

Final Results

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Playtech plc

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

Final results for the year ended 31 December 2020

Strategic progress and strong financial control deliver Adjusted EBITDA of €310 million

Playtech (LSE: PTEC) today announces its final results for the year ended 31 December 2020, together with a trading update for January and February 2021.

Financial summary^{1,2}

Numbers in table below are from continuing operations (i.e. excluding Finalto and Casual & Social Gaming), unless otherwise stated

	FY 2020	FY 2019	Change (reported)	Change (const. currency) ⁵
Revenue	€1,078.5m	€1,440.5m	-25%	-24%
Adjusted EBITDA (including Finalto)²	€310.0m	€383.1m	-19%	-19%
Adjusted EBITDA³	€253.6m	€375.3m	-32%	-32%
Adjusted post-tax profit⁴	€27.3m	€137.4m	-80%	-77%
Reported post-tax profit / (loss)⁴	-€73.0m	€55.9m	-231%	-223%
Adjusted diluted EPS	8.8 €c	44.6 €c	-80%	-78%
Reported diluted EPS	-24.5 €c	18.1 €c	-235%	-227%
Adjusted Gross Cash (excl. RCF)⁶	€342.2m	€271.5m	26%	n/a

Group highlights

- Significant strategic and operational progress due to the hard work, resilience and commitment of our people
- Resilient financial performance with Adjusted EBITDA of €310.0 million, driven by Finalto in H1, and Core B2B and Snaitech in H2
- Strong progress on US strategy with New Jersey and Michigan licences, and launches with bet365 and Entain; multi-state strategic agreement with Parx and additional licence applications in progress
- Strategic agreements signed in Guatemala, Costa Rica and Panama
- Launch of ESG commitment, Sustainable Success, to consolidate position as a global leader in safer products, data analytics and player engagement solutions
- Cash preservation and resilient operational performance leads to strong balance sheet with Net debt/Adjusted EBITDA of 1.7x at 31 December 2020 (1.6x at 31 December 2019)
- Simplification of Group; Casual Gaming business disposed and Finalto discontinued, sale process ongoing
- Migration of tax residency to UK completed in early January 2021
- Brian Mattingley to become Chairman effective 1 June 2021

Divisional highlights

B2B Gambling

- Expanded presence in the US and Latin America
- Very strong online performance, which mitigated decline of retail due to pandemic
- Significant growth continued from Caliente in Mexico; Wplay launched in Colombia
- Continued diversification of B2B business with over 100 new brands added to SaaS offering
- B2B Gambling Adjusted EBITDA of €125.8 million was down 40% at constant currency versus 2019 due to retail closures, a decline in Asia and significant hardware sales in the 2019 comparative
- Very strong growth in Live Casino; significant operational momentum with new signings, expanded presence with existing licensees and new product launches
- Asia impacted by government restrictions in response to the pandemic

B2C Gambling

- Snaitech Adjusted EBITDA decreased to €132.0 million (2019: €162.5 million) due to retail closures and cancellation of sporting fixtures, partially offset by strong cost control and 58% growth in online revenues versus 2019
- Snaitech saw continued strong progress in Sports; achieved number one market share position (retail and online combined, measured by GGR) in Italy in 2020
- Snaitech land sale completed with €49.5 million in cash received in 2020
- HPYBET saw retail closures due to the pandemic, resulting in a further impairment of the business
- White label (including Sun Bingo) saw 8% revenue growth versus 2019 to €55.0 million (2019: €51.1 million)

Finalto (formerly TradeTech Group)

- Very strong H1 performance driven by exceptional market volatility and trading volumes
- Finalto's revenues were €121.9 million in 2020, representing growth of 80% versus 2019, and Adjusted EBITDA was €56.4 million, up 623% versus 2019
- Despite the strong performance in 2020, the Group continues to execute its simplification strategy in order to focus on Core Gambling businesses and remains in discussions regarding potential sale of Finalto; presented as discontinued operation; €221.3 million impairment charge

Current trading and outlook

- Good start to 2021 in January and February in context of ongoing lockdowns in certain markets
- B2B and B2C online businesses expected to continue to perform strongly
- Lockdowns expected to remain in major markets into Q2, therefore cautious about retail recovery
- Increasing investment in US to capitalise on momentum from Parx and Novomatic deals
- Continuing focus and commitment to returning capital to shareholders whilst balancing the needs of the business and taking a prudent approach to its capital structure and leverage

Medium-term outlook

- Leading technology and strong balance sheet position Playtech to emerge strongly from COVID-19 period and take advantage of emerging opportunities in key territories
 - Comprehensive product offering is ideally placed to capture significant US market opportunity
 - Opportunities for further material strategic agreements
- Focus on extending Playtech's position as a global leader in safer gambling products and leveraging its data analytics and player engagement solutions

Mor Weizer, CEO, commented:

"The attitude and skill of our people, and the strength and diversification of our technology-led business model has enabled us to deliver a robust financial performance in spite of the challenging backdrop.

"Playtech also made significant strategic and operational progress by adding new brands, expanding existing relationships and entering new markets. We are particularly pleased with the excellent progress we have made in the US market, launching with bet365 and Entain in 2020, and signing milestone agreements with the Greenwood companies in 2021 to license our products in Michigan, Indiana, New Jersey and Pennsylvania.

"SnaiTech has continued to excel in Italy despite the retail closures in 2020. Snai achieved the number one market share position in Italy across online and retail sports betting and grew its overall online revenue by 58% in 2020. Italy continues to offer significant growth potential, and SnaiTech is ideally positioned to capitalise on this opportunity.

"As the leading technology company in the gambling industry, our licensees look to us to deliver innovation that changes the way players experience gambling entertainment. Key to this approach is Sustainable Success, our ESG commitment launched in 2020, which will consolidate our position as a global leader in safer products, data analytics and player engagement solutions and commits to grow our business in a way that benefits our people, our communities, the environment and our industry.

"The significant strategic and operational progress we achieved in 2020 has placed us in a strong position to capture the exciting market opportunities ahead."

- Ends -

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¹2019 numbers are restated to reflect the disposed Casual and Social Gaming business and discontinued Finalto business for the purposes of comparison. Totals in tables throughout this statement may not exactly equal the components of the total due to rounding.

²Adjusted EBITDA (including Finalto) has been included as a metric because it is the most comparable to market consensus estimates by the equity research analysts that follow the Company. The reconciliation between this metric and Adjusted EBITDA is simply the inclusion of Finalto numbers. Finalto has been classified as a discontinued operation.

³Adjusted numbers relate to certain non-cash and one-off items. The Board of Directors believes that the adjusted results represent more closely the consistent trading performance of the business. A full reconciliation between the actual and adjusted results is provided in Note 10.

⁴Adjusted Profit refers to post-tax Profit from continuing operations attributable to the owners of the Company after the relevant adjustments as detailed above. Reported Profit refers to post-tax Profit from continuing operations attributable to the owners of the Company before adjustments.

⁵Constant 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.

⁶For comparison purposes, adjusted gross cash in 2020 and 2019 excludes the drawn down RCF.

Conference call and presentation

A presentation will be held today at 9.00 am via a live audio webcast accessible using this link:

<https://www.investis-live.com/playtech/5f5f7059f90d370c00358325/wrts>

Analysts and investors can also dial into the call using the following details:

United Kingdom: 0800 640 6441
 USA: 1 855 9796 654
 USA (Local): 1 646 664 1960
 All other locations: +44 20 3936 2999

Access code: 903278

There will also be a replay available for one week after the live conference call, available at:

UK: 020 3936 3001
 USA (Local): 1 845 709 8569
 USA (Toll Free): 1 855 762 8306
 All other locations: +44 20 3936 3001

Access Code: 687052

The presentation slides will be available today from 8.30 am at: <http://www.investors.playtech.com/results-centre/presentations/2020.aspx>

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 with over 6,400 employees across 24 countries.

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. Playtech directly owns and operates Snaitech, the leading sports betting and gaming company in online and retail in Italy.

Playtech's also owns Finalto, a technology leader in the CFD and financial trading industry that operates both on a B2B and B2C basis. Finalto has been classified as a discontinued operation as at 31 December 2020.

Chairman's Statement

In May 2020, the Board asked me to take the role of Interim Chairman. The Group's process of appointing a permanent Chairman was severely obstructed by the COVID-19 pandemic, and the Board tasked me with bringing stability and continuity to the Company at a time of unprecedented challenge and change. It has been an enormous privilege to be the Interim Chairman of Playtech over the past 12 months and I thank the Board and the Playtech team for their support, assistance, hard work and dedication.

On 3 March 2021, the Company announced that following an extensive process, Brian Mattingley had been selected as Non-Executive Chairman. Brian brings significant online gambling sector experience and a track record of delivering high levels of stakeholder engagement in highly regulated and fast-growing industries. Brian will take up the role from 1 June 2021 and the Board and I look forward to working with him to deliver the next phase of Playtech's growth.

During my time as Chairman, the Board and I worked with the Management team to focus the Company's efforts in three key areas. Firstly, to ensure that we did everything we could to protect our people and their livelihoods in the face of the immediate challenges of the pandemic, and to ensure our customers were well looked after. Secondly, to ensure that Playtech achieved its strategic goals to secure future growth opportunities, particularly in the US and Latin America. And finally, to continue Playtech's corporate growth with the launch of Sustainable Success, our commitment to grow Playtech in a way that benefits our people, our communities, the environment and our industry - following the events of 2020, this is now more important than ever.

Performance and COVID-19

Playtech enjoyed a strong start to the year before the onset of the COVID-19 pandemic. In the face of an unprecedented trading environment the Board is proud to report that Playtech delivered a resilient financial performance, delivering against our strategic priorities, whilst also laying the foundations for future growth. Swift action to enact our business continuity plans and strong engagement with employees and licensees allowed Playtech to continue to deliver its software and services whilst being agile enough to work with partners to launch new projects. Although parts of our business remain adversely affected by the restrictions imposed by the pandemic, the diversity and strength of Playtech's business model in 2020 can give stakeholders confidence in our resilience in the face of any continuing restrictions from the COVID-19 pandemic.

Central to our strong performance during 2020 was the continued professionalism and commitment of our people. Our number one priority during this crisis has been the health and wellbeing of Playtech's employees - we have worked to protect and support them through our swift move to remote working and our global employee wellbeing programme. The Board has been continually impressed and inspired by our people's compassion -not only supporting each other but also working to support their local communities during 2020. As a global business, Playtech has offices in many locations impacted by the crisis. Playtech and its people offered their skills, charitable budgets, assets and technology to support local communities, charities and not-for-profit organisations, and licensees to help reduce the impact of COVID-19.

In order to support our communities and the industry to help address the long-term challenges of the pandemic, in 2020 the Board approved a £3 million COVID-19 Recovery and Resilience Fund. The Fund aims to assist non-profit and social enterprise organisations delivering mental health and wellbeing services in Playtech's end markets and local communities. The Fund will prioritise support for organisations delivering programmes to people affected by gambling related harm, domestic abuse, and unemployment as well as at-risk groups such as young people, frontline healthcare workers and first responders. The Fund will be managed and distributed by the Charity Aid Foundation (CAF).

Strategic Progress

The scale of our technology and breadth of our product offering has continued to deliver strategic progress in key markets. In 2020 Playtech entered the US market with a transactional waiver in New Jersey in H1 and has since launched with bet365 and Entain. This was followed by regulatory approval in Michigan in December and a strategic multi-state agreement with Parx Casino and the Greenwood companies in early 2021. This was delivered alongside continued growth in Latin America with Caliente in Mexico, new structured agreements in Guatemala, Costa Rica and Panama as well as the launch of Wplay in Colombia.

Further strategic progress was made in 2020 in disposing of non-core assets and focusing the business on executing on its strategic position as a leader in gambling technology. In early 2021 Playtech completed the disposal of its remaining Casual and Social Gaming assets and remains in discussions regarding the sale of Finalto.

Sustainable Success and Stakeholder Advisory Panel

Over the last 12 months, Playtech has worked with academics, charities and thought leaders in the gambling sector to make Sustainable Success a roadmap for Playtech utilising our scale, reach and data capabilities to build a sustainable, successful, and safer gambling entertainment industry for the benefit of all stakeholders. A key pillar of Sustainable Success is our commitment to invest £5 million from 2020 to 2025 to promote healthy online lives, digital resilience and to reduce digital gambling-related harm by engaging with a wide range of organisations to explore opportunities for collaboration, research, and interventions.

During the year, in addition to strengthening our approach to sustainability, we continued to focus on our stakeholders, making them an integral part of what we do - from working ever closer with our licensees, to engaging with our people to help them support our communities. To continue to strengthen our stakeholder engagement into 2021, Playtech launched its first Stakeholder Advisory Panel. Throughout 2021, the Playtech Chairman and CEO will host a series of panels with thought leaders, policy and sustainability experts from inside and outside the sector to inform and challenge how we approach sustainability and safer gambling.

During 2020, Playtech shareholders approved the amendment of the Company's articles to facilitate the migration of the Company's tax residency to the United Kingdom from the Isle of Man. This allows Playtech to hold Board and General meetings in the UK and helps to facilitate greater shareholder and broader stakeholder engagement with the Company and the Board.

Shareholder Returns

As part of the Management team's actions to preserve cash across the business, the Board suspended shareholder distributions in March 2020 due to the uncertainty relating to COVID-19. The share repurchase programme announced at the FY 2019 results was postponed with immediate effect with approximately €10 million of the €40 million buyback having been completed. Also, the 2019 final dividend was not proposed at the AGM. Together these measures allowed the Company to preserve over €65 million of cash outflows during the year and has helped to ensure that Playtech ended 2020 in a strong financial position.

Playtech remains committed to returning capital to shareholders whilst balancing the needs of the business and taking a prudent approach to its capital structure and leverage.

Chief Executive Officer's Review

Overview

Against a challenging backdrop, Playtech delivered a resilient financial performance in 2020 with swift management actions limiting the impact of COVID-19 restrictions on overall Adjusted EBITDA. More importantly, Playtech continued to make significant strategic progress, which positions the Group strongly to benefit from the recovery and to capture the exciting market opportunity.

Playtech made excellent progress in the highly strategic US market, launching with bet365 and Entain in 2020. The scope for further progress is significant, and the Group recently announced agreements with the Greenwood companies to license our products in four states.

Alongside this, Playtech has continued to build on its position in Latin America. Caliente continues to go from strength to strength, and the Group added new structured agreements in Guatemala, Costa Rica and Panama. Playtech also added more than 100 new brands to its SaaS offering in 2020.

Snaitech has continued to outperform in Italy despite the retail closures in 2020 as a result of the pandemic. Snaitech achieved the number one market share position in Italy across online and retail sports betting (measured by GGR) and grew its overall online revenue by 58% in 2020.

As the leading technology company in the gambling industry, Playtech recognises that licensees look to the Group to deliver innovation that changes the way players experience gambling entertainment. Key to this approach is Sustainable Success, Playtech's new ESG strategy launched in 2020, which aims to consolidate its position as a global leader in safer products, data analytics and player engagement solutions and build a safe and sustainable gambling industry.

The simplification of Playtech is also progressing. Casual Gaming has been disposed and the Finalto sale process is advanced. Once this process is completed, Playtech will be a simpler business, focused on the attractive markets of core B2B Gambling and B2C Gambling.

Response to COVID-19

As COVID-19 impacted the global economy throughout 2020, Playtech made considerable efforts to mitigate the effects of the outbreak on its staff, its partners and its business. Management took decisive action to ensure the health and wellbeing of its employees and to preserve cash flow, while continuing to provide customers with Playtech's leading technology.

Playtech enacted its business continuity plan in the early stages of the pandemic with all of its offices moving to remote working during March to protect employees' health and safety. Playtech managed this transition while largely maintaining productivity levels and delivery deadlines. Other actions taken included the deferral or cancellation of capital expenditure, strict working capital management, suspension of shareholder distributions, reduced working hours in certain locations, reduced office and maintenance costs, and the renegotiation of timing of cash outflows including contingent consideration payments due in 2020.

Certain parts of Playtech's business, particularly those with a retail focus, were severely affected by the pandemic in 2020, and some continue to be impacted into 2021. As a result of the actions taken and the outstanding response from its people, Playtech demonstrated strong operational resilience during the period. In addition to delivering a robust performance, the Company made significant strategic and operational progress by adding new brands, expanding existing relationships and entering new markets.

At the end of the year the Board took the decision to commission a £3 million Resilience & Recovery Fund to help address and alleviate some of the long term impacts of the COVID-19 pandemic on its communities and the industry as a whole. The Fund has been established to assist and support organisations delivering mental health and wellbeing services around the world, so that people can benefit from accessible and affordable support from these vital programmes.

Core B2B Gambling

The strategic focus of Playtech's Core B2B Gambling business continues to be on higher margin regulated opportunities with Casino, Live Casino and Sports being of greatest focus. Playtech continues to support existing licensees with new technologies and tools and provide them with greater flexibility in their operations. Playtech intends to continue accessing opportunities including attracting new customers in both existing regulated markets and newly regulated markets, as well as through new structured agreements and joint ventures depending on commercial suitability and market dynamics.

Overall, Core B2B Gambling revenues declined 6% in the period compared to 2019, as the impact of retail closures and the cancellation or postponement of sporting events had a significant negative impact on revenue in the retail parts of this business, outweighing the significant growth seen in the online business. Excluding Sports, the online portion of Core B2B Gambling grew 30% at constant currency compared to 2019 driven by strong results from the Casino (including Live), Bingo and Poker online businesses. Despite the pandemic, operational momentum continued across B2B Gambling in 2020 with new customer wins, new launches with existing customers and further product enhancements.

US

The US is a highly strategic market for Playtech and creates a significant long-term opportunity across its full product suite. In 2020, Playtech made significant progress in the US as it was granted licences to operate in New Jersey and Michigan and launched in New Jersey with bet365 and Entain. Playtech will continue to increase its strategic investment in the US market. Playtech has also started the licensing process in additional US states and has a strong pipeline of opportunities with both potential new customers as well as existing ones in other markets.

In early 2021 Playtech signed strategic agreements with various subsidiaries of Greenwood Racing Inc. which own and operate the Parx Casino in Pennsylvania. The agreements include licensing of Playtech products to the Greenwood companies in the states of Michigan, Indiana, New Jersey and Pennsylvania, commencing with the launch of online casino in Michigan on Playtech's IMS Platform and Player Account Management (PAM).

Casino

Playtech's online Casino business had a very strong 2020. Activity increased due to the growth in recent customer additions, including Swiss Casino, the expansion with existing customers, including Caliente, bet365 and Fortuna, as well as overall increased activity levels in light of government lockdown restrictions in various countries. The lack of sporting events also led customers to look for alternative forms of leisure.

Playtech signed over 100 new brands in 2020 (compared with over 50 in 2019), including Betsson, Stoiximan and Kindred. Playtech continued to roll out its products to further Entain brands and geographies. Playtech also launched with bet365 in Greece, Spain and Bulgaria, as well as with Fortuna in Slovakia, and went live with Svenska Spel in Sweden.

Among various new product developments, Playtech developed the Player Engagement Hub, an in-game widget that updates players on features, such as leaderboards, and will also contain in-built safer gambling functionality to inform players, in real-time, about the potential dangers at various stages of gameplay. Leaderboards is the first feature to be delivered within the Player Engagement Hub. As with future features, this development is an out-of-the-box tool that will reduce the technical burden for licensees, and in turn, accelerate customer's go-to-market timeframes.

Further product developments included the roll-out of Age of The Gods: Norse, an extension of the previously successful suite of games which now includes advanced jackpot functionality.

Live Casino

The Live Casino business continued its strong momentum in 2020. The business continued to add new customers, expand partnerships with existing customers, and deliver innovation while dealing with the challenges posed by the COVID-19 pandemic.

During 2020, Playtech's Live Casino business added a number of new customers, including Totalizator Sportowy, BetConstruct and Svenska Spel. Its progress with existing customers included PokerStars expanding into new territories, such as Denmark and Sweden, and significantly increasing its number of tables with Playtech. Playtech completed key strategic partnership product launches with a series of games, such as Majority Rules Speed Blackjack with Entain, Spin & Win Roulette with Flutter Entertainment, and Cash Back Blackjack with Stoiximan. The business also delivered a variety of new dedicated tables, including Quantum Roulette in Italian for Snaitech, and a series of promotional-led tables and dedicated tables in Spain with Codere, Sportium, Betfred and Entain.

Playtech's key focus in regulated markets saw the launch of Quantum Roulette in Spain, providing the first multiplier-based Roulette game in that market, whilst launching the first live variant of Sette e Mezzo in Italy, which specifically supports partners with a traditional Italian-based Blackjack game.

Playtech took extensive measures to ensure minimal disruption to its Live Casino facilities during the pandemic, whilst also prioritising the safety of employees. As a result, Playtech's largest Live Casino facility in Riga has remained open throughout the pandemic. The Manila facility has been closed at various times due to the Philippines government's strict lockdown measures, however, Playtech has been able to shift all traffic to its other facilities. Playtech has additional contingency plans should further disruptions arise in the future.

Playtech's ability to offer seamless integration to its facilities within days led to a new agreement with one of the most significant providers of Live Casino in Asia. As a result, not only did Playtech's Live Casino business experience exceptional organic growth during the period, it was also able to take on significant additional traffic from this Asian provider's extensive distribution channel.

In addition to its existing product pipeline, Playtech delivered Auto Table and Live Streamer, two products which allowed customers to continue delivering games and services, and enabled dealers to continue hosting games from remote locations during the pandemic. Further innovation included the development of fixed odds games, known as 'Live Betslip Games', to add value to sportsbook users during a period with limited sporting events. Playtech also developed its first ever Live Bingo game.

Sports

Playtech's Sports business started 2020 strongly in January and February while also benefiting from favourable sporting results. However, it was significantly impacted by various government restrictions put in place in March as a result of the COVID-19 pandemic that led to retail closures and the cancellation or postponement of the majority of major sporting events. The B2B Sports business began to recover towards the end of H1 and in early H2 as sporting events resumed and retail locations reopened. The business was again impacted by government enforced retail closures towards the end of 2020 and into 2021.

Bingo & Poker

The Bingo and Poker businesses enjoyed a strong 2020 with strong growth compared to 2019. The pandemic created a significant increase in activity driven by an increase in players' leisure time due to the government lockdown measures in many jurisdictions at various times during 2020.

Playtech's Poker network added 19 new brands in 2020, including several following the closure of the Microgaming Poker Network, most of which are new to Playtech.

Core B2C Gambling

Snaitech

Snaitech revenue was down 37% in 2020 compared to 2019 while Adjusted EBITDA was down only 19%, highlighting the resilience of its business model. Snaitech had a very strong start to 2020 through January and February, also benefiting from favourable sporting results. However, following the decree from the Italian Government issued on 8 March 2020, all betting shops, arcades and bingo halls across Italy were forced to close as a result of the COVID-19 pandemic. Snaitech was further impacted by the postponement of most sporting events and competitions globally. During this period Snaitech continued to generate revenues from its online gaming business, with online betting severely impacted by the lack of sporting events. While Snaitech lost significant revenue from retail closures and the lack of sport, it managed to remain broadly breakeven on an EBITDA level even during the peak of the pandemic. This was largely due to the strong performance of online gaming and Snaitech's low fixed cost base franchise operating model as well as action taken by the business to reduce costs.

Retail shops began to reopen in June with the introduction of appropriate safety measures such as plexiglass screens and social distancing rules. The return of football and other sporting events acted as a significant boost as activity levels started to normalise towards the end of H1 and into H2. Snaitech had a very strong period from July through October when the business was once again impacted by government enforced retail closures from late October through the end of 2020 and into 2021. However, sporting events largely continued throughout H2 and Snaitech remained positive on an EBITDA basis in this period despite the impact of retail closures from late October through the end of the year.

Snaitech achieved the number one market share position in the Italian sports betting market (retail and online combined measured by GGR) in 2020, showing its operational and brand strength.

B2C (ex-Snaitech)

Playtech's White label business (predominantly Sun Bingo) saw a strong performance in 2020 with heightened volumes of activity versus 2019 leading to revenue growth of 10% at constant currency in the year.

HPYBET was impacted by government lockdown restrictions during parts of 2020 and by the cancellation and postponement of sporting events during H1. Its retail locations in Germany and Austria were closed at various points during 2020 and into 2021 and the business incurred fixed costs owing to it being a mix between an owned and franchise model. The closures have led to a €41.2 million impairment of the business.

Asia

Playtech's revenue in Asia declined 28% as the business was negatively impacted in 2020 by government restrictions imposed in the region in response to the COVID-19 pandemic. The business has also been impacted by restrictions on payment processing which, while not targeted towards the gambling industry, have nonetheless negatively impacted the business.

During 2020, Playtech added a new distributor alongside its existing distributor to add more flexibility in the region going forward and also benefitted in the period from a contract with a leading provider of Live Casino in the region.

Finalto (previously TradeTech Group)

In early 2021, Playtech rebranded its Financials Division, previously TradeTech Group, to Finalto. Playtech remains in discussion regarding the intended sale of this business and it has now been classified as a discontinued operation with an impairment recognised as discussed below.

Finalto had a very strong performance in 2020 as it benefited from increases in market volatility and trading volumes, particularly in H1. This resulted in Finalto's revenues growing 80% versus 2019. Market activity began to normalise towards the end of the first half and this trend largely continued throughout the remainder of 2020. This led to a modest performance from Finalto in H2 compared to H1.

Group simplification

Playtech is in the process of simplifying the group to focus on its core gambling businesses. This process led to the Casual and Social Gaming business being classified as a discontinued operation in 2019. The sale of certain loss-making assets of this business was completed in 2020 for USD 1 million and the remainder of the business was disposed of in early 2021 for approximately USD 10 million.

Playtech remains in discussions regarding the intended sale of Finalto and the business is now considered a discontinued operation. The Group remains committed to executing its simplification strategy in order to focus on its core businesses and in doing so, has recognised an impairment charge of €221.3 million in relation to Finalto.

Regulation

Playtech is committed to raising industry standards and facilitating a fairer, safer and more sustainable sector. The Company continues to actively promote regulation in all markets. Effective regulation should ultimately lead to a safer gambling experience. Starting from increasing the potential longevity of each market by 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 Europe, Latin America and the US remain key to Playtech's continued growth. Playtech's increase in regulated revenue in recent years is a result of its sustained progress against its strategic goals as well as the continuing success of Snaitech in Italy. Playtech continues to expand into new regulated markets, including the US. 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 as well as expand its relationship with existing licensees into further regulated and newly regulating markets.

US

Since the repeal of PASPA in 2018, numerous states including New Jersey, Pennsylvania, Nevada, Indiana, Colorado, Iowa, Mississippi, Washington D.C., Illinois and most recently Virginia have approved legislation to legalise sports betting. Many of these markets have already launched in both online and retail channels, with others expected to launch soon. In total, 22 states now offer or have introduced legislation to allow sports betting with further states expected to pass legislation in the coming years.

Online casino, which was not subject to PASPA, is allowed at the discretion of individual states. West Virginia began allowing online casino in 2020, while Michigan launched in early 2021, joining New Jersey, Pennsylvania, and Delaware while Nevada allows online poker only.

Europe

Regulated markets in Europe represent significant growth opportunities. The Ukrainian regulations launched on 14 July 2020 and looking forward, others will follow. Netherlands and Germany, both top 10 markets in Europe, are likely to reach regulatory resolutions in 2021 with the Netherlands expected to issue licenses and Germany set to update its expiring interstate gaming treaty. Playtech is well positioned to enter each of these markets and was awarded a sports betting license in Germany through its B2C division HPYBET in October 2020.

After many years of uncertainty for online casino in Germany, the market provided some regulatory clarity in late 2020 as the 16 Länder (German federal states) confirmed that they have agreed to a transitional Tolerance Policy for the period ahead of the implementation of the Interstate Treaty 2021. The Tolerance Policy effectively brought forward several parts of the Interstate Treaty, namely switching off casino table games (Blackjack and Roulette) until the individual Länder chooses to issue licenses under the Treaty, as well as deposit limits on slots and poker of €1,000 per month, €1 maximum stakes per spin on slots, 5-second minimum duration of slot spins and certain advertising restrictions.

In Italy, one of the Group's largest markets 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 solely operate online, will likely find it more difficult to compete in the market, Snaitech's retail presence and the strength of its brand saw it benefit from the advertising ban in relative terms while it continued to increase its market share online. Further, in light of the COVID-19 pandemic, the Government introduced an additional emergency tax on retail and online sports betting until the end of 2021.

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. In H2 2019 Playtech signed a major new agreement with Wplay, one of the leading operators in Colombia, which went live with Playtech technology in 2020. Playtech also signed agreements in Guatemala, Costa Rica and Panama in 2020 as it continued to extend its presence in the region. Playtech recently received a licence in the province of Buenos Aires in Argentina.

Sports betting legislation has been passed in Brazil, which 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 and individual provinces of Argentina should also provide opportunities for Playtech in the coming years.

UK

The UK remains a key regulated market for Playtech with its ongoing relationships with major operators. Playtech has been actively involved in discussions around safer game design and online advertising and, through the industry trade body the Betting and Gaming Council (BGC), is co-leading a working group on the subject. 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 including the UK.

In December 2020 the UK Government announced a call for evidence in order to review the current gambling laws in the UK. After an initial 16-week call for evidence, the Government will assess the evidence presented, alongside other data, with the aim of setting out conclusions and any proposals for reform in a white paper next year. Playtech is curating data and evidence relating to the call and will be submitting in line with the Government's request.

During 2020 Playtech pledged to make a £3.5 million payment to charities in lieu of a regulatory settlement following an investigation into one of its former B2C operations. The Gambling Commission investigation focused on regulatory failings which occurred between May 2015 and September 2017 in a subsidiary that operated two B2C brands in the UK, namely Titan.co.uk and Winner.co.uk. Titan.co.uk closed in August 2018 and Winner.co.uk closed in June 2019. This was part of a strategic decision to focus on the Group's B2B activities in the UK and was taken in advance of the UKGC's investigation. Following a fresh review of the UKGC investigation led by interim Chairman Claire Milne, the Board took the decision to voluntarily make charitable donations of £3.5 million and send the message to all Playtech's stakeholders that this event in a former operation was not representative of Playtech's high standards or where the Company sits today.

Game Design

Given Playtech's status as a strategic technology partner to major operators worldwide, it is uniquely positioned to champion innovation in product safety and game design. This is an area of growing interest amongst regulators, politicians and society at large.

Playtech was invited to co-lead the UK Gambling Commission (UKGC) and Betting and Gaming Council's industry efforts to develop the industry's first code of conduct on safer game design. The code, published in September 2020, addresses player safety by ensuring that safer gambling principles are fully incorporated into the design of online games before they enter the market.

The resulting Game Design Code of Conduct includes principles as well as commitments to act on specific features such as limits on slot spin speeds and bans on certain features to discourage intensive play. Following extensive consultation, the measures outlined in the Code were agreed by all members of the Betting & Gaming Council, with some requirements being implemented immediately and others in 2021. The Code is intended to be a living document, evolving as the research base and understanding around game design continues to develop - Playtech is committed to playing a major role in pioneering this important research agenda by providing sound empirical data and insights. In the years ahead, the Group hopes to spur greater levels of industry collaboration. In the UK, the regulator is currently consulting on whether to include the Code measures in its own License Conditions and Codes of Practice (LCCP), which would make compliance mandatory for all UK-licensed operators.

Safer Gambling and Sustainability

In 2020 Playtech launched Sustainable Success, its commitment to grow its business in a way that benefits its people, its communities, the environment, and the industry. Sustainable Success aims to deliver change to help build a safer, more sustainable entertainment industry for the benefit of all stakeholders and Playtech has committed to invest £5 million into initiatives that boost digital resilience and safer gambling behaviours. A key pillar of Playtech's corporate strategy is to cement its position as the industry leader in safer products, data analytics and player engagement solutions. To support this, a key commitment of Sustainable Success is to increase the uptake of safer gambling tools and solutions. During 2020, Playtech launched Playtech Protect, a unified brand for all its safer gambling products, research, innovation and thought leadership. As well as offering Playtech's leading safer gambling tools and services, such as IMS, BetBuddy and Player Journey, Playtech Protect also utilises the scale of Playtech's technology by bringing compliance solutions from outside the industry to Playtech's licensees - Playtech Protect simplifies the integration meaning licensees only have to integrate with Playtech to access these additional services. Through Playtech Protect the Company is continuing to share its research, data analytics expertise and insights with a wide range of stakeholders including trade bodies, research organisations and academics.

As part of its commitment to power and promote safer gambling tools, Playtech offered all its Playtech Protect services, including BetBuddy, for free to its licensees during the COVID-19 pandemic. Throughout the pandemic, Playtech continued supporting its licensees and partners to ensure that pre-COVID Safer Gambling commitments and industry codes of conduct were met and operating effectively, to further safeguard consumers during the crisis.

Sustainable Success is also designed to support and further Playtech's core values and unique family culture. How the Company has responded and continues to respond to the human challenges of COVID-19 is a clear testament to that strong culture. As a global business, Playtech has offices in many locations significantly impacted by the crisis. Playtech is offering its skills, charitable budgets, assets, and technology to support its local communities, charity and not-for-profit organisations as well as licensees to help minimise the impact of COVID-19.

Alongside powering Safer Gambling tools, a key commitment of Sustainable Success is for Playtech to partner with global leaders on the shared societal challenges presented by digital and online life. In September 2020 Playtech announced a new collaboration with the Responsible Gambling Council (RGC), the international leader in problem gambling prevention, awareness, and research. Playtech will use its expertise and experience to help the RGC examine the links between mental health, digital wellbeing and problem gambling using a combination of thought leadership, research, and evaluation.

Chief Financial Officer's Review¹

Overview

Response to COVID-19

Despite Playtech being severely impacted by COVID-19 through the cancellation of sporting events worldwide and the closure of retail shops, the Group continues to navigate the pandemic exceptionally well and had a resilient 2020. Playtech took early and decisive action to ensure the health and wellbeing of its employees and to preserve cash flow, while also benefitting from heightened activity in its online businesses.

Actions taken to preserve cash included the deferral or cancellation of planned capital expenditure, strict working capital management, reduced office and maintenance costs, the renegotiation of the timing of major earnout payments in 2020 and the suspension of shareholder distributions until further notice given the uncertain economic backdrop.

As a precautionary measure, in the early stages of the pandemic Playtech accessed approximately €6 million in government support schemes in the UK and other markets. This was to ensure the Group could protect jobs given the prevailing uncertainty over the severity of the impact on the business from the pandemic. Despite the impact of the restrictions on parts of our business and given the overall resilient performance over the course of 2020, this support is currently in the process of being repaid, has been fully provided for at year end and therefore excluded from our results for 2020.

Group performance

The Group saw an excellent start to 2020 in January and February driven by strong performances from Snaitech, Live Casino and Finalto (formerly TradeTech), combined with favourable sporting results. However, the adverse impact of COVID-19 and the first lockdowns from mid-March to June, and again from late October onwards, led to the Group's total revenues including Finalto decreasing by 20% year on year and on a constant currency basis, albeit boosted by an exceptional Finalto performance during March and April. Following the lifting of various global lockdowns and the reopening of retail in June, the results showed a strong recovery in H2 with July particularly strong driven by pent up demand, a high concentration of football matches and another very strong month from Finalto. The Group continued to recover well in H2 driven by Snaitech and Core B2B, however, this recovery was hindered from late October when further lockdowns were again imposed by governments in several of its key markets, resulting in further retail closures.

Despite the pandemic and the headwinds described above, the Group achieved Adjusted EBITDA including Finalto of €310.0 million (2019: €383.1 million), an actual and constant currency basis year-on-year decline of only 19%. This was driven by Finalto in H1 and the strength of Playtech's online businesses outside of Asia, namely Casino (including Live), Bingo, Poker and Snaitech in H2.

During the year the Board of Directors solidified its decision and made significant progress towards the sale of Finalto in line with the Group's simplification strategy, in order to focus on its core B2B and B2C gambling businesses. Therefore, the results of this division in the current and prior years have been classified as discontinued operations. Total reported revenue from continuing operations ended at €1,078.5 million (2019: €1,440.5 million), representing a 25% year on year decline, and 24% on a constant currency basis. The Group achieved Adjusted EBITDA from continuing operations of €253.6 million (2019: €375.3 million), a decrease of 32% from last year and on a constant currency basis. The Group's reported EBITDA from continuing operations decreased by 33% to €222.9 million (2019: €333.7 million).

The Group implemented an internal restructuring in January 2021, which resulted in Playtech plc migrating its tax residency to the UK and the Group's key operating entity transferring its business to a UK company.

Divisional Performance

Core B2B Gambling revenues² declined by 6% year on year and 4% at constant currency. This was driven by a 26% decrease in UK revenues as a result of a 47% decline in UK retail activity because of COVID-19 lockdowns. However, the UK performance was offset by a 5% increase in revenues from regulated markets outside of the UK, namely Mexico with contributions from Poland, Colombia, Italy and several other geographies, as well as a 26% increase in revenues from unregulated markets excluding Asia, namely Canada, Germany and South Africa. Revenues from Asia declined by 28% due to the severe impacts of the pandemic in the region as well as non-sector specific restrictions introduced on payment processing.

When excluding the impacts of retail closures and sporting cancellations in 2020, Core B2B Gambling (online excluding sports) revenues increased by 26% and 30% on a constant currency, driven by revenues from regulated markets outside of the UK, which increased by 59% and 68% on a constant currency basis. Revenues from unregulated markets excluding Asia increased by 28%, while the UK remained largely flat.

Within B2C, Snaitech revenues declined 37% due to the absence of sporting events and the closure of retail shops during the COVID-19 lockdowns. However, Snaitech revenues were boosted by a 58% increase in online revenue and furthermore, it achieved the number one position across sports (online and retail measured by GGR) in Italy in 2020. Snaitech's Adjusted EBITDA declined by 19%, a smaller decrease than its revenues, due to its low fixed cost base, effective cost reduction and the strong performance of its higher-margin online business, which saw exceptional growth in online EBITDA of 92%. Playtech's white label revenues, predominantly Sun Bingo, increased 8% while the Retail Sport B2C business suffered only a 3% decline in revenues, despite the retail closures in Germany and Austria.

Regulated revenues from continuing operations accounted for 84% of Group revenues in 2020 (86% including Finalto) versus 87% in 2019 (88% when including Finalto), with the fall driven by lower revenues from Snaitech in Italy as described above.

Reported and Adjusted Profit

Adjusted profit before tax from continuing operations decreased by 75% to €45.1 million (2019: €177.8 million), driven by the fall in Adjusted EBITDA and an increase in finance costs in 2020 owing to the full period impact of the €350 million bond raised in March 2019, as well as the draw-down from the Company's revolving credit facility during 2020.

Reported profit before tax from continuing operations declined by 160% to a loss of €52.7 million (2019 reported profit: €88.2 million). Reported tax expense decreased by €11.4 million due to:

- Reduction in the current tax because of lower taxable profits, following the decline in the overall Group performance; and
- Decrease in deferred tax as a result of lower utilisation of brought forward losses in Snaitech, due to its lower taxable profits resulting from the closure of retail locations throughout much of the period.

This led to a total post-tax reported loss from continuing operations of €73.0 million (2019 reported profit: €56.5 million).

Balance sheet and liquidity³

	2020 €'m	2019 €'m
Cash and cash equivalents	683.7	671.5
Cash and cash equivalents included in assets held for sale	376.9	2.6
Total cash and cash equivalents	1,060.6	674.1

Cash held on behalf of clients, progressive jackpots and security deposits	(129.1)	(338.3)
Cash held on behalf of clients, progressive jackpots and security deposits and included in assets held for sale	(280.4)	-
Adjusted gross cash and cash equivalents	651.1	335.8

The Group continues to maintain a strong balance sheet with total cash and cash equivalents of €1,060.6 million at 31 December 2020 (2019: €674.1 million). Adjusted gross cash, which excludes the cash held on behalf of clients, progressive jackpots and security deposits, increased to €651.1 million as at 31 December 2020 (31 December 2019: €335.8 million), owing in large part to the Group drawing down its revolving credit facility as a precautionary measure.

Excluding cash from the revolving credit facility, the Group steered through the effects of the pandemic with its adjusted gross cash increasing to €342.2 million at 31 December 2020 (2019: €271.5 million) owing to the considerable cash preservation actions described below.

The Group's total gross debt increased to €1,182.0 million at 31 December 2020 (31 December 2019: €935.8 million) with Net debt, after deducting adjusted gross cash, decreasing to €530.9 million (31 December 2019: €600.0 million). The Net debt / Adjusted EBITDA ratio increased only slightly to 1.7x at 31 December 2020 from 1.6x at 31 December 2019⁶, due to the overall reduction in Adjusted EBITDA.

Playtech takes a prudent and disciplined approach to its banking relationships. Despite being comfortably within its covenants, Playtech proactively approached its lenders and agreed to amend the covenants in its revolving credit facility for the 31 December 2020 and 30 June 2021 tests.

The leverage covenant was amended to 5x Net debt / Adjusted EBITDA for the 31 December 2020 test and 4.5x for the 30 June 2021 test. The interest cover covenant was amended to 3x for the 31 December 2020 test and 3.5x for the 30 June 2021 test. The covenants will return to the previous levels of 3x Net debt / Adjusted EBITDA and 4x Adjusted EBITDA / interest cover from the 31 December 2021 test onwards, or sooner should the Company decide to make shareholder distributions within those periods.

Given the ongoing uncertainty related to COVID-19 the Board suspended shareholder distributions in February 2020 until further notice. The share repurchase programme announced at the FY 2019 results was postponed with immediate effect and the 2019 final dividend was not proposed at the 2020 AGM. Together these measures allowed the Company to preserve over €65 million of cash outflows during the year. In addition, Playtech received a total of €49.5 million in cash from the sale of Snaitech land in Italy during the year.

Playtech's swift actions and assured navigation of the pandemic has left the Group in strong financial health to benefit from the reopening of retail shops in its main markets, the full return of sporting events across the world and further growth opportunities as it looks ahead into 2021 and beyond.

Group Summary (continuing operations)⁴

	2020 €'m	2019 ⁵ €'m
B2B Gambling	494.8	553.9
B2C Gambling	596.3	900.5
Intercompany	(12.6)	(13.9)
Total Group Revenue from continuing operations	1,078.5	1,440.5
Adjusted costs	(824.9)	(1,065.2)
Adjusted EBITDA from continuing operations	253.6	375.3

Reconciliation from EBITDA to Adjusted EBITDA:

EBITDA	222.9	333.7
Employee stock option expenses	16.5	13.3
Professional fees on acquisitions	1.7	0.5
Additional consideration payable put/call option	5.3	10.2
Movement in contingent consideration and redemption liability	1.2	6.3
Effect from the amendment on terms of Sun Bingo contract back dated	-	6.4
Provision for other receivables	2.8	4.5
Impairment of associate	-	0.4
Charitable donation	3.2	-
Adjusted EBITDA	253.6	375.3
Adjusted EBITDA margin	24%	26%
Adjusted EBITDA on a constant currency basis	256.4	375.3
Adjusted EBITDA margin on a constant currency basis	24%	26%
EBITDA related to acquisitions at constant currency	(0.3)	-
Underlying Adjusted EBITDA on a constant currency basis	256.7	375.3
Underlying Adjusted EBITDA margin on a constant currency basis	24%	26%

Despite the pandemic and the interruption of retail activity for significant parts of the year, the Group's total reported revenues (from continuing operations) decreased by only 25% to €1,078.5 million (2019: €1,440.5 million) and down 24% on a constant currency basis. This was driven by the strength of the online business, even when including online sports, which increased by 16% year on year and 27% if we exclude Asia, offset by a decrease of 49% in retail revenue as a result of the various lockdowns during the year.

The Group's Adjusted EBITDA from continuing operations reached €253.6 million (2019: €375.3 million), a year-on-year and constant currency basis decline of 32%. The decrease in Adjusted EBITDA was higher than the decrease in revenue because of the higher cost base in the B2B Gambling division, only partly offset by the reduced cost base in the B2C Gambling division. This caused the 2% year on year decline in the Adjusted EBITDA margin, from 26% to 24% and is further analysed in the following sections. The Group's total reported EBITDA decreased by 33% to €222.9 million (2019: €333.7 million).

B2B Gambling

	2020 €'m	2019 €'m	Change
B2B Gambling Revenue*	494.8	553.9	-11%
Research and development	76.1	80.9	-6%
Operations	214.5	181.2	18%
Administrative	63.2	57.4	10%
Sales and marketing	15.2	19.6	-22%
B2B Gambling Costs	369.0	339.1	9%
B2B Gambling Adjusted EBITDA	125.8	214.8	-41%

**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

Core B2B Gambling revenues declined by 6% driven by a 26% decrease in UK revenues, offset by a 5% increase in revenues from regulated markets outside of the UK and a 26% increase

in revenues from unregulated markets excluding Asia. Of the regulated markets outside of the UK, the biggest contributor was Mexico, driven by revenue growth at Caliente, with Poland, Colombia, Italy and several other geographies also contributing to revenue growth. The growth in revenues from unregulated markets excluding Asia came from Canada, Germany and South Africa. Asian revenues declined 28% due to the severe impact of the pandemic in the region as well as non-sector specific restrictions introduced on payment processing.

When excluding the impacts of retail closures and sporting cancellations in 2020, Core B2B Gambling (online excluding sports) revenues increased by 26% and 30% at constant currency, driven by revenues from regulated markets outside of the UK, which increased by 59% and by 68% on a constant currency basis. When including Sports, total online revenues within Core B2B increased by 19% and 23% on a constant currency basis, driven by strong performances within Casino, Live, Bingo and Poker, as a result of the increase in demand for online entertainment due to the COVID-19 lockdown periods during the year.

Overall, B2B Gambling revenues decreased by 11% largely due to the impact of retail closures in the period which led to a 51% decline in retail revenues, alongside the 28% decline of revenues from Asia.

When excluding Asia, B2B online gambling revenues were resilient through the pandemic. With the exception of online Sport, which declined significantly because of the suspension of sporting events worldwide due to COVID-19, every other online business within the B2B Gambling division achieved strong revenue growth against the prior year.

B2B Gambling Costs

B2B Gambling costs increased in 2020. At the start of the year, we had aggressive investment plans to support the expected strong revenue growth in the year and to capture the opportunity in markets such as the US and LatAm. When the pandemic hit, our revenues and growth plans were impacted with either investment already having been made or with Playtech taking the decision to carry on with the investment plans in order to further strengthen our market positions.

Research and development ("R&D") costs include, among others, employee-related costs, direct expenses related to dedicated teams and proportional office expenses. Expensed R&D costs decreased by 6% to €76.1 million (2019: €80.9 million), driven by a decline in outsourcing costs and a reduction in office expenses and travel costs relating to R&D teams. Capitalised development costs were 38% of total B2B Gambling R&D costs in the period, compared to 37% in 2019.

The operations cost line includes employee-related costs and their direct expenses, operational marketing, hosting, license fees paid to third parties, branded content, hardware terminals purchased for resale, feeds, chat moderators and proportional office expenses. Operations costs increased by 18% to €214.5 million in 2020 (2019: €181.2 million). This increase was driven by recruitment in Live Casino, an increase in targeted marketing campaigns relating to turnkey customers and structured agreements, an increase in game patent fees and an increase in doubtful debts directly linked to COVID-19. These were offset by a decrease in costs relating to hardware sales compared to 2019 as well as a reduction in land-based terminals maintenance and service fees.

Administrative expenses increased by 10% to €63.2 million (2019: €57.4 million) driven by an increase in employee-related costs, legal and consulting fees including those relating to Playtech's expansion into new geographies such as the US and Latin America, tax advice fees relating to matters such as the Group's change of tax residence, compliance expenses and charitable donations. These increases were partially offset by a significant reduction in general travel expenses.

Sales and marketing expenses decreased by 22% to €15.2 million (2019: €19.6 million), driven by a reduction in exhibition costs and travel costs directly related to exhibitions.

B2B Gambling Adjusted EBITDA

B2B Gambling Adjusted EBITDA decreased by 41% to €125.8 million (2019: €214.8 million). The decrease was driven by the closure of retail activity for significant parts of 2020 due to the pandemic and the decline in high-margin Asian revenues which flow through in large part to EBITDA.

Furthermore, and as discussed above, included in our B2B costs are significant investments made in order to enter new strategic agreements and geographies (marketing, legal and consulting fees), without an equivalent increase in revenue recognised in 2020, which predominantly explains why the decrease in Adjusted EBITDA was higher than the decrease in revenue.

B2C Gambling

	2020 €'m	2019 €'m	Change
Snaitech	522.2	829.7	-37%
White label (incl. Sun Bingo)	55.0	51.1	8%
Sport B2C	19.1	19.7	-3%
B2C Gambling Revenue	596.3	900.5	-34%
Snaitech	390.2	667.2	-42%
White label (incl. Sun Bingo)	47.9	41.2	16%
Sport B2C	30.4	31.6	-4%
B2C Gambling Costs	468.5	740.0	-37%
B2C Gambling Adjusted EBITDA	127.8	160.5	-20%

Snaitech

Snaitech revenues decreased by 37% to €522.2 million (2019: €829.7 million), owing to the effects of the COVID-19 pandemic which resulted in the closure of retail betting shops in Italy and the reduction in sporting events during the year. However, Snaitech's revenue was supported by a 58% increase in online revenues, which was driven by a 52% year on year increase in online wagers.

Snaitech operating costs decreased by 42% to €390.2 million (2019: €667.2 million). Given the high variable costs in the business, the fall in operating costs was driven by the decrease in revenues and mainly consisted of a decrease in franchise commission, gaming concession fees, platform charges, maintenance of the retail network and costs relating to data feeds.

Snaitech's Adjusted EBITDA declined by 19%, a smaller decrease than its revenues, due to its low fixed cost base, effective cost reduction and the strong performance of its higher-margin online business, which saw exceptional growth in online EBITDA of 92%. As a result, Snaitech's EBITDA margin improved to 25% (2019: 20%) and its underlying margin, which excludes the distribution costs paid to franchisees, improved to 48% (2019: 46%).

White label (including Sun Bingo)

Revenue from the white label business increased by 8% in total, driven by an outstanding performance by Sun Bingo which grew 32% to €53.8 million (2019: €40.7 million). Operating costs within Sun Bingo increased by 49% to €45.6 million (2019: €30.7 million), driven by an increase in marketing costs. Adjusted EBITDA from the Sun Bingo business decreased by 19% to €8.1 million (2019: €10.0 million). Adjusted EBITDA includes the release of the minimum guarantee prepayment over the new period of the contract which was renegotiated in 2019.

Other White label revenue decreased by 88% to €1.2 million (2019: €10.4 million), as part of an ongoing effort to consolidate or cease the operations of certain brands. Other White label costs decreased by 78% in line with the decrease in revenue, resulting in an Adjusted EBITDA loss of €1.0 million (2019: loss of €0.1 million). During the year Playtech made a €3.2 million payment to charities as part of its pledge following regulatory review.

Sport B2C

The Sport B2C business is currently at the investment phase, so, despite the retail closures in Germany and Austria resulting from COVID-19, revenues decreased by only 3% to €19.1 million (2019: €19.7 million), with a 4% decrease in costs. The business remains loss making, with the Adjusted EBITDA loss decreasing by 5% to €11.3 million (2019: €11.9 million). An impairment loss of €41.2 million has been recognised in the Sports B2C cash generating unit ("CGU") primarily as a result of COVID-19 and the impact it's had on retail performance. This impairment, which was accounted for below EBITDA, is further discussed below.

Below EBITDA items

Depreciation and amortisation

Depreciation decreased by 6% to €47.5 million (2019: €50.4 million). Adjusted amortisation, after deducting amortisation of acquired intangibles of €39.0 million (2019: €41.6 million) increased by 6% to €83.1 million (2019: €78.1 million). The remainder of the balance under depreciation and amortisation of €18.5 million (2019: €17.8 million) relates to IFRS 16 Leases, being the right-of-use asset amortisation.

Impairment of tangible and intangible assets, including assets held for sale

Included in the total reported impairment of tangible and intangible assets is a €41.2 million impairment for the B2C Sports CGU, which comprises of the B2C sports operations in Germany and Austria. The impairment, which fully wrote off the value of this CGU, was primarily a result of the impact of COVID-19 on the estimated recovery period and the uncertainty of future cashflows.

Within discontinued operations, the Group has recognised an impairment for the Finalto segment of €221.3 million (2019: €Nil), which is classified as held for sale at 31 December 2020. This is further discussed below.

Profit on disposal of asset classified as held for sale

On 21 April 2020, the sale and purchase agreement of part of the surplus Snai land in Italy, known as 'Area Sud', was completed for total consideration of €18.8 million, of which €5.0 million had already been received on sign off of the preliminary agreement in 2019.

On 21 July 2020, the sale and purchase agreement of part of the surplus Snai land in Italy, known as 'Area Nord', was completed for total consideration of €35.7 million.

As a result of these transactions a total of €49.5 million was received in cash during the year (2019: €5 million) and the Group realised a profit on disposal of €22.1 million (2019: €Nil) as reflected in the consolidated statement of comprehensive income.

Finance costs and income

Reported finance costs decreased by 3% to €64.6 million (2019: €66.7 million), while adjusted finance costs increased by 11% to €61.5 million (2019: €55.3 million). The latter was driven by both the increase in interest expense on bond loans in 2020 owing to the 2019 bond being issued part-way through H1 2019, as well as the additional withdrawal from the revolving credit facility during 2020. The difference between adjusted and reported finance costs in 2020 is the movement of the contingent consideration and redemption liability. In 2019 the difference is mainly the decrease in the effective interest on the previously held convertible bond due to its repayment in November 2019.

Adjusted finance income decreased by 58% to €1.1 million (2019: €2.6 million) driven by a decrease in interest income. Reported finance income decreased by 89% to €1.1 million (2019: €9.7 million) due to the movement in contingent consideration and redemption liability, which was an income in the prior year of €7.1 million against an expense of €3.0 million in the current year and therefore included in reported finance cost.

Taxation

In 2020, the Group's underlying adjusted effective tax rate from continuing operations increased to 22% (2019: 13%). Whilst income tax expense and cash tax actually decreased, there was an increase in the percentage tax rates due to the greater fall in profit before tax.

The total adjusted tax charge in 2020 was €17.9 million (2019: €39.8 million), whereas the reported tax charge was €20.4m (2019: €31.8 million). The adjusted tax expense excludes the impact of tax in relation to the Snai land disposed during the year and the movement in deferred tax in relation to acquisitions.

The group implemented an internal restructuring in January 2021, which resulted in Playtech plc migrating its tax residency to the UK and the Group's key operating entity transferring its business to a UK company. This restructuring is not expected to have a significant impact on the Group's underlying effective tax rate.

Discontinued operations

Casual and Social Gaming segment

Following the reclassification of the Casual and Social Gaming business in 2019 as a discontinued operation, the Group entered into an agreement for the partial disposal of the business, namely "FTX", for a total consideration of €0.9 million on 29 June 2020. As a result of this transaction, the Group realised profit of €0.6 million in the consolidated statement of comprehensive income.

On 11 January 2021, the Group entered into an agreement for the disposal of the remainder of the business, namely "YoYo", for a total consideration of \$9.5 million resulting in an estimated profit of €7.6 million to be recognised in FY 2021. This business has now been fully disposed of.

The Adjusted EBITDA related to the Casual and Social Gaming business improved to €0.4 million (2019: loss of €4.6 million) due to the winding down of operations and reduction in employee-related costs. Adjusted profit after tax improved to €0.1 million (2019: adjusted loss of €8.5 million).

Finalto (formerly TradeTech Group)

In August 2020 the Group, which previously announced it is continuing to evaluate all options for Finalto, confirmed that it was in early discussion stages with a number of parties regarding a potential sale of the division. A formal decision to dispose of this segment was made by the Board of Directors. Post year end, the Group further announced that it was in exclusive discussions with a management consortium with a cash offer of up to US\$200 million. The Board is confident that the sale will complete by the end of 2021. The assets and liabilities of the division were therefore classified as held for sale at 31 December 2020 and the financial results of this division in both years being presented were included in discontinued operations. Despite the strong performance in 2020 as discussed below, the Group continues to execute its simplification strategy in order to focus on its core businesses. As a result an impairment charge of €221.3 million was recognised against this CGU when comparing its carrying value to expected proceeds from the disposal, less expected costs.

In terms of performance, revenues increased by 80% to €121.9 million (2019: €67.9 million). Adjusted and reported EBITDA both increased to €56.4 million (2019: €7.8 million) and €45.3 million (2019: €1.6 million) respectively. Finalto, which earned 72% of its 2020 revenue and 94% of its 2020 Adjusted EBITDA in H1, had an outstanding first half where the business benefitted significantly from increased market volatility and trading volumes, particularly in March and April as the effect of the pandemic created large price movements in major instruments. Market conditions normalised during the second half.

Adjusted profit and Adjusted EPS

	2020 €'m	2019 €'m
(Loss)/Profit from continuing operations attributable to the owners of the Company*	(73.0)	55.9
Employee stock option expenses	16.5	13.3
Professional fees on acquisitions	1.7	0.5
Additional consideration payable for put/call option	5.3	3.0
Movement in contingent consideration and redemption liability	4.2	6.3
Effect from the amendment on terms of Sun Bingo contract back dated	-	6.4
Provision for other receivables	2.8	4.4
Impairment of investment in associate	-	0.4
Charitable donation	3.2	-
Fair value change of equity investments	(0.6)	0.3
Tax relating to prior years	4.9	4.1
Deferred tax on acquisitions	(11.7)	(12.1)
Amortisation of intangibles on acquisitions	39.0	41.6
Finance costs on acquisitions	-	1.5
Notional interest on convertible bonds	-	9.9
Impairment of tangible and intangible assets and right of use assets	45.4	1.9
Fair value change on acquisition of associate	(6.5)	-
Loss on disposal of associate	8.9	-
Profit on disposal of asset classified as held for sale	(22.1)	-
Tax on disposal of asset classified as held for sale	9.3	-
Adjusted Profit from continuing operations attributable to the owners of the Company	27.3	137.4

Adjusted basic EPS (in Euro cents)	9.2	45.5
Adjusted diluted EPS (in Euro cents)	8.8	44.6
Constant currency impact	4.8	4.3
Adjusted profit for the year attributable to owners of the Company on constant currency	32.1	141.7
Adjusted net profit / (loss) on constant currency related to acquisitions	(0.3)	-
Underlying adjusted profit for the year attributable to owners of the Company	32.4	141.7
Basic and diluted EPS from loss attributable to owners of the Company (in Euro Cents)	(99.6)	(6.5)
Basic EPS from profit/(loss) attributable to the owners of the Company from continuing operations (in Euro Cents)	(24.5)	18.5
Diluted EPS from profit/(loss) attributable to the owners of the Company from continuing operations (in Euro Cents)	(24.5)	18.1

* The reconciling items in the table above are further explained in Note 10 of the financial statements.

The above reconciling items are further explained in Note 10 of the financial statements. Reported loss per share from continuing operations decreased by 232%, in line with the decrease in profit. Adjusted diluted EPS decreased by 80% compared to 2019. Basic EPS is calculated using the weighted average number of equity shares in issue during 2020 of 298.4 million (2019: 301.8 million). Diluted EPS also includes the dilutive impact of share options and is calculated using the weighted average number of shares in issue during 2020 of 310.8 million (2019: 308.0 million).

Cashflow

Playtech continues to be cash generative and delivered operating cash flows of €366.9 million (2019: €320.9 million), with adjusted cash conversion of 89% (2019: 79%).

Cash conversion (including Finalto)

	2020 €'m	2019 €'m
Adjusted EBITDA	310.0	383.1
Net cash provided by operating activities	366.9*	320.9
Cash conversion	118%	84%
Change in jackpot balances	(2.0)	(9.5)
Change in client deposits and client equity	(76.6)	(22.0)
One-off tax payment	-	28.0
Dividends payable	(0.2)	(0.3)
Professional expenses on acquisitions	5.0	1.9
Finance costs on acquisitions	-	1.5
ADM security deposit	(17.1)	(17.2)
Adjusted net cash provided by operating activities	276.0	303.3
Adjusted cash conversion	89%	79%

* Net cash provided by operating activities is benefitting from a deferred payment of gaming tax duties of €89.6 million in Italy, which was due in Q4 2020. As a result of COVID-19 the Italian tax authorities allowed the deferral of these gaming tax duties to be made in the first half of 2021.

Adjusted cash conversion is shown after adjusting for jackpots, security deposits and client equity, dividends payable 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 dividends only impacts the reported operating cashflow and not EBITDA, while professional expenses and costs relating to acquisitions are excluded from Adjusted EBITDA but impact operating cashflow.

The adjusted net cash provided by operating activities excluded, among other items, the security deposit repayment from Italy's online betting and gaming regulator (ADM) for 2020 and 2019, changes in client deposits and client equity and the €28.0 million one-off cash payment made to the Israeli government in 2019 for the settlement of additional tax relating to the Group's activities in Israel for the years 2008 to 2017 inclusive.

The increase in net cash provided by operating activities is largely due to the significant increase in contribution from Finalto. Adjusted cash conversion, which the Group believes is a better representation of cash collection in the period, was 89% (2019: 79%).

Net cash outflows used in investing activities totaled €89.3 million (2019: €152.8 million) of which:

- €19.8 million (2019: €1.4 million) relates to consideration paid in relation to acquisitions of subsidiaries in the period;
- €41.7 million (2019: €61.4 million) was used in the acquisition of property, plant and equipment;
- €22.0 million (2019: €24.3 million) was used on the acquisition of intangible assets;
- €55.8 million (2019: €65.5 million) was spent on capitalised development costs; and
- €49.8 million (2019: €5 million) is cash received on the disposal of assets held for sale of which €49.5 million (2019: €5.0 million) relates to real estate located in Milan.

Net cash inflows from financing activities totaled €104.6 million (2019: €117.3 million outflow) of which €245.8 million (2019: €63.9 million) was cash inflow from the drawing down of the Group's revolving credit facility, offset by:

- €10.1 million (2019: €65.1 million) on the repurchasing of Playtech shares in the year;
- €27.4 million (2019: €27.2 million) of principal and interest lease liability payments;
- €63.7 million (2019: €48.1 million) payment of contingent consideration and redemption liability and;
- higher total interest payments on bond loans and bank borrowings totaling €39.7 million (2019: €29.5 million) due to the issuance of both the 2019 bond part-way through H1 2019 and the Group's revolving credit facility.

Balance sheet, liquidity and financing

Cash

Including cash classified within assets held for sale, the Group continues to maintain a strong balance sheet with cash and cash equivalents of €1,060.6 million as at 31 December 2020 (2019: €674.1 million). Adjusted gross cash, which excludes the cash held on behalf of clients, progressive jackpots and security deposits, increased to €651.1 million as at 31 December 2020 (2019: €335.8 million), owing in large part to the Group drawing down €245.8 million from its revolving credit facility as a precautionary measure as well as the considerable cash preservation actions described below. The Board keeps Playtech's capital structure under continuous review and is cognisant of the level of cash on its balance sheet. Once there is greater certainty on the outcome of the pandemic, the revolving credit facility will be repaid.

Financing

The Group holds 5-year senior secured notes to the value of €530 million (3.75% coupon, maturity 2023), which were raised in October 2018 to support the acquisition of Snaitech.

The Group also holds 7-year senior secured notes to the value of €350 million (4.25% coupon, maturity 2026), which were raised in March 2019. The net proceeds of this 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 revolving credit facility, increasing it to €317.0 million and extending its term by an additional four years, ending in

November 2023, with a further one-year extension option. Interest payable on the loan is based on Euro Libor rates. Playtech acted promptly following the announcement of the first lockdown in Q1 2020 and the uncertainty surrounding this, to secure its liquidity position by drawing down €245.8 million against the revolving credit facility as a precautionary measure during the period (2019: €63.9 million). However, it is important to note that the Group steered through the pandemic with an improved cash position at 31 December 2020 against 31 December 2019, even after excluding the cash contribution from the revolving credit facility.

The Group's total gross debt amounted to €1,182.0 million at 31 December 2020 (31 December 2019: €935.8 million) and Net debt, after deducting adjusted gross cash, amounted to €530.9 million (31 December 2019: €600.0 million). The Net debt / Adjusted EBITDA ratio increased slightly to 1.7x at 31 December 2020 from 1.6x at 31 December 2019⁶, due to the overall reduction in Adjusted EBITDA.

Playtech takes a prudent and disciplined approach to its banking relationships. Despite being comfortably within its covenants, Playtech proactively approached its lenders and agreed to amend the covenants in its revolving credit facility for the 31 December 2020 and 30 June 2021 tests. The leverage covenant was amended to 5x Net debt / Adjusted EBITDA for the 31 December 2020 test and 4.5x for the 30 June 2021 test. The interest cover covenant was amended to 3x for the 31 December 2020 test and 3.5x for the 30 June 2021 test. The covenants will return to previous levels of 3x Net debt / Adjusted EBITDA and 4x Adjusted EBITDA / interest cover from the 31 December 2021 test onwards, or sooner should the Company decide to make shareholder distributions within those periods.

Contingent consideration

Contingent consideration and redemption liability decreased by €51.4 million to €9.7 million (31 December 2019: €61.1 million) due to the completed payments relating to Playtech BGT Sports Ltd, Rarestone Gaming PTY Ltd and GenerationWeb, offset by the redemption liability arising from the acquisition of Statscore. The existing liability as at 31 December 2020 comprised the following:

Acquisition	Maximum payable earnout (per terms of acquisition)	Contingent consideration and redemption liability as at 31.12.2020	Payment date (based on maximum payable earnout)
HPYBET Austria GmbH	€15.0 million	Nil	Q2 2021
Eyecon Limited	€25.0 million	Nil	Q2 2021
Wplay	€4.9 million	€3.9 million	€4.0 million Q4 2022 €0.9 million Q4 2024
Statscore	€15.0 million	€4.6 million	€5.0 million Q1 2023 €10.0 million in Q1 2026
Other	€7.3 million	€1.2 million	€7.3 million in Q3 2021
Total	€67.2 million	€9.7 million	

Shareholder returns

The Board suspended shareholder distributions in March 2020 until further notice due to the uncertainty relating to COVID-19. The share repurchase programme announced at the FY 2019 results was postponed with immediate effect with approximately €10 million of the €40 million buyback having been completed. Also, the 2019 final dividend was not proposed at the AGM. Together these measures allowed the Company to preserve over €65 million of cash outflows during the year.

Playtech remains committed to returning capital to shareholders whilst balancing the needs of the business and taking a prudent approach to its capital structure and leverage.

Going concern

In adopting the going concern basis of preparation for the financial statements, the directors have considered the Group's current trading performance, financial position and liquidity alongside robust scenario assessments and reverse stress-test assessments for the forecast period. The outbreak of the pandemic, the measures adopted by governments in countries worldwide to mitigate the pandemic's spread, including the ongoing second wave of lockdowns and the vaccine announcement and current rollout plans, were also taken into account in these assessments. COVID-19 continues to present challenges across many areas of Playtech's business, however, management believe the business has demonstrated resilience against the pandemic and these challenges.

At 31 December 2020, the Group held total cash of €1,060.6 million (2019: €674.1 million) and adjusted gross cash, which excludes the cash held on behalf of clients, progressive jackpots and security deposits, of €651.1 million (2019: €335.8 million). Further, the Group has long-term debt facilities totaling €1,182.0 million (2019: €935.8 million). Management has secured a covenant relaxation at 31 December 2020 and 30 June 2021 relating to the revolving credit facility, as discussed in Note 26 of the financial statements, and further, has considered future projected cash flows under a number of scenarios to stress-test any risk of covenant breaches.

Management concluded that the risk of a covenant breach over the next twelve-month period from the date of releasing this report is low and as such, has a reasonable expectation that the Group will have adequate financial resources to continue in operational existence. It has, therefore, considered it appropriate to adopt the going concern basis of preparation in the full year 2020 financial statements.

¹Adjusted numbers relate to certain non-cash and one-off items. The Board of Directors believes that the adjusted results represent 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.

²Core B2B Gambling refers to the Company's B2B Gambling business excluding unregulated Asia.

³The balance sheet and liquidity analysis includes assets and liabilities that are part of both continuing operations and assets held for sale because this better represents the Group's position at 31 December 2020 and 31 December 2019 as it still has full control of its cash and liabilities affecting its cash position.

⁴Totals in tables throughout this statement may not exactly equal the components of the total due to rounding.

⁵Due to the classification of a discontinued operation and a correction of prior year error, the comparative information for 2019 has been restated. Please refer to Note 8 of the financial statements for further details.

⁶Net debt/Adjusted EBITDA is calculated as Gross Debt less Adjusted Gross Cash including cash held for sale and excluding cash held on behalf of clients, progressive jackpots and security deposits divided by Adjusted EBITDA from continuing operations and Finalto (included in discontinued operations) of the last 12 months totaling €310.0 million (2019: €383.1 million).

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 - Local Technical Regulatory Requirements (both Gambling and Financials divisions)**

Given the dynamic nature of tax rules, guidance and tax authority practice, the business is exposed to continuously evolving rules and practices governing the taxation of e-commerce and betting and gaming activities in countries in which the Group has presence. Such taxes may include corporate income tax, withholding taxes and indirect taxes.

- **Regulation - Data Protection (both Gambling and Financials divisions)**

The requirements of the new EU General Data Protection Regulations (GDPR) came into force in May 2018. The regulation is mandatory and all organisations that hold or process personal data must comply with these regulations.

- **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), 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.

- **Regulation - Safer Gambling (Gambling division)**

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

- **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 data breach, whether through cyber-attacks and distributed denial-of-service attacks or technology failure, could significantly affect the services offered to licensees.

- **Global Diversification (both Gambling and Financials divisions)**

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 (both Gambling and Financials divisions)**

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 coronavirus (COVID-19) may present potential risks to our supply chains should the situation worsen.

- **Disruption affecting business (both Gambling and Financials divisions)**

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 coronavirus (COVID-19) may present further potential risks to our key business generating markets such as Asia and Italy.

- **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.

- **General Health and Wellbeing concerns from ALL Sites during Covid-19 (both Gambling and Financials divisions)**

As new strands of COVID-19 spread worldwide, all employees continue to work remotely, which brings challenges such as exertion, stress, anxiety and the added pressure of childcare and home schooling.

- **Live Studio Closures (Gambling division)**

COVID-19 could result in our live studios being forced to close which will affect our portfolio.

Additional Risks for the Financials Division only

- **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 2020

		2020		2019	
	Note	Actual €'000	Adjusted *€'000	Actual €'000	Adjusted *€'000
				**Restated	**Restated
Continuing operations					
Revenue	9	1,078,460	1,078,460	1,440,533	1,440,533
Distribution costs before depreciation and amortisation		(726,728)	(719,073)	(976,276)	(969,795)
Administrative expenses before depreciation and amortisation		(112,476)	(92,221)	(119,691)	(89,254)
Impairment of financial assets		(16,401)	(13,611)	(10,863)	(6,227)
EBITDA	10	222,855	253,555	333,703	375,257
Depreciation and amortisation		(188,106)	(149,130)	(187,949)	(146,345)
Impairment of tangible and intangible assets	10	(45,352)	-	(1,887)	-

Finance income	12A	1,131	1,131	9,699	2,577
Finance costs	12B	(64,554)	(61,540)	(66,692)	(55,309)
Share of profit from joint ventures		121	121	621	621
Share of profit from associates	19B	955	955	1,020	1,020
Fair value change on acquisition of associate	34A	6,520	-	-	-
Loss on disposal of associate	19B	(8,907)	-	-	-
Unrealised fair value changes on equity investments		598	-	(270)	-
Profit on disposal of asset classified as held for sale	24	22,082	-	-	-
Profit/(loss) before taxation		(52,657)	45,092	88,245	177,821
Tax expenses	13	(20,382)	(17,874)	(31,768)	(39,791)
Profit/(loss) from continuing operations		(73,039)	27,218	56,477	138,030
Discontinued operation					
Profit/(loss) from discontinued operation, net of tax	8	(224,327)	20,076	(75,445)	(12,900)
Profit/(loss) for the year - total	10	(297,366)	47,294	(18,968)	125,130
Other comprehensive income/(loss):					
<i>Items that are or may be classified subsequently to profit or loss:</i>					
Exchange (loss)/gain arising on translation of foreign operations		(19,875)	(19,875)	6,733	6,733
<i>Items that will not be classified to profit or loss:</i>					
Loss on re-measurement of employee termination indemnities		(96)	(96)	(334)	(334)
Total comprehensive (loss)/income for the year		(317,337)	27,323	(12,569)	131,529
Profit/(loss) for the year attributable to:					
Owners of the Company		(297,279)	47,381	(19,571)	124,527
Non-controlling interests		(87)	(87)	603	603
		(297,366)	47,294	(18,968)	125,130
Total comprehensive (loss)/income attributable to:					
Owners of the Company		(317,250)	27,410	(13,172)	130,926
Non-controlling interests		(87)	(87)	603	603
		(317,337)	27,323	(12,569)	131,529

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

Profit or loss - total					
Basic (cents)	14	(99.6)	15.9	(6.5)	41.3
Diluted (cents)	14	(99.6)	15.2	(6.5)	40.4
Profit or loss from continuing operations					
Basic (cents)	14	(24.5)	9.2	18.5	45.5
Diluted (cents)	14	(24.5)	8.8	18.1	44.6

Adjusted numbers relate to certain non-cash and one-off items. The Board of Directors believes that the adjusted results 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 2020

	Additional paid in capital €'000	Employee termination indemnities €'000	Retained earnings €'000	Employee benefit trust €'000	Put/Call options reserve €'000	Foreign exchange reserve €'000	Total attributable to equity holders of Company €'000	Non- controlling interests €'000	Total equity €'000
Balance at 1 January 2020	600,954	(278)	659,802	(16,175)	(16,376)	(1,420)	1,226,507	(4,301)	1,222,206
Total comprehensive loss for the period									
Loss for the year	-	-	(297,279)	-	-	-	(297,279)	(87)	(297,366)
Other comprehensive loss for the year	-	(96)	-	-	-	(19,875)	(19,971)	-	(19,971)
Total comprehensive loss for the year	-	(96)	(297,279)	-	-	(19,875)	(317,250)	(87)	(317,337)
Transactions with the owners of the Company									
Contributions and distributions									
Exercise of options	-	-	(1,733)	1,718	-	-	(15)	-	(15)
Employee stock option scheme	-	-	8,487	-	-	-	8,487	-	8,487
Share buyback	(8,829)	-	(1,320)	-	-	-	(10,149)	-	(10,149)
Total contributions and distributions	(8,829)	-	5,434	1,718	-	-	(1,677)	-	(1,677)
Change in ownership interests									
Acquisition of non-controlling interests without change in control	-	-	(20,711)	-	16,376	-	(4,335)	4,369	34
Acquisition of subsidiary with non controlling interests	-	-	-	-	(3,654)	-	(3,654)	365	(3,289)
Total changes in ownership interests	-	-	(20,711)	-	12,722	-	(7,989)	4,734	(3,255)
Total transactions with owners of the Company	(8,829)	-	(15,277)	1,718	12,722	-	(9,666)	4,734	(4,932)
Balance at 31 December 2020	592,125	(374)	347,246	(14,457)	(3,654)	(21,295)	899,591	346	899,937

	Additional paid in capital €'000	Employee termination indemnities €'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 Company €'000	Non- controlling interests €'000	Total equity €'000
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 interests without change in control	-	-	(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

**CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2020**

	Note	2020 €'000	2019 €'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	357,115	376,378
Right of use assets	17	66,702	74,659
Intangible assets	18	1,097,205	1,499,396
Investments	19	50,442	52,265
Trade receivables	21	18,405	13,600
Other non current assets	20	70,449	37,950
		1,660,318	2,055,378
CURRENT ASSETS			
Trade receivables	21	153,220	192,844
Other receivables	22	98,344	141,154
Cash and cash equivalents	23	683,681	671,540
		935,245	1,005,538
Assets classified as held for sale	24	468,891	36,798
TOTAL ASSETS		3,064,454	3,097,714
EQUITY			
Additional paid in capital	25	592,125	600,954
Employee termination indemnities		(374)	(278)
Employee benefit trust	25	(14,457)	(16,175)
Put/Call options reserve		(3,654)	(16,376)
Foreign exchange reserve		(21,295)	(1,420)
Retained earnings		347,246	659,802
Equity attributable to equity holders of the Company		899,591	1,226,507
Non controlling interests		346	(4,301)
TOTAL EQUITY		899,937	1,222,206
NON CURRENT LIABILITIES			
Loans and borrowings	26	308,875	64,396
Bonds	27	873,129	871,190
Lease liability	17	61,547	65,274
Deferred revenues		2,128	2,332
Deferred tax liability	31	75,163	78,338
Contingent consideration and redemption liability	29	8,508	2,520
Other non current liabilities	32	12,433	14,244
		1,341,783	1,098,294
Liabilities directly associated with assets classified as held for sale	24	309,169	3,595
CURRENT LIABILITIES			

Loans and borrowings		-	206
Trade payables	30	47,694	62,420
Lease liability	17	21,019	25,515
Progressive operators' jackpots and security deposits		100,211	98,152
Client deposits		-	113,879
Client funds		28,924	126,309
Income tax payable		12,017	22,019
Gaming and other taxes payable	33	126,949	98,288
Deferred revenues		9,735	6,857
Contingent consideration and redemption liability	29	1,162	58,605
Provisions for risks and charges	28	18,077	19,508
Other payables	32	147,777	141,861
		513,565	773,619

TOTAL LIABILITIES		2,164,517	1,875,508
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TOTAL EQUITY AND LIABILITIES		3,064,454	3,097,714
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The financial information was approved by the Board and authorised for issue on 10 March 2021.

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Andrew Smith

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Note	2020 €'000	2019 €'000 Restated
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss for the year		(297,366)	(18,968)
Adjustment to reconcile net income to net cash provided by operating activities (see below)		692,147	389,699
Net taxes paid		(27,857)	(49,793)
Net cash from operating activities		366,924	320,938
CASH FLOWS FROM INVESTING ACTIVITIES			
Loans granted		(2,542)	(1,424)
Acquisition of property, plant and equipment		(41,694)	(61,384)
Dividends received	19A, 19B	121	699
Acquisition of intangible assets		(21,999)	(24,320)
Acquisition of subsidiaries (see below)	34A, 34B	(19,829)	(1,402)
Cash of subsidiaries on acquisition (see below)	34A, 34B	8,509	1,039
Capitalised development costs		(55,762)	(65,529)
Acquisition of associates and joint ventures	19B	-	(6,453)
Investment in other investments	19D	(6,535)	-
Proceeds from sale of property, plant and equipment		541	973
Proceeds from the sale of discontinued operations, net of cash, and surplus land held for sale	24	49,843	5,000
Net cash used in investing activities		(89,347)	(152,801)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid to the owners of the Company	25	-	(55,545)
Dividends paid to non controlling interests		-	(4,412)
Interest payable on bonds, bank borrowings and other borrowings		(39,748)	(29,509)
Issue of bonds, net of issue costs	27	-	345,672
Share buyback	25	(10,149)	(65,132)
Repayment of bonds	27	-	(297,000)
Repayment of loans and borrowings		(206)	-
Proceeds from loans and borrowings	26	245,828	63,906
Payment of deferred and contingent consideration and redemption liability (see below)		(63,720)	(48,071)
Principal paid on lease liability		(21,491)	(20,950)
Interest paid on lease liability		(5,895)	(6,280)
Net cash from/(used in) financing activities		104,619	(117,321)
INCREASE IN CASH AND CASH EQUIVALENTS		382,196	50,816
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		674,186	622,197
Exchange gain on cash and cash equivalents		4,797	1,173
CASH AND CASH EQUIVALENTS AT END OF YEAR		1,061,179	674,186
Cash and cash equivalent consists of:			
Cash and cash equivalent - continuing operations	23	684,308	671,540
Cash and cash equivalent treated as held for sale	23	376,871	2,646
		1,061,179	674,186
Less: expected credit loss on cash and cash equivalent	23	(627)	-
		1,060,522	674,186

		2020 €'000	2019 €'000
ADJUSTMENT TO RECONCILE NET INCOME TO NET CASH PROVIDED FROM OPERATING ACTIVITIES			
Income and expenses not affecting operating cash flows:			

Depreciation on property, plant and equipment		48,802	51,585
Amortisation of intangible assets		149,076	148,506
Amortisation of right of use assets		21,990	22,096
Gain on early termination of lease contracts		(1,110)	-
Share of profit from joint ventures	19a	(121)	(621)
Share of profit from associates	19b	(955)	(1,020)
Fair value change on step-acquisition of associate	34a	(6,520)	-
Impairment of other non-current assets		1,264	4,432
Impairment of investment in associates	19b	-	443
Impairment of right of use assets	17	2,755	827
Impairment of property, plant and equipment	16	8,716	895
Impairment of intangible assets	18	33,880	113,863
Impairment of asset held for sale		221,255	-
Profit on disposal of discontinued operations	24	(586)	-
Profit on disposal of asset classified as held for sale	24	(22,082)	-
Loss on disposal of associate	19b	8,907	-
Changes in fair value of equity investments		(598)	270
Interest on bonds, bank borrowings and other borrowings		41,878	35,863
Interest on convertible bonds		-	9,851
Interest on lease liability		5,895	6,280
Income tax expense		23,198	35,339
Employee stock option plan expenses		21,079	18,102
Movement in deferred and contingent consideration and redemption liability		8,310	(69,940)
Expected credit loss on cash and cash equivalents		627	-
Exchange gain on cash and cash equivalents		(4,797)	(1,173)
Unrealised exchange gain		(5,511)	-
Other		494	90
Changes in operating assets and liabilities:			
Change in trade receivables		34,558	2,442
Change in other receivables		360	(5,901)
Change in trade payables		(13,342)	(10,912)
Change in progressive, operators jackpot, security deposits		1,974	9,551
Change in client funds and deposits		76,579	22,046
Change in other payables		34,929	(12,200)
Change in provisions for risks and charges		(1,431)	7,413
Change in deferred revenues		2,674	1,572
		692,147	389,699

Acquisition of subsidiaries

	Note	2020 €'000	2019 €'000
Acquisitions in the year			
A. Acquisition of Statscore SP Z.O.O.	34A	6,500	-
B. Acquisition of Best In Game SRL	34B	13,329	-
Acquisitions in previous year			
A. Acquisition of Areascom SpA		-	-
B. Other acquisitions	35A	-	1,402
		19,829	1,402

Cash of subsidiaries on acquisition

	Note	2020 €'000	2019 €'000
Acquisitions in the year			
A. Acquisition of Statscore SP Z.O.O.	34a	60	-
B. Acquisition of Best In Game SRL	34b	8,449	-
Acquisitions in previous year			
A. Acquisition of Areascom SpA		-	324
B. Other acquisitions		-	715
		8,509	1,039

Payment of contingent consideration and redemption liabilities on previous acquisitions

	2020 €'000	2019 €'000
Acquisitions in previous years		
A. Acquisition of Rarestone Gaming PTY Ltd	4,140	4,469
B. Acquisition of ACM Group	-	3,420
C. Acquisition of Consolidated Financial Holdings	-	21,979
D. Acquisition of Quickspin AB	-	14,345
E. Acquisition of Playtech BGT Sports Limited	41,558	-
F. Other acquisitions	2,789	3,858
	48,487	48,071
G. Interest in Aquila Global Group SAS ("Wplay")	15,233	-
	63,720	48,071

The cash outflows, as stated in the financial statements for the year ended 31 December 2019, relating to payments of long term deferred and contingent consideration on the acquisition of subsidiaries and the payments of redemption liabilities to acquire non controlling interests in previous periods has been restated during the period. As a result, they have been reclassified from investing to financing cash flows. This presentational change in the cash flow statement has no impact on actual cash flows nor on any of the other primary statements.

NOTE 1 - GENERAL

Playtech plc (the "Company") is a company domiciled in the Isle of Man. The Company was incorporated in British Virgin Islands as an offshore company with limited liability. The registered office is located at St George's Court, Upper Church Street, Douglas, Isle of Man, IM1 1EE.

These consolidated financial statements comprise the Company and its subsidiaries (together referred to as the "Group").

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 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. Playtech directly owns and operates Snaitech, the leading sports betting and gaming company in online and retail in Italy.

The Group's financial trading division, which is treated as a discontinued operation in these financial statements (Notes 8 and 24), 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

This financial information does not constitute the company's statutory accounts for the years ended 31 December 2020 or 2019 but is derived from those accounts. The auditor has reported on those accounts; their reports were (i) unqualified and (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report.

This financial information has been prepared in accordance with the International Financial Reporting Standards (IFRS) adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union (EU). The audited accounts were authorised for issue by the Company's board of directors on 10 March 2021.

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

Coronavirus (COVID-19) impact

Background

COVID-19, which is a respiratory illness caused by a new virus, was declared a world-wide pandemic by the World Health Organisation in March 2020 and since then has had a significant impact on global economies and equity, debt and commodity markets. The Group has considered the impact of COVID-19 and other market volatility in preparing its financial statements.

Considering recent developments, which include the second wave that forced governments back into ongoing lockdowns, as well as the debate over the outcome (and timing of this outcome) the vaccines will have, management considered the possible impact to the estimates and outcomes in the measurement of the Group's assets and liabilities. In making these considerations, management have also taken into account the different financial and economic impact the pandemic has had to the Group's online and retail gambling results since March 2020. This is further discussed in Note 6.

Process applied

The Group is closely monitoring developments in, and the effects of COVID-19 on the global economy. On the basis of currently available information, and the latest updates on the ongoing lockdowns and vaccine announcements, the Group is not in a position to accurately assess the magnitude of the impact of COVID-19 on the Group's operations and future financial results, as this will principally depend on the effectiveness of vaccine, the overall contribution in stopping the pandemic, as well as the regulatory and fiscal measures taken to support the economy and mitigate the impact of the virus.

As a consequence of COVID-19 and in preparing these financial statements, management:

- re-evaluated whether there were any additional areas of judgement or estimation uncertainty;
- reviewed external market communications to identify other COVID-19 related impacts;
- reviewed public forecasts and experience from previous downturns;
- conducted several internal processes to ensure consistency in the application of the expected impact of COVID-19 across all asset classes; and
- assessed the carrying values of its assets and liabilities and determined the impact thereon as a result of market inputs and variables impacted by COVID-19.

Going concern basis

In adopting the going concern basis in the preparation of the consolidated financial statements, the Directors have considered the current trading performance, financial position and liquidity of the Group, the principal risks and uncertainties together with scenario planning and reverse stress tests completed for a period of no less than 12 months from the approval of these financial statements. The outbreak of the COVID-19 pandemic, the measures adopted by governments in countries worldwide to mitigate the pandemic's spread, including the ongoing lockdowns and COVID-19 vaccine announcements, were also taken into consideration in our assessment.

Despite the impact on cash flows of COVID-19, the Group continues to hold a strong liquidity position with adjusted gross cash of €651.1 million (31 December 2019 €335.8 million). As a precautionary measure, in the early stages of the pandemic Playtech accessed approximately €6 million in government support schemes in the UK and other markets. This was to ensure the Group could protect jobs given the prevailing uncertainty over the severity of the impact on the business from the pandemic. Despite the impact of the restrictions on parts of our business and given the overall resilient performance over the course of 2020, this support is currently in the process of being repaid and therefore excluded from our results for 2020. Whilst there are a number of risks to the Group's trading performance from COVID-19 and its impact on the global economy, the Directors are confident of its ability to continue as a going concern.

The Directors have reviewed liquidity and covenant forecasts for the Group, which have been updated for the expected impact of COVID-19 on trading as well as the relaxed covenants agreed with the Group's facility providers until 30 June 2021. The Directors have also considered sensitivities in respect of potential downside scenarios, reverse stress tests and the mitigating actions available to management.

The modelling of downside scenarios assessed if there was a significant risk to the Group's liquidity and covenant compliance position. This includes the risk of future lockdowns, and consideration of the recovery period in the Groups' key markets and licensees' operations.

The Group's principal financing arrangements are a revolving credit facility ("RCF") up to €317.0 million which expires in November 2023 with an option of extension for one year, the 2018 Bond amounting to €530.0 million and the 2019 Bond amounting to €350.0 million which are repayable in October 2023 and March 2026 respectively. These financing arrangements are subject to certain financial covenants which are tested every six months on a rolling 12-month basis, as set out in Notes 26 and 27. The RCF covenants have been relaxed as follows:

- Leverage: Net Debt/Adjusted EBITDA revised to 5:1 for the year ended 31 December 2020 and 4.5:1 for the last twelve months to 30 June 2021 (31 December 2019: 3:1)
- Interest cover: Adjusted EBITDA/Interest revised to 3:1 for the year ended 31 December 2020 and 3.5:1 for the last twelve months to 30 June 2021 (31 December 2019: 4:1)

If the Group's results are in line with its base case projections it would not be in breach of the financial covenants for a period of no less than 12 months from approval of these financial statements ("the relevant going concern period"). There can be no assurance that a downside scenario will be avoided if the COVID-19 vaccine is not effective in decreasing the severity of the virus and further impacts the performance of the Group.

However, the Directors have concluded that the Group is well placed to manage foreseeable downside and severe downside scenarios after also considering mitigating actions that would be available to the Directors and are within their control. In making this conclusion, the Directors have considered a stress test and a reverse test as explained below.

Stress test

The stress test assumes a worst-case scenario with further impacts caused by the pandemic, together with additional sensitivities around the UK, Italy and Asia, but with mitigations similar to the ones taken in 2020 (including salary and capital expenditure reductions and continued suspension of distributions). Under this scenario EBITDA would fall on average by 23% per month compared to the base case and the company would have breached one of its covenants (Net Debt/Adjusted EBITDA) but at the same time would have sufficient liquidity to repay the RCF, should payment be demanded by its facility providers. This would however not result in a breach of the bond covenants and the Group would have adequate cash reserves to be able to continue as a going concern over the relevant going concern period.

Reverse stress test

The reverse test was used to find what would be the level of EBITDA and consequently the cash burn that would lead to a breach in the bonds' financial covenants before the end of the relevant going concern period. Under this test, management assumed the following:

- A further deterioration of revenue and EBITDA as a result of the assumed ongoing second lockdown;
- Downturn in cash generation; and
- No further mitigating actions taken.

As a result of completing this assessment management considered the likelihood of the reverse stress test scenario arising to be remote. In reaching this conclusion management considered the following:

- Current trading is performing above the base case;
- EBITDA would fall on average by 86% per month compared to the base case until the end of 2021;
- In the event that revenues decline, additional mitigating actions are available to management which have not been factored into the reverse stress test scenario.

As such, the Directors have a reasonable expectation that the Group will have adequate financial resources to continue in operational existence over the relevant going concern period and have therefore considered it appropriate to adopt the going concern basis of preparation in the consolidated financial statements.

NOTE 3 - FUNCTIONAL AND PRESENTATION CURRENCY

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

NOTE 4 - NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP

New standards, interpretations and amendments adopted from 1 January 2020

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2020, but do not have a material impact on the consolidated financial statements of the Group.

New standards, interpretations and amendments not yet effective

There are a number of standards, amendments to standards, and interpretation which have issued by the IASB that are effective in future accounting periods that the Group has decided not to adopt early.

- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current.

In January 2020, the IASB issued amendments to IAS 1, which clarify the criteria used to determine whether liabilities are classified as current or non-current. These amendments clarify that current or non-current classification is based on whether an entity has a right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. The amendments also clarify that 'settlement' includes the transfer of cash, goods, services, or equity instruments unless the obligation to transfer equity instruments arises from a conversion feature classified as an equity instrument separately from the liability component of a compound financial instrument. The amendments were originally effective for annual reporting periods beginning on or after 1 January 2022. However, in May 2020, the effective date was deferred to annual reporting periods beginning on or after 1 January 2023.

The Group is currently assessing the impact of these new accounting standards and amendments. The Group does not believe that the amendments to IAS 1 will have a significant impact on the classification of its liabilities.

The Group does not expect any other standards issued by the IASB, but not yet effective, to have a material impact on the Group.

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 the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs. The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

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 the statement of comprehensive income 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 recognised in statement of comprehensive income.

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 the statement of comprehensive income.

When a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in the statement of comprehensive income. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to the statement of comprehensive income, where such treatment would be appropriate if that interest were disposed of.

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 change of control are accounted for as equity transactions. The difference between the consideration and the carrying value of the NCI is recognised as profit/loss in the retained earnings.

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, joint venture or structured entity, as appropriate.

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over these policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the entity or arrangement and have rights to the net assets of the joint venture. Joint arrangement include the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

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.

A structured entity often has some or all of the following features or attributes;

- restricted activities,
- a narrow and well-defined objective, such as to provide investment opportunities for investors by passing on risks and rewards associated with the assets of the structured entity to investors,
- insufficient equity to permit the structured entity to finance its activities without subordinated financial support and
- financing in the form of multiple contractually linked instruments to investors that create concentrations of credit or other risks (tranches).

Structured entities are entities in which shareholding percentage may exist or may not, and therefore voting or similar rights are not the dominant factor in deciding who controls the entity. The control is defined through the existence of contractual agreements.

Where the group holds an option to acquire equity in an entity, this is included in the assessment of control unless the option is not exercisable or, in limited circumstances, even if it is not currently exercisable and their impact on the assessment of significant influence when the option is currently exercisable.

Equity accounted associates

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises in the statement of comprehensive income.

On disposal of the associate, or loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in the statement of comprehensive income.

Joint venture

The Group accounts for its interests in joint ventures in the same manner as investment in associates (refer above).

Structured entities

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 are subsequently 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.

Where there is a loss of joint control due to a change in the contractual arrangements and a joint venture becomes either an associate or structured arrangement, the investment continues to be measured using the equity method. Given that there is no change in the measurement requirements, the loss of joint control is not an event that warrants remeasurement of the retained interest at fair value.

Where the Group is remunerated for services and software provided to the arrangement through a revenue share or share of profit, the Group recognises this income as revenue in accordance with IFRS 15.

v. Equity investments held at fair value

All equity investments in scope of IFRS 9 are measured at fair value in the statement of financial position. Value changes are recognized in the income statement. Fair value is based on quoted market prices (Level 1). Where this is not possible, fair value is assessed based on alternative methods (Level 3).

vi. Transactions eliminated on consolidation

Intra-group balances and transactions arising from intra-group transactions are eliminated on consolidation. 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 statement of comprehensive income 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 end of each month at the average exchange rate for the month which approximates the exchange rates at the date of the transactions.

Foreign currency differences are recognised in other comprehensive income (OCI) and accumulated in the foreign exchange reserve, except to the extent that the translation difference is allocated to NCI.

When a foreign operation is disposed of its entirety or partially such that control significant influence or joint control is lost, the cumulative amount in the foreign exchange reserve relates to the foreign operation is reclassified to the statement of comprehensive income as part of the gain or loss on disposal.

C. Discontinued operation

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- 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

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative year.

D. 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 recognised when economic benefits are expected to flow to 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	Royalty income relates to licensed technology and the provision of certain services provided via

	<p>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 recognised 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 recognised on 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 recognised on delivery of the hardware and acceptance by the customer.</p>
B2B profit share income	<p>Profit share income relates to certain services provided to customers defined as structured agreements. Profit share is based on a pre-defined profit of the customers.</p> <p>Profit share is recognised when the performance obligation is met which is when the defined period for measuring the profit is over.</p>
B2C revenue	<p>In respect of B2C and white label revenues, the Group acts as principal with the end customer, with specific revenue policies as follows:</p> <ul style="list-style-type: none"> • The revenues from land based gaming machines are recognised net of the winnings, jackpots and certain flat-rate gaming tax. • The revenue from Online gaming (games of skill/casino/bingo) are recognised net of the winnings, jackpots, bonuses and certain flat-rate gaming tax. In respect of the casino and bingo, revenue is recognised at the conclusion. Revenue from games of skill are recognised at the time of the bet. • 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. Revenue is recognised at the time of the bet. <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</p>

closed.

The performance obligation is met in the accounting periods in which the trading transaction occurs and is concluded.

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.

E. 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 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.

Where, at the outset, the Group decided that there was no obligation to settle in cash but it subsequently did so at its own discretion and has no past practice or stated policy of settling in cash, the expense recognised is based on the fair value at grant date. Where the entity has a present obligation to settle in cash the liability is measured at the end of each reporting period at the fair value of the liability.

F. 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 ventures, 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 ventures, 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 recognised 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 the statement of comprehensive income is recognised outside the statement of comprehensive income. 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.

G. Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in the statement of comprehensive income.

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

(iii) Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in statement of comprehensive income.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

	%
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.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

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.

H. Intangible assets and goodwill

(i) Recognition and measurement

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, liabilities assumed and equity instruments issued, plus the amount of any non-controlling interests in the acquiree plus, if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree. Contingent consideration is included in cost at its acquisition date fair value and, in the case of contingent consideration classified as a financial liability, remeasured subsequently through profit or loss. Direct costs of acquisition are recognised immediately as an expense. Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the statement of comprehensive income. Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is credited in full to the statement of comprehensive income on the acquisition date.

Externally acquired intangible assets

Externally acquired intangible assets are initially recognised at cost and subsequently amortised on a straight-line basis over their useful economic lives.

Business combinations

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 ascribed to such intangibles are arrived at by using appropriate valuation techniques (see section related to critical estimates and judgements below).

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.

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in the statement of comprehensive income as incurred.

(iii) Amortisation

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in statement of comprehensive income. Goodwill is not amortised.

The estimated useful lives for current and comparative periods are as follows:

	%
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

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(iv) Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are tested for impairment immediately prior to transfer to held for sale, then subsequently measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for-sale or held-for distribution and subsequent gains and losses on remeasurement are recognised in statement of comprehensive income.

Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised or depreciated.

I. Financial Instruments

Initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price. In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in the statement of comprehensive income when the asset is derecognised, modified or impaired. The Group's financial assets at amortised cost includes trade receivables and loans receivable.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of comprehensive income. This category includes listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or

• The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

(ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost (loans and borrowings and bonds)

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities at amortised cost

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the Effective Interest Method ("EIR") method. Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of comprehensive income.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of comprehensive income.

(iii) Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities 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. Consideration paid for the share buyback is recognised against the additional paid in capital. Any excess of the consideration paid over the weighted average price of shares in issue is debited to the retained earnings.

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 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 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 the statement of comprehensive income. 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.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

P. Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is

probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Q. Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right of use assets representing the right to use the underlying assets.

(i) Right of use assets

The Group recognises right of use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated

amortisation and impairment losses and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right of use assets are amortised on a straight line basis over the shorter of the lease term and the estimated useful lives of the assets.

(ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments

(including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in the statement of comprehensive income if the carrying amount of the right-of-use asset has been reduced to zero.

(iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

R. Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When one is available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price - i.e. the fair value of the consideration given or received. If the Group determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in the statement of comprehensive income on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

S. Adjusted results

The Group disclosed EBITDA being the retained earnings before interest, taxes and depreciation, and amortisation. EBITDA is a measure of the Group's overall financial performance and profitability which the Directors consider useful to reflect the underlying performance of the business.

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. Adjusted EBITDA and Adjusted Profit/Loss after making these exclusions are therefore presented alongside the reported EBITDA and reported Profit/Loss in the consolidated statement of comprehensive income.

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: these items are excluded to better analyse the underlying cash transactions of the business as the management regularly monitors the operating cash conversion to Adjusted EBITDA.
- Material one-off items: these items are excluded to get normalized results that is not distorted by unusual or infrequent items. Unusual items include highly abnormal and only incidentally related to the ordinary activities of the Group and infrequent occurring not reasonably expected to recur in the foreseeable future given the environment in which the Group operates.

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 and professional costs relating to the acquisitions; and
- Currency fluctuations affecting the results in the period and the comparable period. In view of the fact that the Group has transaction in foreign currencies and may be affected from the fluctuations of the currencies all transactions in foreign currency transactions are converted to Euro using the exchange rate of 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 - SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In preparing these consolidated financial statements, management has made judgements and estimates that effect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual events may differ for these estimates.

As a result of the uncertainty associated with the unpredictable nature of the COVID-19 pandemic management faces challenges relating to selecting appropriate assumptions and developing reliable estimates. The use of forecast information is pervasive in the Group's assessment for impairment of goodwill and other intangible assets, the recoverability of deferred taxes, determination of the fair value of contingent consideration and redemption liability and the entity's ability to continue as a going concern. The complexities associated with preparing forecasts as a result of the pandemic and the economic downturn include the following:

- There are wide ranges of possible outcomes, resulting in a high degree of uncertainty about the ultimate trajectory of the pandemic and the path and time needed for a return to a "steady state".
- The associated economic impact of the pandemic is highly dependent on variables that are difficult to predict.
- The effect of these macro-economic conditions on the estimated future cash flows of the Group.

Judgments

In the process of applying the Group's accounting policies management has made the following judgments, which have the most significant effect on the amounts recognised in the consolidated financial statements.

▪ Structured agreements

IFRS 12 defines a 'Structured entity' as an entity designed so that voting rights are not the dominant factor in assessing control and the relevant activities are directed by means of a contractual arrangement. The application of the definition involves judgment as well as the identification of the investor-investee relationship. The following are considered in assessing which party controls the entity:

- The purpose and design of such entities
- 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 Group currently holds a number of call options to acquire equity interests in third parties connected with the structured agreements (see note 19C). In the case of the structured agreements, the Group is the local partner's strategic technology partner delivering its products together with operational and marketing services across the local partner's online operations. In addition to a framework agreement which governs the relationship of the structured agreement relationship, the Group provides software and services under a separate agreement for which it is remunerated for the provision of software based on a revenue share and separately for the provision of services which are remunerated based on the reimbursement of certain costs and a contractual share of the operating profit of the local partner's business (a "Profit Share"). Management is required to consider the accounting for the options and their impact on the assessment of control when the option is currently exercisable or, in limited circumstances, even if it is not currently exercisable and their impact on the assessment of significant influence when the option is currently exercisable.

Judgement is therefore required to assess the impact of any potential voting rights held under the options and also the extent of any influence held over the entity's activities afforded by contractual arrangements. Where options are held primarily as a protective right they do not give power over the structure, existing operating agreements or financing structures. In such circumstances, management would currently assess the likelihood of exercise as remote.

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 investees activities are also judgmental areas. The Group has made judgements in respect of classifying arrangements as structured agreements (see Note 19).

Prior to exercise, if the options (which may allow the Group to acquire the equity interests for no further payments above the investments already made) were assessed as part of the control and significant influence assessment rather than as protective rights, this would not materially change the investments recognised in the balance sheet or amounts recognised in the income statement under the equity method of accounting. However, exercising the option would give rise to the recognition of an equity interest which would result in certain agreements no longer meeting the definition of a structured agreement as voting rights would become more dominant and the investments would most likely be accounted for as an associate.

▪ Revenue from contracts with customers

The Group applies judgement in determining whether it is acting as a principal or an agent specifically on the revenue earned under the B2B royalty income stream. This income falls within the scope of IFRS15 Revenue from contracts with customers. In making these judgements, the Group considers, by examining each contract with its business partners, which party has the primary responsibility for providing the services and is exposed to the majority of the risks and rewards associated with providing the services, as well as if it has latitude in establishing prices, either directly or indirectly. The business model of this division is predominately a revenue share model which is based on royalties earned from B2C business partners' revenue. Based on this activity, we consider the Group to be an agent and revenue is therefore recognised as the net amount of royalties received. The majority of this B2B revenue is recognised at a point in time that is determined when the gaming or betting activity used as the basis for the revenue share calculation takes place, and furthermore is only recognised when collection is virtually certain with a legally enforceable right to collect.

▪ Internally generated intangible assets

The Group capitalises costs for product development projects. Expenditure on internally developed products is capitalised when it meets the following criteria:

- 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

Initial capitalisation of cost is based on the management's judgement that the technological and economic feasibility is confirmed, usually when product development has reached a defined milestone and future economic benefits expect to be realised according to an established project management model. Following capitalisation, an assessment is performed in regards to project recoverability which is based on the actual return of the project. During the year, the Group capitalised €55.8 million (2019: €65.5 million) and the carrying amount capitalised development costs as at 31 December 2020 was €118.4 million (2019: €126.1 million).

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 and its sale must be highly probable. The meaning of 'highly probable' is 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 of Directors made a decision to dispose of the Casual and Social Gaming Business during 2019. As disclosed in Note 24, part of the Casual and Social Gaming Business disposed in 2020 and the remaining part disposed in January 2021.

In addition to the above, management have included the Financial segment in held for sale assets and therefore IFRS5 requirements have been applied. The segment is available for immediate sale and can be sold in its current condition subject to the approval by the shareholders and the regulator. Management announced a plan to sell the Financial segment during 2020, launched an active program to locate a buyer and the sale is expected to be completed within one year from the date of the initial classification. Judgment is applied on the above classification, on the grounds that disposal will take place during 2021, and both shareholders and regulators will provide their approval.

▪ Impairment of investments

The Group assesses on a yearly basis whether there is any indication of impairment which may affect the carrying value of the investments. The carrying values of associates, joint ventures, structured agreements and other investments might be affected by the economic environment in which the companies are operating in. The Group mainly consider the financial results of the investments, as well as Return on Investment Ratio ("ROI") which are strong indications of the investment's recoverability. There are no significant uncertainties over assumptions made due to the actual data used to perform assessment over profitability and ROI ratio. No impairment indications exist this year, given the profitable position of investments and the significant return on our investment.

▪ Adjusted performance measures

As noted in Note 5 paragraph S, management uses the adjusted financial measures by excluding certain non-cash and one-off items from the actual results. The determination of whether non-cash items or one-off items should form part of the adjusted results, is a matter of judgment and it's based on whether the inclusion/exclusion from the results represent more closely the consistent trading performance of the business.

• Provision for risks and charges and potential liabilities

The Group operates in a number of regulated markets and is subject to lawsuits and potential lawsuits regarding complex legal problems, which are subject to a different degree of uncertainty in different jurisdictions and under different laws. For all material ongoing and potential legal and regulatory claims against the group, an assessment is performed to consider whether an obligation or possible obligation exists and to determine the probability of any potential outflow to determine whether a claim results in the recognition of a provision or disclosure of a contingent liability. See Note 40 for further details.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

▪ Impairment of non financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a discounted cash flow model ("DCF"). The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognised by the Group. The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are disclosed and further explained in Note 18.

▪ 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 Group's belief that its tax return positions are supportable, the Group 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 Group 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. Where the management conclude that it is not probable that the taxation authority will accept an uncertain tax treatment, they calculate the effect of uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses, unused tax, credits or tax rates. The effect of uncertainty for each uncertain tax treatment is reflected by using the expected value - the sum of the probability and the weighted amounts in a range of possible outcomes. More details are included in Note 13.

▪ Determination of fair value of intangible 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. This is defined through valuation reports obtained by experts, who determined the value of identifiable assets acquired through a business combination at the acquisition date by reference to key assumptions. Further information in relation to the determination of fair value of intangible assets acquired is given in Notes 34 and 35.

▪ Impairment of financial assets

In response to COVID-19 the Group undertook a review of trade receivables and other financial assets exposures, as applicable, and the Expected Credit Losses ("ECL") for each. The review considered the macroeconomic outlook, customer credit quality, exposure at default, and the effect of payment deferral options as at the reporting date. The ECL methodology and definition of default remained consistent with prior periods. The model inputs, including forward-looking information, scenarios and associated weightings, together with the determination of the staging of exposures were however revised. The group's financial assets consist of trade receivables and cash and cash equivalents. ECL on cash balances was considered and calculated by reference to Moody's credit rating for each financial institution, while ECL on trade receivables was based on past default experience and an assessment of the future economic environment. ECL, and specific provisions, are considered and calculated with reference to the ageing and risk profile of the balances. In addition, 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. More details are included in Note 38.

▪ Determining the discount rate of a lease liability under IFRS 16

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

The possible effects of a change in the incremental borrowing rate are an increase or decrease in the lease liability, right-of-use asset, amortisation and finance costs recognised.

The possible effects of an increase of 1% in the interest rate would a decrease in amortisation and an increase in interest expense by €0.8 million and €1.0 million respectively. The possible effects of a decrease of 1% in the interest rates would be an increase in amortisation and a decrease in interest expense by €1 million and €1.1 million respectively.

▪ Sun Bingo agreement

Following the amendment of the News UK contract in February 2019, which included a 15 year contract extension, the minimum guarantee ("MG") which is payable to 30 June 2021 is recognised as an asset and released over the remaining term of the contract in line with the level of profitability. Management is required to make reliable estimates on the expected future profitability of the contract and therefore the expected schedule of release of the asset over the contract period. In making this assessment management applies reasonable assumptions based on known factors, but sometimes and outside of management's control, these factors may vary. This is reviewed on a regular basis to ensure that the MG asset is still recoverable over the remaining term of the contract and if not an adjustment is made to the value of the MG in line with the profile of the expected future profits.

▪ Calculation of legal provisions

The Group ascertains a liability in the presence of legal disputes or ongoing lawsuits when it believes it is probable that a financial outlay will take place and when the amount of the losses 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. More details are included in Note 28.

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) and Other B2C
- Financial: including B2C and B2B CFD (discontinued operations)

The Group-wide profit measures are Adjusted EBITDA and Adjusted Profit (see Note 10).

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

For the year ended 31 December 2020

	Core B2B	Asia B2B	Total B2B	B2C - continuing operations	Intercompany	Total Gaming - continuing operations	Financial - discontinued operations	B2C - discontinued operations	Total discontinued operations	Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Revenue	412,974	81,860	494,834	596,339	(12,713)	1,078,460	121,883	8,072	129,955	1,208,415
Adjusted EBITDA	-	-	125,897	127,658	-	253,555	56,462	431	56,893	310,448
Adjusted Profit attributable to the owners of the Company	-	-	7,705	19,600	-	27,305	19,949	127	20,076	47,381
Total assets	-	-	1,304,108	1,293,622	-	2,597,730	465,880	844	466,724	3,064,454
Total liabilities	-	-	959,531	895,817	-	1,855,348	308,612	557	309,169	2,164,517

For the year ended 31 December 2019

	Core B2B	Asia B2B	Total B2B	B2C - continuing operations	Intercompany	Total Gaming - continuing operations	Financial - discontinued operations	B2C - discontinued operations	Total 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	17,005	84,920	1,525,453
Adjusted EBITDA	-	-	214,819	160,438	-	375,257	7,812	(4,573)	3,239	378,496
Adjusted Profit attributable to the owners of the Company	-	-	89,609	47,818	-	137,427	(4,450)	(8,450)	(12,900)	124,527
Total assets	-	-	1,104,630	1,275,339	-	2,379,969	713,368	4,377	717,745	3,097,714
Total liabilities	-	-	761,261	857,829	-	1,619,090	252,823	3,595	256,418	1,875,508

Geographical analysis of non-current assets

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

	2020	2019
	€'000	€'000
Italy	826,739	855,436
Isle of Man	151,842	448,881
Austria	140,833	179,709
UK	100,878	111,240
Cyprus	63,079	75,050
Sweden	72,778	71,641
British Virgin Islands	59,534	62,410
Denmark	-	42,137
Alderney	79,883	49,587
Gibraltar	38,109	39,248
Malta	21,958	25,969
Latvia	15,561	15,173
Ukraine	5,144	7,427
Estonia	9,533	8,657
Republic of Columbia	22,405	22,405
Australia	16,194	19,007
Rest of World	35,848	21,401
	<u>1,660,318</u>	<u>2,055,378</u>

NOTE 8 - DISCONTINUED OPERATION

As identified in Note 24, the Group has treated its Casual and Social Gaming Business and Financial segment as discontinued in these results.

The results of the Casual and Social Gaming Business for the period are presented below:

	2020		2019	
	Actual	Adjusted	Actual	Adjusted
	€'000	€'000	€'000	€'000
Revenue	8,072	8,072	17,005	17,005
Distribution costs before depreciation and amortisation	(7,545)	(7,545)	(21,290)	(21,290)
Administrative expenses before depreciation and amortisation	(392)	(96)	(290)	(288)
EBITDA	135	431	(4,575)	(4,573)
Depreciation and amortisation	(178)	(178)	(3,252)	(2,567)
Impairment of intangible assets	-	-	(23,686)	-
Finance costs	(42)	(42)	(266)	(266)
Profit on disposal of discontinued operations (Note 24)	586	-	-	-
Profit/(loss) before taxation	501	211	(31,779)	(7,406)
Tax expenses	(84)	(84)	(1,035)	(1,044)
Profit/(loss) from discontinued operations, net of tax	417	127	(32,814)	(8,450)

The results of the Financial segment for the period are presented below:

	2020		2019	
	Actual €'000	Adjusted €'000	Actual €'000	Adjusted €'000
Revenue	121,883	121,883	67,915	67,915
Distribution costs before depreciation and amortisation	(49,107)	(50,028)	(39,313)	(38,892)
Administrative expenses before depreciation and amortisation	(25,696)	(15,270)	(23,018)	(17,185)
	(1,780)	(123)	(4,026)	(4,026)
EBITDA	45,300	56,462	1,558	7,812
Depreciation and amortisation	(27,960)	(12,299)	(27,791)	(11,264)
Impairment of intangible assets	-	-	(90,013)	-
Impairment of asset held for sale	(221,255)	-	-	-
Finance income	380	380	76,915	3,917
Finance costs	(18,478)	(18,478)	(764)	(764)
Profit/(loss) before taxation	(222,013)	26,065	(40,095)	(299)
Tax expenses	(2,731)	(6,116)	(2,536)	(4,151)
Profit/(loss) from discontinued operations, net of tax	(224,744)	19,949	(42,631)	(4,450)
Profit/(loss) from discontinued operations, net of tax - Total	(224,327)	20,076	(75,445)	(12,900)
Earnings per share from discontinued operations				
Basic (cents)	(75.1)	6.7	(25.0)	(4.3)
Diluted (cents)	(75.1)	6.4	(25.0)	(4.3)

The net cash flows incurred by the Casual and Social Gaming Business in the period, are as follows:

	2020 €'000	2019 €'000
Operating	(636)	3,809
Investing	-	(3,931)
Financing	(163)	(229)
Net cash outflow	(799)	(351)

The net cash flows incurred by the Financial segment in the period, are as follows:

	2020 €'000	2019 €'000
Operating	110,167	33,333
Investing	(4,357)	(14,668)
Financing	(1,799)	(27,437)
Net cash inflow/(outflow)	104,011	(8,772)

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:

Revenue analysis by geographical location of licensee, product type and timing of transfer of performance obligations

The revenues from B2B (consisting of royalty income, fixed- fee income, revenue received from the sale of hardware and cost based revenue), B2C and Financials are described in Note 5D.

For the year ended 31 December 2020

	B2B	B2C	Intercompany	Total Gaming - continuing operations	Financial - discontinued operations	B2C - discontinued operations	Total discontinued operations	Total
Primary Geographic Markets	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Italy	24,971	522,718	(6,247)	541,442	2,195		2,195	543,637
United Kingdom	150,026	54,389	(3,557)	200,858	76,061		76,061	276,919
Philippines	70,150	-	-	70,150	143		143	70,293
Malta	54,712	-	-	54,712	965		965	55,677
Mexico	54,912	-	-	54,912	420		420	55,332

Spain	22,802	27	(3)	22,826	827		827	23,653
Germany	2,097	16,121	(2,060)	16,158	1,715		1,715	17,873
Gibraltar	16,461	-	-	16,461	37		37	16,498
Greece	13,853	-	-	13,853	266		266	14,119
Curacao	10,586	-	-	10,586	69		69	10,655
United Arab Emirates	13	-	-	13	9,158		9,158	9,171
Cyprus	782	-	-	782	7,438		7,438	8,220
Norway	6,051	-	-	6,051	133		133	6,184
Finland	5,822	-	-	5,822	85		85	5,907
Poland	5,310	-	-	5,310	34		34	5,344
Rest of World	56,286	3,084	(846)	58,524	22,337	8,072	30,409	88,933
	494,834	596,339	(12,713)	1,078,460	121,883	8,072	129,955	1,208,415

	B2B	B2C	Intercompany	Total Gaming - continuing operations	Financial - discontinued operations	B2C - discontinued operations	Total discontinued operations	Total
Product type	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
B2B	494,834	-	(12,713)	482,121	-	-	-	482,121
Snaitech	-	522,172	-	522,172	-	-	-	522,172
Sun Bingo	-	53,775	-	53,775	-	-	-	53,775
B2C Sport and Other B2C	-	20,392	-	20,392	-	8,072	8,072	28,464
Total B2C	-	596,339	-	596,339	-	8,072	8,072	604,411
Financial	-	-	-	-	121,883	-	121,883	121,883
	494,834	596,339	(12,713)	1,078,460	121,883	8,072	129,955	1,208,415

	B2B	B2C	Intercompany	Total Gaming - continuing operations	Financial - discontinued operations	B2C - discontinued operations	Total discontinued operations	Total
Timing of transfer of performance obligations	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Recognised at point in time (other sales)	472,848		596,339	(12,713)	1,056,474	121,883	8,072	1,186,429
Recognised at the point in time (hardware sales)	20,479		-	-	20,479	-	-	20,479
Recognised over time	1,507		-	-	1,507	-	-	1,507
	494,834		596,339	(12,713)	1,078,460	121,883	8,072	1,208,415

For the year ended 31 December 2019

	B2B	B2C	Intercompany	Total Gaming - continuing operations	Financial - discontinued operations	B2C - discontinued operations	Total 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	-	1,745	850,841
United Kingdom	204,252	45,678	(2,953)	246,977	33,229	-	33,229	280,206
Philippines	97,704	-	-	97,704	40	-	40	97,744
Malta	40,229	-	-	40,229	162	-	162	40,391
Mexico	29,748	-	-	29,748	243	-	243	29,991
Spain	23,305	217	(23)	23,499	561	-	561	24,060

Greece	23,595	-	-	23,595	(209)	-	(209)	23,386
Gibraltar	16,878	-	-	16,878	22	-	22	16,900
Germany	2,120	14,572	(1,925)	14,767	1,371	-	1,371	16,138
Ireland	12,521	-	-	12,521	203	-	203	12,724
Finland	9,265	-	-	9,265	55	-	55	9,320
Austria	4,648	5,121	(1,149)	8,620	158	-	158	8,778
United Arab Emirates	-	-	-	-	7,185	-	7,185	7,185
Cyprus	1,147	-	-	1,147	5,894	-	5,894	7,041
Curacao	6,986	-	-	6,986	13	-	13	6,999
Rest of World	59,486	20	(5)	59,501	17,243	17,005	34,248	93,749
	553,915	900,475	(13,857)	1,440,533	67,915	17,005	84,920	1,525,453

	B2B	B2C	Intercompany	Total Gaming - continuing operations	Financial - discontinued operations	B2C - discontinued operations	Total discontinued operations	Total
Product type	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
B2B	553,915	-	(13,857)	540,058	-			540,058
Snaitech	-	829,723	-	829,723	-	-	-	829,723
Sun Bingo B2C Sport and Other B2C	-	40,633	-	40,633	-	-	-	40,633
Total B2C	-	30,119	-	30,119	-	17,005	17,005	47,124
Financial	-	-	-	-	67,915	-	67,915	67,915
	553,915	900,475	(13,857)	1,440,533	67,915	17,005	84,920	1,525,453

	B2B	B2C	Intercompany	Total Gaming - continuing operations	Financial - discontinued operations	B2C - discontinued operations	Total discontinued operations	Total
Timing of transfer of performance obligations	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Recognised at point in time (other sales)	494,929	900,475	(13,857)	1,381,547	67,915	17,005	84,920	1,466,467
Recognised at the point in time (hardware sales)	56,153	-	-	56,153	-	-	-	56,153
Recognised over time	2,833	-	-	2,833	-	-	-	2,833
	553,915	900,475	(13,857)	1,440,533	67,915	17,005	84,920	1,525,453

There were no changes in the Group's valuation processes and the vast majority of the Group's B2B contracts are for the delivery of services within the next 12 months. Furthermore, no individual licensee in 2020 and 2019 individually accounted for more than 10% of the total gaming revenue and the total revenue of the Group.

The Group's contract liabilities, in other words deferred income, primarily include advance payment for hardware and services, which are typically used in 12 months, and also include the set-up fees paid by the licensee in the beginning of the contract. The fees cover the whole period of the contract, with an average period of 36 months. The revenue is recognised monthly until the end of the contract. These are included in deferred income and total €11.9 million (2019: €9.2 million).

The movement in contract liabilities during the year was the following:

	2020 €'000
Balance 1 January	9,189
Recognised during the year	20,739
Realised in the consolidated statement of comprehensive income	(18,065)
	11,863

During 2019, 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, from which the Group acquired technology, intellectual property and certain customer assets on 10 October 2017. No similar income was earned in 2020.

NOTE 10 - ADJUSTED ITEMS

Management regularly uses 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. The primary adjusted financial measures are Adjusted EBITDA and Adjusted Profit, which management considers are relevant in understanding the Group's financial performance. The definitions of adjusted items and underlying adjusted results are disclosed in Note 5.

As these are not a defined performance measure under 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 provide a full reconciliation between adjusted and actual results:

For the year ended 31 December 2020	Note	Revenue €'000	Administration and distribution expenses and impairment of financial assets €'000	EBITDA from continuing operations €'000	Profit/(Loss) from continuing operations attributable to the owners of the Company €'000	Total Profit/(Loss) attributable to the owners of the Company €'000
Reported as actual		1,078,460	855,605	222,855	(72,952)	(297,279)
Employee stock option expenses ¹		-	(16,541)	16,541	16,541	21,079
Professional fees on acquisitions		-	(1,755)	1,755	1,755	5,032
Additional consideration payable for put/call option ²		-	(5,296)	5,296	5,296	5,296
Movement in contingent consideration and redemption liability (finance costs and administrative expenses row) ³		-	(1,156)	1,156	4,170	4,170
Charitable donation ⁴		-	(3,162)	3,162	3,162	3,162
Provision for other receivables ⁵		-	(2,790)	2,790	2,790	6,432
Fair value change of equity instruments ⁶		-	-	-	(598)	(598)
Deferred tax on acquisitions (tax expense row)		-	-	-	(11,672)	(13,253)
Tax relating to prior years (tax expense row)	13	-	-	-	4,899	3,096
Amortisation of intangibles on acquisitions (depreciation and amortisation row)		-	-	-	38,976	54,638
Impairment of tangible, intangible assets and right of use asset	16,17,18	-	-	-	45,352	45,352
Impairment of discontinued operations	24C	-	-	-	-	221,255
Fair value change on acquisition of associate	34A	-	-	-	(6,520)	(6,520)
Profit on disposal of asset classified as held for sale	24	-	-	-	(22,082)	(22,669)
Tax on disposal of asset classified as held for sale (tax expenses row)	24	-	-	-	9,281	9,281
Loss on sale of associate	19B	-	-	-	8,907	8,907
Adjusted measure		1,078,460	824,905	253,555	27,305	47,381
Constant currency impact		12,782	9,973	2,809	4,791	21,547
Adjusted result on constant currency basis		1,091,242	834,878	256,364	32,096	68,928
Adjusted result related to acquisitions on constant currency basis		(1,932)	(2,262)	330	(334)	(334)
Underlying adjusted result on constant currency basis		1,089,310	832,616	256,694	31,762	68,594

¹ Employee stock option expenses relate to non cash expenses of the Group

² Fair value change in the put/call option for the acquisition of Playtech BGT Sports and Statscore. Costs which directly relate to acquisitions are not considered an ongoing cost of operations and therefore have been added back to Adjusted EBITDA

³ Finance costs on contingent consideration and redemption liability and changes in the fair value of contingent consideration payable related to prior year acquisitions. Costs which directly relate to acquisitions are outside the normal course of business and therefore have been added back to Adjusted EBITDA

⁴ Following the conclusion of the UKGC investigation, the Board of Directors agreed to make charitable contribution to the value of €3.5 million, in lieu of regulatory settlement. Of this pledge, €3.2 million was paid in the current financial year

⁵ Provision against loans receivable that do not relate to the ordinary operations of the Group

⁶ Fair value change of equity instruments which are traded in active markets. These are excluded from the results as they relate to unrealised profit/loss

Profit/(Loss) from

For the year ended 31 December 2019	Revenue €'000	Administration and distribution expenses and impairment of financial assets €'000	EBITDA from continuing operations €'000	continuing operations attributable to the owners of the Company €'000	Total Profit/(Loss) attributable to the owners of the Company €'000
Reported as actual	1,440,533	1,106,830	333,703	55,874	(19,571)
Employee stock option expenses	-	(13,252)	13,252	13,252	18,102
Professional fees on acquisitions	-	(522)	522	522	1,926
Additional consideration payable for put/call option	-	(10,180)	10,180	10,180	10,180
Movement in contingent consideration and redemption liability	-	(6,285)	6,285	(837)	(73,833)
Cost of fundamental business reorganisation	-	(15)	15	15	15
Effect from the amendments on the terms of Sun contract back dated	-	(6,425)	6,425	6,425	6,425
Impairment of investment in associate	-	(443)	443	443	443
Provision for other receivables	-	(4,432)	4,432	4,432	4,432
Fair value change of equity instruments	-	-	-	270	270
Notional interest on convertible bonds	-	-	-	9,851	9,851
Finance costs on acquisitions	-	-	-	1,532	1,532
Deferred tax on acquisitions	-	-	-	(12,100)	(13,713)
Tax relating to prior years	-	-	-	4,077	4,067
Amortisation of intangible assets on acquisitions	-	-	-	41,604	58,816
Impairment of intangible assets and right of use assets	-	-	-	1,887	115,585
Adjusted measure	1,440,533	1,065,276	375,257	137,427	124,527
Constant currency impact	-	-	-	4,304	1,173
Adjusted result on constant currency basis	1,440,533	1,065,275	375,257	141,731	125,700
Adjusted result related to acquisitions on constant currency basis	-	-	-	-	-
Underlying adjusted result on constant currency basis	1,440,533	1,065,275	375,257	141,731	125,700

NOTE 11 - AUDITORS' REMUNERATION

	2020 €'000	2019 €'000
Group audit and parent company (BDO)	1,030	1,379
Audit of subsidiaries (BDO)	1,241	775
Audit of subsidiaries (non-BDO)	287	450
Total audit fees	2,558	2,604

Non-audit services provided by parent company auditor and its international member firms

Other non-audit services	321	314
Tax advisory services	167	267
Total non-audit fees	488	581

NOTE 12 - FINANCE INCOME AND COSTS

	2020 €'000	2019 €'000
A. Finance income		
Interest income	1,131	2,577
Movement in deferred and contingent consideration and redemption liability	-	7,122
	1,131	9,699
B. Finance costs		
Net foreign exchange loss	(2,149)	(4,303)
Notional interest on convertible bonds	-	(9,851)
Nominal interest on convertible bonds	-	(1,349)
Interest on bonds	(36,743)	(33,849)
Interest on lease liability	(5,480)	(5,767)
Interest on loans and borrowings and other	(5,764)	(639)
Bank facility fees	(1,941)	(3,306)
Bank charges	(9,463)	(7,628)
Movement in deferred and contingent consideration and redemption liability	(3,014)	-
	(64,554)	(66,692)
Net financing costs	(63,423)	(56,993)

NOTE 13 - TAX EXPENSES

	2020 €'000	2019 €'000
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Income tax expense for the current year	12,911	23,226
Income tax relating to prior years	3,876	4,183
Withholding tax	388	168
Deferred tax	3,207	4,191
Total tax charge	<u>20,382</u>	<u>31,768</u>

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

	2020	2019
	€'000	€'000
(Loss)/Profit before tax	(52,657)	88,245
Tax at effective rate in Isle of Man	-	-
Income tax on profits of subsidiary operations	<u>20,382</u>	<u>31,768</u>
Total tax charge	<u>20,382</u>	<u>31,768</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 22% (2019:13%) 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 the year, the Group recognised an overseas tax charge of €4.9 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.

The Group implemented an internal restructuring in January 2021, which resulted in Playtech plc migrating its tax residency to the United Kingdom and the Group's key operating entity transferring its business to a UK company. This restructuring is not expected to have a significant impact on the Group's underlying effective tax rate.

NOTE 14 - EARNINGS PER SHARE

The calculation of basic earnings per share ("EPS") has been based on the following profit/(loss) attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding.

	2020		2019	
	Actual	Adjusted	Actual	Adjusted
	€'000	€'000	€'000	€'000
Profit/(loss) attributable to owners of the Company	<u>(297,279)</u>	<u>47,381</u>	<u>(19,571)</u>	<u>124,527</u>
Basic (cents)	(99.6)	15.9	(6.5)	41.3
Diluted (cents)	(99.6)	15.2	(6.5)	40.4

	2020		2019	
	Actual	Adjusted	Actual	Adjusted
	€'000	€'000	€'000	€'000
Profit/(loss) attributable to the owners of the Company from continuing operations	<u>(72,952)</u>	<u>27,305</u>	<u>55,874</u>	<u>137,427</u>
Basic (cents)	(24.5)	9.2	18.5	45.5
Diluted (cents)	(24.5)	8.8	18.1	44.6

	Actual	2020	Actual	2019
	Number	Adjusted Number	Number	Adjusted Number
<i>Denominator - basic</i>				
Weighted average number of equity shares	<u>298,357,055</u>	<u>298,357,055</u>	<u>301,790,246</u>	<u>301,790,246</u>
<i>Denominator - diluted</i>				
Weighted average number of equity shares	298,357,055	298,357,055	301,790,246	301,790,246
Weighted average number of option shares	<u>12,455,965</u>	<u>12,455,965</u>	<u>6,258,364</u>	<u>6,258,364</u>
Weighted average number of shares	<u>310,813,020</u>	<u>310,813,020</u>	<u>308,048,610</u>	<u>308,048,610</u>

The calculation of diluted EPS has been based on the above profit attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares. The effects of the anti-dilutive potential ordinary shares are ignored in calculating diluted EPS.

EPS for discontinued operations is disclosed in Note 8.

NOTE 15 - EMPLOYEE BENEFITS

Total staff costs comprise the following:

	2020	2019
	€'000	€'000
Salaries and personnel-related costs	337,043	329,098
Employee stock option costs	<u>21,079</u>	<u>18,102</u>
	<u>358,122</u>	<u>347,200</u>

Average number of personnel:

<i>Distribution</i>	5,776	5,382
<i>General and administration</i>	668	666
	<u>6,444</u>	<u>6,048</u>

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 these 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 these 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 this 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 2020 the Group granted:

- 4,983,428 nil cost awards at fair value per share of £2.97 - £2.99
- 2,483,140 nil cost awards subject to Diluted EPS, relative total shareholder return ("TSR") against constituents of FTSE250 but excluding investment trusts index, and relative TSR against a sector comparator group of 9-12 peer companies. The fair value per share according to the Monte Carlo simulation model is between £2.03 and £3.34. Inputs used were as follows:

Expected life (years)	Share price at grant date	Dividend yield	Risk free rate	Projection period (years)	Volatility
3	£3.488	1.49%	0.0%	3	45%

During 2019 the Group granted:

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

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 against constituents of the FTSE250 but excluding investment trusts index, relative TSR against constituents of a sector comparator group of 11 peer companies and individual conditions relating to business area and EBITDA performance. The fair value per share according to the Monte Carlo simulation model is between £2.22 and £3.91. Inputs used, where applicable, were as follows:

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 model is between £0.24 and £1.1. Inputs used were as follows:

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

At 31 December 2020 and 2019 the following options were outstanding:

	2020 Number	2019 Number
Shares vested between 18 April 2012 and 18 April 2013 at an exercise price of £5.12 per share	-	18,000
Shares vested between 26 August 2012 and 26 August 2013 at an exercise price of £4.16 per share	-	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	83,929	100,596
Shares vested on 1 March 2019 at nil cost	31,972	31,972
Shares vested between 1 September 2017 and 1 March 2019 at nil cost	163,308	202,161
Shares vested on 21 December 2019 at nil cost	59,469	91,446
Shares vested between 1 September 2017 and 1 April 2019 at nil cost	27,520	33,372
Shares will vest on 1 March 2020 at nil cost	384,406	522,992
Shares vested on 1 September 2019 at nil cost	-	16,703
Shares will vest on 1 March 2021 at nil cost	2,606,507	2,729,622
Shares will vest between 1 March 2021 and 1 March 2022	4,374,371	4,565,881
Shares will vest by December 19 2024	1,900,000	1,900,000
Shares will vest between 1 March 2023 and 26 October 2023	7,126,752	-
	<u>16,886,778</u>	<u>10,371,789</u>

Total number of shares exercisable as of 31 December 2020 is 879,148 (2019: 653,294).

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

	2020 Number of options	2019 Number of options	2020 Weighted average exercise price	2019 Weighted average exercise price
Outstanding at the beginning of the year	10,371,789	5,017,921	£0.03	£0.06
Granted	7,466,568	6,518,608	Nil	Nil
Forfeited	(733,791)	(952,116)	£0.3	£0.00
Exercised	(217,788)	(212,624)	£0.00	£0.00
Outstanding at the end of the year	16,886,778	10,371,789	£0.03	£0.03

Included in the number options exercised during the year are 16,961 options (2019: 12,410) where a cash alternative was received.

The weighted average share price at the date of exercise of options was £3.018 (2019: £4.166).

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

Expiry date	Exercise price	2020 Number	2019 Number
Between 18 April 2020 and 26 August 2020	Between £4.16 and £5.12	-	48,500
10 March 2021	£3.5225	25,700	25,700
21 December 2025	Nil	186,773	203,440
Between 21 December 2026 and 31 December 2026	Nil	275,936	346,766
Between 1 March 2027 and 28 June 2027	Nil	372,047	516,485
23 July 2028	Nil	2,658,606	2,765,017
Between 27 February 2029 and 19 December 2029	Nil	6,240,964	6,465,881
Between 17 July 2030 and 26 October 2030	Nil	7,126,752	-
		16,886,778	10,371,789

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. The second plan was exercised fully in 2020 and was changed to be settled in cash. Option prices are either denominated in USD, depending on the option grant terms.

Total number of share options exercisable as of 31 December 2020 is 8,000 (2019: 6,000).

	2020 Number	2019 Number
Shares vested between 1 December 2015 and 31 December 2018 at an exercise price of \$70 per share	4,000	4,000
Shares vested between 1 January 2019 and 31 December 2019 at an exercise price of \$70 per share	2,000	2,000
	6,000	6,000
Shares vested between 1 January 2019 and 1 September 2020 at an exercise price of \$70 per share	2,000	2,000
Shares vested between June 2020 November 2020 at nil cost	-	7,898
	2,000	9,898
	8,000	15,898

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

	2020 Number of options	2019 Number of options	2020 Weighted average exercise price	2019 Weighted average exercise price
Outstanding at the beginning of the year	15,898	20,898	\$ 35.23	\$ 43.54
Granted through the year	-	-	-	-
Forfeited	(327)	(5,000)	-	\$70.00
Exercised	(7,571)	-	-	-
Outstanding at the end of the year	8,000	15,898	\$70.00	\$35.23

Included in the number of options exercised during the year is 7,571 (2019: Nil) where a cash alternative was received. The weighted average share price at the date of exercise of options in 2020 was \$9.67.

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

	2020 Number	2019 Number
Share options to be expired between 1 December 2024 and 10 March 2025 at an exercise price of \$70 per share	8,000	8,000
Share options to be expired between June 2027 and November 2027 at nil cost	-	7,898
	8,000	15,898

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 2020	108,314	67,869	32,373	303,687	512,243
Additions	14,272	19,600	5,464	2,340	41,676
Acquisitions through business combinations (Note 34A)	-	-	9	-	9
Disposals	(300)	(238)	(530)	(66)	(1,134)
Write offs	(4,394)	(680)	(701)	(1,484)	(7,259)
Reclassifications	3	3	(3)	(3)	-
Reclassification to assets classified as held for sale	(2,644)	(29)	(1,651)	(1,473)	(5,797)

(Note 24)

Effect of movement in exchange rates	(217)	(3)	(152)	(133)	(505)
At 31 December 2020	115,034	86,522	34,809	302,868	539,233

Accumulated depreciation and impairment losses

At 1 January 2020	78,077	21,175	15,376	21,237	135,865
Charge	14,974	21,921	5,386	6,477	48,758
Impairment loss	1,144	2,020	2,018	3,534	8,716
Disposals	(288)	(130)	(298)	(37)	(753)
Write offs	(4,339)	(557)	(575)	(1,473)	(6,944)
Reclassifications	(36)	-	-	36	-
Reclassification to assets classified as held for sale (Note 24)	(1,890)	(25)	(832)	(490)	(3,237)
Effect of movement in exchange rates	(169)	(3)	(74)	(41)	(287)
At 31 December 2020	87,473	44,401	21,001	29,243	182,118

Net Book Value

At 31 December 2020	27,561	42,121	13,808	273,625	357,115
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In the total impairment loss of €8.7 million, an amount of the €8.3 million relates to the Sports B2C CGU. Refer to Note 18.

	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	106,229	71,095	26,197	330,840	534,361
Additions	18,173	28,472	6,596	8,261	61,502
Acquisitions through business combinations	-	359	91	9	459
Disposals	(917)	(4,729)	(1,181)	(459)	(7,286)
Write offs	(14,953)	(3,217)	(755)	(230)	(19,155)
Reclassifications	(22)	167	1,741	(1,886)	-
Reclassification to inventory	-	(24,280)	-	-	(24,280)
Reclassification to assets classified as held for sale	(238)	-	(193)	(32,850)	(33,281)
Effect of movement in exchange rates	42	2	(123)	2	(77)
At 31 December 2019	108,314	67,869	32,373	303,687	512,243

Accumulated depreciation and impairment losses

At 1 January 2019	77,439	22,295	10,910	13,629	124,273
Charge	16,664	21,007	5,630	8,284	51,585
Impairment loss	13	-	9	873	895
Disposals	(887)	(4,542)	(682)	(99)	(6,210)
Write offs	(14,948)	(3,212)	(729)	(161)	(19,050)
Reclassifications	(38)	44	392	(398)	-
Reclassification to inventory	-	(14,418)	-	-	(14,418)
Reclassification to assets classified as held for sale	(187)	-	(171)	(891)	(1,249)
Effect of movement in exchange rates	21	1	17	-	39
At 31 December 2019	78,077	21,175	15,376	21,237	135,865

Net Book Value

At 31 December 2019	30,237	46,694	16,997	282,450	376,378
At 1 December 2019	28,790	48,800	15,287	317,211	410,088

NOTE 17 - LEASES

Set out below are the carrying amounts of right of use assets recognised and the movements during the period:

	Office leases €'000	Hosting €'000	Total €'000
At 1 January 2020	69,109	5,550	74,659
Additions/modifications	14,460	6,270	20,730
Reclassification to assets classified as held for sale (Note 24)	(4,243)	-	(4,243)
Acquisitions through business combinations (Note 34A - 34B)	149	-	149
Amortisation charge	(16,554)	(5,284)	(21,838)
Impairment loss	(2,755)	-	(2,755)
At 31 December 2020	60,166	6,536	66,702

In the total impairment loss of €2.8 million, an amount of the €2.0 million relates to the Sports B2C CGU. Refer to Note 18.

	Office rent €'000	Hosting costs €'000	Total €'000
At 1 January 2019	78,368	5,076	83,444
Additions/modifications	9,909	5,209	15,118
Reclassification of lease incentive	(4,161)	-	(4,161)
Reclassification to assets classified as held for sale	(585)	-	(585)
Acquisitions through business combinations	3,765	-	3,765
Amortisation charge	(17,360)	(4,735)	(22,095)
Impairment loss	(827)	-	(827)

At 31 December 2019	69,109	5,550	74,659
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Set out below are the carrying amounts of lease liabilities and the movements during the period:

	2020	2019
	€'000	€'000
At 1 January	90,789	90,867
Additions/modifications	21,534	14,709
Reclassification to assets classified as held for sale (Note 24)	(5,589)	(615)
Acquisitions through business combinations (Notes 34A - 34B)	161	4,170
Accretion of interest	5,859	6,281
Payments	(27,222)	(27,228)
Foreign exchange movements	(2,966)	2,605
At 31 December	82,566	90,789
Current	21,019	25,515
Non current	61,547	65,274
	82,566	90,789

The maturity analysis of lease liabilities is disclosed in Note 38B.

The following are the amounts recognised in the consolidated statement of comprehensive income:

	2020	2019
	€'000	€'000
Amortisation expense of right of use assets	21,838	22,095
Interest expense on lease liabilities	5,859	6,281
Impact of early termination of lease contracts	(1,110)	(394)
Variable lease payments (included in distribution costs)	311	-
Variable lease payments (included in administrative expenses)	301	-
	27,199	27,982

*Rent concessions have been provided to the group companies as a result of the COVID-19 pandemic. The Group elected to account for qualifying rent concessions in the same way as they would if they were not lease modifications; resulting in accounting for the concession as a variable lease payment. The amount recognised in the statement of comprehensive income to reflect changes in lease payments that arose from rent concessions to which the Group has applied the practical expedient is €0.6 million.

NOTE 18 - INTANGIBLE ASSETS

	Patents, domain names & license	Technology IP	Development costs	Customer list & Affiliates	Goodwill	Total
	€'000	€'000	€'000	€'000	€'000	€'000
Cost						
At 1 January 2020	218,353	101,847	305,316	633,491	974,767	2,233,774
Additions	16,829	155	58,489	1,074	1,238	77,785
Acquisitions through business combinations	125	2,992	-	4,597	14,888	22,602
Disposals	(38)	-	-	-	-	(38)
Write offs	(26)	-	(5,179)	-	-	(5,205)
Reclassifications	-	-	-	802	(802)	-
Reclassification to assets classified as held for sale (Note 24)	(31,566)	(18,379)	(38,446)	(97,860)	(217,572)	(403,823)
Effect of movement in exchange rates	(2,953)	(1,719)	(3,431)	(9,154)	(20,351)	(37,608)
At 31 December 2020	200,724	84,896	316,749	532,950	752,168	1,887,487
Accumulated amortisation and impairment losses						
At 1 January 2020	73,088	68,625	179,208	324,263	89,194	734,378
Charge	34,860	11,876	52,478	49,881	(11)	149,084
Impairment loss	105	-	1,800	2,895	29,080	33,880
Reclassification to assets classified as held for sale (Note 24)	(11,147)	(13,650)	(27,821)	(59,465)	-	(112,083)
Write offs	-	-	(4,883)	-	-	(4,883)
Effect of movement in exchange rates	(1,008)	(1,276)	(2,421)	(5,389)	-	(10,094)
At 31 December 2020	95,898	65,575	198,361	312,185	118,263	790,282
Net Book Value						

At 31 December 2020	104,826	19,321	118,388	220,765	633,905	1,097,205
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During the year, the research and development costs net of capitalized development costs were €90.0 million (2019: €93.5 million).

	Patents, domain names & license €'000	Technology IP €'000	Development costs €'000	Customer list & Affiliates €'000	Goodwill €'000	Total €'000
Cost						
At 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	(506)	(4,650)	(13,708)	(526)	(15,572)	(34,962)
Assets acquired on business combinations	10	-	-	-	18,452	18,462
Effect of movement in exchange rates	722	402	504	2,142	6,530	10,300
At 31 December 2019	218,353	101,847	305,316	633,491	974,767	2,233,774
Accumulated amortisation and impairment losses						
As of 1 January 2019	42,044	57,676	146,997	271,937	-	518,654
Charge	31,556	15,668	49,600	51,730	-	148,554
Impairment	-	840	6,951	324	105,748	113,863
Transfer to assets classified as held for sale	(32)	(4,650)	(13,666)	(526)	(15,572)	(34,446)
Write offs	(636)	(1,106)	(10,922)	-	-	(12,664)
Effect of movement in exchange rates	156	197	248	798	(982)	417
At 31 December 2019	73,088	68,625	179,208	324,263	89,194	734,378
Net Book Value						
At 31 December 2019	145,265	33,222	126,108	309,228	885,573	1,499,396
At 1 January 2019	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 cash generating units ("CGU") (2019: fifteen). Two of these CGUs were transferred to assets classified as held for sale.

Management determines which of these 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:

	Carrying value 2020 €'000	Carrying value 2019 €'000
Markets (included in held for sale)	-	168,039
Services	109,903	110,142
Sports B2B	132,487	132,487
Snai	237,205	229,500
Statscore	12,410	-
	492,005	640,168

Management reviews CGUs for impairment bi-annually, or on the occurrence of an impairment indicator. As a consequence of the COVID-19, some revenue streams have experienced significant reductions due to lack of sporting events and closure of the retail betting shops. Even though partial recovery has been achieved, the effects of the virus and the second covid-19 wave has extended the closures with intermittent lockdowns effected in early 2021. With the exception of Markets, which is included in held for sale, the recoverable amounts of CGUs have been determined from value in use calculations based on cash flow projections covering 5 years plus a terminal value, which have been updated for COVID-19 and management's probability-based estimates of the impact on future periods based on different scenarios. Management has considered the ongoing economic uncertainty caused by the global pandemic, and the higher level of judgement and uncertainty in forecasts.

An impairment loss has been recognised during the year totalling €41.2 million in the Sports B2C CGU (within the B2C segment), primarily as a result of the impact of COVID-19 on its retail operations, the estimated recovery period, and the uncertainty in future cash flows. This has caused full write down of the carrying value of the Sports B2C CGU. The impairment loss was first taken to reduce the carrying amount of the goodwill allocated to the CGU being €27.9 million with the remaining impairment allocated to all other assets within the CGU (other intangible assets €3.0 million, Property, plant and equipment €8.3 million and Right of use asset €2.0 million). No further goodwill impairment has been recognised during the year as the recoverable amounts are higher than the carrying amounts for the remaining CGUs (2019: Nil).

There is a potential risk for future impairment should there be a significant change in the economic outlook, versus those trends management anticipates in our forecasts, as a result of the ongoing impact of COVID-19.

With the exclusion of CGU's deemed sensitive to impairment from a reasonably possible change in key assumption, which have been reviewed in further detail below, management forecasts for 2021 anticipate growth of between 0% and 10% when compared to pre-COVID levels. Forecasts for the subsequent periods (years 2-5) applied an annual growth rate for revenue and expenses of between 34% and 41% based on the underlying economic environment in which the CGU operates. Beyond this period, management has applied an annual growth rate of 2%. Management has included appropriate capital expenditure requirements to support the forecast growth and assumed the maintenance of the current level of licenses. Management has applied post tax discount rates to the cash flow projections between 11% and 17%.

Certain CGUs which are referred below are considered sensitive in changes of assumptions used for the calculation of the value in use.

The Sports B2C CGU (which comprises the B2C sports operation in Germany and Austria) is a significant CGU for the Group and has been significantly impacted by COVID-19. Management have assessed probability-based scenarios for the future cash flows of the CGU, which has resulted in an impairment of €41.2 million (2019: Nil). The recoverable amount of the CGU has been calculated at a negative €4.5 million, based on value in use. The recoverable amount of the Sports B2C CGU has been determined using cashflow forecasts that include annual revenue growth rates of between 49% to 417% over the 2-5 year forecast period (when compared to pre-COVID levels), long term growth rate of 2% and discount rate of 18.9%. No reasonable possible changes in assumptions would materially impact the impairment recognised, accordingly, no sensitivity analysis has been presented.

The recoverable amount of the Poker CGU, with net assets of €30.7 million, has been determined using cashflow forecasts that include annual revenue growth rates of 2% over the 2-5 year forecast period, 2% long term growth rate and a post tax discount rate of 14%. The recoverable amount would equal the carrying amount of the CGU if the discount rate applied was higher by 78% or revenue growth was lower by 7.9%.

The Bingo Retail CGU, with net assets of €24.5 million, has been significantly impacted by COVID-19. The recoverable amount of the Bingo Retail CGU has been determined using a cashflow forecasts that include annual revenue growth rates of between 0% to 4% over the 2-5 year forecast period, and 2% long term growth rate and a post tax discount rate of 14.2%. The recoverable amount would equal the carrying amount of the CGU if the discount rate applied was higher by 30.7% or revenue growth was lower by 6%.

The recoverable amount of the Eyecon CGU, with net assets of €28.9 million, has been determined using cashflow forecasts that include annual revenue growth rates of between 8% to 10% over the 2-5 year forecast period, 2% long term growth rate and a post tax discount rate of 12.2%. The recoverable amount would equal the carrying amount of the CGU if the discount rate applied was higher by 35.8% or revenue growth was lower by 4.6%.

The recoverable amount of the Quickspin CGU, with net assets of €65.8 million, has been determined using cashflow forecasts that include annual revenue growth rates of between 7.50% to 17% over the 2-5 year forecast period, 2% long term growth rate and a post tax discount rate of 11%. The recoverable amount would equal the carrying amount of the CGU if the discount rate applied was higher by 26.3% or revenue growth was lower by 2.5%.

The Statscore CGU with net assets of €13.5 million has been deemed as a sensitive CGU due to the startup activities of the unit and first year performance under Playtech group. The recoverable amount of the Statscore CGU has been determined using cashflow forecasts that include annual revenue growth rates of between 17% to 50% over the 2-5 year forecast period, 2% long term growth rate and a post tax discount rate of 18%. The recoverable amount would equal the carrying amount of the CGU if the discount rate applied was higher by 39.6% or revenue growth was lower by 4.1%.

NOTE 19 - INVESTMENTS

	2020	2019
	€'000	€'000
A. Investment in joint ventures	-	22,405
B. Investment in associates	1,495	13,075
C. Investment in structured agreements	39,190	16,785
D. Other investments	9,757	1,130
	<u>50,442</u>	<u>53,395</u>

A. Investment in joint ventures

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

The agreement with Wplay was accounted for as a joint arrangement on inception due to the terms in place giving the Group joint control. During 2020, the contract was renegotiated resulting in Playtech's control being reassessed as significant influence and the interest has been reclassified as an investment in structured agreements.

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

	2020	2019
	€'000	€'000
Investment in joint venture at 1 January	22,405	408
Additions during the year	-	22,405
Reclassification to structured entities (Note 19c)	(22,405)	-
Share of profit	121	621
Return of investment	(121)	(653)
Subsidiary acquired in steps	-	(376)
Investment in joint venture at 31 December	<u>-</u>	<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 an additional £0.7 million (€0.9 million). During 2020, the Group disposed of the shares in BGO for a total consideration of €1. As a result of this transactions, the Group realised a loss on disposal of €8.9 million recognised in the consolidated statement of comprehensive income.

Other individually immaterial investments

At 31 December 2020 the Group's value of other investments was €1.5 million (2019: €5.3 million). During 2020, the Board of Directors made a decision to dispose of its shareholding in two associates and as such their value of €2.2 million were transferred to assets held for sale (refer to Note 24D).

Furthermore, during the current year the Group acquired an additional 40% of Statscore SP Z.O.O ("Statscore"). Prior to the acquisition and as at 31 December 2019 the Group held 45% of Statscore and was accounted for as an investment in associate. This transaction resulted in a total fair value gain on acquisition of €6.5 million, which was the difference between the total carrying value of the investment in associate of €1.5 million and its fair value of €8.0 million at the point of acquisition. The gain was recognised in the consolidated statement of comprehensive income. The step-acquisition is further discussed in Note 34A.

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

	2020	2019
	€'000	€'000
Investment in associates at 1 January	13,075	12,448
Additions during the year	-	96
Disposal during the year	(8,907)	-
Share of profit	955	1,020
Fair value change on step-acquisition of associate	6,520	-
Return of investment	-	(46)
Impairment	-	(443)
Subsidiary acquired in steps	(7,981)	-
Transfer to asset classified as held for sale (Note 24D)	(2,167)	-
Investment in associates at 31 December	<u>1,495</u>	<u>13,075</u>

C. Investment in structured agreements

Caliplay

During 2014 the Group entered into a long term structured agreement relationship with Turística Akalli, S. A. de C.V which has since changed its name to Corporacion Caliente SAPI ("Akalli"), the owner of Tecnologia en Entretenimiento Caliplay, S. de R.L. de C.V ("Caliplay"), which is a leading betting and gaming operator which operates the "Caliente" brand in Mexico (the "Caliplay Structured Agreement").

The remuneration (including the Profit Share) due to the Group for the provision of services under the Caliplay Structured Agreement is recognised in revenue and revenues from these services in the year totalled €33.3 million (2019: €11.8 million).

The Group has no equity holding in Caliplay or Akalli, but has an option to exchange its Profit Share for an equity interest in the Caliplay business of up to 49%. There would be no additional exercise price payable above the cumulative payments already made by Playtech as part of the agreement which at the balance sheet date totalled €16.8 million. Management has currently assessed the option largely as a protective right and it has not been considered as part of the assessment of control and significant influence. In so doing, Caliplay continues to be accounted for as a structured agreement. The Group has not made any future funding commitments to Caliplay and no additional financial support beyond the initial investment has been provided.

Wplay

In 2019, the Group entered into a long term structured agreement relationship with Aquila Global Group SAS ("Wplay"), which is a leading gaming and betting brand in Columbia (the "Wplay Structured Agreement").

The remuneration (including the Profit Share) due to the Group for the provision of services under the WPlay Structured Agreement is recognised in revenue and revenues from these services in the

year totalled €2.4 million (2019: Nil).

The Group has no equity holding in Wplay, but has an option to exchange its Profit Share for an equity interest in the WPlay business of up to 49.9%. The option is exercisable on or after August 2021. There would be no additional exercise price payable above the cumulative payments already made by Playtech as part of the agreement which at the balance sheet date totalled €22.4 million. Under the existing agreements with Wplay, the Group has future funding commitments totalling \$6.0 million payable on certain performance milestones but no other financial support has been provided and no further commitment to provide financial support exists.

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

	2020	2019
	€'000	€'000
Investment in structured agreements at 1 January	16,785	16,785
Reclassification from joint ventures (Note 19a)	22,405	-
Investment in structured agreements at 31 December	39,190	16,785

D. Other investments

Guatemala

In 2020, the Group entered into a long term structured agreement relationship with Tenlot Guatemala which is a member of the Tenlot Group. Tenlot Guatemala has commenced its activity in 2018 and it is currently growing its lottery business in Guatemala, expanding its distribution network and game offering. Tenlot Guatemala's betting and gaming business will be operated by its subsidiary ("Super Sports S.A.").

The Group has acquired a 10% equity holding in Tenlot Guatemala for a total consideration of \$5.0 million (€4.4 million), in June 2020. In addition, the Group was granted a 10% equity holding in Super Sports S.A.. The Group also has a option to exchange its Profit Share into an equity interest of up to an additional 80% in Super Sports S.A.. The option can be exercised any time.

Costa Rica

In 2020, the Group entered into a long term structured agreement relationship in Costa Rica with the Tenlot Group.

The Group has acquired a 6% equity holding in Tentech CR S.A., a member of the Tenlot Group, for a total consideration of \$2.5 million (€2.1 million) in June 2020. Tentech CR S.A. sells printed bingo cards in accordance with article 29 of the Law of Raffles and Lotteries of Costa Rica ("CRC- Costa Rican Red Cross Association").

Tenbet, another member of the Tenlot Group, operates online bingo games and casino side games. The Group has no equity holding in Tenbet but has an option to exchange its Profit Share into an equity interest of up to 81% in Tenbet. The option can be exercised at any time from the end of 18 months of Tenbet going live. Under the existing agreements, the Group has provided Tenbet with a credit facility of €1 million out of which \$150,000 had been drawn down as at 31 December 2020.

Panama

In June 2020, the Group entered into a long term structured agreement relationship with Onjoc in Panama. The Group has no equity holding in Onjoc, but has an option to exchange its Profit Share into an equity interest of up to 50% in Onjoc. The option can be exercised any time subject to certain revenue targets.

General

The Group has call options to acquire equity in connection with its structured agreements as described above. In the case of Super Sports, Tenbet and Onjoc, these entities had not commenced operations at the reporting date.

NOTE 20 - OTHER NON-CURRENT ASSETS

	2020	2019
	€'000	€'000
Security deposits	3,245	3,767
Guarantee for gaming licenses	2,799	3,080
Deferred tax (Note 31)	3,302	1,571
Related parties (Note 36)	-	3,727
Prepaid costs relating to Sun Bingo contract	49,597	16,699
Other	11,506	9,106
	70,449	37,950

NOTE 21 - TRADE RECEIVABLES

	2020	2019
	€'000	€'000
Trade receivables	156,376	196,704
Related parties (Note 36)	15,249	9,740
Trade receivables - net	171,625	206,444

Split to:

Non current assets	18,405	13,600
Current assets	153,220	192,844
	171,625	206,444

NOTE 22 - OTHER RECEIVABLES

	2020	2019
	€'000	€'000
Prepaid expenses	31,171	30,944
VAT and other taxes	8,914	12,472
Advances to suppliers	2,873	1,200
Related parties (Note 36)	-	845
Security deposits for regulators	13,501	33,888
Prepaid costs relating to Sun Bingo contract	9,539	11,016
Receivable for legal proceedings and disputes	16,387	16,387
Other receivables	15,959	34,402
	98,344	141,154

NOTE 23 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents for the purposes of the statement of cash flows comprises:

	2020	2019
	€'000	€'000
Continuing operations		
Cash at bank	677,554	638,924
Cash at brokers	-	22,718
Deposits	6,754	9,898
	684,308	671,540
Less: expected credit loss (Note 38A)	(627)	-
	683,681	671,540
Treated as held for sale		
Cash at bank	124,664	2,646
Cash at brokers	249,018	-
Deposits	3,189	-
	376,871	2,646
Cash and cash equivalents in the statement of cash flows	1,061,179	674,186
Less: expected credit loss (Note 38A)	(627)	-
	1,060,552	674,186

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

	2020	2019
	€'000	€'000
Continuing operations		
Funds attributed to jackpots	75,538	74,166
Security deposits	24,673	23,986
Client deposits	-	113,879
Client funds	28,924	126,309
	129,135	338,340
Treated as held for sale		
Client deposits	109,495	-
Client funds	170,867	-
	280,362	-

NOTE 24 - ASSETS HELD FOR SALE

	2020	2019
	€'000	€'000
Assets		
A. Property, plant and equipment	-	32,417
B. Casuals CGU	844	4,381
C. Financial CGU	465,880	-
D. Investment in associates	2,167	-
	468,891	36,798

- A. On 14 May 2019, the Group entered into a preliminary sale and purchase agreement for the disposal of its real estate located in Milan, Italy ("Area Sud" and "Area Nord"). The value of the real estate was therefore classified as held for sale at 31 December 2019. On 21 April 2020, the sale and purchase agreement of Area Sud was finalised for a total consideration of €18.8 million, of which €5 million was already received on the sign off of the preliminary agreement in the prior year, with the balance received in the current year. Furthermore, on 21 July 2020, the sale and purchase agreement of Area Nord was finalised for a total consideration of €35.7 million, which was also received in July 2020.

As a result of these transactions, the Group realised a profit on disposal of €22.1 million in the consolidated statement of comprehensive income.

- B. Following the decision made by the Board of Directors in the prior year to dispose of the Casual and Social Gaming businesses, the value of these divisions were classified as held for sale at 31 December 2019 and their results included in discontinued operations. On 29 June 2020, the Group entered into an agreement for the partial disposal of "FTX" included in this division, for a total consideration of \$1.0 million. As a result of this transaction, the Group realised a profit of €0.6 million in the consolidated statement of comprehensive income, included within the total profit/(loss) from discontinued operations (refer to Note 8).

Post year end, on 11 January 2021, the Group entered into a separate agreement for the disposal of "Yoyo", also included in this division, for a total consideration of \$9.5 million. This will result in an estimated profit on disposal of €7.6 million, which will be recognised in the year ended 31 December 2021. Once this transaction is completed, the Social and Casual CGU will be fully disposed.

- C. At 31 December 2020 the Board decided to classify its Financials segment as held for sale. The results of these operations are presented as discontinued operations in the Consolidated Statement of Comprehensive Income and the comparatives have been restated to show the discontinued operation separately from the continuing operations. Management is committed to a plan to discontinue the Financials division with a sale expected by the end of 2021 and therefore all assets and liabilities relating to it have been presented separately in the Consolidated Balance Sheet. Results of the discontinued operations for the years presented can be found in Note 8.

The carrying value of the disposal group classified as held for sale at year end was compared to its recoverable amount through a sale, less costs to sell. A potential buyer has been identified and the negotiations are at an advanced stage. The expected selling price is \$200.0 million out of which \$170.0 relates to cash consideration, \$15.0 deferred consideration and \$15.0 contingent consideration subject to certain conditions. In addition, the Group will retain the movement of the working capital which is expected to be \$48.7 million. Expected selling costs amounting to \$4.7 million.

As a result of this, an impairment was recognised of €221.3 million in the consolidated statement of comprehensive income, included in discontinued operations (see Note 8). The difference between this and the impairment loss stated below of €219.6 million is due to the difference between the average foreign exchange rate used in the income statement versus the spot rate at 31 December 2020 used in the balance sheet, which is recognised in the foreign exchange reserve, noting that this CGU trades and reports in US dollars. The total value at the date of transfer of the financials CGU is as follows:

	Transferred to HFS	Impairment	As at 31 December 2020
	€'000	€'000	€'000
Assets			
Property, plant and equipment	2,560		2,560
Right of use assets	4,243		4,243
Goodwill	217,572	(217,572)	-
Other intangibles	74,168	(1,992)	72,176
Trade receivables	833		833
Cash and cash equivalents	376,475		376,475

Other receivables	9,593	9,593
	685,444	(219,654)
		465,880
Liabilities		
Deferred tax liability		6,188
Trade payables		1,795
Client deposits		109,495
Client funds		170,867
Income tax payable		3,810
Lease liability		5,589
Other payables		10,868
		308,612
Net assets Financials		157,268

The total major class of assets and liabilities of the disposal groups (Casual and Financial CGU) classified as held for sale as at 31 December 2020, are as follows:

	€'000
Assets	
Property, plant and equipment	2,610
Right of use assets	4,502
Intangible assets	72,203
Trade receivables	940
Cash and cash equivalents	376,871
Other receivables	9,598
Assets classified as held for sale	466,724
Liabilities	
Deferred tax liability	6,318
Trade payables	1,820
Client deposits	109,495
Client funds	170,867
Income tax payable	3,861
Lease liability	5,782
Other payables	11,026
Liabilities directly associated with the asset classified as held for sale	309,169

The cumulative foreign exchange losses recognised in other comprehensive income in relation to the discontinued operation as at 31 December 2020 were €21.3 million.

NOTE 25 - SHAREHOLDERS' EQUITY

A. Share Capital

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

	2020	2019
	Number of Shares	Number of Shares
Authorised*	N/A	N/A
Issued and paid up	299,328,354	303,791,693

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

In 2020 the Group cancelled 4,463,339 shares as part of its share repurchase program for a total consideration of €10.1 million (2019: 13,552,910 shares for a total consideration of €65.1 million).

B. Employee Benefit Trust

In 2014 the Group established an Employee Benefit Trust (refer to Note 5E) by acquiring 5,517,241 shares for a total consideration of €48.5 million. During the year 200,827 shares (2019: 200,214) were issued to executive management after meeting the performance conditions at a cost of €1.7 million (2019: €1.7 million). As at 31 December 2020, a balance of 1,724,539 (2019: 1,925,366) shares remains in the trust with a cost of €14.5 million (2019: €16.2 million).

C. Share options exercised

During the year 217,788 (2019: 212,624) share options were exercised, of which 16,961 were cash-settled (2019: 12,410). During the period, Tradetech LTIP Share options with book value totalling €12.2 million became fully vested and in order to reflect the expected settlement in cash, they have been reclassified from equity to liabilities.

D. Distribution of Dividend

The Group did not pay any dividends during the current year. As per the announcement to the market in March 2020, the 2019 final dividend of €0.12 per share was not proposed at the Annual General Meeting. In June 2019, the Group distributed €37,159,079 as a final dividend for the year ended 31 December 2018 (€0.12 per share). In October 2019, the Group distributed €18,866,968 as an interim dividend in respect of the period ended 30 June 2019 (€0.061 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/call options as part of business acquisition
Foreign exchange reserve	Gains/losses arising on re-translating the net assets of overseas operations
Employee termination indemnities	Gains/losses arising from the actuarial re-measurement of the employee termination indemnities
Non controlling interest	The portion of equity ownership in a subsidiary not attributable to the owners of the Company
Retained earnings	Cumulative net gains and losses recognised in the consolidated statement of comprehensive income

F. Non controlling interest

During 2020, the Group acquired additional interest in Playtech BGT Sports Ltd (from 90% at 31 December 2019 to 100% at 31 December 2020) and Sunfox Game GmbH (from 93.3% at 31 December 2019 to 100% at 31 December 2020). The total carrying amount of the subsidiaries net liabilities in the Group's consolidated financial statements on the date of the acquisition was €3.9 million.

2020
€'000

Carrying amount of non-controlling interest acquired	(4,369)
Consideration paid to non-controlling interest	(36,711)
	<u>(41,080)</u>

The decrease in equity attributable to the owners of the Company comprised:

- A net decrease in retained earnings of €20.7 million (made up from an overall decrease in retained earnings of €37.0 million, offset by the transfer of €16.4 million from the put/call options reserve).
- An additional loss of €20.4 million recognised in the retained earnings from the date of the initial recognition until the exercise of the option
- A decrease in the put/call option reserve of €16.4 million (transferred to retained earnings)

NOTE 26 - LOANS AND BORROWINGS

The main credit facility of the Group is a revolving credit facility ("RCF") up to €317.0 million available until November 2023 with an option to extend for an additional year. Interest payable on the loan is based on Euro Libor rates. As at 31 December 2020 the credit facility drawn amounted to €308.9 million (31 December 2019: €64.4 million).

The Group took a prudent and disciplined approach to its banking relationships and proactively approached its lenders and agreed to amend the covenants in its RCF for the 31 December 2020 and 30 June 2021 tests as follows:

- Leverage: Net Debt/Adjusted EBITDA revised to 5:1 for the year ended 31 December 2020 and 4.5:1 for the last twelve months to 30 June 2021 (31 December 2019: 3:1)
- Interest cover: Adjusted EBITDA/Interest revised to 3:1 for the year ended 31 December 2020 and 3.5:1 for the last twelve months to 30 June 2021 (31 December 2019: 4:1)

The covenants will return to previous levels of 3x Net Debt/Adjusted EBITDA and 4x Interest/Adjusted EBITDA from 31 December 2021 onwards, or sooner should the Company decide to make shareholder distributions within those periods.

As at 31 December 2020 and 2019 the Group met these financial covenants. The covenants are monitored on a regular basis by the finance department, including modelling future projected cash flows under a number of scenarios to stress-test any risk of covenant breaches, the results of which are reported to management.

NOTE 27 - BONDS

	Convertible bonds €'000	2018 Bond €'000	2019 Bond €'000	Total €'000
As of 1 January 2019	287,149	523,706	-	810,855
Issue of bonds	-	-	345,672	345,672
Notional interest expenses on convertible bonds	9,851	-	-	9,851
Interest expenses on bonds	-	1,315	497	1,812
Repayment of bond	(297,000)	-	-	(297,000)
As at 31 December 2019	-	525,021	346,169	871,190
Interest expenses on bonds	-	1,319	620	1,939
As at 31 December 2020	-	526,340	346,789	873,129

Convertible bonds

On 12 November 2014 the Group issued €297.0 million of senior, unsecured convertible bonds maturing in 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 fully repaid on 19 November 2019 at their principal amount.

Bonds

(a) 2018 Bond

On 12 October 2018, the Group issued €530 million of senior secured notes ('2018 Bond') maturing in 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 amortised over the period of the bond.

The issue price was 100% of its principal amount and bears interest from 12 October 2018 at the rate of 3.75% per annum payable semi-annually, in arrears, on 12 April and 12 October commencing on 12 April 2019.

The fair value of the bond at 31 December 2020 was €539 million (31 December 2019: €552 million).

(b) 2019 Bond

On 7 March 2019, the Group issued €350 million of senior secured notes ('2019 Bond') maturing in 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 amortised over the period of the bond.

The issue price is 100% of its principal amount and bears interest from 7 March 2019 at a rate of 4.25% per annum payable semi-annually, in arrears, on 7 September and 7 March commencing on 7 September 2019.

The fair value of the bond at 31 December 2020 was €363 million (31 December 2019: €373 million).

As at 31 December 2020 and 2019 the Group met the required interest cover financial covenant of 2:1 Interest/Adjusted EBITDA ratio (31 December 2019: 2:1), for the combined 2018 and 2019 Bonds.

NOTE 28 - PROVISIONS FOR RISKS AND CHARGES

	Legal and regulatory €'000	Contractual €'000	Other €'000	Total €'000
As of 1 January 2019	6,481	2,858	2,756	12,095
Acquisitions through business combinations	-	-	318	318
Charged to the statement of comprehensive income	5,177	(400)	2,744	7,521
Utilised / realised in the year	(503)	(91)	168	(426)
31 December 2019	11,155	2,367	5,986	19,508
Charged to the statement of comprehensive income	736	2,000	(1,497)	1,239
Utilised / realised in the year	(1,568)	(11)	(1,091)	(2,670)
31 December 2020	10,323	4,356	3,398	18,077

Provision for legal and regulatory issues and

The Group is subject to proceedings and potential claims regarding complex legal matters (including those related to previous acquisitions), which are subject to a differing degree of uncertainty. Provisions are held

for various legal and regulatory issues that relate to matters arising in the normal course of business, including in particular various disputes that arise in relation to the operation of the various licenses held by the Group's subsidiary Snaitech. The uncertainty is due to complex legislative and licensing frameworks in the various territories in which the Group operates. The Group also operates in certain jurisdictions where legal and regulatory matters can take considerable time for the required local processes to be completed and the matters resolved.

Contractual claims

The Group is subject to historic claims relating to contractual matters that arise with customers in the normal course of business. The Group consider they have a robust defense to the claims raised, and have provided for the likely settlement where an outflow of funds is probable. The uncertainty relates to complex contractual dealings with a wide range of customers in various jurisdictions, and because as noted above the Group operates in certain jurisdictions where contractual disputes can take considerable time to be resolved in the local legal system. A potential legal claim has arisen in respect of a previous acquisition which may result in a settlement, as a result an immaterial provision has been recorded. The amount has not been separately disclosed as to do so is considered to be prejudicial to the position of the Group.

All provisions have been reviewed and estimated by the Group's Board of Directors on the basis of the information available at the date of preparation of these financial statements and, where considered required, supported by updated legal opinions from independent professionals.

Given the uncertainties inherent, it is difficult to predict with certainty the outlay (or the timing thereof) which will derive from these matters. It is therefore possible that the value of the provisions may vary further to future developments. The Group monitors the status of these matters and consults with its advisors and experts on legal and tax-related matters in arriving at the provisions recorded. The provisions included represent the Directors best estimate of the potential outlay and none of the matters provided for are individually material to the financial statements.

NOTE 29 - CONTINGENT CONSIDERATION AND REDEMPTION LIABILITY

	2020	2019
	€'000	€'000
Non-current contingent consideration consists of:		
Acquisition of Rarestone Gaming PTY Ltd	-	2,520
Interest in Aquila Global Group SAS ("Wplay")	3,918	-
	3,918	2,520
Non-current redemption liability consists of:		
Acquisition of Statscore SP Z.O.O. (Note 34A)	4,590	-
	4,590	-
Total non-current contingent consideration and redemption liability	8,508	2,520
Current contingent consideration consists of:		
Acquisition of Playtech BGT Sports Limited	-	5,000
Acquisition of Rarestone Gaming PTY Ltd	-	1,284
Interest in Aquila Global Group SAS ("Wplay")	-	16,050
Other acquisitions	1,162	4,318
	1,162	26,652
Current redemption liability consists of:		
Acquisition of Playtech BGT Sports Limited	-	31,860
Other acquisitions	-	93
	-	31,953
Total current contingent consideration and redemption liability	1,162	58,605

During the year, the Group exercised its option to acquire the remaining 10% of Playtech BGT Sports Limited for a total consideration of €41.6 million all settled by 31 December 2020. This included settlement of previous contingent consideration liabilities and other contractual amounts due. As a result of this acquisition, the put call option reserve decreased by €16.3 million.

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

	2020	2019
	€'000	€'000
Acquisition of ACM Group	-	129,295
Acquisition of Eyecon Limited	25,045	26,456
Acquisition of Rarestone Gaming PTY Ltd	-	4,143
Acquisition of HPYBET Austria GmbH	15,000	15,000
Acquisition of Playtech BGT Sports	-	95,000
Interest in Aquila Global Group SAS ("Wplay")	4,892	21,285
Acquisition of Statscore SP Z.O.O.	15,000	-
Other acquisitions	7,250	4,015
	67,187	295,194

NOTE 30 - TRADE PAYABLES

	2020	2019
	€'000	€'000
Suppliers	35,124	52,219
Customer liabilities	12,492	10,124
Other	78	77
	47,694	62,420

NOTE 31 - DEFERRED TAX LIABILITY

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

	2020	2019
	€'000	€'000
At the beginning of the year	76,767	71,598
Transferred to asset classified as held for sale	(6,188)	1,028

Arising on the acquisitions during the year	357	1,125
Reversal of temporary differences, recognised in the statement of comprehensive income	1,700	2,923
Foreign exchange movements	(775)	93
At the end of the year	<u>71,861</u>	<u>76,767</u>
Split as:		
Deferred tax liability on acquisitions	71,472	90,645
Deferred tax liability	4,520	1,020
Deferred tax asset (set off with deferred tax liability)	(829)	(13,327)
	<u>75,163</u>	<u>78,338</u>
Deferred tax asset (Note 20)	<u>(3,302)</u>	<u>(1,571)</u>
	<u>71,861</u>	<u>76,767</u>

Deferred tax assets and liabilities are offset only when there is a legal enforceable right of offset, in accordance to IAS 12. On 31 December 2020, the Directors continued to recognise deferred tax assets arising from temporary differences and tax losses carryforward with the latter only to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised. This assessment is based on Board approved forecasts including expected future taxable profits.

NOTE 32 - OTHER PAYABLES

	2020	2019
	€'000	€'000
<i>Non current liabilities</i>		
Payroll and related expenses	8,936	9,247
Non current guarantee deposits	-	839
Other	<u>3,497</u>	<u>4,158</u>
	<u>12,433</u>	<u>14,244</u>
<i>Current liabilities</i>		
Payroll and related expenses	72,224	66,056
Accrued expenses	53,374	46,318
Related parties (Note 36)	47	77
VAT payable	5,801	4,954
Interest payable	10,441	10,346
Other payables	<u>5,890</u>	<u>14,110</u>
	<u>147,777</u>	<u>141,861</u>

NOTE 33 - GAMING AND OTHER TAXES PAYABLE

	2020	2019
	€'000	€'000
Gaming tax	126,591	98,288
Other	<u>358</u>	<u>-</u>
	<u>126,949</u>	<u>98,288</u>

NOTE 34 - ACQUISITIONS DURING THE YEAR

A. Acquisition of Statscore SP Z.O.O.

On 13 January 2020, the Group acquired an additional 40% of Statscore SP Z.O.O. ("Statscore") for a total cash consideration of €6.5 million. Prior to the acquisition, the Group held 45% of Statscore which was accounted for as an associate (refer to Note 19B). The book value of the investment in associate (net of share of losses) was €1.5 million at the point of acquisition and the equivalent fair value was €8.0 million, resulting in a fair value gain of €6.5 million recognised in the consolidated statement of comprehensive income. The remaining 15% of the shares are held by the founder.

Additional consideration capped at €2.2 million in cash will be payable subject to the employment of the founder as well as achieving target EBITDA. In this respect, this has been treated as employment remuneration.

As part of the acquisition, the Group now holds a call option to purchase the remaining 15% of Statscore as follows:

- (1) To purchase 7.5% within three months of the third anniversary if certain conditions are met and regardless of whether the founder remains employed. The option price, which is capped at €5.0 million, depends on the last twelve month EBITDA Target of €4.0 million and is measured as follows:
 - (a) If EBITDA Target is satisfied, then the option price is seven times EBITDA of the last twelve months multiplied by the percentage of the additional acquisition.
 - (b) If EBITDA Target is not satisfied, then the option price is five times EBITDA of the last twelve months multiplied by the percentage of the additional acquisition.
- (2) To purchase 7.5% within three months of the six years anniversary if certain conditions are met and regardless of whether the founder remains employed. The option price, which is capped at €10.0 million, depends on the last twelve month EBITDA Target of €8.0 million and is measured as follows:
 - (a) If EBITDA Target is satisfied, then the option price is nine times EBITDA of the last twelve months multiplied with the percentage of the additional acquisition.
 - (b) If EBITDA Target is not satisfied, then the option price is seven times EBITDA of the last twelve months multiplied by the percentage of the additional acquisition.

The founder has an irrecoverable put option to require the Group to purchase the 15% of Statscore subject to certain conditions.

The initial fair value of this option of €3.6 million was recognised as a non-current redemption liability and was reflected in the Groups' consolidated statement of changes in equity within the put/call option reserve. The fair value as at 31 December 2020, which was calculated using the Monte Carlo simulation methodology, was €4.6 million.

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	9
Intangible assets	3,506
Right of use of asset	111
Other non-current assets	5
Trade and other receivables	111
Cash and cash equivalent	60
Deferred tax liability	(666)
Tax liabilities	(2)

Lease liability	(123)
Trade payables and other payables	(579)
Non-controlling interests	(365)
Net identified assets (85% acquired)	2,067
Goodwill	12,410
Fair value of consideration	14,477

	€'000
Cash consideration	6,500
Fair value of existing equity interest	7,977
Total consideration	14,477

Adjustments to fair value include the following:

	Amount	Amortisation
	€'000	%
Customer relationship	514	16.7%
IP Technology	2,992	10%
	3,506	

Management used the income approach, and in particular the Relief from Royalty method, to determine the value in use of the Customer relationships. The discount rate assumed is equivalent to the WACC for the Customer relationships.

The MPEEM income approach was used by management to determine the value in use of the IP Technology. The discount rate assumed is equivalent to the WACC for the IP Technology.

A reasonable movement in the inputs to the valuation methodologies does not materially change the intangible asset values.

The main factor leading to the recognition of goodwill is the assembled workforce with vast experience and strong past performance, other future revenue and cost synergies. In accordance with IAS36, the Group will regularly monitor the carrying value of net assets relating to Statscore.

Management has not disclosed Statscore contribution to the Group's profit since the acquisition nor has it disclosed the impact the acquisition would have had on the Group's revenue and profits if it had occurred on 1 January 2020, because the amounts are not material.

B. Acquisition of Best In Game S.r.l.

On 17 June 2020, the Group acquired 100% of Best In Game S.r.l. ("Best In Game"), an Italian gaming company active in the online segment.

The Group paid a total cash consideration of €13.3 million.

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

	Fair value on acquisition €'000
Intangible assets	3,047
Right of use of asset	38
Other receivables	329
Cash and cash equivalent	8,449
Other non current liabilities	(166)
Deferred tax liability	(815)
Lease liability	(38)
Trade payables and other payables	(160)
Progressive and operators jackpot	(84)
Client funds	(62)
Tax liabilities	(813)
Net identified assets	9,725
Goodwill	3,604
Fair value of consideration	13,329
	€'000
Cash consideration	13,329
Cash purchased	(8,449)
Net cash payable	4,880

Adjustments to fair value include the following:

	Amount	Amortisation
	€'000	%
Customer relationship	2,922	12.5

Management also used the income approach, and in particular the Relief from Royalty method, to determine the value in use of the Customer relationships within Best In Game. The discount rate assumed is equivalent to the WACC for the Customer relationships.

A reasonable movement in the inputs to the valuation methodology does not materially change the intangible asset values.

The main factor leading to the recognition of goodwill is synergies and further strategic aspects. The acquisition forms part of the Snaitech CGU.

Management has not disclosed Best In Game contribution to the Group's profit since the acquisition nor has it disclosed the impact the acquisition would have had on the Group's revenue and profits if it had occurred on 1 January 2020, because the amounts are not material.

NOTE 35 - ACQUISITIONS IN PREVIOUS 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.

B. Other acquisitions

During the prior year, the Group acquired of the shares of various companies for a total cash consideration of €1.4 million. One of these was a stepped acquisition from 50% to 100% which gave a fair value at the date of transition to subsidiary of €0.4 million (Note 19A).

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, structured agreements and associates are related parties of the Group by virtue of the Group's significant influence over those arrangements.

During the year ended 31 December 2020, group companies entered into the following transactions with related parties who are not members of the Group:

	2020	2019
	€'000	€'000
Revenue		
Associates and joint ventures	3,715	1,974
Structured agreements	58,504	32,795
	62,219	34,769
Share of profit from joint ventures	121	621
Share of profit from associates	955	1,020
Operating expenses		
Structured agreements and associates	209	1,016
Interest income		
Structured agreements and associates	188	1,310

The following are the balances with related parties:

	2020	2019
	€'000	€'000
Associates	-	3,727
Total non-current related parties receivable	-	3,727
Associates and joint ventures	-	942
Structured agreements	15,249	9,643
Total current related parties receivable	15,249	10,585
Structured agreements and associates	47	77
Total current related parties payable	47	77

	2020	2019
	€'000	€'000
Directors compensation		
Short-term benefits of directors	2,981	3,136
Share-based benefits of directors	-	40
Bonuses to executive directors	707	2,040
	3,688	5,216

Total compensation for the key management personnel (which also includes the directors compensation) is €14.7 million (2019: €14.5 million)

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.
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.
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
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	Isle of Man	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 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
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
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
Finalto (IOM) Limited (ex. 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
Quickspin AB	Sweden	100%	Owns video slots intellectual property
Best Gaming Technology GmbH	Austria	100%	Trading company for sports betting
Playtech BGT Sports Limited	Cyprus	100%	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
Finalto Trading Limited (ex. 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	Austria	100%	Operating shops in Austria
Snaitech SPA	Italy	100%	Italian retail betting market and gaming machine market
OU Playtech (Estonia)	Estonia	100%	Designs, develops and manufactures online software
Techplay Marketing Limited	Israel	100%	Marketing and advertising
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
Techplay S.A. Software Limited	Israel	100%	Develops online software
CSMS Limited	Bulgaria	100%	Consulting and online technical support, data mining processing and advertising services to parent company
Mobenga AB Limited	Sweden	100%	Mobile sportsbook betting platform developer
PokerStrategy Ltd	Gibraltar	100%	Operates poker community business
Snai Rete Italia S.r.l.	Italy	100%	Italian retail betting market
PT Services UA LTD	Ukraine	100%	Designs, develops and manufactures software
Trinity Bet Operations Ltd	Malta	100%	Retail and Digital Sports Betting
Euro live Technologies SIA	Latvia	100%	Global broadcaster providing innovative video stream services for users worldwide
Gaming Technology Solutions Limited	UK	100%	Provision of B2B services within Bingo, Virtual Sports, Sports Betting and Games Development

NOTE 38 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Group has exposure to the following risks 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.

The 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
- Loans and borrowings
- Deferred and contingent consideration and redemption liability

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		
		2020	2019	Level 1	Level 2	Level 3
		€'000	€'000	€'000	€'000	€'000
Non-current financial assets						
Equity securities	FVTPL	3,222	1,130	3,222	-	-
Trade receivables	Amortised cost	18,405	13,600	-	-	-
Current financial assets						
Trade receivables	Amortised cost	153,220	192,844	-	-	-
Other receivables	Amortised cost	98,344	141,154	-	-	-
Cash and cash equivalents	Amortised cost	683,641	671,540	-	-	-
Non current liabilities						
Bonds	Amortised cost	873,129	871,190	-	-	-
Loans and borrowings	Amortised cost	308,875	64,396	-	-	-
Lease liability	Amortised cost	61,547	65,274	-	-	-
Contingent consideration and redemption liability	FVTPL	8,508	2,520	-	-	8,508
Current liabilities						
Trade payables	Amortised cost	47,694	62,420	-	-	-
Lease liability	Amortised cost	21,019	25,515	-	-	-
Other payables	Amortised cost	147,777	141,861	-	-	-
Progressive operators' jackpots and security deposits	Amortised cost	100,211	98,152	-	-	-
Client deposits	Amortised cost	-	113,879	-	-	-
Client funds	Amortised cost	28,924	126,309	-	-	-
Contingent consideration and redemption liability	FVTPL	1,162	58,605	-	-	1,162

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 that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions. After the impairment analysis performed at the reporting date, the expected credit losses ("ECL") are €2.5 million (2019: €Nil).

Cash and cash equivalents

The Group held cash and cash equivalents of €684.3 million as at 31 December 2020 (2019: €671.5 million). The cash and cash equivalents are held with bank and financial institution counterparties, which are rated Caa- to AA+, based on Moody's ratings.

Impairment on cash and cash equivalents has been measured on a 12-month expected credit loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. The Group uses a similar approach for assessment of ECLs for cash and cash equivalents to those used for trade receivables. The ECL on cash balances as at 31 December 2020 is €0.6 million.

The possible effects of an increase of 0.1% in the ECL rate of cash balances would be an increase in ECL of €0.4 million. The possible impact of a decrease of 0.1% in the ECL rate of trade receivables would be a decrease in ECL of €0.4 million.

	Total €'000	Financial institutions with A- and above rating €'000	Financial institutions below A- rating and no rating €'000
Continuing operations			
At 31 December 2020	684,308	340,211	344,097
At 31 December 2019	671,540	450,464	221,076
Discontinued operations			
At 31 December 2020	376,871	313,093	63,778
At 31 December 2019	2,646	1,622	1,024

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 and country in which customers operate.

As at 31 December 2020, the Group has trade receivables of €171.6 million (2019: €206.4 million) which is net of an allowance for ECL of €1.9 million (2019: Nil).

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 ECL, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are calculated based in past default experience and an assessment of the future economic environment. The ECL is calculated with reference to the ageing and risk profile of the balances.

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

Set out below is the movement in the allowance for expected credit losses of trade receivables

31 December 2020	Total €'000	Not past due €'000	1-2 months overdue €'000	More than 2 months past due €'000
Expected credit loss rate	1.1%	0.8%	0.9%	1.8%
Gross carrying amount	173,504	93,441	33,600	46,463
Expected credit loss	(1,879)	(752)	(307)	(820)
Trade receivables - Net	171,625	92,689	33,293	45,643

ECL for the year ended 31 December 2019 was immaterial.

The possible effects of an increase of 0.1% in the ECL rate of trade receivables would be an increase in ECL of €0.2 million. The possible impact of a decrease of 0.1% in the ECL rate of trade receivables would be a decrease in ECL of €0.2 million.

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:

	2020 €'000	2019 €'000
Balance 1 January	55,528	52,950
Charged to statement of comprehensive income	12,733	6,293
Provision acquired through business combination	-	472
Utilised	(6,684)	(4,187)
Transfer to asset classified as held for sale	(55)	-
Balance 31 December	61,522	55,528

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 asset. The Group's objective when managing 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 to the Group's reputation. Please refer to Note 2 for the steps taken by management to reduce liquidity risk of the Group.

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amount are the gross and undiscounted, and include contractual interest payments. Balances due within 1 year equal their carrying balances as the impact of discounting is not significant.

	Carrying amount €'000	Total €'000	Contractual cash flows		
			Within 1 year €'000	1-5 years €'000	More than 5 years €'000
2020					
Trade payables	47,694	47,694	47,694	-	-
Progressive and other operators' jackpots	100,211	100,211	100,211	-	-
Client funds	28,924	28,924	28,924	-	-
Contingent consideration and redemption liability	9,670	10,307	1,162	4,077	5,068
Other payables	160,210	160,210	147,777	12,433	-
Loans and borrowings	308,875	321,231	6,178	315,053	-
Bonds	873,129	1,021,438	34,750	629,250	357,438
Provisions for risks and charges	18,077	18,077	18,077	-	-
Lease liability	82,566	95,861	23,294	55,901	16,666
	1,629,356	1,803,953	408,067	1,016,714	379,172

	Contractual cash flows				
	Carrying amount €'000	Total €'000	Within 1 year €'000	1-5 years €'000	More than 5 years €'000
2019					
Trade payables	62,420	62,420	62,420	-	-
Progressive and other operators' jackpots	98,152	98,152	98,152	-	-
Client deposits	113,879	113,879	113,879	-	-
Client funds	126,309	126,309	126,309	-	-
Contingent consideration and redemption liability	61,125	61,175	58,605	2,570	-
Other payables	156,105	156,105	141,861	14,244	-
Loans and borrowings	64,602	69,754	1,494	68,260	-
Bonds	871,190	1,056,188	34,750	649,125	372,313
Provisions for risks and charges	19,508	19,508	19,508	-	-
Lease liability	90,789	104,919	27,949	45,400	31,570
	1,664,079	1,868,409	684,927	779,599	403,883

C . Market risk

Market risk is the risk that changes 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.

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 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 the Group operations enters into foreign, and when the Group holds cash balances, in currencies denominated in a currency other than the functional currency.

31 December 2020	In EUR €'000	In USD €'000	In GBP €'000	In other currencies €'000	Total €'000
Continuing operations					
Cash and cash equivalents	539,044	43,771	84,938	16,555	684,308
Client funds	(115,376)	-	(13,754)	(5)	(129,135)
Cash and cash equivalents less client funds	423,668	43,771	71,184	16,550	555,173

31 December 2020	In EUR €'000	In USD €'000	In GBP €'000	In other currencies €'000	Total €'000
Discontinued operations					
Cash and cash equivalents	105,125	189,090	54,261	28,395	376,871
Client funds	(68,570)	(179,025)	(11,583)	(21,184)	(280,362)
Cash and cash equivalents less client funds	36,555	10,065	42,678	7,211	96,509

31 December 2019	In EUR €'000	In USD €'000	In GBP €'000	In other currencies €'000	Total €'000
Continuing operations					
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

31 December 2019	In EUR €'000	In USD €'000	In GBP €'000	In other currencies €'000	Total €'000
Discontinued operations					
Cash and cash equivalents	1,203	977	459	7	2,646
Client funds	-	-	-	-	-
Cash and cash equivalents less client funds	1,203	977	459	7	2,646

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

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates. The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. At 31 December 2020, approximately 26% of the Group's borrowings are at a fixed rate of interest (2019: 7%).

Any reasonably possible change to the interest rate would have an immaterial effect on the interest payable.

Equity price risk

The Group is exposed to market risk by way of holding some investments in other companies on a short term basis. 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 - RECONCILIATION OF MOVEMENT OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

Non-cash items				
At 1 January 2020	Financing cash flows	Acquisition through business combination	Other changes	At 31 December 2020

	€'000	€'000	€'000	€'000	€'000
Loans and borrowings (Note 26)	64,813	240,624	-	3,786	309,223
2018 Bond (Note 27)	529,378	(19,875)	-	21,249	530,752
2019 Bond (Note 27)	350,884	(14,875)	-	15,495	351,504
Deferred and contingent consideration and redemption liability	61,125	(63,720)	2,493	9,772	9,670
Lease liability	90,789	(27,386)	160	24,784	88,347
Total liabilities	1,096,989	114,768	2,653	75,086	1,289,496

	Non-cash items				
	At 1 January 2019	Financing cash flows	Acquisition through business combination	Other changes	At 31 December 2019
	€'000	€'000	€'000	€'000	€'000
Loans and borrowings (Note 26)	695	63,196	-	922	64,813
Convertible bond (Note 27)	287,323	(298,485)	-	11,162	-
2018 Bond (Note 27)	528,062	(19,875)	-	21,191	529,378
2019 Bond (Note 27)	-	338,235	-	12,649	350,884
Deferred and contingent consideration and redemption liability	158,839	(48,071)	16,050	(65,693)	61,125
Lease liability	-	(27,230)	4,170	113,849	90,789
Total liabilities	974,919	7,770	20,220	94,080	1,096,989

Loans and borrowings and bonds include the principal and interest payable which is part of the other payables.

NOTE 40 - CONTINGENT LIABILITIES AND PROVISION FOR RISKS AND CHARGES

As part of the Board's ongoing compliance processes, it continues to monitor legal and regulatory developments and their potential impact on the Group, including, where appropriate, taking specific expert advice.

The Group is involved in proceedings before civil and administrative courts, and other legal or potential legal actions related to its business, including certain matters related to previous acquisitions. Based on the information currently available, and taking into consideration the existing provisions for risks, the Group currently considers that such proceedings and potential actions will not result in an adverse effect upon the financial statements; however where this is not considered to be remote, they have been disclosed as contingent liabilities.

All the matters 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, where appropriate, supported by updated legal opinions from independent professionals.

For a certain potential claim relating to a previous acquisition where no proceedings have commenced, the Group has a reasonable expectation based on the facts and circumstances (including having considered independent legal advice) that no liability will arise; should a liability arise (which may be offset by a reimbursement) it is currently not possible to accurately estimate this. In addition there can be no certainty as to the timing of any such liability arising, and this has therefore been disclosed as a contingent liability. The potential reimbursement has not been recognised as a contingent asset.

The Group is subject to corporate income tax in jurisdictions in which its companies are incorporated and registered, as well as gaming taxes in certain licensed territories. Judgment is required to interpret international tax laws relating to e-commerce 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 which continues 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 and gaming taxes on current (and enacted but not yet implemented) tax rules and practices, together with advice received, where necessary, 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 updates its tax liabilities accordingly. However, due to different interpretations and evolving practice there is a risk that additional liabilities could arise.

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

As disclosed in Note 24, on 11 January 2021, the Group entered into an agreement for the partial disposal of Casual and Social Gaming Business of "Yoyo" for a total consideration of \$9.5 million resulting in an estimated profit of €7.6 million.

As disclosed in Note 13, the Group implemented a restructuring in January 2021, which resulted in Playtech plc migrating its tax residency to the United Kingdom and the Group's key operating entity transferring its business to a UK company.

On 25 February 2021, the Company transferred 7,028,339 (2.35%) ordinary shares of no par value that were held by the Company in treasury to the Company's Employee Benefit Trust of which Nedgroup Trust (Jersey) Limited is the trustee. The purpose of the transfer was to fund certain scheduled awards, which are due to vest under certain of the Company's employee share schemes. The transfer price was nil. As a result of the above, the total number of Playtech shares held in Treasury is 2,937,550 (0.96%), the total number of ordinary shares in issue remains the same at 309,294,243 and the total number of voting rights in the Company is 306,356,693 which is the number which may be used by the shareholders as the denominator for calculations by which they will determine if they are required to notify their interest in, or a change to their interests in, the Company under the FCA's Disclosure Guidance and Transparency Rules.

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