Financial Statements

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Independent auditor's report
To the members of Playtech plc

Opinion on the financial statements
In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2021 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards; and
- the Parent Company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice.

We have audited the financial statements of Playtech plc (the "Parent Company") and its subsidiaries (the "Group") for the year ended 31 December 2021 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Balance Sheets, the Consolidated and Company Statements of Cash Flows and the notes to the financial statements and notes to the Company financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards in respect of the Group financial statements and, as regards the Parent Company financial statements, UK Generally Accepted Accounting Practice including Financial Reporting Standard 101 Reduced Disclosure Framework.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the Audit Committee.

Independence
Following the recommendation of the Audit Committee, we were appointed by the Board of Directors to audit the financial statements for the year ended 31 December 2005 and subsequent financial periods. In respect of the financial year ended 31 December 2021, we were reappointed by resolution of the members of the Company at the Annual General Meeting held on 26 May 2021. The period of total uninterrupted engagement including retenders and reappointments is 17 years, covering the years ended 31 December 2005 to 31 December 2021. We remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Group or the Parent Company.

Conclusions relating to going concern
In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date of approval of the financial statements included:

- evaluating the Directors, process in making their assessment, including the period covered, including confirming the assessment and underlying projections were prepared by appropriate individuals with sufficient knowledge of the detailed figures as well as an understanding of the Group's markets, strategies and risks;
- understanding the achievability of key Director assumptions in their cash flow forecasts and challenging these against our knowledge of the prior year, our knowledge of the business and industry, and other areas of the audit;
- checking through enquiry with the Directors, review of Board minutes and review of external resources for any key future events that may have been omitted from cash flow forecasts and assessing the impact these could have on future cash flows and cash reserves;
- assessing the Directors' stress test scenarios and challenging whether other reasonably possible scenarios could occur and including these in our assessment where appropriate;
- assessing the Directors' reverse stress test to analyse the level of reduction in EBITDA that could be sustained before a covenant breach or liquidity event would be indicated;
- confirming the financing facilities, repayment terms and financial covenants to supporting documentation;
- reviewing the Directors' assessment of covenant compliance throughout the going concern period;
- enquiring with management the impact of the current Russia / Ukraine conflict and the resultant impact on the Group's operations and trading;
- challenging the Directors as to matters outside of the going concern assessment period, principally relating to the bond refinancing required in October 2023 of €530 million;
- reviewing the different scenarios presented by the Directors with reference to potential corporate activity relating to the Group; and
- considering the adequacy of the disclosures relating to going concern included within the Annual Report against the requirements of the accounting standards and consistency of the disclosure against the forecasts and going concern assessment.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and the Parent Company's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.

Independent auditor's report continued
To the members of Playtech plc

Conclusions relating to going concern continued
In relation to the Parent Company's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

Coverage	100% (2020: 100%) of Group revenue. 95% (2020: 94%) of Group total assets.		
Key audit matters		2021	2020
	Revenue recognition	✓	✓
	Accounting for and the valuation of LATAM equity call options	✓	×
	Impairment of goodwill in respect of the Sports B2C cash-generating unit	×	✓
	Potential legal claims	×	✓
	Non-current assets held for sale and discontinued operations	×	✓
	Accounting for and the valuation of LATAM equity call options is new key audit matters (KAM) for the year following the new option arrangement for Caliplay and the growth of the LATAM market. Impairment of goodwill in respect of the Sports B2C cash-generating unit is no longer considered to be a key audit matter because the goodwill was fully impaired during the year ended 31 December 2020. Potential legal claims is no longer considered to be a key audit matter given the potential material claims have not progressed further in the year ended 31 December 2021. Non-current assets held for sale and discontinued operations is no longer considered a key audit matter due to the level of judgement and estimate being substantially reduced following the signing of the sales and purchase agreement in the year to dispose of Finalto for a fixed value subject only to regulatory approval.		
Materiality	**Group financial statements as a whole** €7.9 million (2020: €5.0 million) based on 2.5% of Adjusted EBITDA (2020: 5% of the average of the last three years' normalised adjusted profit before tax).		

An overview of the scope of our audit
Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

In determining the scope of our audit we considered the level of work to be performed at each component in order to ensure sufficient assurance was gained to allow us to express an opinion on the financial statements of the Group as a whole. We tailored the extent of the work to be performed at each component, either by us, as the Group audit team, or component auditors within the BDO network based on our assessment of the risk of material misstatement at each component.

We performed full scope audit procedures on nine components. Five of these were considered significant components based on their size; four of these components were audited by the Group audit team and the remaining one by BDO Italy. Full scope procedures were also performed on the Finalto division, the component classified as held for sale, by a component auditor within the BDO network. For the remaining non-significant components, component auditors within the BDO network or the Group team performed review procedures or specific audit scope procedures on certain balances based on their relative size, risks in the business and our knowledge of those entities.

Our involvement with component auditors
For the work performed by component auditors, we determined the level of involvement needed in order to be able to conclude whether sufficient appropriate audit evidence has been obtained as a basis for our opinion on the Group financial statements as a whole.

Our involvement with the component auditor of the significant component included attending key meetings remotely or in person as appropriate (including those with local management), directing the scope and approach of the audit, and performing a detailed review remotely or in person of the audit files.

For the component auditors of the non-significant components we provided group instructions, directed the scope of their work and, where considered necessary, performed a detailed review of their working papers.

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

Key audit matter		How the scope of our audit addressed the key audit matter
Revenue recognition (with reference to Note 5, Note 6 and Note 9)	Revenue recognition was considered a KAM due to the complexity of the IT systems and the level of audit focus required. The Group's revenue streams and the related accounting policies applied during the period are detailed in Note 5 to the financial statements. Our key audit matters in respect of revenue consist of the following: Playtech B2B gaming revenue: There is a risk that amounts invoiced are calculated incorrectly due to manipulation of the underlying source data, an error in the IT system or the incorrect contractual rates being applied. Snaitech B2C streams: There is a risk that data within the revenue system is incorrect due to manipulation or error between the operating platform, ADM (government regulatory system), and the billing system, resulting in incomplete or inaccurate revenue being recognised.	We developed an understanding of the key revenue processes from inception to disclosure in the financial statements and assessed the design and implementation of the controls over the Group's revenue cycles. In completing this work we utilised our own IT specialists to assess the IT controls in respect of the key operating systems supporting the above transaction flows. Our IT specialists also reviewed the work completed by the IT specialists from component teams. We examined and assessed the treatment of a sample of new and modified revenue contracts in the year to check the performance obligations were identified appropriately and that revenue was recognised in line with the Group's accounting policies and relevant accounting standards. Our testing approach for revenue was tailored for the different revenue streams and entities across the Group. **B2B gaming revenue** We tested revenue recognised with the support of IT specialists, by completing the following: • tested the operating effectiveness of certain controls within the IMS operating system; • for a sample of customers and invoices, with the support of our IT specialists, we obtained underlying source data and independently recalculated invoices based on contractual terms in place; • performed a full reconciliation of the IMS systems to the billing database (used by management to calculate revenue for invoicing) to confirm the accuracy and completeness of the underlying data; • confirmed a sample of invoices to cash receipts; • completed test bets and traced through underlying data to customer invoicing; and • for sample of customers, analysed revenue for the year on a monthly basis to identify exceptions and tested those identified to underlying source data to confirm completeness and accuracy. **B2C revenue** Our testing approach for B2C revenue recognised by Snaitech included the following: • With the assistance of our IT specialists, we carried out an end-to-end walkthrough to understand the IT system, process and controls in place for each of the revenue streams (betting, amusement with prizes (AWP) and video lottery terminals (VLT)). • With the support of our IT specialists, we tested the operating effectiveness of controls, including user access controls, change management and data processing management. • Testing of the operating effectiveness of relevant key controls was linked to the approval of sales with a sample also verified to cash receipts. • For betting, we performed a reconciliation of bets from the operating platform to the government ADM reports, and for a sample of bets we recalculated the revenue recognised based on contractual terms in place, and agreed amounts to underlying contracts and cash receipts. • For AWP and VLT machines, we agreed the revenue recognised to the operating system for a sample of items, and recalculated the revenue recognised based on contractual terms in place. **Key observations** Based on the work performed we did not identify any evidence of manipulation of data in the underlying IT systems and consider that revenue has been recognised appropriately.

Independent auditor's report continued
To the members of Playtech plc

An overview of the scope of our audit continued
Key audit matters continued

Key audit matter		How the scope of our audit addressed the key audit matter
Accounting for and valuation of LATAM equity options (with reference to Note 5 – Significant accounting policies, Note 6 and Note 20)	This was considered a KAM due to the level of audit team effort, the complexities and judgements required in the accounting and the significance of estimates and judgements required. **Mexico: Caliplay** The framework agreement was renegotiated in the year such that the Group now holds an equity call option up to 49% (subject to dilution and other contractual matters) which is exercisable over an acquisition vehicle should Caliplay be part of an M&A transaction. The new option is in addition to the pre-existing call option which continues to be held over Caliplay which is currently exercisable. The new option is only exercisable should an M&A transaction complete and therefore does not provide the Group with current access to profits and in line with the requirements of IAS 28 requires the option to be recorded at fair value. The accounting and valuation require management judgement in terms of the accounting adopted and in respect of the inputs and the methodology applied to calculate fair value. Management has based its valuation on the anticipated enterprise value of Caliplay should the proposed acquisition of Caliplay by a US listed special purpose acquisition company (SPAC) complete and has determined a fair value of €506.7 million.	**Mexico: Caliplay** We scrutinised the revised agreement and management's assessment of the accounting requirements. We checked that the assessment made and the requirement to fair value the additional new option aligned to the requirements of IAS 28. With the support of our valuation specialists, we completed the following in respect of the fair value calculation: • reviewed supporting documentation prepared by advisers to the SPAC in respect of the proposed enterprise value; • confirmed the proposed listing share price of US$10 per share and the Group's expected shareholding in the SPAC; • assessed the impact of warrants and options held by third parties based on the expected warrants to be issued and options held to consider the dilution impact; • challenged management's judgement as to the likely timing for completion of the acquisition by the SPAC based on status of the potential transaction; and • assessed the impact of the post-completion restrictions on disposing of shares held by the Group in the SPAC by reference to the terms of the proposed transaction. **Other LATAM options** In respect of the accounting, we reviewed the respective agreements for each of the LATAM arrangements and confirmed management's assessment of significant influence or control in each case is in line with the requirements of IFRS. For each arrangement we checked the contractual terms to confirm management's assessment of the exercise date for each option. Where the accounting assessment determined that the options were required to be recorded at fair value, with the support of our valuation specialists we challenged the key assumptions used in management's discounted cash flow model, including: • challenge of the cash flows used and, where possible, comparison to third-party market data; • recalculated the discount rates used to check appropriate risk premiums had been applied; • assessed the sensitivity analysis performed by management to changes in key assumptions (such as discount rate and growth rates) and considered any additional sensitivities required based on the audit team's assessment of the key inputs and judgements; • confirmed to contractual terms the expected shareholdings of the Group on exercise of the options; and • checked the underlying models for mathematical accuracy. In respect of the Caliplay and other LATAM options management was supported by third-party experts. We assessed the independence, expertise and qualifications of these experts.

An overview of the scope of our audit continued
Key audit matters continued

Key audit matter		How the scope of our audit addressed the key audit matter
Accounting for and valuation of LATAM equity options (with reference to Note 5 – Significant accounting policies, Note 6 and Note 20) continued	**Other LATAM options – Colombia: Wplay, Guatemala: Super Sports, Costa Rica: Tenbet, Panama: Onjoc and Brazil: Galera** The Group holds equity call options in each of the above investments, a number of which are currently exercisable. Judgement is required as to whether the options give rise to control or significant influence over the entities and if the option provides current access to profits. Where options are not yet exercisable and hence do not provide current access to profits of the underlying entity, management determined the requirement to fair value the options; this includes: • Wplay: €97.2 million (2020: €22.3 million); • Onjoc €6.9 million (2020: € Nil); and • Tenbet €11.4 million (2020: € Nil). Management has calculated the fair value of the options using discounted cash flow models which requires estimate and judgement. There is a risk that the accounting for each of the options is not appropriate and that the valuations are materially misstated. In respect of all valuations management engaged third-party experts to support it in the calculations. **Disclosures** In respect of all options held there is a risk that the disclosures, sensitivities given and disclosure of key judgements and estimates are not complete and accurate.	**Disclosures** In respect of all options, we reviewed the disclosures to check that they were complete and accurate based on the accounting approach, IFRS and the audit team's assessment of the valuation work completed; this included an assessment of the adequacy of the detail included in the critical judgements and estimates section (see Note 6). **Key observation** Based on the work performed we consider the judgements and estimates made in the accounting for and valuation of LATAM equity options and the related disclosure to be appropriate.

Independent auditor's report continued
To the members of Playtech plc

Our application of materiality
We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements		Parent Company financial statements	
	2021 £m	2020 £m	2021 £m	2020 £m
Materiality	**7.9**	5.0	**4.5**	3.9
Basis for determining materiality	**2.5% of Adjusted EBITDA**	5% of a normalised three-year average of Adjusted profit before tax	**55% of Group materiality**	75% of Group materiality
Rationale for the benchmark applied	**Given the corporate transaction activity, Adjusted EBITDA (which was the underlying basis for the Aristocrat offer) is considered to be the metric of greatest interest to users of the financial statements**	Given the impact of COVID-19 on profits for the year a three-year average of adjusted profit before tax was used. In calculating materiality, the 2018 adjusted profit before tax was reduced to reflect the downturn in profits from Asia in the later years. Adjusted measures have been used as we believe this more appropriately reflects the Group's underlying performance.	**2% of total assets capped at 55% of Group materiality**	2% of total assets capped at 75% of Group materiality
Performance materiality	**5.5**	3.5	**3.2**	2.7
Basis for determining performance materiality	**70% of Group materiality – this was set by the audit team with reference to the level of adjustments identified in the prior year, the level of sampling work required and the number of components**	70% of Group materiality – this was set by the audit team with reference to the level of adjustments identified in the prior year, the level of sampling work required and the number of components	**70% of Parent Company materiality – this was set by the audit team with reference to the level of adjustments identified in the prior year and the level of sampling work required**	70% of Parent Company materiality – this was set by the audit team with reference to the level of adjustments identified in the prior year and the level of sampling work required

Component materiality
We set materiality for each component of the Group based on a percentage of between 9% and 63% of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from €0.8 million to €5.0 million. In the audit of each component, we further applied performance materiality levels of 70% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold
We agreed with the Audit Committee that we would report to it all individual audit differences in excess of €136k (2020: €100k). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Our application of materiality continued
Other information
The Directors are responsible for the other information. The other information comprises the information included in the Annual Report and financial statements other than the financial statements and our Auditor's Report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Corporate Governance Statement
The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Parent Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

Going concern and longer-term viability	• the Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 84; and • the Directors' explanation as to their assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on page 91.
Other Code provisions	• the Directors' statement on fair, balanced and understandable set out on page 109; • The Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 91; • the section of the Annual Report that describes the review of effectiveness of risk management and internal control systems set out on pages 85 to 90; and • the section describing the work of the audit committee set out on page 101.

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

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

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

Independent auditor's report continued

To the members of Playtech plc

Corporate Governance Statement continued

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates, through discussion with management and the Audit Committee and our knowledge of the industry. We focused on significant laws and regulations that could give rise to a material misstatement in the financial statements, including, but not limited to, the Isle of Man Companies Act 2006, the UK Listing Rules, IFRSs as they apply in the UK, compliance with certain gaming licensing requirements and tax legislations.
- We considered compliance with these laws and regulations through discussions with management, in-house legal counsel, the Company Secretary, and the Head of Regulatory as well as reviewing internal audit reports. Our procedures also included reviewing minutes from Board meetings of those charged with governance to identify any instances of non-compliance with laws and regulations.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur. In addressing the risk of fraud including management override of controls and improper revenue recognition, we tested the appropriateness of journal entries made throughout the year by applying specific criteria.
- We performed a detailed review of the Group's year end adjusting entries and journals throughout the year, investigated any that appeared unusual as to nature or amount, assessed whether the judgements made in accounting estimates were indicative of a potential bias and tested the risk of manipulation of IT systems with regards to revenue recognition (see key audit matter above).
- We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and component auditors, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, or misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's Report.

Use of our report

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

Oliver Chinneck (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK
24 March 2022

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

Consolidated statement of comprehensive income

For the year ended 31 December 2021

	Note	2021 Actual €'m	2021 Adjusted €'m[1]	2020 Actual €'m	2020 Adjusted €'m[1]
Continuing operations					
Revenue	9	**1,205.4**	**1,205.4**	1,078.5	1,078.5
Distribution costs before depreciation and amortisation		**(794.5)**	**(788.8)**	(726.7)	(719.1)
Administrative expenses before depreciation and amortisation		**(127.4)**	**(98.5)**	(112.5)	(92.2)
Impairment of financial assets		**(2.2)**	**(1.0)**	(16.4)	(13.6)
EBITDA	10	**281.3**	**317.1**	222.9	253.6
Depreciation and amortisation		**(169.1)**	**(134.3)**	(188.1)	(149.1)
Impairment of tangible and intangible assets	12	**(21.6)**	**—**	(45.4)	—
Finance income	13A	**1.1**	**1.1**	1.1	1.1
Finance costs	13B	**(67.7)**	**(62.9)**	(64.6)	(61.5)
Share of (loss)/profit from joint ventures and associates	20A	**(0.6)**	**(0.6)**	1.1	1.1
Fair value change on acquisition of associate	20A	**—**	**—**	6.5	—
Loss on disposal of associate	20A	**—**	**—**	(8.9)	—
Unrealised fair value changes of equity investments	20B	**(1.6)**	**—**	0.6	—
Unrealised fair value changes of derivative financial assets	20C	**583.2**	**—**	—	—
Profit on disposal of asset classified as held for sale	25	**—**	**—**	22.1	—
Profit/(loss) before taxation		**605.0**	**120.4**	(52.7)	45.2
Income tax credit/(expense)	10, 14	**81.7**	**7.2**	(20.4)	(17.9)
Profit/(loss) from continuing operations		**686.7**	**127.6**	(73.1)	27.3
Discontinued operation					
(Loss)/profit from discontinued operation, net of tax	8	**(12.1)**	**(13.8)**	(224.3)	20.0
Profit/(loss) for the year – total		**674.6**	**113.8**	(297.4)	47.3
Other comprehensive loss:					
Items that are or may be classified subsequently to profit or loss:					
Exchange loss arising on translation of foreign operations		**(1.4)**	**(1.4)**	(19.9)	(19.9)
Items that will not be classified to profit or loss:					
Loss on remeasurement of employee termination indemnities		**(0.1)**	**(0.1)**	(0.1)	(0.1)
Other comprehensive loss for the year		**(1.5)**	**(1.5)**	(20.0)	(20.0)
Total comprehensive income/(loss) for the year		**673.1**	**112.3**	(317.4)	27.3
Profit/(loss) for the year attributable to:					
Owners of the Company		**674.6**	**113.8**	(297.3)	47.4
Non-controlling interests		**—**	**—**	(0.1)	(0.1)
		674.6	**113.8**	(297.4)	47.3
Total comprehensive income/(loss) attributable to:					
Owners of the Company		**673.1**	**112.3**	(317.3)	27.4
Non-controlling interests		**—**	**—**	(0.1)	(0.1)
		673.1	**112.3**	(317.4)	27.3
Earnings per share attributable to the ordinary equity holders of the Company					
Profit or loss – total					
Basic (cents)	15	**226.3**	**38.2**	(99.6)	15.9
Diluted (cents)	15	**216.2**	**36.5**	(99.6)	15.2
Profit or loss from continuing operations					
Basic (cents)	15	**230.3**	**42.8**	(24.5)	9.2
Diluted (cents)	15	**220.1**	**40.9**	(24.5)	8.8

1 Adjusted numbers relate to certain non-cash and one-off items and material reorganisation and acquisition-related items. 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 2021

	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 2021 (as restated)	**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**
Balance at 1 January 2020, as previously reported	**601.0**	**(0.3)**	**659.9**	**(16.2)**	**(16.4)**	**(1.4)**	**1,226.6**	**(4.3)**	**1,222.3**
Prior year adjustment (Note 40)	—	—	(3.7)	—	—	—	(3.7)	—	(3.7)
Restated balance at 1 January 2020	**601.0**	**(0.3)**	**656.2**	**(16.2)**	**(16.4)**	**(1.4)**	**1,222.9**	**(4.3)**	**1,218.6**
Total comprehensive loss for the year									
Loss for the year	—	—	(297.3)	—	—	—	(297.3)	(0.1)	(297.4)
Other comprehensive loss for the year	—	(0.1)	—	—	—	(19.9)	(20.0)	—	(20.0)
Total comprehensive loss for the year	**—**	**(0.1)**	**(297.3)**	**—**	**—**	**(19.9)**	**(317.3)**	**(0.1)**	**(317.4)**
Transactions with the owners of the Company									
Contributions and distributions									
Exercise of options	—	—	(1.7)	1.7	—	—	—	—	—
Employee stock option scheme	—	—	8.5	—	—	—	8.5	—	8.5
Share buyback	(8.9)	—	(1.3)	—	—	—	(10.2)	—	(10.2)
Total contributions and distributions	(8.9)	—	5.5	1.7	—	—	(1.7)	—	(1.7)
Change in ownership interests									
Acquisition of non-controlling interests without change in control	—	—	(20.7)	—	16.4	—	(4.3)	4.4	0.1
Acquisition of subsidiary with non-controlling interests	—	—	—	—	(3.7)	—	(3.7)	0.3	(3.4)
Total changes in ownership interests	—	—	(20.7)	—	12.7	—	(8.0)	4.7	(3.3)
Total transactions with owners of the Company	**(8.9)**	**—**	**(15.2)**	**1.7**	**12.7**	**—**	**(9.7)**	**4.7**	**(5.0)**
Balance at 31 December 2020	**592.1**	**(0.4)**	**343.7**	**(14.5)**	**(3.7)**	**(21.3)**	**895.9**	**0.3**	**896.2**

Consolidated balance sheet

As at 31 December 2021

	Note	2021 €'m	2020 €'m Restated[1]	2019 €'m Restated[1]
ASSETS				
Property, plant and equipment	17	**329.7**	357.1	376.4
Right of use assets	18	**73.8**	66.7	74.7
Intangible assets	19	**1,046.1**	1,104.1	1,506.3
Investments	20A/B	**13.3**	28.0	31.0
Derivative financial assets[2]	20C	**622.2**	22.4	22.4
Trade receivables	22	**6.6**	18.4	13.6
Deferred tax asset	32	**102.9**	3.3	1.6
Other non-current assets	21	**104.4**	67.3	36.4
Non-current assets		**2,299.0**	1,667.3	2,062.4
Trade receivables	22	**178.5**	153.2	192.8
Other receivables	23	**87.1**	93.7	138.3
Inventories[3]		**4.9**	4.7	2.9
Cash and cash equivalents	24	**575.4**	683.7	671.5
		845.9	935.3	1,005.5
Assets classified as held for sale	25	**507.4**	468.9	36.8
Current assets		**1,353.3**	1,404.2	1,042.3
TOTAL ASSETS		**3,652.3**	3,071.5	3,104.7
EQUITY				
Additional paid in capital		**606.0**	592.1	601.0
Employee termination indemnities		**(0.5)**	(0.4)	(0.3)
Employee Benefit Trust		**(23.2)**	(14.5)	(16.2)
Put/call options reserve		**(3.7)**	(3.7)	(16.4)
Foreign exchange reserve		**(22.7)**	(21.3)	(1.4)
Retained earnings		**1,025.0**	343.7	656.2
Equity attributable to equity holders of the Company		**1,580.9**	895.9	1,222.9
Non-controlling interests		**0.3**	0.3	(4.3)
TOTAL EQUITY	26	**1,581.2**	896.2	1,218.6
LIABILITIES				
Loans and borrowings	27	**167.1**	308.9	64.4
Bonds	28	**875.0**	873.1	871.2
Lease liability	18	**69.8**	61.5	65.3
Deferred revenues		**2.9**	2.1	2.3
Deferred tax liability	32	**88.9**	85.8	88.9
Contingent consideration and redemption liability	30	**6.0**	8.5	2.5
Provisions for risks and charges	29	**13.5**	—	—
Other non-current liabilities	33	**12.8**	12.5	14.2
Non-current liabilities		**1,236.0**	1,352.4	1,108.8

1 See Note 40 for details regarding the restatement as a result of an error.

2 As explained in Note 20, investments classification changed in 2021. In this respect, the comparative information is re-presented.

3 In prior years, inventories were presented as part of other receivables. In this respect, the comparative information is re-presented.

Consolidated balance sheet continued
As at 31 December 2021

	Note	2021 €'m	2020 €'m Restated[1]	2019 €'m Restated[1]
LIABILITIES continued				
Loans and borrowings		—	—	0.2
Trade payables	31	41.3	47.7	62.4
Lease liability	18	20.3	21.0	25.5
Progressive operators' jackpots and security deposits	24	110.7	100.2	98.2
Client deposits		—	—	113.9
Client funds	24	30.4	28.9	126.3
Income tax payable		2.6	12.0	22.0
Gaming and other taxes payable	34	105.4	126.9	98.3
Deferred revenues		5.2	9.7	6.9
Contingent consideration and redemption liability	30	5.0	1.2	58.6
Provisions for risks and charges	29	3.2	20.9	19.5
Other payables	33	166.2	145.2	141.9
		490.3	513.7	773.7
Liabilities directly associated with assets classified as held for sale	25	344.8	309.2	3.6
Current liabilities		835.1	822.9	777.3
TOTAL LIABILITIES		2,071.1	2,175.3	1,886.1
TOTAL EQUITY AND LIABILITIES		3,652.3	3,071.5	3,104.7

The consolidated financial statements were approved by the Board and authorised for issue on 24 March 2022.

Mor Weizer
Chief Executive Officer

Andrew Smith
Chief Financial Officer

1 See Note 40 for details regarding the restatement as a result of an error.

Consolidated statement of cash flows
For the year ended 31 December 2021

	Note	2021 €'m	2020 €'m
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) for the year		674.6	(297.4)
Adjustment to reconcile net income to net cash provided by operating activities (see below)		(419.0)	689.8
Net taxes paid		(30.6)	(27.9)
Net cash from operating activities		225.0	364.5
CASH FLOWS FROM INVESTING ACTIVITIES			
Loans granted		(16.7)	(2.5)
Acquisition of property, plant and equipment		(49.6)	(41.7)
Dividends received		—	0.1
Acquisition of intangible assets		(7.2)	(19.5)
Acquisition of subsidiaries (see below)		—	(19.8)
Cash of subsidiaries on acquisition (see below)		—	8.5
Capitalised development costs		(57.4)	(55.8)
Investment in other investments and derivative financial assets	20A/B	(8.1)	(21.7)
Proceeds from the sale of property, plant and equipment		0.7	0.5
Proceeds from sale of discontinued operations and assets held for sale, net of cash disposed	25	10.7	49.8
Net cash used in investing activities		(127.6)	(102.1)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest payable on bonds and loans and borrowings		(39.4)	(39.7)
Share buyback	26	—	(10.2)
Repayment of loans and borrowings		(150.0)	(0.2)
Proceeds from loans and borrowings	27	—	245.8
Payment of contingent consideration and redemption liability (see below)		(0.7)	(48.5)
Principal paid on lease liability		(22.7)	(21.5)
Interest paid on lease liability		(5.6)	(5.9)
Net cash (used in)/from financing activities		(218.4)	119.8
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(121.0)	382.2
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		1,061.2	674.2
Exchange gain on cash and cash equivalents		1.9	4.8
CASH AND CASH EQUIVALENTS AT END OF YEAR		942.1	1,061.2
Cash and cash equivalents consists of:			
Cash and cash equivalents – continuing operations	24	576.0	684.3
Cash and cash equivalents treated as held for sale	24	366.1	376.9
		942.1	1,061.2
Less: expected credit loss on cash and cash equivalents	24	(0.6)	(0.6)
		941.5	1,060.6

Consolidated statement of cash flows continued
For the year ended 31 December 2021

	Note	2021 €'m	2020 €'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	42.9	48.8
Amortisation of intangible assets	19	109.3	149.0
Amortisation of right of use assets	18	20.2	21.9
Capitalisation of amortisation of right of use assets		(2.1)	(2.5)
Gain on early termination of lease contracts	18	(1.2)	(1.1)
Share of loss/(profit) from joint ventures and associates	20A	0.6	(1.1)
Fair value change on acquisition of associate		—	(6.5)
Impairment of other receivables		1.2	1.3
Impairment of right of use assets	18	—	2.8
Impairment of property, plant and equipment	17	12.5	8.7
Impairment of intangible assets	19	9.1	33.9
(Reversal of impairment)/impairment of asset classified as held for sale	25C	(2.0)	221.2
Profit on disposal of discontinued operations	25B	(7.6)	(0.6)
Profit on disposal of asset classified as held for sale	25A	—	(22.1)
Loss on disposal of associate	20A	—	8.9
Changes in fair value of equity investments	20B	1.6	(0.6)
Changes in fair value of derivative financial assets	20C	(583.2)	—
Interest on bonds and loans and borrowings		41.2	41.8
Interest on lease liability		5.6	5.9
Interest income on loans receivable		(0.5)	—
Income tax (credit)/expense		(79.8)	23.2
Employee stock option plan expenses		13.8	21.1
Movement in contingent consideration and redemption liability		6.2	8.3
Expected credit loss on cash and cash equivalents		—	0.6
Unrealised exchange loss/(gain)		8.7	(10.3)
Other		0.4	0.5
Changes in operating assets and liabilities:			
Change in trade receivables		(5.9)	34.6
Change in other receivables		(28.0)	2.2
Change in inventories		(0.2)	(1.8)
Change in trade payables		(7.9)	(13.3)
Change in progressive operators, jackpots and security deposits		10.5	2.0
Change in client funds and deposits		21.7	76.6
Change in other payables		1.8	32.6
Change in provisions for risks and charges		(4.2)	1.4
Change in deferred revenues		(3.7)	2.4
		(419.0)	689.8

Acquisition of subsidiaries

	Note	2021 €'m	2020 €'m
Acquisitions in previous year			
A. Acquisition of Statscore SP Z.O.O.	35A	—	6.5
B. Acquisition of Best In Game SRL	35B	—	13.3
		—	19.8

Cash of subsidiaries on acquisition

	2021 €'m	2020 €'m
Acquisitions in previous year		
A. Acquisition of Statscore SP Z.O.O.	—	0.1
B. Acquisition of Best In Game SRL	—	8.4
	—	8.5

Payment of contingent consideration and redemption liabilities on previous acquisitions

	2021 €'m	2020 €'m
A. Acquisition of Rarestone Gaming PTY Ltd	—	4.1
B. Acquisition of Playtech BGT Sports Limited	—	41.6
C. Other acquisitions	0.7	2.8
	0.7	48.5

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. The Group implemented a restructuring in January 2021, which resulted in Playtech plc migrating its tax residency to the United Kingdom.

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

Playtech is one of the gambling industry's leading technology companies 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 was the pioneer of omni-channel gambling technology through its integrated platform technology, Playtech ONE. Playtech ONE delivers data driven marketing expertise, single wallet functionality, CRM and responsible gambling solutions across one single platform across product verticals and across retail and online.

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

The Group's financial trading division, which is treated as a discontinued operation in these financial statements (Notes 8 and 25), has four primary business models, being:

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

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

Note 2 – Basis of preparation

These consolidated financial statements have been prepared in accordance with the UK adopted International Financial Reporting Standards (IFRS). They were authorised for issue by the Company's Board of Directors on 24 March 2022.

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

Coronavirus (COVID-19) impact

Background

Although the Group has considered the impact of COVID-19 in preparing its financial statements, the last two years of going through the pandemic have indicated that we have been resilient in our performance, mainly due to the fact that any closure in our retail networks impacting profitability was offset by the Group's online performance.

As we entered 2021 with our biggest retail market in Italy being in lockdown, our expectations were that it would be lifted by mid to end of March. However, even though this did not happen until mid-June, the performance of the Group for the year still exceeded our expectations, albeit with a different business unit contribution than what we had originally anticipated.

Despite this, we have still taken into account the most recent developments in the key countries in which we have a retail presence. The UK in particular has removed all measures, whereas in Italy the notion of a "green pass" is still being used throughout the country. Furthermore, the Italian government has divided the country into various colour segments (white, yellow, orange and red) with varying measures depending on what colour the region is in. Currently, there are no red regions (which would mean complete lockdowns); however, management has considered the possible impact to the estimates and outcomes in the measurement of the Group's assets and liabilities should things change. In making these considerations, management has also taken into account the different financial and economic impact the pandemic has had on the Group's online and retail gambling results since March 2020. This is further discussed in Note 5.

Process applied

The Group is closely monitoring developments in, and the effects of, COVID-19 on the global economy. On the basis of currently available information, the Group's actual results since the pandemic began and the latest updates on the lockdowns and the notion of "green passes", the Group is now in a better position to assess the magnitude of the impact of COVID-19 on the Group's operations and future financial results.

Note 2 – Basis of preparation continued

Coronavirus (COVID-19) impact continued

Process applied continued

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

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

Going concern basis

In adopting the going concern basis in the preparation of the financial statements, the Directors have considered the current trading performance, financial position and liquidity of the Group, the principal risks and uncertainties together with scenario planning and reverse stress tests. The Directors have assessed going concern over a 15-month period to 30 June 2023 which aligns with the six-monthly covenant measurement period. In making this assessment we have also considered the impact of the ongoing conflict in Ukraine, a country where we have a presence.

	31 December 2021 €'m	31 December 2020 €'m
Cash and cash equivalents	575.4	683.7
Cash held on behalf of clients, progressive jackpots and security deposits	(141.1)	(129.1)
Adjusted gross cash and cash equivalents (excluding assets and liabilities held for sale)	**434.3**	554.6

The Group continues to hold a strong liquidity position with adjusted gross cash excluding assets held for sale of €434.3 million (31 December 2020: €554.6 million), with the decline from the prior year explained by the €150.0 million RCF repayment and the repayment of the 2020 gaming tax liability in Italy of €89.6 million, both made during 2021. Whilst there is always a probability that we could go into another wave of lockdowns in major markets in which the Group operates (such as Italy) which would pose several risks to the Group's future trading performance, the Directors are confident of the Group's ability to continue as a going concern, due to its strong performance in its online business.

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 the risk of future lockdowns, and consideration of the recovery period in the Group's key markets and licensees' operations.

The Group's principal financing arrangements are a revolving credit facility (RCF) up to €317.0 million which expires in November 2023, the 2018 Bond amounting to €530.0 million and the 2019 Bond amounting to €350.0 million which are repayable in October 2023 and March 2026 respectively. Although both the RCF and the €530.0 million Bond renewal are outside the going concern period, the Directors see no basis on which these will not be successfully refinanced should this be required. These financing arrangements are subject to certain financial covenants which are tested every six months on a rolling 12-month basis, as set out in Notes 27 and 28. In the past, and due to the breakout of the pandemic, the RCF covenants were relaxed as follows:

- leverage: Net Debt/Adjusted EBITDA revised to 4.5:1 for the 12 months ended 30 June 2021 (31 December 2020: revised to 5:1). This returned to a normal level of 3:1 at 31 December 2021 and beyond; and
- interest cover: Adjusted EBITDA/interest revised to 3.5:1 for the 12 months ended 30 June 2021 (31 December 2020: revised to 3:1). This returned to a normal level of 4:1 at 31 December 2021 and beyond.

Despite the impact on our retail performance due to several lockdowns during 2020 and 2021, the Group comfortably met the normal level covenant conditions. 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 (both including and excluding the impact of Finalto being disposed) 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 2022, December 2022 and June 2023 and is the main reason why the Directors selected a 15-month period of assessment.

There can be no assurance that a downside scenario will be avoided if there is another wave of lockdowns which could impact the future performance of the Group. However, the Directors have concluded that the Group is well placed to manage foreseeable downside and severe downside scenarios after:

- considering mitigating actions that would be available to the Directors and are within their control; and
- using past performance during the pandemic as an indication of future performance should there be any further lockdowns in the relevant going concern period.

Note 2 – Basis of preparation continued

Going concern basis continued

In making this conclusion, the Directors have considered a stress test and a reverse test as explained below.

Stress test

The stress test assumes a worst-case scenario for the entire Group (both including and excluding the impact of Finalto being disposed) which includes further impacts caused by another wave of lockdowns, together with additional sensitivities around Italy and Asia, but with mitigations similar to the ones taken in 2020 and 2021 (including salary and capital expenditure reductions and continued suspension of distributions and share buybacks). Under this scenario Adjusted EBITDA would fall on average by 29% per month compared to the base case over the relevant going concern period, but the Group would not breach its covenants or have any liquidity issues. The biggest impact on this stress test scenario was caused by the implications of another potential wave of lockdowns to the Group's retail network in Italy. However, based on the actual performance of the rest of the business during the previous lockdowns and the transition to online, the Directors are confident that any downturn will be partially mitigated.

Reverse stress test

The reverse stress test was used to identify the reduction in Adjusted EBITDA required that results in either a liquidity event or breach of covenant. Based on the modelling completed the Group would have sufficient liquidity to repay the RCF on a breach of the leverage covenant and has therefore considered the point at which the bond covenants would be breached.

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 170% in the first half of 2022, and 77% and 81% in the last 12 months to December 2022 and June 2023 respectively 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.

In forming their going concern conclusion, the Directors considered the status of a potential offer for the Group in respect of the ongoing engagement with TTB Partners as well as any other potential activity of the Group. Even though there is no commitment in respect of this and there can be no certainty as to whether an offer for the Company will be announced, or the terms on which any offer might be made, it was concluded that this still did not impact the Directors' assessment of going concern.

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 2021

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2021, 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 following amendments are effective for the period beginning 1 January 2023:

- 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.

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.

The amendments are applied retrospectively for annual periods on or after 1 January 2023 with early application permitted.

- 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.

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

New standards, interpretations and amendments not yet effective continued

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.

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 consolidated statement of comprehensive income 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 consolidated statement of comprehensive income. A contingent consideration in which the contingent payments are forfeited if employment is terminated is compensation for the post-combination services and shall not be included in the calculation of the consideration and recognised as employee-related costs.

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 consolidated statement of comprehensive income. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to the consolidated statement of comprehensive income, where such treatment would be appropriate if that interest were disposed of.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. 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.

Note 5 – Significant accounting policies continued

A. Basis of consolidation continued

(ii) Subsidiaries continued

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.

The right of exercising the call option at any time and the acquisition of additional equity interest through the exercise of a derivative call option at any time gives the Group:

- 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 and would therefore satisfy IFRS 10 criteria of 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 consolidated statement of comprehensive income.

(v) Investment 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 consolidated statement of comprehensive income. 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. Any goodwill relating to an associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

Any excess of the Group's share of the net fair value of the associate's identifiable assets over the cost of the investment (i.e. negative goodwill) is included as income in the determination of the Group's share of the associate's profit or loss in the period in which the investment is acquired. The aggregate of the Group's share of profit or loss of an associate is shown on the face of the consolidated statement of comprehensive income 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 associates 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 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.

Note 5 – Significant accounting policies continued

A. Basis of consolidation continued

(v) Investment in associates and equity call options continued

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. Value changes are recognised in the profit and 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 consolidated statement of comprehensive income and presented within finance costs.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into Euro at the exchange rates at the reporting date. Revenue and expenses of foreign operations are translated into Euro at the end of each month at the average exchange rate for the month which approximates the exchange rates at the date of the transactions.

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

When a foreign operation is disposed of 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 consolidated statement of comprehensive income as part of the gain or loss on disposal.

C. Discontinued operation

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

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

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

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

Note 5 – Significant accounting policies continued

D. Revenue recognition

The majority of the Group's revenue is derived from selling services with revenue recognised at a point in time when services have been delivered to the customer. Revenue comprises the fair value of the consideration received or receivable for the supply of services in the ordinary course of the Group's activities. Revenue is recognised when economic benefits are expected to flow to the Group. 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 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.
B2B fixed-fee income	Fixed-fee income includes revenue derived from the provision of certain services and licensed technology for which charges are based on a fixed fee and/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. Services provided and fees for: a. MRG Delta: 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, CDN 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.
B2B cost-based revenue	Cost-based revenue is 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.
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.
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. This revenue is recognised when the performance obligation is met according to the services provided to the customer.

Note 5 – Significant accounting policies continued

D. Revenue recognition continued

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. Revenue from games of skill is recognised at the time of the bet. • The revenues related to the acceptance of fixed odds bets are considered financial instruments under IFRS 9 and are recognised net of certain flat-rate gaming tax, winnings, bonuses and the fair value of open bets. • Revenues related to fixed odds bets are recognised at the conclusion of the event. • Poker revenues in the form of commission (i.e. rake) is recognised at the conclusion of each poker hand. The performance obligation is the provision of the poker games to the players. • All the revenues from gaming machines are recorded net of players, winnings and certain gaming taxes 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 received at the conclusion of the event, net of winnings, jackpots and bonuses.
Financial trading income	Financial trading income represents gains (including commission) and losses arising on client trading activity, primarily in contracts for difference on shares, indexes, commodities and foreign exchange. Open client positions are carried at fair market value and gains and losses arising on this valuation are recognised in revenue as well as gains and losses realised on positions that have closed. The performance obligation is met in the accounting periods in which the trading transaction occurs and is concluded.

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

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 fair value of the equity-settled options granted is charged to the statement of comprehensive income on a straight-line basis over the vesting period and the credit is taken to equity, based on the Group's estimate of shares that will eventually vest. Fair value is determined by the Black-Scholes, 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 performance conditions was determined by the Monte Carlo method.

Note 5 – Significant accounting policies continued

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 independent 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 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 consolidated statement of comprehensive income is recognised outside the consolidated statement of comprehensive income. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

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

Note 5 – Significant accounting policies continued

H. 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
Motor vehicles	15

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

I. 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 consolidated statement of comprehensive income. Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is credited in full to the consolidated statement of comprehensive income 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.

Note 5 – Significant accounting policies continued

I. Intangible assets and goodwill continued

(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 consolidated statement of comprehensive income as incurred.

(iii) Amortisation

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

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

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

J. 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 consolidated statement of comprehensive income.

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

K. Financial instruments

Initial recognition and subsequent measurement

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

(i) Financial assets

Initial recognition and measurement

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

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

Subsequent measurement

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

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

Note 5 – Significant accounting policies continued

K. Financial instruments continued

(i) Financial assets continued

Financial assets at amortised cost (debt instruments)

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

Financial assets at fair value through profit or loss

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

Derecognition

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

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

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

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

Impairment

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

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

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

(ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or; 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.

Notes to the financial statements continued

Note 5 – Significant accounting policies continued

K. Financial instruments continued

(ii) Financial liabilities continued

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 statement of comprehensive income when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of comprehensive income.

Derecognition

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

(iii) Offsetting

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

L. Share capital

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

M. 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.

N. Employee Benefit Trust

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

O. 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.

P. Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested 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 consolidated statement of comprehensive income. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

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

Q. Provisions

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

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

Note 5 – Significant accounting policies continued

R. Leases

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

Group as a lessee

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

(i) Right of use assets

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

(ii) Lease liabilities

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

Variable lease payments that do not depend on an index or a rate are recognised as expenses 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 consolidated statement of comprehensive income if the carrying amount of the right of use asset has been reduced to zero.

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

The Group applies the short-term lease recognition exemption to its short-term leases (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.

S. 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.

Notes to the financial statements continued

Note 5 – Significant accounting policies continued

T. Adjusted results

The Group disclosed 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.

Management uses 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.

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.

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

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

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 royalty income 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.

Note 6 – Significant accounting judgements, estimates and assumptions continued

Judgements continued

Revenue from contracts with customers continued

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 royalty income 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 royalties received. The majority of this B2B revenue is recognised at a point in time that is determined when the gaming or betting activity used as the basis for the revenue share calculation takes place, and furthermore is only recognised when collection is virtually certain with a legally enforceable right to collect.

Internally generated intangible assets

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

- adequate resources are available to complete and sell the product;
- the Group is able to sell the product;
- sale of the product will generate future economic benefits; 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 €51.3 million (2020: €56.3 million) and the carrying amount of capitalised development costs as at 31 December 2021 was €122.3 million (2020: €118.5 million).

Classification as held for sale

The definition of asset held for sale involves a significant degree of judgement given that in order for an asset to be classified as held for sale, it must be available for immediate sale in its present condition and its sale must be highly probable. The meaning of "highly probable" is judgemental and therefore IFRS 5 sets out criteria for the sale to be considered as highly probable as follows:

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

The Board of Directors made a decision to dispose of the Financials segment during 2020. As disclosed in Note 25, the Group entered into a sale and purchase agreement for the disposal of the Financials segment. The transaction was approved by the shareholders at the Annual General Meeting held on 1 December 2021. The transaction is conditional on the approval of certain regulatory authorities in respect of the change of control. Completion of the disposal is expected to take place in Q2 2022.

As disclosed in Note 20A, the Group has an option to acquire up to 49% equity holding in Caliplay upon exercise of the option. If the call option is exercised, the Group would not be entitled to receive the additional B2B services fee (as per Note 5D). Management assessed that the investment in Caliplay does not meet the criteria for discontinued operations as the Group does not have control over any decision of Caliplay's management or the ability to impact Caliplay's decision over an M&A deal. For further details on the exercise of the option, refer to Notes 20A and C.

Adjusted performance measures

As noted in Note 5, paragraph T, 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.

Note 6 – Significant accounting judgements, estimates and assumptions continued

Judgements continued

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 statement of financial position. 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 product (and related services) which is termed a "structured agreement". Structured agreements are with customers which have a gaming licence, are retail/land based driven and wish to build an online B2C business – these customers require initial support beyond the provision of the Group's standard B2B software technology. With this product 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 royalty income as per Note 5D); and
- revenue based on predefined revenue generated by each operator under the structured agreement which is 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. Typically, 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 no longer receive the related additional B2B services fee. This mechanism is not designed as a control feature but instead to protect Playtech's position should the customer be subject to a transaction. Playtech is therefore able to benefit from any value appreciation in the operation and could also potentially exit the relationship should it choose to do so dependent on who the acquiror is.

Playtech used the term "investment in structured agreements" in the financial statements for the year ended 31 December 2020 to describe these arrangements. As at 31 December 2021 and following the increased number of structured agreements, coupled with the growth in the LATAM businesses and the differing contractual terms apparent, the Group has disaggregated the investment balances to provide greater clarity as to the nature of the arrangement. The accounting treatment for each of these arrangements remains unchanged from the prior year.

The investment in structured agreements category in the prior year financial statements has now been split between derivative financial assets or investments in associates depending on their classification under the relevant accounting standards. The disclosures in Note 20 have been updated to show this newly adopted presentation.

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.

Note 6 – Significant accounting judgements, estimates and assumptions continued

Judgements continued

Classification of equity call options continued

Judgement applied continued

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 these profits 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 profit. 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 was 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 subcontractor agreements in relation to them servicing part of the Playtech obligations under their various structured agreements. Under these arrangements, the subcontractors have certain rights to equity. In order for these rights to crystallise, the Group must first exercise their option. A judgement was therefore made that no current liability exists under IAS 32, until the point when Playtech exercises the option.

Determining the lease term of contracts with renewal and termination options

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

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

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 with the lower headroom, including a sensitivity analysis, are disclosed and further explained in Note 19.

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 assets 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 amounting to €75.2 million is recognised as the tax base of the goodwill and intangible assets is in excess of the book base of those assets. This deferred tax asset has been recognised 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 we can utilise the tax deductions for goodwill and intangible assets giving a tax benefit of €75.2 million. This represents the benefit of the deductions against forecast profits for the next five years. During the year, €11.6 million of the deferred tax asset has been utilised and the net recognised deferred tax asset as at 31 December 2021 amounts to €63.6 million. In addition, a total of €44.2 million of deferred tax asset has not been recognised in respect of the benefit of future tax deductions expected to arise after the next five years for the remaining useful economic life of the goodwill and intangible assets.

Note 6 – Significant accounting judgements, estimates and assumptions continued

Estimates and assumptions continued

Deferred tax asset continued

Deferred tax asset in the UK continued

The Group reviewed the latest forecasts for the UK companies for the next five years, including their ability to continue to generate income beyond the forecast period under the tax laws substantively enacted at the balance sheet 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 €36.5 million in respect of tax losses 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 five years.

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 receivables and cash and cash equivalents. ECL on cash balances was considered and calculated by reference to Moody's credit rating for each financial institution, while ECL on trade receivables was based on past default experience and an assessment of the future economic environment. ECL and specific provisions are considered and calculated with reference to the ageing and risk profile of the balances. In addition, where customers within the financial trading division have not passed the necessary ongoing regulatory requirements, consideration is given as to whether financial assets relating to those customers should be impaired. More details and included in Note 38.

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 consolidated statement of comprehensive income 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 does 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 statement of comprehensive income in line with this expected profitability, rather than on a straight-line basis.

Note 6 – Significant accounting judgements, estimates and assumptions continued

Estimates and assumptions continued

Sun Bingo agreement continued

Judgements made on recognition and measurement continued

The amounts held in non-current and current assets of €71.7 million and €4.3 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 consolidated statement of comprehensive income during this period.

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 and loss under IFRS 9; and
- derivative financial assets (call options in instruments containing potential voting rights), which are accounted at fair value through profit and 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 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.

Valuation techniques incorporate assumptions that other market participants would use in their valuations, including assumptions about interest rate yield curves, volatilities and default rates. When valuing instruments by reference to comparable instruments, management takes into account the maturity, structure and rating of the instrument with which the position held is being compared.

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.

Notes to the financial statements continued

Note 6 – Significant accounting judgements, estimates and assumptions continued

Estimates and assumptions continued

Measurement of fair values of equity investments and equity call options continued

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		
	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

	Carrying amount	Fair value		
	2020 €'m	Level 1 €'m	Level 2 €'m	Level 3 €'m
Non-current assets				
Other investments (Note 20B)	9.7	3.2	—	6.5
Derivative financial assets (Note 20C)	22.4	—	—	22.4
	32.1	3.2	—	28.9

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, B2C Sport and Casual (discontinued operations); and
- Financial: including B2C and B2B CFD (discontinued operations).

Expenses not directly related to any of the above segments are allocated to the B2B segment.

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

Year ended 31 December 2021	Core B2B €'m	Asia B2B €'m	Total B2B €'m	B2C – continuing operations €'m	Intercompany €'m	Total Gaming – continuing operations €'m	Financial – discontinued operations €'m	B2C – discontinued operations €'m	Total discontinued operations €'m	Total €'m
Revenue	471.5	82.8	554.3	663.7	(12.6)	1,205.4	46.6	—	46.6	1,252.0
Adjusted EBITDA	—	—	139.2	177.9	—	317.1	(23.0)	—	(23.0)	294.1
Adjusted profit/(loss) attributable to the owners of the Company	—	—	45.9	81.7	—	127.6	(13.8)	—	(13.8)	113.8
Total assets	—	—	1,911.1	1,253.8	—	3,164.9	487.4	—	487.4	3,652.3
Total liabilities	—	—	842.7	884.6	—	1,727.3	343.8	—	343.8	2,071.1

Year ended 31 December 2020	Core B2B €'m	Asia B2B €'m	Total B2B €'m	B2C – continuing operations	Intercompany €'m	Total Gaming continuing operations €'m	Financial discontinued operations €'m	B2C – discontinued operations €'m	Total discontinued operations €'m	Total €'m
Revenue	413.0	81.9	494.9	596.3	(12.7)	1,078.5	121.9	8.1	130.0	1,208.5
Adjusted EBITDA	—	—	125.9	127.7	—	253.6	56.5	0.4	56.9	310.5
Adjusted profit/(loss) attributable to the owners of the Company	—	—	7.8	19.6	—	27.4	19.9	0.1	20.0	47.4
Total assets	—	—	1,304.2	1,300.6	—	2,604.8	465.9	0.8	466.7	3,071.5
Total liabilities	—	—	959.6	906.5	—	1,866.1	308.6	0.6	309.2	2,175.3

Note 7 – Segment information continued

Geographical analysis of non-current assets

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

	2021 €'m	2020 €'m
Italy	758.3	833.7
Mexico	506.7	16.8
UK	431.2	100.9
Austria	132.8	140.8
Alderney	100.0	79.9
Republic of Colombia	97.2	22.4
Sweden	70.4	72.8
Gibraltar	37.7	38.1
Cyprus	27.0	63.1
Latvia	15.9	15.6
Australia	15.6	16.2
Ukraine (Note 41)	11.5	5.1
Costa Rica	13.5	2.1
Estonia	9.4	9.5
British Virgin Islands	8.0	59.5
Malta	2.6	5.2
Isle of Man	0.5	151.8
Rest of World	60.7	33.8
	2,299.0	1,667.3

Note 8 – Discontinued operation

As explained in Note 25, the Group has classified its Casual and Social Gaming business and Financial segment as assets held for sale with their results shown under discontinued operations in the consolidated statement of comprehensive income.

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

	2021		2020	
	Actual €'m	Adjusted €'m	Actual €'m	Adjusted €'m
Revenue	—	—	8.1	8.1
Distribution costs before depreciation and amortisation	—	—	(7.6)	(7.6)
Administrative expenses before depreciation and amortisation	—	—	(0.4)	(0.1)
EBITDA	—	—	0.1	0.4
Depreciation and amortisation	—	—	(0.2)	(0.2)
Profit on disposal of discontinued operations (Note 25B)	7.6	—	0.6	—
Profit before taxation	7.6	—	0.5	0.2
Tax expense	—	—	(0.1)	(0.1)
Profit from Casual and Social Gaming business, net of tax	7.6	—	0.4	0.1

Notes to the financial statements continued

Note 8 – Discontinued operation continued

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

	2021 Actual €'m	2021 Adjusted €'m	2020 Actual €'m	2020 Adjusted €'m
Revenue	46.6	46.6	121.9	121.9
Distribution costs before depreciation and amortisation	(56.9)	(56.4)	(49.1)	(50.0)
Administrative expenses before depreciation and amortisation	(15.9)	(8.5)	(25.7)	(15.3)
Impairment of financial assets	(4.7)	(4.7)	(1.8)	(0.1)
EBITDA	(30.9)	(23.0)	45.3	56.5
Depreciation and amortisation	—	—	(28.0)	(12.3)
Reversal of impairment/(impairment) of asset held for sale	2.0	—	(221.2)	—
Finance income	12.0	12.0	0.4	0.4
Finance costs	(0.9)	(0.9)	(18.5)	(18.5)
(Loss)/profit before taxation	(17.8)	(11.9)	(222.0)	26.1
Tax expense	(1.9)	(1.9)	(2.7)	(6.2)
(Loss)/profit from Financial segment, net of tax	(19.7)	(13.8)	(224.7)	19.9

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

	2021 Actual €'m	2021 Adjusted €'m	2020 Actual €'m	2020 Adjusted €'m
Revenue	46.6	46.6	130.0	130.0
Distribution costs before depreciation and amortisation	(56.9)	(56.4)	(56.7)	(57.6)
Administrative expenses before depreciation and amortisation	(15.9)	(8.5)	(26.1)	(15.4)
Impairment of financial assets	(4.7)	(4.7)	(1.8)	(0.1)
EBITDA	(30.9)	(23.0)	45.4	56.9
Depreciation and amortisation	—	—	(28.2)	(12.5)
Reversal of impairment/(impairment) of asset held for sale	2.0	—	(221.2)	—
Finance income	12.0	12.0	0.4	0.4
Finance costs	(0.9)	(0.9)	(18.5)	(18.5)
Profit on disposal of discontinued operations	7.6	—	0.6	—
(Loss)/profit before taxation	(10.2)	(11.9)	(221.5)	26.3
Tax expense	(1.9)	(1.9)	(2.8)	(6.3)
(Loss)/profit from discontinued operations, net of tax	(12.1)	(13.8)	(224.3)	20.0

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

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	—	—	(2.0)
Profit on disposal of discontinued operations	—	—	(7.6)
Adjusted measure	46.6	(23.0)	(13.8)

Note 8 – Discontinued operation continued

For the year ended 31 December 2020	Revenue €'m	EBITDA €'m	Profit/(loss) from discontinued operations attributable to the owners of the Company €'m
Reported as actual	130.0	45.4	(224.3)
Employee stock option expenses	—	4.6	4.6
Professional fees	—	3.3	3.3
Provision for other receivables	—	3.6	3.6
Deferred tax on acquisitions	—	—	(1.6)
Tax relating to prior years	—	—	(1.9)
Amortisation of intangibles on acquisitions	—	—	15.7
Impairment of asset held for sale	—	—	221.2
Profit on disposal of discontinued operations	—	—	(0.6)
Adjusted measure	130.0	56.9	20.0

Earnings per share from discontinued operations

	2021 Actual €'m	2021 Adjusted €'m	2020 Actual €'m	2020 Adjusted €'m
Basic (cents)	(4.0)	(4.6)	(75.1)	6.7
Diluted (cents)	(4.0)	(4.6)	(75.1)	6.4

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

	2021 €'m	2020 €'m
Operating	4.5	105.4
Investing	(6.9)	(4.4)
Financing	(2.2)	(1.8)
Net cash (outflow)/inflow	(4.6)	99.2

The cash flows incurred by the Casual and Social Gaming business in 2020 are not significant.

Notes to the financial statements continued

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

For the year ended 31 December 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[1]	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

1 Revenue from Mexico includes the additional B2B services fee as explained in Note 5. Note 20 provides the impact on this if the Playtech M&A Call Option is exercised.

Product type	B2B €'m	B2C €'m	Intercompany €'m	Total Gaming – continuing operations €'m	Financial – discontinued operations €'m	Total €'m
B2B	554.3	—	(12.6)	541.7	—	541.7
Snaitech	—	584.7	—	584.7	—	584.7
Sun Bingo and Other B2C	—	61.9	—	61.9	—	61.9
B2C Sport	—	18.2	—	18.2	—	18.2
Intercompany	—	(1.1)	—	(1.1)	—	(1.1)
Total B2C	—	663.7	—	663.7	—	663.7
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 at point in time (other sales)	548.1	663.7	(12.6)	1,199.2	46.6	1,245.8
Recognised at point in time (hardware sales)	5.4	—	—	5.4	—	5.4
Recognised over time	0.8	—	—	0.8	—	0.8
	554.3	663.7	(12.6)	1,205.4	46.6	1,252.0

Note 9 – Revenue from contracts with customers continued

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

For the year ended 31 December 2021 continued

	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

For the year ended 31 December 2020

Primary geographic markets	B2B €'m	B2C €'m	Intercompany €'m	Total Gaming – continuing operations €'m	Financial – discontinued operations €'m	B2C – discontinued operations €'m	Total discontinued operations €'m	Total €'m
Italy	25.0	522.7	(6.2)	541.5	2.2	—	2.2	543.7
UK	150.0	54.4	(3.6)	200.8	76.1	—	76.1	276.9
Philippines	70.2	—	—	70.2	0.1	—	0.1	70.3
Malta	54.7	—	—	54.7	1.0	—	1.0	55.7
Mexico	54.9	—	—	54.9	0.4	—	0.4	55.3
Spain	22.8	—	—	22.8	0.9	—	0.9	23.7
Germany	2.1	16.1	(2.1)	16.1	1.7	—	1.7	17.8
Gibraltar	16.5	—	—	16.5	—	—	—	16.5
Greece	13.9	—	—	13.9	0.3	—	0.3	14.2
Curacao	10.6	—	—	10.6	—	—	—	10.6
United Arab Emirates	—	—	—	—	9.2	—	9.2	9.2
Cyprus	0.8	—	—	0.8	7.4	—	7.4	8.2
Norway	6.1	—	—	6.1	0.1	—	0.1	6.2
Finland	5.8	—	—	5.8	0.1	—	0.1	5.9
Poland	5.3	—	—	5.3	—	—	—	5.3
Rest of World	56.2	3.1	(0.8)	58.5	22.4	8.1	30.5	89.0
	494.9	596.3	(12.7)	1,078.5	121.9	8.1	130.0	1,208.5

Notes to the financial statements continued

Note 9 – Revenue from contracts with customers continued

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

For the year ended 31 December 2020 continued

Product type	B2B €'m	B2C €'m	Intercompany €'m	Total Gaming – continuing operations €'m	Financial – discontinued operations €'m	B2C – discontinued operations €'m	Total discontinued operations €'m	Total €'m
B2B	494.9	—	(12.7)	482.2	—	—	—	482.2
Snaitech	—	522.2	—	522.2	—	—	—	522.2
Sun Bingo and Other B2C	—	55.0	—	55.0	—	—	—	55.0
B2C Sport	—	19.1	—	19.1	—	8.1	8.1	27.2
Total B2C	—	596.3	—	596.3	—	8.1	8.1	604.4
Financial	—	—	—	—	121.9	—	121.9	121.9
	494.9	596.3	(12.7)	1,078.5	121.9	8.1	130.0	1,208.5

Timing of transfer of performance obligations	B2B €'m	B2C €'m	Intercompany €'m	Total Gaming – continuing operations €'m	Financial – discontinued operations €'m	B2C – discontinued operations €'m	Total discontinued operations €'m	Total €'m
Recognised at point in time (other sales)	472.9	596.3	(12.7)	1,056.5	121.9	8.1	130.0	1,186.5
Recognised at point in time (hardware sales)	20.5	—	—	20.5	—	—	—	20.5
Recognised over time	1.5	—	—	1.5	—	—	—	1.5
	494.9	596.3	(12.7)	1,078.5	121.9	8.1	130.0	1,208.5

	2020 €'m
Regulated – Americas	60.6
Regulated – Europe (excluding UK)	113.2
Regulated – UK	149.9
Regulated – Rest of World	3.0
Total regulated B2B revenue	326.7
Unregulated excluding Asia	87.5
Total core B2B revenue	414.2
Asia	80.7
Total B2B Gambling revenue	494.9

There were no changes in the Group's revenue measurement policies and procedures in 2020 and 2021. 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 2021 and 2020 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. These are included in deferred income for a total of €8.1 million (2020: €11.8 million).

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

	2021 €'m	2020 €'m
Balance at 1 January	11.8	9.2
Recognised during the year	7.0	20.8
Realised in the consolidated statement of comprehensive income	(10.7)	(18.2)
Balance at 31 December	8.1	11.8

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 2021	Revenue €'m	EBITDA – B2B €'m	EBITDA – B2C €'m	EBITDA €'m	Profit/(loss) – B2B €'m	Profit/(loss)– B2C €'m	Profit/(loss) from continuing operations attributable to the owners of the Company €'m	Profit/(loss) 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 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	(9.1)	—	—	(0.5)	—	—	2.1	—
Adjusted result on constant currency basis	1,196.3	—	—	316.6	—	—	129.7	—
Adjusted result related to acquisitions on constant currency basis	(2.6)	—	—	0.2	—	—	0.4	—
Underlying adjusted result on constant currency basis	1,193.7	—	—	316.8	—	—	130.1	—

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 Professional fees incurred for: (a) the reorganisation of the Group following 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 cost on redemption liability and contingent consideration relate to the acquisitions of Statscore and Eyecon and the contingent commitments of Wplay as discussed in Note 20. These costs are not considered ongoing costs of operations and therefore are excluded.

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 in prior years. 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.

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 to move the tax residency of a number of companies from the Isle of Man to the UK. Please refer to Note 14 for further details.

Notes to the financial statements continued

Note 10 – Adjusted items continued

For the year ended 31 December 2020	Revenue €'m	EBITDA – B2B €'m	EBITDA – B2C €'m	EBITDA €'m	Profit/(loss) – B2B €'m	Profit/(loss) – B2C €'m	Profit/(loss) from continuing operations attributable to the owners of the Company €'m	Profit/(loss) before tax from continuing operations €'m
Reported as actual	1,078.5	97.5	125.4	222.9	(94.4)	21.4	(73.0)	(52.7)
Employee stock option expenses[1]	—	14.9	1.6	16.5	14.9	1.6	16.5	16.5
Professional fees[2]	—	1.3	0.5	1.8	1.3	0.5	1.8	1.8
Fair value change and finance cost on redemption liability[3]	—	5.3	—	5.3	5.9	—	5.9	5.9
Charitable donation[4]	—	3.2	—	3.2	3.2	—	3.2	3.2
Provision for other receivables[5]	—	2.6	0.2	2.8	2.6	0.2	2.8	2.8
Fair value change and finance cost on contingent consideration[3]	—	1.1	—	1.1	3.6	—	3.6	3.6
Fair value change of equity instruments[6]	—	—	—	—	(0.6)	—	(0.6)	(0.6)
Amortisation of intangibles on acquisitions[7]	—	—	—	—	20.9	18.1	39.0	39.0
Impairment of tangible and intangible assets[8]	—	—	—	—	45.4	—	45.4	45.4
Fair value change on acquisition of associate[9]	—	—	—	—	(6.5)	—	(6.5)	(6.5)
Loss on sale of associate[10]	—	—	—	—	8.9	—	8.9	8.9
Profit on sale of asset classified as held for sale[11]	—	—	—	—	—	(22.1)	(22.1)	(22.1)
Tax on disposal of asset classified as held for sale[11]	—	—	—	—	—	9.3	9.3	—
Deferred tax on acquisitions[7]	—	—	—	—	(2.3)	(9.4)	(11.7)	—
Tax relating to prior years	—	—	—	—	4.9	—	4.9	—
Adjusted measure	1,078.5	125.9	127.7	253.6	7.8	19.6	27.4	45.2
Constant currency impact	—	—	—	—	—	—	2.1	—
Adjusted result on constant currency basis	1,078.5	—	—	253.6	7.8	19.6	29.5	—
Adjusted result related to acquisitions on constant currency basis	(1.9)	—	—	0.3	—	—	0.3	—
Underlying adjusted result on constant currency basis	1,076.6	—	—	253.9	—	—	29.8	—

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 Professional fees incurred for: (a) the disposal of the Casual segment which completed in June 2020 and January 2021 (Note 25); (b) the acquisition of Statscore; and (c) one-off tax projects.

3 Fair value change and finance cost on redemption liability and contingent consideration relate to the acquisitions of Playtech BGT Sports and Statscore and the contingent commitments of Wplay as discussed in Note 20. These costs are not considered ongoing costs of operations and therefore are excluded.

4 Following the conclusion of the UKGC investigation, the Board of Directors agreed to make a charitable contribution of £3.5 million in lieu of regulatory settlement. Of this pledge £3.2 million was paid in 2020. This is a one-off payment and therefore is excluded.

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

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

7 Amortisation and deferred tax on intangible assets acquired through business combinations in prior years. Costs directly related to acquisitions are not considered ongoing costs of operations and therefore are excluded.

8 Impairment of tangible and intangible assets mainly relates to the impairment of land before the classification as held for sale.

9 During 2020, the Group acquired an additional 40% of Statscore. Prior to this acquisition, the Group held 45% of Statscore and was accounted as an investment in associate. As a result of this transaction, a fair value gain was recognised in the consolidated statement of comprehensive income. This is an non-cash transaction and not directly related to the operations of the Group.

10 During 2020, the Group disposed of the shares in BGO and as a result of this transaction the Group realised a loss of €8.9 million. This is a non-cash and one-off transaction and not directly related to the operations of the Group.

11 During 2020, the Group disposed of real estate located in Milan and as a result of this transaction the Group realised a profit of €22.1 million. This is a non-cash and one-off transaction and not directly related to the operations of the Group.

Note 10 – Adjusted items continued

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

	2021 €'m	2020 €'m
Tax on profit or loss for the year	(81.7)	20.4
Adjusted for:		
Deferred tax on intangible assets on acquisitions	9.1	11.7
Deferred tax	63.6	—
Tax on disposal of asset held for sale	1.8	(9.3)
Tax relating to prior years	—	(4.9)
Adjusted tax	(7.2)	17.9

Note 11 – Auditor's remuneration

	2021 €'m	2020 €'m
Group audit and Parent Company (BDO)	1.5	1.0
Audit of subsidiaries (BDO)	1.4	1.2
Audit of subsidiaries (non-BDO)	0.3	0.3
Total audit fees	3.2	2.5
Non-audit services provided by Parent Company auditor and its international member firms		
Other non-audit services	0.5	0.3
Tax advisory services	—	0.2
Total non-audit fees	0.5	0.5

Note 12 – Impairment of tangible and intangible assets

	2021 €'m	2020 €'m
Impairment of property, plant and equipment (Note 17)	12.5	8.7
Impairment of intangible assets (Note 19)	9.1	33.9
Impairment of right of use assets (Note 18)	—	2.8
	21.6	45.4

Of the total impairment of tangible assets of €12.5 million, 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.

Of the total impairment loss of €45.4 million in 2020, an amount of €42.0 million relates to the impairment of the Sports B2C GCU which is split as follows: impairment of property, plant and equipment of €8.3 million, impairment of intangible assets of €30.9 million and impairment of right of use assets of €2.8 million.

Notes to the financial statements continued

Note 13 – Finance income and costs

A. Finance income

	2021 €'m	2020 €'m
Interest income	1.1	1.1
	1.1	1.1

B. Finance costs

	2021 €'m	2020 €'m
Net foreign exchange loss	(0.5)	(2.2)
Interest on bonds	(36.7)	(36.7)
Interest on lease liability	(5.3)	(5.5)
Interest on loans and borrowings and other	(5.6)	(5.8)
Bank facility fees	(1.8)	(1.9)
Bank charges	(13.0)	(9.5)
Movement in contingent consideration and redemption liability	(4.8)	(3.0)
	(67.7)	(64.6)
Net finance costs	(66.6)	(63.5)

Note 14 – Tax (credit)/expense

	2021 €'m	2020 €'m
Current tax expense		
Income tax expense for the current year	10.8	12.9
Income tax relating to prior years	3.4	3.9
Withholding tax	0.4	0.4
Total current tax	14.6	17.2
Deferred tax		
Origination and reversal of temporary differences	(78.8)	3.2
Impact of changes in tax rates	(17.5)	—
Total deferred tax	(96.3)	3.2
Total tax (credit)/expense from continuing operations	(81.7)	20.4

A reconciliation of the reported income tax credit of €81.7 million (2020: expense of €20.4 million) applicable to profit before tax of €605.0 million (2020: loss before tax of €52.7 million) at the UK statutory income tax rate of 19% is as follows:

	2021 €'m	2020 €'m
Profit/(loss) for the year	686.7	(73.1)
Income tax (credit)/expense	(81.7)	20.4
Profit/(loss) before income tax	605.0	(52.7)
Tax using the Company's domestic tax rate (19% in 2021 and 0% in 2020)	115.0	—
Tax effect of:		
Non-taxable fair value movements on call options	(110.9)	—
Tax exempt income	(7.5)	—
Non-deductible expenses	2.3	—
Deferred tax asset recognised on Group restructuring	(75.2)	—
Deferred tax not previously recognised	(2.0)	—
Difference tax rates applied in overseas jurisdictions	(3.6)	16.5
Impact of changes in tax rates	(5.5)	—
Adjustment for underprovision in previous periods	3.4	3.9
Deferred tax asset not provided for	2.3	—
Total tax (credit)/expense	(81.7)	20.4

Note 14 – Tax (credit)/expense continued

Reported tax charge/(credit)

A reported tax credit from continuing operations of €81.7 million arises on a profit before tax of €605.0 million compared to an expected charge of €115.0 million. The key reasons for the difference are:

The Group's internal restructuring resulted with the Group becoming entitled to deductions for UK tax purposes in respect of certain internally generated goodwill and intangible assets, for which no intangible asset exists on the Group balance sheet. A deferred tax asset amounting to €75.2 million was initially recognised in respect of future tax deductions due to a change in the tax base of the Group's intangible assets resulting from the restructuring (this has no impact on the book value of the intangible assets reported in these financial statements).

A non-taxable fair value movements on call options of €583.2 million (2020: €Nil). Deferred tax should be recognised based on the expected manner of recovery at the balance sheet date. Due to the nature of the options and the underlying assets, no tax is expected to arise while the options are held or when the options are exercised. As the Group intends to recover the value of the options either by continuing to hold them or by exercising the option to convert into shares, and these will have no tax effects, no deferred tax is recorded in respect of the options.

Changes in tax rates and factors affecting the future tax charge

Following the internal restructuring of the Group implemented in January 2021, which resulted in Playtech plc migrating its tax residency to the UK and the Group's key operating entity transferring its business to a UK tax resident company, the most significant elements of the Group's income in 2021 will now arise in the UK where the tax rate for the current period is 19% (previously the most significant elements of the Group's income arose in the Isle of Man, where the tax rate was 0%). It should be noted that the UK tax rate is set to increase to 25% from 1 April 2023 (as mentioned further below). As such, the UK statutory headline rate of corporation tax is the basis on which the applicable tax rate is computed.

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 UK Budget 2021 announced on 3 March 2021 an increase in the UK's main corporation tax rate from 19% to 25% from 1 April 2023. This was enacted as part of the Finance Act 2021 on 10 June 2021. As these changes were substantively enacted before the balance sheet date, they have been reflected in the deferred tax balances within these financial statements.

Note 15 – Earnings per share

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

	2021 Actual €'m	2021 Adjusted €'m	2020 Actual €'m	2020 Adjusted €'m
Profit/(loss) attributable to owners of the Company	674.6	113.8	(297.3)	47.4
Basic (cents)	226.3	38.2	(99.6)	15.9
Diluted (cents)	216.2	36.5	(99.6)	15.2

	2021 Actual €'m	2021 Adjusted €'m	2020 Actual €'m	2020 Adjusted €'m
Profit/(loss) attributable to the owners of the Company from continuing operations	686.7	127.6	(73.0)	27.4
Basic (cents)	230.3	42.8	(24.5)	9.2
Diluted (cents)	220.1	40.9	(24.5)	8.8

	2021 Actual Number	2021 Adjusted Number	2020 Actual Number	2020 Adjusted Number
Denominator – basic				
Weighted average number of equity shares	298,229,795	298,229,795	298,357,055	298,357,055
Denominator – diluted				
Weighted average number of equity shares	298,229,795	298,229,795	298,357,055	298,357,055
Weighted average number of option shares	13,882,774	13,882,774	—	12,455,965
Weighted average number of shares	312,112,569	312,112,569	298,357,055	310,813,020

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.

Notes to the financial statements continued

Note 16 – Employee benefits

Total staff costs comprise the following:

	2021 €'000	2020 €'000
Salaries and personnel-related costs	367.4	337.0
Cash-settled share-based payments	3.4	—
Equity-settled share-based payments	13.8	21.1
	384.6	358.1

Average number of personnel:		
Distribution	6,259	5,776
General and administration	650	668
	6,909	6,444

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; and
- 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.

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.

There were no grants during 2021.

During 2020 the Group granted the following under its LTIP:

- 4,983,428 nil cost awards at fair value per share of £2.97–£2.99; and
- 2,483,140 nil cost awards subject to diluted EPS, 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 9–12 peer companies. The fair value per share according to the Monte Carlo simulation model is between £2.03 and £3.34. Inputs used were as follows:

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

At 31 December 2021 and 2020 the following options were outstanding:

	2021 Number	2020 Number
Shares vested on 10 March 2014 at an exercise price of £3.5225 per share	—	25,700
Shares vested on 1 March 2018 at nil cost	102,844	102,844
Shares vested between 1 September 2016 and 1 March 2018 at nil cost	23,112	83,929
Shares vested on 1 March 2019 at nil cost	31,972	31,972
Shares vested between 1 September 2017 and 1 March 2019 at nil cost	50,742	163,308
Shares vested on 21 December 2019 at nil cost	12,870	59,469
Shares vested between 1 September 2017 and 1 April 2019 at nil cost	21,187	27,520
Shares vested on 1 March 2020 at nil cost	112,369	384,406
Shares vested on 1 March 2021 at nil cost	1,347,475	2,606,507
Shares will vest between 1 March 2022 and 1 August 2022 at nil cost	3,499,954	4,374,371
Shares will vest by 19 December 2024 at nil cost	1,900,000	1,900,000
Shares will vest between 1 March 2023 and 26 October 2023 at nil cost	6,780,249	7,126,752
	13,882,774	16,886,778

The total number of shares exercisable as of 31 December 2021 is 2,402,571 (2020: 879,148).

The total number of outstanding shares that will be cash settled is 630,923 (2020: 952,621). The total liability outstanding for the cash-settled options is €3.8 million (2020: €1.9 million which has been presented as part of the equity-settled liability as at 31 December 2020 and reclassified under other payables as at 31 December 2021).

Note 16 – Employee benefits continued

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

	2021 Number of options	2020 Number of options	2021 Weighted average exercise price	2020 Weighted average exercise price
Outstanding at the beginning of the year	16,886,778	10,371,789	£0.03	£0.03
Granted	—	7,466,568	—	—
Forfeited	(1,130,697)	(733,791)	—	£0.3
Exercised	(1,873,307)	(217,788)	£0.05	—
Outstanding at the end of the year	13,882,774	16,886,778	—	£0.03

Included in the number of options exercised during the year are 232,796 options (2020: 16,961) which were cash settled.

The weighted average share price at the date of exercise of options was £6.506 (2020: £3.018).

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

Expiry date	Exercise price	2021 Number	2020 Number
10 March 2021	£3.5225	—	25,700
21 December 2025	Nil	125,956	186,773
Between 21 December 2026 and 31 December 2026	Nil	116,771	275,936
Between 1 March 2027 and 28 June 2027	Nil	112,369	372,047
23 July 2028	Nil	1,344,464	2,658,606
Between 27 February 2029 and 19 December 2029	Nil	5,402,965	6,240,964
Between 17 July 2030 and 26 October 2030	Nil	6,780,249	7,126,752
		13,882,774	16,886,778

Finalto ESOP

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

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

The overall term of the Finalto ESOP is ten years. These options are settled in equity once exercised. The Second Plan was exercised fully in 2020 and was changed to be settled in cash. Option prices are denominated in USD.

The total number of share options exercisable as of 31 December 2021 is 8,000 (2020: 8,000).

	2021 Number	2020 Number
Shares vested between 1 December 2015 and 31 December 2018 at an exercise price of $70 per share	4,000	4,000
Shares vested between 1 January 2019 and 30 September 2020 at an exercise price of $70 per share	4,000	4,000
	8,000	8,000

The following table illustrates the number and weighted average exercise prices of share options for the Finalto ESOP – prices in the table below relate to shares in Finalto Group Limited:

	2021 Number of options	2020 Number of options	2021 Weighted average exercise price	2020 Weighted average exercise price
Outstanding at the beginning of the year	8,000	15,898	$70.00	$35.23
Granted through the year	—	—	—	—
Forfeited	—	(327)	—	—
Exercised	—	(7,571)	—	—
Outstanding at the end of the year	8,000	8,000	$70.00	$70.00

No options were exercised during the year where a cash alternative was received (2020: 7,571). The weighted average share price at the date of exercise of options in 2020 was $9.67.

Notes to the financial statements continued

Note 16 – Employee benefits continued

Finalto ESOP continued

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

	2021 Number	2020 Number
Share options expiring between 1 December 2024 and 10 March 2025 at an exercise price of $70 per share	8,000	8,000
	8,000	8,000

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 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

	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 2020	108.3	67.9	32.3	303.7	512.2
Additions	14.3	19.6	5.5	2.3	41.7
Disposals	(0.3)	(0.2)	(0.5)	(0.1)	(1.1)
Write offs	(4.4)	(0.7)	(0.7)	(1.5)	(7.3)
Transfer to held for sale	(2.6)	—	(1.7)	(1.5)	(5.8)
Effect of movement in exchange rates	(0.2)	—	(0.2)	(0.1)	(0.5)
At 31 December 2020	115.1	86.6	34.7	302.8	539.2
Accumulated depreciation and impairment losses					
At 1 January 2020	78.1	21.2	15.4	21.2	135.9
Charge	15.0	21.9	5.4	6.5	48.8
Impairment loss	1.2	2.0	2.0	3.5	8.7
Disposals	(0.3)	(0.1)	(0.3)	—	(0.7)
Write offs	(4.3)	(0.6)	(0.6)	(1.5)	(7.0)
Transfer to held for sale	(1.9)	—	(0.8)	(0.5)	(3.2)
Effect of movement in exchange rates	(0.3)	—	(0.1)	—	(0.4)
At 31 December 2020	87.5	44.4	21.0	29.2	182.1
Net book value					
At 31 December 2020	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 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

	Office leases €'m	Hosting €'m	Total €'m
At 1 January 2020	69.1	5.6	74.7
Additions/modifications	14.5	6.3	20.8
Transfer to held for sale	(4.2)	—	(4.2)
Acquisitions through business combinations	0.1	—	0.1
Amortisation charge	(16.6)	(5.3)	(21.9)
Impairment loss	(2.8)	—	(2.8)
At 31 December 2020	60.1	6.6	66.7

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

	2021 €'m	2020 €'m
At 1 January	82.5	90.8
Additions/modifications	26.1	21.5
Transfer to held for sale	—	(5.6)
Acquisitions through business combinations	—	0.2
Accretion of interest	5.3	5.9
Payments	(26.2)	(27.2)
Effect of movement in exchange rates	2.4	(3.1)
At 31 December	90.1	82.5
Current	20.3	21.0
Non-current	69.8	61.5
	90.1	82.5

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

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

	2021 €'m	2020 €'m
Amortisation expense of right of use assets	20.2	21.8
Interest expense on lease liabilities	5.3	5.9
Impact of early termination of lease contracts	(1.2)	(1.1)
Variable lease payments (included in distribution costs)	1.0	0.3
Variable lease payments (included in administrative expenses)	—	0.3
	25.3	27.2

Rent concessions have been provided to the Group companies as a result of the COVID-19 pandemic. The Group elected to account for qualifying rent concessions in the same way as they would if they were not lease modifications, resulting in accounting for the concession as a variable lease payment. The amount recognised in the statement of comprehensive income to reflect changes in lease payments that arose from rent concessions to which the Group has applied the practical expedient is €1.1 million (2020: €0.6 million).

Notes to the financial statements continued

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 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

	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 2020, as previously reported	218.4	101.8	305.3	633.5	974.8	2,233.8
Impact of correction of errors (Note 40)	(15.0)	—	—	(6.0)	21.5	0.5
Restated balance at 1 January 2020	203.4	101.8	305.3	627.5	996.3	2,234.3
Additions	16.8	0.2	58.5	1.1	1.2	77.8
Acquisitions through business combinations	0.1	3.0	—	4.6	14.9	22.6
Write offs	—	—	(5.2)	—	—	(5.2)
Reclassifications	—	—	—	0.8	(0.8)	—
Transfer to held for sale	(31.6)	(18.4)	(38.4)	(97.9)	(217.6)	(403.9)
Effect of movement in exchange rates	(3.0)	(1.7)	(3.4)	(9.2)	(20.4)	(37.7)
At 31 December 2020	185.7	84.9	316.8	526.9	773.6	1,887.9
Accumulated amortisation and impairment losses						
At 1 January 2020, as previously reported	73.1	68.6	179.2	324.3	89.2	734.4
Impact of correction of errors (Note 40)	(4.3)	—	—	(2.1)	—	(6.4)
Restated balance at 1 January 2020	68.8	68.6	179.2	322.2	89.2	728.0
Charge	34.8	11.9	52.4	49.9	—	149.0
Impairment loss	0.1	—	1.8	2.9	29.1	33.9
Transfer to held for sale	(11.1)	(13.7)	(27.8)	(59.5)	—	(112.1)
Write offs	—	—	(4.9)	—	—	(4.9)
Effect of movement in exchange rates	(1.0)	(1.3)	(2.4)	(5.4)	—	(10.1)
At 31 December 2020	91.6	65.5	198.3	310.1	118.3	783.8
Net book value						
At 31 December 2020	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 €80.1 million (2020: €76.6 million). The internal capitalisation for the year was €51.3 million (2020: €56.3 million).

Out of the total amortisation charge of €109.3 million (2020: €149.0 million), an amount of €34.8 million (2020: €54.7 million including continuing and discontinued operations) relates to the intangible assets acquired through acquisitions.

In accordance with IAS 36, the Group regularly monitors the carrying value of its intangible assets, including goodwill. Goodwill is allocated to fifteen cash-generating units (CGUs) (2020: fifteen), out of which two CGUs are under held for sale.

Note 19 – Intangible assets continued

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

	2021 €'m	2020 Restated €'m
Snai	258.7	258.7
Sports B2B	132.5	132.5
Services	109.9	109.9
Casino	50.8	50.8
Quickspin	26.8	26.8
Eyecon	16.6	16.6
Poker	15.6	15.6
Statscore	12.4	12.4
Bingo retail	9.5	9.5
Bingo VF	7.4	13.8
Videobet retail	4.6	4.6
IGS	3.7	3.7
Sports B2C	—	0.4
	648.5	655.3

Management reviews CGUs for impairment bi-annually, or on the occurrence of an impairment indicator. With the exception of the Financial segment, which is included in held for sale, 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 global pandemic, and the higher level of judgement and uncertainty in 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 COVID-19.

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 in the table below:

	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%
Videobet retail	47.5%	11.2%
IGS	24.0%	12.9%

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

The recoverable amount of the Bingo VF CGU, with carrying value of €43.2 million, has been determined using a cash flow forecast that includes annual revenue growth rates between 0% and 3% over the one to five-year forecast period, a 2% long-term growth rate and a post-tax discount rate of 14.9%. Due to the recent termination of one of the biggest customers of the network, the CGU is making considerable efforts to recover through new geographical expansion and organic growth; however, the recoverable amount does not cover the carrying value, with an impairment loss of €6.4 million recognised in the current year. In case the revenue growth rate per annum is lower by 1%, then an additional impairment of €4.0 million would be recognised. The same case applies if the discount rate increases by 1% to a post-tax discount rate of 15.9%, which would again result in an impairment of €2.8 million.

The recoverable amount of the Bingo retail CGU, with carrying value of €19.7 million, has been significantly impacted by COVID-19. The recoverable amount of the Bingo retail CGU has been determined using a cash flow forecast that includes annual revenue growth rates between 2% and 58.4% 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 31.4%, i.e. reaching a post-tax discount rate of 19.6%. The same case applies if the revenue growth was lower by 3.0% when compared to the forecasted average five-year growth.

The recoverable amount of the Eyecon CGU, with a carrying value equal to €30.0 million, has been determined using a cash flow forecast that includes annual revenue growth rates between 5% and 10.6% over the one to five-year forecast period, a 2% long-term growth rate and a post-tax discount rate of 12.9%. The recoverable amount would equal the carrying value of the CGU if the discount rate applied was higher by 17.7%, i.e. reaching a post-tax discount rate of 15.2%. The same case applies if the revenue growth was lower by 1.9% when compared to the forecasted average five-year growth.

Notes to the financial statements continued

Note 19 – Intangible assets continued

The recoverable amount of the Quickspin CGU, with carrying value equal to €58.8 million, has been determined using a cash flow forecast that includes annual revenue growth rates between 2.5% and 8.5% over the one to five-year forecast period, a 2% long-term growth rate and a post-tax discount rate of 10.8%. The recoverable amount would equal the carrying value of the CGU if the discount rate applied was higher by 10.7%, i.e. reaching a post-tax discount rate of 12%. The same case applies if the revenue growth was lower by 1.1% when compared to the forecasted average five-year growth.

The Statscore CGU, with carrying value equal to €13.0 million, has been deemed as a sensitive CGU due to the start-up activities of the unit and first two years of performance as part of the Group. The recoverable amount of the Statscore CGU has been determined using a cash flow forecast that includes annual revenue growth rates between 33% and 60% over the one to five-year forecast period, a 2% long-term growth rate and a post-tax discount rate of 18.5%. The recoverable amount would equal the carrying value of the CGU if the discount rate applied was higher by 23.9%, i.e. reaching a post-tax discount rate of 22.9%. The same case applies if the revenue growth was lower by 2.8% when compared to the forecasted average five-year growth.

Note 20 – Investments and derivative financial assets

Introduction

As at 31 December 2020, the Group had three different investment categories, being investments in associates, investments in structured agreements and other investments (A–C in the below table respectively). The investments in structured agreements included investments in associates under equity accounting, as well as derivative financial assets, both arising from our structured agreement arrangements as explained in Note 6.

To provide greater clarity the investments in structured agreements have been disaggregated to reflect the underlying nature of the contractual arrangements in place. This is a reclassification only and there is no change in how these assets were accounted for in the prior year.

	Previously presented 31 December 2020 €'m	Adoption of a different presentation €'m	Revised 31 December 2020 €'m
A. Investments in associates	1.5	16.8	18.3
B. Investments in structured agreements	39.2	(39.2)	—
C. Other investments	9.7	—	9.7
D. Derivative financial assets	—	22.4	22.4
	50.4	—	50.4

Below is a breakdown of the relevant assets at 31 December 2021 and 2020 per the consolidated balance sheet using the new presentation as explained above:

	2021 €'m	2020 €'m
A. Investments in associates	5.2	18.3
B. Other investments	8.1	9.7
C. Derivative financial assets	622.2	22.4
	635.5	50.4

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

	2021 €'m	2020 €'m
A. Share of (loss)/profit from associates	(0.6)	1.1
B. Unrealised fair value changes on equity investments	(1.6)	0.6
C. Unrealised fair value changes of derivative financial assets	583.2	—
	581.0	1.7

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.

Note 20 – Investments and derivative financial assets continued

A. Investment in associates

Balance sheet

	2021 €'m	2020 €'m
Caliplay	—	16.8
ALFEA SPA	1.6	1.5
Galera	3.6	—
Total investment in equity accounted associates	5.2	18.3

Profit and loss impact

	2021 €'m	2020 €'m
Share of profit in BGO	—	0.7
Share of profit from Exalogic (Note 25D)	—	0.2
Share of profit in ALFEA SPA	—	—
Capital repayment from ITL partnership	—	0.2
Share of loss in Galera	(0.6)	—
Total profit and loss impact	(0.6)	1.1

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 which operates the "Caliente" brand in Mexico.

Playtech 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 September Holdings' 49% shareholding in Caliplay was transferred to Caliente and 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 Playtech which allowed Playtech 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 (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").

Playtech 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 6). 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 2021 was €49.4 million (2020: €31.3 million). In addition, for 45 days after the finalisation of Caliplay's 2021 accounts, Caliente also has an option to redeem Playtech's additional B2B services fee or (if the Playtech Call Option had been exercised at that time) acquire Playtech's 49% stake in Caliplay (the "Caliente Call Option").

Assessment of control and significant influence

As at 31 December 2021 and 2020 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 Playtech having a director on the Caliplay board in 2020 and Playtech having a veto on a limited number of decisions (a veto that has never been used in practice), there is no ability to control the relevant activities due to the Chairman (who is appointed by the 100% shareholder) having the casting vote; the director was removed from the Caliplay board in 2021;
- Whilst they are not members of the board, Playtech 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 (albeit this right has never been exercised). 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 option, if exercised, would result in Playtech having up to 49% of the voting rights and would not result in Playtech having control.
- Whilst Playtech 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 2021 and 2020, the Group has significant influence over Caliplay because it meets one or more of the criteria under IAS 28, paragraph 6 as follows:

- Playtech 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.
- The material transaction of the historical loan funding is also an indicator of significant influence.

Note 20 – Investments and derivative financial assets continued
A. Investment in associates continued
Caliplay continued
Accounting for each of the options
The Playtech Call Option was exercisable at 31 December 2021 and 2020, 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 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.

The Caliente Call Option has been treated as part of the Playtech Call Option, as in substance these options are related. The Caliente Call Option would merely serve to limit the value of the Playtech Call Option and therefore has not been considered separately.

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 a derivative financial asset, and disclosed separately under part C of this note.

Below is the audited financial information of Caliplay:

	2021 €'m	2020 €'m
Current assets	62.9	59.4
Non-current assets	20.2	7.1
Current liabilities	(67.5)	(45.1)
Non-current liabilities	—	—
Equity	15.6	21.4
Revenue	372.3	237.2
Profit from continuing operations	23.3	14.3
Other comprehensive (loss)/income, net of tax	(1.0)	0.6
Total comprehensive income	22.3	14.9

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

Investment in BGO
In August 2014, the Group acquired 33.33% of the shares of BGO Limited, a company incorporated in Alderney, for a total consideration of £10.0 million (€12.5 million). In 2015, the Group invested an additional £0.7 million (€0.9 million). During 2020, the Group disposed of the shares in BGO for a total consideration of €1 and potential contingent consideration should BGO be subject to an exit event to a third-party investor prior to 30 September 2025. The Group does not consider any additional consideration will be receivable. As a result of this transaction the Group realised a loss on disposal of €8.9 million, recognised in the consolidated statement of comprehensive income for the year ended 31 December 2020. The share of profit recognised in the consolidated statement of comprehensive income was €0.7 million for the year ended 31 December 2020.

Investment in Statscore
During 2020, the Group acquired an additional 40% of STATSCORE sp. z o.o ("Statscore"). Prior to the acquisition the Group held 45% of Statscore and it was accounted for as an investment in associate. This transaction resulted in a total fair value gain on acquisition of €6.5 million, which was the difference between the total carrying value of the investment in associate of €1.5 million and its fair value of €8.0 million at the point of acquisition. The gain was recognised in the consolidated statement of comprehensive income for the year ended 31 December 2020.

Investment in ALFEA SPA
The Group has held 30.7% equity shares in ALFEA SPA since June 2018. At 31 December 2021 the Group's value of the investment in ALFEA SPA was €1.6 million (31 December 2020: €1.5 million). A share of profit of €0.1 million was recognised in the consolidated statement of comprehensive income for the year ended 31 December 2021 (2020: €Nil).

Investment in International Terminal Leasing
The Group had a joint venture in International Terminal Leasing (ITL); however, the carrying amount is €Nil as the Group has recovered the full amount of the initial investment. Any future profits will be recognised directly in the consolidated statement of comprehensive income. The Group has recognised €0.2 million profit for the year ended 31 December 2020 and €Nil in the current year.

Note 20 – Investments and derivative financial assets continued
A. Investment in associates continued
Investment in Galera
In June 2021, the Group entered into an agreement with Ocean 88 Holdings Ltd ("Galera Group") which is the sole holder of Galera Gaming Group, a company registered in Brazil. Galera offers and operates online and mobile sports betting and gaming (poker, casino, etc.) in Brazil under a foreign regulatory licence. It will continue to do so under the local regulatory licence, when this becomes available, and will expand to other gaming and gambling products based on the local licence conditions.

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

In addition to the investment amount paid, Playtech made available to the Galera Group a line of credit up to $20.0 million. As at 31 December 2021, an amount of €8.1 million, which is included in loans receivable under other non-current assets (refer to Note 21), has been withdrawn. The loan is required to be repaid to Playtech prior to any dividend distribution to the current shareholders of Galera.

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.

The cost of the investment was deemed to be the price paid for the option of $5 million (€4.2 million). A share of the loss of €0.6 million was recognised in the consolidated statement of comprehensive income, with the resulting value of the investment at 31 December 2021 being €3.6 million.

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 we do not consider them to have a material impact jointly or separately.

B. Other investments
Balance sheet

	2021 €'m	2020 €'m
Listed investment – PhilWeb	0.8	1.2
Listed investment – Torque Esports Corp	0.8	2.0
Investment in Tenlot Guatemala	4.4	4.4
Investment in Tentech Costa Rica	2.1	2.1
Total other investments	8.1	9.7

Profit and loss impact

	2021 €'m	2020 €'m
Change of fair value of listed securities – PhilWeb	(0.4)	—
Change in fair value of listed securities – Torque Esports Corp	(1.2)	0.6
Total profit and loss impact	(1.6)	0.6

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 2021, the fair value of each of these listed securities decreased by €0.4 million (2020: €Nil) and €1.2 million (2020: increase of €0.6 million) respectively. The total fair value of the shareholdings in the listed investments as at 31 December 2021 is €1.6 million (2020: €3.2 million).

Note 20 – Investments and derivative financial assets continued

B. Other investments continued

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 and loss under IFRS 9.

The fair value of the equity holding as at 31 December 2021 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. 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 2021 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 and loss under IFRS 9.

The fair value of the equity holding as at 31 December 2021 is $2.5 million (€2.1 million) with no movement in fair value from the prior year.

C. Derivative financial assets

Balance sheet

	2021 €'m	2020 €'m
Playtech M&A Call Option	506.7	—
Wplay	97.2	22.4
Onjoc	6.9	—
Tenbet	11.4	—
Total derivative financial assets	**622.2**	22.4

Profit and loss impact

	2021 €'m	2020 €'m
Fair value of Playtech M&A Call Option	506.7	—
Playtech Call Option (Note 20A)	(16.6)	—
Fair value change in Wplay	74.8	—
Fair value change in Tenbet	11.4	—
Fair value change in Onjoc	6.9	—
Total profit and loss impact	**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 would also invest a cash amount in the SPAC in exchange for shares and warrants issued by the SPAC, which is expected to result in them together holding a material minority equity interest.

Should the transaction proceed, and as contemplated by the Playtech M&A Call Option, Playtech would become a holder of a material minority equity interest in the SPAC and cease to receive its additional B2B services fee from Caliplay.

Note 20 – Investments and derivative financial assets continued

C. Derivative financial assets continued

Caliplay continued

Valuation

The Group has assessed the fair value of the derivative financial asset as at 31 December 2021 based on the active terms of the expected merger with the US SPAC, including the transaction value.

The valuation required management to make certain assumptions about the level of shareholding that will be received by Playtech upon exercise of the option, the timing of a potential exit and the uncertainty of achieving the value expected from the SPAC transaction if a similar deal occurs at a later stage as well as discounts applied due to lack of marketability (DLOM) due to post-merger restrictions on the subsequent disposal of the shares held by the Group.

The Group made assumptions as at 31 December 2021 on the probability of the transaction completing by 30 June 2022 or a year later under a slightly different transaction. Furthermore, the resulting Playtech shareholding post the merger was based on certain dilutions resulting from the issue of shares and warrants to the media company and other investors, as well as the existence of transfer rights to shares under certain Playtech subcontractor agreements.

As at 31 December 2021, the fair value of the option in Caliplay was €506.7 million. At 31 December 2020 this was €Nil since the option was new in 2021; therefore, the entire €506.7 million was recognised as a fair value gain in the consolidated statement of comprehensive income in the year ended 31 December 2021.

Sensitivity analysis

The assumptions and judgements made in the valuation of the derivative financial asset as at 31 December 2021 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 change in the probability of completion at 30 June 2022 and 30 June 2023 by +/-10% would change the fair value of the Playtech M&A Call Option within the range of €493.7 million – €521.3 million.
- If the discount applied to the transaction value to be completed by 30 June 2023 changes by +/-10% the fair value of the Playtech M&A Call Option would change within the range of €456.1 million – €558.9 million.

Wplay

In August 2019, Playtech entered into a structured agreement with Aquila Global Group SAS ("Wplay"), which had the licence 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 described in Note 6. The Group has no shareholding in Wplay.

The agreement with Wplay was accounted for as a joint venture at inception due to the terms in place giving the Group joint control. During 2020, the contract was renegotiated, resulting in the Group having significant influence (refer to assessment below). Playtech has a call option to acquire a 49.9% equity holding in the Wplay business. As at 31 December 2020 this option was exercisable in August 2021; however, during 2021, the parties agreed to defer the Group's ability to exercise this option to August 2022. 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 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 amendments to the structured agreement in 2021 confirmed that these are the full and final payments for the Wplay option with no additional amounts payable on the exercise of the option. Under the existing agreements with Wplay, the Group had contingent commitments totalling $6.0 million, of which $5.0 million was paid in June 2021 and $1.0 million is payable on certain performance milestones in future periods (refer to Note 30).

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.
- 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 2021 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.

Note 20 – Investments and derivative financial assets continued
C. Derivative financial assets continued
Wplay continued
Assessment of control and significant influence continued
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.

During 2021, the Group has given an interest-bearing loan of $1.7 million (€1.5 million) to Wplay, which is due for repayment in December 2022, which is included in loans receivable from related parties (refer to Note 21).

Valuation
The fair value at 31 December 2020 was deemed to be the price paid for the option itself of €22.4 million, as the business was not live until October 2020 and therefore there were no indicators of a material change in fair value at 31 December 2020.

The fair value of the option at 31 December 2021 has been estimated using a discounted cash flow (DCF) approach with a market exit multiple assumption. The Group used an appropriate discount rate 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. 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 Wplay was adjusted to reflect the rights to shares under certain Playtech subcontractor agreements.

As at 31 December 2021, the fair value of the Wplay derivative financial asset is €97.2 million. The difference of €74.8 million between the fair value at 31 December 2020 of €22.4 million and the fair value at 31 December 2021 has been recognised in the consolidated statement of comprehensive income in the year ended 31 December 2021.

Sensitivity analysis
The assumptions and judgements made in the valuation of the derivative financial asset as at 31 December 2021 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%–30% will result in a fair value of the derivative financial asset in the range of €74.8 million–€105.4 million.
- A 5% fluctuation in the EBITDA margin will result in a fair value of the derivative financial asset within the range of €92.5 million–€101.9 million.
- A 10% fluctuation in the EBITDA margin will result in a fair value of the derivative financial asset within the range of €87.8 million–€106.6 million.
- A 0.5 fluctuation on the market exit multiple will result in a fair value of the derivative financial asset within the range of €93.1 million–€101.4 million.
- If the assumed exit date is pushed out to the first available date outside the lock-in period, then the valuation of the derivative financial asset will be €75.9 million.

Onjoc
In June 2020, Playtech entered into a framework agreement with ONJOC CORP. ("Onjoc"), which holds a licence 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 described in Note 6. 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 option can be exercised any time subject to Onjoc having $15 million of gross gaming revenue (GGR) over a consecutive 12-month period.

Assessment of control and significant influence
The Group performed a similar 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, who, although would form part of the of the wider management team, would not be able to control the relevant activities of Onjoc by themselves.
- 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 2021 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 involvement in the 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.
- 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.

Note 20 – Investments and derivative financial assets continued
C. Derivative financial assets continued
Onjoc continued
Assessment of control and significant influence continued
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.

Valuation
The fair value of the option at 31 December 2021 has been estimated using a DCF approach with a market exit multiple assumption. The Group used an appropriate discount rate 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. 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 Onjoc was adjusted to reflect the rights to shares under certain Playtech subcontractor agreements.

As at 31 December 2021, the fair value of the Onjoc derivative financial asset is €6.9 million. The fair value at 31 December 2020 was €Nil with €6.9 million being recognised as the fair value movement in the consolidated statement of comprehensive income. The value in the prior year was €Nil as Onjoc was still at the early stages of launch and there was no indication of a material change to the fair value of the derivative.

Sensitivity analysis
The assumptions and judgements made in the valuation of the derivative financial asset as at 31 December 2021 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 discount rate within the range of 30%–40% will result in a fair value of the derivative financial asset in the range of €4.3 million–€7.1 million.
- A 5% fluctuation in the EBITDA margin will result in a fair value of the derivative financial asset within the range of €6.5 million–€7.3 million.
- A 10% fluctuation in the EBITDA margin will result in a fair value of the derivative financial asset within the range of €6.2 million–€7.7 million.
- A 0.5% fluctuation on the market exit multiple will result in a fair value of the derivative financial asset within the range of €6.5 million–€7.3 million.
- If the assumed exit date is pushed out to the first available date outside the lock-in period, then the valuation of the derivative financial asset will be €3.3 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 option can be exercised at any time from the end of 18 months of Tenbet going live. The call option to acquire 81% equity holding in Tenbet is exercisable from February 2022 (refer to Note 41).

Under the existing agreements, the Group has provided Tenbet with a credit facility of €1.2 million, out of which €1.1 million had been drawn down as at 31 December 2021 (31 December 2020: €0.1 million).

Assessment of control and significant influence
The Group performed a similar analysis for Tenbet to assess 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.
- As at 31 December 2021 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, which 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.

Note 20 – Investments and derivative financial assets continued

C. Derivative financial assets continued

Tenbet Costa Rica continued

Valuation

The fair value of the option at 31 December 2021 has been estimated using a DCF approach with a market exit multiple assumption. The Group used an appropriate discount rate 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. 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 under certain Playtech subcontractor agreements.

The fair value of the option in the associate Tenbet as at 31 December 2021 is €11.4 million. The fair value at 31 December 2020 was €Nil; therefore, the €11.4 million was recognised in the consolidated statement of comprehensive income in the year ended 31 December 2021. Tenbet was still at the early stages of launch in 2020 and there was no indication of a material change to the fair value of the derivative.

Sensitivity analysis

The assumptions and judgements made in the valuation of the derivative financial asset as at 31 December 2021 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 discount rate within the range of 30%–40% will result in a fair value of the derivative financial asset in the range of €8.0 million–€13.0 million.
- A 5% fluctuation in the EBITDA margin will result in a fair value of the derivative financial asset within the range of €10.8 million–€11.9 million.
- A 10% fluctuation in the EBITDA margin will result in a fair value of the derivative financial asset within the range of €10.3 million–€12.4 million.
- A 0.5 fluctuation on the market exit multiple will result in a fair value of the derivative financial asset within the range of €10.8 million–€12.0 million.
- If the assumed exit date is pushed out to the first available date outside the lock-in period, then the valuation of the derivative financial asset will be €10.8 million.

Note 21 – Other non-current assets

	2021 €'m	2020 €'m
Security deposits	3.3	3.2
Guarantee for gaming licences	2.6	2.8
Prepaid costs relating to Sun Bingo contract	71.7	49.6
Loans receivable	8.1	4.8
Loans receivable from related parties (Note 36)	9.5	—
Other	9.2	6.9
	104.4	67.3

Note 22 – Trade receivables

	2021 €'m	2020 €'m
Trade receivables	168.6	156.4
Related parties (Note 36)	16.5	15.2
Trade receivables – net	185.1	171.6
Split to:		
Non-current assets	6.6	18.4
Current assets	178.5	153.2
	185.1	171.6

Note 23 – Other receivables

	2021 €'m	2020 €'m
Prepaid expenses	25.9	34.1
VAT and other taxes	14.1	8.9
Security deposits for regulators	13.1	13.5
Prepaid costs relating to Sun Bingo contract	4.3	9.5
Receivable for legal proceedings and disputes[1]	16.4	16.4
Loans receivable	2.1	0.7
Loans receivable from related parties (Note 36)	2.4	—
Other receivables	8.8	10.6
	87.1	93.7

1 Receivable for legal proceedings and disputes relates to funds held in an 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.

Note 24 – Cash and cash equivalents

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

	2021 €'m	2020 €'m
Continuing operations		
Cash at bank	572.4	677.6
Deposits	3.6	6.7
	576.0	684.3
Less: expected credit loss (Note 38A)	(0.6)	(0.6)
	575.4	683.7
Treated as held for sale		
Cash at bank	71.2	124.7
Cash at brokers	293.4	249.0
Deposits	1.5	3.2
	366.1	376.9
Cash and cash equivalents in the statement of cash flows	942.1	1,061.2
Less: expected credit loss (Note 38A)	(0.6)	(0.6)
	941.5	1,060.6

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

	2021 €'m	2020 €'m
Continuing operations		
Funds attributed to jackpots	82.2	75.5
Security deposits	28.5	24.7
Players' balances	30.4	28.9
	141.1	129.1
Included in liabilities held for sale		
Client deposits	138.5	109.5
Client funds	170.3	170.9
	308.8	280.4

Note 25 – Assets held for sale

	2021 €'m	2020 €'m
Assets		
A. Property, plant and equipment	20.0	—
B. Casual CGU	—	0.8
C. Financials CGU	487.4	465.9
D. Investment in associates	—	2.2
	507.4	468.9

A. On 21 April 2020, the sale and purchase agreement of Area Sud in Milan was finalised for a total consideration of €18.8 million, out of which €5.0 million was received on the sign off of the preliminary agreement in 2019. Furthermore, on 21 July 2020, the sale and purchase agreement of Area Nord in Milan was finalised for total consideration of €35.7 million. As a result of these transactions, the Group realised a profit of €22.1 million in the consolidated statement of comprehensive income for the year ended 31 December 2020.

During the year, 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, out of which €1.0 million was received during the year ended 31 December 2021. The advances received were classified as part of the liabilities directly associated with assets classified as held for sale. Accordingly, the real estate has been classified as held for sale. At the date of the transfer to assets held for sale, an impairment review has been performed against the fair value less expected disposal costs. The carrying value of the land is higher than the fair value less expected selling costs and therefore an impairment of €12.3 million has been recognised in the consolidated statement of comprehensive income for the year ended 31 December 2021. In addition, €1.8 million of deferred tax liability related to the subject land was recognised in the statement of comprehensive income for the year. The Group decided to sell the asset and the prospective buyer was interested in the land and not the buildings, which lead to this impairment.

Note 25 – Assets held for sale continued

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 the discontinued operations.

On 29 June 2020, the Group entered into an agreement for the partial disposal of "FTX" included in this division, for a total consideration of $1.0 million. As a result of this transaction, the Group realised a profit of €0.6 million in the consolidated statement of comprehensive income for the year ended 31 December 2020, included within the total profit from discontinued operations (refer to Note 8).

Furthermore, 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 consolidated statement of comprehensive income for the year ended 31 December 2021, included within the total profit from discontinued operations (refer to Note 8).

As a result of the above transactions, 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 value of the division was classified as held for sale and its results included in discontinued operations.

On 26 May 2021, the Group entered into an agreement for the disposal of its Financial segment for a cash consideration up to $210.0 million, comprising an initial $185.0 million, of which $15.0 million is deferred up to two years from the completion of the transaction, together with a further $15 million contingent on certain cash flow or other criteria being met by the business carried on by the Financial segment. In addition, the Group will retain the movement of the working capital which already has been transferred from Finalto to Playtech amounting to $48.7 million in May 2021. Shareholders voted against the transaction.

On 29 September 2021, the Group entered into an agreement for a cash consideration of $250.0 million. The final consideration is subject to a completion accounts adjustment of up to $25.0 million in either direction, which is determined by the financial performance of the Financial segment from 1 January 2021 to the completion date. The transaction was approved by the shareholders at the Annual General Meeting held on 1 December 2021 and is conditional on the approval of certain regulatory authorities in respect of the change of control. Expected selling costs amounted to $9.0 million.

Prior to the classification of the Financial segment as held for sale in 2020, the Group performed an impairment test. The recoverable amounts were determined from value in use calculations based on cash flow projections covering five years plus a terminal value, which had been updated for COVID-19 and management's probability-based estimates of the impact on future periods based on different scenarios. Based on this, the value in use was higher than the carrying value, and hence it was concluded no impairment was required. Following the classification to held for sale and in light of the value indications from potential purchasers, management performed an assessment of the carrying value using expected fair value less cost to sell, based on the draft sale and purchase agreement. As a result of this assessment an impairment loss of €221.2 million was recognised. Following a review of the net assets as at 31 December 2021 with the expected proceeds from the disposal less expected selling costs (based on the agreement date of 29 September 2021), €2.0 million of the previously recognised impairment on the intangible assets was reversed in the current period. The impairment loss allocated against goodwill cannot be reversed.

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

	2021 €'m	2020 €'m
Assets		
Property, plant and equipment	3.6	2.6
Right of use assets	5.5	4.5
Intangible assets	86.6	72.2
Trade and other receivables	25.6	10.5
Cash and cash equivalents	366.1	376.9
Assets classified as held for sale	487.4	466.7
Liabilities		
Deferred tax liability	6.5	6.3
Trade payables and other payables	14.9	12.8
Client deposits	138.5	109.5
Client funds	170.3	170.9
Income tax payable	8.4	3.9
Lease liability	5.2	5.8
Liabilities directly associated with the asset classified as held for sale	343.8	309.2

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. The share of profit recognised in the consolidated statement of comprehensive income was €0.2 million for the year ended 31 December 2020.

Note 26 – Shareholders' equity

A. Share capital

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

	2021 Number of shares	2020 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 EBT	Total
At 1 January 2020	301,866,327	5,502,550	1,925,366	309,294,243
Share buyback	(4,463,339)	4,463,339	—	—
Exercise of options	200,827	—	(200,827)	—
At 31 December 2020/1 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	299,244,326	2,937,550	7,112,367	309,294,243

B. Employee Benefit Trust

In 2014 the Group established an Employee Benefit Trust (refer to Note 5, paragraph N) by acquiring 5,517,241 shares for a total consideration of €48.5 million. During the year 1,640,511 shares (2020: 200,827) were issued to Executive Management after meeting the performance conditions at a cost of €13.9 million (2020: €1.7 million).

As noted above, the Company transferred 7,028,339 shares held by the Company in treasury to the Employee Benefit Trust for a total of €23.2 million.

As at 31 December 2021, a balance of 7,112,367 (2020: 1,724,539) shares remains in the trust with a cost of €23.2 million (2020: €14.5 million).

C. Share options exercised

During the year 1,873,307 (2020: 217,788) share options were exercised, of which 232,796 were cash settled (2020: 16,961).

D. Distribution of dividends

During 2021, 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

Notes to the financial statements continued

Note 27 – Loans and borrowings

The main credit facility of the Group is a revolving credit facility (RCF) of up to €317.0 million available until November 2023. Interest payable on the loan is based on Euro Libor and Libor rates based on the currency of each withdrawal. As at the reporting date the credit facility drawn amounted to €167.1 million (2020: €308.9 million).

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

- leverage: Net Debt/Adjusted EBITDA revised to 5:1 for the year ended 31 December 2020 and 4.5:1 for the last 12 months to 30 June 2021; and
- interest cover: Adjusted EBITDA/interest revised to 3:1 for the year ended 31 December 2020 and 3.5:1 for the last 12 months to 30 June 2021.

The covenants returned to previous levels of 3x Net Debt/Adjusted EBITDA and 4x interest/Adjusted EBITDA from 31 December 2021 onwards.

As at 31 December 2021 and 2020 the Group met these financial covenants. The covenants are monitored on a regular basis by the Finance department, including modelling future projected cash flows under a number of scenarios to stress test any risk of covenant breaches, the results of which are reported to management and the Board of Directors.

Note 28 – Bonds

	2018 Bond €'m	2019 Bond €'m	Total €'m
At 1 January 2020	525.0	346.2	871.2
Interest expenses on bonds	1.3	0.6	1.9
At 31 December 2020/1 January 2021	526.3	346.8	873.1
Interest expenses on bonds	1.3	0.6	1.9
At 31 December 2021	**527.6**	**347.4**	**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. 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 2021 was €536.1 million (31 December 2020: €539 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 2021 was €358.3 million (31 December 2020: €363 million).

As at 31 December 2021 and 2020 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 2021 are shown below:

	Legal and regulatory €'m	Contractual €'m	Other €'m	Total €'m
Balance at 1 January 2021	10.3	7.2	3.4	20.9
Provisions made during the year	1.5	1.3	1.0	3.8
Provisions used during the year	(1.0)	—	(0.2)	(1.2)
Provisions reversed during the year	(3.9)	(1.8)	(1.1)	(6.8)
Balance at 31 December 2021	**6.9**	**6.7**	**3.1**	**16.7**

	Legal and regulatory €'m	Contractual €'m	Other €'m	Total €'m
2020				
Non-current liabilities	10.3	7.2	3.4	20.9
2021				
Non-current liabilities	6.9	3.5	3.1	13.5
Current liabilities	—	3.2	—	3.2
	6.9	6.7	3.1	16.7

In prior years, provisions for contractual claims amounting to €2.8 million were presented as part of other payables. The comparative information has therefore been re-presented.

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 licences 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 historical claims relating to contractual matters that arise with customers in the normal course of business. The Group believes it has 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 advisers and experts on legal and tax-related matters in arriving at the provisions recorded. The provisions included represent the Directors' best estimate of the potential outlay and none of the matters provided for are individually material to the financial statements.

Note 30 – Contingent consideration and redemption liability

	2021 €'m	2020 €'m
Non-current contingent consideration consists of:		
Amount payable to Aquila Global Group SAS ("Wplay") (Note 20)	—	3.9
	—	3.9
Non-current redemption liability consists of:		
Acquisition of Statscore SP Z.O.O. (Note 35A)	6.0	4.6
	6.0	4.6
Total non-current contingent consideration and redemption liability	6.0	8.5
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	1.2
Total current contingent consideration	5.0	1.2
Total contingent consideration and redemption liability	11.0	9.7

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

	2021 €'m	2020 €'m
Acquisition of Eyecon Limited	3.6	25.0
Acquisition of HPYBET Austria GmbH	15.0	15.0
Interest in Aquila Global Group SAS ("Wplay")	0.9	4.9
Acquisition of Statscore SP Z.O.O.	15.0	15.0
Other acquisitions	6.8	7.3
	41.3	67.2

Note 31 – Trade payables

	2021 €'m	2020 €'m
Suppliers	33.5	35.1
Customer liabilities	7.8	12.5
Other	—	0.1
	41.3	47.7

Note 32 – Deferred tax

The movement on the deferred tax is as shown below:

	2021 €'m	2020 €'m
At 1 January, as previously reported	(82.5)	(76.8)
Impact of correction of errors	—	(10.6)
Restated balance at 1 January	(82.5)	(87.4)
Transferred to asset classified as held for sale	—	6.2
Arising on the acquisitions during the year	—	(0.4)
Charge to profit or loss (Note 14)	96.3	(1.7)
Exchange differences	0.2	0.8
At 31 December	14.0	(82.5)

Note 32 – Deferred tax continued

The 2020 movement includes both continuing (€3.2 million) and discontinued (€1.5 million) operations.

	2021 €'m	2020 €'m
Split as:		
Deferred tax liability on acquisitions	97.2	108.2
Deferred tax liability	0.4	4.5
Deferred tax asset (offset with deferred tax liability)	(8.7)	(26.9)
	88.9	85.8
Deferred tax asset	102.9	3.3

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

On 31 December 2021, 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 2020 and 2021 are as follows:

	2021 €'m	2020 €'m
Deferred tax recognised on Group restructuring	63.6	—
Tax losses	36.9	0.5
Other temporary and deductible differences	2.4	2.8
Total	102.9	3.3

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

	2021 €'m	2020 €'m
Accelerated capital allowances	76.8	18.4
Employee pension liabilities	0.1	0.3
Other temporary and deductible differences	(15.5)	(11.4)
Leases	—	0.3
Tax losses	34.9	(9.3)
Total	96.3	(1.7)

Note 33 – Other payables

	2021 €'m	2020 €'m
Non-current liabilities		
Payroll and related expenses	10.8	8.9
Other	2.0	3.6
	12.8	12.5
Current liabilities		
Payroll and related expenses	81.7	70.9
Accrued expenses	67.4	51.9
VAT payable	3.8	5.8
Interest payable	10.4	10.5
Other payables	2.9	6.1
	166.2	145.2

Note 34 – Gaming and other taxes payable

	2021 €'m	2020 €'m
Gaming tax	105.3	126.6
Other	0.1	0.3
	105.4	126.9

Notes to the financial statements continued

Note 35 – Acquisitions during the year

A. Acquisition of Statscore SP Z.O.O

On 13 January 2020, the Group acquired an additional 40% of Statscore SP Z.O.O. ("Statscore") for a total cash consideration of €6.5 million. Prior to the acquisition, the Group held 45% of Statscore which was accounted for as an associate (refer to Note 20). The book value of the investment in associate (net of share of losses) was €1.5 million at the point of acquisition and the equivalent fair value was €8.0 million, resulting in a fair value gain of €6.5 million recognised in the consolidated statement of comprehensive income for the year ended 31 December 2020. The remaining 15% of the shares are held by the founder. As part of the acquisition, the Group holds a call option to purchase the remaining 15% of Statscore as follows:

(1) to purchase 7.5% within three months of the third anniversary if certain conditions are met and regardless of whether the founder remains employed. The option price, which is capped at €5.0 million, depends on the last 12-month EBITDA target of €4.0 million and is measured as follows:

  (a) if EBITDA target is satisfied, then the option price is seven times EBITDA of the last 12 months multiplied by the percentage of the additional acquisition; and

  (b) if EBITDA target is not satisfied, then the option price is five times EBITDA of the last 12 months multiplied by the percentage of the additional acquisition; and

(2) to purchase 7.5% within three months of the sixth anniversary if certain conditions are met and regardless of whether the founder remains employed. The option price, which is capped at €10.0 million, depends on the last 12-month EBITDA target of €8.0 million and is measured as follows:

  (a) if EBITDA target is satisfied, then the option price is nine times EBITDA of the last 12 months multiplied by the percentage of the additional acquisition; and

  (b) if EBITDA target is not satisfied, then the option price is seven times EBITDA of the last 12 months multiplied by the percentage of the additional acquisition.

The founder has an irrevocable put option to require the Group to purchase the 15% under the terms and conditions provided below:

(1) to sell 7.5% within three months of the third anniversary if the following conditions are satisfied:

  (a) the founder continuing to be employed by the company and continuing to be appointed as CEO of the company and a member of the management board on the date on which the option is exercised unless the founder has ceased to be employed by the company under the good leaver scenario; and

  (b) the last 12-month EBITDA being equal or higher than €4.0 million; and

(2) to sell 7.5% within three months of the sixth anniversary if the following conditions are satisfied:

  (a) the founder continuing to be employed by the company and continuing to be appointed as CEO of the company and a member of the management board on the date on which the option is exercised unless the founder has ceased to be employed by the company under the good leaver scenario; and

  (b) the last 12-month EBITDA being equal or higher than €8.0 million.

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

On 17 June 2020, the Group acquired 100% of Best In Game S.r.l.("Best In Game"), an Italian gaming company active in the online segment. The Group paid a total cash consideration of €13.3 million.

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:

	2021 €'m	2020 €'m
Revenue		
Associates and structured agreements	95.0	62.2
Operating expenses		
Associates and structured agreements	—	0.2
Interest income		
Associates and structured agreements	0.1	0.2

The following amounts were outstanding at the reporting date:

	2021 €'m	2020 €'m
Trade receivables (Note 22)		
Associates and structured agreements	16.5	15.2
Loans and interest receivable – current (Note 23)		
Associates and structured agreements	2.4	—
Loans and interest receivable – non-current (Note 21)		
Associates and structured agreements	9.5	—

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

	2021 €'m	2020 €'m
Short-term employee benefits	13.5	11.4
Post-employment benefits	0.1	0.1
Termination benefits	0.1	0.1
Share-based payments	4.3	5.1
	18.0	16.7

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 €3.0 million (2020: €3.6 million).

Notes to the financial statements continued

Note 37 – Subsidiaries

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

Name	Country of incorporation	Proportion of voting rights and ordinary share capital held	Nature of business
Playtech Software Limited	Isle of Man	100%	Main trading company of the Group 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
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%	Live game services to Asia
PT Network Management Limited	British Virgin Islands	100%	Manages the iPoker Network
Videobet Interactive Sweden AB	Sweden	100%	Trading company for the Aristocrat Lotteries VLTs
V.B. Video (Italia) S.r.l.	Italy	100%	Trading company for the Aristocrat Lotteries VLTs
Finalto (IOM) Limited (ex. TradeTech Markets Limited)	Isle of Man	100%	Owns the intellectual property rights and marketing and technology contracts of the Financials division
Safecap Limited	Cyprus	100%	Primary trading company of the Financials division. Licensed investment firm and regulated by CySEC
TradeFXIL limited	Israel	100%	Financials division sales, client retention, R&D and marketing
ICCS BG	Bulgaria	100%	Financials division back office customer support
Magnasale Limited	Cyprus	100%	Financials division, licensed and regulated investment firm
Stronglogic Services Limited	Cyprus	100%	Maintains the Financials division marketing function for EU operations
Quickspin AB	Sweden	100%	Owns video slots intellectual property
Best Gaming Technology GmbH	Austria	100%	Trading company for sports betting
Playtech BGT Sports Limited	Cyprus	100%	Owns sports betting intellectual property solutions and trading company for sports betting
ECM Systems Ltd	UK	100%	Owns bingo software intellectual property and bingo hardware
Consolidated Financial Holdings A/S	Denmark	100%	Owns the intellectual property which provides brokerage services, liquidity and risk management tool
CFH Clearing Limited	UK	100%	Primary trading company of CFH group
Eyecon Limited	Alderney	100%	Develops and provides online gaming slots

Note 37 – Subsidiaries continued

Name	Country of incorporation	Proportion of voting rights and ordinary share capital held	Nature of business
Finalto Trading Limited (ex. TradeTech Alpha Limited)	UK	100%	Regulated FCA broker providing trading, risk management and liquidity solutions
Rarestone Gaming PTY Ltd	Australia	100%	Development company
HPYBET Austria GmbH	Austria	100%	Operating shops in Austria
Snaitech SPA	Italy	100%	Italian retail betting market and gaming machine market
OU Playtech (Estonia)	Estonia	100%	Designs, develops and manufactures online software
Techplay Marketing Limited	Israel	100%	Marketing and advertising
OU Videobet	Estonia	100%	Develops software for fixed odds betting terminals and casino machines (as opposed to online software)
Playtech Bulgaria	Bulgaria	100%	Designs, develops and manufactures online software
PTVB Management Limited	Isle of Man	100%	Management
Techplay S.A. Software Limited	Israel	100%	Develops online software
CSMS Limited	Bulgaria	100%	Consulting and online technical support, data mining processing and advertising services to Parent Company
Mobenga AB Limited	Sweden	100%	Mobile sportsbook betting platform developer
PokerStrategy Ltd	Gibraltar	100%	Operates poker community business
Snai Rete Italia S.r.l.	Italy	100%	Italian retail betting market
PT Services UA LTD	Ukraine	100%	Designs, develops and manufactures software
Trinity Bet Operations Ltd	Malta	100%	Retail and Digital Sports Betting
Euro live Technologies SIA	Latvia	100%	Global broadcaster providing innovative video stream services for users worldwide
Gaming Technology Solutions Limited	UK	100%	Provision of B2B services within Bingo, Virtual Sports, Sports Betting and Games Development
Statscore SP Z.O.O.	Poland	85%	Software development firm providing sports data and statistical widgets to online/retail bookmakers, sporting clubs, sports federations, portals and websites

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 and other receivables;
- Cash and cash equivalents;
- Investments in equity securities;
- Derivative financial assets;

Notes to the financial statements continued

Note 38 – Financial instruments and risk management continued

- Trade and other payables;
- Bonds;
- Loans and borrowings; and
- Deferred and contingent consideration and redemption liability.

Financial instrument by category

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

		Carrying amount	Fair value		
	Measurement category	2021 €'m	Level 1 €'m	Level 2 €'m	Level 3 €'m
31 December 2021					
Continuing operations					
Non-current financial assets					
Equity investments	FVTPL	8.1	1.6	—	6.5
Derivative financial assets	FVTPL	622.2	—	—	622.2
Trade receivables	Amortised cost	6.6	—	—	—
Loans receivable	Amortised cost	17.6	—	—	—
Current financial assets					
Trade receivables	Amortised cost	178.5	—	—	—
Loans receivables	Amortised cost	4.5	—	—	—
Cash and cash equivalents	Amortised cost	575.4	—	—	—
Non-current liabilities					
Bonds	Amortised cost	875.0	—	—	—
Loans and borrowings	Amortised cost	167.1	—	—	—
Lease liability	Amortised cost	69.8	—	—	—
Contingent consideration and redemption liability	FVTPL	6.0	—	—	6.0
Current liabilities					
Trade payables	Amortised cost	41.3	—	—	—
Lease liability	Amortised cost	20.3	—	—	—
Progressive operators' jackpots and security deposits	Amortised cost	110.7	—	—	—
Client funds	Amortised cost	30.4	—	—	—
Contingent consideration and redemption liability	FVTPL	5.0	—	—	5.0
Interest payable	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	—	—	—

Note 38 – Financial instruments and risk management continued

		Carrying amount	Fair value		
	Measurement category	2020 €'m	Level 1 €'m	Level 2 €'m	Level 3 €'m
31 December 2020					
Continuing operations					
Non-current financial assets					
Equity investments	FVTPL	9.7	3.2	—	6.5
Derivative financial assets	FVTPL	22.4	—	—	22.4
Trade receivables	Amortised cost	18.4	—	—	—
Loans receivable	Amortised cost	4.8	—	—	—
Current financial assets					
Trade receivables	Amortised cost	153.2	—	—	—
Loans receivables	Amortised cost	0.7	—	—	—
Cash and cash equivalents	Amortised cost	683.7	—	—	—
Non-current liabilities					
Bonds	Amortised cost	873.1	—	—	—
Loans and borrowings	Amortised cost	308.9	—	—	—
Lease liability	Amortised cost	61.5	—	—	—
Contingent consideration and redemption liability	FVTPL	8.5	—	—	8.5
Current liabilities					
Trade payables	Amortised cost	47.7	—	—	—
Lease liability	Amortised cost	21.0	—	—	—
Progressive operators' jackpots and security deposits	Amortised cost	100.2	—	—	—
Client funds	Amortised cost	28.9	—	—	—
Contingent consideration and redemption liability	FVTPL	1.2	—	—	1.2
Interest payable	Amortised cost	10.5	—	—	—
Treated as held for sale					
Current financial assets					
Cash and cash equivalents	Amortised cost	376.9	—	—	—
Current liabilities					
Trade payables	Amortised cost	1.8	—	—	—
Lease liability	Amortised cost	5.8	—	—	—
Client deposits	Amortised cost	109.5	—	—	—
Client funds	Amortised cost	170.9	—	—	—

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 in 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) 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 €7.4 million (2020: €22.3 million).

Cash and cash equivalents

The Group held cash and cash equivalents of €576.0 million as at 31 December 2021 (2020: €684.3 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.

Notes to the financial statements continued

Note 38 – Financial instruments and risk management continued

A. Credit risk continued

Cash and cash equivalents continued

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 2021 is €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 2021	**576.0**	**291.7**	**284.3**
At 31 December 2020	684.3	340.2	344.1
Treated as held for sale			
At 31 December 2021	**366.1**	**291.9**	**74.2**
At 31 December 2020	376.9	313.1	63.8

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 2021, the Group has trade receivables of €185.1 million (2020: €171.6 million) which is net of an allowance for ECL of €6.8 million (2020: €21.7 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 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**

31 December 2020	Total €'m	Not past due €'m	1–2 months overdue €'m	More than 2 months past due €'m
Expected credit loss rate[1]	11.2%	8.6%	22.3%	7.0%
Gross carrying amount	193.3	101.5	42.8	49.0
Expected credit loss	(21.7)	(8.8)	(9.5)	(3.4)
Trade receivables – net	171.6	92.7	33.3	45.6

1 The ECL as at 31 December 2020 has been restated to reflect the ECL provision of SNAI which was included incorrectly in the gross carrying amount of debtors. The ECL provision of SNAI is €5.3 million as at 31 December 2021 (€19.9 million as at 31 December 2020). The ECL of SNAI has been significantly reduced in 2021 as a result of the COVID-19 impact not being as bad as anticipated in ECL 2020 calculations.

Note 38 – Financial instruments and risk management continued

A. Credit risk continued

Trade receivables continued

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 operating profit. 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:

	2021 €'m	2020 €'m
Balance at 1 January	**21.7**	—
(Reversed)/charged to statement of comprehensive income	**(14.9)**	21.7
Balance at 31 December	**6.8**	21.7

Loans receivable

The Group assessed the credit risk of each individual loan on whether each is considered to be recoverable as at 31 December 2021. The Group considers that the amount of €1.2 million should be impaired as at 31 December 2021. The Group does not consider any other impairment consideration on loan receivables as at 31 December 2021.

B. Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's objective when managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses of risking damage to the Group's reputation. Please refer to Note 2 for the steps taken by management to reduce liquidity risk of the Group.

The following are the remaining contractual maturities of financial liabilities at the reporting date. The 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			
2021	Carrying amount €'m	Total €'m	Within 1 year €'m	1–5 years €'m	More than 5 years €'m
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**
2020					
Loans and borrowings	308.9	321.3	6.2	315.1	—
Bonds	873.1	1,021.5	34.8	629.3	357.4
Lease liability	82.5	95.9	23.3	55.9	16.7
Contingent consideration and redemption liability	9.7	10.3	1.2	4.1	5.0
Trade payables	47.7	47.7	47.7	—	—
Progressive and other operators' jackpots	100.2	100.2	100.2	—	—
Client funds	28.9	28.9	28.9	—	—
Interest payable	10.5	10.5	10.5	—	—
Provisions for risks and charges	20.9	20.9	20.9	—	—
	1,482.4	1,657.2	273.7	1,004.4	379.1

Notes to the financial statements continued

Note 38 – Financial instruments and risk management continued

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 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**

31 December 2020	In EUR €'m	In USD €'m	In GBP €'m	In other currencies €'m	Total €'m
Continuing operations					
Cash and cash equivalents	539.0	43.8	84.9	16.6	684.3
Progressive operators' jackpots and security deposits	(115.4)	—	(13.7)	—	(129.1)
Cash and cash equivalents less client funds	423.6	43.8	71.2	16.6	555.2

31 December 2020	In EUR €'m	In USD €'m	In GBP €'m	In other currencies €'m	Total €'m
Treated as held for sale					
Cash and cash equivalents	105.1	189.1	54.3	28.4	376.9
Client funds and client deposits	(68.6)	(179.0)	(11.6)	(21.2)	(280.4)
Cash and cash equivalents less client funds	36.5	10.1	42.7	7.2	96.5

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 2021, approximately 16% of the Group's borrowings are at a variable rate of interest (2020: 26%).

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 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**

Notes to the financial statements continued

Note 39 – Reconciliation of movement of liabilities to cash flows arising from financing activities continued

	Liabilities					Equity		
	Loans and borrowings €'m	Bonds €'m	Interest on loans and borrowings and bonds €'m	Contingent consideration and redemption liability €'m	Lease liabilities €'m	Additional paid in capital €'m	Retained earnings €'m	Total €'m
Balance at 1 January 2020	64.6	871.2	10.3	61.1	90.8	601.0	656.2	2,355.2
Changes from financing cash flows								
Interest payable on bonds and loans and borrowings	—	—	(39.7)	—	—	—	—	(39.7)
Share buyback	—	—	—	—	—	(8.9)	(1.3)	(10.2)
Repayment of loans and borrowings	(0.2)	—	—	—	—	—	—	(0.2)
Proceeds from loans and borrowings	245.8	—	—	—	—	—	—	245.8
Payment of contingent consideration and redemption liability	—	—	—	(48.5)	—	—	—	(48.5)
Principal paid on lease liability	—	—	—	—	(21.5)	—	—	(21.5)
Interest paid on lease liability	—	—	—	—	(5.9)	—	—	(5.9)
Total changes from financing cash flows	245.6	—	(39.7)	(48.5)	(27.4)	(8.9)	(1.3)	119.8
Other changes								
Liability related								
New leases	—	—	—	—	21.9	—	—	21.9
Interest on bonds, bank borrowings and other borrowings	—	1.9	39.9	—	—	—	—	41.8
Interest on lease liability	—	—	—	—	5.9	—	—	5.9
Movement in deferred and contingent consideration and redemption liability	—	—	—	8.3	—	—	—	8.3
Payment of contingent consideration related to investments	—	—	—	(15.2)	—	—	—	(15.2)
Acquisition through business combinations	—	—	—	5.1	0.2	—	—	5.3
Foreign exchange difference	(1.3)	—	—	(1.1)	(3.1)	—	—	(5.5)
Total liability-related other changes	(1.3)	1.9	39.9	(2.9)	24.9	—	—	62.5
Total equity-related other changes	—	—	—	—	—	—	(311.2)	(311.2)
Balance at 31 December 2020	308.9	873.1	10.5	9.7	88.3	592.1	343.7	2,226.3

Note 40 – Correction of error

During the year, the Group identified the following errors in respect of the original acquisition of Snai in 2018 due to:

- an incorrect tax rate being applied to the fair value calculation of the acquired intangible assets;
- deferred tax being incorrectly calculated due to the wrong tax rate being applied and also due to deferred tax being calculated on the gross intangible assets as opposed to the temporary difference, being the fair value uplift; and
- deferred tax not being recognised on the fair value uplift of land and buildings.

As a consequence of the above adjustments, an additional deferred tax asset owing to the increased deferred tax liability was recognised at acquisition.

The impact of the corrections stated above in 2019 and 2020 is as follows:

- increase to goodwill of €21.5 million;
- decrease to intangible assets of €14.6 million; and
- increase of the deferred tax liability of €10.6 million (net of an additional deferred tax asset recognised of €26.1 million).

The errors have been corrected by restating each of the affected financial statement line items for prior periods. The following tables summarise the impact on the Group's consolidated financial statements.

Consolidated statement of financial position

	Impact of correction of error		
31 December 2019	As previously reported €'m	Adjustments €'m	As restated €'m
Goodwill	974.8	21.5	996.3
Intangible assets	524.6	(14.6)	510.0
Others	1,598.4	—	1,598.4
Total assets	3,097.8	6.9	3,104.7
Deferred tax liability	78.3	10.6	88.9
Others	1,797.2	—	1,797.2
Total liabilities	1,875.5	10.6	1,886.1
Retained earnings	659.9	(3.7)	656.2
Others	562.4	—	562.4
Total equity	1,222.3	(3.7)	1,218.6

31 December 2020	As previously reported €'m	Adjustments €'m	As restated €'m
Goodwill	633.8	21.5	655.3
Intangible assets	463.4	(14.6)	448.8
Others	1,967.4	—	1,967.4
Total assets	3,064.6	6.9	3,071.5
Deferred tax liability	75.2	10.6	85.8
Others	2,089.5	—	2,089.5
Total liabilities	2,164.7	10.6	2,175.3
Retained earnings	347.4	(3.7)	343.7
Others	552.5	—	552.5
Total equity	899.9	(3.7)	896.2

The impact in profit or loss for the year ended 31 December 2020 relating to the correction of the amortisation charge and deferred tax is not material and therefore has been included within the 2020 opening reserve adjustment.

There is no impact on the Group's basic or diluted earnings per share, or on the total operating investing or financing cash flows for the year ended 31 December 2020.

Notes to the financial statements continued

Note 41 – Events after the reporting date
During 2021, the Group entered into an agreement on the terms of a cash acquisition of the entire issued and to be issued ordinary share capital of the Company by Aristocrat (UK) Holdings Limited for 680 pence per share. The transaction was subject to shareholders' approval. On 2 February 2022, the shareholders voted against the takeover.

The call option to acquire 81% equity holding in Tenbet can be exercisable at any time since February 2022 (Note 20). The option has not been yet exercised.

Post year end, Russia invaded Ukraine. Playtech has over 700 employees based in Ukraine and the Group's crisis management team is leading a comprehensive response to the crisis with the safety of the Group's employees being the priority. Playtech is making every possible effort to support employees and their families during the crisis. The support includes assisting with relocation to safer parts of the country or to other countries. Playtech has built an organisational structure to support the employees including 24/7 transportation services, accommodation support for those displaced, emergency supplies and shelter, logistical assistance and a 24/7 communication hotline, as well as mental health and wellbeing support. Hundreds of volunteers across the Group are working to help however possible, including keeping in continuous contact with their colleagues.

Due to the various sanctions against Russia and the EU restrictive measures in response to the crisis in Ukraine, it is expected that €2.0 million out of the 2022 budgeted revenue used for the calculation of the value in use of the Quickspin CGU may not materialise in full. However, as this is a post-balance sheet event no impairment has been recorded. Notwithstanding this potential loss of revenue, management is of the view that alternative revenue streams could be achieved, which therefore reduces the risk of future impairment. In addition, the Group holds €11.5 million of non-current assets in Ukraine which might be impaired as result of the invasion.

Company statement of changes in equity

For the year ended 31 December 2021

	Additional paid in capital €'m	Employee Benefit Trust €'m	Retained earnings €'m	Total equity €'m
Balance at 1 January 2021	**592.1**	**—**	**(300.6)**	**291.5**
Total comprehensive income for the year				
Profit for the year	—	—	950.1	950.1
Total comprehensive income for the year	**—**	**—**	**950.1**	**950.1**
Transactions with the owners of the Company				
Contributions and distributions				
Exercise of options	—	—	(13.9)	(13.9)
Employee stock option scheme (Note 10)	—	—	11.9	11.9
Transfer from treasury shares to Employee Benefit Trust	13.9	(22.6)	8.7	—
Total contributions and distributions	**13.9**	**(22.6)**	**6.7**	**(2.0)**
Total transactions with the owners of the Company	**13.9**	**(22.6)**	**6.7**	**(2.0)**
Balance at 31 December 2021	**606.0**	**(22.6)**	**656.2**	**1,239.6**
Balance at 1 January 2020	**601.0**	**—**	**(228.0)**	**373.0**
Total comprehensive income for the year				
Loss for the year	—	—	(93.2)	(93.2)
Total comprehensive income for the year	**—**	**—**	**(93.2)**	**(93.2)**
Transactions with the owners of the Company				
Contributions and distributions				
Exercise of options	—	—	(1.7)	(1.7)
Share buyback (Note 10)	(8.9)	—	(1.3)	(10.2)
Employee stock option scheme (Note 10)	—	—	23.6	23.6
Total contributions and distributions	**(8.9)**	**—**	**20.6**	**11.7**
Total transactions with the owners of the Company	**(8.9)**	**—**	**20.6**	**11.7**
Balance at 31 December 2020	**592.1**	**—**	**(300.6)**	**291.5**

Company balance sheet
As at 31 December 2021

	Note	2021 €'m	2020 €'m
Non-current assets			
Property, plant and equipment		—	0.1
Intangible assets		—	0.2
Investments in subsidiaries	7	1,201.4	1,144.2
Other non-current assets		0.3	0.3
Trade and other receivables	8	895.8	—
		2,097.5	1,144.8
Current assets			
Trade and other receivables	8	217.9	295.7
Cash and cash equivalents	9	37.7	87.0
		255.6	382.7
TOTAL ASSETS		2,353.1	1,527.5
Equity			
Additional paid in capital		606.0	592.1
Employee benefit trust		(22.6)	—
Retained earnings		656.2	(300.6)
	10	1,239.6	291.5
Non-current liabilities			
Bonds	12	875.0	873.1
Loans and borrowings	11	167.1	308.9
		1,042.1	1,182.0
Current liabilities			
Trade and other payables	13	71.4	54.0
		71.4	54.0
TOTAL EQUITY AND LIABILITIES		2,353.1	1,527.5

The financial information was approved by the Board and authorised for issue on 24 March 2022.

Mor Weizer
Chief Executive Officer

Andrew Smith
Chief Financial Officer

Notes to the Company financial statements

Note 1 – General
The principal activity of Playtech plc (the "Company") is the holding of investment in subsidiaries and the provision of financial support to Group companies.

Note 2 – Basis of preparation
The financial statements have been prepared in accordance with FRS 101 'Reduced Disclosure Framework' (March 2018) and updated for amendments issued subsequently. Because of the disclosure reductions, financial statements prepared under FRS 101 do not comply with all of the requirements of adopted IFRSs.

The Company, being a qualifying entity (FRS 101:8(g)), has been granted an exemption from preparing the following:

- a statement of cash flows as per the requirements of IAS 1 Presentation of Financial Statements;
- disclosure of compensation for key management personnel and amounts incurred by the Company for the provision of key management personnel services provided;
- disclosure requirements of IFRS 7 other than for those instruments where these disclosures are still required to comply with the law; and
- disclosure requirements of IFRS 13 other than for those instruments where these disclosures are still required to comply with the law.

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

Going concern basis
Detailed reference to the exact procedures applied by the Directors in ensuring that the Company will have adequate financial resources to continue in operational existence over the relevant going concern period are described in Note 2 of the Group consolidated financial statements. Based on the above it is therefore considered appropriate to adopt the going concern basis in the preparation of the Company's financial statements.

Note 3 – Functional and presentation currency
The financial statements are presented in Euro, which is the Company's functional and presentation currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

Note 4 – New standards, interpretations and amendments adopted by the Group
New standards, interpretations and amendments adopted from 1 January 2021
The Company applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2021, but do not have a material impact on the financial statements of the Company.

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

The following amendments are effective for the period beginning 1 January 2023:

- 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.

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 classifications is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain the rights 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.

The amendments are applied retrospectively for annual periods on or after 1 January 2023 with early application Permitted.

- 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.

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

New standards, interpretations and amendments not yet effective continued

- 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; and
- 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 Company does not expect any other standards issued by the IASB, but not yet effective, to have a material impact on the Company.

Note 5 – Significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. Apart from the accounting policy changes stated in Note 4, these policies have been consistently applied to all the years presented, unless otherwise stated.

Subsidiaries

Subsidiaries are entities controlled by the Company. The Company "controls" an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Investments in subsidiary companies are stated at cost less provision for impairment in value, which is recognised as an expense in the period in which the impairment is identified. Subsequent changes in value include employee share option additions and subsidiary capital contributions in the form of debt settlement.

Interest income

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

Interest expense

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

Foreign currencies

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

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

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

Note 5 – Significant accounting policies continued

Dividends

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

Financial instruments

(i) Recognition

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

Financial assets

(ii) Classification

The Company classifies its financial assets at amortised cost.

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

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

(iii) Measurement

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

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

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

(iv) Derecognition

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

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

(v) Impairment

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

- intercompany receivables; and
- cash and cash equivalents.

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

Notes to the Company financial statements continued

Note 5 – Significant accounting policies continued

Financial liabilities

(vi) Classification and measurement

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

(vii) Derecognition

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

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

(viii) Offsetting

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

Cash and cash equivalents

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

Trade and other payables

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

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

Share capital

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

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.

Employee Benefit Trust

Up to May 2019, the Group could not hold treasury shares under the Company's memorandum and articles of association and therefore a Group company, Roxwell Investments Limited, purchased the shares for the Employee Benefit Trust (EBT) through an intercompany loan. Any exercise of options releases shares from the EBT to the outstanding shares of the Company and offsets these with the intercompany loan. Following the change in the memorandum and articles of association, the Company is entitled to hold treasury shares and the EBT is recognised in the statement of changes in equity of the Company as a separate reserve (the "Employee Benefit Trust").

Note 6 – Critical accounting estimates and judgements

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

Note 6 – Critical accounting estimates and judgements continued

Estimates and assumptions

- Impairment of investment in subsidiary companies

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

An impairment of investments in subsidiary companies has been recognised during the year totalling €5.8 million (2020: €35.6 million). Please refer to Note 7 for the breakdown of the impairment to investments.

Certain investments in subsidiaries are deemed sensitive to impairment from a reasonably possible change in key assumptions and are reviewed in further detail below.

Playtech Software Limited (Isle of Man) is a significant subsidiary for the Company, with net assets of €902.0 million. The recoverable amount of the investment has been determined using cash flow forecasts that include annual revenue growth rates of 5% over the two to five-year forecast period, and a 2% long-term growth rate. The recoverable amount would equal the carrying amount of the investment if the discount rate applied was higher by 1.45% or revenue growth was lower by 2.8%.

Playtech Software Limited (UK) is a significant subsidiary for the Company, with net assets of €1,018.0 million. The recoverable amount of the investment has been determined using cash flow forecasts that include annual revenue growth rates of 2% over the two to five-year forecast period, and a 2% long-term growth rate. The recoverable amount would equal the carrying amount of the investment if the discount rate applied was higher by 20.8% or revenue growth was lower by 4.4%.

PT Turnkey Services Limited is a significant subsidiary for the Company, with net assets of €253.0 million. The recoverable amount of the investment has been determined using cash flow forecasts that include annual revenue growth rates of 2% over the two to five-year forecast period, and a 2% long-term growth rate. The recoverable amount would equal the carrying amount of the investment if the discount rate applied was higher by 51.13% or revenue growth was lower by 3.4%.

VS Technology Limited is a significant subsidiary for the Company, with net assets of €24.0 million. The recoverable amount of the investment has been determined using cash flow forecasts that include annual revenue growth rates of 2% over the two to five-year forecast period, and a 2% long-term growth rate. The recoverable amount would equal the carrying amount of the investment if the discount rate applied was higher by 249.8% or revenue growth was lower by 59.6%.

- Impairment of financial assets

Loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Company's financial assets consist of intercompany 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 intercompany receivables was based on past default experience and an assessment of the future economic environment. ECL and specific provisions are considered and calculated with reference to the ageing and risk profile of the balances. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculations based on the Company's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period.

Notes to the Company financial statements continued

Note 7 – Investments in subsidiaries

	2021 €'m	2020 €'m
Investment in subsidiaries at 1 January	1,144.2	514.9
Additional capital contribution[1]	49.1	642.7
Acquisitions in the year[3]	—	—
Employee stock option	13.9	22.2
Impairment[2]	(5.8)	(35.6)
Write offs[4]	—	—
Investment in subsidiaries at 31 December	1,201.4	1,144.2

1 During 2021 the Group agreed to forgive certain outstanding debt due from subsidiaries with a book value of €49.1 million which has accordingly been treated as additional capital contribution (2020: €642.7 million). See Note 8 for further information.

2 Impairment for the year 2021 relates to €1.2 million of Playtech Holding Sweden AB Limited and €4.6 million of PTVB Management Limited. Impairment for the year 2020 relates to €13.9 million of Finalto Group Limited (ex. TradeTech Holdings Limited), €18.6 million of Playtech Holding Sweden AB Limited and €3.1 million of PTVB Management Limited.

3 Acquisitions in the year 2020 relate solely to VS Technology Limited which was acquired 100% from Gaming Technology Solutions Limited.

4 Write offs relate to Elaman Trading Limited and PT Jersey Limited which were dissolved during 2020.

Name	Country of incorporation	Proportion of voting rights and ordinary share capital held	Nature of business
Playtech Software Limited	Isle of Man	100%	Holding company, transferred its activities in 2021 to Playtech Software Ltd UK
Video B Holding Limited	British Virgin Islands	100%	Trading company for the Videobet software, owns the intellectual property rights of Videobet and licenses it to customers
PTVB Management Limited	Isle of Man	100%	Management company
Technology Trading IOM Limited	Isle of Man	100%	Owns the intellectual property rights of the Virtue Fusion business
PT Turnkey Services Limited	Isle of Man	100%	Holding company of the Turnkey Services Group
Playtech Holding Sweden AB Limited	Sweden	100%	Holding company of Mobenga AB
Roxwell Investments Limited	Isle of Man	100%	Holds the Employee Benefit Trust
PT Gaming Limited	Isle of Man	100%	Holding company of Factime Investments Ltd
Finalto Group Limited (ex. TradeTech Holdings Limited)	Isle of Man	100%	Holding company of Finalto (IOM) Limited (ex. TradeTech Markets Limited), Consolidated Financial Holdings A/S and Finalto Trading Limited (ex. TradeTech Alpha Limited)
VS Technology Limited	United Kingdom	100%	Licensing online gaming software and games to customers in South America
Playtech Software Limited	United Kingdom	100%	Main trading company from 2021, owns the intellectual property rights and licenses the software to customers
Playtech Retail Limited	British Virgin Islands	100%	Dormant company

Note 8 – Trade and other receivables

	2021 €'000	2020 €'000
Amounts due from subsidiary undertakings (Note 14)	895.8	—
Total non-current	895.8	—
Other receivables	12.5	1.5
Amounts due from subsidiary undertakings (Note 14)	205.4	294.2
Total current	217.9	295.7

In 2019, the non-current amount relates to loans made during the prior year to Playtech Services (Cyprus) Limited connected with the acquisition and refinancing of Snaitech SpA. These loans were discounted to present value, were bearing interest at 4.5% per annum and were repayable on or before 2 November 2025 and 5 June 2028.

During 2020 these loans were transferred to Playtech Software Limited in exchange for additional share capital in Playtech Software Limited. This has been accounted for as a capital contribution. See Note 7.

During the year 2020 there were major non-cash transactions relating to the above capital contributions, and offset of amounts due to and from subsidiary undertakings as agreed with the counterparties.

On 1 January 2021 and following the announcement Playtech plc made of the internal reorganisation and migration of tax residency from the Isle of Man to the United Kingdom, the Group proceeded to the sale of activities and related assets from Playtech Software Limited IOM to a newly established company, Playtech Software Limited, domiciled in the UK. This resulted in a receivable of €1 billion from the latter company to Playtech Software Limited IOM, the total amount of which has been assigned to Playtech plc in exchange for a dividend income of the same amount from the IOM company.

The management has assessed its receivables from Group companies using a forward-looking expected credit loss model (ECL). A reversal of the 2020 impairment of €15.8 million was released in the year 2021, with the impairment reserve at period end being €Nil (2020: €15.8 million).

Note 9 – Cash and cash equivalents

	2021 €'m	2020 €'m
Cash at bank	37.5	86.6
Deposits	0.2	0.4
	37.7	87.0

Notes to the Company financial statements continued

Note 10 – Shareholders' equity

A. Share capital

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

	2021 Number of shares	2020 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 Number of shares	Shares held by 2014 EBT Number of shares	Shares held by 2021 EBT Number of shares	Total Number of shares
At 1 January 2020	301,866,327	5,502,550	1,925,366	—	309,294,243
Share buyback	(4,463,339)	4,463,339	—	—	—
Exercise of options	200,827	—	(200,827)	—	—
At 31 December 2020/1 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	299,244,326	2,937,550	84,028	7,028,339	309,294,243

During 2020, the Group cancelled 4,463,339 shares as part of its share repurchase programme for a total consideration of €10.2 million.

B. Employee Benefit Trust

In 2014 the Group established an Employee Benefit Trust (2014 EBT) by acquiring 5,517,241 shares for a total consideration of €48.5 million. During the year, 1,640,511 shares (2020: 200,827) were issued to the Executive Management after meeting the performance conditions at a cost of €13.9 million (2020: €1.7 million). The 2014 EBT is held by a Group company, Roxwell Investments Limited, with a value of €0.6 million as at 31 December 2021.

As noted above, the Company transferred 7,028,339 shares held by the Company in treasury to the Employee Benefit Trust (2021 EBT) for a total amount of €22.6 million.

C. Share options exercised

During the year 1,873,307 (2020: 217,788) share options were exercised, of which 232,796 were cash settled (2020: 16,961).

D. Distribution of dividend

The Company did not pay any dividends during the current year.

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
Retained earnings	Cumulative net gains and losses recognised in the statement of comprehensive income

Note 11 – Loans and borrowings

The credit facility of the Company is a revolving credit facility (RCF) up to €317.0 million available until November 2023. Interest payable on the loan is based on a Euro Libor and Libor rates based on the currency of each withdrawal. As at the reporting date the credit facility drawn amounted to €167.1 million (2020: €308.9 million).

Under the RCF, the covenant is monitored on a regular basis by the finance department and regularly reported to management to ensure compliance with the agreement.

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

- leverage: Net Debt/Adjusted EBITDA revised to 5:1 for the year ended 31 December 2020 and 4.5:1 for the last 12 months to 30 June 2021; and
- interest cover: Adjusted EBITDA/interest revised to 3:1 for the year ended 31 December 2020 and 3.5:1 for the last 12 months to 30 June 2021.

The covenants returned to previous levels of 3x Net Debt/Adjusted EBITDA and 4x interest/Adjusted EBITDA from 31 December 2021 onwards.

As at 31 December 2021, the Company has met these financial covenants. The covenants are monitored on a regular basis by the finance department, including modelling future projected cash flows under a number of scenarios to stress-test any risk of covenant breaches, the results of which are reported to management and the Board of Directors.

Note 12 – Bonds

	2018 Bond €'m	2019 Bond €'m	Total €'m
At 1 January 2020	525.0	346.2	871.2
Interest expense on bonds	1.3	0.6	1.9
At 31 December 2020	526.3	346.8	873.1
Interest expense on bonds	1.3	0.6	1.9
At 31 December 2021	527.6	347.4	875.0

Bonds

(a) 2018 Bond

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

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

The fair value of the liability component of the bond at 31 December 2021 was €536.1 million (31 December 2020: €539.0 million).

(b) 2019 Bond

On 7 March 2019, the Company issued €350 million of senior secured notes (the "2019 Bond") due 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 of the 2019 Bond is 100% of its principal amount. The 2019 Bond bears interest from 7 March 2019 at the rate of 4.250% per annum payable semi-annually in arrears on 7 September and 7 March in each year commencing on 7 September 2019.

The fair value of the liability component of the bond at 31 December 2021 was €358.3 million (31 December 2020: €363.0 million). Please also refer to Note 16 for the bond liquidity risk assessment.

As at 31 December 2021 and 2020 the Group met the required interest cover financial covenant of 2:1 Adjusted EBITDA/interest ratio, for the combined 2018 and 2019 Bonds.

Note 13 – Trade and other payables

	2021 €'m	2020 €'m
Suppliers and accrued expenses	16.1	5.6
Payroll and related expenses	30.7	28.5
Amounts owed to subsidiary undertakings (Note 14)	15.3	10.4
Accrued interest	9.3	9.5
	71.4	54.0

Note 14 – Related parties

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

	2021 €'m	2020 €'m
Management services income from Group companies		
Playtech Software UK Limited	2.0	—
Other services income – cost recharges to Group companies		
PT Services Malta Limited	0.5	—
Dividend income from Group companies		
Playtech Software Limited (Isle of Man)	1,002	—
Interest income from Group companies		
Playtech Services (Cyprus) Limited	—	25.0
Operating expenses incurred from Group companies		
PTVB Management Limited	4.1	10.8

Notes to the Company financial statements continued

Note 14 – Related parties continued

The Company also had outstanding balances due from and to direct and indirect subsidiaries at the reporting date. All balances are repayable on demand. The balances summarised by maturity are included below:

	2021 €'m	2020 €'m
Receivables		
Due on demand or within one year	205.4	294.2
Due in more than one year	895.8	—
	1,101.2	294.2
Payables		
Due on demand	15.3	10.4

Note 15 – Events after the reporting date

During 2021, the Company entered into an agreement on the terms of a cash acquisition of the entire issued and to be issued ordinary share capital of the Company by Aristocrat (UK) Holdings Limited. Each shareholder was entitled to receive for each share 680 pence. The transaction was subject to shareholders' approval. On 2 February 2022, the shareholders voted against the takeover.

Post year end, Russia invaded Ukraine. Playtech has over 700 employees based in Ukraine and the Group's crisis management team is leading a comprehensive response to the crisis with the safety of the Group's employees being the priority. Playtech is making every possible effort to support employees and their families during the crisis. The support includes assisting with relocation to safer parts of the country or to other countries. Playtech has built an organisational structure to support the employees including 24/7 transportation services, accommodation support for those displaced, emergency supplies and shelter, logistical assistance and a 24/7 communication hotline, as well as mental health and wellbeing support. Hundreds of volunteers across the Group are working to help however possible including keeping in continuous contact with their colleagues.

Five-year summary

	2021 €'000	2020 €'000 Restated[1]	2019 €'000 Restated[1]	2018 €'000	2017 €'000
Income statement					
Total revenues from continuing operations	1,205.4	1,078.5	1,440.5	1,225.3	807.1
Adjusted EBITDA from continuing operations	317.1	253.6	375.3	345.1	322.1
Adjusted net profit from continuing operations	127.6	27.3	138.0	259.8	231.4
Balance sheet					
Non-current assets	2,299.1	1,667.3	2,062.4	2,101.2	1,569.8
Current assets	845.9	935.3	1,005.5	992.5	784.4
Assets classified as held for sale	507.4	468.9	36.8		
Current liabilities	490.2	513.7	773.7	1,017.6	547.9
Non-current liabilities	1,236.1	1,352.4	1,108.8	725.6	447.9
Liabilities directly associated with assets classified as held for sale	344.8	309.2	3.6		
Net assets	1,581.2	896.2	1,218.6	1,350.5	1,358.4
Equity					
Additional paid in capital	606.0	592.1	601.0	627.8	627.8
Available-for-sale reserve	—	—	—	—	103.2
Reserve for re-measurement of employee termination indemnities	(0.5)	(0.4)	(0.3)	0.1	—
Employee benefit trust	(23.3)	(14.5)	(16.2)	(17.9)	(21.6)
Convertible bonds option reserve	—	—	—	45.4	45.4
Put/call options reserve	(3.7)	(3.7)	(16.4)	(30.8)	(31.3)
Foreign exchange reserve	(22.7)	(21.3)	(1.4)	(8.2)	(28.7)
Retained earnings	1,025.1	343.7	656.2	726.3	649.5
Non-controlling interest	0.3	0.3	(4.3)	7.8	14.2
Statistics					
Basic adjusted EPS (in Euro cents) from continuing operations	42.8	9.2	45.5	82.4	73.6
Diluted adjusted EPS (in Euro cents) from continuing operations	40.9	8.8	44.6	73.9	66.8
Ordinary dividend per share (in Euro cents)	—	—	18.1	24.1	36.0
Share price low/high	351.0p/770.0p	140.3p/424.3p	360.5p/457.7p	370.0p/882.2p	768p/1,006.0p

1 2019 and 2020 has been restated as a result of an error, as disclosed in Note 40 of these financial statements.

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