019 Bond after deducting commissions and other direct costs of issue totalled €345.7 million. Commissions and other direct costs of issue have been offset against the principal balance and are amortized over the period of the bond.

The issue price of 2019 Bond is 100% of their principal amount. The 2019 Bond will bear interest from 7 March 2019 at the rate of 4.25% per cent per annum payable semi-annually in arrears on 7 September and 7 March in each year commencing on 7 September 2019.

The fair value of the bond at 31 December 2019 was €373 million.

NOTE 28 – PROVISIONS FOR RISKS AND CHARGES

	Other provisions €'000	Provisions for tax disputes, litigations, contractual risks €'000	Total provisions €'000
As of 1 January 2018	-	-	-
On acquisitions	1,917	11,339	13,256
Charged to the statement of comprehensive income	309	1,530	1,839
Utilised / realized in the year	(773)	(2,227)	(3,000)
31 December 2018	1,453	10,642	12,095
On acquisitions	-	318	318
Charged to the statement of comprehensive income	492	7,029	7,521
Utilised / realized in the year	-	(426)	(426)
31 December 2019	1,945	17,563	19,508

Provision for tax disputes, litigations, contractual risks

The Group is subject to proceedings regarding complex legal matters, which are subject to a differing degree of uncertainty (also due to a complex legislative framework), including the facts and the circumstances inherent to each case, the jurisdiction and the different laws applicable. Given the uncertainties inherent to these problems, it is difficult to predict with certainty the outlay which will derive from these disputes and it is therefore possible that the value of the provisions for legal proceedings and disputes may vary further to future developments in the proceedings underway. The Group monitors the status of the disputes underway and consults with its advisors and experts on legal and tax-related matters.

NOTE 29 – CONTINGENT CONSIDERATION AND REDEMPTION LIABILITY

	2019 €'000	2018 €'000
Non-current contingent consideration consists:		
Acquisition of ACM Group	-	71,344
Acquisition of Eyecon Limited	-	1,355
Acquisition of Rarestone Gaming PTY Ltd	2,520	2,188
Acquisition of HPYBET Austria GmbH	-	10,085
Other acquisitions	-	3,789

	2,520	88,761
Non-current redemption liability consists:		
Acquisition of Playtech BGT Sports Limited	-	20,742
Acquisition of ECM Systems Holdings Limited	-	839
Other acquisitions	-	181
	-	21,762
Total non-current contingent consideration and redemption liability	2,520	110,523
Current contingent consideration consists:		
Acquisition of ACM Group	-	2,403
Acquisition of Quickspin AB	-	14,536
Acquisition of Playtech BGT Sports Limited	5,000	5,000
Acquisition of Rarestone Gaming PTY Ltd	1,284	2,932
Interest in Wplay	16,050	-
Other acquisitions	4,318	1,599
	26,652	26,470
Current redemption liability consists:		
Acquisition of Consolidated Financial Holdings A/S	-	21,846
Acquisition of Playtech BGT Sports Limited	31,860	-
Other acquisitions	93	-
	31,953	21,846
Total current contingent consideration and redemption liability	58,605	48,316

On 1 October 2017, the Group acquired technology, Intellectual property and certain customer assets (together "the assets") from ACM Group Limited. The Group paid total cash consideration of €4.2 million (\$5.0 million) and additional consideration capped at €122.7 million (\$145.0 million) in cash will be payable based on 2017, 2018 and 2019 EBITDA multiple and is payable annually over the term. Following the completion of the 2019 results, which were negatively impacted by increasing regulation within the industry, record low volatility during the first quarter of the year, and exceptional market making movements in September and October 2019, the directors calculate that there is no further consideration payable and so the contingent consideration liability (2018: \$84.4 million) was released to the statement of comprehensive income.

During the year, the Group exercised its option to acquire the remaining 24.14% of Consolidated Financial Holdings A/S for a total consideration of \$24.5 million. As a result of this acquisition, the put/call option reserve decreased by €13.6 million.

The maximum contingent consideration and redemption liability payable is as follows:

	2019	2018
	€'000	€'000
Acquisition of ACM Group	129,295	126,706
Acquisition of Quickspin AB	-	14,637
Acquisition of Eyecon Limited	26,456	27,825
Acquisition of Rarestone Gaming PTY Ltd	4,143	8,476
Acquisition of HPYBET Austria GmbH	15,000	15,000
Acquisition of Playtech BGT Sports	95,000	95,000
Acquisition of Consolidated Financial Holdings A/S	-	63,890
Interest in Wplay	21,285	-
Other acquisitions	4,015	6,434
	295,194	357,968

	Non-cash items				At 31 December 2019 €'000
	At 1 January 2019 €'000	Investing cash flows €'000	Other acquisitions €'000	Other changes €'000	
	Contingent consideration	115,231	(23,878)	16,050	
Redemption liabilities	43,608	(21,979)	-	10,324	31,953
Total liabilities	158,839	(45,857)	16,050	(67,907)	61,125

	Non-cash items				At 31 December 2018 €'000
	At 1 January 2018 €'000	Investing cash flows €'000	Acquisition of subsidiary €'000	Other changes €'000	
	Contingent consideration	107,886	(11,958)	18,497	
Redemption liabilities	49,786	-	-	(6,178)	43,608
Total liabilities	157,672	(11,958)	18,497	(5,372)	158,839

NOTE 30 – TRADE PAYABLES

	2019 €'000	2018 €'000
Suppliers	52,219	63,829
Customer liabilities	10,124	9,127
Other	77	629
	62,420	73,585

NOTE 31 – DEFERRED TAX LIABILITY

The deferred tax liability is due to temporary differences on the acquisition of certain businesses and offset by the losses in Snai.

The movement on the deferred tax liability is as shown below:

	2019 €'000	2018 €'000
At the beginning of the year	71,598	28,508
Transferred to asset classified as held for sale	1,028	-
Arising on the acquisitions during the year (Note 34a)	1,125	47,278
Reversal of temporary differences, recognised in the consolidated statement of comprehensive income	2,923	(4,572)
Foreign exchange movements	93	384
At the end of the year	76,767	71,598
Split to:		
Deferred tax liability on acquisitions	91,665	103,534
Deferred tax asset (set off with deferred tax liability)	(13,327)	(30,142)
Deferred tax asset (Note 20)	(1,571)	(1,794)
	76,767	71,598

Deferred tax assets and tax are offset only when there was a legal enforceable right to set off, according to IAS 12. On 31 December 2019, the Directors continued to recognised deferred tax assets arising

from temporary differences and tax losses carryforward. The recognition is based on the business plan projections of future positive results.

NOTE 32 – OTHER PAYABLES

	2019	2018
	€'000	€'000
<i>Non current liabilities</i>		
Payroll and related expenses	9,247	6,671
Non current guarantee deposits	839	1,585
Other	4,158	5,825
	<u>14,244</u>	<u>14,081</u>
<i>Current liabilities</i>		
Payroll and related expenses	66,056	62,403
Accrued expenses	46,318	46,686
Related parties (Note 36)	77	76
VAT payable	4,954	11,976
Interest payable	10,346	6,008
Other payables	14,110	10,552
	<u>141,861</u>	<u>137,701</u>

NOTE 33 – CORPORATE, GAMING AND OTHER TAXES PAYABLE

	2019	2018
	€'000	€'000
Income tax payable	22,019	39,751
Gambling tax	98,288	105,154
	<u>120,307</u>	<u>144,905</u>

NOTE 34 – ACQUISITIONS DURING THE YEAR

A. Acquisition of Areascom SpA

On 28 January 2019, the Group acquired 100% of Areascom SpA (“Areascom”) for a total cash consideration of €Nil, and as part of this transaction recapitalised the business by injecting €15.5 million equity capital.

The Group paid total cash consideration of €Nil.

Details of the fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill, are as follows:

	Fair value on acquisition
	€'000
Property, plant and equipment	459
Right of use assets	3,765
Other non-current assets	209
Trade and other receivables	55
Cash and cash equivalent	324
Deferred tax liability	(1,125)
Tax liability	(203)
Other non current liabilities	(4,337)
Lease liability	(4,170)

Trade payables and other payables	(12,502)
Net identified liabilities	(17,525)
Goodwill	17,525
Fair value of consideration	-
	€'000
Cash consideration	-
Cash purchased	324
Net cash receivable	324

The main factor leading to the recognition of goodwill is the high synergies and further strategic aspects. The acquisition forms part of the Snaitech CGU and in accordance with IAS36, the Group will regularly monitor the carrying value of its interest in Areascom.

Management has not disclosed Areascom contribution to the Group profit since the acquisition nor has the impact the acquisition would have had on the Group's revenue and profits if it had occurred on 1 January 2019 been disclosed, because the amounts are not material.

B. Other acquisition

During the year, the Group acquired of the shares of various companies for a total cash consideration of €1.4 million. One of these acquired in steps, additional 50% acquired in the year and previous consideration of €0.1 million paid to acquire the previously 50% interest in joint venture. A fair value movement was required on the conversion to a subsidiary of €0.1 million.

NOTE 35 – ACQUISITIONS IN PREVIOUS YEAR

A. Acquisition of Seabrize Marketing Limited (ex. Easydock Investments Limited)

On 1 March 2018, the Group acquired 100% of the shares of Seabrize Marketing Limited ("Seabrize"), a provider of marketing services to online gaming operators.

The Group paid total cash consideration of €12.0 million and maximum additional consideration capped at €10.0 million in cash was payable in 2019 if the performance of the business in the period from acquisition date until 31 December 2018 meets or exceeds Group's expectations. During November 2018, the contingent consideration was settled at €8.0 million which also accorded to management's best estimate of the amount payable at acquisition.

B. Acquisition of Rarestone Gaming PTY Ltd (ex. Studio 88 Pty Ltd)

On 26 March 2018, the Group acquired 100% of the shares of Rarestone Gaming PTY Ltd which creates content and online games.

The Group paid total cash consideration of €3.4 million (US\$4.2 million) and maximum additional consideration capped at €7.3 million (US\$9.0 million) in cash will be payable in 2019, 2020 and 2021 based on launch date of the games and royalty income from the subject games.

C. Acquisition of HPYBET Austria GmbH (ex. Destres GmbH)

On 1 April 2018, the Group acquired 100% of the shares of Destres GmbH ("Destres") which operates betting shops in Austria.

The Group paid total cash consideration of €15.4 million and maximum additional consideration capped at €15 million in cash will be payable based on a multiple of the 2020 Adjusted EBITDA.

D. Acquisition of Snaitech SpA

On 5 June 2018, the Group acquired 70.6% of the shares of Snaitech S.p.A. (“Snaitech”), the leading operator on the Italian retail betting market and one of the main players on the gaming machines market. Up to 5 June 2018, the Group had also separately acquired approximately 9% of Snaitech’s issued share capital through market purchases. On 26th July 2018, the Group completed the acquisitions of an additional 15.1% of Snaitech’s shares through a mandatory tender offer and additional purchase of shares in the market. On 3rd of August 2018, the Group completed the acquisition of 100% of Snaitech and delisted the company from the Borsa Italia.

E. Acquisition of Piazza Hosting Services S.R.L.

On 30 November 2018, the Group acquired 100% of the shares of Piazza Hosting Services S.R.L. (“Piazza”), which provides hosting services.

The Group paid total consideration of €6.5 million.

F. Other acquisitions

In the prior period, the Group acquired 100% of the shares of various companies. The Group paid total cash consideration of €13.1 million and additional consideration will be payable based on 2019 and 2021 EBITDA multiple. Also, the Group signed an Asset Purchase Agreement to which the Group acquired 100% of the business for a total consideration of €7.3 million.

NOTE 36 – RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party’s making of financial or operational decisions, or if both parties are controlled by the same third party. Also, a party is considered to be related if a member of the key management personnel has the ability to control the other party.

The joint ventures and the structured agreements are associates of the Group by virtue of the Group’s significant influence over those arrangements.

During the year ended 31 December 2019, group companies entered into the following transactions with related parties who are not members of the Group:

The following are the aggregate transactions arose with related parties:

	2019	2018
	€’000	€’000
Revenue		
Structured agreements and associates	34,769	29,453
Share of profit in joint venture	621	180
Share of profit/(loss) from associates	1,020	(2,771)
Operating expenses		
Structured agreements and associates	1,016	1,221
Interest income		
Structured agreements and associates	1,310	225

The following are the balances with related parties:

	2019	2018
	€’000	€’000

Structured agreements and associates	14,312	11,277
Total current and non current related parties receivable	14,312	11,277

Structured agreements and associates	77	76
Total current related parties payable	77	76

The details of key management compensation (being the remuneration of the directors) are set out in Note 11.

NOTE 37 – SUBSIDIARIES

Details of the Group's principal subsidiaries as at the end of the year are set out below:

Name	Country of incorporation	Proportion of voting rights and ordinary share capital held	Nature of business
Playtech Software Limited	Isle of Man	100%	Main trading company of the Group, owns the intellectual property rights and licenses the software to customers.
OU Playtech (Estonia)	Estonia	100%	Designs, develops and manufactures online software
Techplay Marketing Limited	Israel	100%	Marketing and advertising
Video B Holding Limited	British Virgin Islands	100%	Trading company for the Videobet software, owns the intellectual property rights of Videobet and licenses it to customers.
OU Videobet	Estonia	100%	Develops software for fixed odds betting terminals and casino machines (as opposed to online software)
Playtech Bulgaria	Bulgaria	100%	Designs, develops and manufactures online software
PTVB Management Limited	Isle of Man	100%	Management
Playtech Services (Cyprus) Limited	Cyprus	100%	Activates the ipoker Network in regulated markets. Owns the intellectual property of GTS, Ash and Geneity businesses
VB (Video) Cyprus Limited	Cyprus	100%	Trading company for the Videobet product to Romanian companies
Techplay S.A. Software Limited	Israel	100%	Develops online software
Technology Trading IOM Limited	Isle of Man	100%	Owns the intellectual property rights of Virtue Fusion business
Gaming Technology Solutions Limited	UK	100%	Holding company of VS Gaming and VS Technology
Virtue Fusion (Alderney) Limited	Alderney	100%	Online bingo and casino software provider
Intelligent Gaming Systems Limited	UK	100%	Casino management systems to land based businesses
VF 2011 Limited	Alderney	100%	Holds license in Alderney for online gaming and Bingo B2C operations
PT Turnkey Services Limited	British Virgin Islands	100%	Holding company of the Turnkey Services group

Name	Country of incorporation	Proportion of voting rights and ordinary share capital held	Nature of business
PT Turnkey EU Services Limited	Cyprus	100%	Turnkey services for EU online gaming operators
PT Entertentimiento Online EAD	Bulgaria	100%	Poker & Bingo network for Spain
PT Marketing Services Limited	British Virgin Islands	100%	Marketing services to online gaming operators
PT Operational Services Limited	British Virgin Islands	100%	Operational & hosting services to online gaming operators
Paragon International Customer Care Limited	British Virgin Island & branch office in the Philippines	100%	English Customer support, chat, fraud, finance, dedicated employees services to parent company
CSMS Limited	Bulgaria	100%	Consulting and online technical support, data mining processing and advertising services to parent company
S-Tech Limited	British Virgin Islands & branch office in the Philippines	100%	Live games services to Asia
PT Network Management Limited	British Virgin Islands	100%	Manages the ipoker network
Playtech Mobile (Cyprus) Limited	Cyprus	100%	Holds the IP of Mobenga AB
Mobenga AB Limited	Sweden	100%	Mobile sportsbook betting platform developer
Factime Limited	Cyprus	100%	Holding company of Juego
PokerStrategy Ltd.	Gibraltar	100%	Operates poker community business
Videobet Interactive Sweden AB	Sweden	100%	Trading company for the Aristocrat Lotteries VLT's
V.B. Video (Italia) S.r.l.	Italy	100%	Trading company for the Aristocrat Lotteries VLT's
PT Entertainment Services LTD	Antigua	100%	Holding gaming license in the UK
Tradetech Markets Limited	Isle of Man	100%	Owns the intellectual property rights and marketing and technology contracts of the financial division
Safecap Limited	Cyprus	100%	Primary trading company of the Financial division. Licensed investment firm and regulated by Cysec
TradeFXIL limited	Israel	100%	Financial division sales, client retention, R&D and marketing
ICCS BG	Bulgaria	100%	Financial division back office customer support
Magnasale Limited	Cyprus	100%	Financial division. Licensed and regulated investment firm
Stronglogic Services Limited	Cyprus	100%	Maintains the financial division marketing function for EU operations
Yoyo Games Limited	UK	100%	Casual game development technology
Quickspin AB	Sweden	100%	Owns video slots intellectual property

Name	Country of incorporation	Proportion of voting rights and ordinary share capital held	Nature of business
Best Gaming Technology GmbH	Austria	90%	Trading company for sports betting
Playtech BGT Sports Limited	Cyprus	90%	Owns sports betting intellectual property solutions and trading company for sports betting
ECM Systems Ltd	UK	100%	Owns bingo software intellectual property and bingo hardware
Consolidated Financial Holdings AS	Denmark	100%	Owns the intellectual property which provides brokerage services, liquidity and risk management tool
CFH Clearing Limited	UK	100%	Primary trading company of CFH Group
Eyecon Limited	Alderney	100%	Develops and provides online gaming slots
Tradetech Alpha Limited	UK	100%	Regulated FCA broker providing trading, risk management and liquidity solutions
Rarestone Gaming PTY Ltd	Australia	100%	Development company
HPYBET Austria GmbH GmbH	Austria	90%	Operating shops in Austria
Snaitech SPA	Italy	100%	Italian retail betting market and gaming machine market

NOTE 38 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Group has exposure to the following arising from financial instruments:

- Credit risk
- Liquidity risk
- Market risk

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

- (i) Principal financial instruments of the Group, from which financial instrument risks arises, are as follows:
- Trade receivables and other receivables
 - Cash and cash equivalents
 - Investments in equity securities
 - Trade and other payables
 - Bonds

(ii) Financial instrument by category

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

	Measurement Category	Carrying amount		Fair value		
		2019	2018	Level 1	Level 2	Level 3
		€'000	€'000	€'000	€'000	€'000
Non-current financial assets						
Equity securities	FVTPL	1,130	1,400	1,130	-	-
Current financial assets						
Trade receivables	Amortised cost	206,444	209,854	-	-	-
Other receivables	Amortised cost	141,154	160,473	-	-	-
Cash and cash equivalents	Amortised cost	671,540	622,197	-	-	-
Non current liabilities						
Bonds	Amortised cost	871,190	523,706	-	-	-
Loans and borrowings	Amortised cost	64,396	206	-	-	-
Contingent consideration and redemption liability	FVTPL	2,520	110,523	-	-	2,520
Current liabilities						
Bonds	Amortised cost	-	287,149	-	-	-
Trade payables	Amortised cost	62,420	73,585	-	-	-
Other payables	Amortised cost	141,861	137,701	-	-	-
Contingent consideration and redemption liability	FVTPL	58,605	48,316	-	-	58,605

The fair value of the contingent consideration and redemption liability is calculated by discounting the estimated cash flows. The valuation model considers the present value of the expected future payments, discounted using a risk adjusted discount rate.

The carrying amount does not materially differ from the fair value of the financial assets and liabilities.

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility.

Further details regarding these policies are set out below:

A. Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers.

The carrying amounts of financial assets represent the maximum credit exposure.

Cash and cash equivalents

Wherever possible and commercially practical the Group invests cash with major financial institutions that have a rating of at least A- as defined by Standard & Poors. While the majority of money is held in line with the above policy, a small amount is held at various institutions with no rating. The Group also holds small deposits in Cypriot and Spanish financial institutions, as required by the respective gaming regulators that have a rating below A-. The Group holds approximately 31% of its funds (2018: 13%) in financial institutions below A- rate and 2% in payment methods with no rating (2018:2%).

	Total	Financial institutions with A- and above rating	Financial institutions below A- rating and no rating
	€'000	€'000	€'000
At 31 December 2019	671,540	450,464	221,076
At 31 December 2018	622,197	527,698	94,499

Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry, country in which customers operate.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of 90 days month before 31 December 2019 or 1 January 2019 respectively and the corresponding historical credit losses experienced within this period. On that basis, no loss allowance as at 31 December 2019 and 1 January 2019 (on adoption of IFRS 9) was determined other than the provision for bad debts for trade receivables.

Financial division credit risk

The financial division has no credit risk to clients since all accounts have an automatic margin call, which relates to a guaranteed stop such that the client's maximum loss is covered by the deposit. The Group has risk management and monitoring processes for clients' accounts and this is achieved via margin calling and close-out process.

The carrying amounts of financial assets represent the maximum credit exposure.

31 December 2019	Total	Not past due	1-2 months overdue	More than 2 months past due
	€'000	€'000	€'000	€'000
Expected credit loss rate	21%	8%	5%	59%
Gross carrying amount	261,972	171,686	20,251	70,035
Provision for bad debts	(55,528)	(13,437)	(931)	(41,160)

Loss allowance	206,444	158,249	19,320	28,875
-----------------------	---------	---------	--------	--------

31 December 2018	Total	Not past due	1-2 months overdue	More than 2 months past due
	€'000	€'000	€'000	€'000
Expected credit loss rate	20%	1%	0%	71%
Gross carrying amount	262,804	164,410	26,997	71,397
Provision for bad debts	(52,950)	(2,262)	-	(50,688)
Loss allowance	209,854	162,148	26,997	20,709

Trade receivables and contract assets are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the group, and a failure to make contractual payments for a period of greater than 120 days past due.

Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2019	2018
	€'000	€'000
Balance 1 January	52,950	1,430
Charged to statement of comprehensive income	6,293	4,764
Provision acquired through business combination	472	50,126
Utilised	(4,187)	(3,370)
Balance 31 December	<u>55,528</u>	<u>52,950</u>

B. Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial assets. The Group's approach to managing the liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses of risking damage the Group's reputation.

Financial division exposure to liquidity risk

Positions can be closed at any time by clients and can also be closed by the Group, in accordance with the Group's margining rules. If after closing a position a client is in surplus, then the amount owing is repayable on demand by the Group. When client positions are closed, any corresponding positions relating to the hedged position (if applicable) are closed with brokers.

Liquidity risk arises if the Group encounters difficulty in meeting obligations which arise following profitable positions being closed by clients. This risk is managed through the Group holding client funds in separately segregated accounts whereby cash is transferred to or from the segregated accounts on a daily basis to ensure that no material mismatch arises between the aggregate of client deposits and the fair value of open positions, and segregated cash. Through this risk management process, the Group considers liquidity risk to be low.

	2019	2018
	€'000	€'000
Client deposits	132,849	138,418
Open positions	(6,540)	(34,218)
Client funds	126,309	104,200

CFH trades on a matched principal basis and financial instruments are used to hedge all client positions. The management of market risk in respect of matching of derivatives is through automated tools, together with active monitoring and management by senior personnel under the supervision of its directors. CFH's liquidity obligations are monitored daily and it is adequately capitalised with a steady revenue stream to meet its day to day obligations. CFH client deposits balance as at 31 December 2019 was €113.9 million (2018: €116.6 million).

The following are the remaining contractual maturities of financial liabilities (representing undiscounted contractual cash flows) at the reporting date:

	Total	Within 1 year	1-5 years	More than 5 years
	€'000	€'000	€'000	€'000
2019				
Trade payables	62,420	62,420	-	-
Progressive and other operators' jackpots	98,152	98,152	-	-
Client deposits	113,879	113,879	-	-
Client funds	126,309	126,309	-	-
Contingent consideration and redemption liability	61,125	58,605	2,520	-
Other payables	156,105	141,861	14,244	-
Loans and borrowings	64,602	206	-	64,396
Bonds	871,190	-	525,021	346,169
Provisions for risks and charges	19,508	19,508	-	-
Lease liability	90,789	25,515	40,040	25,234
	1,664,079	646,455	581,825	435,799
2018				
Trade payables	73,585	73,585	-	-
Progressive and other operators' jackpots	88,601	88,601	-	-
Client deposits	116,656	116,656	-	-
Client funds	104,200	104,200	-	-
Contingent consideration and redemption liability	158,839	48,316	98,097	12,426
Other payables	165,861	151,781	14,080	-
Loans and borrowings	695	489	206	-
Bonds	810,855	287,149	-	523,706
Provisions for risks and charges	12,095	12,095	-	-
	1,531,387	882,872	112,383	536,132

As disclosed in Note 25, the Group has a revolving credit facility (RCF) that contains financial covenant. Under the agreement, the covenant is monitored on a regular basis by the finance department and regularly reported to management to ensure compliance to the agreement.

As at 31 December 2019, the Group has met the financial covenants of the RCF which are as follows:

- Leverage: Net Debt/Adjusted EBITDA 3:1 (2018: 3:1)
- Interest cover: Interest/Adjusted EBITDA 4:1 (2018: 5:1)

C . Market risk

Market risk changes in line with fluctuations in market prices, such as foreign exchange rates, interest rates and equities prices, will affect the Group's income or the value of its holding of financial instruments.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the return.

Financial division exposure to market risk

In the financial trading division, the Group has exposure to market risk to the extent that it has open positions. The Group's exposure to market risk at any point in time depends primarily on short-term market conditions and client activities during the trading day. The exposure at each reporting date is therefore not considered representative of the market risk exposure faced by the Group over the year.

The Group's exposure to market risk is mainly determined by the clients' open position. The most significant market risk faced by the Group on the CFD products it offers changes in line with market changes and the volume of clients' transactions.

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates.

Foreign exchange risk arises because the Group has operations located in various parts of the world. However, the functional currency of those operations is the same as the Group's primary functional currency (Euro) and the Group is not substantially exposed to fluctuations in exchange rates in respect of assets held overseas.

Foreign exchange risk also arises when Group operations are entered into, and when the Group holds cash balances, in currencies denominated in a currency other than the functional currency.

	In EUR	In USD	In GBP	In other currencies	Total
	€'000	€'000	€'000	€'000	€'000
Cash and cash equivalents	321,207	230,249	75,075	45,009	671,540
Client funds	(118,209)	(167,541)	(23,394)	(29,196)	(338,340)
Cash and cash equivalents less client funds	202,998	62,708	51,681	15,813	333,200

The Group's cash balances are mostly denominated in EUR and USD. Despite the fact that the Group has large amounts in USD, those balances are hedged by the fact that these balances are client's money.

The Group's policy is not to enter into any currency hedging transactions.

Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Group's income and operating cash flows are substantially independent of changes in market interest changes. The management monitors interest rate fluctuations on a continuous basis and acts accordingly.

Where the Group has generated a significant amount of cash, it will invest in higher earning interest deposit accounts. These deposit accounts are short term and the Group is not unduly exposed to market interest rate fluctuations.

Equity price risk

The Group's is exposed to market risk by way of holding some investments in other companies on a short term basis (Note 18). Variations in market value over the life of these investments will have an immaterial impact on the balance sheet and the statement of comprehensive income.

NOTE 39 – CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

Non-cash items

	At 1 January 2019	Financing cash flows	Acquisition of subsidiary (note 34a)	Other changes	At 31 December 2019
	€'000	€'000	€'000	€'000	€'000
Loans and borrowings (Note 26)	695	63,907	-	-	64,602
Convertible bond (Note 27)	287,323	(297,000)	-	9,677	-
2018 Bond (Note 27)	528,062	(9,938)	-	11,254	529,378
2019 Bond (Note 27)	-	338,235	-	12,649	350,884
Lease liability	-	(26,999)	4,170	113,618	90,789
Total liabilities	816,080	68,205	4,170	147,198	1,035,653

Non-cash items

	At 1 January 2018	Financing cash flows	Acquisition of subsidiary (note 29)	Other changes	At 31 December 2018
	€'000	€'000	€'000	€'000	€'000
Loans and borrowings (Note 26)	200,000	(200,481)	1,176	-	695
Convertible bond (Note 27)	276,638	(1,485)	-	12,170	287,323
Snai bond (Note 27)	-	(580,605)	588,955	(8,350)	-
Bond (Note 27)	-	523,417	-	4,645	528,062
Total liabilities	476,638	(259,154)	590,131	8,465	816,080

NOTE 40 – CONTINGENT LIABILITIES AND PROVISION FOR RISKS AND CHARGES

As part of the Board's ongoing regulatory compliance process, the Board continues to monitor legal and regulatory developments and their potential impact on the Group.

The Group is involved in proceedings before civil and administrative courts, and other legal actions related to the regular course of business. Based on the information currently available, and taking into the existing provisions for risks, the Group considers that such proceedings and actions will not result in any material adverse effects upon the financial statements. All the provisions were subject to a review and estimate by the Board of directors based on the information available at the date of preparation of these financial statements and supported by updated legal opinions from independent professionals. These provisions are believed, as a whole, to be adequate to the risks and charges that the Group is reasonably expected to effectively address.

The Group is subject to proceedings regarding complex legal matters, which are subject to a differing degree of uncertainty (also due to a complex legislative framework), including the facts and the circumstances inherent to each case, the jurisdiction and the different laws applicable. Given the uncertainties inherent to these problems, it is difficult to predict with certainty the outlay which will derive from these disputes and it is therefore possible that the value of the provisions for legal proceedings and disputes may vary further to future developments in the proceedings underway. The Group monitors the status of the disputes underway and consults with its advisors and experts on legal and tax-related matters.

The Group is subject to corporate income tax in jurisdictions in which its companies are incorporated and registered. Judgment is required to interpret international tax laws relating to ecommerce in order to identify and value provisions in relation to corporate income taxes. The principal risks relating to the Group's tax liabilities, and the sustainability of the underlying effective tax rate, arise from domestic and international tax laws and practices in the e-commerce environment continuing to evolve, including the corporate tax rates in jurisdictions where the Group has significant assets or people presence. The Group is basing its tax provisions on current (and enacted but not yet implemented) tax rules and practices, together with advice received from professional advisers, and believes that its accruals for

tax liabilities are adequate for all open enquiry years based on its assessment of many factors including past experience and interpretations of tax law. The Group constantly monitors changes in legislation and update its accruals accordingly.

Management is not aware of any other contingencies that may have a significant impact on the financial position of the Group.

NOTE 41 – EVENTS AFTER THE REPORTING DATE

On 13 January 2020, the Group acquired an additional 40% of Statscore for a total consideration of €6.5 million. As a result of this transaction, Statscore became a subsidiary of the Group with 85% shareholding. Statscore is a Polish sports data provider. Management have not yet performed the purchase price allocation exercise required under IFRS3.