Playtech plc

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

Excellent FY 2022 performance; well placed for FY 2023

Playtech (LSE: PTEC), the leading platform, content and services provider in the online gambling industry, today announces its final results for the year ended 31 December 2022.

Financial summary (continuing operations)[1]

	FY 2022	FY 2021	Change (reported)	Change (const. currency)[4]
Revenue	€1,601.8m	€1,205.4m	33%	31%
Adjusted EBITDA[2]	€405.6m	€317.1m	28%	22%
Adjusted post-tax profit[3]	€160.5m	€127.6m	26%	4%
Reported post-tax profit[3]	€40.6m	€686.7m	-94%	-96%
Adjusted diluted EPS	51.5 €c	40.9 €c	26%	4%
Reported diluted EPS	13.0 €c	220.1 €c	-94%	-96%

Summary

- Excellent FY 2022 driven by continued strength in regulated B2B markets, and Snaitech.
- Record Adjusted EBITDA of €405.6 million, up 28% vs. 2021.
- Landmark agreement signed with Hard Rock Digital in Q1 2023, accelerating the US strategy and providing growth opportunities globally.
- Ahead of its B2B investor event later today, Playtech is pleased to announce a new medium term Adjusted EBITDA target for B2B of €200 – 250 million.
- Strong start to 2023 in spite of the broader macroeconomic and geopolitical uncertainty.

Divisional highlights

B2B Gambling

- Very strong growth within regulated markets helped to deliver total B2B revenue of €632.4 million in 2022, growing 14% (+11% at constant currency).
- B2B Adjusted EBITDA was €160.2 million compared to €139.2 million in 2021, achieved against the backdrop of the war in Ukraine where we employ over 700 colleagues (c.10% of our workforce).
- Europe ex-UK grew 31% at constant currency to €184.6 million driven primarily by Netherlands with strong contributions from Poland, Spain and Ireland.
- Americas continued to perform well with revenues of €144.7 million and 27% constant currency revenue growth. Caliente in Mexico remained a key driver of strong revenue growth while the Brazil market also performed very well in 2022 and offers significant opportunity going forward, as this market moves towards regulation.
- Significant progress made executing the US strategy:
    - Landmark agreement signed with Hard Rock Digital in early 2023.
    - Launched the IMS platform with Parx Casino in Pennsylvania, involving a complex migration off a competitor's platform.
    - Signed several new deals including Golden Nugget, WynnBET, Resorts and 888 which are expected to go live in the coming months.
    - Licences granted in Pennsylvania and Colorado in 2022. Ohio and Maryland licences granted in early 2023. Now licensed in 9 states with further applications progressing.
- Launched with NorthStar in recently regulated Ontario, Canada in early 2022; recently announced an extension of the relationship and a strategic investment in NorthStar to ensure we are well positioned to benefit from the attractive Canadian market.
- Live Casino continued to see good revenue growth; strategically important facility opened in Peru in H1 that will help continue to drive future growth in the region.

- The higher margin SaaS offering continues to gain traction with over 100 further brands added in 2022, bringing the total to over 350.
- Asia revenue declined 18% (-21% at constant currency) due to competitive pressures and the impact of lockdowns in parts of the region in the period, while the Company incurred a bad debt provision of €15.4 million due to collection delays, recognised in H1.

B2C Gambling

- Total B2C revenue (including Snaitech and white-label) grew 48% year on year to €983.1 million (2021: €663.7 million). Adjusted EBITDA was €245.4 million compared to €177.9 million in 2021.
- Snaitech Adjusted EBITDA grew 39% to €254.2 million (2021: €182.6 million) driven by retail sites reopening at the end of June 2021 post-pandemic.
- Snaitech's online business performed ahead of expectations with revenue growth of +2% versus 2021, despite the reopening of retail sites. The second half saw revenue growth of +10% v H2 2021, as Playtech continues to leverage the structural shift to online. Adjusted EBITDA margins remained high at 56% in 2022 versus 59% in 2021.
- Snaitech maintained its number one position by brand across retail and online sports betting in Italy in 2022.
- HAPPYBET, now integrated into Snaitech's operations, remained loss-making, with EBITDA of €-10.8 million (FY21: €-11.4 million) but strategic and operational measures have been taken such as upgrading HAPPYBET's technology infrastructure.
- Sun Bingo White Label saw 5% revenue growth to €65.3 million while Adjusted EBITDA fell to €2.0 million (2021: €6.7 million). Reported EBITDA includes a €10.4 million charge in H1 to terminate an onerous contract. The termination of the agreement will positively impact the profitability of the business going forward.

Financial and corporate highlights

- Strong cash generation in 2022, with adjusted operating cashflow[5] of €397 million.
- October 2023 bond partly repaid generating significant cash interest savings; additional refinancing options being considered for remaining €200 million October 2023 bond.
- Sale of Finalto for cash consideration of $228.1 million was completed in July 2022 with a profit on disposal of €15.1 million, marking a significant step in Playtech's stated strategic objective to simplify the Group.
- Disposal of 100% of Statscore to LSports, and simultaneously acquiring a 30.89% stake in LSports, a provider of data to sportsbooks and media companies to increase our footprint in the growing sports data market.
- In 2023, Playtech announced an equity investment in NorthStar, the proceeds of which will be used to accelerate the growth of NorthStar's footprint across Ontario and future regulated markets across Canada.
- Landmark agreement signed with Hard Rock Digital in early 2023. As part of the agreement, Playtech has also invested $85 million (c.€80 million) in exchange for a low single digit % minority equity ownership stake.
- Reported profit of €40.6 million (2021: €686.7 million). Prior year included a significant gain on equity call options embedded in the Company's agreements in the Americas.

Current trading and outlook

- The macroeconomic outlook remains uncertain given geopolitical and inflationary pressures.
- Despite this, Playtech has had a strong start to 2023, driven by Snaitech and Caliente and highlighting the resilience of Playtech's increasingly diversified portfolio.
- Playtech has announced a new medium term Adjusted EBITDA target for B2B of €200 - 250 million.
- Snaitech medium term Adjusted EBITDA guidance maintained at €300 - 350 million.
- Strength of balance sheet further improved by strong gash generation and proceeds from sale of Finalto; financial position gives flexibility for future shareholder distributions and M&A.
- Given the strong performance in 2022, and momentum within the business, the Board remains confident in Playtech's ability to execute on growth opportunities across both B2B and B2C divisions.

Mor Weizer, CEO, commented:

"2022 was a year of considerable strength for Playtech, in which we delivered record revenues and EBITDA, ahead of market expectations. All parts of the business contributed to this performance, with B2B powered by Europe (ex-UK) and the Americas, and B2C's impressive performance underpinned by Snaitech's continued strength in the Italian market in both retail and online.

"Strategically we have also continued to deliver, executing the successful sale of Finalto continuing our simplification strategy, and making great progress in North America with the launch of the IMS platform with Parx Casino in Pennsylvania and having signed several significant new deals including Golden Nugget, WynnBET, Resorts and 888.

"We have started the new financial year well and announced the signing of the landmark transaction with Hard Rock Digital, and in spite of the continued macro-economic and political uncertainty, remain confident in our future prospects, as well as our ability to deliver value to all our stakeholders in a sustainable and responsible way. I would like to take this opportunity to thank my colleagues and partners for their continued dedication and support. In particular, I'd like to acknowledge the bravery of our colleagues in the Ukraine and praise the work of our crisis management team, who have worked tirelessly to support our Ukrainian colleagues and their families."

– Ends –

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[1]Totals in tables throughout this statement may not exactly equal the components of the total due to rounding.
[2]Adjusted numbers relate to certain non-cash and one-off items, as well as material reorganisation and acquisition-related costs. The Board of Directors believes that the adjusted results more closely represent the consistent trading performance of the business. A full reconciliation between the actual and adjusted results is provided in Note 10.
[3]Adjusted Profit refers to post-tax Profit from continuing operations attributable to the owners of the Company after the relevant adjustments as detailed above. Reported Profit refers to post-tax Profit from continuing operations attributable to the owners of the Company before adjustments.
[4]Constant currency numbers exclude the exchange rate impact on the results by using previous period relevant exchange rate and exclude the total cost/income of exchange rate differences recognised in the period.
[5] Adjusted operating cash flow refers to net cash provided by operating activities from continuing operations after adjusting for change in jackpot balances, client deposits, professional fees and ADM security deposit.

Conference call and presentation

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

https://www.investis-live.com/playtech/6411733233aa1a12000ef0a9/ngfsw

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

United Kingdom (Local): +44 20 3936 2999
United Kingdom (Toll-Free): +44 808 189 0158
Global Dial-In Numbers
Access Code: 125238

The presentation slides will be available today from 8.30am at:

http://www.investors.playtech.com/results-centre/presentations/2022.aspx

A B2B Investor Event will be held today at 10.30am via a live audio webcast accessible using this link:

https://www.investis-live.com/playtech/6411c9e74aa86d150020ab23/tyen

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

United Kingdom (Local): +44 20 3936 2999
United Kingdom (Toll-Free): +44 808 189 0158
Global Dial-In Numbers
Access Code: 054134

The presentation slides will be available today from 10am at:

http://www.investors.playtech.com/results-centre/presentations/2022.aspx

Forward looking statements

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

Any forward-looking statements in this announcement reflect Playtech's view with respect to future events as at the date of this announcement. Save as required by law or by the Listing Rules of the UK Listing Authority, Playtech undertakes no obligation to publicly revise any forward-looking statements in this announcement following any change in its expectations or to reflect events or circumstances after the date of this announcement.

About Playtech

Founded in 1999 and premium listed on the Main Market of the London Stock Exchange, Playtech is a technology leader in the gambling and financial trading industries with over 7,000 employees across 20 countries.

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

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

Chairman's statement

I am delighted to report another highly successful year for Playtech, albeit one in which we had to contend with a challenging economic backdrop and significant disruption from the war in Ukraine.

Despite these circumstances, we delivered strong growth and made significant progress against our strategy. This underlines both the resilience of our business model as well as the ability, commitment and dedication shown across all levels of the business.

I would like to thank my Board colleagues, the Executive Management and the wider team, together with our advisers, who have worked tirelessly to deliver these excellent financial, operational and strategic results against a challenging backdrop. Their efforts have been the foundation of our success this year.

Strong progress from all corners of the business

Playtech made significant progress throughout 2022 across both the B2B and B2C businesses, further diversifying its portfolio and positioning the Group to capitalise on the exciting opportunities ahead:

- In the US, Playtech expanded its footprint with Parx, launching its IMS platform in Pennsylvania. In early 2023, Playtech also signed a landmark agreement with Hard Rock Digital that accelerates our US strategy and provides significant growth opportunities globally.
- Good progress was made in Canada, with Playtech signing an agreement with NorthStar to launch a broad suite of products in this newly regulated market, along with extending the relationship further and taking an equity investment in NorthStar in early 2023, incorporating elements of the strategic agreement model employed successfully in other markets.
- In Latin America, Playtech's presence continues to go from strength to strength, with existing agreements in Mexico and Colombia seeing excellent growth in the period. Playtech is ideally positioned to benefit from growth in the soon to be regulated Brazil market. Playtech opened a new Live Casino facility in Peru as it continues to expand its presence across the region.
- Snaitech has continued to exceed expectations with the online segment proving resilient despite the reopening of retail sites, while it also maintained its number one position by brand across retail and online sports betting in Italy. Fabio Schiavolin, CEO of Snaitech, discussed the opportunity for the business at an investor event hosted in September 2022.

Corporate Activity

The impressive performance delivered in 2022 is all the more notable given the intensity of the corporate activity that Playtech has been involved in. Taken together, this activity shone a spotlight on the quality of Playtech's strategy, operations, technology, and people, whose commitment and expertise continue to drive Playtech from strength to strength.

Offer and further approach for Playtech

In October 2021, the Board recommended an all-cash offer from Aristocrat at a 58% premium to the prevailing share price. Ultimately, at the Court and General Meetings held on 2 February 2022, Aristocrat's proposal did not achieve the requisite 75% level of shareholder approval needed for its offer to progress.

Shortly after Aristocrat's proposal lapsed, Playtech received an approach by an investor group formed and advised by TTB Partners Limited. On 14 July 2022, TTB Partners advised that it did not intend to make an offer for the Company due to challenging underlying market conditions.

Finalto Sale Completed

We were delighted to complete the sale of Finalto in July 2022. This represented a significant step in our stated strategy to simplify the Group and focus our efforts on the high-growth B2B and B2C gambling markets.

Board changes

As our Company evolves, so too does its Board. After five years as Chief Financial Officer (CFO), Andrew Smith stepped down from the Board in November 2022. Andrew contributed significantly to Playtech's strategy and helped guide the business through a period of substantial transformation. We wish him all the best in his future endeavours.

It's a testament to the succession planning work of the Nomination Committee and the Board that we've had such a seamless transition with Chris McGinnis becoming our new CFO. Chris has done a superb job as Deputy CFO and Director of Investor Relations, and I believe that his deep knowledge of Playtech will be invaluable in the years ahead.

Since the start of the new year, we have also welcomed Samy Reeb to the Board as a Non-Executive Director. We are already reaping the benefits of his broad skillset and extensive experience of working with global businesses.

One of my highest priorities when joining Playtech was to address the balance of the Board. While we have made good progress towards improving the Board's gender diversity, there is still work to be done and we are actively focused on taking further steps towards meeting our ambition of having a more diverse Board.

Sustainability

Following an intense period of corporate activity last year, we enter 2023 with a renewed focus on issues around the environment, sustainability, and our wider contribution to communities and society. Our Sustainable Success strategy is central to this and sets out an ambitious plan for how we intend to bring the principles of sustainability and responsible business into everything we do.

Despite the competing priorities of a busy year, our newly formed Sustainability and Public Policy Board Committee met regularly to review, monitor and advise on Playtech's sustainability, responsible business and public policy matters. The Committee also ensures the continued effectiveness of Playtech's ESG strategy, ensuring that we remain truly forward looking and progressive in our plans.

Ukraine/People

The backdrop of the war in Ukraine has put a significant strain on our people and on the communities in which we operate. While we took quick and decisive action to minimise disruption to our business, we are mindful that our colleagues and their families who remain in Ukraine continue to face very real and dangerous challenges every day as the war continues. I'm proud of the response from our people who have maintained contact with those colleagues in Ukraine, assisted with relocation efforts and provided emergency supplies. We remain committed to doing everything we can to ensure their safety during these difficult times.

Our people are our greatest asset and I want to thank everyone for their hard work in helping us to navigate the challenges of the past year and deliver such a strong set of results.

Looking forward

Whilst we anticipate many of the challenges faced last year to continue into 2023, I am confident that Playtech's clear and proven strategy across both the B2B and B2C divisions positions us well to build on our progress and deliver another outstanding performance in the year ahead.

Chief Executive Officer's Review

Overview

Playtech made excellent progress on its strategic priorities throughout 2022, with growth in both the B2B and B2C businesses. As a result, the Group enters 2023 well-positioned to execute on compelling market opportunities across both B2B and B2C.

Playtech's B2B Gambling business remains focused on opportunities in regulated or soon to be regulated markets. The Group continues to target high-growth markets including the US, Latin America and certain parts of Europe. In addition to growing in the attractive Live market, Playtech continues to expand its portfolio of strategic agreements. These helped the B2B segment to deliver revenue growth of 14% (+11% on a constant currency basis) in 2022. At the profit level, B2B Adjusted EBITDA grew a healthy 15% to €160.2 million in 2022 compared to €139.2 million in 2021.

In the US & Canada, Playtech made great strides to establish itself as one of the key players in this market. The long-term opportunity across Playtech's full product suite remains significant. In early 2023, a landmark agreement was signed with Hard Rock Digital to provide Casino and Live, amongst other content, in North America, accelerating our US strategy. In addition, having signed with Parx Casino in 2021 in the US, Playtech grew its footprint with Parx by launching its IMS platform in Pennsylvania and entered Ohio and Maryland in 2023.

Playtech also signed several new deals in the period, including Golden Nugget (for Casino and Live in New Jersey and Michigan), WynnBET (multi-state deal to launch Live and Casino), while 888 and Resorts Digital Gaming (both signed up for Casino and Live in New Jersey). Good progress was also made in Canada where Ontario became the first province in Canada to regulate online gambling. This has continued into 2023 with Playtech announcing in February that it has taken an equity investment in NorthStar and extended the scope of its relationship.

Playtech's presence in Latin America continues to go from strength to strength as existing agreements with Caliente in Mexico and Wplay in Colombia continue to perform well. Playtech also opened a new Live Casino facility in Peru as it continues to extend its presence across the region. Looking ahead, the Company is looking forward to growing our presence in the exciting, soon to be regulated Brazil market.

Playtech remains committed to diversifying its B2B division by bringing on new brands and licensees. As well as making progress with new strategic agreements and joint ventures, Playtech also maintained its track record of attracting new brands to its SaaS offering. Playtech launched over 100 brands in the period, with more than 350 new brands now live since launching the SaaS offering back in 2019.

Playtech's B2C Gambling business, Snaitech, recorded another remarkable performance as revenue grew 54% compared to 2022. Adjusted EBITDA, meanwhile, was 39% higher than the previous year, benefitting from retail sites in Italy remaining open throughout the year as well as the strength of online. The online segment continues to see impressive growth, indicating that the addressable market has expanded post-pandemic. Snai maintained its number one market share position (retail and online combined measured by GGR) across Italian sports betting brands in 2022, cementing its reputation for consistent operational and brand strength, whilst also being a fast-growing player in Italy in the online sector when measured by GGR.

The sale of Finalto was completed in July 2022 for cash proceeds of $228.1 million resulting in a profit on disposal of €15.1 million and represents a significant step forward in the Group's strategy to simplify the Group, allowing it to focus on the high-growth B2B Gambling B2C Gambling markets.

Playtech's strong performance in 2022 was underpinned by the energy, enthusiasm and professionalism of the Company's employees. They are the lifeblood of the business and do an outstanding job supporting the Group's customers.

Supporting the Playtech family in Ukraine

It has been more than a year since Russia's invasion of Ukraine and unfortunately the conflict continues to have a devastating impact. While the Group's continuity plans mean that Playtech has experienced minimal disruption to its business activities, the 700 employees based in Ukraine remain front of mind. Playtech is committed to doing everything it can to ensure the safety of them and their families.

The Board and management team continue to be moved by the generosity and support that the Group's colleagues have demonstrated in maintaining contact with those who remain in Ukraine. Despite the other pressures facing the business last year – including significant corporate activity – they have constantly sought to do whatever they can to provide assistance in the form of ongoing communications, logistics and financial support.

B2B Gambling

Core B2B Gambling

Regulated markets

Playtech's B2B Gambling business remains focused on opportunities in regulated or soon to be regulated markets. The Group continues to target high-growth markets, including the US, Latin America and certain parts of Europe.

Regulated markets delivered revenue growth of 22% (+18% on constant currency basis) compared to FY 2021, driven by strong revenue growth from the Group's partners in Latin America, Holland Casino in the Netherlands as well as strong growth in other regulated markets such as Poland, Spain and Ireland.

The Americas

The Americas is at the centre of our strategy for Core B2B Gambling. The region maintained its impressive record of growth, with FY 2022 revenue up 43% (+27% at constant currency) compared to FY 2021. This was powered by strong growth from Caliente as well as increasing contributions from other customers including Parx in the US.

Accelerating the Group's presence in the US remains a key strategic priority for Playtech, as proven by the strides taken last year to capitalise on the favourable regulatory environment. Having signed a strategic agreement with Parx Casino in 2021, Playtech has been increasing its footprint with Parx and this is starting to translate into greater revenue contribution. In 2022, Parx launched its IMS platform in Pennsylvania, which involved a complex migration, and will serve as a useful blueprint for future deals. In addition, Playtech launched its IMS, Casino and POP products in New Jersey, while in 2023, the IMS was rolled out in Ohio and Maryland. Playtech now has a presence with Parx in Michigan, Pennsylvania, New Jersey, Ohio and Maryland. Further product launches in additional states with Parx are expected going forward. Pokerstars also launched the Casino product in New Jersey, while 888 launched Live Casino in Michigan in 2023.

Several new deals were also signed in the US, including Golden Nugget (Casino and Live in New Jersey and Michigan), Rush Street Interactive (multi-state deal for Casino), WynnBET (multi-state deal to launch Casino and Live), while 888 and Resorts Digital Gaming both signed up for Casino and Live in New Jersey.

In March 2023, Playtech signed a landmark agreement with Hard Rock Digital, the exclusive, global vehicle for online for Hard Rock International, to provide Casino and Live amongst other content, in North America. These products will also be supplied outside of North America in addition to the IMS and services including marketing and operations. As part of the agreement, Playtech has also invested €80 million in exchange for a low single digit % minority equity ownership stake, the proceeds of which will be used to help fund Hard Rock Digital continued global expansion.

Meanwhile, Playtech delivered several significant product launches across core markets. In the newly regulated Canadian province of Ontario, NorthStar launched multiple products. In addition, Bet365 and 888 both went live in Ontario with Casino and Live on the first day the market became regulated. Towards the end of 2022, Fanduel, Mansion and Casumo all launched the Casino and Live products.

In February 2023, Playtech announced an expansion of its partnership with NorthStar. Playtech has taken an equity investment in NorthStar. The proceeds of this investment will be used to accelerate the growth of NorthStar's footprint across Ontario and future regulated markets across Canada. The agreement also expands the scope of Playtech's offering to NorthStar to include operational and marketing services, in addition to the IMS platform, Casino, Live, Poker and Bingo solutions already launched.

Playtech delivered against its commitment to further expand its infrastructure in high-growth markets, such as the US. Having already opened Live studios in New Jersey and Michigan, another Live facility is under construction in Pennsylvania and is expected to open in 2023. Behind the Company's growing physical presence are an increasing number of employees focused on sales, operations and back-office functions, taking head count to more than 130 at the end of 2022.

Following the repeal of PASPA in 2018, each year that passes has seen a growing number of states approve legislation to legalise sports betting. While 2022 saw further progress, California was notable in voting to reject the legalisation of online sports betting and in-person sports betting at tribal casinos and private horse tracks. This may delay legislation in states that have yet to approve sports betting, but the expectation remains that these states will eventually look to approve legislation. In 2022, Playtech received licences for Pennsylvania, Colorado and Ohio with Maryland received in 2023, taking the total number of US states where Playtech has a licence to 9.

Online casino is allowed at the discretion of individual states. No new states have authorised Online casino in 2022, although there are several states where iGaming legislation is being considered.

Playtech's presence in Latin America continues to go from strength to strength with existing agreements with Caliente in Mexico and Wplay in Colombia continuing to perform well. Looking further ahead, Playtech is well-positioned to continue its growth and capitalise on other strategic agreements in Latin America in the years ahead.

Playtech also opened a new Live Casino facility in Peru, giving the Company a strong base from which to serve both its existing clients in Latin America and prospective clients in newly regulated markets in the region. Several customers, such as Wplay, bet365 and BetVictor, have launched tables in the new Live facility with demand proving strong so far. Given the success of legislation in markets like Colombia, Playtech anticipates continued favourable regulation and strong growth in the region in the years to come.

One example of this is in Brazil, where sports betting legislation has been passed and is expected to be implemented in the near future. Brazil is anticipated to be a significant market given the large population and love of sports. The Company has an exciting strategic agreement in place with Galerabet, with economics similar to its other arrangements in Latin America, in anticipation of regulation in this market.

Europe ex-UK

2022 B2B revenue growth in Europe ex-UK of 31% (+31% at constant currency) was driven by strong growth across several countries, including Netherlands, Spain, Poland and Ireland.

The move towards greater regulation in Europe continues to represent significant growth opportunities. The first full year of Playtech's new, expanded long-term strategic software and services agreement with Holland Casino has seen an impressive start. Playtech now supplies Holland Casino with a full turnkey multi-channel technology package, as well as certain ancillary services. The agreement includes the IMS platform, Sports betting, Online Casino, Live Casino, Poker and Bingo products, plus selected operational and marketing services. While growth rates moderated as the year went on, the partnership is continuing to see the benefits of its first mover advantage. It was a key driver of revenue growth in Europe in 2022, illustrating the significant growth opportunities of newly regulated markets. This agreement, as well as the launch of Casino and Poker with Bet365 and Unibet in the Netherlands in 2022, means Playtech is well positioned to capitalise on the newly regulated Netherlands market.

Elsewhere in Europe, the Company invested in its physical infrastructure by expanding its Live facility in Romania. The facility now also includes Blackjack and Poker studios, enabling Playtech to serve its customers with an even wider and more diverse suite of products. In terms of new customers, the Live business launched with, among others, Betsson in Italy and Pokerstars in Greece.

Playtech's Casino business made great progress opening up new territories with its existing customer base, such as Pokerstars and Betsson in Greece, Leo Vegas in Spain, Betway and 888 in Italy, Stoiximan in The Czech Republic, Betano in Bulgaria and Fortuna in Slovakia. This clearly demonstrates the scalability of Playtech's business model.

UK

The UK saw revenue decline 4% (-5% on a constant currency basis) compared to FY 2021, where the positive impact of the reopening of retail stores from mid-April 2021 was more than offset by a decline in revenue from Entain in addition to a slowdown in the online business caused by the uncertain regulatory climate.

The UK Government is currently undertaking a review into existing gambling laws in the UK. In response, several operators are taking pre-emptive measures such as stake limits and affordability checks in an attempt to show regulators that the industry is able to self-regulate.

In December 2020, the UK Government announced a call for evidence to review the existing gambling laws in the UK. Since the initial 16-week call for evidence, which ended on 31 March 2021, the Government has been assessing the evidence presented, alongside other data, with the aim of setting out conclusions and any proposals for reform in a White Paper. Playtech submitted data and evidence relating to the call and will support this wherever possible going forward. The White Paper was due to be published in 2022, but this has been delayed with media reports suggesting it is due to be published imminently.

Playtech remains committed to the UK market and will actively support its customers in implementing any necessary changes following the White Paper's expected publication. Playtech has been actively involved in discussions around safer game design and online advertising for some time. By using its technology and data to support its licensees in safer gambling, the Company is confident that it will remain the go-to platform for regulated markets including the UK.

Other unregulated (excl. Asia)

The Group's strategy to focus on both regulated and regulating markets includes unregulated markets which are expected to regulate in the near future. These are classified in the 'Unregulated excl. Asia' line within B2B Gambling. These unregulated markets (excluding Asia) were up 11% year on year (+10% at constant currency) versus 2021, primarily driven by very strong growth in Brazil, offset in part by a decline in Germany, which saw regulatory changes, and Netherlands moving to a regulated market in 2021.

In Canada, recent legislation means that single-game sports betting is now allowed at the discretion of individual provinces. Seven provinces, including the country's largest province, Ontario, began allowing bets to be placed on single-game sporting events. Since then, as of 4 April 2022, Ontario has become the first fully regulated online gambling market in Canada, with iGaming launched as well.

As other provinces across Canada introduce sports betting and iGaming, the market opportunity in North America will continue to grow. In line with the Company's strategy to target newly regulating markets, Playtech signed a strategic agreement with NorthStar Gaming in January 2022.

The Company also took steps to establish its presence in South Africa, a nascent but fast-growing market, which permits sports betting and Live casino. Towards the end of 2022, Playtech launched Casino and Live products with TsogoSun.

Unregulated Asia

Revenue from the Unregulated Asia business declined 18% (-21% on a constant currency basis) compared to 2021. The decline was largely the result of further lockdowns in China during the year. As it stands today, the Asia business is much more diversified in terms of both distributors as well as geographies compared to recent years. The Company incurred a bad debt provision of €15.4 million in H1 22 following continued collection delays in the region.

B2B – Product Developments

Playtech remains committed to diversifying its B2B Gambling division by bringing on new brands and licensees. As well as making progress with new strategic agreements and joint ventures, Playtech also maintained its track record of attracting new customers in both regulated and regulating markets to its SaaS offering. Playtech launched over 100 brands in the period, with more than 350 now live since the launch of its SaaS model in 2019.

In August 2022, Playtech launched new title The Walking Dead™ 2, taking advantage of the exclusive rights it acquired for Online Casino in 2021. A second title is planned to launch in 2023, with both expected to engage and retain a large audience. Alongside partnerships with major licenced brands, Playtech's Casino content strategy continues to focus on the development of original brand suites, known as Playtech power suites, with the likes of Age of the Gods™ and Fire Blaze™ producing some of Playtech's most popular slots. Leprechaun's Luck became Playtech's top-performing new game of 2022 and was shortlisted for Game of the Year in the 2022 EGR awards.

In terms of other notable product developments, the Live team launched Safari Riches Live, a live casino slot game created exclusively for 888. This marks a major milestone as it represents the first time a slot brand developed by 888 has been transformed into a bespoke live casino game. Elsewhere, the Live team also signed up the exclusive global rights to Jumanji, including for the US, and plans to launch a game in 2023. Other highlights include Everybody's Jackpot and The Greatest Card Show, which have both broken new ground technologically. Everybody's Jackpot features first of its kind "Unreal engine" Metaverse technology, while The Greatest Card Show's augmented reality and horizontal wheel – a Live sector first – makes it one of Playtech's most sophisticated games yet.

B2C Gambling

Playtech's B2C business consists of Snaitech (including HAPPYBET) and the White Label operations, which is primarily Sun Bingo. Overall B2C revenues grew 48% compared to FY 2021 at constant currency, while Adjusted EBITDA grew 38%.

Snaitech

Italy

Snaitech delivered another year of significant growth in FY 2022, with revenue up 54% compared to the prior year, while Adjusted EBITDA grew 39% versus FY 2021. This exceptional performance was primarily driven by the reopening of retail sites in Italy, which occurred at the end of June 2021 and have since remained open.

As a result, retail sales grew significantly in the period and are within 10% of pre-pandemic levels. This is a good performance given a small proportion of franchise retail shops closed permanently, some customers permanently transitioned to the online channel and new legislation - introduced in January 2020 – that requires customers to present ID card to enter retail shops. At the EBITDA level, the retail segment has now surpassed 2019 pre-pandemic levels on an absolute basis, while EBITDA margins are also higher than 2019 levels driven by an increasing proportion of revenue generated from the higher margin sports betting segment and a lower retail sports pay out in 2022 compared to 2019.

The online business grew 2% in 2022 versus 2021 despite retail shops being reopened in June 2021, suggesting a combination of a proportion of existing retail customers permanently shifting to online in conjunction with new customers being onboarded via the online channel. Adjusted EBITDA margins remained high at 56% in 2022 versus 59% in 2021.

As disclosed at the HY 2022 results last year, Snaitech has begun the formal sale process of La Maura Racetrack in Italy. €1 million was received on signing in July 2021, with the remaining €19 million expected to be received in instalments in 2024. We have now received €56 million from the sale of 'non-core' land since the acquisition of Snaitech in 2018.

Snai maintained its number one market share position (retail and online combined measured by GGR) across Italian sports betting brands in 2022, cementing its reputation for consistent operational and brand strength, whilst also being one of the fastest growing players in Italy in the online sector when measured by GGR.

Finally, the 2023 budget law postponed the expiration of all concessions such that all licenses in Italy, including online and retail, have been extended until December 2024 at a total cost of €24 million in 2023 and €34 million in 2024. Beyond 2024, talks are continuing to find an agreement with local authorities on a common and homogeneous set of rules.

Germany & Austria

HAPPYBET (now reported as part of Snaitech) saw revenue growth of 10% in 2022 compared to 2021. This was primarily driven by the reopening of retail sites and early progress after the Snaitech management team took control of HAPPYBET's operations. The business remains loss making with EBITDA of €-10.8 million in 2022 (2021: €-11.4 million), but strategic and operational measures have been taken.

In 2022, the team at Snaitech have already made good progress upgrading HAPPYBET's technology infrastructure, enhancement of the product and services offering, deployment of new marketing strategies and activities to increase brand awareness and realising costs synergies between HAPPYBET and Snaitech. This will in time drive the performance of both retail and online. Germany's Interstate Treaty regulated online slots, online poker and sports betting. Playtech has been awarded one of the few available online sports betting licenses in Germany through HAPPYBET and has already launched an online offering. With structural growth drivers and a turnaround strategy being implemented by a strong management team, the Group is confident of its prospects going forward.

Sun Bingo White Label

Sun Bingo White Label saw 5% revenue growth to €65.3 million (2021: €61.9 million) while Adjusted EBITDA was €2.0 million, down from €6.7 million in 2021. As disclosed at H1 2022 results, reported EBITDA includes a €10.4 million payment to terminate an onerous contract with a former service provider. The termination of the agreement has positively impacted the profitability of the business.

Safer gambling and sustainability

As a technology leader in the gambling sector, we are committed to growing our business sustainably and in a way that builds long term value for our stakeholders. To meet this ambition we have set out a five-year strategy that sets out a roadmap that moves us towards fully integrating sustainability and responsible business into our culture, strategy and operations.

As I reflect on our sustainability journey over this past year, I am most proud of our efforts to safeguard and support our Ukrainian colleagues and their families. The strength and character shown by our people is truly humbling and inspiring. As the war continues, we remain steadfast in our support to our affected colleagues and their families - continuing to assist them in confronting the ongoing challenges they face in whatever way we can, as well as providing ongoing humanitarian aid across the country.

I am also pleased that we have continued to make progress in all areas relating to sustainability including safer gambling, diversity and climate change. We have taken significant steps to strengthen sustainability governance and accountability, as well as further enhancing our commitments on climate change and gender diversity. Highlights include:

- Strengthening governance with frequent engagement with the Board Sustainability and Public Policy Committee in addition to engagement with our external stakeholder advisory panel.
- Enhancing accountability by extending the application of sustainability-linked remuneration to executive management and selected leaders, focusing on delivery around safer gambling, reducing our environmental impact and diversity and inclusion.
- Expanding our engagement and partnership with our licensees and other partners on safer gambling technology solutions through Playtech Protect whilst also advocating for strong safer gambling policy and standards across regulated and emerging markets.
- Progressing towards our aspiration for workplace equality with female representation within our leadership population increasing to 26%.
- Reinforcing our commitment to contribute to a low carbon future with a significant shift to renewable energy and a formal commitment to the Science Based Target Initiative (SBTi) to set both near-term and net zero targets.

As we look to 2023, we will focus on further embedding sustainability into our culture and key decision-making processes.

Corporate activity

Completion of Finalto sale

Having completed the sale of Finalto to Gopher Investments in July 2022, Playtech has taken a significant step towards simplifying the Group and to focus on its technology-led offering as a pureplay business in the high-growth B2B and B2C gambling markets. The sale was agreed for an enterprise value of $250 million, although this amount was reduced to $228.1 million based on the performance of Finalto from 1 January 2021 to completion. Completion of the transaction also triggered payment of a break fee of $8.8 million which Playtech is required to pay to the Consortium that had previously agreed to acquire Finalto, while profit on disposal of Finalto amounted to €15.1 million. The sale proceeds were partly used to repay the outstanding balance on Playtech's revolving credit facility with the remainder of proceeds used for general corporate purposes.

Chief Financial Officer's Review[1]

Overview

Group performance

Overall, Playtech had an excellent 2022, with Adjusted EBITDA of €405.6 million (2021: €317.1 million), an increase of 28% (22% on a constant currency basis) compared to 2021. Similarly, reported EBITDA increased by €91.2 million to €372.5 million (2021: €281.3 million). Total reported revenue from continuing operations was €1,601.8 million (2021: €1,205.4 million), representing a 33% increase (31% on a constant currency basis) compared to 2021. The excellent overall results in 2022 were driven by continued strength in the Group's online businesses as well as retail reopening following pandemic-related closures in parts of 2021 in many of the Group's markets.

The strong performance was driven by both the B2C and B2B divisions. In B2C, Snaitech had an excellent 2022 performance as the strong results in its online business continued and its retail shops were open for the entirety of 2022, following the pandemic related closures for most of H1 2021. This led to B2C Adjusted EBITDA of €245.4 million, an increase of 38% compared to 2021.

In B2B, the results were driven by strong growth in regulated markets, with revenues growing by 22% from €378.7 million to €461.6 million (18% on a constant currency basis), led by Caliente in the Americas and Holland Casino in Europe, validating the strategy of focusing on opportunities in regulated and soon to be regulated markets.

Reported and Adjusted Profit

Adjusted profit before tax from continuing operations increased by 79% to €215.4 million (2021: €120.4 million), driven by the rise in Adjusted EBITDA, decrease in depreciation and amortisation and increase in finance income due to favourable EUR/USD FX movements.

Reported profit before tax from continuing operations decreased to €95.6 million (2021: €605.0 million), mainly due to the €583.2 million of unrealised fair value gains on derivative financial assets recognised in the prior year with the current year fair value gain being only €6.0 million.

This led to a total post-tax reported profit from continuing operations of €40.6 million (2021: €686.7 million).

Balance sheet, liquidity and financing

The Group continues to maintain a strong balance sheet with Adjusted gross cash, which excludes the cash held on behalf of clients, progressive jackpots and security deposits, of €272.4 million as at 31 December 2022 (31 December 2021: €434.3 million). The decrease is a result of fully paying down the outstanding Revolving Credit Facility (RCF) balance of €166.1 million in July 2022, as well as the €330.0 million part repayment of the 2018 Bond, offset by the €223.9 million cash consideration received on the disposal of Finalto and the positive cash generation due to the performance of the Group during the year. The Group now has a reduced leverage position with net debt decreasing by €332.6 million to €275.2 million as at 31 December 2022 (31 December 2021: €607.8 million). Net debt / Adjusted EBITDA was 0.7x as at the year end, a significant improvement to the ratio at 31 December 2021 of 1.9x.

Finalto sale

The sale of the Finalto division to Gopher Investments completed in July 2022. The final cash proceeds from the disposal were $228.1 million (€223.9 million), which includes an enterprise value of US$250 million offset by a completion accounts adjustment.

Playtech used part of these proceeds to repay its RCF in full in July 2022 with the remainder used for general corporate purposes.

Group Summary (continuing operations)[3]

	2022 €'m	2021 €'m
B2B Gambling	632.4	554.3
B2C Gambling	983.1	663.7
Intercompany	(13.7)	(12.6)
Total Group Revenue from continuing operations	**1,601.8**	**1,205.4**
Adjusted costs	(1,196.2)	(888.3)
Adjusted EBITDA from continuing operations	**405.6**	**317.1**

Reconciliation from EBITDA to Adjusted EBITDA:		
EBITDA	**372.5**	**281.3**
Employee stock option expenses	8.0	13.1
Professional fees	15.7	14.4
Fair value change of redemption liability	(4.3)	1.3
Ukraine employee support costs	3.3	-
Onerous contract	10.4	-
Provision for other receivables	-	1.2
Charitable donation	-	3.5
Settlement of legal matter	-	2.3
Adjusted EBITDA	**405.6**	**317.1**
Adjusted EBITDA margin	**25%**	**26%**

Overall, the Group's total revenue from continuing operations increased by 33% to €1,601.8 million (2021: €1,205.4 million), mostly driven by retail reopening following COVID-19 related restrictions which impacted H1 2021 in many of the Company's main markets, including Italy, as well as its continued growth in regulated B2B markets.

In B2B, revenue increased by 14% from €554.3 million in 2021 to €632.4 million in 2022, driven by Mexico, where Caliente continued its strong growth, as well as increases seen in other countries such as the Netherlands, Poland and Brazil, partly offset by a decrease in the UK and Asia.

The Group's total reported revenues from its B2C operations increased by 48% to €983.1 million (2021: €663.7 million). Snaitech had an excellent performance as the strong results in its online business continued and its retail shops were open for the entirety of 2022, following the pandemic-related closures for most of H1 2021.

The Group's Adjusted EBITDA from continuing operations increased to €405.6 million (2021: €317.1 million), representing a 28% and 22% increase on an actual and constant currency basis, respectively. Adjusted EBITDA margin decreased by only 90bps in 2022 versus 2021 due to a change in channel mix, with the return of the lower margin retail segment for the full year 2022, versus closures during the first half of 2021 due to COVID-19, as well as increased bad debt provision in the B2B business in Asia, recognised in H1 2022.

The Group's total reported EBITDA increased by 32% to €372.5 million (2021: €281.3 million). The adjusted items between reported and Adjusted EBITDA are explained in Note 10 of the financial statements.

Divisional performance

B2B Gambling

B2B Gambling Revenue

	2022 €'m	2021 €'m	Change %	Constant currency %
Regulated – Americas	144.7	101.3	43%	27%

Regulated – Europe (excluding UK)	184.6	141.4	31%	31%
Regulated – UK	126.7	132.1	-4%	-5%
Regulated – Rest of the World	5.6	3.9	44%	44%
Total Regulated B2B revenue	**461.6**	**378.7**	**22%**	**18%**
Unregulated excluding Asia	103.6	93.7	11%	10%
Total Core B2B revenue	**565.2**	**472.4**	**20%**	**16%**
Asia	67.2	81.9	-18%	-21%
Total B2B Gambling revenue	**632.4**	**554.3**	**14%**	**11%**

Overall, B2B Gambling revenues increased by 14% (11% on a constant currency basis), largely due to an increase in the regulated B2B business.

Core B2B Gambling revenues[2] increased by 20%, driven by an increase in regulated markets in the Americas and Europe (excluding the UK), as well as unregulated markets (excluding Asia) of 43%, 31% and 11% respectively (27%, 31% and 10% respectively on a constant currency basis). This was offset by a 4% decrease in revenues from UK (5% on a constant currency basis), and an 18% (21% on constant currency basis) decline in revenues from Asia.

The increase in the Americas was primarily driven by Mexico, due to revenue growth from Caliente while in Europe (excluding the UK) the growth was driven by the Netherlands, Poland, Spain and Ireland. The increase in the Netherlands was driven by the expanded long-term strategic software and services agreement with Holland Casino, which successfully launched in October 2021. In unregulated markets excluding Asia, the increase was driven by very strong growth in Brazil, offset in part by a decline in Germany, which saw regulatory changes during the year, and the Netherlands moving to a regulated market. Asia revenue decreased mainly due to the lockdowns in China and other parts of Asia in the period, whereas in the UK our partnership with Entain continues to reduce in scope.

B2B Gambling Costs

	2022 €'m	**2021 €'m**	**Change %**
Research and Development	87.5	78.2	12%
General and Administrative	82.6	67.2	23%
Sales and Marketing	16.8	13.5	24%
Operations	285.3	256.2	11%
Total B2B Costs	**472.2**	**415.1**	**14%**

Total B2B Revenue and Costs			
B2B revenue	**632.4**	**554.3**	**14%**
B2B Costs	**(472.2)**	**(415.1)**	**14%**
Total B2B Adjusted EBITDA	**160.2**	**139.2**	**15%**
Margin	**25%**	**25%**	

Research and Development ("R&D") costs include, among others, employee-related costs and proportional office expenses. Expensed R&D costs increased by 12% to €87.5 million (2021: €78.2 million), driven by the increase in employee-related costs. Capitalised development costs were 39% of total B2B R&D costs in 2022, which is in line with the prior year.

General and Administrative costs include employee-related costs, proportion of office expenses, consulting and legal fees, and corporate costs such as audit and tax fees and listing expenses. These costs increased by 23% to €82.6

million (2021: €67.2 million), due to a new bonus scheme provision for employee retention, increase in consulting fees and post COVID-19 costs.

Sales and Marketing costs increased by 24% to €16.8 million (2021: €13.5 million), mainly due to increased marketing activity following the end of the COVID-19 crisis as well as higher bonus provisions.

Operations costs include costs relating to infrastructure and other operational projects, IT and security and general day-to-day operational costs, including employee and office-apportioned costs and branded content fees. These costs increased by 11% to €285.3 million (2021: €256.2 million), driven mainly by an increase in employee related costs relating to live operations and the provision of additional B2B services, mainly under the Group’s structured agreement arrangements, as well as sport hardware costs.

B2B Adjusted EBITDA

Total B2B Adjusted EBITDA increased by 15% to €160.2 million (2021: €139.2 million), while EBITDA margin remained steady at 25% (2021: 25%). The B2B Adjusted EBITDA in the period was impacted by the €15.4 million doubtful debt provision in Asia recognized in H1 2022 (2021: €7.5 million), which was offset by the increase in performance from Brazil and Mexico and more generally the sports product.

B2C Gambling

	2022 €’m	**2021 €’m**	**Change**
Snaitech			
Gambling Revenue*	899.8	584.7	54%
Gambling Costs	645.6	402.1	61%
Adjusted EBITDA	**254.2**	**182.6**	**39%**
Margin	**28%**	**31%**	
White Label (incl. Sun Bingo)			
Gambling Revenue	65.3	61.9	5%
Gambling Costs	63.3	55.2	15%
Adjusted EBITDA	**2.0**	**6.7**	**-70%**
Margin	**3%**	**11%**	
HAPPYBET			
Gambling Revenue	20.1	18.2	10%
Gambling Costs**	30.9	29.6	4%
Adjusted EBITDA	**(10.8)**	**(11.4)**	**5%**
Margin	**NA**	**NA**	
B2C Adjusted EBITDA	**245.4**	**177.9**	**38%**
Margin	**25%**	**27%**	

* Includes intercompany revenue from HAPPYBET of €2.1 million (2021: €1.1 million)
** Includes intercompany costs from Snaitech of €2.1 million (2021: €1.1 million)

Snaitech

Snaitech revenues increased 54% from the prior year to €899.8 million (2021: €584.7 million), with operating costs seeing a similar increase of 61% to €645.6 million (2021: €402.1 million). The retail network in Italy was shut for almost the entirety of H1 2021 due to the COVID-19 pandemic. The relaxing of COVID-19 restrictions at the end of June 2021 enabled retail sites to reopen, which drove the increase in revenues and costs in 2022. The online segment continues to see impressive growth, indicating that the addressable market has expanded post-pandemic.

Snaitech’s Adjusted EBITDA increased by 39%, while revenue increased 54%. As a result, Snaitech’s Adjusted EBITDA margin decreased 300 bps to 28% (2021: 31%), due to the return of the lower margin retail business.

Sun Bingo white label

Revenue from the Sun Bingo business increased by 5% to €65.3 million (2021: €61.9 million). However, operating costs within Sun Bingo increased by 15% to €63.3 million (2021: €55.2 million). The main reason for the increase is that, following the commencement of the new contract with News UK, the cost structure of the business changed. From July 2021, Playtech incurs the marketing costs (previously they were recharged to News UK) and furthermore, there is now a brand fee being charged by News UK (previously this was covered by the minimum guarantee).

This led to Adjusted EBITDA of €2.0 million (2021: €6.7 million). Adjusted EBITDA still includes the unwinding of the minimum guarantee prepayment of €5.4 million in the current year (2021: €11.9 million) over the new period of the contract which was renegotiated in 2019.

On a reported basis Playtech incurred a one-off cost of €10.4 million in H1 2022 to terminate an onerous contract with a service provider. The termination of the agreement will improve the profitability of the business going forward.

HAPPYBET

The Sport B2C business, saw year-on-year revenue growth of 10% to €20.1 million (2021: €18.2 million), with costs increasing by 4%. The business remains loss making, with Adjusted EBITDA loss in the current period of €10.8 million (2021: loss of €11.4 million). The small improvement is primarily driven by the reopening of retail sites and early progress after the Snaitech management team took control of HAPPYBET's operations.

Below EBITDA items

Depreciation and amortisation

Reported and Adjusted depreciation decreased by 3% to €41.5 million (2021: €42.9 million). After deducting amortisation of acquired intangibles of €42.0 million (2021: €34.8 million), Adjusted amortisation decreased by 9% to €67.8 million (2021: €74.5 million) as the Italian gaming machine licences useful life has been extended to June 2023 at no cost. The remainder of the balance under depreciation and amortisation of €18.8 million (2021: €16.9 million) relates to IFRS 16 Leases and the recognition of the right-of-use asset amortisation.

Impairment of tangible and intangible assets

The reported impairment of tangible and intangible assets of €38.5 million (2021: €21.6 million) mostly relates to:

- The impairment of the Eyecon cash generating unit (CGU) of €13.6 million, driven by the fact that its operations are highly concentrated in the UK online market which has seen a slowdown due to the uncertain regulatory climate.
- The impairment of the Quickspin CGU of €7.0 million, given the risk the CGU bore from the proportion of revenues being generated from the Group's B2B customers choosing to operate in areas with geopolitical tension, and the resulting 1% increase on the post-tax discount rate of the CGU to mitigate that factor.
- The impairment of the Bingo VF CGU of €12.5 million (2021: €6.4 million) due to slower than expected growth in the business, following plans to recover from the termination of a significant licensee in the prior year; and
- The impairment of the IGS CGU of €5.6 million, which was severely affected by COVID-19 and until recently had not managed to bring revenue up to pre-COVID-19 levels with the business suffering from cancelled or postponed projects.

The prior period impairment of €21.6 million mainly relates to:

- €12.3 million impairment resulting from the disposal of some real estate in Milan. The recoverable amount (being net sales proceeds as per the binding sale agreement) was compared to the property's net book value which led to the impairment;
- €6.4 million impairment in the Bingo VF cash generating unit mainly driven by the termination of one of the biggest customer contracts; and
- €2.7 million of development workforce aborted projects.

Finance income and finance costs

Reported and adjusted finance income of €11.6 million (2021: €1.1 million) mainly relates to a €9.2 million foreign exchange gain, driven primarily by the favourable movement in the USD to EUR rate during 2022. In the prior year, this was an overall loss of €0.5 million and hence included in finance costs. The remainder of the finance income is interest received.

Reported finance costs includes interest payable on the bonds and other borrowings, bank facility fees, bank charges, interest expense on lease liabilities, the movement in contingent consideration and redemption liabilities, fair value loss of convertible loans and expected credit losses on loan receivables. Reported finance costs increased by 8% to €73.0 million (2021: €67.7 million), mainly due to the €3.0 million (2021: €Nil) fair value loss on the GameCo convertible loan immediately before it was converted to equity and the first time recognition of €1.6 million of expected credit losses on the loans receivable. This was offset by a reduction in the movement in contingent consideration and redemption liability to €0.1 million (2021: €4.8 million). Adjusted finance costs increased by 11% to €69.9 million (2021: €62.9 million). The difference between adjusted and reported finance costs is the movement in contingent consideration and redemption liability of €0.1 million (2021: €4.8 million) and fair value loss of the GameCo convertible loan of €3.0 million.

Unrealised fair value changes in derivative financial assets

The unrealised fair value changes in derivative financial assets of €6.0 million (2021: €583.2 million) is due to the recognition of the fair value of the various call options held by the Group in Latin America which fall under the definition of derivatives within IFRS 9 Financial Instruments. Further details on the fair value of the various call options are disclosed in Note 20, which includes a significant judgement made in relation to the valuation of the Playtech M&A Call Option.

Taxation

A reported tax expense from continuing operations of €55.0 million (2021: tax credit of €81.7 million) arises on a profit before tax of €95.6 million (2021: €605.0 million) compared to an expected charge of €18.2 million based on the UK statutory rate of 19%. The key items for which the reported tax charge has been adjusted are the provision of €8.4 million in respect of overseas tax audits and the reversal of deferred tax liabilities of €8.3 million in respect of intangibles assets acquired through business combinations.

The Group's reported effective tax rate for the current period is 39.5%. This rate is higher than the UK statutory rate of 19%. The key reasons for the differences are profits of subsidiaries located in territories where the tax rate is higher than the UK statutory tax rate (which predominately relates to Snaitech based in Italy) and expenses not deductible for tax purposes including professional fees, impairment of intangible assets and loss on disposal of subsidiaries.

The total adjusted tax expense is €54.9 million (2021: tax credit of €7.2 million) which arises on an adjusted profit before tax of €215.4 million (2021: €120.4 million). The total adjusted tax expense of €54.9 million consists of an income tax expense of €20.4 million (2021: tax charge of €14.6 million) and a deferred tax expense of €34.5 million (2021: deferred tax credit of €21.8 million). The total adjusted deferred tax expense mainly consists of a deferred tax expense of €44.7 million relating to the Snaitech group including the use of Snaitech tax losses and a credit of €16.7 million relating to UK tax losses for which a tax benefit is recognised in the current year.

The Group's effective adjusted tax rate for the current period is 25.5%. This rate is higher than the UK statutory rate of 19% as there are profits within subsidiaries located in territories where the tax rate is higher than the UK statutory tax rate (which predominately relates to Snaitech based in Italy).

Discontinued operations

Casual and Social Gaming segment

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

The Adjusted EBITDA relating to the Casual and Social Gaming business was €Nil in both periods being presented as operations were completely wound down in 2020.

Finalto (formerly TradeTech Group)

Finalto was disposed of in July 2022 with cash proceeds of $228.1 million (€223.9 million) and transaction costs of €1.6 million resulting in a profit on disposal of €15.1 million.

In terms of performance, revenue up until the point of disposal was €74.5 million (2021 full year revenue: €46.6 million). The improved performance was due to higher market volatility during 2022, which in turn increased both Reported and Adjusted EBITDA to €24.4 million for the period up to the point of disposal (2021 full year loss: €30.9 million) and €33.8 million (2021 full year loss: €23.0 million), respectively.

Adjusted Profit

	2022 €'m	**2021 €'m**
Reported profit from continuing operations attributable to the owners of the Company	**40.6**	**686.7**
Employee stock option expenses	8.0	13.1
Professional fees	15.7	14.4
Fair value change and finance cost on redemption liability and contingent consideration	(4.2)	6.1
Ukraine employee support costs	3.3	-
Onerous contract	10.4	-
Charitable donation	-	3.5
Settlement of legal matter	-	2.3
Provision for other receivables	-	1.2
Fair value change of equity instruments	0.3	1.6
Fair value change of derivative financial assets	(6.0)	(583.2)
Fair value loss on convertible loans	3.0	-
Amortisation of intangibles on acquisitions	42.0	34.8
Impairment of tangible and intangible assets	38.5	21.6
Loss on disposal of subsidiary	8.8	-
Deferred tax on acquisitions	(8.3)	(9.1)
Deferred tax on reorganisation	-	(63.6)
Deferred tax on asset held for sale	-	(1.8)
Tax related to uncertain positions	8.4	-
Adjusted Profit from continuing operations attributable to the owners of the Company	**160.5**	**127.6**

The reconciling items in the table above are further explained in Note 10 of the financial statements. Reported profit before tax from continuing operations was €95.6 million (2021: €605.0 million), mainly due to the €583.2 million of unrealised fair value gains on derivative financial assets recognised in the prior year with the current year gain being only €6.0 million.

Adjusted EPS (in Euro cents)

	2022 €'m	**2021 €'m**
Adjusted basic EPS from continuing operations	53.5	42.8
Adjusted diluted EPS from continuing operations	51.5	40.9
Basic EPS from profit attributable to owners of the Company	29.2	226.3
Diluted EPS from profit attributable to owners of the Company	28.1	216.2
Basic EPS from profit attributable to the owners of the Company from continuing operations	13.5	230.3
Diluted EPS from profit attributable to the owners of the Company from continuing operations	13.0	220.1

Basic EPS is calculated using the weighted average number of equity shares in issue during 2022 of 300.1 million (2021: 298.2 million). Diluted EPS also includes the dilutive impact of share options and is calculated using the weighted average number of shares in issue during 2022 of 311.9 million (2021: 312.1 million).

Cashflow

Cash conversion (including discontinued operations)

Playtech continues to be cash generative and delivered operating cash flows of €410.9 million (2021: €314.6 million after adjusting for the €89.6 million deferred payment of gaming duties in Italy). The increase is primarily due to Snaitech's retail locations being fully operational in 2022 as opposed to the prior period where COVID-19 related restrictions meant retail sites were closed for most of H1 2021, as well as a better performance from the rest of the business, including Finalto, compared to the prior year.

	2022 €'m	**2021 €'m**
Adjusted EBITDA (including discontinued operations)	**439.4**	**294.1**
Net cash provided by operating activities	410.9	225.0
Deferred payment of gaming duties	-	89.6
Net cash provided by operating activities after deferred payment of gaming duties	**410.9**	**314.6**
Cash conversion	**94%**	**107%**
Change in jackpot balances and security deposits	(3.6)	(10.5)
Change in client deposits and client funds	15.3	(21.7)
Professional fees	24.4	21.5
ADM security deposit (Italian Regulator)	11.5	(1.7)
Adjusted net cash provided by operating activities	**458.5**	**302.2**
Adjusted cash conversion	**104%**	**103%**

Adjusted cash conversion at 104% (2021: 103%) is shown after adjusting for the deferred payment of gaming duties in the prior year, as well as jackpots, security deposits, client deposits and client funds, professional fees and ADM security deposit.

Adjusting for the above cash fluctuations is essential in order to truly reflect the quality of revenue and cash collection. This is because the timing of cash inflows and outflows for gaming tax duties in Italy, jackpots, security deposits and client funds only impact the reported operating cashflow and not Adjusted EBITDA, while professional fees are excluded from Adjusted EBITDA but impact operating cashflow.

Cash conversion (excluding discontinued operations)

	2022 €'m	**2021 €'m**
Adjusted EBITDA	**405.6**	**317.1**
Net cash provided by operating activities	382.7	227.6
Deferred payment of gaming duties	-	89.6
Net cash provided by operating activities after deferred payment of gaming duties	**382.7**	**317.2**
Cash conversion	**94%**	**100%**
Change in jackpot balances and security deposits	(3.6)	(10.5)
Change in client funds	(9.4)	(1.5)
Professional fees	15.7	14.4
ADM security deposit (Italian Regulator)	11.5	(1.7)
Adjusted net cash provided by operating activities	**396.9**	**317.9**
Adjusted cash conversion	**98%**	**100%**

If we exclude the impact of Finalto cash flow, the adjusted cash conversion reduces to 98% (2021: 100%).

Cashflow statement analysis

Net cash outflows used in investing activities totalled €358.3 million (2021: €127.6 million) of which:

- €30.4 million (2021: €16.7 million) relates to loans granted. Of the total granted in 2022, €18.0 million (2021: €8.1 million), relates to the Galera Group which has a total loan facility of $45 million (refer to Note 20) and €8.4 is related to NorthStar;
- €54.0 million (2021: €49.6 million) was used in the acquisition of property, plant and equipment;
- €10.1 million (2021: €7.2 million) was used in the acquisition of intangible assets;
- €61.3 million (2021: €57.4 million) was spent on capitalised development costs;
- €29.2 million relates to the payment for the acquisition of LSports (Note 20A) and contingent consideration paid to Wplay of €1.0 million (2021: €4.2 million relates to the payment of the call option held for Ocean Holdings Ltd and contingent consideration paid to Wplay of €4.1 million); and
- Net cash outflow in relation to the Financial segment disposal of €169.8 million (2021: Cash inflow of €10.7 million mostly relating the disposal of the casual business).

Net cash outflows used in financing activities totalled €566.9 million (2021: €218.4 million) of which:

- €36.7 million (2021: €39.4 million) relates to interest payments on bond loans and bank borrowings;
- €166.1 million (2021: €150.0 million) related to the repayment of the RCF;
- In 2022 €330.0 million related to the part repayment of the 2018 Bond;
- €5.9 million (2021: €0.7 million) are payments of contingent consideration and redemption liability; and
- €28.2 million (2021: €28.3 million) is principal and interest lease liability payments.

Balance sheet, liquidity and financing

	2022 €'m	**2021 €'m**
Cash and cash equivalents	426.5	575.4
Cash held on behalf of clients, progressive jackpots and security deposits	(154.1)	(141.1)
Adjusted gross cash and cash equivalents (excluding assets and liabilities held for sale)	**272.4**	**434.3**
Loans and borrowings (RCF)	-	167.1
Bonds	547.6	875.0
Gross debt (excluding liabilities held for sale)	**547.6**	**1,042.1**
Net debt (excluding assets and liabilities held for sale)	**275.2**	**607.8**
Adjusted EBITDA	405.6	317.1
Net debt/Adjusted EBITDA ratio	**0.7**	**1.9**

Cash

The Group continues to maintain a strong balance sheet with total cash and cash equivalents, excluding cash held for sale, of €426.5 million at 31 December 2022 (2021: €575.4 million). Adjusted gross cash, which excludes the cash held on behalf of clients, progressive jackpots and security deposits, decreased to €272.4 million as at 31 December 2022 (2021: €434.3 million), due to the €166.1 million RCF repayment, €330.0 million part repayment of the 2018 Bond, both offset by the net proceeds from the Finalto disposal as well as the solid performance of the Group during 2022.

Financing

The Group's total gross debt decreased to €547.6 million as at 31 December 2022 (2021: €1,042.1 million), with net debt, after deducting Adjusted gross cash, decreasing to €275.2 million (2021: €607.8 million).

The Group issued a 5-year senior secured note of €530.0 million (3.75% coupon), which was raised in October 2018 to support the acquisition of Snaitech and is maturing in October 2023. During the year, the Group made a €330.0 million partial repayment of the 2018 Bond. The remaining outstanding balance of €200.0 million is expected to be repaid through cash resources and/or proceeds from the Group's RCF and/or new financing.

The Group has also issued a 7-year senior secured note to the value of €350.0 million (4.25% coupon, maturity 2026), which was raised in March 2019.

Finally, the Group also has an RCF which has been restructured during the year. The revised facility is now €277.0 million (previously €317.0 million) and is available until October 2025, with an option to extend by twelve months. As at the reporting date the credit facility drawn amounted to €Nil (2021: €167.1 million).

Net debt

Net debt decreased in the period by €332.6 million to €275.2 million as at 31 December 2022 (2021: €607.8 million), while net debt / Adjusted EBITDA was 0.7x (31 December 2021: 1.9x)

Finalto sale

The sale of the Finalto division to Gopher Investments, which was first presented by the Group under discontinued operations at 31 December 2020, completed in July 2022. The cash proceeds from the disposal were $228.1 million (€223.9 million), which includes an enterprise value of US$250 million, offset by a completion accounts adjustment.

Playtech used part of these proceeds to repay its RCF in full in July 2022.

Contingent consideration

Contingent consideration and redemption liability decreased to €2.9 million (2021: €11.0 million) mostly due to the completed payment relating to Eyecon Limited, Wplay and Statscore. The existing liability as at 31 December 2022 comprised the following:

Acquisition	**Maximum payable earnout (per terms of acquisition)**	**Contingent consideration and redemption liability as at 31 December 2022**	**Payment date (based on maximum payable earnout)**
AUS GMTC PTY Ltd	€46.7 million	€2.1 million	Q4 2025
Other	€0.8 million	€0.8 million	Various

Going concern

In adopting the going concern basis in the preparation of the interim financial statements, the Group has considered the current trading performance, financial position and liquidity of the Group, the principal risks and uncertainties together with scenario planning and reverse stress tests completed for a period of no less than 15 months from the approval of these financial statements.

At 31 December 2022, the Group held total cash (excluding cash included in assets held for sale) of €426.5 million (2021: €575.4 million) and Adjusted gross cash, which excludes the cash held on behalf of clients, progressive jackpots and security deposits, of €272.4 million (2021: €434.3 million).

Furthermore, the Group has reduced its total debt to €547.6 million (2021: €1,042.1 million), as a result of using the Finalto proceeds to fully repay its RCF (31 December 2021: €167.1 million), and a €330.0 million partial repayment of its 2018 Bond. The rest of the 2018 Bond of €200.0 million is repayable in October 2023, and the Directors are confident that the company will be able to settle this amount. During 2022, the RCF was restructured with a new facility of €277.0 million being available until October 2025, with an option to extend by twelve months. As at 31 December 2022 the RCF is fully undrawn.

The payment related to the renewal of the Italian concessions is expected to be incurred in 2025 and therefore is outside of the going concern period.

Management concluded that the risk of a covenant breach over the next fifteen-month period from the date of releasing this report is low and as such, has a reasonable expectation that the Group will have adequate financial resources to continue in operational existence.

[1]Adjusted numbers relate to certain non-cash and one-off items, as well as material reorganisation and acquisition related costs. The Board of Directors believes that the adjusted results represent more closely the consistent trading performance of the business. A full reconciliation between the actual and adjusted results is provided in Note 10 of the financial statements.
[2]Core B2B Gambling refers to the Company's B2B Gambling business excluding unregulated Asia.
[3]Totals in tables throughout this statement may not exactly equal the components of the total due to rounding.

Consolidated statement of comprehensive income

For the year ended 31 December 2022

	Note	2022 Actual €'m	2022 Adjusted €'m[1]	2021 Actual €'m	2021 Adjusted €'m[1]
Continuing operations					
Revenue	9	1,601.8	1,601.8	1,205.4	1,205.4
Distribution costs before depreciation and amortisation		(1,067.3)	(1,063.3)	(794.5)	(788.8)
Administrative expenses before depreciation and amortisation		(147.3)	(118.2)	(127.4)	(98.5)
Impairment of financial assets		(14.7)	(14.7)	(2.2)	(1.0)
EBITDA	10	372.5	405.6	281.3	317.1
Depreciation and amortisation		(170.1)	(128.1)	(169.1)	(134.3)
Impairment of tangible and intangible assets	12	(38.5)	—	(21.6)	—
Finance income	13A	11.6	11.6	1.1	1.1
Finance costs	13B	(73.0)	(69.9)	(67.7)	(62.9)
Share of loss from associates	20A	(3.8)	(3.8)	(0.6)	(0.6)
Unrealised fair value changes of equity investments	20B	(0.3)	—	(1.6)	—
Unrealised fair value changes of derivative financial assets	20C	6.0	—	583.2	—
Loss on disposal of subsidiary	20A	(8.8)	—	—	—
Profit before taxation	10	95.6	215.4	605.0	120.4
Income tax (expense)/credit	10,14	(55.0)	(54.9)	81.7	7.2
Profit from continuing operations	10	40.6	160.5	686.7	127.6
Discontinued operation					
Profit/(loss) from discontinued operation, net of tax	8	47.0	41.2	(12.1)	(13.8)
Profit for the year – total		87.6	201.7	674.6	113.8
Other comprehensive loss:					
Items that are or may be classified subsequently to profit or loss:					
Exchange loss arising on translation of foreign operations		(0.2)	(0.2)	(1.4)	(1.4)
Recycling of foreign exchange loss on disposal of foreign discontinued operations		23.2	23.2	—	—
Items that will not be classified to profit or loss:					
Gain/(loss) on remeasurement of employee termination indemnities		0.9	0.9	(0.1)	(0.1)
Other comprehensive income/(loss) for the year		23.9	23.9	(1.5)	(1.5)
Total comprehensive income for the year		111.5	225.6	673.1	112.3
Profit for the year attributable to the owners of the Company		87.6	201.7	674.6	113.8
Total comprehensive income attributable to the owners of the Company		111.5	225.6	673.1	112.3
Earnings per share attributable to the ordinary equity holders of the Company					
Profit or loss – total					
Basic (cents)	15	29.2	67.2	226.3	38.2
Diluted (cents)	15	28.1	64.7	216.2	36.5
Profit or loss from continuing operations					
Basic (cents)	15	13.5	53.5	230.3	42.8
Diluted (cents)	15	13.0	51.5	220.1	40.9

1 Adjusted numbers relate to certain non-cash and one-off items, as well as material reorganisation and acquisition-related costs. The Board of Directors believes that the adjusted results more closely represent the consistent trading performance of the business. A full reconciliation between the actual and adjusted results is provided in Note 10.

Consolidated statement of changes in equity

For the year ended 31 December 2022

	Additional paid in capital €'m	Employee termination indemnities €'m	Retained earnings €'m	Employee Benefit Trust €'m	Put/call options reserve €'m	Foreign exchange reserve €'m	Total attributable to equity holders of Company €'m	Non-controlling interests €'m	Total equity €'m
Balance at 1 January 2022	**606.0**	**(0.5)**	**1,025.0**	**(23.2)**	**(3.7)**	**(22.7)**	**1,580.9**	**0.3**	**1,581.2**
Total comprehensive income for the year									
Profit for the year	—	—	87.6	—	—	—	87.6	—	87.6
Other comprehensive income for the year	—	0.9	—	—	—	23.0	23.9	—	23.9
Total comprehensive income for the year	**—**	**0.9**	**87.6**	**—**	**—**	**23.0**	**111.5**	**—**	**111.5**
Transactions with the owners of the Company									
Contributions and distributions									
Exercise of options	—	—	(6.0)	6.0	—	—	—	—	—
Employee stock option scheme	—	—	8.3	—	—	—	8.3	—	8.3
Total contributions and distributions	**—**	**—**	**2.3**	**6.0**	**—**	**—**	**8.3**	**—**	**8.3**
Changes in ownership interests									
Acquisition of non-controlling interest without change in control	—	—	(3.4)	—	3.7	—	0.3	(0.3)	—
Total changes in ownership interests	**—**	**—**	**(3.4)**	**—**	**3.7**	**—**	**0.3**	**(0.3)**	—
Total transactions with owners of the Company	**—**	**—**	**(1.1)**	**6.0**	**3.7**	—	**8.6**	**(0.3)**	**8.3**
Balance at 31 December 2022	**606.0**	**0.4**	**1,111.5**	**(17.2)**	**—**	**0.3**	**1,701.0**	**—**	**1,701.0**
Balance at 1 January 2021	**592.1**	**(0.4)**	**343.7**	**(14.5)**	**(3.7)**	**(21.3)**	**895.9**	**0.3**	**896.2**
Total comprehensive income for the year									
Profit for the year	—	—	674.6	—	—	—	674.6	—	674.6
Other comprehensive loss for the year	—	(0.1)	—	—	—	(1.4)	(1.5)	—	(1.5)
Total comprehensive income for the year	**—**	**(0.1)**	**674.6**	**—**	**—**	**(1.4)**	**673.1**	**—**	**673.1**
Transactions with the owners of the Company									
Contributions and distributions									
Exercise of options	—	—	(13.9)	13.9	—	—	—	—	—
Employee stock option scheme	—	—	11.9	—	—	—	11.9	—	11.9
Transfer from treasury shares to Employee Benefit Trust	13.9	—	8.7	(22.6)	—	—	—	—	—
Total contributions and distributions	13.9	—	6.7	(8.7)	—	—	11.9	—	11.9
Total transactions with owners of the Company	**13.9**	**—**	**6.7**	**(8.7)**	**—**	**—**	**11.9**	**—**	**11.9**
Balance at 31 December 2021	**606.0**	**(0.5)**	**1,025.0**	**(23.2)**	**(3.7)**	**(22.7)**	**1,580.9**	**0.3**	**1,581.2**

Consolidated balance sheet

As at 31 December 2022

	Note	**2022 €'m**	2021 €'m
ASSETS			
Property, plant and equipment	17	341.4	329.7
Right of use assets	18	71.6	73.8
Intangible assets	19	980.9	1,046.1
Investments in associates	20A	36.6	5.2
Other investments	20B	9.2	8.1
Derivative financial assets	20C	636.4	622.2
Trade receivables	22	1.1	6.6
Deferred tax asset	32	112.5	102.9
Other non-current assets	21	109.6	104.4
Non-current assets		2,299.3	2,299.0
Trade receivables	22	163.9	178.5
Other receivables	23	107.6	87.1
Inventories		5.5	4.9
Cash and cash equivalents	24	426.5	575.4
		703.5	845.9
Assets classified as held for sale	25	19.6	507.4
Current assets		723.1	1,353.3
TOTAL ASSETS		3,022.4	3,652.3
EQUITY			
Additional paid in capital		606.0	606.0
Employee termination indemnities		0.4	(0.5)
Employee Benefit Trust		(17.2)	(23.2)
Put/call options reserve		—	(3.7)
Foreign exchange reserve		0.3	(22.7)
Retained earnings		1,111.5	1,025.0
Equity attributable to equity holders of the Company		1,701.0	1,580.9
Non-controlling interests		—	0.3
TOTAL EQUITY	26	1,701.0	1,581.2
LIABILITIES			
Loans and borrowings	27	—	167.1
Bonds	28	348.0	875.0
Lease liability	18	54.0	69.8
Deferred revenues		1.0	2.9
Deferred tax liability	32	124.8	88.9
Contingent consideration and redemption liability	30	2.3	6.0
Provisions for risks and charges	29	10.0	13.5
Other non-current liabilities	33	24.9	12.8
Non-current liabilities		565.0	1,236.0
Bonds	28	199.6	—
Trade payables	31	61.2	41.3
Lease liability	18	31.8	20.3
Progressive operators' jackpots and security deposits	24	114.3	110.7
Client funds	24	39.8	30.4
Income tax payable		17.3	2.6
Gaming and other taxes payable	34	112.8	105.4
Deferred revenues		5.0	5.2
Contingent consideration and redemption liability	30	0.6	5.0
Provisions for risks and charges	29	3.9	3.2
Other payables	33	169.1	166.2
		755.4	490.3
Liabilities directly associated with assets classified as held for sale	25	1.0	344.8
Current liabilities		756.4	835.1
TOTAL LIABILITIES		1,321.4	2,071.1
TOTAL EQUITY AND LIABILITIES		3,022.4	3,652.3

The consolidated financial statements were approved by the Board and authorised for issue on 23 March 2023.

Mor Weizer | **Chris McGinnis**
Chief Executive Officer | ***Chief Financial Officer***

Consolidated statement of cash flows

For the year ended 31 December 2022

	Note	**2022 €'m**	2021 €'m
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		87.6	674.6
Adjustment to reconcile net income to net cash provided by operating activities (see below)		337.1	(419.0)
Net taxes paid		(13.8)	(30.6)
Net cash from operating activities		410.9	225.0
CASH FLOWS FROM INVESTING ACTIVITIES			
Loans granted		(30.4)	(16.7)
Acquisition of assets under business combinations	35	(2.9)	—
Acquisition of property, plant and equipment		(54.0)	(49.6)
Acquisition of intangible assets		(10.1)	(7.2)
Capitalised development costs		(61.3)	(57.4)
Acquisition of investment in associates	20A/B	(30.2)	(8.1)
Proceeds from the sale of property, plant and equipment		0.8	0.7
Disposal of Financial segment/casual and social gaming, net of cash disposed	25C/25B	(169.8)	10.7
Disposal of subsidiary, net of cash disposed	20A	(0.4)	—
Net cash used in investing activities		(358.3)	(127.6)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid on bonds and loans and borrowings		(36.7)	(39.4)
Repayment of loans and borrowings		(166.1)	(150.0)
Repayment of bonds	28	(330.0)	—
Payment of contingent consideration and redemption liability (see below)		(5.9)	(0.7)
Principal paid on lease liability		(22.5)	(22.7)
Interest paid on lease liability		(5.7)	(5.6)
Net cash used in financing activities		(566.9)	(218.4)
DECREASE IN CASH AND CASH EQUIVALENTS		(514.3)	(121.0)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		942.1	1,061.2
Exchange (loss)/gain on cash and cash equivalents		(0.9)	1.9
CASH AND CASH EQUIVALENTS AT END OF YEAR		426.9	942.1
Cash and cash equivalents consists of:			
Cash and cash equivalents – continuing operations	24	426.9	576.0
Cash and cash equivalents treated as held for sale	24	—	366.1
		426.9	942.1
Less: expected credit loss on cash and cash equivalents	24	(0.4)	(0.6)
		426.5	941.5

	Note	**2022** **€’m**	2021 €’m
ADJUSTMENT TO RECONCILE NET INCOME TO NET CASH PROVIDED FROM OPERATING ACTIVITIES			
Income and expenses not affecting operating cash flows:			
Depreciation on property, plant and equipment	17	41.5	42.9
Amortisation of intangible assets	19	109.8	109.3
Amortisation of right of use assets	18	21.5	20.2
Capitalisation of amortisation of right of use assets		(1.9)	(2.1)
Gain on early termination of lease contracts	18	(0.7)	(1.2)
Share of loss from associates	20A	3.8	0.6
Impairment of other receivables		—	1.2
(Reversal of)/impairment of property, plant and equipment	17	(0.2)	12.5
Impairment of intangible assets	19	38.7	9.1
Reversal of impairment of asset classified as held for sale	25C	—	(2.0)
Profit on disposal of financial segment/casual and social gaming	25C/25B	(15.1)	(7.6)
Loss on disposal of subsidiary	20A	8.8	—
Changes in fair value of equity investments	20B	0.3	1.6
Changes in fair value of derivative financial assets	20C	(6.0)	(583.2)
Fair value loss on convertible loans		3.0	—
Interest on bonds and loans and borrowings		36.2	41.2
Interest on lease liability		5.7	5.6
Interest income on loans receivable		(1.3)	(0.5)
Income tax expense/(credit)		58.5	(79.8)
Changes in equity settled share based payments		8.3	13.8
Movement in contingent consideration and redemption liability		(4.3)	6.2
Expected credit loss on cash and cash equivalents		(0.2)	—
Expected credit loss on loans receivable		1.6	—
Unrealised exchange loss		(4.4)	8.7
Other		0.2	0.4
Changes in operating assets and liabilities:			
Change in trade receivables		13.0	(5.9)
Change in other receivables		3.5	(28.0)
Change in inventories		(0.6)	(0.2)
Change in trade payables		20.4	(7.9)
Change in progressive operators, jackpots and security deposits		3.6	10.5
Change in client funds and deposits		(15.3)	21.7
Change in other payables		13.6	1.8
Change in provisions for risks and charges		(2.8)	(4.2)
Change in deferred revenues		(2.1)	(3.7)
		337.1	(419.0)

Payment of contingent consideration and redemption liabilities on previous acquisitions

	2022 €'m	2021 €'m
A. Acquisition of Eyecon Limited	3.6	—
B. Acquisition of non-controlling interest of Statscore SP Z.O.O.	1.6	—
C. Other acquisitions	0.7	0.7
	5.9	0.7

Notes to the financial statements

Note 1 – General
Playtech plc (the "Company") is an Isle of Man company. The registered office is located at St George's Court, Upper Church Street, Douglas, Isle of Man IM1 1EE.

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

Note 2 – Basis of preparation
This financial information does not constitute the Group or company's statutory accounts for the years ended 31 December 2022 or 2021 but is derived from those accounts. The auditor has reported on those accounts; their reports were (i) unqualified and (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report.

The financial information has been prepared in accordance with the UK adopted International Accounting Standards (IAS). They were authorised for issue by the Company's Board of Directors on 23 March 2023.Details of the Group's accounting policies are included in Note 5.

Going concern basis
In adopting the going concern basis in the preparation of the financial statements, the Directors have considered the current trading performance, financial position and liquidity of the Group, the principal and emerging risks and uncertainties together with scenario planning and reverse stress tests. The Directors have assessed going concern over a 15-month period to 30 June 2024 which aligns with the six-monthly covenant measurement period.

	31 December 2022 €'m	31 December 2021 €'m
Cash and cash equivalents	**426.5**	575.4
Cash held on behalf of clients, progressive jackpots and security deposits	**(154.1)**	(141.1)
Adjusted gross cash and cash equivalents (excluding assets and liabilities held for sale)	272.4	434.3

Despite the decline in adjusted gross cash and cash equivalents from €434.3 million at 31 December 2021 to €272.4 million at 31 December 2022, the Group continues to hold a strong liquidity position. The decline from the prior year is explained by the full repayment of the revolving credit facility ("RCF") drawn amounting to €166.1 million, as well as the €330.0 million partial repayment of the 2018 Bond, both offset by the cash proceeds from disposal of the Financial segment of €223.9 million (refer to Note 25), as well as the Group's strong performance during the year.

The Directors have reviewed liquidity and covenant forecasts for the Group, which assume that there will be no further lockdowns on a global scale. The Directors have also considered sensitivities in respect of potential downside scenarios, reverse stress tests and the mitigating actions available to management.

The modelling of downside scenarios assessed if there was a significant risk to the Group's liquidity and covenant compliance position. This includes risks such as not realising budget/forecasts across certain markets and any potential implications of changes in tax and other regulations, as well as the impact on cashflow should the share buyback scheme and other shareholder return options resume.

The Group's principal financing arrangements include an RCF up to €277.0 million, the 2018 Bond amounting to €200.0 million post partial repayment and the 2019 Bond amounting to €350.0 million which are repayable in October 2023 and March 2026 respectively. The RCF has been restructured during the year reducing the credit line from €317.0 million to €277.0 million and is available until October 2025, with the Group having the option to extend by twelve months. The remaining €200.0 million balance of the 2018 Bond will be due upon expiration in October 2023, with the current plan assuming this will be paid through cash reserves, rather than refinanced.

The RCF is subject to certain financial covenants which are tested every six months on a rolling 12-month basis, as set out in Notes 27 and 28. As at 31 December 2022, the Group comfortably met its covenants which were as follows:

- Leverage: Net Debt/Adjusted EBITDA to be less than 3.5:1 for the twelve months ended 31 December 2022 (12 months ended 31 December 2021: 3:1)
- Interest cover: Adjusted EBITDA/Interest to be over 4:1 for the twelve months ended 31 December 2022 (12 months ended 31 December 2021: 4:1)

The Bonds only have one financial covenant, being the Fixed Charge Coverage Ratio (same as the Interest cover ratio for the RCF), which should equal or be greater than 2:1.

If the Group's results are in line with its base case projections as approved by the Board it would not be in breach of the financial covenants for a period of no less than 15 months from approval of these financial statements (the "relevant going concern period"). This period covers the bank reporting requirements for June 2023, December 2023 and June 2024 and is the main reason why the Directors selected a 15-month period of assessment.

Stress test
The stress test assumes a worst-case scenario for the entire Group which includes additional sensitivities around Italy, the Americas and Asia, but with mitigations similar to the ones taken in 2020 and 2021 (including salary and capital expenditure reductions). It also considers the impact of cashflow should the share buyback scheme commence again, as well as other

shareholder return options. Under this scenario Adjusted EBITDA would fall on average by 7% per month compared to the base case over the relevant going concern period, but the Group would not breach its covenants.

Reverse stress test

The reverse stress test was used to identify the reduction in Adjusted EBITDA required that could result in either a liquidity event or breach of the RCF and bond covenants.

As a result of completing this assessment, without considering further mitigating actions, management considered the likelihood of the reverse stress test scenario arising to be remote. In reaching this conclusion management considered the following:

- Current trading is performing above the base case;
- Adjusted EBITDA would have to fall by 87% in the year ending 31 December 2023 and 88% in the 12 months to June 2024 compared to the base case, to cause a breach of covenants; and
- In the event that revenues decline to this point to drive the decrease in Adjusted EBITDA, additional mitigating actions are available to management which have not been factored into the reverse stress test scenario.

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

Note 3 – Functional and presentation currency

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

Note 4 – New standards, interpretations and amendments adopted by the Group

New standards, interpretations and amendments adopted from 1 January 2022

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2022, but do not have a material impact on the consolidated financial statements of the Group.

New standards, interpretations and amendments not yet effective

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

The amendments are applied retrospectively for annual periods on or after 1 January 2023:

- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Disclosure of Accounting Policies.

The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023, with earlier application permitted, and are applied prospectively. The amendments to IFRS Practice Statement 2 do not contain an effective date or transition requirements.

- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates.

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".

The definition of a change in accounting estimates was deleted. However, the Board retained the concept of changes in accounting estimates in the standard with the following clarifications:

- A change in accounting estimate that results from new information or new developments is not the correction of an error.
- The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

The amendments are effective for annual periods beginning on or after 1 January 2023 to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period, with earlier application permitted.

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

The following amendments are effective for the period beginning 1 January 2024:

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

The amendments affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount of timing of recognition of any asset, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on the rights that are in existence at the end of the reporting period, specify that the classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain the rights that are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of "settlement" to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

Note 5 – Significant accounting policies

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

A. Basis of consolidation

(i) Business combinations

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

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

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured, and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in the profit or loss. A contingent consideration in which the contingent payments are forfeited if employment is terminated is compensation for the post-combination services and is not be included in the calculation of the consideration and recognised as employee-related costs.

Cash payments arising from settlement of contingent consideration and redemption liability are disclosed in financing activities in the consolidated statement of cash flows.

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

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. Control is achieved when the Group:

- has the power over the entity;
- is exposed, or has rights, to variable return from its involvement with the entity; and
- has the ability to use its power over the entity to affect its returns.

The Group reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Where the Group holds a currently exercisable call option, the rights arising as a result of the exercise of the call option are included in the assessment above of whether the Group has control.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

(iii) Non-controlling interests (NCI)

NCI are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Changes in the Group's interest in a subsidiary that do not result in a change of control are accounted for as equity transactions. The difference between the consideration and the carrying value of the NCI is recognised as profit/loss in the retained earnings.

(iv) Loss of control

When the Group loses control over a subsidiary it derecognises the assets and liabilities of the subsidiary and any related NCI and other components of equity. Any resulting gain or loss is recognised in the profit or loss.

(v) Investments in associates and equity call options

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. In the consolidated financial statements, the Group's investments in associates are accounted for using the equity method of accounting.

Under the equity method, the investment in an associate or a joint venture is carried in the consolidated balance sheet at cost plus post-acquisition changes in the Group's share of the net assets of the associate. The Group's share of the results of the associate is included in the profit or loss. Losses of the associate or joint venture in excess of the Group's cost of the investment are recognised as a liability only when the Group has incurred obligations on behalf of the associate.

On acquisition of the investment, any difference between the cost of the investment and share of the associate's identifiable assets and liabilities is accounted for as follows:

- Any premium paid is capitalised and included in the carrying amount of the associate.
- Any excess of the share of the net fair value of the associate's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the share of the associate's profit or loss in the period in which the investment is acquired.

Any intangibles identified and included as part of the investment are amortized over their assumed useful economic life. Where there is objective evidence that the investment in an associate may be impaired the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the profit or loss outside operating profit and represents profit or loss before tax. The associated tax charge is disclosed in income tax.

The Group recognises its share of any changes in the equity of the associate through the consolidated statement of changes in equity. Profits and losses resulting from transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate.

The Group applies equity accounting only up to the date an investment in associate meets the criteria for classification as held for sale. From then onwards, the investment is measured at the lower of its carrying amount and fair value less costs to sell.

When potential voting rights or other derivatives containing potential voting rights exist, the Group's interest in an associate is determined solely on the basis of existing ownership interests and does not reflect the possible exercise or conversion of potential voting rights and other derivative instruments unless there is an existing ownership interest as a result of a transaction that currently gives it access to the returns associated with an ownership interest. In such circumstances, the proportion allocated to the entity is determined by taking into account the eventual exercise of those potential voting rights and other derivative instruments that currently give the entity access to the returns. When instruments containing potential voting rights in substance currently give access to the returns associated with an ownership interest in an associate or a joint venture, the instruments are not subject to IFRS 9 and equity accounting is applied. In all other cases, instruments containing potential voting rights in an associate or a joint venture are accounted for in accordance with IFRS 9.

A derivative financial asset is measured under fair value under IFRS 9. In the case where there is significant influence, but the option is not currently exercisable, there is still an investment in associate but as there is no current access to profits, the option is fair valued instead.

Derivatives are recorded at fair value and classified as assets when their fair value is positive and as liabilities when their fair value is negative. Subsequently, derivatives are measured at fair value.

(vi) Equity investments held at fair value

All equity investments in scope of IFRS 9 are measured at fair value in the balance sheet. Fair value changes are recognised in the profit or loss. Fair value is based on quoted market prices (Level 1). Where this is not possible, fair value is assessed based on alternative methods (Level 3).

(vii) Transactions eliminated on consolidation

Intra-group balances and 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 the profit or loss and presented within finance costs.

(ii) Foreign operations

On consolidation, 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 and their statements of profit or loss are translated into Euro at the end of each month at the average exchange rate for the month which approximates the exchange rates at the date of the transactions.

The exchange differences arising on the translation for consolidation are recognised in other comprehensive income (OCI) and accumulated in the foreign exchange reserve.

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

C. Discontinued operation

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

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

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

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

D. Revenue recognition

The majority of the Group's revenue is derived from selling services with revenue recognised when services have been delivered to the customer. Revenue comprises the fair value of the consideration received or receivable for the supply of services in the ordinary course of the Group's activities. Revenue is recognised when economic benefits are expected to flow to the Group. Specific criteria and performance obligations are described below for each of the Group's material revenue streams.

Type of income	Nature, timing of satisfaction of performance obligations and significant payment terms
B2B licensee fee	Licensee fee is the standard operator income of the Group which relates to licensed technology and the provision of certain services provided via various distribution channels (online, mobile or land-based interfaces). Licensee fee is based on the underlying gaming revenue earned by our licensees calculated using the contractual terms in place. Revenue is recognised when performance obligation is met which is when the gaming transaction occurs. The payment terms of the B2B licensee fee is on average 30 days from the invoice date.
B2B fixed-fee income	Fixed-fee income is the standard operator income of the Group which includes revenue derived from the provision of certain services and licensed technology for which charges are based on a fixed fee and/or stepped according to the monthly usage of the service/technology. The usage measurement is typically reset on a monthly basis. The performance obligation is met and revenue is recognised once the obligations under the contracts have been met which is when the services have been provided. Services provided and fees for: a. minimum revenue guarantee: the additional balance billed by the Group on a monthly basis for the difference in the minimum guarantee per licensee contract and actual performance; and b. other: hosting, live, set-up, content delivery network and maintenance fees. The fees charge to licensees for these services are fixed per month. The amounts for the above are recognised over the life of the contracts and are typically charged on a fixed percentage and stepped according to the monthly usage of the service depending on the type of service. Set-up fees are recognised over the whole period of the contract, with an average period of 36 months. The revenue is recognised monthly over the period of the contract and the payment terms of the B2B fixed fee income is on average 30 days from the invoice date.
B2B cost-based revenue	Cost-based revenue is the standard operator income of the Group which is made of the total revenue charged to the licensee based on the development costs needed to satisfy the contract with the licensee. The largest type of service included in cost-based revenue is the dedicated team costs. Dedicated team employees are charged back to the client based on time spent on each product. Cost-based revenues are recognised on a monthly basis based on the contract in place of licensee with Playtech and any additional services needed on development are charged to the licensee upon delivery of the service. The payment terms of the B2B cost-based revenue is on average 30 days from the invoice date.
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 and acceptance by the customer. Revenue received from future sale of hardware is recognised as deferred revenue. Once the obligation for the future sale is met, revenue is then recognised in profit or loss. The payment terms of the B2B revenue received from the sale of hardware is on average 30 days from the invoice date.
Additional B2B services fee	This income is calculated based on the profit and/or net revenues generated by the customer in return for the additional services provided to them by the Group. This is typically charged on a monthly basis and is measured using a predetermined percentage set in each licensee arrangement. The revenue is only recognised when the customer's activities go live and the revenue from the additional B2B services is recognised only once the Group is unconditionally contractually entitled to it. The Directors have determined that this is when the customer starts generating profits which is later than when the customer goes live with its B2C operations. The Directors rationale is that there is uncertainty that the Group will collect the consideration to which it is entitled before the customer starts generating profits and therefore, the revenue is wholly variable. The payment terms of the additional B2B services fees is on average 30 days from the invoice date.

Type of income	Nature, timing of satisfaction of performance obligations and significant payment terms
B2C revenue	In respect of B2C Snaitech 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. In respect of Casino and Bingo, revenue is recognised at the conclusion of the bet. Revenue from games of skill is recognised at the conclusion of the bet. • The revenues related to the acceptance of fixed odds bets are considered financial instruments under IFRS 9 and are recognised net of certain flat-rate gaming tax, winnings, bonuses and the fair value of open bets. • Revenues related to fixed odds bets are recognised at the conclusion of the event. • Poker revenues in the form of commission (i.e. rake) is recognised at the conclusion of each poker hand. The performance obligation is the provision of the poker games to the players. • All the revenues from gaming machines are recorded net of players' winnings and certain gaming taxes while the concession fees payable to the regulator and the compensation of operators, franchisees and platform providers are accounted as expenses. Revenue is recognised at the time of the bet. 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. In respect of Sun Bingo and B2C Sport revenue, the Group acts as principal with the end customer, with revenue being recognised at the conclusion of the event, net of winnings, jackpots and bonuses.
Financial trading income (discontinued operations)	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 Financial division, no return, refund and other similar obligations exist. Moreover, no warranties and related obligations exist.

E. Share-based payments

Certain employees participate in the Group's share option plans. Following the 2012 LTIP employees are granted cash-settled options and equity-settled options. The Remuneration Committee has the option to determine if the option will be settled in cash or equity, a decision that is made at grant date. The fair value of the equity-settled options granted is charged to the profit or loss 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, Monte Carlo or binomial valuation model, as appropriate. The cash-settled options are presented as a liability. The liability is remeasured at each reporting date and settlement date so that the ultimate liability equals the cash payment on settlement date. Remeasurements of the fair value of the liability are recognised in profit or loss.

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 market performance conditions is factored into the overall fair value and determined using a Monte Carlo method. Where these options lapse due to not meeting market performance conditions the share option charge is not reversed.

F. Income tax

The income tax expense represents the sum of the tax currently payable and deferred tax.

(i) Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

A provision is recognised for those matters for which the tax determination is uncertain, but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Company supported by previous experience in respect of such activities and in certain cases based on specialist tax advice.

(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; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised in the period in which the deductible temporary differences arise when there are sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity which are expected to reverse, or where it is probable that taxable profit will be available against which a deductible temporary difference can be utilised..

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; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are 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 the profit or loss is recognised outside the 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 recognised during the measurement period or is otherwise 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.

The tax base of assets and liabilities is assessed at each reporting date, and changes in the tax base that result from internal reorganisations, changes in the expected manner of recovery or changes in tax law are reflected in the calculation of deductible and taxable temporary differences.

G. Finance expense

Finance expense arising on interest bearing financial instruments carried at amortised cost are recognised in the profit or loss using the effective interest rate method. Finance expense includes the amortisation of fees that are an integral part of the effective finance cost of a financial instrument, including issue costs, and the amortisation of any other differences between the amount initially recognised and the redemption price. All finance expenses are recognised over the availability period.

Interest expense arising on the above during the period is disclosed under the financing activities in the consolidated statement of cash flows.

H. Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

I. Property, plant and equipment

(i) Recognition and measurement

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

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

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

(ii) Subsequent expenditure

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

(iii) Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. Land is not depreciated.

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

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

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

J. Intangible assets and goodwill

(i) Recognition and measurement

Goodwill

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

Externally acquired intangible assets

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses.

Business combinations

Intangible assets are recognised on business combinations if they are separable from the acquired entity or give rise to other contractual/legal rights. The amounts ascribed to such intangibles are arrived at by using appropriate valuation techniques.

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.

The amount initially recognised for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Expenditure includes salaries, wages and other employee-related costs directly engaged in generating the assets and any other expenditure that is directly attributable to generating the assets (i.e. certifications and amortisation of right of use assets). Where no internally generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

(ii) Subsequent expenditure

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

(iii) Amortisation

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

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

	%
Domain names	Nil
Internally generated capitalised development costs	20–33
Technology IP	13–33
Customer lists	In line with projected cash flows or 7–20
Affiliate contracts	5–12.5

Patents and licences	10–33 or over the period of the licence

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

K. Assets held for sale

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

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.

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

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

L. Financial instruments

Initial recognition and subsequent measurement

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

(i) Financial assets

Initial recognition and measurement

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

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

Subsequent measurement

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

- financial assets at amortised cost (debt instruments);
- financial assets at fair value through other comprehensive income with recycling of cumulative gains and losses (debt instruments);
- financial assets designated at fair value through other comprehensive income with no recycling of cumulative gains and losses upon derecognition (equity instruments); and
- financial assets at fair value through profit or loss.

Financial assets at amortised cost (debt instruments)

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

Cash and cash equivalents consist of cash at bank and in hand, short-term deposits with an original maturity of less than three months and customer balances.

Financial assets at fair value through profit or loss

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

The Group recognizes a debt financial instrument with an embedded conversion option, such as a loan convertible into ordinary shares of an entity, as a financial asset in the balance sheet. On initial recognition, the convertible loan is measured at fair value with any gain or loss arising on subsequent measurement until conversion recognized in profit or loss. On conversion of a convertible instrument, the Group derecognizes the financial asset component and recognizes it as an investment (equity interest, associate, joint venture or subsidiary) depending on the results of the assessment performed under the relevant standards.

At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument. In addition, the Group considers whether there has been a significant increase in credit risk depending on the characteristics of each debt instrument.

Derecognition

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

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

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

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

Impairment

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

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

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

(ii) Financial liabilities

Initial recognition and measurement

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

Subsequent measurement

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

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

Financial liabilities at fair value through profit or loss

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

Financial liabilities at amortised cost

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

Derecognition

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

(iii) Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

M. Share capital

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

N. Share buyback

Consideration paid for the share buyback is recognised against the additional paid in capital. Any excess of the consideration paid over the weighted average price of shares in issue is debited to the retained earnings.

O. Employee Benefit Trust

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

P. Dividends

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

Q. Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax 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 semi-annually for impairment.

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

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

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

Impairment losses are recognised in the 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.

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

R. Provisions

Provisions for legal claims are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

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

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

S. Leases

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

Group as a lessee

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

(i) Right of use assets

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

(ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

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

The cash payments made in relation to long term leases is split between principal and interest paid on lease liability and disclosed within financing activities in the consolidated statement of cash flows.

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

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

T. Fair value measurement

"Fair value" is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either: (a) in the principal market for the asset or liability; or (b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 – valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 – valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

U. Adjusted results

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

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

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

The Directors use the Adjusted EBITDA and Adjusted Profit/loss 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 Adjusted EBITDA.

Adjusted results exclude the following items:

- Material non-cash items: these items are excluded to better analyse the underlying cash transactions of the business as the management regularly monitors the operating cash conversion to Adjusted EBITDA.
- Material one-off items: there items are excluded to get normalised results that are distorted by unusual or infrequent items unusual or infrequent items that are excluded to get normalised results that were previously distorted by these items. Unusual

items include highly abnormal, one-off and only incidentally relating to the ordinary activities of the Group. Infrequent items are those which are not reasonably expected to recur in the foreseeable future given the environment in which the Group operates.

- Material reorganisations and acquisition-related items: these items are excluded as they are not considered related to the ordinary activities of the business and are not considered to be ongoing costs of the operations of the business.

In addition, management presents underlying adjusted results and constant currency adjusted results to the Board of Directors.

Underlying adjusted results are presented as an alternative performance measure to exclude the impact of acquisitions made in the period or in the comparable period in order to present a more accurate "like-for-like" comparison over the comparable period.

Constant currency adjusted results are presented in order to try and present measures that exclude the effect of currency fluctuations. In view of the fact that the Group has transactions in foreign currencies and may be affected from the fluctuations of the currencies, all transactions in foreign currencies are converted to Euro using the exchange rate of the comparable period.

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

Note 6 – Significant accounting judgements, estimates and assumptions

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

Judgements

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

Revenue from contracts with customers

The Group applies judgement in determining whether it is acting as a principal or an agent specifically on the revenue earned under the B2B licensee fee stream. This income falls within the scope of IFRS 15 Revenue from Contracts with Customers. In making these judgements, the Group considers, by examining each contract with its customers, which party has the primary responsibility for providing the services and is exposed to the majority of the risks and rewards associated with providing the services, as well as if it has latitude in establishing prices, either directly or indirectly. The business model of this division is predominantly a revenue share model which is based on royalties earned from B2C business partners' revenue.

IFRS 15, paragraph B37 describes indicators that an entity controls the specified good or service before it is transferred to a customer and therefore acts as the principal. Based on this assessment it was concluded that Playtech is acting as an agent under the B2B licensee fee stream due to the three indicators under B37 which are not satisfied as follows:

- Playtech is responsible in fulfilling the contract to the operator, principally in respect of the software solutions, and not to the end customer which is the responsibility of the operator;
- there is no inventory risk as Playtech does not have the ability to direct the use of, and obtain substantially all of the remaining benefits from the good or service before it is transferred to the end customer; and
- Playtech does not have any discretion in establishing prices set by the operator to third parties.

Based on the above it was determined that the Group was acting as agent and revenue is recognised as the net amount of B2B licensee fees received. The majority of this B2B revenue is recognised when the gaming or betting activity used as the basis for the revenue share calculation takes place, and furthermore is only recognised when collection is virtually certain with a legally enforceable right to collect.

Internally generated intangible assets

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

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

Initial capitalisation of cost is based on the management's judgement that the technological and economic feasibility is confirmed, usually when product development has reached a defined milestone and future economic benefits are expected to be realised according to an established project management model. Following capitalisation, an assessment is performed in regard to project recoverability which is based on the actual return of the project. During the year, the Group capitalised €57.5 million (2021: €51.3 million) and the carrying amount of capitalised development costs as at 31 December 2022 was €123.2 million (2021: €122.3 million).

Adjusted performance measures

As noted in Note 5, paragraph U, the Group presents adjusted performance measures which differ from statutory measures due to exclusion of certain non-cash and one-off items and material reorganisation and acquisition-related items from the actual results. The determination of whether non-cash and one-off items and material reorganisation and acquisition-related items should form part of the adjusted results is a matter of judgement and is based on whether the inclusion/exclusion from the results represent more closely the consistent trading performance of the business. The items excluded from the adjusted measures are described in further detail in Note 10.

Provision for risks and charges and potential liabilities

The Group operates in a number of regulated markets and is subject to lawsuits and potential lawsuits regarding complex legal matters, which are subject to a different degree of uncertainty in different jurisdictions and under different laws. For all material ongoing and potential legal and regulatory claims against the Group, an assessment is performed to consider whether an obligation or possible obligation exists and to determine the probability of any potential outflow to determine whether a claim results in the recognition of a provision or disclosure of a contingent liability. The timing of payment of provisions is subject to uncertainty and may have an effect on the presentation of the provisions as current and non-current liabilities in the balance sheet. Expected timing of payment and classification of provision is determined by the management based on the latest information available at the reporting date. See Note 29 for further details.

Classification of equity call options

Background

In addition to the provision of software-related solutions as a B2B product, the Group also offers certain customers a form of offering (which includes software and related services) which is termed a “structured agreement”. Structured agreements are customarily with customers which have a gaming licence and are retail/land based operators that are looking to establish their online B2C businesses – these customers require initial support beyond the provision of the Group’s standard B2B software technology. With this product offering, Playtech offers additional services to support the customer’s B2C activities over and above the B2B software solution products.

Playtech generates revenues from the structured agreements as follows:

- the standard operator revenue (B2B licensee fee income as per Note 5D); and
- revenue based on predefined revenue generated by each customer under the structured agreement which is typically capped at a percentage of the profit (also defined in each agreement) generated by the customer, which compensates Playtech for the additional services provided (additional B2B services fee as per Note 5D).

Under these agreements, Playtech typically has a call option to acquire equity in the operating entities. If the call option is exercised by Playtech, the Group would no longer provide certain services (which generally include technical and general strategic support services) and would no longer receive the related additional B2B services fee. This mechanism is not designed as a control feature but mainly to protect Playtech’s position should the customer be subject to an exit transaction. Playtech is therefore able to benefit from any value appreciation in the operation and could also potentially cease to provide the additional B2B services should it choose to do so dependent on the nature of the exit transaction.

Judgement applied

In respect of each of the structured agreements where the Group holds equity call options, management applies judgement to assess whether the Group has control or significant influence. For each of the Group’s structured agreements an assessment was completed in Note 20 using the below guidance.

The existence of control by an entity is evidenced if all of the below are met in accordance with IFRS 10 Consolidated Financial Statements, paragraph 7:

- power over the investee;
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect the amount of the investor’s returns.

In the cases where the Group assessed that it exercises control over these arrangements, then the company is consolidated in the Group’s annual results in accordance with IFRS 10.

The existence of significant influence by an entity is usually evidenced in one or more of the following ways in accordance with IAS 28 Investment in Associates and Joint Ventures, paragraph 6:

- representation on the board of directors or equivalent governing body of the investee;
- participation in policy-making processes, including participation in decisions about dividends or other distributions;
- material transactions between the entity and its investee;
- interchange of managerial personnel; or
- provision of essential technical information.

If the conclusion is that the Group has significant influence, the next consideration made is whether there is current access to net profits and losses of the underlying associate. This is determined by the exercise conditions of each relevant equity call option and in particular whether the options are exercisable at the end of each reporting period.

If the option is exercisable then the investment is accounted for using the equity accounting method. However, in the cases where the company over which the Group has a current exercisable option generates profits, management made a judgement and concluded that Playtech’s share of profits (were the option to be exercised) should not be recognised as it is unlikely that the profits will be realised as the existing shareholder has the right, and is entitled, to extract distributable profits. As such management did not consider it appropriate to recognise any share of these profits. However, in the cases where the associate has generated losses, the Group’s percentage share is recognised and deducted from the carrying value of the investment in associate.

Management has made a further judgement that if the equity call option is not exercisable at the end of the reporting period, then the option is recorded at fair value as per IAS 28, paragraph 14 and recognised as a derivative financial asset as per IFRS 9 Financial Instruments.

Furthermore, under some of these arrangements the Group has provided loan advances. In such instances a judgement was made as to whether these amounts form part of the Group's investment in the associate as per IAS 28, paragraph 38, with a key consideration being whether the Group expects settlement to occur in the foreseeable future. In the case where this is not expected and there is no set repayment term, then it is concluded that in substance these loans are extensions of the entity's investment in the associate and therefore would form part of the cost of the investment.

Finally, the Group has certain agreements in relation to the provision of services by service providers in connection with certain of the Group's obligations under their various structured agreements. Under these arrangements, the service providers have certain rights to equity. In order for these rights to crystallise, the Group must first exercise the relevant option. A judgement was therefore made that no current liability exists under IAS 32, until the point when Playtech exercises the option.

Estimates and assumptions

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

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The value in use calculation is based on a discounted cash flow model (DCF). The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that may enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognised by the Group. The key assumptions used to determine the recoverable amount of the different CGUs, are disclosed and further explained in Note 19, including a sensitivity analysis for the CGUs with lower headroom.

Income taxes

The Group is subject to income tax in several jurisdictions and significant judgement is required in determining the provision for income taxes. During the ordinary course of business, there are transactions and calculations for which the ultimate tax determination is uncertain. As a result, the Group recognises tax liabilities based on estimates of whether additional taxes and interest will be due. These tax liabilities are recognised when, despite the Group's belief that its tax return positions are supportable, the Group believes it is more likely than not that a taxation authority would not accept its filing position. In these cases, the Group records its tax balances based on either the most likely amount or the expected value, which weights multiple potential scenarios. The Group believes that its accruals for tax liabilities are adequate for all open audit years based on its assessment of many factors including past experience and interpretations of tax law. This assessment relies on estimates and assumptions and may involve a series of complex 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. Where management conclude that it is not probable that the taxation authority will accept an uncertain tax treatment, they calculate the effect of uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses, unused tax, credits or tax rates. The effect of uncertainty for each uncertain tax treatment is reflected by using the expected value – the sum of the probabilities and the weighted amounts in a range of possible outcomes. More details are included in Note 14.

Deferred tax asset

In evaluating the Group's ability to recover our deferred tax assets in the jurisdiction from which they arise, management considers all available positive and negative evidence, projected future taxable income, tax-planning strategies and results of recent operations. Deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Judgement is required in determining the initial recognition and the subsequent carrying value of the deferred tax assets. Deferred tax asset is only able to be recognised to the extent that utilisation is considered probable. It is possible that a change in profit forecasts or risk factors could result in a material change to the income tax expense and deferred tax asset in future periods.

Deferred tax asset in the UK

As a result of the Group's internal restructuring in January 2021, the Group is entitled to UK tax deductions in respect of certain goodwill and intangible assets. A deferred tax asset was recognized as the tax base of the goodwill and intangible assets is in excess of the book value base of those assets. At the beginning of the period, the net recognized deferred tax asset amounted to €63.6 million. As at 31 December 2022, an additional deferred tax asset of €5.2 million was recognized. This additional deferred tax asset has been recognized as the Group's management has concluded that it is probable for the UK entities to continue to generate taxable profits in the future against which the Group can utilise the tax deductions for goodwill and intangible assets giving a tax benefit of €68.8 million. This represents the benefit of the deductions against forecast profits for the next 5 years. During the year, €12.0 million has been utilized and the net recognized deferred tax asset as at 31 December 2022 amounts to €56.8 million. In addition, a total of €37.0 million of deferred tax asset has not been recognised in respect of the benefit of future tax deductions expected to arise after the next 5 years for the remaining useful economic life of the goodwill and intangible assets.

The Group reviewed the latest forecasts for the UK companies for the next 5 years, including their ability to continue to generate income beyond the forecast period under the tax laws substantively enacted at the reporting date. Based on this, the Group's management concludes that it is probable that the UK companies will continue to generate taxable income in the future. Any future changes in the tax law or the structure of the Group could have a significant effect on the use of the tax deductions, including the period over which the deductions can be utilised.

The Group has recognised a deferred tax asset of €60.4 million in respect of tax losses and excess interest in the UK which are available to offset against the future profits of the UK Group companies. Based on the current forecasts, these losses will be fully utilised over the next 5 years.

Deferred tax assets in Italy
The Group has recognised a deferred tax asset of €23.1 million in respect of tax losses in Italy which are available to offset against the future profits of the Italian Group companies. Based on the current forecasts, these losses will be fully utilised within the next 5 years.

The Group reviewed the latest forecasts for the Italian companies for the next 5 years, including their ability to continue to generate income beyond the forecast period under the tax laws substantively enacted at the reporting date. Based on this, the Group management concludes that it is probable that the Italian Group companies will continue to generate taxable income in the future against which the losses can be utilised. Any future changes in the tax law or the structure of the Group could have a significant effect on the use of the tax deductions, including the period over which the deductions can be utilised.

Impairment of financial assets

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

In respect of the Group's Asian licensees' business model an additional ECL risk was identified due to increase in collection days and uncertainty over timing of receipt of funds. This resulted in an additional provision for bad debts of €15.4 million (2021: €7.5 million) recognised in the profit or loss in H1 2022 with nothing further recognized in H2 2022.

Sun Bingo agreement

Background

The News UK contract commenced in 2016 and was originally set for a five-year period to June 2021. Both parties have obligations under the contract, which include News UK providing access to brand and related materials as well as other services. Playtech has the primary responsibility for the operation of the arrangement, but both parties have contractual responsibilities.

The related brands are used in Playtech's B2C service, where the Group acts as the principal, meaning that in the Group's consolidated statement of comprehensive income:

- revenue from B2C customers is recognised as income; and
- the fees paid to News UK for use of the brands are an expense as they are effectively a supplier.

In the original contract, the fees payable were subject to a predetermined annual minimum guarantee (MG) which Playtech had to pay to News UK.

During the period from 2016 to 2018, performance was not in line with expectations, and as such, the MG made this operation significantly loss making for the Group. This opened the negotiations with News UK for certain amendments to the contract, which were agreed and signed in February 2019 as follows:

- the MG was still payable up until the end of the original contract period, being June 2021, with no MG payable after that; and
- the contract term was extended to permit Playtech access to News UK's brands and other related materials and other services, for a longer period, to allow Playtech to recover its MG payments and to make a commercial return as was always envisaged. The term of the contract was extended to end at the earlier of: a) five years from the date when Playtech had fully recovered all MG payments made; or b) 15 years from the renegotiation (i.e. June 2036).

Judgements made on recognition and measurement

The annual MG paid to News UK was recognised in Playtech's profit or loss up until February 2019, essentially being expensed over the original term of the contract. However, from the point at which the amended contract became effective, the timing of the MG paid (being based on the original terms) no longer reflected the period over which Playtech was consuming the use of the News UK brands and other related services from them. As such, a prepayment was recorded to reflect the amount that had been paid, as at each period end, which related to the future use of the brands and services. IFRS do not have a specific standard that deals with accounting for prepayments; however, the asset recognised as a prepayment is in accordance with IAS 1 Presentation of Financial Statements.

At the commencement of the agreement and on renegotiation of the contract, the Directors considered whether the nature of the arrangement gave rise to any intangible assets. At contract inception the Directors concluded that there were no such assets to recognise as both parties had contractual obligations under the agreement to deliver services, as explained above. Post the contract renegotiation, the amounts to be paid in the remainder of the initial period were considered to be advanced payments in respect of amounts to be earned by News UK over the remainder of the extended contract period. Consequently, the Directors did not believe that there was a fundamental change in the nature of the arrangements and it was considered most appropriate to categorise the amounts paid as operating expense prepayments.

As noted above, the term of this renegotiated contract is dependent on the future profitability of the contract, and it was expected that the future profitability would mean the contract would finish before the end of the fixed term period. For this reason, it was considered appropriate that the prepayment recognised should be released to the profit or loss in line with this expected profitability, rather than on a straight-line basis.

The amounts held in non-current and current assets of €63.4 million and €3.6 million in Notes 21 and 23, respectively, are the difference between the MG actually paid to News UK from February 2019 to June 2021 and the amounts recognised in the Group's profit or loss from February 2019 to December 2022.

There is always a risk with any budgeting process that the plan may not be realised. This risk increases the longer the period for which the budget covers and in this instance the period is potentially up to 15 years. When producing the budget management applies reasonable assumptions based on known factors, but sometimes and outside of management's control, these factors may vary. However, management also reviews these forecasts at each reporting period and more regularly internally and adjusts the expense released accordingly. Based on the most recent forecasts and current profitability and the fact that the Group had been running the operation since 2016 and therefore has significant experience of the level of profitability that can be derived from the operation, it is confident that the performance of the business will allow the full recovery of this asset, before the contract ends.

Calculation of legal provisions

The Group ascertains a liability in the presence of legal disputes or ongoing lawsuits when it believes it is probable that a financial outlay will take place and when the amount of the losses can be reasonably estimated. The Group is subject to lawsuits regarding complex legal problems, which are subject to a differing degree of uncertainty (also due to a complex legislative framework), including the facts and the circumstances inherent to each case, the jurisdiction and the different laws applicable. Given the uncertainties inherent to these problems, it is difficult to predict with certainty the outlay which will derive from these disputes and it is therefore possible that the value of the provisions for legal proceedings and disputes may vary depending on future developments in the proceedings underway. The Group monitors the status of the disputes underway and consults with its legal advisers and experts on legal and tax-related matters. More details are included in Note 29.

Measurement of fair values of equity investments and equity call options

The Group's equity investments and, where applicable (based on the judgements applied above), equity call options held by the Group, are measured at fair value for financial reporting purposes. The Group has an established control framework with respect to the measurement of fair value.

In estimating the fair value of an asset and liability, the Group uses market-observable data to the extent it is available. Where level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The Group works closely with the qualified valuers to establish the appropriate valuation techniques and inputs to the model.

As mentioned in Note 20, the Group has:

- Investments in listed securities where the fair values of these equity shares are determined by reference to published price quotations in an active market
- Equity investments in entities that are not listed, accounted at fair value through profit or loss under IFRS 9
- Derivative financial assets (call options in instruments containing potential voting rights), which are accounted at fair value through profit or loss under IFRS 9

The fair value of the equity investments that are not listed and of the derivative financial assets, rely on non-observable inputs that require a higher level of management judgement to calculate a fair value than those based wholly on observable inputs. Valuation techniques are used to calculate fair values include comparisons with similar financial instruments for which market observable prices exist, discounted cash flow analysis and other valuation techniques commonly used by market participants. Upon the use of DCF method, the Group assumes that the expected cash flows are based on the EBITDA.

The Group only uses models with unobservable inputs for the valuation of certain unquoted equity investments. In these cases, estimates are made to reflect uncertainties in fair values resulting from a lack of market data inputs, for example, as a result of illiquidity in the market. Inputs into valuations based on unobservable data are inherently uncertain because there is little or no current market data available from which to determine the level at which an arm's length transaction would occur under normal business conditions. Unobservable inputs are determined based on the best information available. Further details on the fair value of assets are disclosed in Note 20, which includes a significant judgement relating to the public announcement made by the Group on 6 February 2023 where Playech plc is seeking a declaration from the English Courts to obtain clarification on a point of disagreement between the Group and Caliplay.

The following table shows the carrying amount and fair value of non-current assets, as disclosed in Note 20, including their levels in the fair value hierarchy.

	Carrying amount	Fair value		
	2022 €'m	**Level 1 €'m**	**Level 2 €'m**	**Level 3 €'m**
Non-current assets				
Other investments (Note 20B)	9.2	1.4	—	7.8
Derivative financial assets (Note 20C)	636.4	—	—	636.4
	645.6	1.4	—	644.2

	Carrying amount	Fair value		
	2021 €'m	Level 1 €'m	Level 2 €'m	Level 3 €'m
Non-current assets				
Other investments (Note 20B)	8.1	1.6	—	6.5
Derivative financial assets (Note 20C)	622.2	—	—	622.2
	630.3	1.6	—	628.7

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:

- B2B: including Casino, Services, Sport, Bingo, Poker and Other;
- B2C: including Snaitech, Sun Bingo and Other B2C and HAPPYBET; and
- Financial: including B2C and B2B CFD (discontinued operations).

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

Year ended 31 December 2022	**B2B €'m**	**Snaitech €'m**	**Sun Bingo and other B2C €'m**	**HAPPYBET €'m**	**Intercompany B2C €'m**	**Total B2C €'m**	**Intercompany €'m**	**Total Gaming – continuing operations €'m**	**Financial – discontinued operations €'m**	**Total €'m**
Revenue	632.4	899.8	65.3	20.1	(2.1)	983.1	(13.7)	1,601.8	74.5	1,676.3
Adjusted EBITDA	160.2	254.2	2.0	(10.8)	—	245.4	—	405.6	33.8	439.4
Adjusted Profit attributable to the owners of the Company	43.8	127.4	1.1	(11.8)	—	116.7	—	160.5	41.2	201.7
Total assets	1,853.2	1,070.4	89.7	9.1	—	1,169.2	—	3,022.4	—	3,022.4
Total liabilities	697.2	603.2	14.6	6.4	—	624.2	—	1,321.4	—	1,321.4

Year ended 31 December 2021	**B2B €'m**	**Snaitech €'m**	**Sun Bingo and other B2C €'m**	**HAPPYBET €'m**	**Intercompany B2C €'m**	**Total B2C €'m**	**Intercompany €'m**	**Total Gaming continuing operations €'m**	**Financial discontinued operations €'m**	**Total €'m**
Revenue	554.3	584.7	61.9	18.2	(1.1)	663.7	(12.6)	1,205.4	46.6	1,252.0
Adjusted EBITDA	139.2	182.6	6.7	(11.4)	—	177.9	—	317.1	(23.0)	294.1
Adjusted Profit/(Loss) attributable to the owners of the Company	45.9	83.2	10.3	(11.8)	—	81.7	—	127.6	(13.8)	113.8
Total assets	1,911.1	1,154.7	92.9	6.2	—	1,253.8	—	3,164.9	487.4	3,652.3
Total liabilities	842.7	867.3	11.4	5.9	—	884.6	—	1,727.3	343.8	2,071.1

Geographical analysis of non-current assets

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

	2022 €'m	2021 €'m
Italy	746.1	755.5
UK	328.4	332.6
Austria	131.5	132.8
Alderney	75.9	100.0
Sweden	59.9	70.2
Gibraltar	27.9	37.7
Cyprus	22.0	25.6
Latvia	15.5	15.9
Australia	18.8	15.1
Ukraine	8.8	11.3
Estonia	7.8	9.4
British Virgin Islands	8.2	8.0
Rest of World	59.7	27.5
	1,510.5	1,541.6

Note 8 – Discontinued operation

The results of the discontinued operations for the year are presented below:

	2022		2021	
	Actual €'m	Adjusted €'m	Actual €'m	Adjusted €'m
Revenue	74.5	74.5	46.6	46.6
Distribution costs before depreciation and amortisation	(34.9)	(34.8)	(56.9)	(56.4)
Administrative expenses before depreciation and amortisation	(13.3)	(4.0)	(15.9)	(8.5)
Impairment of financial assets	(1.9)	(1.9)	(4.7)	(4.7)
EBITDA	24.4	33.8	(30.9)	(23.0)
Reversal of impairment of asset held for sale	—	—	2.0	—
Finance income	11.6	11.6	12.0	12.0
Finance costs	(0.5)	(0.5)	(0.9)	(0.9)
Profit on disposal of discontinued operations (Note 25C/25B)	15.1	—	7.6	—
Profit/(loss) before taxation	50.6	44.9	(10.2)	(11.9)
Tax expense	(3.6)	(3.7)	(1.9)	(1.9)
Profit/(loss) from discontinued operations, net of tax	47.0	41.2	(12.1)	(13.8)

All of the profit from discontinued operations, net of tax in the year ended 31 December 2022 relates to the Financial segment, which was disposed during the current year (refer to Note 25C). Included in the loss from discontinued operations, net of tax, in the prior year is a profit on disposal of €7.6 million relating to the "YoYo" business, which was part of the Group's Casual and Social Gaming business, all fully disposed during 2021. The remainder of the 2021 results included in the loss from discontinued operations, net of tax, all relate to the Financials segment.

The following tables provide a full reconciliation between adjusted and actual results from discontinued operations:

For the year ended 31 December 2022	**Revenue €'m**	**EBITDA €'m**	**Profit from discontinued operations attributable to the owners of the Company €'m**
Reported as actual	74.5	24.4	47.0
Employee stock option expenses	—	0.3	0.2
Professional fees[1]	—	9.1	9.1
Profit on disposal of discontinued operations (Note 25C)	—	—	(15.1)
Adjusted measure	74.5	33.8	41.2

[1]On the completion of the transaction the break fee of US$8.8 million to the Consortium that had previously agreed to acquire the Financial segment, as announced in May 2021 was triggered and therefore paid. This is included in professional fees.

For the year ended 31 December 2021	Revenue €'m	EBITDA €'m	Loss from discontinued operations attributable to the owners of the Company €'m
Reported as actual	46.6	(30.9)	(12.1)
Employee stock option expenses	—	0.8	0.8
Professional fees	—	7.1	7.1
Reversal of impairment of asset held for sale (Note 25C)	—	—	(2.0)
Profit on disposal of discontinued operations (Note 25B)	—	—	(7.6)
Adjusted measure	46.6	(23.0)	(13.8)

Earnings per share from discontinued operations

	2022		2021	
	Actual	**Adjusted**	Actual	Adjusted
Basic (cents)	15.7	13.7	(4.0)	(4.6)
Diluted (cents)	15.1	13.2	(4.0)	(4.6)

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

	2022 €'m	2021 €'m
Operating	28.2	(2.6)
Investing	(3.8)	(6.9)
Financing	(1.1)	(2.2)
Net cash inflow/(outflow)	23.3	(11.7)

The above net cash inflows/(outflow) does not include the disposal proceeds.

Note 9 – Revenue from contracts with customers

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

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

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

Revenue analysis by geographical location of licensee, product type, timing of transfer of performance obligations and regulated vs unregulated by geographical major markets

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

For the year ended 31 December 2022

Primary geographic markets	**B2B €'m**	**B2C €'m**	**Intercompany €'m**	**Total Gaming – continuing operations €'m**	**Financial – discontinued operations €'m**	**Total €'m**
Italy	35.1	897.7	(10.0)	922.8	1.3	924.1
UK	127.0	65.2	(3.7)	188.5	34.1	222.6
Mexico	123.7	—	—	123.7	0.3	124.0
Malta	55.7	—	—	55.7	0.1	55.8
Philippines	51.2	—	—	51.2	—	51.2
Spain	27.7	—	—	27.7	1.0	28.7
Gibraltar	24.9	—	—	24.9	—	24.9
Poland	21.9	—	—	21.9	0.1	22.0
Netherlands	20.2	—	—	20.2	1.0	21.2
Greece	20.5	—	—	20.5	0.3	20.8
Curacao	20.2	—	—	20.2	—	20.2
Germany	0.8	16.8	—	17.6	1.0	18.6
British Virgin Islands	—	—	—	—	16.0	16.0
Ireland	10.0	—	—	10.0	0.3	10.3
Colombia	9.1	—	—	9.1	0.4	9.5
Rest of World	84.4	3.4	—	87.8	18.6	106.4
	632.4	983.1	(13.7)	1,601.8	74.5	1,676.3

Product type	B2B €'m	B2C €'m	Intercompany €'m	Total Gaming – continuing operations €'m	Financial – discontinued operations €'m	Total €'m
B2B licensee fee	451.7	—	—	451.7	—	451.7
B2B fixed-fee income	42.1	—	—	42.1	—	42.1
B2B costs-based revenue	59.9	—	—	59.9	—	59.9
B2B revenue received from the sale of hardware	13.2	—	—	13.2	—	13.2
Additional B2B services fee	65.5	—	—	65.5	—	65.5
Total B2B	**632.4**	**—**	**—**	**632.4**	**—**	**632.4**
Snaitech	—	899.8	—	899.8	—	899.8
Sun Bingo and Other B2C	—	65.3	—	65.3	—	65.3
HAPPYBET	—	20.1	—	20.1	—	20.1
Intercompany	—	(2.1)	—	(2.1)	—	(2.1)
Total B2C	**—**	**983.1**	**—**	**983.1**	**—**	**983.1**
Intercompany	—	—	(13.7)	(13.7)	—	(13.7)
Total intercompany	**—**	**—**	**(13.7)**	**(13.7)**	**—**	**(13.7)**
Financial	**—**	**—**	**—**	**—**	**74.5**	**74.5**
	632.4	**983.1**	**(13.7)**	**1,601.8**	**74.5**	**1,676.3**

Timing of transfer of performance obligations	B2B €'m	B2C €'m*	Intercompany €'m	Total Gaming – continuing operations €'m	Financial – discontinued operations €'m	Total €'m
Recognised over time	619.2	28.4	(13.7)	633.9	74.5	708.4
Recognised at the point in time	13.2	954.7	—	967.9	—	967.9
	632.4	983.1	(13.7)	1,601.8	74.5	1,676.3

*B2C revenue recognised at the point in time is recorded under IFRS9.

	2022 €'m
Regulated – Americas	144.7
Regulated – Europe (excluding UK)	184.6
Regulated – UK	126.7
Regulated – Rest of World	5.6
Total regulated B2B revenue	461.6
Unregulated excluding Asia	103.6
Total core B2B revenue	565.2
Asia	67.2
Total B2B Gambling revenue	632.4

For the year ended 31 December 2021

Primary geographic markets	B2B €'m	B2C €'m	Intercompany €'m	Total Gaming – continuing operations €'m	Financial – discontinued operations €'m	Total €'m
Italy	30.7	583.6	(7.6)	606.7	1.2	607.9
UK	132.2	61.9	(4.1)	190.0	14.1	204.1
Mexico	90.3	—	—	90.3	0.3	90.6
Philippines	67.6	—	—	67.6	—	67.6
Malta	52.3	—	—	52.3	0.5	52.8
Gibraltar	27.9	—	—	27.9	—	27.9
Spain	21.7	—	—	21.7	1.7	23.4
Germany	1.2	16.4	(0.8)	16.8	2.3	19.1
Greece	16.8	—	—	16.8	1.5	18.3
Poland	14.4	—	—	14.4	0.1	14.5
Curacao	12.2	—	—	12.2	0.1	12.3
Netherlands	7.2	—	—	7.2	3.2	10.4
Colombia	8.5	—	—	8.5	(0.2)	8.3
Romania	5.7	—	—	5.7	0.2	5.9
Norway	5.4	—	—	5.4	0.3	5.7
Rest of World	60.2	1.8	(0.1)	61.9	21.3	83.2
	554.3	663.7	(12.6)	1,205.4	46.6	1,252.0

Product type	B2B €'m	B2C €'m	Intercompany €'m	Total Gaming – continuing operations €'m	Financial – discontinued operations €'m	Total €'m

Product type	B2B €'m	B2C €'m	Intercompany €'m	Total Gaming – continuing operations €'m	Financial – discontinued operations €'m	Total €'m
B2B licensee fee	404.0	—	—	404.0	—	404.0
B2B fixed-fee income	48.5	—	—	48.5	—	48.5
B2B costs-based revenue	45.3	—	—	45.3	—	45.3
B2B revenue received from the sale of hardware	7.1	—	—	7.1	—	7.1
Additional B2B services fee	49.4	—	—	49.4	—	49.4
Total B2B	**554.3**	**—**	**—**	**554.3**	**—**	**554.3**
Snaitech	—	584.7	—	584.7	—	584.7
Sun Bingo and Other B2C	-	61.9	-	61.9	-	61.9
HAPPYBET	-	18.2	-	18.2	-	18.2
Intercompany	-	(1.1)	-	(1.1)	-	(1.1)
Total B2C	**-**	**663.7**	**-**	**663.7**	**-**	**663.7**
Intercompany	-	-	(12.6)	(12.6)	-	(12.6)
Total intercompany	**-**	**-**	**(12.6)**	**(12.6)**	**-**	**(12.6)**
Financial	**-**	**-**	**-**	**-**	**46.6**	**46.6**
	554.3	**663.7**	**(12.6)**	**1,205.4**	**46.6**	**1,252.0**

Timing of transfer of performance obligations	B2B €'m	B2C €'m*	Intercompany €'m	Total Gaming – continuing operations €'m	Financial – discontinued operations €'m	Total €'m
Recognised over time	547.2	22.2	(12.6)	556.8	46.6	603.4
Recognised at the point in time	7.1	641.5	-	648.6	-	648.6
	554.3	663.7	(12.6)	1,205.4	46.6	1,252.0

*B2C revenue recognised at the point in time is recorded under IFRS9.

	2021 €'m
Regulated – Americas	101.3
Regulated – Europe (excluding UK)	141.4
Regulated – UK	132.1
Regulated – Rest of World	3.9
Total regulated B2B revenue	378.7
Unregulated excluding Asia	93.7
Total core B2B revenue	472.4
Asia	81.9
Total B2B Gambling revenue	554.3

There were no changes in the Group's revenue measurement policies and procedures in 2021 and 2022. The vast majority of the Group's B2B contracts are for the delivery of services within the next 12 months. Furthermore, no individual licensee in 2022 and 2021 accounted for more than 10% of the total gaming revenue and the total revenue of the Group.

The Group's contract liabilities, in other words deferred income, primarily include advance payment for hardware and services and also include certain fixed fees paid by the licensee in the beginning of the contract. Deferred income as at 31 December 2022 was €6.0 million (2021: €8.1 million).

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

	2022 €'m	2021 €'m
Balance at 1 January	**8.1**	11.8
Recognised during the year	**8.4**	7.0
Realised in the profit or loss	**(10.5)**	(10.7)
Balance at 31 December	**6.0**	8.1

Note 10 – Adjusted items

Management regularly uses adjusted financial measures internally to understand, manage and evaluate the business and make operating decisions. These adjusted measures are among the primary factors management uses in planning for and forecasting future periods. The primary adjusted financial measures are Adjusted EBITDA and Adjusted Profit, which management considers are relevant in understanding the Group's financial performance. The definitions of adjusted items and underlying adjusted results are disclosed in Note 5.

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

The following tables provide a full reconciliation between adjusted and actual results from continuing operations:

For the year ended 31 December 2022	**Revenue €'m**	**EBITDA – B2B €'m**	**EBITDA – B2C €'m**	**EBITDA €'m**	**(Loss)/Profit – B2B €'m**	**Profit– B2C €'m**	**Profit from continuing operations attributable to the owners of the Company €'m**	**Profit before tax from continuing operations €'m**
Reported as actual	1,601.8	138.4	234.1	372.5	(42.8)	83.4	40.6	95.6
Employee stock option expenses[1]	—	7.1	0.9	8.0	7.1	0.9	8.0	8.0
Professional fees[2]	—	15.7	—	15.7	15.7	—	15.7	15.7
Fair value change and finance cost on contingent consideration and redemption liability[3]	—	(4.3)	—	(4.3)	(4.2)	—	(4.2)	(4.2)
Ukraine employee support costs[4]	—	3.3	—	3.3	3.3	—	3.3	3.3
Onerous contract[5]	—	—	10.4	10.4	—	10.4	10.4	10.4
Fair value change of equity instruments[6]	—	—	—	—	0.3	—	0.3	0.3
Fair value change of derivative financial assets[6]	—	—	—	—	(6.0)	—	(6.0)	(6.0)
Fair value loss on convertible loans[7]	—	—	—	—	3.0	—	3.0	3.0
Amortisation of intangibles on acquisitions[8]	—	—	—	—	13.2	28.8	42.0	42.0
Impairment of tangible and intangible assets[9]	—	—	—	—	38.7	(0.2)	38.5	38.5
Loss on disposal of subsidiary[10]	—	—	—	—	8.8	—	8.8	8.8
Deferred tax on acquisitions[8]	—	—	—	—	(1.7)	(6.6)	(8.3)	—
Tax related to uncertain positions[11]	—	—	—	—	8.4	—	8.4	—
Adjusted measure	1,601.8	160.2	245.4	405.6	43.8	116.7	160.5	215.4
Constant currency impact	(19.8)	—	—	(17.9)	—	—	(27.1)	—
Underlying adjusted result on constant currency basis	1,582.0	—	—	387.7	—	—	133.4	—

1 Employee stock option expenses relate to non-cash expenses of the Group and differ from year to year based on share price and the number of options granted.
2 The vast majority of the professional fees relate to the potential sale of the Group. These expenses are not considered ongoing costs of operations and therefore are excluded.
3 Fair value change and finance costs on redemption liability related to the acquisition of Statscore. These expenses are not considered ongoing costs of operations and therefore are excluded.
4 Financial support provided to the employees based in Ukraine. These expenses are not considered ongoing costs of operations and therefore are excluded.
5 One off payment to terminate an onerous contract with a former service provider made in H1 2022. This expense is not considered an ongoing cost of operations and therefore is excluded.
6 Fair value change of equity instruments and derivative financial assets. These are excluded from the results as they relate to unrealised profit/loss.
7 Fair value loss on convertible loans relates to Gameco. This write off is not considered an ongoing cost of operations and is excluded. Refer to Note 20B.
8 Amortisation and deferred tax on intangible assets acquired through business combinations. Costs directly related to acquisitions are not considered ongoing costs of operations and therefore are excluded.
9 Impairment of tangible and intangible assets mainly relates to the impairment of Eyecon €13.6 million, Quickspin €7.0 million, Bingo VF €12.5 million and IGS €5.6 million. Refer to Note 19.
10 Loss arising on the disposal of Statscore, previously a subsidiary of the Group. Even though, Statscore was a separate CGU which was tested for impairment biannually up to the date of disposal, it didn't meet the criteria of IFRS5 Non-current Assets Held for Sale and Discontinued Operations of being a separate major line of business for the Group. As such it was not presented separately as discontinued operations as at 31 December 2022. This loss is not considered an ongoing cost of operations and therefore is excluded. Refer to Note 20A.
11 Change in estimates related to uncertain overseas tax positions in respect of prior years.

For the year ended 31 December 2021	Revenue €'m	EBITDA – B2B €'m	EBITDA – B2C €'m	EBITDA €'m	Profit – B2B €'m	Profit– B2C €'m	Profit from continuing operations attributable to the owners of the Company €'m	Profit before tax from continuing operations €'m
Reported as actual	1,205.4	105.5	175.8	281.3	629.2	57.5	686.7	605.0
Employee stock option expenses[1]	—	11.5	1.6	13.1	11.5	1.6	13.1	13.1
Professional fees[2]	—	13.9	0.5	14.4	13.9	0.5	14.4	14.4
Fair value change and finance cost on redemption liability[3]	—	1.3	—	1.3	1.4	—	1.4	1.4
Charitable donation[4]	—	3.5	—	3.5	3.5	—	3.5	3.5
Provision for other receivables[5]	—	1.2	—	1.2	1.2	—	1.2	1.2
Settlement of legal matter[6]	—	2.3	—	2.3	2.3	—	2.3	2.3
Fair value change and finance cost on contingent consideration[3]	—	—	—	—	4.4	0.3	4.7	4.7
Fair value change of equity instruments[7]	—	—	—	—	1.6	—	1.6	1.6
Fair value change of derivative financial assets[7]	—	—	—	—	(583.2)	—	(583.2)	(583.2)
Amortisation of intangibles on acquisitions[8]	—	—	—	—	16.9	17.9	34.8	34.8
Impairment of tangible and intangible assets[9]	—	—	—	—	9.3	12.3	21.6	21.6
Deferred tax on acquisitions[8]	—	—	—	—	(2.5)	(6.6)	(9.1)	—
Deferred tax on asset held for sale[10]	—	—	—	—	—	(1.8)	(1.8)	—
Deferred tax[11]	—	—	—	—	(63.6)	—	(63.6)	—
Adjusted measure	1,205.4	139.2	177.9	317.1	45.9	81.7	127.6	120.4
Constant currency impact	—	—	—	—	—	—	0.5	—
Underlying adjusted result on constant currency basis	1,205.4	—	—	317.1	—	—	128.1	—

1 Employee stock option expenses relate to non-cash expenses of the Group and differ from year to year based on share price and the number of options granted.
2 The majority of the professional fees equally relate to: (a) work completed in relation to the potential exercise of Playtech M&A Call Option (Note 20A); and (b) the potential sale of the Group. These expenses are not considered ongoing costs of operations and therefore are excluded.
3 Fair value change and finance costs on redemption liability and contingent consideration related to the acquisition of Statscore, Eyecon and Wplay. These expenses are not considered ongoing costs of operations.
4 In 2020, the Board of Directors approved a £3.0 million COVID-19 Recovery and Resilience Fund which was paid in the year ended 31 December 2021. This is a one-off payment and therefore is excluded.
5 Provision against loan receivables that do not relate to the ordinary operations of the Group.
6 Settlement of legal matter which is not considered a recurring cost and therefore is excluded.
7 Fair value change of equity instruments and derivative financial assets. These are excluded from the results as they relate to unrealised profit/loss.
8 Amortisation and deferred tax on intangible assets acquired through business combinations. Costs directly related to acquisitions are not considered ongoing costs of operations and therefore are excluded.
9 Impairment of tangible and intangible assets mainly relates to the impairment of land before the classification as held for sale (Refer to Note 25A) and impairment of Bingo VF and several capitalization costs (Refer to Note 12).
10 Deferred tax recognised in respect of the assets classified as held for sale during the year. Please refer to Note 25A for further details.
11 The recognition of €63.6 million of deferred tax asset relates to the special project the Group completed on 1 January 2021 to move the tax residency of a number of companies from the Isle of Man to the UK.

The following table provides a full reconciliation between adjusted and actual tax from continuing operations:

	2022 €'m	2021 €'m
Tax on profit or loss for the year	55.0	(81.7)
Adjusted for:		
Deferred tax on intangible assets on acquisitions	8.3	9.1
Deferred tax (refer to footnote 11 above)	—	63.6
Tax on disposal of asset held for sale	—	1.8
Tax related to uncertain positions	(8.4)	—
Adjusted tax	54.9	(7.2)

Note 11 – Auditor's remuneration

	2022 €'m	2021 €'m
Group audit and Parent Company (BDO)	2.3	1.5
Audit of subsidiaries (BDO)	1.4	1.4
Audit of subsidiaries (non-BDO)	0.3	0.3
Total audit fees	4.0	3.2
Non-audit services provided by parent Company auditor and its international member firms		
Other non-audit services	0.9	0.5
Total non-audit fees	0.9	0.5

Note 12 – Impairment of tangible and intangible assets

	2022 €'m	2021 €'m
(Reversal of)/Impairment of property, plant and equipment (Note 17)	(0.2)	12.5
Impairment of intangible assets (Note 19)	38.7	9.1
	38.5	21.6

Impairment of intangibles assets for 2022 relates to the impairment of Eyecon €13.6 million, Quickspin €7.0 million, Bingo VF €12.5 million and IGS €5.6 million. Refer to Note 19.

Of the total impairment of property, plant and equipment of €12.5 million in 2021, an amount of €12.3 million relates to land classified as held for sale. Refer to Note 25A.

Out of the total of €9.1 million in 2021, an amount of €6.4 million relates to the impairment of Bingo VF. The remaining relates to the impairment of capitalised development costs. Based on the assessment performed at the reporting date, several projects will not be recoverable.

Note 13 – Finance income and costs

A. Finance income

	2022 €'m	2021 €'m
Interest income	2.4	1.1
Net foreign exchange gain	9.2	—
	11.6	1.1

B. Finance costs

	2022 €'m	2021 €'m
Net foreign exchange loss	—	(0.5)
Interest on bonds	(35.7)	(36.7)
Interest on lease liability	(5.5)	(5.3)
Interest on loans and borrowings and other	(6.0)	(5.6)
Bank facility fees	(7.0)	(1.8)
Bank charges	(14.1)	(13.0)
Movement in contingent consideration and redemption liability	(0.1)	(4.8)
Fair value loss on convertible loans	(3.0)	—
Expected credit loss on loans receivable	(1.6)	—
	(73.0)	(67.7)
Net finance costs	(61.4)	(66.6)

Note 14 – Tax expense/(credit)

	2022 €'m	2021 €'m
Current tax expense		
Income tax expense for the current year	19.3	10.8
Income tax relating to prior years	9.1	3.4
Withholding tax	0.3	0.4
Total current tax expense	28.7	14.6
Deferred tax		
Origination and reversal of temporary differences	23.5	(78.8)
Deferred tax movements relating to prior years	8.1	—
Impact of changes in tax rates	(5.3)	(17.5)
Total deferred tax expense/(credit)	26.3	(96.3)
Total tax expense/(credit) from continuing operations	55.0	(81.7)

A reconciliation of the reported income tax charge of €55.0 million (2021: tax credit of €81.7 million) applicable to profit before tax of €95.6 million (2021: profit before tax of €605.0 million) at the UK statutory income tax rate of 19% is as follows:

	2022 €'m	2021 €'m
Profit for the year	40.6	686.7
Income tax expense/(credit)	55.0	(81.7)
Profit before income tax	95.6	605.0
Tax using the Company's domestic tax rate (19% in 2021 and 2022)	18.2	115.0
Tax effect of:		
Non-taxable fair value movements on call options	(1.1)	(110.9)
Tax exempt income	(4.3)	(7.5)
Non-deductible expenses	19.8	2.3
Deferred tax asset recognised on Group restructuring	(5.4)	(75.2)
Difference in tax rates applied in overseas jurisdictions	13.8	(3.6)

Impact of changes in tax rates	(5.3)	(5.5)
Increase in unrecognised tax losses	2.1	2.3
Adjustment in respect of previous years		
- Deferred tax asset	8.0	(2.0)
- Tax asset not provided for	9.2	3.4
Total tax expense/(credit)	55.0	(81.7)

Reported tax charge/(credit)
A reported tax charge of €55.0 million from continuing operations arises on a profit before income tax of €95.6 million compared to an expected charge of €18.2 million (2021: a tax credit of €81.7 million on profit before income tax of €605.0 million). The reported tax expense includes adjustments in respect of prior years relating to current tax and deferred tax. The prior year adjustment in respect of current tax of €9.2 million includes an additional provision of €8.4 million relating to uncertain overseas tax positions in respect of prior years. The prior year adjustment relating to deferred tax of €8.1 million relates to the overprovision of deferred tax assets and an underprovision for deferred tax liabilities in respect of goodwill.

The Group's effective tax rate for the current period is 39.5%. The key reasons for the differences are:

- Profits of subsidiaries located in territories where the tax rate is higher than the UK statutory tax rate, this includes Snaitech profits in Italy.
- Expenses not deductible for tax purposes including professional fees, impairment of intangible assets and loss on disposal of subsidiaries.

Changes in tax rates and factors affecting the future tax charge
The most significant elements of the Group's income arise in the UK where the tax rate for the current period is 19%. It should be noted that the UK tax rate is set to increase to 25% from 1 April 2023. As such, the UK statutory headline rate of corporation tax is the basis on which the applicable tax rate is computed.

In December 2022, European Union (EU) Member States unanimously adopted the Minimum Tax Directive via written procedure ensuring a global minimum level of taxation (set at 15%) for multinational enterprise groups. GLoBE Model rules were released in March 2022 and broadly EU Member States have until 31 December 2023 to transpose the Directive into national legislation with the rules to be applicable for fiscal years starting on or after 31 December 2023. None of the countries in which the Group operates has enacted or substantively enacted Pillar Two Model Rules as part of their national laws as of 31 December 2022. Whilst consultation on a number of areas remains ongoing, the Group will continue to closely monitor developments.

Deferred Tax
The deferred tax asset and liability are measured at the enacted or substantively enacted tax rates of the respective territories which are expected to apply to the year in which 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 balance sheet date. The deferred tax balances within the financial statements reflect the increase in the UK's main corporation tax rate from 19% to 25% from 1 April 2023.

Note 15 – Earnings per share
The calculation of basic earnings per share (EPS) has been based on the following profit attributable to ordinary shareholders and weighted average number of ordinary shares outstanding.

	2022		2021	
	Actual €'m	**Adjusted €'m**	Actual €'m	Adjusted €'m
Profit attributable to owners of the Company	87.6	201.7	674.6	113.8
Basic (cents)	29.2	67.2	226.3	38.2
Diluted (cents)	28.1	64.7	216.2	36.5

	2022		2021	
	Actual €'m	**Adjusted €'m**	Actual €'m	Adjusted €'m
Profit attributable to the owners of the Company from continuing operations	40.6	160.5	686.7	127.6
Basic (cents)	13.5	53.5	230.3	42.8
Diluted (cents)	13.0	51.5	220.1	40.9

	2022		2021	
	Actual Number	**Adjusted Number**	Actual Number	Adjusted Number
Denominator – basic				
Weighted average number of equity shares	300,059,994	300,059,994	298,229,795	298,229,795
Denominator – diluted				
Weighted average number of equity shares	300,059,994	300,059,994	298,229,795	298,229,795
Weighted average number of option shares	11,792,385	11,792,385	13,882,774	13,882,774
Weighted average number of shares	311,852,379	311,852,379	312,112,569	312,112,569

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

EPS for discontinued operations is disclosed in Note 8.

Note 16 – Employee benefits

Total staff costs comprise the following:

	2022 €'m	2021 **€'m**
Salaries and personnel-related costs	427.0	367.4
Cash-settled share-based payments	(0.3)	3.4
Equity-settled share-based payments	8.3	13.8
	435.0	384.6
Average number of personnel:		
Distribution	6,269	6,259
General and administration	538	650
	6,807	6,909

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

- the GTS 2010 Company Share Option Plan (CSOP). Options granted under these plan vest on the first day on which they become exercisable which is three years after grant date;
- the Long Term Incentive Plan 2012 (LTIP). Awards (options, conditional awards, cash-settled awards, or a forfeitable share award) granted under this plan vest on the first day on which they become exercisable which is typically between 18 and 36 months after grant date; and
- the Long Term Incentive Plan 2022 (LTIP22). Awards (options, conditional Share awards, Restricted shares, cash-settled awards) granted under this plan vest on the first day on which they become exercisable which is typically after 36 months.

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

During 2022 the Group granted the following under its LTIP22:

- 492,765 nil cost awards subject to EPS growth, relative total shareholder return (TSR) against constituents of the FTSE 250 but excluding the investment trusts index, and relative TSR against a sector comparator group of peer companies. The fair value per share according to the Monte Carlo simulation model is between £2.71 and £4.58. Inputs used were as follows:

Expected life (years)	Share price at grant date	Dividend yield	Risk free rate	Projection period (years)	Volatility
3	£4.582	Nil	2.34%	3	41%-49%

There were no grants during 2021.

At 31 December 2022 and 2021 the following options were outstanding:

	2022 Number	2021 Number
Shares vested on 1 March 2018 at nil cost	**72,596**	102,844
Shares vested between 1 September 2016 and 1 March 2018 at nil cost	**20,890**	23,112
Shares vested on 1 March 2019 at nil cost	**21,820**	31,972
Shares vested between 1 September 2017 and 1 March 2019 at nil cost	**39,021**	50,742
Shares vested on 21 December 2019 at nil cost	**9,779**	12,870
Shares vested between 1 September 2017 and 1 April 2019 at nil cost	**-**	21,187
Shares vested on 1 March 2020 at nil cost	**98,444**	112,369
Shares vested on 1 March 2021 at nil cost	**1,047,782**	1,347,475
Shares vested between 1 March 2022 and 1 August 2022 at nil cost	**2,218,735**	3,499,954
Shares will vest by 19 December 2024 at nil cost	**1,900,000**	1,900,000

	2022	2021
Shares will vest between 1 March 2023 and 26 October 2023 at nil cost	**6,392,073**	6,780,249
Shares will vest by August 18 2025 at nil cost	**351,724**	-
	12,172,864	13,882,774

The total number of shares exercisable as of 31 December 2022 is 4,729,067 (2021: 2,402,571).

The total number of outstanding shares that will be cash settled is 561,385 (2021: 630,923). The total liability outstanding for the cash-settled options is €3.1 million (2021: €3.8 million).

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

	2022 Number of options	2021 Number of options	**2022 Weighted average exercise price**	2021 Weighted average exercise price
Outstanding at the beginning of the year	**13,882,774**	16,886,778	**-**	£0.03
Granted	**492,765**	—	**-**	—
Forfeited	**(408,237)**	(1,130,697)	**-**	—
Exercised	**(1,794,438)**	(1,873,307)	**-**	£0.05
Outstanding at the end of the year	**12,172,864**	13,882,774	**-**	—

Included in the number of options exercised during the year are 50,448 options (2021: 232,796) which were cash settled.

The weighted average share price at the date of exercise of options was £5.302 (2021: £6.506).

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

Expiry date	Exercise price	**2022 Number**	2021 Number
21 December 2025	Nil	**93,486**	125,956
Between 21 December 2026 and 31 December 2026	Nil	**70,620**	116,771
Between 1 March 2027 and 28 June 2027	Nil	**98,444**	112,369
23 July 2028	Nil	**1,044,771**	1,344,464
Between 27 February 2029 and 19 December 2029	Nil	**4,121,746**	5,402,965
Between 17 July 2030 and 26 October 2030	Nil	**6,392,073**	6,780,249
August 18 2032	Nil	**351,724**	-
		12,172,864	13,882,774

Note 17 – Property, plant and equipment

	Computer software and hardware €'m	**Gaming machines €'m**	**Office furniture and equipment €'m**	**Buildings, leasehold buildings and improvements €'m**	**Total €'m**
Cost					
At 1 January 2022	**132.1**	**96.2**	**41.1**	**270.1**	**539.5**
Additions	19.8	15.8	8.8	9.2	53.6
Disposals	(6.3)	(2.3)	(2.0)	(3.8)	(14.4)
Reclassifications	(0.3)	—	—	0.3	—
At 31 December 2022	**145.3**	**109.7**	**47.9**	**275.8**	**578.7**
Accumulated depreciation and impairment losses					
At 1 January 2022	**95.3**	**61.4**	**24.5**	**28.6**	**209.8**
Charge	16.0	14.5	5.4	5.6	41.5
Impairment loss	—	—	(0.2)	—	(0.2)
Disposals	(6.1)	(2.0)	(1.9)	(3.8)	(13.8)
At 31 December 2022	**105.2**	**73.9**	**27.8**	**30.4**	**237.3**
Net book value					
At 31 December 2022	**40.1**	**35.8**	**20.1**	**245.4**	**341.4**
At 1 January 2022	**36.8**	**34.8**	**16.6**	**241.5**	**329.7**

	Computer software and hardware €'m	Gaming machines €'m	Office furniture and equipment €'m	Buildings, leasehold buildings and improvements €'m	Total €'m
Cost					
At 1 January 2021	115.1	86.6	34.7	302.8	539.2
Additions	24.2	10.7	7.8	6.0	48.7
Disposals	(7.2)	(1.1)	(1.4)	(2.9)	(12.6)
Transfer to held for sale	—	—	—	(35.8)	(35.8)
At 31 December 2021	132.1	96.2	41.1	270.1	539.5

Accumulated depreciation and impairment losses					
At 1 January 2021	87.5	44.4	21.0	29.2	182.1
Charge	14.8	17.7	4.8	5.6	42.9
Impairment loss	—	—	—	12.5	12.5
Disposals	(7.0)	(0.7)	(1.3)	(2.9)	(11.9)
Transfer to held for sale	—	—	—	(15.8)	(15.8)
At 31 December 2021	95.3	61.4	24.5	28.6	209.8
Net book value					
At 31 December 2021	36.8	34.8	16.6	241.5	329.7
At 1 January 2021	27.6	42.2	13.7	273.6	357.1

Note 18 – Leases

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

	Office leases €'m	Hosting €'m	Total €'m
At 1 January 2022	67.8	6.0	73.8
Additions/modifications	7.4	12.1	19.5
Disposal of subsidiary	(0.2)	-	(0.2)
Amortisation charge	(14.5)	(7.0)	(21.5)
At 31 December 2022	60.5	11.1	71.6

	Office leases €'m	Hosting €'m	Total €'m
At 1 January 2021	60.1	6.6	66.7
Additions/modifications	22.5	4.8	27.3
Amortisation charge	(14.8)	(5.4)	(20.2)
At 31 December 2021	67.8	6.0	73.8

Set out below are the carrying amounts of lease liabilities and the movements during the year:

	2022 €'m	2021 €'m
At 1 January	90.1	82.5
Additions/modifications	18.8	26.1
Disposal of subsidiary	(0.2)	—
Accretion of interest	5.5	5.3
Payments	(27.1)	(26.2)
Effect of movement in exchange rates	(1.3)	2.4
At 31 December	85.8	90.1
Current	31.8	20.3
Non-current	54.0	69.8
	85.8	90.1

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

The following are the amounts recognised in the profit or loss:

	2022 €'m	2021 €'m
Amortisation expense of right of use assets	21.5	20.2
Interest expense on lease liabilities	5.5	5.3
Impact of early termination of lease contracts	(0.7)	(1.2)
Variable lease payments (included in distribution costs)	0.1	1.0
	26.4	25.3

Rent concessions have been provided to the Group companies as a result of the COVID-19 pandemic. The Group elected to account for qualifying rent concessions in the same way as they would if they were not lease modifications, resulting in accounting for the concession as a variable lease payment. The amount recognised in the profit or loss to reflect changes in lease payments that arose from rent concessions to which the Group has applied the practical expedient is €0.1 million (2021: €1.0 million).

Note 19 – Intangible assets

	Patents, domain names and licence €'m	**Technology IP €'m**	**Development costs €'m**	**Customer list and affiliates €'m**	**Goodwill €'m**	**Total €'m**
Cost						
At 1 January 2022	**191.4**	**86.5**	**363.6**	**526.9**	**773.6**	**1,942.0**
Additions	32.2	—	59.4	—	—	91.6
Assets acquired through business combinations	—	2.9	—	—	5.4	8.3
Disposal of subsidiary	—	(3.0)	(1.4)	(0.5)	(12.4)	(17.3)
Write offs	—	(1.8)	(4.3)	—	—	(6.1)
At 31 December 2022	**223.6**	**84.6**	**417.3**	**526.4**	**766.6**	**2,018.5**
Accumulated amortisation and impairment losses						
At 1 January 2022	**110.6**	**72.7**	**241.3**	**346.2**	**125.1**	**895.9**
Charge	24.3	2.9	49.7	32.9	—	109.8
Impairment loss	—	—	7.0	—	31.7	38.7
Disposal of subsidiary	—	(0.9)	—	(0.2)	—	(1.1)
Write offs	—	(1.8)	(3.9)	—	—	(5.7)
At 31 December 2022	**134.9**	**72.9**	**294.1**	**378.9**	**156.8**	**1,037.6**
Net book value						
At 31 December 2022	**88.7**	**11.7**	**123.2**	**147.5**	**609.8**	**980.9**
At 1 January 2022	**80.8**	**13.8**	**122.3**	**180.7**	**648.5**	**1,046.1**

	Patents, domain names and licence €'m	Technology IP €'m	Development costs €'m	Customer list and affiliates €'m	Goodwill €'m	Total €'m
Cost						
At 1 January 2021	185.7	84.9	316.8	526.9	773.6	1,887.9
Additions	5.7	1.6	53.4	—	—	60.7
Write offs	—	—	(6.6)	—	—	(6.6)
At 31 December 2021	191.4	86.5	363.6	526.9	773.6	1,942.0
Accumulated amortisation and impairment losses						
At 1 January 2021	91.6	65.5	198.3	310.1	118.3	783.8
Charge	19.0	7.2	47.0	36.1	—	109.3
Impairment loss	—	—	2.3	—	6.8	9.1
Write offs	—	—	(6.3)	—	—	(6.3)
At 31 December 2021	110.6	72.7	241.3	346.2	125.1	895.9
Net book value						
At 31 December 2021	80.8	13.8	122.3	180.7	648.5	1,046.1
At 1 January 2021	94.1	19.4	118.5	216.8	655.3	1,104.1

During the year, the research and development costs net of capitalised development costs were €88.3 million (2021: €80.1 million). The internal capitalisation for the year was €57.5 million (2021: €51.3 million).

Out of the total amortisation charge of €109.8 million (2021: €109.3 million), an amount of €42.0 million (2021: €34.8 million) relates to the intangible assets acquired through business combinations.

In accordance with IAS 36, the Group regularly monitors the carrying value of its intangible assets, including goodwill. Goodwill is allocated to thirteen cash-generating units (CGUs) (2021: fifteen out of which two CGUs were under held for sale).

The allocation of the goodwill in CGUs (excluding CGUs held for sale) is as follows:

	2022 €'m	2021 €'m
Snai	259.7	258.7
Sports B2B	132.5	132.5
Services	109.9	109.9
Casino	50.8	50.8
Quickspin	19.8	26.8
Eyecon	3.0	16.6
Poker	15.6	15.6
Statscore	—	12.4
Bingo retail	9.5	9.5
Bingo VF	—	7.4
VB retail	4.6	4.6
IGS	—	3.7
AUS GMTC	4.4	—
	609.8	648.5

Management reviews CGUs for impairment bi-annually, or on the occurrence of an impairment indicator. The recoverable amount of each CGU has been determined from value in use calculations based on cash flow projections covering five years plus a terminal value which have been adjusted to take into account each CGU's major events as expected in future periods.

Management has considered the ongoing economic uncertainty caused by the Russian invasion in Ukraine and the overall global recessionary pressures, with a higher level of judgement and uncertainty implemented in the forecasts. A potential risk for future impairment exists should there be a significant change in the economic outlook, versus those trends management anticipates in its forecasts due to the occurrence of these events.

With the exception of CGUs which have been fully impaired to date and CGUs deemed sensitive to impairment from a reasonably possible change in key assumptions as reviewed in further detail below, management has calculated the growth estimates for years one to five by applying an average annual growth rate for revenue based on the underlying economic environment in which the CGU operates and the expected performance over that period. Beyond this period, management has applied an annual growth rate of 2%. Management has included appropriate capital expenditure requirements to support the forecast growth and assumed the maintenance of the current level of licences. Management has also applied post-tax discount rates to the cash flow projections as summarised below.

2022 CGUs not sensitive to changes in assumptions:

	Average revenue growth rate 2023-2027	Discount rate applied
Snai	9.4%	17.3%
Services	22.2%	16.2%
Casino	5.5%	13.9%
Poker	6.2%	17.4%
VB retail	10.0%	12.4%

2021 CGUs not sensitive to changes in assumptions:

	Average revenue growth rate 2022-2026	Discount rate applied
Snai	9.9%	15.0%
Sports B2B	23.7%	13.9%
Services	10.3%	14.2%
Casino	6.0%	12.9%
Poker	2.2%	14.7%
IGS	24.0%	12.9%
VB retail	18.0%	11.2%

In relation to the Bingo VF, Eyecon, Quickspin and IGS CGUs, following impairment tests completed as at 31 December 2022, partial impairments have been recognised as disclosed below. Certain other CGUs, which are specifically referred to below but not impaired, are considered sensitive to changes in assumptions used for the calculation of value in use.

Bingo VF CGU

The recoverable amount of the Bingo VF CGU of €4.8 million, with carrying value of €21.1 million, has been determined using a cash flow forecast that includes annual revenue growth rates between negative 1% and 10% over the one to five-year forecast period, a 2% long-term growth rate and a post-tax discount rate of 15.8%. Following the contract termination of a significant licensee, the CGU is currently making considerable efforts to recover through new geographical expansion and organic growth. However, growth is slower than expected, with new business planned in new territories being delayed given the overall recessionary pressures worldwide. The impairment recognised in the current year was €12.5 million which impairs the assets down to the recoverable amount.

Eyecon CGU

The recoverable amount of the Eyecon CGU showed signs of underperformance during H1 2022, mainly due to the fact that its operations are highly concentrated in the UK online market which has seen a slowdown due to uncertain regulatory climate and as a result the recoverable amount did not cover the carrying value, with an impairment loss of €13.6 million recognized in the profit or loss for the period ended 30 June 2022. No further impairment has been recognised in the year. The recoverable amount of this CGU of €16.9 million, with a carrying value equal to €16.1 million at 31 December 2022, was determined using a cashflow forecast that includes annual revenue growth rates between 0% to 10.0% over the 1-5 year forecast period, 2% long term growth rate and a post-tax discount rate of 15.6%. The recoverable amount would equal the carrying value of the CGU if:

- the discount rate applied was higher by 4.8%, i.e. reaching a post-tax discount rate of 15.6%; or

- the revenue growth was lower by 0.2% when compared to the forecasted average five-year growth.

Quickspin CGU

The recoverable amount of the Quickspin CGU was impaired during H1 2022, given the risk the CGU bore from the proportion of revenues being generated from Group's B2B customers choosing to operate in areas with geopolitical tension, and the resulting 1% increase on the post-tax discount rate of the CGU to mitigate for that factor. As a result of the above and also the decrease in the CGU performance which went through organizational updates, an impairment loss of €7.0 million was recognized in the profit or loss for the period ended 30 June 2022. No further impairment was recognised in the year. The recoverable amount of this CGU of €56.2 million, with a carrying value of €46.2 million at 31 December 2022, has been determined using a cashflow forecast that includes annual revenue growth rates between 5.0% to 15.1% over the 1-5 year forecast period, 2% long term growth rate and a post-tax discount rate of 12.1%. The recoverable amount would equal the carrying value of the CGU if:

- the discount rate applied was higher by 18.3%, i.e., reaching a post-tax discount rate of 14.3%; or
- the revenue growth was lower by 2% when compared to the forecasted average five-year growth.

IGS CGU

The recoverable amount of the IGS CGU of €1.1 million, with carrying value of €6.7 million, has been determined using a cash flow forecast that includes annual revenue growth rates between 10.0% and 77.0% over the one to five-year forecast period, a 2% long-term growth rate and a post-tax discount rate of 22.0%. The unit was severely affected by COVID-19 and until recently it had not managed to bring revenue up to pre-COVID levels with the business suffering from cancelled or postponed projects. As a result, the recoverable amount does not cover the carrying value, with an impairment loss of €5.6 million recognised in the profit or loss.

If the revenue growth rate per annum is lower by 1%, then an additional impairment of €1.1 million would be recognised. Similarly, if the discount rate increases by 1% to a post-tax discount rate of 23.0%, this would result in a further impairment of €0.4 million.

Bingo retail CGU

The recoverable amount of the Bingo retail CGU, with carrying value of €24.9 million, which has not been impaired, has been determined using a cash flow forecast that includes annual revenue growth rates of 2% over the one to five-year forecast period, a 2% long-term growth rate and a post-tax discount rate of 14.4%. The recoverable amount would equal the carrying value of the CGU if:

- the discount rate applied was higher by 8.1%, i.e. reaching a post-tax discount rate of 15.6%; or
- the revenue growth was lower by 1.0% when compared to the forecasted average five-year growth.

Sports B2B CGU

The recoverable amount of the Sports B2B CGU, with carrying value of €232.9 million, which has not been impaired, has been determined using a cash flow forecast that includes annual revenue growth rates of 9.2% over the one to five-year forecast period, a 2% long-term growth rate and a post-tax discount rate of 14.9%. The recoverable amount would equal the carrying value of the CGU if:

- the discount rate applied was higher by 7.6%, i.e. reaching a post-tax discount rate of 16.0%; or
- the revenue growth was lower by 0.5% when compared to the forecasted average five-year growth.

Note 20 – Investments and derivative financial assets

Introduction

Below is a breakdown of the relevant assets at 31 December 2022 and 2021 per the consolidated balance sheet:

	2022 €'m	2021 €'m
A. Investments in associates	**36.6**	5.2
B. Other investments	**9.2**	8.1
C. Derivative financial assets	**636.4**	622.2
	682.2	635.5

The following are the amounts recognised in the profit or loss:

	2022 €'m	2021 €'m
Statement of Comprehensive income		
A. Share of loss from associates	**(3.8)**	(0.6)
B. Unrealised fair value changes of equity investments	**(0.3)**	(1.6)
C. Unrealised fair value changes of derivative financial assets	**6.0**	583.2
Other comprehensive income		
Foreign exchange movement from the derivative call options held in non-Euro functional currency subsidiaries	**6.8**	-
	8.7	581.0

Where the underlying derivative call option is held in a non-Euro functional currency entity, the foreign exchange movement is recorded through other comprehensive income. As at 31 December 2022, the foreign exchange movement of the derivative call option held in Caliplay (Note 20C) is recorded in the profit or loss as the derivative call option is held in a Euro functional currency entity. The foreign exchange movement of the derivative call option held in Wplay, Onjoc and Tenbet are recorded through other comprehensive income as the derivative call option is held in a USD functional currency entity.

The recognition and valuation methodologies for each category are explained in each of the relevant sections below, including key judgements made under each arrangement as described in Note 6.

8. *Investments in associates*

Balance sheet

	2022 €'m	2021 €'m
Caliplay	—	—
ALFEA SPA	1.7	1.6
Galera	—	3.6
LSports	34.9	—
Total investment in equity accounted associates	36.6	5.2

Profit and loss impact

	2022 €'m	2021 €'m
Share of profit in ALFEA SPA	**0.1**	—
Share of loss in Galera	**(3.6)**	(0.6)
Share of loss in Lsports	**(0.3)**	—
Total profit and loss impact	**(3.8)**	(0.6)

Caliplay

Background

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

The Group made a €16.8 million loan to September Holdings B.V (previously the 49% shareholder of Caliplay), a company which is 100% owned by Caliente, in return for a call option that would grant the Group the right to acquire 49% of the economic interest of Caliplay for a nominal amount (the "Playtech Call Option").

During 2021 Caliplay redeemed its share at par from September Holdings, which resulted in Caliente becoming the sole shareholder in Caliplay. The terms of the existing structured agreement were varied, with the following key changes:

- A new additional option (in addition to the Playtech Call Option) was granted to the Group which allowed the Group to take up to a 49% equity interest in a new acquisition vehicle should Caliplay be subject to a corporate transaction – this additional option is only exercisable in connection with a corporate transaction and therefore was not exercisable at 31 December 2021 or 31 December 2022 (the "Playtech M&A Call Option").
- Caliente received a put option which would require Playtech to acquire September Holding Company B.V. for a nominal amount (the "September Put Option"). This option has been exercised and the parties are in the process of transferring legal ownership of September Holding Company B.V. to the Group.

The Group has no equity holding in Caliplay or Caliente and is currently providing services to Caliplay including technical and general strategic support services for which it receives income (including an additional B2B services fee as described in Note 5). If the Playtech Call Option or the Playtech M&A Call Option are exercised, the Group would no longer be entitled to receive the additional B2B services fee (and will cease to provide the related services) which for the year ended 31 December 2022 was €66.3 million (2021: €49.4 million). In addition, for 45 days after the finalisation of Caliplay's 2021 accounts, Caliplay also had an option to redeem the Group's additional B2B services fee or (if the Playtech Call Option had been exercised at that time) Caliente would have the option to acquire Playtech's 49% stake in Caliplay (together the "Caliente Call Option").

As per the public announcement made by the Group on 6 February 2023, Playtech Plc is seeking a declaration from the English Courts to obtain clarification on a point of disagreement between the parties in relation to the Caliente Call Option. The Group believes the Caliente Call Option has expired and referred to its expiry having taken place in its interim report for the six-month period ended 30 June 2022, which was published on 22 September 2022. If the Caliente Call Option was declared as being exercisable and was exercised, this would extinguish the Playtech Call Option and the Playtech M&A Call Option.

In addition to the above, from 1 January 2025, if there is a change of control of Caliplay or any member of the Caliente group which holds a regulatory permit under which Caliplay operates, each of the Group and Caliente shall be entitled (but not obligated), within 60 days of the time of such change of control, to require that the Caliente group redeems the Group's additional B2B services fee or (if the Playtech Call Option had been exercised at that time) acquires Playtech's 49% stake in Caliplay. If such change of control were to take place and the right to redeem/acquire were to occur, this would extinguish the Playtech Call Option (to the extent not exercised prior thereto) and the Playtech M&A Call Option. In respect of this change of control arrangement the Group has made a judgement that as at 31 December 2022 this has no impact on the fair value calculation of the Playtech M&A Call Option.

Assessment of control and significant influence

As at 31 December 2022 and 2021 it was assessed that the Group did not have control over Caliplay, because it does not meet the criteria of IFRS 10 Consolidated Financial Statements, paragraph 7 due to the following:

- Despite the Group previously having a nominated director on the Caliplay Board in 2020 and having consent rights on certain decisions (in each case, removed in 2021), there was no ability to control the relevant activities;
- Whilst they are not members of the Board, the Group has the ability to appoint and change both the Chief Operating Officer ("COO") and Chief Marketing Officer ("CMO") who form part of the management team. The COO and the CMO form part of the wider management team but not the board and therefore are unable to control the relevant activities of Caliplay;
- The Playtech Call Option or the Playtech M&A Call Option, if exercised, would result in Playtech having up to 49% of the voting rights and would not result in Playtech having control; and
- Whilst the Group does receive variable returns from its structured agreement, it does not have the power to direct relevant activities so any variation cannot arise from such a power.

As at 31 December 2022 and 2021, the Group has significant influence over Caliplay because it meets one or more of the criteria under IAS 28, paragraph 6 as follows:

- It has the ability to appoint key members of the Caliplay management team;
- The standard operator revenue by itself is not considered to give rise to significant influence; however, when combined with the additional B2B services fee, this is an indicator of significant influence; and
- The material transaction of the historical loan funding is also an indicator of significant influence.

Accounting for each of the options

The Playtech Call Option was exercisable at 31 December 2022 and 31 December 2021, although it still has not been exercised. As the Group has significant influence and the option is exercisable, the investment is recognised as an investment in associate using the equity accounting method which includes having current access to profits and losses. The cost of the investment was previously deemed to be the loan given through September Holdings of €16.8 million, which at the time was assessed under IAS 28, paragraph 38 as not recoverable for the foreseeable future and part of the overall investment in the entity.

In 2021, with the introduction of the September Put Option the investment in associate relating to the original Playtech Call Option was reduced to zero and the €16.8 million original loan amount was determined by management to be the cost of the new Playtech M&A Call option and therefore fully offset the balance of €16.8 million against the overall fair value movement of the Playtech M&A Call Option (refer to part C of this note).

The Playtech M&A Call Option is not currently exercisable and therefore in accordance with IAS 28, paragraph 14 has been recognised as derivative financial asset, and disclosed separately under part C of this note.

As per the judgement in Note 6, the Group did not consider it appropriate to equity account for the share of profits as the current 100% shareholder is entitled to any undistributed profits.

Below is the financial information of Caliplay:

	2022* €'m	2021* €'m
Current assets	**96.7**	62.9
Non-current assets	**30.3**	20.2
Current liabilities	**(78.1)**	(67.5)
Non-current liabilities	**—**	—
Equity	**48.9**	15.6
Revenue	**532.1**	372.3
Profit from continuing operations	**30.4**	23.3
Other comprehensive income /(loss), net of tax	**2.5**	(1.0)
Total comprehensive income	**32.9**	22.3

* The 2021 balances above have been extracted from Caliplay's audited 2021 financial statements whereas the 2022 balances have been extracted from the draft unaudited Caliplay financial statements.

Investment in ALFEA SPA

The Group has held 30.7% equity shares in ALFEA SPA since June 2018. At 31 December 2022 the Group's value of the investment in ALFEA SPA was €1.7 million (2021: €1.6 million). A share of profit of €0.1 million was recognised in the profit or loss for the year ended 31 December 2022 (2021: €Nil million).

Investment in Galera

In June 2021, the Group entered into an agreement with Ocean 88 Holdings Ltd which is the sole holder of Galera Gaming Group (together "Galera"), a company registered in Brazil. Galera offers and operates online and mobile sports betting and gaming (poker, casino, etc.) in Brazil. They will continue to do so under the local regulatory license, when this becomes available, and will expand to other gaming and gambling products based on the local license conditions.

The Group's total consideration paid for the investment in Galera was $5.0 million (€4.2 million) in the year ended 31 December 2021, which was the consideration for the option to subscribe and purchase from Galera an amount of shares equal to 40% in Galera at nominal price.

In addition to the investment amount paid, Playtech made available to Galera a line of credit up to $20.0 million. In 2022, an amendment was signed to the original framework agreement to increase the credit line to $45.0 million. As at 31 December 2022, an amount of €26.9 million, which is included in loans receivable under other non-current assets (refer to Note 36) has been drawn down (2021: €8.1 million). An amount of €18.0 million has been loaned in the year ended 31 December 2022. The loan is required to be repaid to Playtech prior to any dividend distribution to the current shareholders of Galera. The Group recognized an allowance for expected credit losses for the loan to Galera of €1.1 million as at 31 December 2022 (2021: €Nil).

In respect of the loan receivable from Galera even though the framework agreement does not state a set repayment term, management has assessed that this should still be recognised as a loan as opposed to part of the overall investment in associate in line with IAS 28. The Directors have made a judgement that the loan will be settled from operational cashflows as opposed to being settled as part of an overall transaction. If the Group had determined that the loan was part of the overall investment in associate an additional €3.6 million share of loss of associate would have been recorded in the profit and loss. The €3.6 million has not been recognised as the investment in associate has been reduced to €Nil (see below).

Playtech has assessed whether it holds power to control the investee and it was concluded that this is not the case. Even if the option is exercised, it would only result in a 40% voting right over the operating entity and therefore no control.

Under the agreement in place:

- the standard operator income to be generated from services provided to Galera when combined with the additional B2B services fee, the loan and certain other contractual rights, are all indicators of significant influence; and
- the Group provides standard B2B services (similar to services provided to other B2B customers) as well as additional services to Galera that Galera requires to assist it in successfully running its operations which could be considered essential technical information.

Considering the above factors, the Group has significant influence under IAS 28, paragraph 6 over Galera.

As the option is currently exercisable and gives Playtech access to the returns associated with the ownership interest, the investment is treated as an investment in associate. Playtech's interest in Galera is accounted for using the equity method in the consolidated financial statements. Galera is still considered a start-up and therefore is currently loss making. If the call option is exercised by Playtech the Group will no longer provide certain services and as such will no longer be entitled to the additional B2B service fee. The additional B2B services fee was €Nil in the year ended 31 December 2022 (2021: €Nil).

The cost of the investment was deemed to be the price paid for the option of $5.0 million (€4.2 million). A share of the loss of €3.6 million was recognised in the profit or loss in the year ended 31 December 2022 (31 December 2021: €0.6 million) making the resulting value of the investment at 31 December 2022 €Nil (31 December 2021: €3.6 million). The total share of loss from Galera was €7.2 million as at 31 December 2022 but is capped at €3.6 million to bring the cost of the investment to €Nil.

Investment in Lsports

Background

In November 2022, the Group entered into the following transactions:

- Acquisition of 15% of Statscore for a total consideration of €1.8 million. As a result of this transaction Statscore became a 100% subsidiary of the Group;
- Disposal of 100% of Statscore to Lsports Data Ltd ("Lsports") for a total consideration of €7.5 million (settled through the acquisition of Lsports in shares) less a novated inter-company loan of €1.6 million, therefore a non-cash net consideration of €5.9 million; and
- Acquisition of 30.89% of Lsports for a total consideration of €36.7 million, which also included an option to acquire further shares (up to 18.11%) in Lsports. Of the total consideration, €29.2 million was paid in cash with the balance offset against the disposal proceeds of Statscore as per the above.

As a result of the disposal of 100% of Statscore, the Group realised a loss of €8.8 million which has been recognized in the profit or loss for the year ended 31 December 2022 and is made up as follows:

	2022 €'m
Net asset position as at the date of the disposal including goodwill of €12.4 million	14.7
Net consideration	(5.9)
Loss on disposal	8.8

Furthermore, the Group has an option to acquire up to 49% (so an additional 18.11%) of the equity of Lsports ("Lsports Option"). The LSports Option is exercisable under the following conditions:

- Within 90 days from the date of receipt of the LSports audited financial statements for each of the years ending 31 December 2024, 2025 and 2026; or
- At any time until 31 December 2026 subject and immediately prior to the consummation of an Initial Public Offering or Merger & Acquisition event of LSports.

The fair value of the option acquired was €1.4 million which was part of the total consideration €36.7 million. Refer to part of Note 20C; there is no movement on the fair value between acquisition and year-end.

LSports is a company whose principal activity is to empower sportsbooks and media companies with the highest quality sports data on a wide range of events, so they can build the best product possible for their business. The company is based in Israel. The principal reason of the acquisition is the attractive opportunity considered by Playtech to increase its footprint in the growing sports data market segment.

Assessment of control and significant influence

As at date of acquisition and 31 December 2022 it was assessed that the Group did not have control over LSports, because it does not meet the criteria of IFRS 10 Consolidated Financial Statements, paragraph 7 due to the following:

- Despite Playtech having the right to appoint a director on the LSports Board, as at 31 December 2022, one had not yet been appointed. Moreover, once Playtech appoints a director, there is still no ability to control the relevant activities, as the total number of directors including potentially one Playtech appointed director will be 5;
- Playtech has neither the ability to change any members of the Board or of the management of LSports; and
- As at 31 December 2022 the option is not exercisable and therefore can be disregarded in the assessment of power.

Per the above assessment Playtech does not hold power over the investee and as such does not have control.

As at 31 December 2022, the Group has significant influence over LSports because it meets one or more of the criteria under IAS 28, paragraph 6, the main one being Playtech having the ability to appoint a member on the board of LSports enabling it to therefore participate in policy-making processes, including decisions about dividends and/or other distributions. As a result of this assessment LSports has been recognised as an investment in associate.

The LSports option, which is not currently exercisable, is fair valued as per paragraph 14 of IAS 28 and shown as a derivative financial asset in accordance with IFRS 9 and disclosed separately under part C of this note.

Purchase Price Allocation ("PPA")

The Group has prepared a PPA following the acquisition of the investment, where any difference between the cost of the investment and Playtech's share of the net fair value of the LSports' identifiable assets and liabilities results in goodwill.

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

	Playtech's share of net fair value of the identifiable assets and liabilities acquired 2022 €'m
Net book value of liabilities acquired	(1.3)
Fair value of customer contracts and relationships	7.8
Fair value of technology - internally developed	11.5
Fair value of brand	1.6
Deferred tax arising on acquisition	(2.3)
Total net assets	**17.3**
Total consideration	35.3
Goodwill	18.0

A total of €0.4 million and €0.1 million was recognised in relation to the amortisation of intangibles and the release of the deferred tax liability respectively, arising on acquisition in the profit or loss for the year ended 31 December 2022, with a corresponding entry against the investment in associate. The net effect of €0.3 million is recognised in share of loss in profit or loss as at 31 December 2022. No share of profit was recognised as this amount is negligible.

Other investment in associates that are fair valued under IAS 28, paragraph 14

The following are also investments in associates where the Group has significant influence but where the option is not currently exercisable. As there is no current access to profits, the relevant option is fair valued under IFRS 9, and disclosed as derivative financial assets under part C of this note:

- Wplay;
- Tenbet (Costa Rica); and
- Onjoc (Panama).

The financial information required for investments in associates, other than Caliplay, have not been included here as from a Group perspective the Directors do not consider them to have a material impact jointly or separately.

B. Other investments

Balance sheet

	2022 €'m	2021 €'m
Listed investment – PhilWeb	**1.1**	0.8
Listed investment – Torque Esports Corp	**0.3**	0.8
Investment in Tenlot Guatemala	**4.4**	4.4
Investment in Tentech Costa Rica	**2.1**	2.1
Investment in Gameco	**1.3**	—
Total other investments	**9.2**	8.1

Profit and loss impact

	2022 €'m	2021 €'m
Change of fair value of listed securities – PhilWeb	**0.2**	(0.4)
Change in fair value of listed securities – Torque Esports Corp	**(0.5)**	(1.2)
Total profit and loss impact	**(0.3)**	(1.6)

Listed investments

The Group has shares in listed securities in PhilWeb and Torque Esports Corp. The fair values of these equity shares are determined by reference to published price quotations in an active market. For the year ended 31 December 2022, the fair value of PhilWeb increased by €0.2 million (2021: decrease of €0.4 million). For the year ended 31 December 2022, the fair value of Torque Esports Corp decreased by €0.5 million (2021: decrease of €1.2 million).

Investment in Tenlot Guatemala

In 2020, the Group entered into an agreement with Tenlot Guatemala, a member of the Tenlot Group. Tenlot Guatemala commenced its activity in 2018 and it is currently growing its lottery business in Guatemala, expanding its distribution network and game offering.

The Group has acquired a 10% equity holding in Tenlot Guatemala for a total consideration of $5.0 million (€4.4 million) in 2020, which has been accounted at fair value through profit or loss under IFRS 9.

The fair value of the equity holding as at 31 December 2022 is $5.0 million (€4.4 million) with no movement in fair value from the prior year.

In addition, the Group was granted a 10% equity holding in Super Sports S.A. at no additional cost. The Group also has an option to acquire an additional 80% equity holding in Super Sports S.A. If the option is exercised, the Group would no longer provide certain services and, as such, would no longer be entitled to the additional B2B services fee. The additional B2B services fee was €Nil for the year ended 31 December 2022 (2021: €Nil). There are no conditions attached to the exercise of the option.

The right of exercising the call option at any time and the acquisition of the additional 80% in Super Sports S.A. give Playtech:

- power over the investee;
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect the amount of the investor's returns.

It therefore satisfies all the criteria of control under IFRS 10, paragraph 7 and, as such, at 31 December 2022 Super Sports S.A. has been consolidated in the consolidated financial statements of the Group, noting that this is not material from a Group perspective.

Investment in Tentech Costa Rica

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

The 6% equity holding in Tentech CR S.A. is accounted at fair value through profit or loss under IFRS 9.

The fair value of the equity holding as at 31 December 2022 is $2.5 million (€2.1 million) with no movement in fair value from the prior year.

Investment in Gameco

In 2021, the Group entered into a convertible loan agreement with GameCo LLC ("GameCo"), where it provided $4.0 million in the form of a debt security with 8% interest (31 December 2021: €3.8 million). As at 31 December 2021 the receivable was included in loans receivable in Note 21. In December 2022, Gameco acquired Green Jade Games and subsequently, the Playtech debt was converted into equity shares, representing a 7.1% into the newly formed group. Immediately prior to the conversion, the loan was impaired by €3.0 million and this has been recognised in the profit or loss in the current year.

The 7.1% equity holding in the newly formed group is accounted at fair value through profit or loss under IFRS 9. The fair value of the equity holding as at 31 December 2022 is €1.3 million.

C. Derivative financial assets

Balance sheet

	2022 €'m	2021 €'m
Playtech M&A Call Option (Caliplay)	**524.0**	506.7
Wplay	**93.5**	97.2
Onjoc	**8.6**	6.9
Tenbet	**8.9**	11.4
LSports (Note 20A)	**1.4**	—
Total derivative financial assets	**636.4**	622.2

Statement of Comprehensive Income impact

	2022 €'m	2021 €'m
Caliplay		
Fair value change of Playtech M&A Call Option	**(13.3)**	506.7
Playtech Call Option	—	(16.6)
Foreign exchange movement to profit or loss	**30.6**	—
Wplay		
Fair value change in Wplay	**(9.4)**	74.8
Foreign exchange movement recognised in other comprehensive income	**5.7**	—
Onjoc		
Fair value change in Onjoc	**1.3**	6.9
Foreign exchange movement recognised in other comprehensive income	**0.4**	—
Tenbet		
Fair value change in Tenbet	**(3.2)**	11.4
Foreign exchange movement recognised in other comprehensive income	**0.7**	
Total comprehensive income impact	**12.8**	583.2

Caliplay

As already disclosed in section A of this note, the Playtech M&A Call Option is not currently exercisable and therefore in accordance with IAS 28, paragraph 14 has been recognised as a derivative financial asset and fair valued under IFRS 9.

As at 31 December 2021, Caliplay was actively negotiating a merger with a US listed special purpose acquisition corporation (SPAC), which in turn was expected to enter into a long-term commercial agreement with a leading media partner. As part of the transaction, the media partner and certain of its shareholders were expected to invest a cash amount in the SPAC in exchange for shares and warrants issued by the SPAC, which was expected to result in them together holding a material minority equity interest.

Further attempts were made to complete the SPAC transaction during the year, however as per the announcement made on 29 July 2022, with capital market conditions having deteriorated significantly since the transaction was initially contemplated, the transaction was no longer being pursued.

For this reason, a decision was taken to change the valuation methodology used as at 31 December 2022 for the Playtech M&A Call option to that of a DCF approach with a market exit multiple assumption, as opposed to 31 December 2021, where the Group has assessed the fair value of the Playtech M&A Call option based on the proposed term of the expected merger with the SPAC, including the transaction value.

As already mentioned in part A of Note 20 the Group is seeking a declaration from the English Courts to obtain clarification on a point of disagreement between the parties in relation to the Caliente Call Option and in particular, whether Caliplay still holds this option which permits it to redeem the additional B2B services fee element. Should it be declared that Caliplay still has the Caliente Call Option and Caliplay then exercises said option, this would cancel both the Playtech M&A Call Option and the Playtech Call Option.

The Group believes the Caliente Call Option has expired and whilst Caliplay has not sought to exercise the option to date, Caliplay has made it clear that it considers the option has not yet expired.

In arriving at the fair value of the Playtech M&A Call Option, the Group has made a judgement that the Caliente Call Option has expired and therefore no probability weighted scenarios have been modelled that include an assumption that the Caliente Call Option is exercisable. Should the English Courts determine that the option is exercisable and Caliplay chooses to exercise the option, the amount payable by Caliplay to the Group upon exercise would either be agreed between the parties or, failing which, determined by an independent investment bank valuing the Group's remaining entitlement to receive the additional B2B services fee until 31 December 2034. There is therefore the potential that, should the Caliente Call Option be exercisable and then subsequently exercised, the proceeds received by the Group may be materially different (positive or adverse) to the fair value of the Playtech M&A Call Option recorded as at 31 December 2022.

Valuation

The Group has assessed the fair value of the Playtech M&A Option of the derivative financial asset as at 31 December 2022 using a discounted cash flow ("DCF") approach with a market exit multiple assumption. The Group used a discount rate of 16% reflecting the cash flow risks given the high growth rates in place, as well as a discount for illiquidity and control until the expected Group exit date. The Group also made assumptions on the probability of a possible transaction that may be completed on a number of exit date scenarios over a 4-year period, until December 2026. The Group used a compound annual growth rate of 17.2% over the forecasted cash flow period, an average Adjusted EBITDA margin of 26.3% and an exit multiple of 9.6x. Due to the uncertainty as to how the exercise of the Playtech M&A Call Option may occur and the potential for the shares held to not be immediately realisable, the Group included an additional discount for lack of marketability (DLOM) for two years of 13.8%. Furthermore, Playtech's share in Caliplay was adjusted to reflect the rights to Caliplay shares that a service provider has under its services agreement with the Group.

As at 31 December 2022, the fair value of the Playtech M&A Call Option was $560.6 million (2021: $574.7 million) which converted to €524.0 million (2021: €506.7 million). The year-on-year movement of €17.3 million recognised in the profit or loss is attributable to the favourable movement in the USD to EUR foreign exchange rate of €30.6 million, offset by €13.3 million unfavourable movement in the fair value arising from the change in a number of variables including exit dates and loss of transaction synergies which impacted cashflows that were only partly offset by the increase in the shareholding as discussed below.

As at 31 December 2021 the fair value of the option in Caliplay was determined using a potential transaction price where, due to incoming shareholders, Playtech's share in Caliplay was being diluted down to 36%. As at 31 December 2022, a discounted cash flow valuation method is used with a dilution in shareholding down only to 45.8% reflecting the expected rights to Caliplay shares to be allocated to a service provider under its services agreement with the Group. These rights were reduced following the exercise of a redemption option post year end as disclosed in Note 40, noting that the Group had assumed this option would be exercised for the purposes of the valuation performed at 31 December 2022. Despite the change in valuation approach, the Group considers it reasonable that the value of the Playtech M&A Call Option is broadly unchanged given the continued strong operational results of Caliplay for 2022.

Sensitivity analysis

The assumptions and judgements made in the valuation of the derivative financial asset as at 31 December 2022 include the following sensitivities, noting that factors and circumstances may arise that are outside the Group's control which could impact the option value:

- A different discount rate within the range of 14% to 18% will result in a fair value of the derivative financial asset in the range of €484.2 million - €568.3 million.
- A 5% fluctuation in the Adjusted EBITDA margin will result in a fair value of the derivative financial asset within the range of €494.5 million - €553.3 million.
- A 10% fluctuation in the Adjusted EBITDA margin will result in a fair value of the derivative financial asset within the range of €464.6 million - €583.3 million.
- A 5% fluctuation in the revenue growth rate will result in a fair value of the derivative financial asset within the range of €487.0 million - €561.8 million.
- A 10% fluctuation in the revenue growth rate will result in a fair value of the derivative financial asset within the range of €450.5 million - €601.0 million.
- A 1.0 fluctuation on the market exit multiple will result in a fair value of the derivative financial asset within the range of €473.9 million - €573.9 million.
- If the 13.8% DLOM applied for two-year period post exercise of the Playtech M&A option was removed (i.e. in the event that an M&A transaction included the acquisition of Playtech's shares immediately post exercise) the fair value of the derivative financial asset would increase to €607.6 million. Conversely, if we double the applied DLOM to 27.6% the fair value of the derivative financial asset would decrease to €440.2 million.

Wplay

In August 2019, Playtech entered into a structured agreement with Aquila Global Group SAS ("Wplay"), which has a license to operate online gaming activities in Colombia. Under the agreement the Group provides Wplay its technology products, where it receives standard operator revenue and additional B2B services fee as per Note 5. The Group has no shareholding in Wplay.

Playtech has a call option to acquire a 49.9% equity holding in the Wplay business. As at 31 December 2021 this option was exercisable in August 2022, however during 2022, the parties agreed to defer the Group's ability to exercise this option to August 2023. If the call option is exercised by Playtech, the Group would no longer provide certain services and as such will no longer be entitled to the additional B2B services fee. The additional B2B services fee was €Nil for the year ended 31 December 2022 (2021: €Nil).

The payment of €22.4 million made to Wplay in 2019 and 2020 was considered to be the payment made for the option in Wplay. The Group had contingent commitments totalling $6.0 million, of which $5.0 million was paid in June 2021 and $1.0 million was paid in October 2022.

Assessment of control and significant influence

The Group assessed whether it holds power over the investee (in accordance with IFRS 10, paragraph 7) with the following considerations:

- Playtech does not have the ability to direct Wplay's activities as it has no voting representation on the executive committee or members of the executive committee.
- Whilst they are not members of the Executive Committee, Playtech has the ability to appoint and change both the COO and CMO who form part of the management team (albeit this right has never been exercised). The COO and the CMO are part of the wider management team but would not be able to control the relevant activities of Wplay; and
- If the option is exercised it would result in Playtech acquiring 49.9% of the voting rights of the operating entity and therefore would not result in having control. Furthermore, as at 31 December 2022 the option is not exercisable and therefore can be disregarded in the assessment of power.

Per the above assessment Playtech does not hold power over the investee and as such does not have control.

With regards to the assessment of significant influence, the following facts were considered:

- Playtech has the right to appoint and remove the COO and CMO which is a potential indicator of significant influence given their relative positions and involvement in the day-to-day operations of Wplay.
- The standard operator revenue is not considered to give rise to significant influence. However, when combined with the additional B2B services fee, this is an indicator of significant influence.
- The Group provides additional services to Wplay which Wplay requires to assist it in successfully running its operations, which could be considered essential technical information.

The Group therefore has significant influence under IAS 28, paragraph 6 over Wplay. However, as the option is not currently exercisable, we have an investment in associate but with no access to profits. As such the option is fair valued as per paragraph 14 of IAS 28 and shown as a derivative financial asset in accordance with IFRS 9.

The Group has given an interest-bearing loan of $1.7 million (€1.6 million) to Wplay, which is due for repayment in December 2023 and is included in loans receivable from related parties (refer to Note 36).

Valuation

The fair value of the option at 31 December 2022 has been estimated using a DCF approach with a market exit multiple assumption. The Group used a discount rate of 25% (2021: 23%) reflecting the cash flow risks given the high growth rates in place and the relative early stages of the business, as well as a discount for illiquidity and control until the expected Playtech exit date of December 2026 (2021: expected exit date of December 2026). The Group used a compound annual growth rate of 24.7% (2021: 27.2%) over the forecasted cash flow period, an average Adjusted EBITDA margin of 20.6% (2021: 17.5%) and an exit multiple of 9.6x (2021:9.8x). As part of the agreement, there is a lock-in mechanism that contractually might prevent Playtech from selling the resulting shares, however an assumption was made that if the exit date assumed in the model is earlier, then both parties would be in agreement to this earlier exit point, therefore no further discounts were applied post transaction. Furthermore, Playtech's share in Wplay was adjusted to reflect the rights to shares that a service provider has under its services agreement with the Group.

As at 31 December 2022, the fair value of the Wplay derivative financial asset is €93.5 million. The difference of €3.7 million between the fair value at 31 December 2021 of €97.2 million and the fair value at 31 December 2022 has been recognised as follows:

a. €9.4 million derived from the fair value decrease of the derivative call option calculated using the DCF model in the profit or loss for the year ended 31 December 2022.

b. €5.7 million derived from the fair value increase due to the exchange rate fluctuation of USD to EUR (as the derivative call option is under a foreign subsidiary of the Group whose functional currency is USD) in other comprehensive income for the year ended 31 December 2022.

Sensitivity analysis

The assumptions and judgements made in the valuation of the derivative financial asset as at 31 December 2022 include the following sensitivities, noting that factors and circumstances may arise that are outside the Group's control which could impact the option value:

- A different discount rate within the range of 20% to 30% will result in a fair value of the derivative financial asset in the range of €79.5 million - €111.0 million.
- A 5% fluctuation in the Adjusted EBITDA margin will result in a fair value of the derivative financial asset within the range of €89.0 million - €98.1 million.
- A 10% fluctuation in the Adjusted EBITDA margin will result in a fair value of the derivative financial asset within the range of €84.4 million - €102.6 million.
- A 5% fluctuation in the revenue growth rate will result in a fair value of the derivative financial asset within the range of €90.1 million - €97.1 million.
- A 10% fluctuation in the revenue growth rate will result in a fair value of the derivative financial asset within the range of €86.7 million - €100.8 million.
- A 1.0 fluctuation on the market exit multiple will result in a fair value of the derivative financial asset within the range of €85.8 million - €101.2 million.
- If the expected Playtech exit date fluctuates by one year later or earlier, the fair value of the derivative financial asset will change to €87.8 million and €99.5 million respectively.

Onjoc

In June 2020, Playtech entered into a framework agreement with ONJOC CORP. ("Onjoc"), which holds a license to operate online sports betting, gaming and gambling activities in Panama. The Group has no equity holding in Onjoc but has an option to acquire 50%. Under the agreement the Group provides Onjoc its technology products, where it receives standard operator revenue and additional B2B services fee as per Note 5. If the option is exercised, the Group would no longer provide certain services and, as such, would no longer be entitled to the additional B2B services fee. The additional B2B services fee was €Nil in the year ended 31 December 2022 (2021: €Nil). The option can be exercised any time subject to Onjoc having $15.0 million of Gross Gaming Revenue (''GGR'') over a consecutive 12-month period.

Assessment of control and significant influence

The Group performed an analysis for Onjoc to assess whether it holds power over Onjoc (in accordance with IFRS 10, paragraph 7) with the following considerations:

- Playtech can propose an independent member to the Board of Directors, who has to be independent to both Playtech and Onjoc, and as such does not have the ability to direct Onjoc's activities as it has no voting representation on the Board;
- Playtech has the right to appoint and remove the COO, CTO and CMO, which although would form part of the wider management team, would not be able to control the relevant activities of Onjoc by themselves; and
- If the option is exercised it would result in Playtech acquiring 50% of the voting rights of the operating entity and therefore would not result in having control. Furthermore, as at 31 December 2022 the option is not exercisable and therefore can be disregarded in the assessment of power.

Per the above assessment Playtech does not hold power over the investee and as such does not have control.

With regards to the assessment of significant influence, the following facts were considered:

- Playtech can propose an independent member to the Board of Directors and has the right to appoint and remove the COO, CTO and CMO which are potential indicators of significant influence given their relative positions and the involvement in day-to-day operations of Onjoc;
- The standard operator revenue is not considered to give rise to significant influence. However, when combined with the additional B2B services fee, this is an indicator of significant influence; and
- the Group provides additional services to Onjoc which Onjoc requires to assist it in successfully running its operations which could be considered essential technical information.

The Group therefore has significant influence under IAS 28, paragraph 6 over Onjoc. However, as the option is not currently exercisable, we have an investment in associate but with no access to profits. As such the option is fair valued as per paragraph 14 of IAS 28 and shown as a derivative financial asset in accordance with IFRS 9.

The Group has given an interest-bearing loan to Onjoc of €1.8 million (2021: €1.1 million) which is due for repayment in October 2025 and is included in loans receivable from related parties (refer to Note 36).

Valuation

The fair value of the option at 31 December 2022 has been estimated using a DCF approach with a market exit multiple assumption. The Group used a discount rate of 33% (2021: 31%) reflecting the cash flow risk given the high growth rates in place and the early stages of the business, as well as a discount for illiquidity and control until the expected Playtech exit date of December 2027 (2021: expected exit date of December 2027). The Group used a compound annual growth rate of 60.1% (2021: 89.3%) over the forecasted cash flow period and an average Adjusted EBITDA margin of 20.4% (2021: 3.7%). As part of the agreement, there is a lock-in mechanism that contractually might prevent Playtech from selling the resulting shares, however an assumption was made that if the exit date assumed in the model is earlier, then both parties would be in agreement to this earlier exit point, therefore no further discounts applied post transaction. Furthermore, Playtech's share in Onjoc was adjusted to reflect the rights to shares that a service provider has under its services agreement with the Group.

As at 31 December 2022, the fair value of the Onjoc derivative financial asset is €8.6 million. The difference of €1.7 million between the fair value at 31 December 2021 of €6.9 million and the fair value at 31 December 2022 has been recognised as follows:

a. €1.3 million derived from the fair value increase of the derivative call option calculated using the DCF model in the profit or loss in the year ended 31 December 2022.

b. €0.4 million derived from the fair value increase from the exchange rate fluctuation of USD to EUR (as the derivative call option is under a foreign subsidiary of the Group whose functional currency is USD) in other comprehensive income in the year ended 31 December 2022.

Sensitivity analysis

The assumptions and judgements made in the valuation of the derivative financial asset as at 31 December 2022 include the following sensitivities, noting that factors and circumstances may arise that are outside the Group's control which could impact the option value:

- A different discount rate within the range of 28% to 38% will result in a fair value of the derivative financial asset in the range of €7.1 million - €10.5 million.
- A 5% fluctuation in the Adjusted EBITDA margin will result in a fair value of the derivative financial asset within the range of €8.1 million - €9.1 million.
- A 10% fluctuation in the Adjusted EBITDA margin will result in a fair value of the derivative financial asset within the range of €7.7 million - €9.5 million.
- A 5% fluctuation in the revenue growth rate will result in a fair value of the derivative financial asset within the range of €7.9 million - €9.3 million.
- A 10% fluctuation in the revenue growth rate will result in a fair value of the derivative financial asset within the range of €7.3 million - €10.1 million.
- A 1.0 fluctuation on the market exit multiple will result in a fair value of the derivative financial asset within the range of €7.6 million - €9.7 million.

Tenbet Costa Rica

In addition to the 6% equity holding in Tentech CR S.A as per section B of this note, the Group has an option to acquire 81% equity holding in Tenbet. Tenbet which is another member of the Tenlot Group, operates online bingo games and casino side games. Playtech provides certain services to Tenbet in return for its additional B2B services fee. The Group has no equity holding in Tenbet but has an option to acquire 81% equity. If the option is exercised, the Group would no longer provide certain services to Tenbet and, as such, would no longer be entitled to the additional B2B services fee. The additional B2B services fee was €Nil in the year ended 31 December 2022 (31 December 2021: €Nil). In H1 2022, the Group signed an amendment to the Tenbet agreement in which the option can be exercised at any time from the end of 35 months (previously 18 months) of Tenbet going live. The call option to acquire 81% equity holding in Tenbet is exercisable from July 2023 (previously February 2022).

Under the existing agreements, the Group has provided Tenbet with a credit facility of €2.7 million out of which €2.1 million had been drawn down as at 31 December 2022 (2021: €1.1 million).

Assessment of control and significant influence

The Group assessed whether it holds power over Tenbet (in accordance with IFRS 10, paragraph 7) with the following considerations:

- Playtech does not have the ability to direct Tenbet's activities as it has no voting representation on the Board of Directors (or equivalent) or people in managerial positions;
- Playtech has neither the ability to appoint, or change any members of the Board of Tenbet; and
- As at 31 December 2022 the option is not exercisable and therefore can be disregarded in the assessment of power.

Per the above assessment Playtech does not hold power over the investee and as such does not have control.

With regards to the assessment of significant influence, the standard operator revenue alone is not considered to give rise to significant influence. However, when combined with the additional B2B services fee, this is an indicator of significant influence. Furthermore, the Group provides additional services to Tenbet which Tenbet requires to assist it in successfully running its operations that could be considered essential technical information. Playtech therefore has significant influence under IAS 28, paragraph 6 over Tenbet. However, as the option is not currently exercisable, we have an investment in associate but with no access to profits. As such the option is fair valued as per paragraph 14 of IAS 28 and shown as a derivative financial asset in accordance with IFRS 9.

Valuation

The fair value of the option at 31 December 2022 has been estimated using a DCF approach with a market exit multiple assumption. The Group used a discount rate of 35% (2021: 33%) reflecting the cash flow risk given the high growth rates in place and the early stages of the business, as well as a discount for illiquidity and control until the expected Playtech exit date of December 2027 (2021: expected exit date of December 2027. The Group used a compound annual growth rate of 135% (2021:

64.2%) over the forecasted cash flow period and an average Adjusted EBITDA margin within the range of - 335% to 31% in years 1-5 with an average of -59.8% (2021: Average of -10.1%). As part of the agreement, there is a lock-in mechanism that contractually might prevent Playtech from selling the resulting shares, however an assumption was made that if the exit date assumed in the model is earlier, then both parties would be in agreement to this earlier exit point. Furthermore, Playtech's share in Tenbet was adjusted to reflect the rights to shares that a service provider has under its services agreement with the Group.

As at 31 December 2022, the fair value of the Tenbet derivative financial asset is €8.9 million. The difference of €2.5 million between the fair value at 31 December 2021 of €11.4 million and the fair value at 31 December 2022 has been recognised as follows:

a. €3.2 million derived from the fair value decrease of the derivative call option calculated using the DCF model in the profit or loss in the year ended 31 December 2022.

b. €0.7 million derived from the fair value increase from the exchange rate fluctuation of USD to EUR (as the derivative call option is under a foreign subsidiary of the Group whose functional currency is USD) in other comprehensive income in the year ended 31 December 2022.

Sensitivity analysis

The assumptions and judgements made in the valuation of the derivative financial asset as at 31 December 2022 include the following sensitivities, noting that factors and circumstances may arise that are outside the Group's control which could impact the option value:

- A different discount rate within the range of 30% to 40% will result in a fair value of the derivative financial asset in the range of €7.2 million - €11.0 million.
- A 5% fluctuation in the Adjusted EBITDA margin will result in a fair value of the derivative financial asset within the range of €8.5 million - €9.3 million.
- A 10% fluctuation in the Adjusted EBITDA margin will result in a fair value of the derivative financial asset within the range of €8.0 million - €9.8 million.
- A 5% fluctuation in the revenue growth rate will result in a fair value of the derivative financial asset within the range of €7.9 million - €10.0 million.
- A 10% fluctuation in the revenue growth rate will result in a fair value of the derivative financial asset within the range of €6.9 million - €11.2 million.
- A 1.0 fluctuation on the market exit multiple will result in a fair value of the derivative financial asset within the range of €7.7 million - €10.2 million.

Note 21 – Other non-current assets

	2022 €'m	2021 €'m
Security deposits	3.3	3.3
Guarantee for gaming licences	2.2	2.6
Prepaid costs relating to Sun Bingo contract	63.4	71.7
Loans receivable (net of ECL)	1.7	8.1
Loans receivable from related parties (net of ECL) (Note 36)	27.9	9.5
Other receivables	11.1	9.2
	109.6	104.4

Note 22 – Trade receivables

	2022 €'m	2021 €'m
Trade receivables	144.5	168.6
Related parties (Note 36)	20.5	16.5
Trade receivables – net	165.0	185.1
Split to:		
Non-current assets	1.1	6.6
Current assets	163.9	178.5
	165.0	185.1

Note 23 – Other receivables

	2022 €'m	2021 €'m
Prepaid expenses	23.4	25.9
VAT and other taxes	13.6	14.1
Security deposits for regulators	24.2	13.1
Prepaid costs relating to Sun Bingo contract	3.6	4.3
Receivable for legal proceedings and disputes[1]	16.4	16.4
Loans receivable[2] (Net of ECL)	13.0	2.1
Loans receivable from related parties (Net of ECL) (Note 36)	3.3	2.4
Other receivables	10.1	8.8

	107.6	87.1

1 Receivable for legal proceedings and disputes relates to funds held in escrow, in relation to a historical and ongoing legal matter. The corresponding liability is included under gaming and other taxes. The funds will be released when the case is finally settled, in accordance with the escrow agreement.

2 Included in loans receivable above, is a convertible debenture of C$12.25 million (€8.3 million net of ECL) issued to NorthStar Gaming Inc in December 2022 that will convert into equity and warrants in connection with NorthStar's proposed reverse takeover (the "RTO") of Baden Resources Inc. The fair value of the convertible debenture was assessed as being materially in line with its face value at 31 December 2022. Refer to Note 40.

Note 24 – Cash and cash equivalents

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

	2022 €'m	2021 €'m
Continuing operations		
Cash at bank	426.8	572.4
Deposits	0.1	3.6
	426.9	576.0
Less: expected credit loss (Note 38A)	(0.4)	(0.6)
	426.5	575.4
Treated as held for sale		
Cash at bank	—	71.2
Cash at brokers	—	293.4
Deposits	—	1.5
	—	366.1
Cash and cash equivalents in the statement of cash flows	426.9	942.1
Less: expected credit loss (Note 38A)	(0.4)	(0.6)
	426.5	941.5

Out of the total cash at bank, an amount of €6.8 million were held by payment processors as at 31 December 2022 (2021: €6.9 million).

The Group holds cash balances on behalf of operators in respect of their jackpot games and poker and casino operations, as well as client funds with respect to B2C. Furthermore, and up to the point of the Financial segment disposal, the Group held CFD and client deposits in relation to liquidity and clearing activities. All of these are included in current liabilities.

	2022 €'m	2021 €'m
Continuing operations		
Funds attributed to jackpots	84.7	82.2
Security deposits	29.6	28.5
Players' balances	39.8	30.4
	154.1	141.1
Included in liabilities held for sale		
Client deposits	—	138.5
Client funds	—	170.3
	—	308.8

Note 25 – Assets held for sale

	2022 €'m	2021 €'m
Assets		
A. Property, plant and equipment	19.6	20.0
B. Casual CGU	—	—
C. Financials CGU	—	487.4
D. Investment in associates	—	—
	19.6	507.4

A. During 2021, the Group entered into a binding agreement for the disposal of a real estate area in Milan for a total consideration of €20.0 million. Accordingly, the real estate was classified as held for sale.

Of the total consideration, €1.0 million was received during the year ended 31 December 2021. The advance received was classified as part of the liabilities directly associated with assets classified as held for sale.

At the date of the transfer to assets held for sale, an impairment review was performed, where the carrying amount was compared to the fair value less expected disposal costs. The carrying value of the land was higher than the fair value less expected selling costs and therefore an impairment of €12.3 million was recognised in the profit or loss in the year ended 31 December 2021. In addition, €1.8 million of deferred tax liability relating to the land was recognised in the profit or loss in the prior year. It was the Group's decision to sell the asset, and subsequently the prospective buyer was only interested in the land and not the buildings, which led to this impairment.

The sale has been finalised but the disposal is expected to complete in 2024 with the movement of the trot track from La Maura area to San Siro (previously it was expected that the sale would complete during 2022).

B. Following the decision made by the Group in 2019 to dispose the Casual and Social Gaming businesses, the value of the divisions were classified as held for sale and the results were included in discontinued operations.

On 11 January 2021, the Group entered into an agreement for the disposal of "YoYo", also included in this division, for a total consideration of $9.5 million. As a result of this transaction, the Group realised a profit of €7.6 million in the profit or loss for the year ended 31 December 2021, included within the total profit from discontinued operations (refer to Note 8).

The Social and Casual Gaming CGU is now fully disposed.

C. Following the decision made by the Board of Directors in 2020 to dispose of the Financial segment, the division was classified as held for sale and its results included in discontinued operations.

In September 2021, the Group entered into an agreement to sell this division for a cash consideration of $250.0 million, with the final consideration being subject to a completion accounts adjustment of up to $25.0 million in either direction, to be determined by the financial performance of the Financial segment from 1 January 2021 to the completion date.

The disposal was completed in July 2022, with cash consideration after this adjustment of $228.1 million (€223.9 million).

At 31 December 2020 an impairment charge of €221.2 million was recognised against this CGU as a result of comparing its carrying value to expected proceeds from the disposal, less expected costs to sell. Following a review of the net assets of the unit at 31 December 2021, when compared to the expected proceeds, €2.0 million of the previously recognised impairment was reversed. The impairment loss allocated against goodwill cannot be reversed.

The profit on disposal of Financial segment was determined as follows:

	€'m
Cash consideration received	223.9
Transaction costs paid	(1.6)
Cash disposed off	(392.1)
Net cash outflow on disposal of Financial segment	(169.8)
Net assets disposed (other than cash):	
Property, plant and equipment	(4.3)
Right of use assets	(6.3)
Intangible assets	(98.0)
Trade and other receivables	(13.9)
Deferred tax liability	7.0
Trade payables and other payables	24.8
Client deposits	144.5
Client funds	147.1
Income tax payable	2.7
Lease liability	4.5
Net liability position on disposal of Financial segment	**208.1**
Net cash outflow	(169.8)
Net liability position disposed	208.1
Recycling of foreign exchange reserve related to the foreign discontinued operations	(23.2)
Profit on disposal	**15.1**

D. In 2020, the Board of Directors made a decision to dispose of its shareholding in two associates and as such their value of €2.2 million was transferred to assets held for sale. During 2021, the Group entered into an agreement for the disposal of these associates for a total consideration of €2.2 million.

Note 26 – Shareholders' equity

A. Share capital

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

	2022 Number of shares	2021 Number of shares
Authorised[1]	N/A	N/A
Issued and paid up	309,294,243	309,294,243

1 The Company has no authorised share capital, but it is authorised to issue up to 1,000,000,000 shares of no par value.

The table below shows the movement of the shares:

	Shares in issue/ circulation Number of shares	Treasury shares	Shares held by 2014 EBT	Shares held by 2021 EBT	Total
At 1 January 2021	297,603,815	9,965,889	1,724,539	—	309,294,243
Transfer to EBT	—	(7,028,339)	—	7,028,339	—
Exercise of options	1,640,511	—	(1,640,511)	—	—
At 31 December 2021/1 January 2022	299,244,326	2,937,550	84,028	7,028,339	309,294,243
Exercise of options	1,743,990	—	(84,028)	(1,659,962)	—
At 31 December 2022	**300,988,316**	**2,937,550**	**—**	**5,368,377**	**309,294,243**

B. Employee Benefit Trust

2014 EBT

In 2014, the Group established an Employee Benefit Trust ("2014 EBT") by acquiring 5,517,241 shares for a total of €48.5 million During the year ended 31 December 2022, 84,028 shares (2021: 1,640,511 shares) were issued at a cost of €0.6 million (2021: €13.9 million).

2021 EBT

In 2021 the Company transferred 7,028,339 shares held by the Company in treasury to the Employee Benefit Trust ("2021 EBT") for a total of €22.6 million. During the year ended 31 December 2022, 1,659,962 shares (2021: Nil) were issued at a cost of €5.4 million (2021: €Nil). As at 31 December 2022, a balance of 5,368,377 shares (2021: 7,028,339 shares) remains in the 2021 EBT with a cost of €17.2 million (2021: €22.6 million).

C. Share options exercised

During the year 1,794,438 (2021:1,873,307) share options were exercised, of which 50,448 were cash settled (2021: 232,796).

D. Distribution of dividends

During 2022 the Group did not pay any dividends.

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	Fair value of put/call options as part of business acquisition
Foreign exchange reserve	Gains/losses arising on retranslating the net assets of overseas operations
Employee termination indemnities	Gains/losses arising from the actuarial remeasurement of the employee termination indemnities
Non-controlling interest	The portion of equity ownership in a subsidiary not attributable to the owners of the Company
Retained earnings	Cumulative net gains and losses recognised in the consolidated statement of comprehensive income

Note 27 – Loans and borrowings

The credit facility of the Group is a revolving credit facility (RCF) which has been restructured during the year. The facility has been reduced from €317.0 million to €277.0 million and is available until October 2025, with an option to extend by twelve months. Interest payable on the loan is based on SONIA rates (replacing Euro Libor and Libor rates) based on the currency of each withdrawal. Following the announcement of the UK Financial Conduct Authority (FCA) as to the future cessation or loss of representativeness of the 35 Libor benchmark, effective from 1 January 2022, Libor rates were replaced with the SONIA daily rate (sterling overnight index average). As at the reporting date the credit facility drawn amounted to €Nil (2021: €167.1 million).

Under the RCF, the covenants are monitored on a regular basis by the finance department, including modelling future projected cash flows under a number of scenarios to stress-test any risk of covenant breaches, the results of which are reported to management and the Board of Directors. The covenants are as follows:

- Leverage: Net Debt/Adjusted EBITDA 3.5:1 (2021: 3:1)
- Interest cover: Adjusted EBITDA/Interest 4:1 (2021: 4:1)

As at 31 December 2022 and 2021 the Group met these financial covenants.

Note 28 – Bonds

	2018 Bond €'m	2019 Bond €'m	Total €'m
At 1 January 2021	526.3	346.8	873.1
Release of capitalised expenses	1.3	0.6	1.9
At 31 December 2021/1 January 2022	527.6	347.4	875.0

Repayment of bonds	(330.0)	—	(330.0)
Release of capitalised expenses	2.0	0.6	2.6
At 31 December 2022	199.6	348.0	547.6

	2022 €'m	2021 €'m
Split to:		
Non-current	348.0	875.0
Current	199.6	—
	547.6	875.0

Bonds

(a) 2018 Bond

On 12 October 2018, the Group issued €530 million of senior secured notes (the "2018 Bond") maturing in October 2023. During the year, the Group partially repaid the 2018 Bond by €330 million. The net proceeds of issuing the 2018 Bond after deducting commissions and other direct costs of issue totalled €523.4 million. Commissions and other direct costs of issue have been offset against the principal balance and are amortised over the period of the Bond.

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

The fair value of the Bond as Level 1 at 31 December 2022 was €198.8 million (31 December 2021: €536.1 million).

(b) 2019 Bond

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

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

The fair value of the Bond as Level 1 at 31 December 2022 was €331.6 million (31 December 2021: €358.3 million).

As at 31 December 2022 and 2021 the Group met the required interest cover financial covenant of 2:1 Adjusted EBITDA/interest ratio, for the combined 2018 and 2019 Bonds.

Note 29 – Provisions for risks and charges, litigation and contingent liabilities

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

All the matters were subject to a review and estimate by the Board of Directors based on the information available at the date of preparation of these financial statements and, where appropriate, supported by updated legal opinions from independent professionals. These provisions are classified based on the Directors' assessment of the progress and probabilities of success of each case at each reporting date.

Movements of the provisions outstanding as at 31 December 2022 are shown below:

	Legal and regulatory €'m	Contractual €'m	Other €'m	Total €'m
Balance at 1 January 2022	6.9	6.7	3.1	16.7
Provisions made during the year	1.0	—	0.9	1.9
Provisions used during the year	(0.1)	(0.5)	(0.4)	(1.0)
Provisions reversed during the year	(0.5)	(2.0)	(1.2)	(3.7)
Balance at 31 December 2022	7.3	4.2	2.4	13.9

	Legal and regulatory €'m	Contractual €'m	Other €'m	Total €'m
2021				
Non-current	6.9	3.5	3.1	13.5
Current	—	3.2	—	3.2
	6.9	6.7	3.1	16.7
2022				
Non-current	7.3	0.3	2.4	10.0
Current	—	3.9	—	3.9
	7.3	4.2	2.4	13.9

Provision for legal and regulatory issues

The Group is subject to proceedings and potential claims regarding complex legal matters (including those related to previous acquisitions), which are subject to a different degree of uncertainty. Provisions are held for various legal and regulatory issues that relate to matters arising in the normal course of business, including in particular various disputes that arose in relation to the operation of the various licenses held by the Group's subsidiary Snaitech. The uncertainty is due to complex legislative and licensing frameworks in the various territories in which the Group operates. The Group also operates in certain jurisdictions where legal and regulatory matters can take considerable time for the required local processes to be completed and the matters to be resolved.

Contractual claims

The Group is subject to historic claims relating to contractual matters that arise with customers in the normal course of business. The Group believes they have a robust defence to the claims raised and has provided for the likely settlement where an outflow of funds is probable. The uncertainty relates to complex contractual dealings with a wide range of customers in various jurisdictions, and because as noted above, the Group operates in certain jurisdictions where contractual disputes can take considerable time to be resolved in the local legal system.

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

Accounting for uncertain tax positions

The Group is subject to various forms of tax in a number of jurisdictions. Given the nature of the industry and the jurisdictions within which the Group operates, the tax, legal and regulatory regimes are continuously changing and subject to differing interpretations. As such the Group is exposed to a small number of uncertain tax positions and open audits / enquiries. Judgement is applied in order to adequately provide for uncertain tax positions where it is believed that it is more likely than not that an economic outflow will arise. The Group has provided for uncertain tax positions which meet the recognition threshold and these positions are included within tax liabilities. There is a risk that additional liabilities could arise. Given the uncertainty and the complexity of application of international tax in the sector, it is not feasible to accurately quantify any possible range of liability or exposure, and this has therefore not been disclosed.

Note 30 – Contingent consideration and redemption liability

	2022 €'m	2021 €'m
Non-current contingent consideration and redemption liability consists of:		
Non-current redemption liability		
Acquisition of Statscore SP Z.O.O.	—	6.0
Non-current contingent consideration		
Acquisition of Aus GMTC PTY Ltd	2.1	—
Others	0.2	—
Total non-current contingent consideration and redemption liability	2.3	6.0
Current contingent consideration consists of:		
Acquisition of Eyecon Limited	—	3.6
Amount payable to Aquila Global Group SAS ("Wplay") (Note 20)	—	0.8
Other acquisitions	0.6	0.6
Total current contingent consideration	0.6	5.0
Total contingent consideration and redemption liability	2.9	11.0

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

	2022 €'m	2021 €'m
Acquisition of Eyecon Limited	—	3.6
Acquisition of HPYBET Austria GmbH	—	15.0
Interest in Aquila Global Group SAS ("Wplay")	—	0.9
Acquisition of Statscore SP Z.O.O.	—	15.0
Acquisition of Aus GMTC PTY Ltd	46.7	—
Other acquisitions	0.8	6.8
	47.5	41.3

Note 31 – Trade payables

	2022 €'m	2021 €'m
Suppliers	47.0	33.5
Customer liabilities	14.2	7.8

	61.2	41.3

Note 32 – Deferred tax

The movement on the deferred tax is as shown below:

	2022 €'m	2021 €'m
Balance at 1 January	14.0	(82.5)
Charge to profit or loss (Note 14)	(26.3)	96.3
Exchange differences	—	0.2
At 31 December	(12.3)	14.0

	2022 €'m	2021 €'m
Split as:		
Deferred tax liability	(124.8)	(88.9)
Deferred tax asset	112.5	102.9
	(12.3)	14.0

Deferred tax assets and liabilities are offset only when there is a legally enforceable right of offset, in accordance with IAS 12.

As at 31 December 2022, the Directors continued to recognise deferred tax assets arising from temporary differences and tax losses carried forward, with the latter only to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised. Please refer to Note 14 for the assessment performed on the recognition of deferred tax in the period.

Details of the deferred tax outstanding as at 31 December 2022 and 2021 are as follows:

	2022 €'m	2021 €'m
Deferred tax recognised on Group restructuring	**56.8**	63.6
Tax losses	**75.9**	74.1
Other temporary and deductible differences	**(145.0)**	(123.7)
Total	**(12.3)**	14.0

Details of the deferred tax, amounts recognised in profit or loss are as follows:

	2022 €'m	2021 €'m
Accelerated capital allowances	(1.3)	76.8
Employee pension liabilities	(0.3)	0.1
Other temporary and deductible differences	(26.6)	(15.5)
Leases	(0.1)	—
Tax losses	2.0	34.9
Total	(26.3)	96.3

Note 33 – Other payables

	2022 €'m	2021 €'m
Non-current liabilities		
Payroll and related expenses	23.9	10.8
Other	1.0	2.0
	24.9	12.8
Current liabilities		
Payroll and related expenses	96.5	81.7
Accrued expenses	48.2	67.4
VAT payable	3.0	3.8
Interest payable	7.4	10.4
Other payables	14.0	2.9
	169.1	166.2

Note 34 – Gaming and other taxes payable

	2022 €'m	2021 €'m
Gaming tax	112.5	105.3
Other	0.3	0.1
	112.8	105.4

Note 35 – Acquisitions during the year

On 30 August 2022, the Group acquired 100% of the share capital of Aus GMTC PTY Ltd ("Aus GMTC") which creates content and online games.

The Group paid a total cash consideration of €2.9 million (US$3.0 million), with an additional consideration (capped at US$50 million) in cash payable in 2025 based on a pre-defined EBITDA calculation resulting from the performance of the developed games active during the year ending 30 September 2025. The consideration is calculated based on four times the pre-defined EBITDA for that year, less the cash consideration already paid, plus the €1.8 million loan provided to the acquired company pre-acquisition.

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

	Fair value of the identifiable assets, liabilities and goodwill acquired 2022 €'m
Net book value of liabilities acquired	(0.5)
Fair value of IP Technology acquired	2.9
Total net assets acquired	**2.4**
Fair value of consideration	6.8
Goodwill arising on acquisition	**4.4**

	Fair value of consideration paid and payable 2022 €'m
Cash Consideration	2.9
Non-current contingent consideration	3.9
Fair value of consideration	**6.8**

Adjustments to fair value include the following:

	Amount €'m	Amortisation %
IP Technology	2.9	33.3

The main factor leading to the recognition of goodwill is the future games to be developed by the studio and the assembled work force who have significant experience in the field of game design and development. The resulting goodwill is not deductible for tax purposes. The acquisition represents its own CGU and in accordance with IAS36, the Group will regularly monitor the carrying value of the this.

Management has used the replacement cost methodology in determining the fair value of the IP Technology acquired.

The future consideration is €3.9 million, discounted at 35% based on Damodaran's Target Rates of Return – Stage in Life Cycle, and is calculated based on the estimated future EBITDA of the studio. The €1.8 million loan provided to the company pre-acquisition has been deducted against the future consideration in Note 30.

Management has not disclosed Aus GMTC's contribution to the Group profit since the acquisition nor the impact the acquisition would have had on the Group's revenue and profits if it had occurred on 1 January 2022, because the amounts are negligible.

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.

During the year, Group companies entered into the following transactions with related parties which are not members of the Group:

	2022 €'m	2021 €'m
Revenue		
Investments in associates	132.7	95.0
Interest income		
Investments in associates	0.8	0.1

The revenue from investments in associates includes income from Caliplay, Galera, Wplay, Onjoc and Tenbet. The interest income relates to the same companies except Caliplay.

The following amounts were outstanding at the reporting date:

	2022 €'m	2021 €'m
Trade receivables (Note 22)		

Associates	20.5	16.5
Loans and interest receivable – current (Note 23)		
Associates	3.4	2.4
Loans and interest receivable – non-current (Note 21)		
Associates	29.0	9.5

The loans and interest receivables above do not include the expected credit losses. For the year ended 31 December 2022, the Group recognised a provision for expected credit losses of €0.1 million relating to amounts owed by related parties in less than one year (2021: Nil) and €1.1 million for more than one year.

The loans due from related parties are further disclosed in Note 20.

Key management personnel compensation which includes the Board members (Executive and Non-executive Directors) and senior management personnel comprised the following:

	2022 €'m	2021 €'m
Short-term employee benefits	**13.6**	14.2
Post-employment benefits	**0.1**	0.1
Termination benefits	**1.2**	0.1
Share-based payments	**2.2**	4.3
	17.1	18.7

The Group is aware that a partnership in which a member of key management personnel (who is not a Board member) has a non-controlling interest provides certain advisory and consulting services to third-party service providers of the Group in connection with certain of the Group's structured and other commercial agreements. The partnership contracts with and is compensated by the third-party service providers, and the Group has no direct arrangement with the partnership. The total paid to this partnership by the third-party service providers was €5.9 million (2021: €3.0 million).

Note 37– Subsidiaries

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

Name	Country of incorporation	Proportion of voting rights and ordinary share capital held	Nature of business
Playtech Holdings Limited	Isle of Man	100%	Main trading company of the Group up to December 2020, owns the intellectual property rights and licenses the software to customers. From January 2021 onwards, the principal activity is the holding of investment in subsidiaries
Playtech Software Limited	United Kingdom	100%	Main trading company from 2021 onwards, 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. From January 2021 onwards, the principal activity is the holding of investment in subsidiaries
Playtech Services (Cyprus) Limited	Cyprus	100%	Activates the iPoker Network in regulated markets. Owns the intellectual property of the GTS, Ash and Geneity businesses
VB (Video) Cyprus Limited	Cyprus	100%	Trading company for the Videobet product to Romanian companies
Virtue Fusion (Alderney) Limited	Alderney	100%	Online bingo and casino software provider
Intelligent Gaming Systems Limited	UK	100%	Casino management systems to land-based businesses
VF 2011 Limited	Alderney	100%	Holds licence in Alderney for online gaming and Bingo B2C operations
PT Turnkey Services Limited	Isle of Man	100%	Holding company of the Turnkey Services group
PT Entertenimiento Online EAD	Bulgaria	100%	Poker and 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 and hosting services to online gaming operators
S-Tech Limited	British Virgin Islands and branch office in the Philippines	100%	Previously, live game services to Asia. Currently a dormant company
PT Network Management Limited	British Virgin Islands	100%	Manages the iPoker Network
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

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

Note 38 – Financial instruments and risk management

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

- Credit risk;
- Liquidity risk; and
- Market risk.

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

The principal financial instruments of the Group, from which financial instrument risks arises, are as follows:

- Trade receivables;
- Loans receivable
- Convertible loans
- Cash and cash equivalents;
- Investments in equity securities;
- Derivative financial assets;
- Trade payables;
- Bonds;
- Loans and borrowings; and
- Contingent consideration and redemption liability.

Financial instrument by category

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

	Note	Measurement category	Carrying amount	Fair value		
			2022 €'m	**Level 1 €'m**	**Level 2 €'m**	**Level 3 €'m**
31 December 2022						
Continuing operations						

Non-current financial assets						
Equity investments	20B	FVTPL	9.2	1.4	—	7.8
Derivative financial assets	20C	FVTPL	636.4	—	—	636.4
Trade receivables	22	Amortised cost	1.1	—	—	—
Loans receivable	21	Amortised cost	29.6	—	—	—
Current financial assets						
Trade receivables	22	Amortised cost	163.9	—	—	—
Convertible loans	23	FVTPL	8.3	—	—	8.3
Loans receivables	23	Amortised cost	8.0	—	—	—
Cash and cash equivalents	24	Amortised cost	426.5	—	—	—
Non-current liabilities						
Bonds	28	Amortised cost	348.0	—	—	—
Lease liability	18	Amortised cost	54.0	—	—	—
Contingent consideration and redemption liability	30	FVTPL	2.3	—	—	2.3
Current liabilities						
Bonds	28	Amortised cost	199.6	—	—	—
Trade payables	31	Amortised cost	61.2	—	—	—
Lease liability	18	Amortised cost	31.8	—	—	—
Progressive operators’ jackpots and security deposits	24	Amortised cost	114.3	—	—	—
Client funds	24	Amortised cost	39.8	—	—	—
Contingent consideration and redemption liability	30	FVTPL	0.6	—	—	0.6
Interest payable	33	Amortised cost	7.4	—	—	—

	Note	Measurement category	Carrying amount 2021 €'m	Fair value Level 1 €'m	Level 2 €'m	Level 3 €'m
31 December 2021						
Continuing operations						
Non-current financial assets						
Equity investments	20B	FVTPL	8.1	1.6	—	6.5
Derivative financial assets	20C	FVTPL	622.2	—	—	622.2
Trade receivables	22	Amortised cost	6.6	—	—	—
Convertible loans	21	FVTPL	3.7	—	—	3.7
Loans receivable	21	Amortised cost	13.9	—	—	—
Current financial assets						
Trade receivables	22	Amortised cost	178.5	—	—	—
Loans receivables	21	Amortised cost	4.5	—	—	—
Cash and cash equivalents	24	Amortised cost	575.4	—	—	—
Non-current liabilities						
Bonds	28	Amortised cost	875.0	—	—	—
Loans and borrowings	27	Amortised cost	167.1	—	—	—
Lease liability	18	Amortised cost	69.8	—	—	—
Contingent consideration and redemption liability	30	FVTPL	6.0	—	—	6.0
Current liabilities						
Trade payables	31	Amortised cost	41.3	—	—	—
Lease liability	18	Amortised cost	20.3	—	—	—
Progressive operators' jackpots and security deposits	24	Amortised cost	110.7	—	—	—
Client funds	24	Amortised cost	30.4	—	—	—
Contingent consideration and redemption liability	30	FVTPL	5.0	—	—	5.0
Interest payable	33	Amortised cost	10.4	—	—	—
Treated as held for sale						
Current financial assets						
Cash and cash equivalents		Amortised cost	366.1	—	—	—
Current liabilities						
Trade payables		Amortised cost	0.4	—	—	—
Lease liability		Amortised cost	5.2	—	—	—
Client deposits		Amortised cost	138.5	—	—	—
Client funds		Amortised cost	170.3	—	—	—

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.

For details of the fair value hierarchy, valuation techniques and significant unobservable inputs relating to determining the fair value of derivative financial assets, which are classified as Level 3 of the fair value hierarchy, refer to Note 20C.

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

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

Further details regarding these policies are set out below.

A. Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables), its investing activities through loans made and from its financing activities, including deposits with banks and financial institutions. After the impairment analysis performed at the reporting date, the expected credit losses (ECLs) are €4.9 million (2021: €7.4 million).

Cash and cash equivalents

The Group held cash and cash equivalents (before ECL) of €426.9 million as at 31 December 2022 (2021: €576.0 million). The cash and cash equivalents are held with bank and financial institution counterparties, which are rated from Caa- to AA+, based on Moody's ratings.

Impairment on cash and cash equivalents has been measured on a 12-month expected credit loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. The Group uses a similar approach for assessment of ECLs for cash and cash equivalents to those used for trade receivables. The ECL on cash balances as at 31 December 2022 is €0.4 million (2021: €0.6 million).

A reasonable movement in the inputs of the ECL calculation of cash and cash equivalents does not materially change the ECL to be recognised.

	Total €'m	Financial institutions with A- and above rating €'m	Financial institutions with below A- rating and no rating €'m
Continuing operations			
At 31 December 2022	426.9	214.2	212.7
At 31 December 2021	576.0	291.7	284.3
Treated as held for sale			
At 31 December 2022	—	—	—
At 31 December 2021	366.1	291.9	74.2

Trade receivables

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

As at 31 December 2022, the Group has trade receivables of €165.0 million (2021: €185.1 million) which is net of an allowance for ECL of €4.5 million (2021: €6.8 million).

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are calculated based on past default experience and an assessment of the future economic environment. The ECL is calculated with reference to the ageing and risk profile of the balances.

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

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

31 December 2022	**Total €'m**	**Not past due €'m**	**1–2 months overdue €'m**	**More than 2 months past due €'m**
Expected credit loss rate	2.7%	3.0%	1.1%	2.9%
Gross carrying amount	169.5	124.9	27.2	17.5
Expected credit loss	(4.5)	(3.7)	(0.3)	(0.5)
Trade receivables – net	165.0	121.2	26.9	17.0

31 December 2021	Total €'m	Not past due €'m	1–2 months overdue €'m	More than 2 months past due €'m
Expected credit loss rate	3.5%	4.2%	1.6%	1.9%
Gross carrying amount	191.9	139.6	32.6	19.7
Expected credit loss	(6.8)	(5.9)	(0.5)	(0.4)
Trade receivables – net	185.1	133.7	32.1	19.3

A reasonable movement in the inputs of the ECL calculation of trade receivables does not materially change the ECL to be recognised.

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

The movement in the ECL in respect of trade receivables during the year was as follows:

	2022 €'m	2021 €'m
Balance at 1 January	**6.8**	21.7
Charged to profit or loss	(2.3)	(14.9)
Balance at 31 December	4.5	6.8

Loans receivable

The Group recognised an allowance for expected credit losses for all debt instruments given to 3rd parties based on past default experience and assessment of the future economic environment. For the year ended 31 December 2022, the Group recognised provision for expected credit losses of €1.6 million in the profit or loss relating to loans receivable (2021: Nil).

	2022 €'m	2021 €'m
Balance at 1 January	**-**	-

Charged to profit or loss	1.6	-
Balance at 31 December	1.6	-

Furthermore, €3.0 million of an existing loan to Gameco was impaired as at 31 December 2022 (refer to Note 20B) At 31 December 2021, there was a loan impairment of €1.2 million relating to BGO.

B. Liquidity risk

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

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

	Contractual cash flows				
2022	**Carrying amount €'m**	**Total €'m**	**Within 1 year €'m**	**1–5 years €'m**	**More than 5 years €'m**
Bonds	547.6	604.6	221.1	383.5	—
Lease liability	85.8	110.2	34.1	43.1	33.0
Contingent consideration and redemption liability	2.9	7.9	0.2	7.7	—
Trade payables	61.2	61.2	61.2	—	—
Progressive and other operators' jackpots	114.3	114.3	114.3	—	—
Client funds	39.8	39.8	39.8	—	—
Interest payable	7.4	7.4	7.4	—	—
Provisions for risks and charges	13.9	13.9	3.9	10.0	—
	872.9	959.3	482.0	444.3	33.0
2021					
Loans and borrowings	167.1	173.8	3.3	170.5	—
Bonds	875.0	979.7	34.8	944.9	—
Lease liability	90.1	107.1	22.3	59.7	25.1
Contingent consideration and redemption liability	11.0	11.6	5.1	6.5	—
Trade payables	41.3	41.3	41.3	—	—
Progressive and other operators' jackpots	110.7	110.7	110.7	—	—
Client funds	30.4	30.4	30.4	—	—
Interest payable	10.4	10.4	10.4	—	—
Provisions for risks and charges	16.7	16.7	3.2	13.5	—
	1,352.7	1,481.7	261.5	1,195.1	25.1

C. Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity 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.

Currency risk

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

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

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

31 December 2022	In EUR €'m	In USD €'m	In GBP €'m	In other currencies €'m	**Total €'m**
Continuing operations					
Cash and cash equivalents	338.5	5.8	60.2	22.4	426.9
Progressive operators' jackpots and security deposits	(139.0)	(0.2)	(14.9)	—	(154.1)
Cash and cash equivalents less client funds	199.5	5.6	45.3	22.4	272.8

31 December 2021	In EUR €'m	In USD €'m	In GBP €'m	In other currencies €'m	Total €'m
Continuing operations					
Cash and cash equivalents	477.4	34.9	41.5	22.2	576.0

Progressive operators' jackpots and security deposits	(126.6)	(0.1)	(14.4)	—	(141.1)
Cash and cash equivalents less client funds	350.8	34.8	27.1	22.2	434.9

31 December 2021	In EUR €'m	In USD €'m	In GBP €'m	In other currencies €'m	Total €'m
Treated as held for sale					
Cash and cash equivalents	85.1	211.1	44.4	25.5	366.1
Client funds and client deposits	(63.7)	(208.6)	(12.1)	(24.4)	(308.8)
Cash and cash equivalents less client funds	21.4	2.5	32.3	1.1	57.3

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

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates. The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate bonds and loans and borrowings. At 31 December 2022, none of the Group's borrowings are at a variable rate of interest (2021:16%).

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

Equity price risk

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

Note 39 – Reconciliation of movement of liabilities to cash flows arising from financing activities

	Liabilities					
	Loans and borrowings €'m	Bonds €'m	Interest on loans and borrowings and bonds €'m	Contingent consideration and redemption liability €'m	Lease liabilities €'m	Total €'m
Balance at 1 January 2022	167.1	875.0	10.4	11.0	95.3	1,158.8
Changes from financing cash flows						
Interest payable on bonds and loans and borrowings	—	—	(36.7)	—	—	(36.7)
Repayment of loans and borrowings	(166.1)	—	—	—	—	(166.1)
Repayment of bonds	—	(330.0)	—	—	—	(330.0)
Payment of contingent consideration and redemption liability	—	—	—	(5.9)	—	(5.9)
Principal paid on lease liability	—	—	—	—	(22.5)	(22.5)
Interest paid on lease liability	—	—	—	—	(5.7)	(5.7)
Total changes from financing cash flows	(166.1)	(330.0)	(36.7)	(5.9)	(28.2)	(566.9)
Other changes						
Liability related						
New leases	—	—	—	—	19.0	19.0
Interest on bonds, bank borrowings and other borrowings	—	2.6	33.6	—	—	36.2
Interest on lease liability	—	—	—	—	5.7	5.7
Movement in deferred and contingent consideration and redemption liability	—	—	—	(4.3)		(4.3)
Payment of contingent consideration related to investments	—	—	—	(1.0)	—	(1.0)
Additional contingent consideration	—	—	—	2.9	—	2.9
Disposal of subsidiary/discontinued operations	—	—	—	—	(4.7)	(4.7)
Foreign exchange difference	(1.0)	—	—	0.2	(1.3)	(2.1)
Total liability-related other changes	(1.0)	2.6	33.6	(2.2)	18.7	51.7
Balance at 31 December 2022	—	547.6	7.3	2.9	85.8	643.6

	Liabilities					
	Loans and borrowings €'m	Bonds €'m	Interest on loans and borrowings and bonds €'m	Contingent consideration and redemption liability €'m	Lease liabilities €'m	Total €'m
Balance at 1 January 2021	308.9	873.1	10.5	9.7	88.3	1,290.5
Changes from financing cash flows						
Interest payable on bonds and loans and borrowings	—	—	(39.4)	—	—	(39.4)
Repayment of loans and borrowings	(150.0)	—	—	—	—	(150.0)
Payment of contingent consideration and redemption liability	—	—	—	(0.7)	—	(0.7)
Principal paid on lease liability	—	—	—	—	(22.7)	(22.7)
Interest paid on lease liability	—	—	—	—	(5.6)	(5.6)
Total changes from financing cash flows	(150.0)	—	(39.4)	(0.7)	(28.3)	(218.4)
Other changes						
Liability related						
New leases	—	—	—	—	26.8	26.8
Interest on bonds, bank borrowings and other borrowings	—	1.9	39.3	—	—	41.2
Interest on lease liability	—	—	—	—	5.6	5.6
Movement in deferred and contingent consideration and redemption liability	—	—	—	6.2	—	6.2
Payment of contingent consideration related to investments	—	—	—	(4.1)	—	(4.1)
Foreign exchange difference	8.2	—	—	(0.1)	2.9	11.0
Total liability-related other changes	8.2	1.9	39.3	2.0	35.3	86.7
Balance at 31 December 2021	167.1	875.0	10.4	11.0	95.3	1,158.8

Note 40 – Events after the reporting date

Post year end, 50% of the service fee entitlement of a third-party service provider of the Group in connection with one of the Group's structured agreements was redeemed pursuant to the exercise of an option. A redemption payment of €41.3 million was made to the service provider in March 2023.

Post year end, the RTO explained in Note 23 completed, resulting in the Group owning 16% of the issued and outstanding common shares of Baden Resources Inc (now renamed to NorthStar Gaming Holdings Inc.), as well as warrants giving the Group the right to further increase its stake potentially beyond 20% of the issued and outstanding common shares.

In March 2023 the Group announced a strategic partnership with Hard Rock Digital ("HRD"), the exclusive, global vehicle for interactive gaming and sports betting for Hard Rock International and Seminole Gaming, to supply its products and services predominantly under long-term commercial agreements. Alongside these commercial arrangements, the Group has also invested $85 million (c. €80 million) in exchange for a low single digit percentage minority equity ownership stake in HRD.