Independent Auditor's Report
To the members of Playtech Plc

Opinion
We have audited the financial statements of Playtech Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2019 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statements of Changes in Equity, the Consolidated and Parent Company Balance Sheets, the Consolidated and Parent Company Statements of Cash Flows, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Isle of Man Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2019 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Isle of Man Companies Act 2006.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to principal risks, going concern and viability statement
We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the directors' confirmation in the annual report that they have carried out a robust assessment of the Group's emerging and principal risks and the disclosures in the annual report that describe the principal risks and the procedures in place to identify emerging risks and explain how they are being managed or mitigated;
- the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the Group and the Parent Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the directors' statement relating to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation set out on page 97 in the annual report as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Key audit matters
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters continued

Revenue recognition (with reference to Note 9)

Key audit matter description

The group's revenue streams and the related accounting policies applied during the period are detailed in note 5 to the financial statements.

In respect of the Group's B2B gambling operations, revenue is typically recognised on a revenue share basis and is dependent on the calculation of the Group's revenue share due from customers based on underlying results of the customers' trading.

Included in B2B revenues is hardware sales of terminals to customers for which there is a risk in respect of the timing of revenue for these transactions.

In respect of the Group's B2C gambling operations, in particular, Snaitech, revenue is dependent on the interfacing of systems for retail and betting and thus reliant on the effective operation of IT automated controls and manual processes.

Revenue for the Group is typically derived from high volume and low value transactions and is dependent on the outcome of trading or events wagered on.

Due to the nature of revenue, there is a risk that revenue errors are undetected or are not detected on a timely basis. In certain instances within the financials segment there is also a risk that transactions do not meet the definition of revenue where there is not sufficient certainty over the recoverability of consideration.

How the scope of our work responded to the key audit matter

We assessed the design and implementation of the controls over the Group's revenue cycles.

We assessed whether the revenue recognition policies adopted by the Group comply with relevant accounting standards including that transactions meet the definition of revenue under IFRS 15.

Our testing approach for revenue was tailored for the different revenue streams and entities across the Group.

Other than in the B2C gambling operations, revenue was tested through substantive procedures, which included agreeing revenue on a sample basis to underlying contracts and customer data. Our work performed on the revenue recognised was underpinned by the use of IT audit data analytic techniques.

In respect of B2B hardware sales, we agreed the recognition date for revenue to supporting documentation on a sample basis to check that the ownership of the terminals had passed to the customer.

Revenue of Snaitech has been audited primarily through testing the operating effectiveness of the relevant key controls. As group auditor we have directed the scope and approach of this testing and reviewed the work performed.

Revenue of the remaining B2C operations was tested through the following procedures:

- We used IT audit data analytic techniques to extract the underlying gaming data and reperform the revenue calculation and related player balances for the year.
- We compared these calculations against the amounts recorded in the financial statements.
- We agreed a sample of movements on player or client accounts back to deposits and withdrawals in processor statements.

Key observations

We are satisfied through the testing performed that the risk of material misstatement in respect of revenue recognition has been reduced to an acceptable level.

Impairment of goodwill (with reference to Note 17)

Key audit matter description

In accordance with relevant accounting standards, the Group monitors the carrying value of goodwill for indications of impairment. The Group performs annual impairment reviews for all cash-generating units (CGU).

If the carrying value of goodwill exceeds the recoverable amount there is a risk of material misstatement in the carrying value of these assets.

Management have recognised a goodwill impairment of €92m in respect of TradeTech Markets and TradeTech Alpha within the financials segment.

Impairment reviews require significant judgement from management and are inherently based on assumptions in respect of future profitability. The impairment tests are also based on key assumptions in respect of the appropriate discount rates and longer term growth rates.

How the scope of our work responded to the key audit matter

We reviewed management's CGU analysis for the year end and critically challenged the allocation by CGU with management based on our knowledge and understanding of the Group.

The audit team, which included our internal valuation specialists, challenged the appropriateness of the key assumptions used in the discounted cash flow models prepared by management. Our challenge was based on our understanding of the commercial prospects of the assets, identification and analysis of changes in assumptions from prior periods and an assessment of the consistency of assumptions across the impairment reviews.

Our work included:

- assessing the adequacy of the discount rates and growth rates applied;
- applying sensitivities to assess the potential impairment of goodwill; and
- checking the mathematical accuracy of the impairment model and compliance of the methodology therein with the requirements of relevant accounting standards.

We reviewed whether the related disclosure provided in the Group financial statements was in line with the requirements of the relevant accounting standards.

Key observations

Based on the procedures we performed we considered the carrying value of goodwill and the impairment charge in respect of goodwill to be reasonable. We reviewed the disclosures and explanations in note 17 and are satisfied that it is appropriate.

Key audit matters continued

Compliance risk – legal and regulatory (with reference to notes 6 and 40)

Key audit matter description

The Group operates in a highly regulated industry across multiple jurisdictions. There are compliance requirements with laws and regulations in each jurisdiction in relation to licensing, money laundering, data protection, fraud, safer gambling as well as other legislative matters.

Given the current regulatory landscape and compliance requirements required across multiple jurisdictions in which the Group operates, there is a risk that non-compliance with laws and regulations may adversely affect existing licences or may expose the Group to regulatory sanctions.

In addition, as part of the acquisition of Snaitech, the Group have inherited a number of historical legal cases (see note 40) which requires management's judgement in determining whether any provisions or disclosures are required by the relevant accounting standards.

How the scope of our work responded to the key audit matter

We updated our understanding as to how the Group monitors legal and regulatory developments and their assessment of the potential impact on the business.

We obtained an update from the Group's Compliance and Legal teams in respect of whether there were any known instances of material breaches in regulatory and licence compliance requirements that required disclosure or required provisions to be made in the financial statements.

In respect of the historical legal provisions in Snaitech, we obtained an update from the Group's legal team of the latest position in respect of these matters, obtained and reviewed the latest correspondence on relevant matters and assessed the level of provision recorded in the light of this.

We reviewed the board packs and board minutes to identify any other potential legal and regulatory matters.

Where relevant, we discussed the assertions of the Group's internal legal team with the Group's principal external legal advisors.

Key observations

Based on the procedures performed, we are satisfied that management have appropriately assessed the material financial implications of non-compliance with laws and regulations.

Compliance risk – taxation (with reference to notes 6 and 13)

Key audit matter description

The nature of the e-commerce business and operational structure of the Playtech Group requires management judgement with regard to the assessment and interpretation of domestic and international tax laws and their application in the identification and valuation of provisions for corporate income taxes.

Furthermore, as this is the first year that the Group has adopted the new accounting standard, IFRIC 23 Uncertainty over income tax treatments, there is a risk in respect of the completeness of the Group's tax provisions due to the level of judgement required.

How the scope of our work responded to the key audit matter

We updated our understanding of how the Group manage, control and operate Group companies in the countries in which they are registered through discussion with the Group's internal and external tax advisors. This included understanding how the Group manages its tax strategy as part of the overall business planning and how the Group monitors the rules and practices governing the taxation of e-commerce activity that is evolving in many countries and how it implements any changes to respond to changes in the tax environment.

We included our internal tax specialists as part of the audit team to review and evaluate the tax risks in the jurisdictions in which the Group has significant operations.

As part of this process, we set out the risk in our group reporting instructions at the planning stage of the audit. We then liaised with the local component audit teams and tax specialists in these jurisdictions to assess the provisioning for corporate income taxes and received specific reporting from them regarding this matter and in respect of the most critical matters, reviewed correspondence with revenue authorities and external advisors.

We reviewed the taxation policies and disclosures prepared by the Group to assess its compliance with relevant accounting standards.

Key observations

Based on the work performed, we consider that the Group's provision for taxation is materially appropriate and together with the disclosures in is accordance with its taxation accounting policy.

Changes in key audit matters from the prior year audit

Business combinations was raised as a key audit matter in the prior year as a result of the acquisition of Snaitech spa. In the absence of such material acquisitions, business combinations has not been classified as a key audit matter in the current year.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. For planning, we consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Level of materiality applied and rationale

We considered Adjusted Profit Before Tax to be the most appropriate performance measure for the basis of materiality in respect of the audit of the Group as this measure reflects the Group's profitability excluding the impact of certain non-recurring items.

Adjusted Profit Before Tax is calculated for this purpose as Profit Before Tax (€16m) adjusted for the following items: adding back adjustments to contingent and deferred consideration and redemption liabilities (-€70m), amortisation of certain acquired intangibles (€52m), impairments of goodwill (€114m), certain receivables write off (€5m) and professional fees on acquisitions (€2m).

Using this benchmark, we set materiality at €5.9m (2018: €6.9m) being 5% of Adjusted Profit Before Tax (2018: 5% of Adjusted Profit Before Tax).

Materiality in respect of the audit of the Parent Company was set at €3.5m (2018: €1.7m) using a benchmark of 2% of total assets, limited to Component Materiality of 45% of Group materiality (2018: 2% of total assets, limited to 25% of Group materiality). We considered total assets to be the most appropriate measure for the basis of materiality as the Parent Company is primarily an investment holding company.

Performance materiality was set at 70% of materiality for the Group audit and and at 70% for the Parent Company audit. In setting the level of performance materiality we considered a number of factors including the expected total value of known and likely misstatements (based on past experience and other factors), the control environment, and Management's attitude towards proposed adjustments.

Component materiality

We set materiality for each component of the Group based on a percentage of materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from €0.5m to €3.5m.

Performance materiality was set at 70% of component materiality. In setting the level of performance materiality, we considered a number of factors including the expected total value of known and likely misstatements (based on past experience and other factors), the control environment, and Management's attitude towards proposed adjustments.

Agreement with the Audit Committee

We agreed with the Audit Committee that we would report to them all audit differences individually in excess of €230k (2018: €340k). We also agreed to report differences below these thresholds that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements at the Group level.

In determining the scope of our audit we considered the level of work to be performed at each component in order to ensure sufficient assurance was gained to allow us to express an opinion on the financial statements of the Group as a whole.

We tailored the extent of the work to be performed at each component, either by us, as the Group audit team, or component auditors within the BDO network based on our assessment of the risk of material misstatement at each component.

Capability of the audit to detect irregularities, including fraud

We gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates (refer to key audit matter noted earlier in this report), and considered the risk of acts by the Group which were contrary to applicable laws and regulations, including fraud. These included but were not limited to compliance with Companies Act 2006, IFRSs as adopted by the European Union, the Financial Conduct Authority's regulations and the Listing Rules.

We designed audit procedures to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion.

We focused on laws and regulations that could give rise to a material misstatement in the financial statements. Our tests included, but were not limited to:

- agreement of the financial statement disclosures to underlying supporting documentation;
- enquiries of management;
- review of correspondence with regulators;
- review of minutes of Board meetings throughout the period; and
- considering the effectiveness of the control environment in monitoring compliance with laws and regulations.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

An overview of the scope of our audit continued

Classification of components

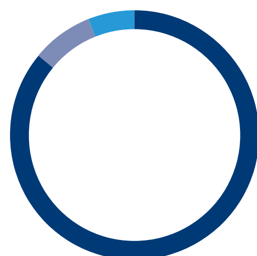
Of the 10 full scope components that were considered significant (defined as those that contributed greater than 15% of Adjusted Profit Before Tax, or where the risks of the component were significantly different to the Group risks), 6 were audited by the Group audit team and the remaining 4 by component auditors within the BDO network. The Group audit team attended key meetings, directed the scope and approach of the audit, and performed a detailed review of the audit files for the audits not conducted by the Group audit team.

For the 23 components not considered significant, component auditors or the Group team performed review procedures or specific scope procedures on certain balances based on their relative size, risks in the business and our knowledge of those entities appropriate to respond to the risk of material misstatement.

Review and specific scope procedures were performed by the Group audit team or BDO network firms on all reporting components.

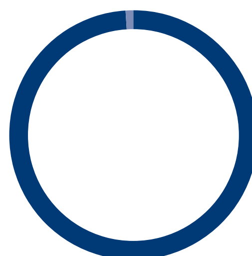
A summary of the scope of our audit is illustrated below:

Revenue



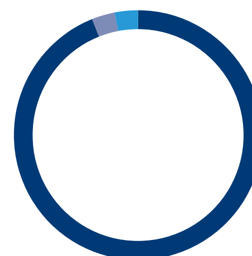
- Full audit (86%)
- Specific procedures (8%)
- Group level procedures (6%)

PBT



- Full audit (99%)
- Specific procedures (1%)

Total assets



- Full audit (94%)
- Specific procedures (3%)
- Group level procedures (3%)

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable**– the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's position, performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit committee reporting**– the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code (set out on pages 72 and 73)** – the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Directors' Remuneration Report

The parent company voluntarily prepares a Directors' Remuneration Report in accordance with the provisions of the UK Companies Act 2006. The directors have requested that we audit the part of the Directors' Remuneration Report specified by the Companies Act 2006 to be audited as if the company were a UK Registered listed company. In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the UK Companies Act 2006.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, within the directors' report, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters

Following the recommendation of the audit committee, we were reappointed by the Board of Directors on 7 January 2020 to audit the financial statements for the year ending 31 December 2019 and subsequent financial periods. The period of total uninterrupted engagement is 15 years, covering the years ending 31 December 2005 to 31 December 2019.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting our audit.

Our audit opinion is consistent with the additional report to the audit committee.

Use of our report

This report is made solely to the parent company's members, as a body, in accordance with section 80C of the Isle of Man Companies Act 2006. Our audit work has been undertaken so that we might state to the parent company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the parent company and the parent company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Dominic Stammers
For and on behalf of BDO LLP
London, United Kingdom
27 February 2020

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

Consolidated statement of comprehensive income
For the year ended 31 December 2019

	Note	2019		2018	
		Actual €'000	Adjusted €'000*	Actual €'000 Restated**	Adjusted €'000* Restated**
Continuing operations					
Revenue	9	**1,508,448**	**1,508,448**	1,225,307	1,225,307
Distribution costs before depreciation and amortisation		**(1,008,020)**	**(1,001,118)**	(779,436)	(774,422)
Administrative expenses before depreciation and amortisation		**(150,280)**	**(114,010)**	(155,927)	(105,736)
Impairment of financial assets		**(14,890)**	**(10,254)**	—	—
EBITDA		**335,258**	**383,066**	289,944	345,149
Depreciation and amortisation		**(215,740)**	**(157,609)**	(150,735)	(103,547)
Impairment of tangible and intangible assets		**(91,899)**	**—**	—	—
Finance income	12a	**83,338**	**3,218**	46,610	36,374
Finance cost	12b	**(64,178)**	**(52,794)**	(59,435)	(40,256)
Share of profit from joint ventures	18a	**621**	**621**	180	180
Share of profit/(loss) from associates	18b	**1,020**	**1,020**	(2,771)	(2,771)
Unrealised fair value changes on equity investments	19	**(270)**	**—**	(1,738)	—
Realised fair value changes on equity investments disposed	19	**—**	**—**	65,691	65,691
Profit before taxation		**48,150**	**177,522**	187,746	300,820
Tax expenses	13	**(34,304)**	**(43,942)**	(53,652)	(35,087)
Profit from continuing operations		**13,846**	**133,580**	134,094	265,733
Discontinued operation					
Loss from discontinued operation, net of tax	8	**(32,814)**	**(8,450)**	(4,315)	(3,584)
(Loss)/profit for the year – total		**(18,968)**	**125,130**	129,779	262,149
Other comprehensive income:					
Items that are or may be classified subsequently to profit or loss:					
Exchange gains arising on translation of foreign operations		**6,733**	**6,733**	19,348	19,348
Items that will not be classified to profit or loss:					
(Loss)/gain on re-measurement of employee termination indemnities		**(334)**	**(334)**	56	56
Total comprehensive (loss)/income for the year		**(12,569)**	**131,529**	149,183	281,553
(Loss)/profit for the year attributable to:					
Owners of the Company		**(19,571)**	**124,527**	123,809	256,179
Non-controlling interest		**603**	**603**	5,970	5,970
		(18,968)	**125,130**	129,779	262,149
Total comprehensive (loss)/income attributable to:					
Owners of the Company		**(13,172)**	**130,926**	144,412	276,782
Non-controlling interest		**603**	**603**	4,771	4,771
		(12,569)	**131,529**	149,183	281,553
Earnings per share attributable to the ordinary equity holders of the Parent					
Profit or loss					
Basic (cents)	14	**(6.5)**	**41.3**	39.3	81.3
Diluted (cents)	14	**(6.4)**	**40.4**	38.4	72.9
Profit or loss from continuing operations					
Basic (cents)	14	**4.4**	**44.1**	40.7	82.4
Diluted (cents)	14	**4.3**	**43.2**	39.7	73.9

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

** Comparative information has been represented due to a discontinued operation, see Note 8.

Consolidated statement of changes in equity
For the year ended 31 December 2019

	Additional paid in capital €'000	Re-measurement of 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 parent €'000	Non-controlling interest €'000	Total equity €'000
Balance at 1 January 2019	627,764	56	726,333	(17,863)	45,392	(30,820)	(8,153)	1,342,709	7,797	1,350,506
Adjustment on the initial application of IFRS 16	—	—	(7,426)	—	—	—	—	(7,426)	—	(7,426)
Adjusted balance at 1 January 2019	627,764	56	718,907	(17,863)	45,392	(30,820)	(8,153)	1,335,283	7,797	1,343,080
Total comprehensive income for the period										
(Loss)/profit for the year	—	—	(19,571)	—	—	—	—	(19,571)	603	(18,968)
Other comprehensive income/(loss) for the year	—	(334)	—	—	—	—	6,733	6,399	—	6,399
Total comprehensive income/(loss) for the year	—	(334)	(19,571)	—	—	—	6,733	(13,172)	603	(12,569)
Transactions with the owners of the Company										
Contributions and distributions										
Dividend paid	—	—	(55,545)	—	—	—	—	(55,545)	(4,412)	(59,957)
Exercise of options	—	—	(1,803)	1,688	—	—	—	(115)	43	(72)
Employee stock option scheme	—	—	18,102	—	—	—	—	18,102	—	18,102
Redemption of convertible bond	—	—	45,392	—	(45,392)	—	—	—	—	—
Share buyback	(26,810)	—	(38,322)	—	—	—	—	(65,132)	—	(65,132)
Total contributions and distributions	(26,810)	—	(32,176)	1,688	(45,392)	—	—	(102,690)	(4,369)	(107,059)
Change in ownership interests										
Acquisition of non-controlling interest	—	—	(7,358)	—	—	14,444	—	7,086	(8,332)	(1,246)
Total changes in ownership interests	—	—	(7,358)	—	—	14,444	—	7,086	(8,332)	(1,246)
Total transactions with owners of the Company	(26,810)		(39,534)	1,688	(45,392)	14,444	—	(95,604)	(12,701)	(108,305)
Balance at 31 December 2019	600,954	(278)	659,802	(16,175)	—	(16,376)	(1,420)	1,226,507	(4,301)	1,222,206
Adjusted balance at 1 January 2018	627,764	—	752,754	(21,644)	45,392	(31,293)	(28,700)	1,344,273	14,179	1,358,452
Total comprehensive income for the year										
Profit for the year	—	—	123,809	—	—	—	—	123,809	5,970	129,779
Other comprehensive income/(loss) for the year	—	56	—	—	—	—	20,547	20,603	(1,199)	19,404
Total comprehensive income for the year	—	56	123,809	—	—	—	20,547	144,412	4,771	149,183
Transactions with the owners of the Company										
Contributions and distributions										
Dividend paid	—	—	(113,288)	—	—	—	—	(113,288)	—	(113,288)
Exercise of options	—	—	(4,246)	3,781	—	—	—	(465)	—	(465)
Employee stock option scheme	—	—	13,533	—	—	—	—	13,533	191	13,724
Total contributions and distributions	—	—	(104,001)	3,781	—	—	—	(100,220)	191	(100,029)
Changes in ownership interests										
Acquisition of non-controlling interest	—	—	(46,229)	—	—	473	—	(45,756)	(41,176)	(86,932)
Non-controlling interest acquired on business combination	—	—	—	—	—	—	—	—	29,832	29,832
Total changes in ownership interests	—	—	(46,229)	—	—	473	—	(45,756)	(11,344)	(57,100)
Total transactions with owners of the Company	—	—	(150,230)	3,781	—	473	—	(145,976)	(11,153)	(157,129)
Balance at 31 December 2018	627,764	56	726,333	(17,863)	45,392	(30,820)	(8,153)	1,342,709	7,797	1,350,506

Consolidated balance sheet
As at 31 December 2019

	Note	2019 €'000	2018 €'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	**375,905**	410,088
Right of use assets	4	**74,659**	—
Intangible assets	17	**1,499,869**	1,644,133
Investments in associates and joint ventures	18	**52,265**	29,641
Investments held at fair value	19	**1,130**	1,400
Trade receivables	21	**13,600**	—
Other non-current assets	20	**37,950**	15,942
		2,055,378	2,101,204
CURRENT ASSETS			
Trade receivables	21	**192,844**	209,854
Other receivables	22	**141,154**	160,473
Cash and cash equivalents	23	**671,540**	622,197
		1,005,538	992,524
Assets classified as held for sale	24	**36,798**	—
TOTAL ASSETS		**3,097,714**	3,093,728
EQUITY			
Additional paid in capital	25	**600,954**	627,764
Re-measurement of employee termination indemnities		**(278)**	56
Employee benefit trust	25	**(16,175)**	(17,863)
Convertible bonds option reserve		**—**	45,392
Put/Call options reserve		**(16,376)**	(30,820)
Foreign exchange reserve		**(1,420)**	(8,153)
Retained earnings		**659,802**	726,333
Equity attributable to equity holders of the Parent		**1,226,507**	1,342,709
Non-controlling interest		**(4,301)**	7,797
TOTAL EQUITY		**1,222,206**	1,350,506
NON-CURRENT LIABILITIES			
Loans and borrowings	26	**64,396**	206
Bonds	27	**871,190**	523,706
Lease liability	4	**65,274**	—
Deferred revenues		**2,332**	3,742
Deferred tax liability	31	**78,338**	73,392
Contingent consideration and redemption liability	29	**2,520**	110,523
Other non current liabilities	32	**14,244**	14,081
		1,098,294	725,650
Liabilities directly associated with assets classified as held for sale	24	**3,595**	—
CURRENT LIABILITIES			
Loans and borrowings	26	**206**	489
Bonds	27	**—**	287,149
Trade payables	30	**62,420**	73,585
Lease liability	4	**25,515**	—
Progressive operators' jackpots and security deposits		**98,152**	88,601
Client deposits		**113,879**	116,656
Client funds		**126,309**	104,200
Corporate, gaming and other taxes payable	33	**120,307**	144,905
Deferred revenues		**6,857**	3,875
Contingent consideration and redemption liability	29	**58,605**	48,316
Provisions for risks and charges	28	**19,508**	12,095
Other payables	32	**141,861**	137,701
		773,619	1,017,572
TOTAL LIABILITIES		**1,875,508**	1,743,222
TOTAL EQUITY AND LIABILITIES		**3,097,714**	3,093,728

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

Mor Weizer
Chief Executive Officer

Andrew Smith
Chief Financial Officer

Consolidated statement of cash flows
For the year ended 31 December 2019

	Note	2019 €'000	2018 €'000
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit for the year		**(18,968)**	129,779
Adjustment to reconcile net income to net cash provided by operating activities (see below)		**389,699**	285,643
Net taxes paid		**(49,793)**	(28,290)
Net cash provided by operating activities		**320,938**	387,132
CASH FLOWS FROM INVESTING ACTIVITIES			
Loans and deposits (paid)/repaid		**(1,424)**	9,055
Acquisition of property, plant and equipment		**(61,384)**	(54,980)
Return on investment in joint ventures and associates	18a, 18b	**699**	1,027
Acquisition of intangible assets		**(24,320)**	(5,161)
Acquisition of subsidiaries		**(47,259)**	(362,753)
Cash of subsidiaries on acquisition		**1,039**	161,129
Capitalised development costs		**(65,529)**	(58,297)
Acquisition of associates and joint ventures	18b, 18c	**(6,453)**	(1,830)
Proceeds from the sale of associates		**—**	3,969
Acquisition of equity investments	19	**—**	(37,890)
Proceeds from the sale of equity investments	19	**—**	447,194
Proceeds from sale of property, plant and equipment		**973**	788
Proceeds related to the asset held for sale		**5,000**	—
Return on equity investments	12a	**—**	33,927
Acquisition of non-controlling interest		**(2,214)**	(86,932)
Net cash (used in)/from investing activities		**(200,872)**	49,246
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid to the holders of the Parent		**(55,545)**	(113,288)
Dividends paid to non-controlling interests		**(4,412)**	—
Interest paid on bonds and bank borrowing		**(29,509)**	(22,137)
Exercise of options		**—**	(465)
Issue of bond loans, net of issue costs	27	**345,672**	523,417
Share buyback		**(65,132)**	—
Repayment of bond loans	27	**(297,000)**	(580,605)
Repayment of loans and borrowings		**—**	(200,481)
Proceeds from loans and borrowings		**63,906**	—
Payment of lease liability		**(27,230)**	—
Net cash used in financing activities		**(69,250)**	(393,559)
INCREASE IN CASH AND CASH EQUIVALENTS		**50,816**	42,819
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**622,197**	583,957
Exchange gains/(losses) on cash and cash equivalent		**1,173**	(4,579)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**674,186**	622,197
Cash and cash equivalent consists of:			
Cash and cash equivalent – continuing operations	23	**671,540**	622,197
Cash and cash equivalent treated as held for sale	24	**2,646**	—
		674,186	622,197

Consolidated statement of cash flows continued
For the year ended 31 December 2019

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

Acquisition of subsidiaries

	Note	2019 €'000	2018 €'000
Acquisitions in the year			
A. Other acquisitions	34b	**1,402**	—
Acquisitions in previous years			
A. Acquisition of Seabrize Marketing Limited		**—**	20,000
B. Acquisition of Rarestone Gaming PTY Ltd		**4,469**	3,435
C. Acquisition of HPYBET Austria GmbH		**—**	15,358
D. Acquisition of Snaitech SpA		**—**	291,175
E. Acquisition of Piazza Hosting S.R.L.		**—**	6,500
F. Acquisition of ACM Group		**3,420**	1,673
G. Acquisition of Consolidated Financial Holdings A/A		**21,979**	—
H. Acquisition of Quickspin AB		**14,345**	—
I. Other acquisitions		**1,644**	24,612
		47,259	362,753

Cash of subsidiaries on acquisition

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

Non-cash transaction

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

Notes to the financial statements

Note 1 – General

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

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

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

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

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

Note 2 – Basis of preparation

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

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

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

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

Note 3 – Functional and presentation currency

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

Note 4 – Changes in significant accounting policies

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

IFRS 16 Leases ("IFRS 16")

As from 1 January 2019 (hereinafter: "the date of initial application") the Group applies IFRS 16 which replaced IAS 17 Leases ("IAS 17" or "the previous standard").

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

Note 4 – Changes in significant accounting policies continued

IFRS 16 Leases ("IFRS 16") continued

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

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

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

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

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

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

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

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

The table below shows the impact on the EBITDA as a result of the implementation of IFRS 16.

	2019 €'000	2018 €'000
Continuing operations		
EBITDA reported	**335,258**	289,944
Impact of IFRS 16	**(23,161)**	—
	312,097	289,944

Note 4 – Changes in significant accounting policies continued

IFRS 16 Leases ("IFRS 16") continued

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

	Right of use assets			Lease liability
	Office rent €'000	Hosting costs €'000	Total €'000	Total €'000
Continuing operations				
As at 1 January 2019	77,496	5,076	82,572	90,040
On business combination (Note 34a)	3,765	—	3,765	4,170
New contracts/extension	11,465	5,239	16,704	16,704
Reclassification of lease incentive	(4,161)	—	(4,161)	—
Retirement of contract	(1,532)	(30)	(1,562)	(1,956)
Amortisation charge	(17,097)	(4,735)	(21,832)	—
Impairment	(827)	—	(827)	—
Interest expense	—	—	—	6,202
Foreign exchange loss on lease liability	—	—	—	2,628
Payments	—	—	—	(26,999)
As at 31 December 2019	**69,109**	**5,550**	**74,659**	**90,789**

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

	€'000
Future Value of minimum lease payments as at 31 December 2018	160,277
Weighted average incremental borrowing rate as at 1 January 2019	4.15%
Discounted operating lease commitments as at 1 January 2019	**132,253**
Less:	
Commitments relating to variable amounts of leases that are not under IFRS 16	(24,002)
Extension and termination options not reasonably certain to be exercised and be capitalised that were included as minimum lease payments as at 31 December 2018	(22,460)
Add:	
Commitments relating to leases not previously classified as finance leases	5,078
Opening Lease liability as at 1 January 2019	**90,867**

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

(1) Determining whether an arrangement contains a lease

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

(a) The right to obtain substantially all the economic benefits from use of the identified asset.

(b) The right to direct the identified asset's use.

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

(2) Leased assets and lease liabilities

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

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

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

Note 4 – Changes in significant accounting policies continued

IFRS 16 Leases ("IFRS 16") continued

(3) The lease terms

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

(4) Variable lease payments

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

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

(5) Amortisation of right-of-use asset

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

(6) Reassessment of lease liability

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

(7) Lease modifications

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

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

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

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

(8) Subleases

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

(9) Sale and leaseback

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

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

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

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

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

Note 5 – Significant accounting policies

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

A. Basis of consolidation

i. Business combinations

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

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

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

ii. Subsidiaries

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

iii. Non-controlling interests (NCI)

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

iv. Interest in equity accounted investees

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

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

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

Equity accounted associates

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

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

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

Structured arrangements

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

Joint arrangements

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

The Group classifies its interests in joint arrangements as either:

- Joint ventures – where the Group has rights to only the net assets of the joint arrangement; or
- Joint operations – where the Group has rights to both the assets and obligations for the liabilities of the joint arrangement.

Note 5 – Significant accounting policies continued

A. Basis of consolidation continued

iv. Interest in equity accounted investees continued

Joint arrangements continued

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

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

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

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

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

v. Transactions eliminated on consolidation

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

B. Foreign currency

i. Foreign currency transactions

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

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

ii. Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into Euro at the exchange rates at the reporting date. Revenue and expenses of foreign operations are translated into Euro at the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in OCI and accumulated in the translation reserve, except to the extent that the translation difference is allocated to NCI.

Note 5 – Significant accounting policies continued

C. Revenue recognition

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

Type of Service	Nature, timing of satisfaction of performance obligations and significant payment terms
B2B royalty income	Royalty income relates to licensed technology and the provision of certain services provided via various distribution channels (online, mobile or land-based interfaces). 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.
B2B fixed-fee income	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. 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. Amounts are billed on a monthly basis. Additional fees charged according to the usage of the service/technology are billed and recognised in the month that the services are provided.
B2B cost-based revenue	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. Cost-based revenues are recognised on delivery of the service.
B2B revenue received from the sale of hardware	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 by the customer.
B2C revenue	In respect of B2C revenues, the Group acts as principal with the end customer, with specific revenue policies as follows: • 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. • 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. • 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. • Where the tax incurred is measured by reference to the Group's net result from betting and gaming activity this is not deducted from revenue and is recognised as an expense.
Financial trading income	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. Open client positions are carried at fair market value and gains and losses arising on this valuation are recognised in revenue as well as gains and losses realised on positions that have closed. 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 Financials division, no return, refund and other similar obligations exist. Moreover, no warranties and related obligations exist.

Note 5 – Significant accounting policies continued

D. Share-based payments

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

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

E. Income tax

Income tax expense comprises current and deferred tax.

i. Current tax

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

ii. Deferred tax

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

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

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

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

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed 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 profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

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

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

Note 5 – Significant accounting policies continued

F. Property, plant and equipment

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

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

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

Land is not depreciated.

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

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

G. Intangible assets and goodwill

Externally acquired intangible assets

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

Internally generated intangible assets (development costs)

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

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use or sell it;
- there is an ability to use or sell the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
- the expenditure attributable to the software during its development can be reliably measured.

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

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

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

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

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

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

Note 5 – Significant accounting policies continued

G. Intangible assets and goodwill continued

Goodwill

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

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

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

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

H. Assets held for sale and discontinued operations

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

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

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

Assets and liabilities classified as held for sale are presented separately as current items in the balance sheet.

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

- represents a separate major line of business or geographical area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

I. Financial instruments

i. Recognition

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

Financial assets

ii. Classification

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

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

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

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

Note 5 – Significant accounting policies continued

I. Financial Instruments continued

Financial assets continued

iii. Measurement

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

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

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 365 days and are therefore all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

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

iv. Derecognition

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

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

v. Impairment

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

- Trade receivables.
- Debt investments carried at amortised cost.
- Cash and cash equivalents.

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

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

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

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

Financial liabilities

iv. Classification and measurement

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

vi. Derecognition

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

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

Note 5 – Significant accounting policies continued

I. Financial Instruments continued

Financial liabilities continued

vii. Offsetting

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

J. Share capital

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

K. Share buyback

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

L. Employee Benefit Trust

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

M. Compound financial instruments

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

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

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

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

N. Dividends

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

O. Impairment of non-financial assets

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

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

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

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

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

P. Provisions

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

Note 5 – Significant accounting policies continued

Q. Adjusted results

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

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

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

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

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

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

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

Note 6 – Critical accounting estimates and judgements

The Group makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The areas requiring the use of estimates and critical judgements that may potentially have a significant impact on the Group's earnings and financial position are detailed below.

Judgements

Structured agreements

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

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

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

The definition of 'control' in the absent of shareholding rights is judgemental 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 judgemental areas. The Group has made judgements in respect of classifying arrangements as structured agreements (see Note 18).

Provision for loss from onerous contracts

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

Revenue from contracts with customers

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

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

Note 6 – Critical accounting estimates and judgements continued

Judgements continued

Revenue from contracts with customers continued

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

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

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

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

Internally generated intangible assets

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

- Adequate resources are available to complete and sell the product.
- The Group is able to sell the product.
- Sale of the product will generate future economic benefits.
- Expenditure on the project can be measured reliably.

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

Determining the lease term under IFRS 16

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

Determining whether an arrangement contains a lease

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

Regulatory

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

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

Note 6 – Critical accounting estimates and judgements continued

Classification as held for sale

The definition of asset held for sale involves a significant degree of judgement given that in order for an asset to be classified as held for sale, it must be available for immediate sale in its present condition, its sale must be highly probable and it must genuinely be sold. The meaning of 'highly probable' is highly judgemental and therefore IFRS 5 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 programme 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; and
- significant changes to be made to the plan must be unlikely.

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

Estimates and assumptions

Impairment of goodwill and other intangibles

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

Deferred tax assets

Deferred tax assets are recognised with respect to the tax losses carryovers and other significant temporary differences, to the extent that there is likely to be sufficient future taxable income against which such losses and temporary differences may be deducted in future periods. Directors are required to make significant discretionary evaluation to determine the amount of deferred tax assets that may be recognised. The Directors need to estimate the probable temporary effect and the amount of the future taxable income, as well as the planning strategy for future taxes. More details included in Note 31.

Income taxes

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

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

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

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

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

Determination of the fair value of contingent consideration and redemption liability

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

Note 6 – Critical accounting estimates and judgements continued

Estimates and assumptions continued

Impairment of financial assets

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

Determining the discount rate of a lease liability under IFRS 16

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

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

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

Provision for risks and charges and potential liabilities

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

Fair value measurement

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

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

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

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

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

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

Note 7 – Segment information

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

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

The operating segments identified are:

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

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

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

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

Notes to the financial statements continued

Note 7 – Segment information continued

Year ended 31 December 2019	Core B2B €'000	Asia B2B €'000	Total B2B €'000	B2C – continuing operations €'000	Intercompany €'000	Total Gaming €'000	Financial €'000	Total continued operations €'000	B2C – discontinued operations €'000	Total €'000
Revenue	**440,023**	**113,892**	**553,915**	**900,475**	**(13,857)**	**1,440,533**	**67,915**	**1,508,448**	**17,005**	**1,525,453**
Adjusted EBITDA			**214,819**	**160,435**		**375,254**	**7,812**	**383,066**	**(4,573)**	**378,493**
Adjusted profit attributable to the owners of the Parent			**89,982**	**47,818**		**137,800**	**(4,823)**	**132,977**	**(8,450)**	**124,527**
Total assets			**1,104,630**	**1,275,339**		**2,379,969**	**713,368**	**3,093,337**	**4,377**	**3,097,714**
Total liabilities			**761,261**	**857,829**		**1,619,090**	**252,823**	**1,871,913**	**3,595**	**1,875,508**

Year ended 31 December 2018	Core B2B €'000	Asia B2B €'000	Total B2B €'000	B2C – continuing operations	Intercompany €'000	Total Gaming €'000	Financial €'000	Total continued operations €'000	B2C – discontinued operations €'000	Total €'000
Revenue	383,432	182,590	566,022	578,078	(11,729)	1,132,371	92,936	1,225,307	15,136	1,240,443
Adjusted EBITDA			252,645	63,045		315,690	29,459	345,149	(2,100)	343,049
Adjusted profit attributable to the owners of the Parent			136,490	5,864		142,354	117,409	259,763	(3,584)	256,179
Total assets			1,106,104	1,169,133		2,275,237	790,598	3,065,835	27,893	3,093,728
Total liabilities			1,096,605	293,547		1,390,152	323,411	1,713,563	29,659	1,743,222

Geographical analysis of non-current assets

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

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

Note 8 – Discontinued operation

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

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

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

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

Earnings per share from discontinued operations

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

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

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

Note 9 – Revenue from contracts with customers

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

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

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

Geographical analysis of revenues by jurisdiction of licensee

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

Notes to the financial statements continued

Note 9 – Revenue from contracts with customers continued

Geographical analysis of revenues by jurisdiction of licensee continued

For the year ended 31 December 2019

Primary Geographic Markets	B2B €'000	B2C €'000	Intercompany €'000	Total gaming €'000	Financial €'000	Continuing operations €'000	Discontinued operations €'000	Total €'000
Italy	22,031	834,867	(7,802)	849,096	1,745	850,841	—	850,841
United Kingdom	204,252	45,678	(2,953)	246,977	33,229	280,206	—	280,206
Philippines	97,704	—	—	97,704	40	97,744	—	97,744
Malta	40,229	—	—	40,229	162	40,391	—	40,391
Mexico	29,748	—	—	29,748	243	29,991	—	29,991
Spain	23,305	217	(23)	23,499	561	24,060	—	24,060
Greece	23,595	—	—	23,595	(209)	23,386	—	23,386
Gibraltar	16,878	—	—	16,878	22	16,900	—	16,900
Germany	2,120	14,572	(1,925)	14,767	1,371	16,138	—	16,138
Ireland	12,521	—	—	12,521	203	12,724	—	12,724
Finland	9,265	—	—	9,265	55	9,320	—	9,320
Austria	4,648	5,121	(1,149)	8,620	158	8,778	—	8,778
United Arab Emirates	—	—	—	—	7,185	7,185	—	7,185
Cyprus	1,147	—	—	1,147	5,894	7,041	—	7,041
Curacao	6,986	—	—	6,986	13	6,999	—	6,999
Rest of World	59,486	20	(5)	59,501	17,243	76,744	17,005	93,749
	553,915	900,475	(13,857)	1,440,533	67,915	1,508,448	17,005	1,525,453

Product type	B2B €'000	B2C €'000	Intercompany €'000	Total gaming €'000	Financial €'000	Continuing operations €'000	Discontinued operations €'000	Total €'000
Casino	250,967	—	(6,385)	244,582	—	244,582	—	244,582
Services	91,589	—	(2,734)	88,855	—	88,855	—	88,855
Sport	152,652	—	(3,224)	149,428	—	149,428	—	149,428
Bingo	23,352	—	(862)	22,490	—	22,490	—	22,490
Poker	8,434	—	(491)	7,943	—	7,943	—	7,943
Other	26,921	—	(161)	26,760	—	26,760	—	26,760
Total B2B	553,915	—	(13,857)	540,058	—	540,058		540,058
Snaitech	—	829,723	—	829,723	—	829,723	—	829,723
Sun Bingo	—	40,633	—	40,633	—	40,633	—	40,633
B2C Sport and Other B2C	—	30,119	—	30,119	—	30,119	17,005	47,124
Total B2C	—	900,475	—	900,475	—	900,475	17,005	917,480
Financial	—	—	—	—	67,915	67,915	—	67,915
	553,915	900,475	(13,857)	1,440,533	67,915	1,508,448	17,005	1,525,453

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

Note 9 – Revenue from contracts with customers continued

Geographical analysis of revenues by jurisdiction of licensee continued

For the year ended 31 December 2018

Primary Geographic Markets	B2B €'000	B2C €'000	Intercompany €'000	Total gaming €'000	Financial €'000	Continuing operations €'000	Discontinued operations €'000	Total €'000
Italy	23,366	519,117	(6,447)	536,036	3,686	539,722	—	539,722
UK	175,589	44,208	(3,581)	216,216	40,870	257,086	—	257,086
Philippines	170,062	—	—	170,062	1	170,063	—	170,063
Malta	30,812	—	—	30,812	220	31,032	—	31,032
Gibraltar	24,252	—	—	24,252	186	24,438	—	24,438
Mexico	23,204	—	—	23,204	663	23,867	—	23,867
Spain	21,652	555	(56)	22,151	1,398	23,549	—	23,549
Greece	13,427	—	—	13,427	1,076	14,503	—	14,503
Germany	1,329	11,769	(1,237)	11,861	2,621	14,482	—	14,482
Finland	12,827	—	—	12,827	141	12,968	—	12,968
Belgium	7,853	—	—	7,853	3	7,856	—	7,856
Austria	4,856	2,259	(408)	6,707	361	7,068	—	7,068
Seychelles	—	—	—	—	6,974	6,974	—	6,974
Ireland	6,312	—	—	6,312	446	6,758	—	6,758
Norway	5,849	—	—	5,849	752	6,601	—	6,601
Rest of World	44,632	170	—	44,802	33,538	78,340	15,136	93,476
	566,022	578,078	(11,729)	1,132,371	92,936	1,225,307	15,136	1,240,443

Product type	B2B €'000	B2C €'000	Intercompany €'000	Total gaming €'000	Financial €'000	Continuing operations €'000	Discontinued operations €'000	Total €'000
Casino	320,080	—	(4,875)	315,205	—	315,205	—	315,205
Services	84,587	—	(3,116)	81,471	—	81,471	—	81,471
Sport	98,051	—	(2,410)	95,641	—	95,641	—	95,641
Bingo	26,359	—	(884)	25,475	—	25,475	—	25,475
Poker	9,555	—	(346)	9,209	—	9,209	—	9,209
Other	27,390	—	(98)	27,292	—	27,292	—	27,292
Total B2B	566,022	—	(11,729)	554,293	—	554,293		554,293
Snaitech	—	511,907	—	511,907	—	511,907	—	511,907
Sun Bingo	—	33,713	—	33,713	—	33,713	—	33,713
Casual, B2C Sport and Other B2C	—	32,458	—	32,458	—	32,458	15,136	47,594
Total B2C	—	578,078	—	578,078	—	578,078	15,136	593,214
Financial	—	—	—	—	92,936	92,936	—	92,936
	566,022	578,078	(11,729)	1,132,371	92,936	1,225,307	15,136	1,240,443

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

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

Notes to the financial statements continued

Note 9 – Revenue from contracts with customers continued

Geographical analysis of revenues by jurisdiction of licensee continued

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

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

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

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

Note 10 – Adjusted items

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

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

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

	2019 €'000	2018 €'000
Revenue	**1,508,448**	1,225,307
Constant currency impact	**(9,332)**	—
Revenue on constant currency basis	**1,499,116**	1,225,307
Revenue related to acquisitions on a constant currency basis	**(828,154)**	(512,646)
Underlying revenue	**670,962**	712,661
Distribution costs before depreciation and amortisation	**1,008,020**	779,436
Employee stock option expenses	**(6,902)**	(5,014)
Adjusted distribution costs before depreciation and amortisation	**1,001,118**	774,422
Administrative expenses before depreciation and amortisation	**150,280**	155,927
Employee stock option expenses	**(11,200)**	(8,710)
Professional fees on acquisitions	**(1,926)**	(27,102)
Additional consideration payable in respect of redemption liabilities	**(10,180)**	2,391
Cost of fundamental business reorganisation	**(14)**	(2,396)
Impairment of investment in equity-accounted associates	**(443)**	(8,001)
Gain from the disposal of equity-accounted associates	**—**	897
Amendment to contingent consideration	**(6,286)**	(1,705)
Reversal/(provision) for other receivables	**204**	(5,565)
Effect from the amendments on the terms of Sun contract back dated	**(6,425)**	—
Total adjusted items	**(36,270)**	(50,191)
Adjusted administrative expenses before depreciation and amortisation	**114,010**	105,736
Depreciation of property, plant and equipment – distribution costs	**45,953**	36,734
Depreciation of property, plant and equipment – administrative costs	**5,566**	5,898
Amortisation of intangible assets – distribution costs	**145,002**	108,103
Amortisation of the right-of-use assets – distribution costs	**13,933**	—
Amortisation of the right-of-use assets – administrative costs	**5,286**	—
Total depreciation and amortisation	**215,740**	150,735
Amortisation of intangibles on acquisitions – distribution costs	**(58,131)**	(47,188)
Adjusted depreciation and amortisation	**157,609**	103,547

Note 10 – Adjusted items continued

	2019 €'000	2018 €'000
EBITDA	**335,258**	289,944
Employee stock option expenses	**18,102**	13,724
Professional fees on acquisitions	**1,926**	27,102
Additional consideration payable in respect of redemption liabilities	**10,180**	(2,391)
Cost of fundamental business reorganisation	**14**	2,396
Impairment of investment in equity-accounted associates and other non-current assets	**5,079**	8,001
Gain from the disposal of equity-accounted associates	**—**	(897)
Amendment to contingent consideration	**6,286**	1,705
(Reversal)/provision for other receivables	**(204)**	5,565
Effect from the amendments on the terms of Sun contract back dated	**6,425**	—
Adjusted EBITDA	**383,066**	345,149
Constant currency impact	**(1,504)**	—
Adjusted EBITDA on constant currency basis	**381,562**	345,149
EBITDA related to acquisitions on constant currency basis	**(154,699)**	(87,958)
Underlying adjusted EBITDA	**226,863**	257,191
Profit from continuing operations attributable to owners of the Parent	**13,243**	128,124
Amortisation of intangibles on acquisitions	**58,131**	47,188
Gain from the disposal of equity-accounted associates	**—**	(897)
Impairment of investment in associate and other non-current assets	**5,079**	8,001
Employee stock option expenses	**18,102**	13,724
Professional fees on acquisitions	**1,926**	27,102
Additional consideration payable in respect of redemption liabilities	**10,180**	(2,391)
Cost of fundamental business reorganisation	**14**	2,396
Notional interest on convertible bonds	**9,851**	10,685
Deferred tax on acquisition	**(13,704)**	(9,845)
Movement in contingent consideration and redemption liability	**(80,120)**	(1,887)
Finance costs on acquisitions	**1,532**	8,494
Fair value change of equity investments	**270**	1,738
Tax relating to prior years (refer to Note 13)	**4,067**	28,410
Gain on the early repayment of the bond	**—**	(8,350)
Amendment to contingent consideration	**6,286**	1,705
(Reversal)/provision for other receivables	**(204)**	5,565
Effect from the amendments on the terms of Sun contract back dated	**6,425**	—
Impairment of right-of-use assets	**827**	—
Impairment of property, plant and equipment	**896**	—
Impairment of intangible assets	**90,176**	—
Adjusted profit from continuing operations attributable to the owners of the Parent	**132,977**	259,762
Constant currency impact	**292**	4,505
Adjusted profit for the year from continuing operations – attributable to owners of the Parent on constant currency basis	**133,269**	264,267
Adjusted net profit related to acquisitions on constant currency basis	**(44,497)**	(35,568)
Underlying adjusted profit for the year – attributable to owners of the Parent	**88,772**	228,699
Loss from discontinued operations attributable to owners of the Parent	**(32,814)**	(4,315)
Amortisation of intangibles on acquisitions	**685**	748
Impairment of intangible assets	**23,686**	—
Deferred tax on acquisition	**(7)**	(17)
Adjusted profit from discontinued operations attributable to the owners of the Parent	**(8,450)**	(3,584)
Total adjusted profit attributable to the owners of the Parent	**124,527**	256,178

Note 11 – EBITDA

EBITDA is stated after charging:

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

Note 12 – Financing income and costs

A. Finance income

	2019 €'000	2018 €'000
Interest received	**3,218**	2,446
Dividends received from equity investments	**—**	33,927
Finance income – Movement in contingent consideration and redemption liability	**80,120**	1,887
Gain on early repayment of bond loans (Note 27)	**—**	8,350
	83,338	46,610

B. Finance cost

	2019 €'000	2018 €'000
Exchange differences	**(1,030)**	(4,504)
Notional interest on convertible bonds	**(9,851)**	(10,685)
Nominal interest on convertible bonds	**(1,359)**	(1,485)
Interest on bond loan	**(33,849)**	(19,518)
Interest on lease liability	**(6,202)**	—
Bank facility fees	**(3,306)**	(13,642)
Bank charges and interest paid	**(8,581)**	(9,601)
	(64,178)	(59,435)
Net financing income/(cost)	**19,160**	(12,825)

Note 13 – Income tax expenses

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

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

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

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

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

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

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

Note 14 – Earnings per share

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

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

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

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

Note 14 – Earnings per share continued

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

Note 15 – Employee benefits

Total staff costs comprise the following:

	2019 €'000	2018 €'000
Salaries and personnel-related costs	**329,098**	289,035
Employee stock option costs	**18,102**	13,724
	347,200	302,759
Average number of personnel:		
Distribution	**5,382**	4,741
General and administration	**666**	562
	6,048	5,303

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

- Playtech 2005 Share Option Plan ("the Plan") and Israeli plans, options granted under the plans vest on the first day on which they become exercisable which is typically between one to four years after grant date.
- GTS 2010 Company Share Option Plan ("CSOP"), options granted under the plan vest on the first day on which they become exercisable which is three years after grant date.
- Long Term Incentive Plan 2012 ("LTIP"), awards (options, conditional awards or a forfeitable share award) granted under the plan vest on the first day on which they become exercisable which is typically between 18 to 36 months after grant date.

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

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

During 2019 the Group granted:

- 620,429 nil cost awards subject to relative TSR vs constituents of the FTSE 250 excluding investment trusts index and relative TSR vs constituents of a Sector comparator group of 11 sector peer companies. The fair value per share according to the Monte Carlo simulation is between £1.93 and £2.13.

Inputs used:

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

- 3,998,179 nil cost awards out of which some are subject to relative TSR vs constituents of the FTSE 250 excluding investment trusts index, relative TSR vs constituents of a Sector comparator group of 11 sector peer companies, Individual conditions relating to business area performance and EBITDA performance condition. The fair value per share according to the Monte Carlo simulation is between £2.22 and £3.91.

Inputs used (where applicable):

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

Note 15 – Employee benefits continued

- 1,900,000 nil cost awards subject to the volume weighted average price of shares exceeding the share price target set out, over a period of 30 consecutive business days. The fair value per share according to the Monte Carlo simulation is between £0.24 and £1.10.

Inputs used:

Expected life (years)	Share price at grant date	Dividend yield	Risk free rate	Projection period (years)	Volatility
£3.88	4.22%	0.54%	3–5	30.9%	34%

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

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

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

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

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

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

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

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

Note 15 – Employee benefits continued

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

Expiry date	Exercise price	2019 Number	2018 Number
Between 18 April 2020 and 26 August 2020	Between £4.16 and £5.12	**48,500**	48,500
10 March 2021	£3.5225	**25,700**	25,700
21 December 2025	Nil	**203,440**	262,002
Between 21 December 2026 and 31 December 2026	Nil	**346,766**	652,675
Between 1 March 2027 and 28 June 2027	Nil	**516,485**	1,126,440
23 July 2028	Nil	**2,765,017**	2,902,604
1 March 2029	Nil	**4,565,881**	—
19 December 2029	Nil	**1,900,000**	—
		10,371,789	5,017,921

TradeTech ESOP

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

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

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

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

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

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

	2019 Number of options	2018 Number of options	2019 Weighted average exercise price	2018 Weighted average exercise price
Outstanding at the beginning of the year	**20,898**	161,809	**$43.54**	$66.64
Granted through the year	**—**	—	**—**	—
Forfeited	**(5,000)**	(133,436)	**$70.00**	$70.00
Exercised	**—**	(7,475)	**—**	$11.20
Outstanding at the end of the year	**15,898**	20,898	**$35.23**	$43.54

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

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

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

Note 16 – Property, plant and equipment

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

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

Note 17 – Intangible assets

	Patents, domain names & licence €'000	Technology IP €'000	Development costs €'000	Customer list & affiliates €'000	Goodwill €'000	Total €'000
Cost						
As of 1 January 2019	**199,136**	**106,226**	**264,690**	**631,625**	**961,110**	**2,162,787**
Additions	**18,884**	**975**	**65,495**	**250**	**4,261**	**89,865**
Write offs	**(636)**	**(1,106)**	**(10,922)**	**—**	**(14)**	**(12,678)**
Reclassifications	**743**	**—**	**(743)**	**—**	**—**	**—**
Transfer to assets classified as held for sale (Note 24)	**(2,925)**	**(4,650)**	**(10,816)**	**(526)**	**(15,572)**	**(34,489)**
Assets acquired on business combinations	**10**	**—**	**—**	**—**	**18,452**	**18,462**
Foreign exchange movements	**722**	**402**	**504**	**2,142**	**6,530**	**10,300**
As of 31 December 2019	**215,934**	**101,847**	**308,208**	**633,491**	**974,767**	**2,234,247**
Accumulated amortisation						
As of 1 January 2019	**42,044**	**57,676**	**146,997**	**271,937**	**—**	**518,654**
Charge	**35,497**	**11,727**	**49,600**	**51,730**	**—**	**148,554**
Impairment	**—**	**840**	**6,951**	**324**	**105,748**	**113,863**
Transfer to assets classified as held for sale (Note 24)	**(2,925)**	**(4,650)**	**(10,773)**	**(526)**	**(15,572)**	**(34,446)**
Write offs	**(636)**	**(1,106)**	**(10,922)**	**—**	**—**	**(12,664)**
Foreign exchange movements	**156**	**197**	**248**	**798**	**(982)**	**417**
As of 31 December 2019	**74,136**	**64,684**	**182,101**	**324,263**	**89,194**	**734,378**
Net Book Value						
As of 31 December 2019	**141,798**	**37,163**	**126,107**	**309,228**	**885,573**	**1,499,869**

Impairment relating to Casual and Social Gaming Business see Note 8.

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

Note 17 – Intangible assets continued

In accordance with IAS 36, the Group regularly monitors the carrying value of its intangible assets, including goodwill. Goodwill is allocated to 15 (2018: 15) cash-generating units ("CGU"). Management determines which of those CGUs are significant in relation to the total carrying value of goodwill as follows:

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

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

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

The recoverable amounts of all the CGUs have been determined from value in use calculations based on cash flow projections from formally approved budgets covering one year period to 31 December 2020 in addition to two to five year forecasts, where management have applied an annual growth rate of between 5% and 41% based on the underlying economic environment in which the CGU operates. Beyond this period, management has applied an annual growth rate of between 0–2%. Management has included appropriate capital expenditure requirements to support the forecast growth and assumed the maintenance of the current licences or anticipated licence grants in 2020–2021. Management has applied discount rates to the cash flow projections between 11.67% and 22.62% (2018: between 10.24% and 21.48%).

In 2019, the results of the review indicated that there was an impairment of goodwill in two of the Group's CGUs, Markets and TradeTech Alpha, with total impairment of €90.1 million (2018: €Nil) which has been charged to the statement of comprehensive income.

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

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

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

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

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

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

Note 18 – Investments in associates and joint ventures

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

A. Investment in joint ventures

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

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

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

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

B. Investment in equity accounted associates

Investment in BGO

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

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

Aggregated amounts relating to BGO Limited are as follows:

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

Other individually immaterial investments

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

Total associates:

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

Note 18 – Investments in associates and joint ventures continued

C. Investment in structured agreements

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

Movement in structured agreements:

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

Note 19 – Investment held at fair value

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

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

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

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

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

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

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

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

Notes to the financial statements continued

Note 20 – Other non-current assets

	2019 €'000	2018 €'000
Rent and car lease deposits	**3,767**	3,155
Guarantee for gaming licences	**3,080**	2,713
Deferred tax (Note 31)	**1,571**	1,794
Related parties (Note 36)	**3,727**	—
Prepaid costs relating to Sun Bingo contract	**16,699**	—
Other	**9,106**	8,280
	37,950	15,942

Note 21 – Trade receivables

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

Note 22 – Other receivables

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

Note 23 – Cash and cash equivalents

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

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

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

Note 24 – Assets held for sale

	2019 €'000	2018 €'000
Assets		
A. Property, plant and equipment	**32,417**	—
B. Casuals CGU	**4,381**	—
	36,798	—

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

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

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

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

Note 24 – Assets held for sale continued

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

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

Note 25 – Shareholders' equity

A. Share Capital

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

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

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

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

B. Employee Benefit Trust

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

C. Share options exercised

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

D. Distribution of Dividend

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

In October 2019, the Group distributed €18,866,968 as an interim dividend in respect of the period ended 30 June 2019 (6.1 € cents per share). A number of shareholders waived their rights to receive dividends amounting to €480,890.

Note 25 – Shareholders' equity continued

E. Reserves

The following describes the nature and purpose of each reserve within owners' 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 reserve	Fair value of put options as part of business acquisition
Foreign exchange reserve	Gains/losses arising on retranslating the net assets of overseas operations
Convertible bond option reserve	Amount of proceeds on issue of convertible debt relating to the equity component (i.e. option to convert the debt into share capital)
Retained earnings	Cumulative net gains and losses recognised in the consolidated statement of comprehensive income

F. Non controlling interest

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

	2019 €'000
Carrying amount of Non-controlling interest acquired	**8,332**
Consideration paid to Non-controlling interest	**(1,246)**
Increase in equity attributable to holders of the Parent	**7,086**

Note 26 – Loans and borrowings

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

Note 27 – Bonds

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

Convertible bonds

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

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

Note 27 – Bonds continued

Bonds

(a) Snai bond

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

(b) 2018 Bond

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

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

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

(c) 2019 Bond

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

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

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

Note 28 – Provisions for risks and charges

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

Provision for tax disputes, litigations, contractual risks

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

Note 29 – Contingent consideration and redemption liability

	2019 €'000	2018 €'000
Non-current contingent consideration consists:		
Acquisition of ACM Group	**—**	71,344
Acquisition of Eyecon Limited	**—**	1,355
Acquisition of Rarestone Gaming PTY Ltd	**2,520**	2,188
Acquisition of HPYBET Austria GmbH	**—**	10,085
Other acquisitions	**—**	3,789
	2,520	88,761
Non-current redemption liability consists:		
Acquisition of Playtech BGT Sports Limited	**—**	20,742
Acquisition of ECM Systems Holdings Limited	**—**	839
Other acquisitions	**—**	181
	—	21,762
Total non-current contingent consideration and redemption liability	**2,520**	110,523
Current contingent consideration consists:		
Acquisition of ACM Group	**—**	2,403
Acquisition of Quickspin AB	**—**	14,536
Acquisition of Playtech BGT Sports Limited	**5,000**	5,000
Acquisition of Rarestone Gaming PTY Ltd	**1,284**	2,932
Interest in Wplay	**16,050**	—
Other acquisitions	**4,318**	1,599
	26,652	26,470
Current redemption liability consists:		
Acquisition of Consolidated Financial Holdings A/S	**—**	21,846
Acquisition of Playtech BGT Sports Limited	**31,860**	—
Other acquisitions	**93**	—
	31,953	21,846
Total current contingent consideration and redemption liability	**58,605**	48,316

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

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

Note 29 – Contingent consideration and redemption liability continued

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

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

			Non-cash items		
	At 1 January 2019 €'000	**Investing cash flows €'000**	**Other acquisitions €'000**	**Other changes €'000**	**At 31 December 2019 €'000**
Contingent consideration	**115,231**	**(23,878)**	**16,050**	**(78,231)**	**29,172**
Redemption liabilities	**43,608**	**(21,979)**	**—**	**10,324**	**31,953**
Total liabilities	**158,839**	**(45,857)**	**16,050**	**(67,907)**	**61,125**

			Non-cash items		
	At 1 January 2018 €'000	Investing cash flows €'000	Other acquisitions €'000	Other changes €'000	At 31 December 2018 €'000
Contingent consideration	107,886	(11,958)	18,497	806	115,231
Redemption liabilities	49,786	—	—	(6,178)	43,608
Total liabilities	157,672	(11,958)	18,497	(5,372)	158,839

Note 30 – Trade payables

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

Note 31 – Deferred tax liability

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

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

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

Deferred tax assets and tax are offset only when there was a legal enforceable right to set off, according to IAS 12. On 31 December 2019, the Directors continued to recognised deferred tax assets arising from temporary differences and tax losses carryforward. The recognition is based on the business plan projections of future positive results.

Note 32 – Other payables

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

Note 33 – Corporate, gaming and other taxes payable

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

Note 34 – Acquisitions during the year

A. Acquisition of Areascom SpA

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

The Group paid total cash consideration of €Nil.

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

	Fair value on acquisition €'000
Property, plant and equipment	459
Right of use assets	3,765
Other non-current assets	209
Trade and other receivables	55
Cash and cash equivalent	324
Deferred tax liability	(1,125)
Tax liability	(203)
Other non-current liabilities	(4,337)
Lease liability	(4,170)
Trade and other payables	(12,502)
Net identified liabilities	(17,525)
Goodwill	17,525
Fair value of consideration	—
Cash consideration	—
Cash purchased	324
Net cash receivable	324

The main factor leading to the recognition of goodwill is the high synergies and further strategic aspects. The acquisition forms part of the Snaitech CGU and in accordance with IAS 36, the Group will regularly monitor the carrying value of its interest in Areascom.

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

B. Other acquisition

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

Note 35 – Acquisitions in previous year

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

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

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

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

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

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

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

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

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

Note 35 – Acquisitions in previous year continued

D. Acquisition of Snaitech SpA

On 5 June 2018, the Group acquired 70.6% of the shares of Snaitech S.p.A. ("Snaitech"), the leading operator on the Italian retail betting market and one of the main players on the gaming machines market.

Up to 5 June 2018, the Group had also separately acquired approximately 9% of Snaitech's issued share capital through market purchases. On 26 July 2018, the Group completed the acquisitions of an additional 15.1% of Snaitech's shares through a mandatory tender offer and additional purchase of shares in the market. On 3 August 2018, the Group completed the acquisition of 100% of Snaitech and delisted the company from the Borsa Italia.

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

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

The Group paid total consideration of €6.5 million.

F. Other acquisitions

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

Note 36 – Related parties

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

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

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

The following are the aggregate transactions that arose with related parties:

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

The following are the balances with related parties:

	2019 €'000	2018 €'000
Structured agreements and associates	**14,312**	11,277
Total current and non-current related parties receivable	**14,312**	11,277
Structured agreements and associates	**77**	76
Total current related parties payable	**77**	76

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

Notes to the financial statements continued

Note 37 – Subsidiaries

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

Name	Country of incorporation	Proportion of voting rights and ordinary share capital held	Nature of business
Playtech Software Limited	Isle of Man	100%	Main trading company of the Group, owns the intellectual property rights and licenses the software to customers.
OU Playtech (Estonia)	Estonia	100%	Designs, develops and manufactures online software.
Techplay Marketing Limited	Israel	100%	Marketing and advertising.
Video B Holding Limited	British Virgin Islands	100%	Trading company for the Videobet software, owns the intellectual property rights of Videobet and licenses it to customers.
OU Videobet	Estonia	100%	Develops software for fixed odds betting terminals and casino machines (as opposed to online software).
Playtech Bulgaria	Bulgaria	100%	Designs, develops and manufactures online software.
PTVB Management Limited	Isle of Man	100%	Management.
Playtech Services (Cyprus) Limited	Cyprus	100%	Activates the ipoker network in regulated markets. Owns the intellectual property of GTS, Ash and Geneity businesses.
VB (Video) Cyprus Limited	Cyprus	100%	Trading company for the Videobet product to Romanian companies.
Techplay S.A. Software Limited	Israel	100%	Develops online software.
Technology Trading IOM Limited	Isle of Man	100%	Owns the intellectual property rights of Virtue Fusion business.
Gaming Technology Solutions Limited	UK	100%	Holding company of VS Gaming and VS Technology.
Virtue Fusion (Alderney) Limited	Alderney	100%	Online bingo and casino software provider.
Intelligent Gaming Systems Limited	UK	100%	Casino management systems to land-based businesses.
VF 2011 Limited	Alderney	100%	Holds licence in Alderney for online gaming and Bingo B2C operations.
PT Turnkey Services Limited	British Virgin Islands	100%	Holding company of the Turnkey Services group.
PT Turnkey EU Services Limited	Cyprus	100%	Turnkey services for EU online gaming operators.
PT Entertenimiento Online EAD	Bulgaria	100%	Poker & Bingo network for Spain.
PT Marketing Services Limited	British Virgin Islands	100%	Marketing services to online gaming operators.
PT Operational Services Limited	British Virgin Islands	100%	Operational & hosting services to online gaming operators.
Paragon International Customer Care Limited	British Virgin Island & branch office in the Philippines	100%	English Customer support, chat, fraud, finance, dedicated employees services to Parent Company.
CSMS Limited	Bulgaria	100%	Consulting and online technical support, data mining processing and advertising services to Parent Company
S-Tech Limited	British Virgin Islands & branch office in the Philippines	100%	Live games services to Asia
PT Network Management Limited	British Virgin Islands	100%	Manages the ipoker network
Playtech Mobile (Cyprus) Limited	Cyprus	100%	Holds the IP of Mobenga AB
Mobenga AB Limited	Sweden	100%	Mobile sportsbook betting platform developer
Factime Limited	Cyprus	100%	Holding company of Juego
PokerStrategy Ltd.	Gibraltar	100%	Operates poker community business
Videobet Interactive Sweden AB	Sweden	100%	Trading company for the Aristocrat Lotteries VLTs
V.B. Video (Italia) S.r.l.	Italy	100%	Trading company for the Aristocrat Lotteries VLTs
PT Entertainment Services LTD	Antigua	100%	Holding gaming licence in the UK
Tradetech Markets Limited	Isle of Man	100%	Owns the intellectual property rights and marketing and technology contracts of the Financials division

Note 37 – Subsidiaries continued

Name	Country of incorporation	Proportion of voting rights and ordinary share capital held	Nature of business
Safecap Limited	Cyprus	100%	Primary trading company of the Financials division. Licensed investment firm and regulated by Cysec.
TradeFXIL limited	Israel	100%	Financials division sales, client retention, R&D and marketing.
ICCS BG	Bulgaria	100%	Financials division back office customer support.
Magnasale Limited	Cyprus	100%	Financials division. Licensed and regulated investment firm.
Stronglogic Services Limited	Cyprus	100%	Maintains the Financials division marketing function for EU operations.
Yoyo Games Limited	UK	100%	Casual game development technology.
Quickspin AB	Sweden	100%	Owns video slots intellectual property.
Best Gaming Technology GmbH	Austria	90%	Trading company for sports betting.
Playtech BGT Sports Limited	Cyprus	90%	Owns sports betting intellectual property solutions and trading company for sports betting.
ECM Systems Ltd	UK	100%	Owns bingo software intellectual property and bingo hardware.
Consolidated Financial Holdings AS	Denmark	100%	Owns the intellectual property which provides brokerage services, liquidity and risk management tool.
CFH Clearing Limited	UK	100%	Primary trading company of CFH Group.
Eyecon Limited	Alderney	100%	Develops and provides online gaming slots.
Tradetech Alpha Limited	UK	100%	Regulated FCA broker providing trading, risk management and liquidity solutions.
Rarestone Gaming PTY Ltd	Australia	100%	Development company.
HPYBET Austria GmbH GmbH	Austria	90%	Operating shops in Austria.
Snaitech SPA	Italy	100%	Italian retail betting market and gaming machine market.

Note 38 – Financial instruments and risk management

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

- Credit risk
- Liquidity risk
- Market risk

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

(i) Principal financial instruments of the Group, from which financial instrument risks arises, are as follows:

- Trade receivables and other receivables
- Cash and cash equivalents
- Investments in equity securities
- Trade and other payables
- Bonds

Note 38 – Financial instruments and risk management continued

(ii) Financial instrument by category

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

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

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

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

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

Further details regarding these policies are set out below:

A. Credit risk

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

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

Cash and cash equivalents

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

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

Trade receivables

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

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

Note 38 – Financial instruments and risk management continued

A. Credit risk continued

Financials division credit risk

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

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

31 December 2019	Total €'000	Not past due €'000	1–2 months overdue €'000	More than 2 months past due €'000
Expected credit loss rate	**21%**	**8%**	**5%**	**59%**
Gross carrying amount	**261,972**	**171,686**	**20,251**	**70,035**
Provision for bad debts	**(55,528)**	**(13,437)**	**(931)**	**(41,160)**
	206,444	**158,249**	**19,320**	**28,875**

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

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

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

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

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

B. Liquidity risk

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

Note 38 – Financial instruments and risk management continued

B. Liquidity risk continued

Financials division exposure to liquidity risk

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

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

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

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

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

2019	**Total €'000**	**Within 1 year €'000**	**1–5 years €'000**	**More than 5 years €'000**
Trade payables	**62,420**	**62,420**	**—**	**—**
Progressive and other operators' jackpots	**98,152**	**98,152**	**—**	**—**
Client deposits	**113,879**	**113,879**	**—**	**—**
Client funds	**126,309**	**126,309**	**—**	**—**
Contingent consideration and redemption liability	**61,125**	**58,605**	**2,520**	**—**
Other payables	**156,105**	**141,861**	**14,244**	**—**
Loans and borrowings	**64,602**	**206**	**—**	**64,396**
Bonds	**871,190**	**—**	**525,021**	**346,169**
Provisions for risks and charges	**19,508**	**19,508**	**—**	**—**
Lease liability	**90,789**	**25,515**	**40,040**	**25,234**
	1,664,079	**646,455**	**581,825**	**435,799**

2018				
Trade payables	73,585	73,585	—	—
Progressive and other operators' jackpots	88,601	88,601	—	—
Client deposits	116,656	116,656	—	—
Client funds	104,200	104,200	—	—
Contingent consideration and redemption liability	158,839	48,316	98,097	12,426
Other payables	165,861	151,781	14,080	—
Loans and borrowings	695	489	206	—
Bonds	810,855	287,149	—	523,706
Provisions for risks and charges	12,095	12,095	—	—
	1,531,387	882,872	112,383	536,132

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

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

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

Note 38 – Financial instruments and risk management continued

C. Market risk

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

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

Financials division exposure to market risk

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

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

Currency risk

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

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

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

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

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

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

Interest rate risk

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

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

Equity price risk

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

Note 39 – Changes in liabilities arising from financing activities

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

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

Note 40 – Contingent liabilities and provision for risks and charges

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

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

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

The Group is subject to corporate income tax in jurisdictions in which its companies are incorporated and registered. Judgement 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 continuing to evolve, including the corporate tax rates in jurisdictions where the Group has significant assets or people presence. The Group is basing its tax provisions on current (and enacted but not yet implemented) tax rules and practices, together with advice received from professional advisers, and believes that its accruals for tax liabilities are adequate for all open enquiry years based on its assessment of many factors including past experience and interpretations of tax law. The Group constantly monitors changes in legislation and update its accruals accordingly.

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

Note 41 – Events after the reporting date

On 13 January 2020, the Group acquired an additional 40% of Statscore for a total consideration of €6.5 million. As a result of this transaction, Statscore became a subsidiary of the Group with 85% shareholding. Statscore is a Polish sports data provider. Management have not yet performed the purchase price allocation exercise required under IFRS 3.

Company statement of changes in equity
For the year ended 31 December 2019

	Additional paid in capital €'000	Convertible Bond reserve €'000	Retained earnings €'000	Total equity €'000
Balance at 1 January 2019	627,764	45,392	(139,629)	533,527
Changes in equity for the year				—
Total comprehensive income for the year	—	—	(46,541)	(46,541)
Dividend paid	—	—	(55,545)	(55,545)
Exercise of options	—	—	(1,688)	(1,688)
Redemption of convertible bond	—	(45,392)	45,392	—
Share buyback	(26,810)	—	(38,322)	(65,132)
Employee stock option scheme	—	—	8,383	8,383
Balance at 31 December 2019	**600,954**	**—**	**(227,950)**	**373,004**
Adjusted balance at 1 January 2018	627,764	45,392	48,488	721,644
Changes in equity for the year				
Total comprehensive income for the year	—	—	(80,608)	(80,608)
Dividend paid	—	—	(113,288)	(113,288)
Exercise of options	—	—	(4,086)	(4,086)
Employee stock option scheme	—	—	9,865	9,865
Balance at 31 December 2018	627,764	45,392	(139,629)	533,527

Company balance sheet
As at 31 December 2019

	Note	2019 €'000	2018 €'000
NON-CURRENT ASSETS			
Property, plant and equipment		**282**	171
Intangible assets		**169**	169
Investments in subsidiaries	6	**514,856**	505,530
Investments held at fair value	7	**—**	—
Other non-current assets		**317**	317
Trade and other receivables	8	**609,362**	612,930
		1,124,986	1,119,117
CURRENT ASSETS			
Trade and other receivables	8	**493,876**	546,643
Cash and cash equivalents	9	**1,781**	18,026
		495,657	564,669
TOTAL ASSETS		**1,620,643**	1,683,786
EQUITY			
Additional paid in capital		**600,954**	627,764
Convertible bond reserve		**—**	45,392
Retained earnings		**(227,950)**	(139,629)
	10	**373,004**	533,527
NON-CURRENT LIABILITIES			
Bonds	12	**871,190**	523,706
Loans and borrowings	11	**64,396**	—
		935,586	523,706
CURRENT LIABILITIES			
Bonds	12	**—**	287,149
Trade and other payables	13	**312,053**	339,404
		312,053	626,553
TOTAL EQUITY AND LIABILITIES		**1,620,643**	1,683,786

Company statement of cash flows
For the year ended 31 December 2019

	2019 €'000	2018 €'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	**(46,541)**	(80,608)
Adjustments to reconcile net income to net cash provided by operating activities (see below)	**65,419**	(488,096)
Net cash used in operating activities	**18,878**	(568,704)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	**(262)**	(82)
Proceeds from sale of property, plant and equipment	**60**	—
Proceeds from the sale of equity investments	**—**	253,899
Net cash (used in)/from investing activities	**(202)**	253,817
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	**(55,545)**	(113,288)
Share buyback	**(65,131)**	—
Issue of bonds, net of issue costs	**345,672**	523,417
Proceeds from bank borrowings	**64,396**	—
Repayment of bank borrowings	**—**	(200,000)
Repayment of convertible debt	**(297,000)**	—
Exercise of options	**—**	(4,085)
Interest paid	**(27,313)**	(1,485)
Net cash (used in)/from financing activities	**(34,921)**	204,559
DECREASE IN CASH AND CASH EQUIVALENTS	**(16,245)**	(110,328)
Exchange losses on cash and cash equivalents	**—**	(5,568)
CASH AND CASH EQUIVALENTS AT END OF YEAR	**1,781**	18,026

	2019 €'000	2018 €'000
ADJUSTMENT TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Income and expenses not affecting operating cash flows:		
Depreciation of property, plant and equipment	**102**	64
Impairment of receivables – application of IFRS 9 ECL	**5,244**	—
Employee stock option plan expenses	**(2,631)**	630
(Gain)/loss on disposal of property, plant and equipment	**(3)**	23
Write off of property, plant and equipment	**(8)**	—
Interest income on loan receivable	**(26,432)**	(8,952)
Interest expense on loans and borrowings and bonds	**43,689**	16,813
Loss on disposal of equity investments	**—**	7,896
Exchange loss on cash and cash equivalents	**—**	5,568
Changes in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	**77,524**	(657,420)
(Decrease)/increase in trade and other payables	**(32,066)**	147,282
	65,419	(488,096)

Notes to the Company financial statements

Note 1 – Basis of preparation

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as adopted by the European Union (EU). In the current year the Company has adopted all of the new and revised standards and interpretations issued by the IASB and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB, as they have been adopted by the European Union, that are relevant to its operations and effective for accounting periods beginning on 1 January 2019.

Details of the Company's accounting policies are included in Note 4.

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

Note 2 – Functional and presentation currency

The financial statements are presented in Euro, which is the Company's functional and presentation currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

Note 3 – Changes in significant accounting policies

The Company has adopted IFRS 16 Leases and IFRIC 23 Uncertainty over income tax treatments with transition date 1 January 2019. The management of the Company has assessed that there is no material impact on the Company's financial result arising from the adoption of these accounting policies.

Note 4 – Significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. Apart from the accounting policy changes resulting from the adoption of IFRS 16 and IFRIC 23 effective from 1 January 2019, which did not have a material impact to the Company, these policies have been consistently applied to all the years presented, unless otherwise stated.

Subsidiaries

Subsidiaries are entities controlled by the Company. The Company '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.

Investments in subsidiary companies are stated at cost less provision for impairment in value, which is recognised as an expense in the period in which the impairment is identified.

Interest income

Interest income is recognised over time, on a time-proportion basis using the effective method.

Interest expense

Interest expense is charged to profit or loss over the time the relevant interest relates to.

Foreign currencies

The financial statements are presented in the currency of the primary economic environment in which the Company operates, the Euro (€) (its functional currency).

In preparing the financial statements, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates if exchange prevailing on the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlements of monetary items and on the retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items, carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains, and losses are recognised in other comprehensive income and then equity.

Dividends

Dividend distribution to the Company's shareholders is recognised in the Company's financial statements in the year in which they are approved by the Company's shareholders.

Financial instruments

(i) Recognition

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

Financial assets

(ii) Classification

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

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

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

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

Note 4 – Significant accounting policies continued

Financial assets continued

(iii) Measurement

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

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

Intercompany are amounts due from other Group companies in the ordinary course of business. Intercompany receivables are recognised initially at the amount of consideration that is unconditional. The Company holds the intercompany receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

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

(iv) Derecognition

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

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

(v) Impairment

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

- Intercompany receivables.
- Cash and cash equivalents.

The Company applies the IFRS 9 lifetime approach to measuring expected credit losses which uses a lifetime expected loss allowance for all intercompany receivables, defined as a credit loss estimate of the present value of cash shortfalls over the expected life of the financial assets (receivables from Group companies).

For cash and cash equivalents, the Company applies the general approach for calculating the expected credit losses. Due to the short-term nature of these assets (i.e. less than 12 months), the Company recognises expected credit losses over the lifetime of the assets. The management assesses that no impairment arises since the cash and cash equivalents are held with banks under current accounts and the Company has access to those funds at any time. As a result the probability of default of each institution is considered insignificant.

Financial liabilities

(vi) Classification and measurement

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

(vii) Derecognition

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

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

(viii) Offsetting

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

Cash and cash equivalents

Cash and cash equivalents comprise of cash in banks and demand deposits and are carried at amortised cost because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL.

Trade and other payables

Trade and other payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Trade and other payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade and other payables are recognised at fair value and subsequently at amortised cost using the effective interest method.

Note 4 – Significant accounting policies continued

Share capital

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

Share buyback

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

Compound financial instruments

Compound financial instruments issued by the Company 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.

Provisions

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

Note 5 – Critical accounting estimates and judgements

The Company makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The areas requiring the use of estimates and critical judgements that may potentially have a significant impact on the Company's earnings and financial position are detailed below.

Estimates and assumptions

Impairment investment in subsidiary companies

The Company is required to test, on an annual basis, whether investments in subsidiary companies have suffered any impairment. The Company is required to test if events or changes in circumstances indicate that the carrying amount of its investments may not be recoverable. The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the choice of a discount rate in order to calculate the present value of the cash flows. Such estimates are based on management's experience of the business, but actual outcomes may vary.

Impairment of financial assets

Loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculations based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

Note 6 – Investments in subsidiaries

	2019 €'000	2018 €'000
Investment in subsidiaries at 1 January	**505,530**	227,335
Additional capital contribution*	**—**	268,960
Employee stock option	**9,326**	9,243
Impairment**	**—**	(8)
Investment in subsidiaries at 31 December	**514,856**	505,530

* Additional capital contribution relates to additional investment in Playtech Software Limited relating to capital contribution as part of a long-term interest free loan advanced during the prior year (see Note 8).

** Impairment relates to Playlot Limited which was dissolved during 2018.

Note 6 – Investments in subsidiaries continued

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, 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
PTVB Management Limited	Isle of Man	100%	Management company
Technology Trading IOM Limited	Isle of Man	100%	Owns the intellectual property rights of Virtue Fusion business
PT Turnkey Services Limited	Isle of Man	100%	Holding company of the Turnkey Services Company
Playtech Holding Sweden AB Limited	Sweden	100%	Holding company of Mobenga AB
PlayLot Limited	British Virgin Islands	—	Distributing lottery software
Roxwell Investments Limited	Isle of Man	100%	Holds the Employee Benefit Trust
PT Gaming Limited	Isle of Man	100%	Holding company of Factime Investments Ltd
Tradetech Holdings Limited	Isle of Man	100%	Holding company of TradeTech Markets Limited, Consolidated Financial Holdings A/S and TradeTech Alpha Limited

Note 7 – Investments held at fair value

	2019 €'000	2018 €'000
Investment in equity investments at 1 January	**—**	261,795
Proceeds from the disposals during the period	**—**	(253,899)
Realised fair value changes on disposal recognised in the statement of comprehensive income	**—**	(7,896)
Investment in equity investments at 31 December	**—**	—

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

During the prior year, the Company realised a loss on disposal of €8 million being the net of the fair value movements from 1 January 2018 to the date of disposal.

Note 8 – Trade and other receivables

	2019 €'000	2018 €'000
Amounts due from subsidiary undertakings	**609,362**	612,930
Total non-current	**609,362**	612,930
Other receivables	**3,075**	2,694
Proceeds from disposal of investment	**—**	33,390
Amounts due from subsidiary undertakings (Note 15)	**490,801**	510,559
Total current	**493,876**	546,643

The non-current amount relates to loans made during the prior year to Playtech Services (Cyprus) Limited connected with the acquisition and refinancing of Snaitech SpA. These loans have been discounted to present value, bear interest 4.5% per annum and are repayable on or before 2 November 2025 and 5 June 2028.

The management has assessed its receivables from Group companies using a forward-looking expected credit loss model. The methodology used in determining the amount of provision as at the reporting date is that of lifetime expected credit losses which is defined as a credit loss estimate of the present value of cash shortfalls over the expected life of the financial assets (receivables from Group companies). The expected credit loss amount as at the reporting date was calculated to be €5.2 million (2018: €nil).

Note 9 – Cash and cash equivalents

	2019 €'000	2018 €'000
Cash at bank	**1,395**	12,876
Deposits	**386**	5,150
	1,781	18,026

Notes to the Company financial statements continued

Note 10 – Shareholders' equity

A. Share capital

	2019 Number of shares	2018 Number of shares
Authorised	**N/A***	N/A*
Issued and paid up	**303,371,693**	317,344,603

* The Company 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.

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

B. Share option exercised

During the year 212,624 (2018: 482,428) share options were exercised. The Company cash-settled 12,410 share options during the year (2018: 14,387).

C. Distribution of dividend

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

In October 2019, the Company distributed €18,866,968 as an interim dividend in respect of the period ended 30 June 2019 (6.1 € cents per share). A number of shareholders waived their rights to receive dividends amounting to €480,890.

D. 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)
Convertible bond option reserve	Amount of proceeds on issue of convertible debt relating to the equity component (i.e. option to convert the debt into share capital)
Retained earnings	Cumulative net gains and losses recognised in the statement of comprehensive income

Note 11 – Loans and borrowings

The credit facility of the Company is a revolving credit facility up to €317 million available until November 2023 with option for extension for one year. Interest payable on the loan is based on a margin on Euro Libor rates. As at the reporting date the credit facility drawn amounted to €64.4 million (2018: €nil).

Note 12 – Bonds

	Convertible bonds €'000	2018 Bond €'000	2019 Bond €'000	Total €'000
As of 1 January 2018	276,464	—	—	276,464
Issue of bond	—	523,417	—	523,417
Notional interest expenses on convertible bonds	10,685	289	—	10,974
As at 31 December 2018	287,149	523,706	—	810,855
Issue of bond	—	—	345,672	345,672
Repayment of bond	(297,000)	—	—	(297,000)
Notional interest expenses on convertible bonds	9,851	1,315	497	11,663
As at 31 December 2019	**—**	**525,021**	**346,169**	**871,190**

Convertible bonds

On 12 November 2014 the Company issued €297.0 million of senior, unsecured convertible bonds due November 2019 and convertible into fully paid ordinary shares of Playtech plc (the "Bonds"). The net proceeds of issuing the Bonds, after deducting commissions and other direct costs of issue, totalled €291.1 million.

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

Note 12 – Bonds continued

Bonds

(a) 2018 Bond

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

The issue price of 2018 Bond is 100% of their principal amount. The 2018 Bond will bear interest from 12 October 2018 at the rate of 3.750% per annum payable semi-annually in arrears on 12 April and 12 October in each year commencing on 12 April 2019.

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

(b) 2019 Bond

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

The issue price of 2019 Bond is 100% of their principal amount. The 2019 Bond will bear interest from 7 March 2019 at the rate of 4.250% per annum payable semi-annually in arrears on 7 September and 7 March in each year commencing on 7 September 2019.

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

Note 13 – Trade and other payables

	2019 €'000	2018 €'000
Suppliers and accrued expenses	**3,309**	9,680
Payroll and related expenses	**19,349**	22,751
Amounts owed to subsidiary undertakings (Note 15)	**280,324**	302,617
Accrued interest	**9,071**	4,356
	312,053	339,404

Notes to the Company financial statements continued

Note 14 – Changes in liabilities arising from financing activities

The Company's liabilities arising from financing activities consist of loans and borrowings (Note 11), convertible bonds and bond loans (Note 12).

A reconciliation between the opening and closing balances of these items is as follows:

	At 1 January 2019 €'000	Financing cash flows €'000	Non-cash items: Other changes €'000	**At 31 December 2019 €'000**
Loans and borrowings (Note 11)	—	64,396	—	**64,396**
Convertible bonds (Note 12)	287,323	(297,000)	9,677	**—**
2018 Bond (Note 12)	528,062	(9,938)	11,254	**529,378**
2019 Bond (Note 12)	—	338,235	12,649	**350,884**
Total liabilities	815,385	95,693	33,580	**944,658**

	At 1 January 2018 €'000	Financing cash flows €'000	Non-cash items: Other changes €'000	At 31 December 2018 €'000
Loans and borrowings (Note 11)	200,000	(200,000)	—	—
Convertible bonds (Note 12)	276,638	(1,485)	12,170	287,323
Bond loan (Note 12)	—	523,417	4,645	528,062
Total liabilities	476,638	321,932	16,815	815,385

Note 15 – Related parties

The following transactions arose between the Company and its direct and indirect subsidiary undertakings:

	2019 €'000	2018 €'000
Revenue from Group companies		
Brighttech Investments S.A	**—**	1,020
TradeTech Holding Limited	**—**	2,684
	—	3,704
Interest income from Group companies		
Playtech Services (Cyprus) Limited	**26,432**	8,952
	26,432	8,952
Operating expenses incurred from Group companies		
PTVB Management Limited	**12,698**	15,155
PT (Jersey) Limited	**1,261**	1,409
PBS Germany Operations Gmbh	**41**	—
TradeTech Holding Ltd	**13**	—
	14,013	16,564

The Company also had outstanding balances due from and to direct and indirect subsidiaries at the reporting date. All balances are repayable on demand, with the exception to loans made during the current year to Playtech Services (Cyprus) Limited connected with the acquisition and refinancing of Snaitech SpA. These loans are repayable on or before 2 November 2025 and 5 June 2028. The balances summarised by maturity are included below:

	2019 €'000	2018 €'000
Receivables		
Due on demand	**490,801**	510,559
Due in over 5 years	**609,362**	612,930
	1,100,163	1,123,489
Payables		
Due on demand	**280,324**	302,617

Note 16 – Financial instruments and risk management

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

- Credit risk
- Liquidity risk
- Market risk

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

(i) Principal financial instruments of the Company, from which financial instrument risks arises, are as follows:

- Intercompany receivables
- Other receivables
- Cash and cash equivalents
- Trade and other payables
- Bonds

(ii) Financial instrument by category

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

		Carrying amount	
	Measurement Category	**2019 €'000**	2018 €'000
Non-current financial assets			
Intercompany receivables	Amortised cost	**609,362**	612,930
Current financial assets			
Intercompany receivables	Amortised cost	**490,801**	510,559
Other receivables	Amortised cost	**3,075**	36,084
Cash and cash equivalents	Amortised cost	**1,781**	18,026
Non-current liabilities			
Bonds	Amortised cost	**871,190**	523,706
Loans and borrowings	Amortised cost	**64,396**	—
Current liabilities			
Bonds	Amortised cost	**—**	287,149
Trade payables	Amortised cost	**3,309**	9,680
Intercompany payables	Amortised cost	**280,324**	302,617

The Board has overall responsibility for the determination of the Company'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 Company'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 Company's competitiveness and flexibility.

Further details regarding these policies are set out below:

A. Credit risk

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

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

Cash and cash equivalents

Wherever possible and commercially practical the Company invests cash with major financial institutions that have a rating of at least A- as defined by Standard & Poor's.

	Total €'000	Financial institutions with A- and above rating €'000	Financial institutions below A- rating and no rating €'000
At 31 December 2019	**1,781**	**1,781**	**—**
At 31 December 2018	18,026	18,026	—

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Note 16 – Financial instruments and risk management continued

A. Credit risk continued

Intercompany receivables

The management has assessed its receivables from Company companies using a forward-looking expected credit loss model. The methodology used in determining the amount of provision as at the reporting date is that of lifetime expected credit losses which is defined as a credit loss estimate of the present value of cash shortfalls over the expected life of the financial assets (receivables from Group companies). The expected credit loss amount as at the reporting date was calculated to be €5.2 million (2018: €nil).

B. Liquidity risk

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

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

	Total €'000	Within 1 year €'000	1–5 years €'000	More than 5 years €'000
2019				
Trade payables	3,309	3,309	—	—
Intercompany payables	280,324	280,324	—	—
Other payables	28,420	28,420	—	—
Loans and borrowings	64,396	—	—	64,396
Bonds	871,190	—	525,021	346,169
	1,247,639	**312,053**	**525,021**	**410,565**
2018				
Trade payables	9,680	9,680	—	—
Intercompany payables	302,617	302,617	—	—
Other payables	27,107	27,107	—	—
Bonds	810,855	287,149	—	523,706
	1,150,259	626,553	—	523,706

As disclosed in Note 11, the Company has a revolving credit facility (RCF) that contains financial covenant. Under the agreement, the covenant is monitored on a regular basis by the finance department and regularly reported to management to ensure compliance to the agreement.

C. Market risk

Market risk changes in line with fluctuations in market prices, such as foreign exchange rates, interest rates and equities prices, will affect the Company'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 optimising the return.

Five-year summary

	2019 €'000	2018 €'000 Restated*	2017 €'000	2016 €'000	2015 €'000
Income statement					
Total revenues from continuing operations	**1,508.4**	1,225.3	807.1	708.6	630.1
Adjusted EBITDA from continuing operations	**383.1**	345.1	322.1	302.2	251.9
Adjusted net profit from continuing operations	**133.0**	259.8	231.4	202.6	205.9
Balance sheet					
Non-current assets	**2,055.4**	2,101.2	1,569.8	1,383.7	1,111.9
Current assets	**1,005.5**	992.5	784.4	692.5	960.3
Assets classified as held for sale	**36.8**	—	—	—	—
Current liabilities	**773.6**	1,017.6	547.9	260.2	195.3
Non-current liabilities	**1,098.3**	725.6	447.9	716.3	616.2
Liabilities directly associated with assets classified as held for sale	**3.6**	—			
Net assets	**1,222.2**	1,350.5	1,358.5	1,099.7	1,260.7
Equity					
Additional paid in capital	**601.0**	627.8	627.8	627.8	638.2
Available-for-sale reserve	**—**	—	103.2	(51.1)	2
Reserve for re-measurement of employee termination indemnities	**(0.3)**	0.1	—	—	—
Employee benefit trust	**(16.2)**	(17.9)	(21.6)	(25.4)	(27.5)
Convertible bonds option reserve	**—**	45.4	45.4	45.4	45.4
Put/Call options reserve	**(16.4)**	(30.8)	(31.3)	(34.3)	—
Foreign exchange reserve	**(1.4)**	(8.2)	(28.7)	16.8	3.3
Retained earnings	**659.8**	726.3	649.5	498.8	592.1
Non-controlling interest	**(4.3)**	7.8	14.2	21.7	7.3
Statistics					
Basic adjusted EPS (in Euro cents) from continuing operations	**44.1**	82.4	73.6	65.1	67.5
Diluted adjusted EPS (in Euro cents) from continuing operations	**43.2**	73.9	66.8	59.8	67.4
Ordinary dividend per share (in Euro cents)	**18.1**	24.1	36.0	32.7	28.5
Share price low/high	**360.5p/457.7p**	370.0p/882.2p	768p/1,006.0p	710.5p/946.5p	636p/924p

* Information for 2018 has been re-presented due to discontinued operations, see note 8 of the financial statements. 2017 and prior periods have not been restated for discontinued operations.

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