gamesys group

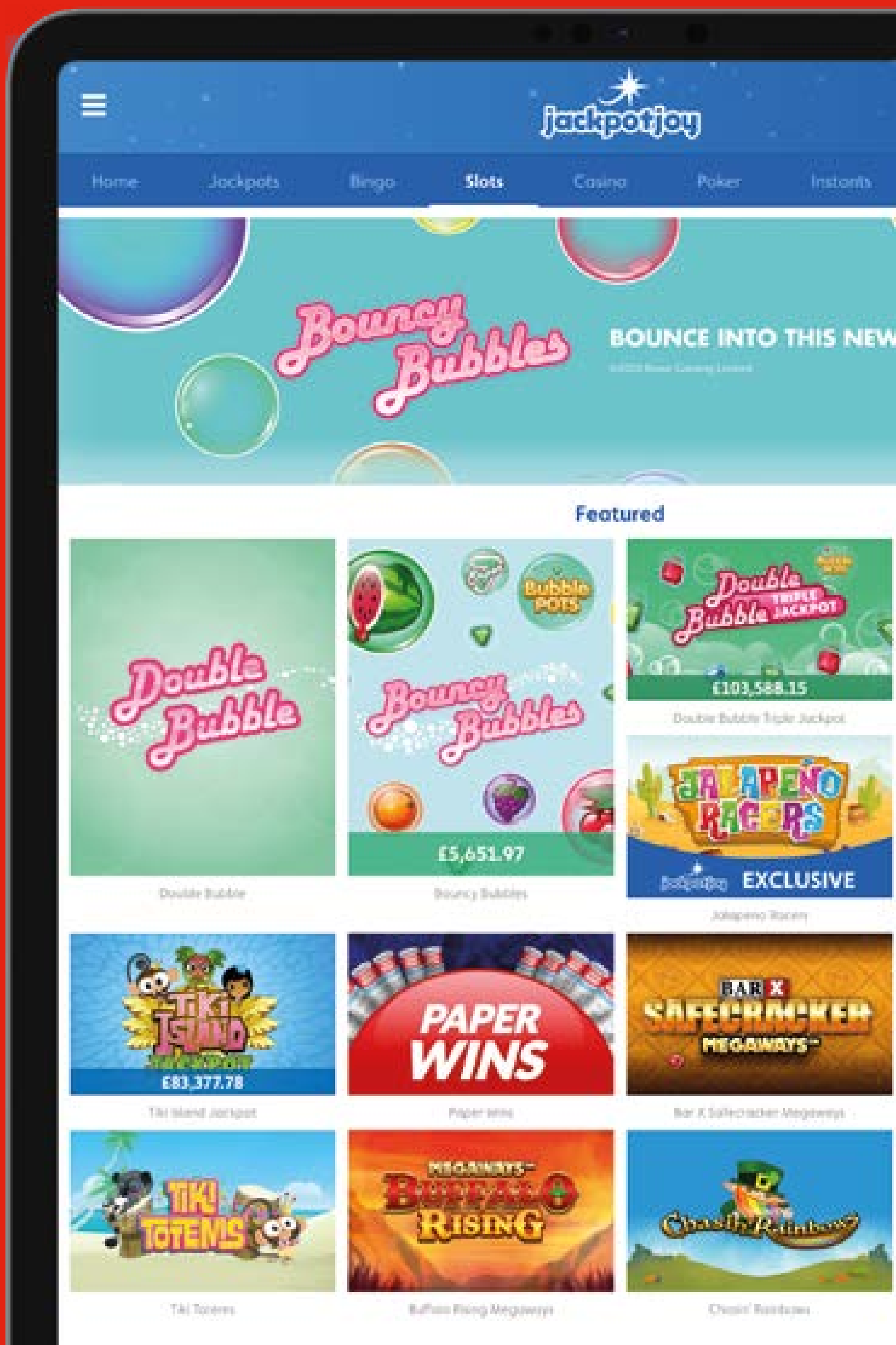
Crafting entertainment with care

Gamesys Group plc
Annual Report and Accounts 2019

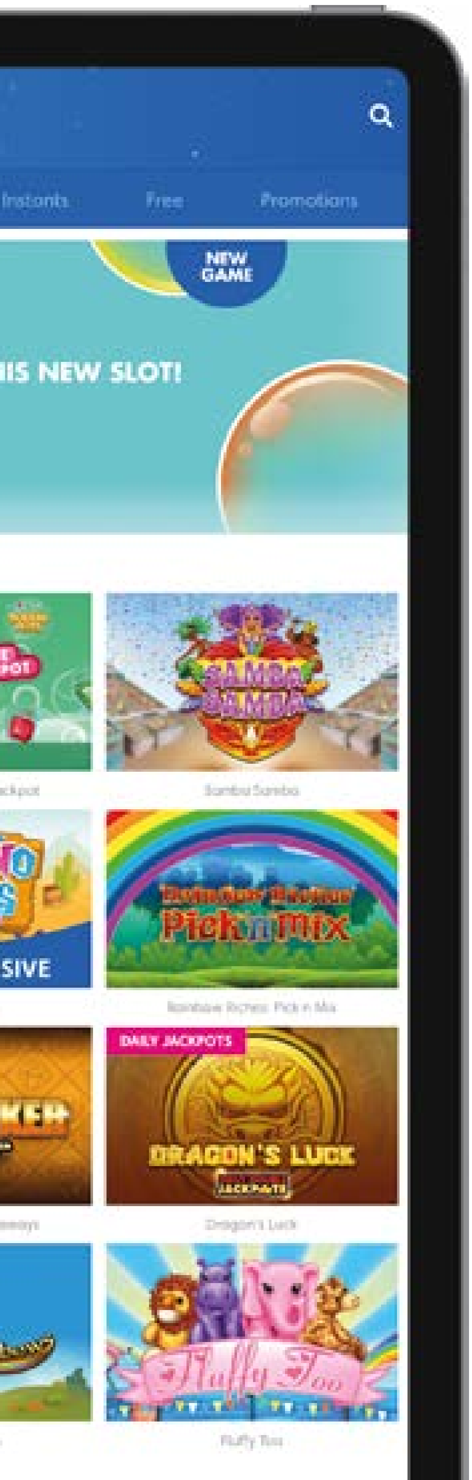
Gamesys Group plc shares are listed on the premium listing segment of the Main Market of the London Stock Exchange.

What we do

We are a leading operator of online casino and bingo-led brands. We want players to be in control of their gambling and we facilitate this with many different tools. It is the right thing to do but it also helps us build longer-term, healthy player relationships, which ultimately result in more sustainable revenue. We're proud of the fact that our approach to responsible gambling is beyond just compliance and we're committed to being leaders in this area.



Highlights



Operational highlights

- Successful completion of the acquisition of Gamesys in September 2019
- Creation of a leading UK and international operator
- Offering players an even greater choice of major brands and different games
- Strong growth in reported and underlying revenues
- Return to revenue growth in the UK and impressive performance in Asia

Financial highlights

Revenues (£m)

£415.1m
+35%

2019	**415.1**
2018	308.2

Adjusted EBITDA (£m)[1]

£118.2m
+9%

2019	**118.2**
2018	108.4

Net debt (£m)[1]

£450.3m
+49%

2019	**450.3**
2018	302.1

Adjusted net income (£m)[2]

£84.4m
-2%

2019	**84.4**
2018	85.9

1. This is a non-IFRS measure. See pages 43, 44 and 138 for additional information.
2. Net income as reported under IFRS was £9.1 million in 2019, net income of £19.3 million in 2018.

For more information, please visit:
www.gamesysgroup.com/investors

At a Glance

Strong platform for growth

Our ability to use enhanced scale, greater operational control and a renowned stable of brands will provide a strong platform for growth.

Who we are

Gamesys Group plc is the Parent Company of an online gaming group that provides entertainment to a global consumer base. Through its subsidiaries, Gamesys Group plc currently offers bingo and casino games to its players using brands which include Jackpotjoy, Virgin Games, Botemania, Vera&John, Heart Bingo, Starspins, Rainbow Riches Casino and Monopoly Casino.

What we do

We want players to be in control of their gambling and we facilitate this with many different tools. It is the right thing to do but it also helps us build longer-term, healthy player relationships, which ultimately result in more sustainable revenue. We're proud of the fact that our approach to responsible gambling is beyond just compliance and we're committed to being leaders in this area.

Rest of the World

The largest single geography where we are present in 'Rest of the World' is the regulated online gaming market in New Jersey in the US.

Pro-forma Revenue 2019
(£m)

£17.1m

For more information see pages 26-27

Average Active Players per month

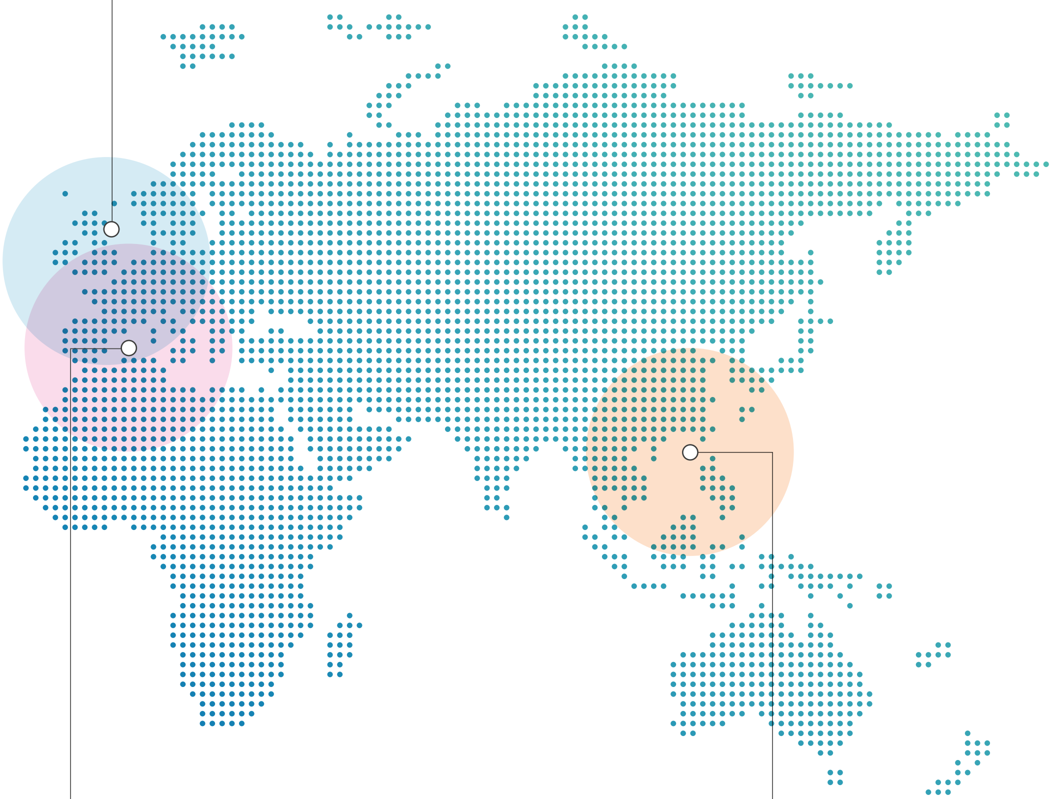
587,399

Average Real Money Gaming Revenue per month

£45.4m

Monthly Real Money Gaming Revenue per Average Active Player

£77



UK

The growth in UK revenues highlights robust underlying momentum in our brands and also reflects the annualisation effect of the enhanced responsible gambling measures introduced in 2018.

Pro-forma Revenue 2019 (£m)

£357.2m

For more information see pages 20-21

Europe

We have three significant territories in Europe (excluding the UK) – Sweden, Germany and Spain, which was the standout performer in 2019.

Pro-forma Revenue 2019 (£m)

£68.6m

For more information see pages 22-23

Asia

Japan represents our largest market in this region and our B2B business in Asia also had a strong year in 2019.

Pro-forma Revenue 2019 (£m)

£122.4m

For more information see pages 24-25

At a Glance continued

Delivering a portfolio of successful gaming brands

We are a leading operator of online casino and bingo-led brands. Our focus is on building a diverse portfolio of distinctive and recognisable bands that deliver best-in-class player experience and gaming content to a global audience.

Casino-led

Rainbow Riches Casino
- Launched in late 2019, this latest addition to the Gamesys portfolio leverages the powerful brand equity of the nation's most loved slots game and includes exclusive Rainbow Riches titles

Virgin Games
- Partnered with Sir Richard Branson in 2013 to become the UK's leading casino-led brand
- Winner of 'Innovation in Casino' and 'Best Marketing Campaign' awards
- A rewarding, trusted online casino that dares to do things differently

Virgin Casino
- Extending the relationship with Virgin further, Virgin Casino was launched in January 2014 in New Jersey, USA

Vera&John
- Fun, female-friendly online casino brand
- High retention model, delivering high growth
- Presence across a number of international markets

InterCasino
- One of the stalwarts of online gaming, launched in 1996

Monopoly Casino
- Launched in the UK in 2015 to become our fastest-growing brand
- A wide range of exclusive Monopoly game titles, from Slots to Live Casino
- Builds on the fun, thrills and nostalgia of the world's best-selling board game

Starspins
- Launched in the UK in 2012 as a Gamesys-owned, slots-focused brand
- Known for its Star and Community jackpots, which give players more ways to win

Tropicana Casino
- One of the most established online casinos in New Jersey, USA
- Integrates with the loyalty system of the land-based operator

Bingo-led

Gamesys was Gaming Intelligence bingo operator of the year 2019

Jackpotjoy

- Gamesys' first bingo-led brand, launched in the UK in 2002
- 2019 winner of WhichBingo's 'Best Bingo Site' and EGR's 'Brand of the Year'
- There's a winner every minute at Jackpotjoy – we want to be known for creating more winners than anyone else

Heart Bingo

- Launched in 2010, leverages the UK's biggest commercial radio brand, Heart
- 2019 winner of WhichBingo Awards for 'Best Mobile Bingo Site' and 'Best Bingo Chat Team'
- Created for players who want a modern bingo experience with a lively community feel

Botemania

- Launched in Spain in 2007 to become a leading bingo and slots brand
- The home of unique and exclusive slots titles such as 'Tiki's island', the top-grossing slots game in Spain

Responsible gambling

In 2019, we invested in consumer research to understand how to embed responsible gambling across our brand strategies. Our aim is to normalise the conversation around responsible gambling and broaden its relevance.

For more information, please visit:
www.gamesysgroup.com/investors

Chair's Introduction

Neil Goulden Executive Chair

Maintaining high standards of governance

Our commitment to the maintenance and development of a culture of responsible gambling is continuous and unwavering.

Highlights

- A transformational year for the Group
- Completion of the acquisition of Gamesys
- Integration of the two businesses progressed smoothly and according to plan
- Capital structure evolving to reflect deleverage
- Our commitment to a culture of responsible gambling is continuous and unwavering

"

A culture of responsible gambling is as important to our employees as it is to our players

Overview and summary of results

Five years after its inception in 2014, 2019 was a transformational year for the Group. The completion of the acquisition of Gamesys for c.£490 million has created a leading international operator offering players an even greater choice of major brands and games. JPJ Group plc was renamed Gamesys Group plc and the new organisation has cemented what was already a symbiotic relationship between the two companies. Following the year-end, it was pleasing to also receive news of our inclusion in the FTSE 250 index, which represents another milestone in our corporate development.

Our operational focus since the completion of the acquisition in September 2019 has been the integration of the two businesses which, given the complementary nature of our activities, has progressed smoothly and according to plan. The rationale for the combination was centred around the strategic alignment of two high-growth companies and the Group has not had to endure the upheaval more typically associated with achieving significant cost synergies following major transactions. To cement the unification, and reinforce our commitment to being a responsible business, I'm pleased to share that we have launched a new company purpose, 'Crafting entertainment with care'. This is supported by a set of company values which represent the core of our Gamesys DNA. The planning and execution of the acquisition has not distracted the Group from continuing to deliver an impressive operational performance. On a pro-forma basis, revenues grew by 15% in 2019, reflecting high growth in key overseas markets, notably Asia, and also good progress in Spain and across our UK brands. As expected, adjusted EBITDA[1] on a pro-forma basis fell, principally due to the impact of higher UK gaming taxes, although this headwind will annualise out in 2020 from Q2 onwards.

Strong underlying cash flows have been a consistent feature of our results and prior to the acquisition of Gamesys, the adjusted leverage ratio[2] had reduced to below 2.5x and down from over 3.5x at the beginning of 2018. Deleverage is expected to progress rapidly as we move through 2020 and the opportunities this will create are discussed below.

Board developments

Katie Vanneck-Smith joined the Group's Board of Directors as a Non-Executive Director with effect from 1 October 2019. Katie is currently the co-founder and publisher of Tortoise Media, the slow-news start up, launched in January 2019. She previously spent over 20 years in various senior executive roles at News Corp, where she gained significant digital and marketing experience while working for some of the largest UK and US national publications, including The Times and the The Wall Street Journal. She was most recently President of Dow Jones, publisher of The Wall Street Journal.

Paul Pathak and David Danziger did not seek re-election at the AGM in June 2019, having joined the Board when the Intertain Group was admitted to the Toronto Stock Exchange in 2014. They made a huge contribution to the development of the Group and on behalf of shareholders I would like to thank them for their contribution and wish them well for the future.

Governance update

To reinforce and drive our commitment to being a responsible business we set up an Environmental, Social and Governance ('ESG') Committee, of which I am a member. The Committee has already made a significant impact, most notably by establishing The Gamesys Foundation (see page 69), and has also overseen the production of our first Section 172(1) statement (see pages 30 and 31) and Non-financial Information Statement (see page 29), both produced in line with recent legislation.

Capital structure

Strong cash flow and a high cash conversion from adjusted EBITDA[1] has been a major positive feature of the Group and the Board expects this to continue going forward. From an adjusted leverage ratio[2] of 2.83x at the end of 2019 we therefore anticipate further deleveraging during 2020 and to this extent the Board has agreed the following long-term strategy on capital structure and capital allocation.

Our long term strategy remains to reduce leverage to our target range of 1x to 2x adjusted EBITDA[1] and to commence dividend payments, with the retained ability to launch a sustained share buyback programme if our share price continues to be significantly undervalued. However, the Board is very well aware that we are now in uncharted waters given the global health crisis and related economic upheaval.

1. This is a non-IFRS measure. See pages 43, 44 and 138 for additional information.
2. Adjusted net leverage ratio consists of existing term loans, deferred consideration, fair value of interest rate swap and cross currency swap, less non-restricted cash divided by LTM to 31 December 2019 pro-forma adjusted EBITDA of £158.9 million.

For more information, please visit:
www.gamesysgroup.com/investors

Chair's Introduction continued

Given the underlying uncertainty, we will remain flexible and agile in the implementation of our corporate strategy in relation to the balance between cash conservation, debt paydown and returning cash to shareholders.

Responsible gambling: focusing on a safe and entertaining environment for all players

Our commitment to the maintenance and development of a culture of responsible gambling is continuous and unwavering. We want to ensure that our players can enjoy a recreational and entertaining gaming experience without exposure to the risks of problem gambling. The enhanced due diligence we undertook in 2018 led to the closure of accounts where players could not provide us with the necessary evidence of their source of funds and affordability, to continue to gamble at current levels, and we will remain highly vigilant in these and all other respects.

We have developed a variety of tools which educate and protect our players. We use these to actively intervene during player sessions if activity levels suggest there are potential problems and some of these tools also provide self-help mechanisms to players. We will continue to implement, develop and refine responsible gambling measures to protect all our players, especially those at risk from potential harm. The foundation of our business is a loyal and sustainable player base and this is underpinned by the Group's strong track record in responsible gambling.

Our people

A culture of responsible gambling is as important to our employees as it is to our players and we will continue to strive to promote a positive environment in this respect, underpinned by our new Gamesys Group DNA and company purpose, 'Crafting entertainment with care'. To attract and retain the best talent, our organisation relies on its ability to demonstrate that we remain an employer which focuses on player safety and staff engagement as well as enjoyment for both employees and players.

The hard work of all our talented employees has delivered a performance in 2019 of which they should all be proud. Despite the inevitable distraction of a major acquisition, the focus and commitment of our workforce has delivered a record set of results and created a solid foundation for the Group to thrive in 2020 and beyond.

Outlook

After a transformative year the Group can look to the future with much confidence. Our ability to use enhanced scale, greater operational control and a renowned portfolio of brands will provide a strong platform for growth. The global gaming market continues to evolve and we believe we are well placed to deliver revenue growth and value for shareholders against this backdrop. Finally, as ever, we aim to continue to provide an entertaining, fun and responsible environment for all our players to enjoy.

Neil Goulden
Chair

Our Values

We craft entertainment with care, building trusted brands and creating great experiences that always put the player first. Our new company purpose is underpinned by the six strands of our new cultural DNA.

We succeed by putting ourselves in the shoes of our players. We want to know more about them than any of our competitors, so we can give them an amazing experience – and they come back to enjoy more of the same. We always look to do the right thing, even when no one is looking.

We're one, big global family – and the kind of family who really do give a damn about each other! We take personal responsibility for delivery but always share success. We never point the finger of blame, even when things haven't turned out perfectly. We like straight-forward people who mean and do what they say, and always show great respect for each other.

There's no doubt we're an ambitious company full of ambitious people. We set our goals high; and our standards even higher. We all want to be the best we can be, in everything we do. There's also that relentless desire to do stuff that no one else is doing, all in the name of creating the best possible experience for our players – and because we can! Go on, shoot for the moon!

We place smart bets in our people, our products and our investments. We're ambitious and entrepreneurial, and, armed with an amazing array of data, we're confident about taking calculated risks. We really are commercially savvy, so know when to fold and when to hold.

In a fast-moving business likes ours, we know change is never far away. We don't just embrace it; we're ready for it. We're ready to flex and adapt, and take on new challenges. It's like we were born ready. Of course it can feel daunting at times, but we always seem to emerge inspired, with a few more experiences in our locker, and ready for the next thing coming our way.

We're a wonderfully diverse group of people who play nicely together and don't take ourselves too seriously. We prefer to set rather than adopt trends, and there's often a slightly quirky, unique, or unconventional edge which makes a Gamesys person stand out. We don't prescribe what wonderfully weird means, but we all know it when we see it. It's part of who we are, and we're not going to change that for anyone!

Chief Executive's Statement

Lee Fenton Chief Executive Officer

Ownership of technology and complete control of operations

The acquisition of the Gamesys business in September of 2019 has transformed our Group way beyond a change of name.

"Our commitment to continuous improvement across every area of our organisation is what sets us apart

Our results

Pro-forma Revenue

£565.3m

+15%

Pro-forma Adjusted EBITDA[1]

£158.9m

-4%

Twelve months ago the Gamesys Group was unrecognisable from the organisation it is today. We started 2019 as JPJ Group, a company with several hundred staff running one proprietary platform but heavily reliant on a single partner in Gamesys that delivered much of the technology, know-how and operations that powered a significant proportion of our revenue streams. The acquisition of the Gamesys business in September 2019 has transformed our Group way beyond a change of name. We now have over 1,400 staff, total ownership of the vast majority of technology deployed and complete control of our operations. Our talent base has been strengthened across the Group and the executive team has been enhanced by experienced individuals with a strong track record of driving growth in the sector.

Despite the distractions of a major corporate transaction, the results delivered in FY19 demonstrate the underlying strength of the Group and have confirmed our belief that the transaction would be relatively simple from an integration perspective due to the established working relationships. Pro-forma net revenue moved up 15% compared to 2018, delivered by growth in the UK, Asia and North America, slightly offset by a decline in Europe, mainly due to regulatory developments in Sweden. Adjusted EBITDA[1] moved down by 4% but this was primarily as a consequence of the change in UK gaming tax.

The integration to create a combined group has progressed well and is on plan. The focus of Q4 2019 was to fully integrate our corporate activities (Finance, Compliance, Legal and HR) and our infrastructure technology functions as well as to align our budget years to deliver the 2020 combined Group budget. In addition, we have also aligned our HR systems and reward structures to serve employees across the enlarged organisation. Through 2020 we will be looking to drive best practice throughout the Group and look to further integrate – where it makes sense – in the areas of Product, Technology and Marketing. Early gains have already been made on marketing spend optimisation, retention marketing algorithms and infrastructure management.

The UK market as a whole saw growth moderate through 2019 and we expect to see similar trends in 2020. We are confident that our approach of multiple trusted brands, player centricity and a focus on the quality, rather than quantity, of content will leave us well-positioned to make market share gains. In November 2019 we added Rainbow Riches Casino to our brand stable, giving the UK's most popular slot franchise a place where the Rainbow Riches fan can experience a world that has never been brought together before. The launch has outperformed any previous new brand launch and we will be looking to build on this promising start. Regulation will no doubt evolve throughout the coming years and we will continue our efforts to focus on excellence in execution of any new regulatory measures. We remain active contributors to the debate on how the industry can best deliver the player protections needed whilst maintaining an exciting, trusted entertainment proposition.

Our European operations faced challenges through 2019 as a new regulatory regime was implemented in Sweden and Germany continued to debate on how to agree an Inter-State Treaty for gambling legislation. Our Spanish business has performed solidly through 2019 but does not yet benefit from the multi-brand approach enjoyed by the UK market and we are expecting to launch an additional brand into the market in 2020 as well as move our operational base to Ceuta to take advantage of a more tax efficient environment.

Our Asia business segment has a well-established momentum in Japan and we will continue to focus in this area by optimising our platform, improving player journeys and maintaining a focus on player protection. Our B2B business, which is mainly focused on Asia, is growing and our internal game studio, Golden Hero, is developing successful content for the region. We have invested significantly in the region for the last five years and believe we have created the platform for sustainable growth.

With the repeal of the Professional and Amateur Sports Protection Act of 1992 we have started to see the US market adopt state-by-state regulations to facilitate online sports betting and, in some instances, online casino. We expect that over time online casino regulation is likely to follow the regulation of sports, so we will continue to look for opportunities to grow our US business. Our strong partnership with Tropicana in New Jersey and the continued development of Virgin Casino in the state, means we have a strong demonstrator of our casino capability in the largest online gaming state in the market and we believe that this gives us a strong platform to access future growth as the wider market opens up.

We want players to be in control of their gaming and we facilitate this with a wide variety of different tools for self-care and many algorithms and processes for the limited occasions that we need to intervene. It is not only the right thing to do, but it is our route to building healthy, long-term player relationships that result in sustainable revenue streams. This approach to player welfare only works if it is deeply embedded in a company's culture and values, so we strive to have all our employees put the player at the heart of what they do and ensure they get the service and care they would hope to get themselves.

Our people are the beating heart of our business and make us who we are. Our commitment to continuous improvement across every area of our organisation is what sets us apart. We work hard to set a high bar on talent and to find, develop and keep the best people. We encourage an owner mentality across the Group where our staff feel responsible for both the sustainability of our business and the responsibility we have towards our players.

Lee Fenton
Chief Executive Officer

1. This is a non-IFRS measure. See pages 43, 44 and 138 for additional information.

For more information, please visit:
www.gamesysgroup.com/investors

Q&A with the Chief Executive

Lee Fenton Chief Executive Officer

A safe and fair environment for entertaining our players

Players want a safe and fair environment in which to play. We are in the entertainment business but gambling is our business model, so trust is absolutely critical.

Q Now that Jackpotjoy and Gamesys are officially one entity, what are your objectives for the business going forward?

A When we announced the transaction, we said that bringing the businesses together made sense for five reasons and those reasons still remain:

- Strategic alignment so that we are competing with others rather than each other
- Operational control
- A diversified brand portfolio
- Increased scale that would enhance the player experience
- Extremely talented team with a track record of growth.

Our objectives are to ensure the rationale for the combination are borne out in our results, make smart choices for our future evolution and to ensure that we remain a fun place to work for all our people.

Q What for you was the most important factor in the agreement of the acquisition deal?

A By joining forces it enabled us to focus on growth, which ultimately results in us being able to stay focused on the player.

Had the deal not gone ahead we would have wasted time transitioning staff from Gamesys to JPJ Group under the terms of the 2015 deal and ultimately competing against each other.

> Our results for the latter part of the financial year were delivered at the same time as going through the transaction and it is something that we are justifiably proud about

Q What for you is the most challenging aspect of running a multi-jurisdictional digital business?

A The complexity of running a highly technical business under different regulatory frameworks.

The technology and regulations are in a constant state of flux and the challenge is to navigate through these minefields while remaining focused on meeting our players' needs and our shareholders' expectations.

Q The combined Group posted a pro-forma 15% rise in its Group revenues for 2019; what strategies is the business using to maintain growth in the future?

A Our results for the latter part of the financial year were delivered at the same time as going through the transaction and it is something that we are justifiably proud about.

We try to keep things as simple as possible, so the focus will remain on effective marketing to build our player base combined with an absolute focus on the player experience. We will aim to continue to grow our market share in existing key territories such as the UK and Spain and also seek to identify opportunities in new core countries.

At Gamesys we are passionate about using our own products and making them the very best they can be to keep our players entertained and this approach will underpin our continued growth.

Q How important is it that the newly combined Group has recognised brands such as Monopoly and Virgin among its combined portfolio?

A We are in the entertainment business but gambling is our business model so trust is absolutely critical. Players want a safe and fair environment in which to play so when they see global brands such as Monopoly and Virgin they rightly expect those brands to uphold standards of fairness and care.

Both Hasbro and the Virgin Group expect us to meet the very highest standards and that drives us; it makes us better.

Q How important to the immediate success of the business is it that the two combining entities already had an existing business relationship?

A It was very important and ensured the process was a success.

We had a great partnership for four years ahead of bringing the Group together, so we had many successful working relationships already established within the teams and I think that has been extremely helpful in keeping the focus on the player as we manage the integration. Having a similar culture has also made things easier for us. We've now combined these under our new Gamesys DNA, which for both businesses has very much been a cultural evolution rather than revolution.

Q It has been a year of big consolidations within the UK gambling market; do you see this trend continuing in the future?

A While the cost to serve continues to rise through tax and regulations, it is inevitable that the consolidation seen in recent years will continue.

Q What are your impressions of the Japanese gambling market? Does this represent a good future market for Gamesys?

A We have been in the Japanese market for some time now and it takes time to understand player behaviour and how best to engage with them, but we are learning and improving all the time. If we maintain our focus on providing a unique entertainment proposition in a safe, responsible environment based on a deep understanding of what players want, I believe that Japan can continue to be good market for us.

Q In your opinion is the UK becoming an overregulated environment for e-gaming operators?

A The UK Gambling Commission ('UKGC') exists to safeguard players and the wider public by ensuring that gambling is fair and safe and I believe that is the right objective. If I look back five years I think the industry has come on leaps and bounds in the area of player protection and I think the UKGC has played a huge role in making us a better, safer industry. At Gamesys, we are always looking to improve in this area, and see taking a more progressive approach to responsible gambling as an opportunity to differentiate ourselves. We actively participate in UKGC initiatives and have joined the Betting and Gaming Council and will be supporting their commitments. We are also investing in our own research programme to drive further improvement and understand our players more.

Q What are the Group's ambitions for the US market going forward?

A We are keen to expand our operations in the United States, but it needs to be done on a state-by-state basis.

We have been in New Jersey from day one of that market opening and enjoyed an excellent partnership with Tropicana, powering their brand as well as our Virgin Casino brand.

We do not offer sports today and that is the product that is driving legislators in many other states and high premiums have been exacted for market access deals. We do want to progress to more states, but our focus today is casino and we will be patient as we consider carefully how we expand our operations.

Q Finally, what makes Gamesys different and sets the Group apart from the pack?

A First and foremost, we dare to be different and if you don't do that you will always struggle to lead. We place the players at the heart of what we do. We carefully craft the experiences they have and the games they play. We seek to build trusted relationships with them and always act with integrity. To do this you have to have people that care, both about the quality of the work they do and about the player they are seeking to entertain.

For more information, please visit:
www.gamesysgroup.com/investors

Market Overview

Answering market demand

The global online gambling market is estimated to be worth €68 billion in 2019[1]. Despite significant consolidation, the market remains structurally fragmented.

Global overview

The global online gambling market is estimated to be worth €68 billion in 2019, having grown at 15% year-on-year[1]. The market remains c.53% sports betting[1], although the mix in Gamesys' addressable markets generally remains more favourable to gaming – some markets materially over-index in betting. Despite significant consolidation, the market remains structurally fragmented, with Gamesys being among the top ten visible operators globally but only registering a 1% market share[1].

Gamesys does not penetrate the entire online gambling market due to both product mix and regulation (where a number of 'dark grey' markets are not serviced). Gamesys does not offer sportsbook, which means that this market and the element of direct cross-sell it generates is not addressable. When these are stripped out, Gamesys' share of its addressable market is 3.3%[1], which is impressive given the structural level of fragmentation and the targeted approach to key geographies adopted.

Geographic focus

The UK remains Gamesys' key market, and accounted for c.63%[1] of pro-forma revenue in 2019. While the market is still growing, three important drivers have contributed to a shift in the pace of growth, particularly relative to some international markets. Firstly, the overall maturity of the UK market, given it was one of the first regulated online markets globally. Secondly, the strong action taken by Gamesys to ensure compliance with enhanced AML and social responsibility measures (the impact of which largely reduced VIP exposure and is now washing through comparative figures). Thirdly, the strong underlying growth seen outside the UK (see page 15).

Gamesys has an 11%[1] market share of its addressable segment in the UK, making it one of the UK's leading specialist gaming operators, especially in terms of mass market and bingo-led penetration.

Spain meanwhile (c.8%[2] of reported revenue) is a market which has seen strong double-digit growth over recent years. This reflects a market at an earlier stage on the maturity curve and, not surprisingly, the growth is fuelled by high levels of marketing spend across the entire market (c.46% GGR)[1]. However, Spain is also a relatively immature market in terms of the channel shift from retail modes of gaming, meaning that underlying growth of online gaming is strongly underpinned, notwithstanding some of the regulatory challenges which may result from advertising restrictions. As a market leader, the Botemania brand is relatively well protected and any restrictions would disproportionately harm sub-scale operators.

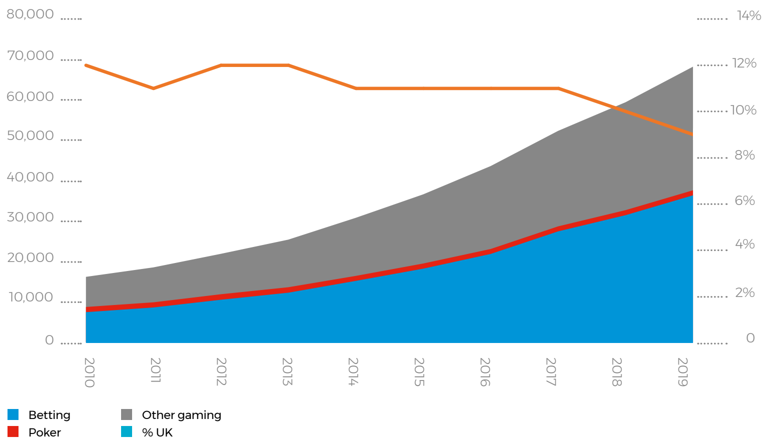
Japan (c.18% of pro-forma revenue)[1] has been a stand-out success for the Group in terms of growth and diversification, demonstrating our global capability. Japan is yet to introduce its own licensing regime applicable to our business and recent increases in regulatory threat levels of domestically regulated markets demonstrate the value of a diversified portfolio of growth and risk. There is no accurate data publicly available on market size and growth of the Japanese market.

Other markets represent the balance of Group revenue, representing a long-tail of markets that are both challenging (e.g. Sweden) and promising (e.g. Brazil and Germany, albeit with uncertain regulatory change pending in both).

Gamesys also has exposure to the potentially high-growth US market via an established position in the New Jersey casino market. More states are now adopting online gaming, albeit at a slower pace than online betting (e.g. Pennsylvania, Michigan and West Virginia), which potentially adds around 25 million people – or the population size of the entire Nordics region – to the existing footprint in New Jersey (population 9 million domestic market). The US could therefore be an extremely attractive domestically regulated market for Gamesys as it evolves.

1. Regulus Partners estimates.
2. Investor Presentation FY19 results.

Global remote gambling market (€m)



Global growth drivers

Overall, the Gamesys geographic mix helps balance market risk, expecting regulatory issues in some markets to be offset by underlying growth in others. While the timing of regulatory change can cause uncertainty, there is strong, underlying growth to underpin the continued expansion of online gaming globally.

There are four underlying drivers of growth to support the positive backdrop for online gaming on a global level:

1. Continued channel shift from convenience-based land-based gambling
2. Smartphone adoption
3. Access to and familiarity with online retail/banking
4. Growth in advertising leading to increased player awareness (especially for the mass market).

It should be noted that domestic regulation can either enable or restrict these drivers depending upon the nature of the regulatory framework (which can also change within regulated markets over time); hence the attractiveness of a portfolio approach to risk and growth. While these are at different levels of maturity within each of these measures for different markets, only the UK and some Nordic markets score very highly in terms of overall maturity across all metrics, which supports the prospects for overall global growth.

Responsible gambling focused on recreational activity

Recreational gambling is the cornerstone of an ethical and sustainable gambling business model. The majority of our core brands are positioned towards a mass-market player base. This not only enhances Gamesys' growth profile in favourable regulatory environments, but reduces exposure to higher value players, who tend to generate shorter-term, less sustainable revenue, and which are currently the subject of considerable political-regulatory scrutiny, especially in the UK. In line with the Group's strategic priorities (see pages 18 and 19) we will continue to evolve our business practices and enhance our global sustainability credentials so that we remain leaders in this area.

Outlook

Gamesys has demonstrated that it is capable of unlocking growth in a wide range of markets, which the combination of brands, operational control, proprietary technology and player-facing capabilities will considerably enhance. The Group can therefore look to the long-term future with confidence, notwithstanding the high levels of political and regulatory scrutiny of online gaming across most markets. An ability to leverage brands and in-house capabilities plus a mass-market and recreational gambling focus, gives the organisation significant levels of diversification and mitigation potential. Gamesys' scale and transparency allows us to play a leading role in demonstrating that online gaming can be a safe, fun and rewarding leisure activity for the vast majority of players to enjoy.

Business Model

Growing our business responsibly

We craft entertainment with care, building trusted brands and creating great experiences that always put the player first.

Our key differentiators

Diversified operations/geographic spread
Operating across geographies and regulated/unregulated markets provides a backdrop for balanced growth.

Strong financial position
Solid capital structure and track record of strong cash generation.

Proprietary technology
Two proprietary platforms: 'Excite', which supports Jackpotjoy and other brands, and 'EnJoy', which primarily supports Vera&John.

Strong player relationships
Building trusted relationships with our players and always acting with integrity.

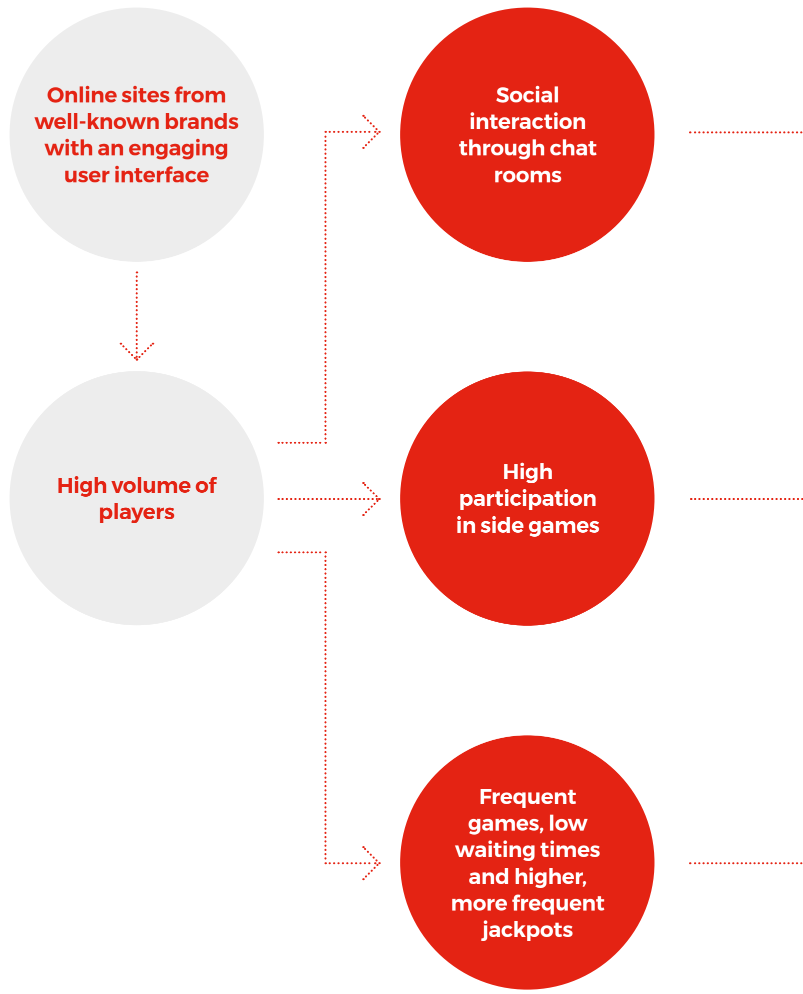
Global brands with high standards of care and fairness
Distinctive and recognisable online casino and bingo-led brands that deliver best-in-class player experience and gaming content.

Dedicated teams
Our people care, both about the quality of the work they do and about the player they are seeking to entertain.

What we do

Within a responsible gambling environment

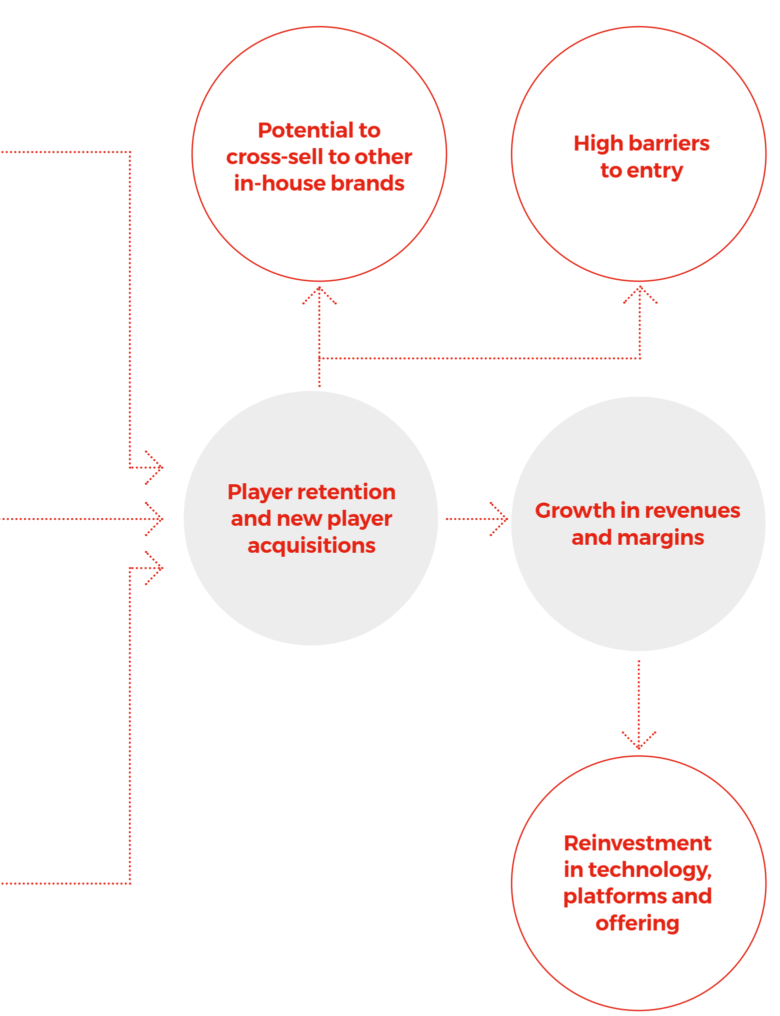
See pages 32-34



How we operate

By managing our risks

See pages 50-57



By embodying the Gamesys DNA

See page 9

By managing a responsible business

See pages 28–39

The value we create for stakeholders

Our business is highly cash generative, with high growth and high margins. We maintain high standards of corporate governance to ensure we are building our business responsibly and sustainably, thus generating value for all our stakeholders.

For society

We promote a culture of responsible gaming and market our activities in a transparent and responsible way.

See pages 38-39

For players

We offer a user-friendly, multi-platform approach aimed at meeting our players' needs and encourage players to play responsibly.

See pages 32-34

For government

We contribute to the economies where we operate through revenue generation and taxes paid.

See page 39

For shareholders

We have a strong track record of cash generation which enables us to reinvest in the business.

See pages 41-49

For employees

We provide a working environment where employees can develop, thrive and be their best.

See pages 35-37

Stakeholder engagement

For more on how we engage with our stakeholders, see our Sustainability Report on pages 28 to 39.

See pages 30-31

Our Strategy

Focus on key markets to deliver growth

Our strategy is based on five strategic pillars, which include increasing market share and delivering further growth in key existing territories. The solid foundations we have established across the Group will not only support our current footprint but also provide a springboard for success as we seek to address new markets.

Underpinning our operational focus is the mantra of keeping the player at the heart of everything we do. Central to one of our five pillars, 'Putting the player first', is the mantra to always provide an entertaining and safe environment for our players to enjoy.

For our KPIs see page 40

Gain market share in established markets

The launch of two new casino ventures, Rainbow Riches Casino in the UK (November 2019) and the potential to move to a multi-brand approach in Spain, will help underpin our drive to increase market share in these two key geographies. Rainbow Riches is one of the best-known gaming brands in the UK and our exclusive right to 'Rainbow Riches Casino' can be leveraged across our entire brand portfolio through a variety of promotions. In addition, we will continue to drive growth in Virgin Games with a brand refresh and more innovative ways to entertain our players. Overall, our strong brand portfolio allows for marketing efficiencies where we can optimise spend across the brands to deliver the optimum return on investment ('ROI'). We continue to see strong player retention and engagement partly due to continuous improvements in our Daily Free Games ('DFG') offering and ever-evolving game content.

Develop our presence in Asia

We will build on the well-established momentum in Japan and leverage the focus and capability of the Group to take full advantage of our leading market position. This strategy will be supported by optimising the platform, improving player journeys, building on an established brand and improved registration and reward capabilities. Meanwhile, our B2B business, which is focused mainly on Asia, is rapidly expanding as we access growing and exciting markets. Our games aggregation business 'Solid Gaming' has grown rapidly since its launch in 2018 and our internal game studio Golden Hero is developing successful content. We have invested significantly in our capability in the region over the last five years and the infrastructure we have created is an excellent platform for ongoing growth.

Target new markets

A key focus in terms of future growth is to establish a repeatable framework for market entry into new markets and/or new launches in existing markets. This will be underpinned by a thorough market feasibility process and a commercial strategy for each market that capitalises on the strengths of the Group, particularly in terms of ownership of technology and operational control.

Putting the player first

We want players to be in control of their gambling and we facilitate this with many different tools. It is the right thing to do but it also helps us build longer-term, healthy player relationships, which ultimately result in more sustainable revenue. We're proud of the fact that our approach to responsible gambling is beyond just compliance and we're committed to being leaders in this area. Going forward, we will:

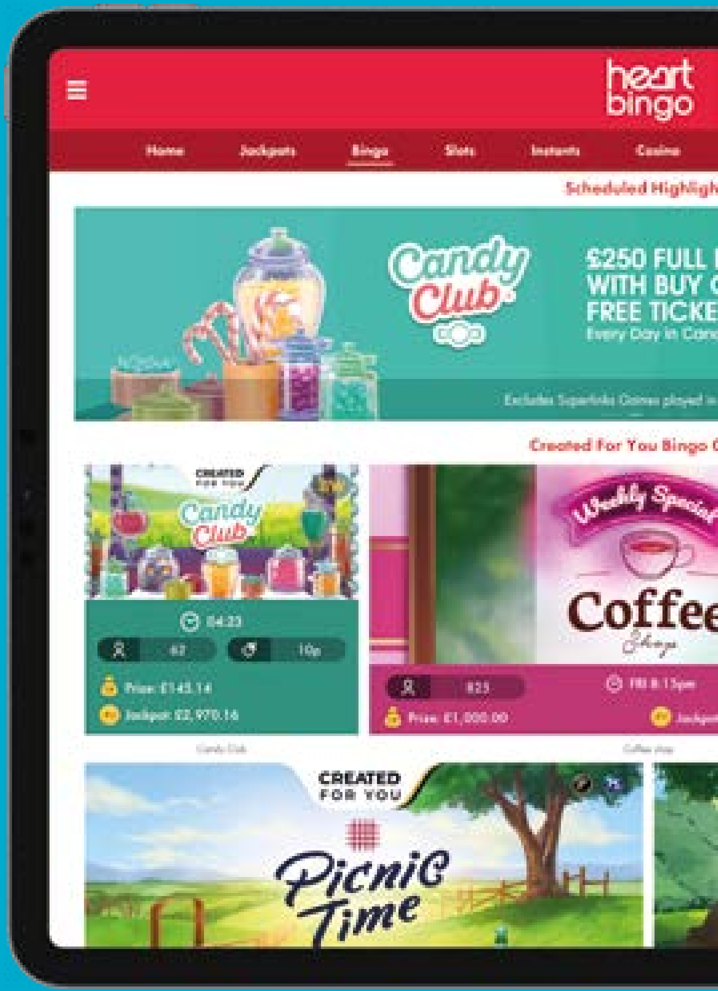
1. Learn by investing in research to understand the drivers of problem gambling so that we can make a real difference.
2. Cement a caring environment by investing in education and support whilst applying globally and locally defined player care standards.
3. Develop a 'Player Care' sub-brand, widely known by our players.

Successful foundations

We will continue to invest in building strong foundations through our people, technology, games strategy and delivery of integrated compliance programmes across the Group. Our immediate priority was to complete the successful uniting of Gamesys Holdings and JPJ Group with the streamlining of policies, procedures and infrastructure. Our approach to consolidation is to take the best from each organisation, and to ensure that operating responsibility is at the fore. We see this as a key way to differentiate from our peer group and enable us to attract and retain both players and employees. Our commitment to operating responsibly is underpinned by our newly launched Gamesys Group DNA, which defines our culture as one which puts players and stakeholders first. Focus areas for 2020 include embedding our DNA into recruitment and appraisal processes, streamlining policies and procedures, and achieving external recognition of our approach to corporate responsibility.

Operational Review: UK

Robust underlying momentum in our brands



The growth in UK revenues highlights robust underlying momentum in our brands and also reflects the annualisation effect of the enhanced responsible gambling measures introduced in 2018.

Increased barriers to entry in the market, due to profit margins being impacted by an increase in gaming tax, have meant that we are benefiting from reduced competition in the UK market. We are seeing signs of this continuing into the foreseeable future as scale continues to enhance our economic moat. Within the casino-led gaming sector we predict further consolidation in 2020 due to a higher degree of market fragmentation in the sector. Smaller sub-scale operators will continue to feel the squeeze as compressed margins impact their ability to effectively market, attract and retain players.

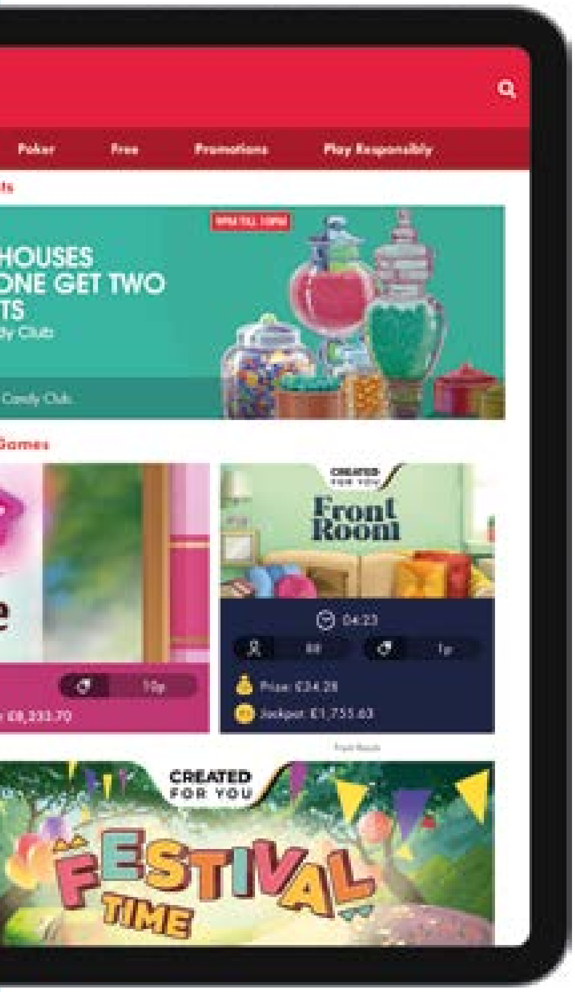
Following completion of the acquisition in September 2019, our enlarged Group has benefited from an aligned marketing strategy within the UK. The volume of First Time Depositors ('FTDs') has increased since the formation of the combined entity and the cost of acquiring them has reduced.

In November 2019, we launched Rainbow Riches Casino with a view to target competitor wallet share as this brand is widely known as the most popular casino brand franchise in the UK.

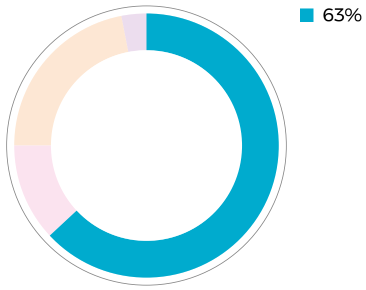
Whilst new regulatory measures will no doubt continue to be introduced into the UK market, our significant market share and scale, and progressive approach to responsible gambling, leaves us well placed to meet future challenges. As an example, the April 2020 ban on credit card use for gambling was easy for us to comply with because we had already put the infrastructure in place and started launching products without credit cards in late 2019, ahead of the regulations even being announced. We have also reduced our reliance on VIPs and, with a multi-brand strategy and full ownership of a proven proprietary platform, we are able to provide our players with a unique gaming experience. We remain confident over our growth prospects in the future.

Pro-forma revenue 2019 (£m)

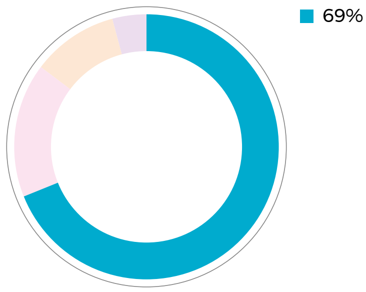
£357.2m



UK as a percentage of pro-forma revenue 2019



UK as a percentage of pro-forma revenue 2018



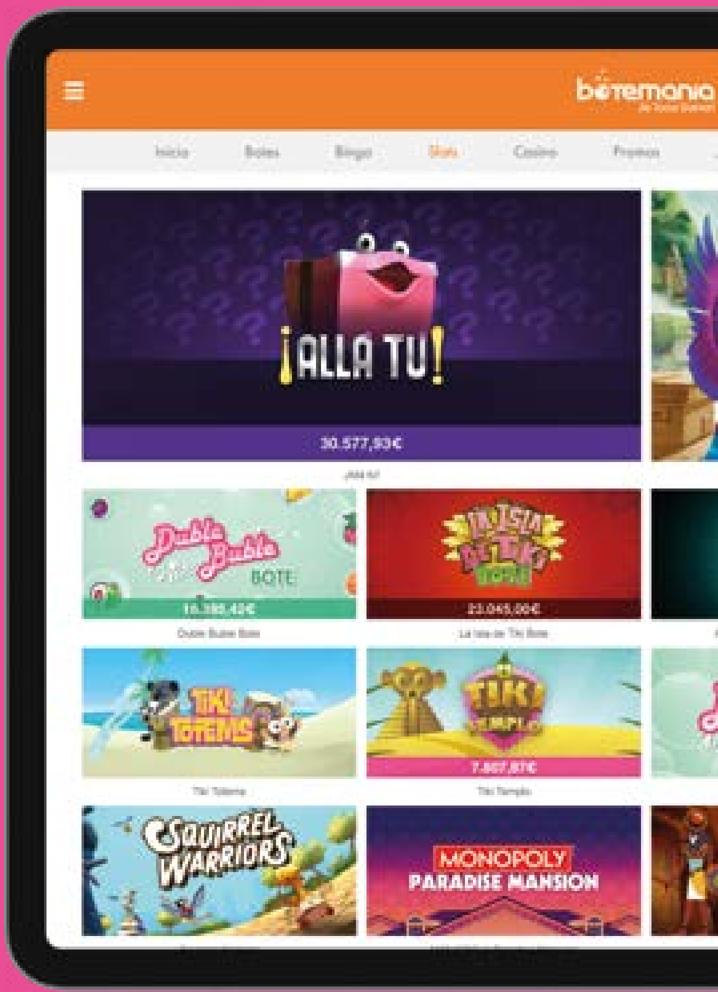
“

With a multi-brand strategy and full ownership of a proven proprietary platform, we are able to provide our players with a unique gaming experience

For more information, please visit:
www.gamesysgroup.com/investors

Operational Review: Europe

Spain was the standout performer in Europe



We have three significant territories in Europe (excluding UK) – Spain, Sweden and Germany – and these enjoyed mixed fortunes during 2019.

We operate in Spain under the Botemania brand, which is the market leader in the bingo-led segment of the Spanish gaming industry. Building on established momentum, 2019 represented another good year of growth for our Spanish business and we further cemented our market leadership position. Marketing investment was increased in 2019, particularly above-the-line marketing, which helped deliver solid growth in the active player base and revenues. This represents an excellent performance in an increasingly competitive market.

We are committed to retaining our market leadership position in the online bingo sector in Spain, but in a similar vein to the UK, we believe there is an opportunity to grow our business further by introducing a new casino-led brand.

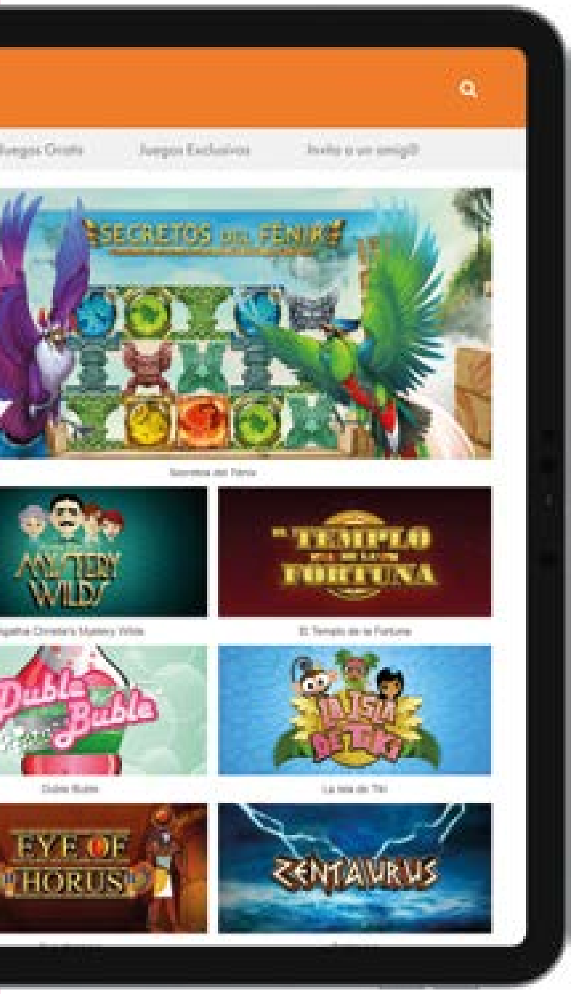
Sweden regulated the online gaming industry in 2019 with a tax on GGR of 18% commencing in January. At the same time, a swathe of regulations were introduced which has made it challenging for all companies present in the market. In common with many operators, this led to a decline in both our active players and revenue throughout the year. Gamesys operates in Sweden using the Jackpotjoy, Vera&John and InterCasino brands. During the year, all three brands were consolidated onto the EnJoy platform in a virtually seamless transition and this has reduced both operating and development costs. This has contributed towards helping preserve profitability in the region but we expect Sweden to remain challenging in 2020.

Germany also proved to be a challenging market in 2019 as legislative bodies continued to grapple with how best to approach the regulation of the online gaming industry. During the year this negatively impacted on our available payment providers and typical marketing channels. Consequently, growth slowed but, despite these challenges, our active player base increased and net gaming revenue still grew comfortably by double-digits. We have managed to adapt and optimise and finished the year strongly with this momentum continuing into the early part of 2020.

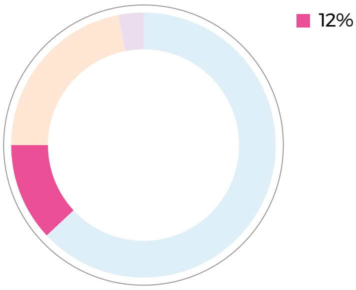
While the German market continues to pose regulatory and legal challenges, we are keen to build further upon our success in this market and will monitor the regulatory backdrop closely as it evolves.

Pro-forma revenue 2019 (£m)

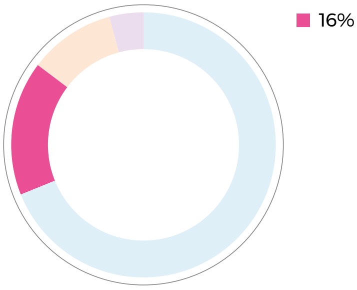
£68.6m



Europe as a percentage of pro-forma revenue 2019



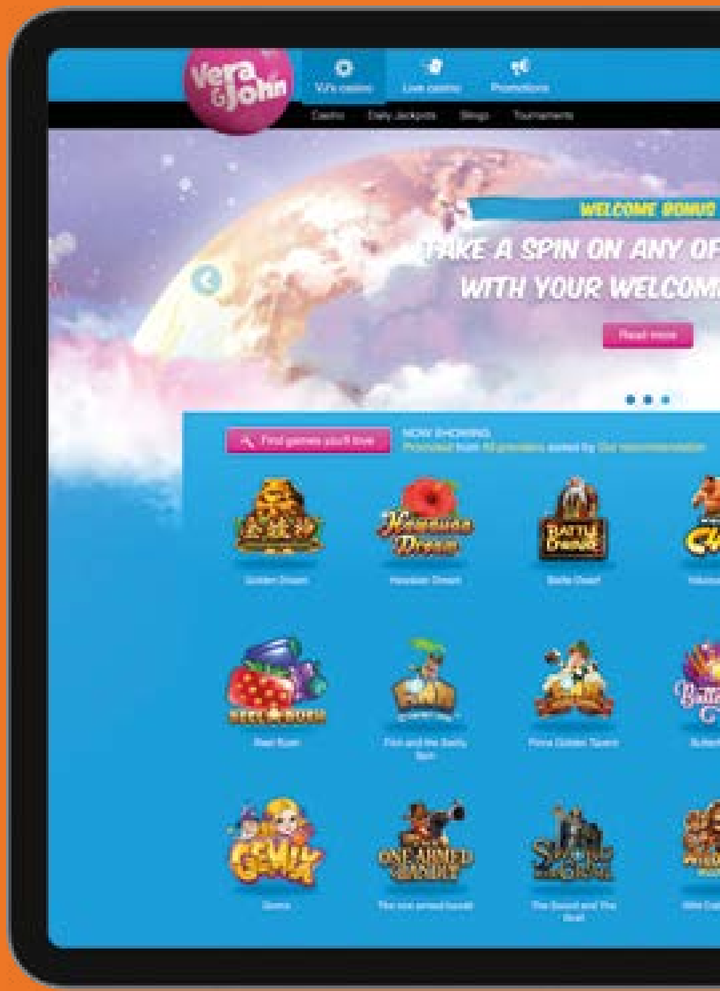
Europe as a percentage of pro-forma revenue 2018



> Building on established momentum, 2019 represented another good year of growth for our Spanish business

Operational Review: Asia

A strong year for Japan and our B2B business in Asia



The foundations we have built in Asia over the last 5+ years have primed our operations in the region to make further progress in 2020.

B2C
Our B2C operations comprise the vast majority of our Asia revenues and Japan represents our largest market. With triple-digit growth in 2019, Japan has been a resounding success and continues its positive momentum and upwards trajectory. Both the Vera&John and the InterCasino brands have a long history in the market and have established considerable trust with players. We have been able to hone our market knowledge over many years and 2019 has seen many of our long-standing efforts bear fruit.

Trust and expertise are key ingredients for success in this market and we have been able to establish strong partnerships through our continued presence. Responsibility and sustainability are cornerstones of the wider Gamesys Group ethos in markets such as the UK, but we also take these very seriously in geographies such as Japan. In an unregulated market, where some operators may not adhere to best practice, it is even more important to establish high operating standards and look after our players in the best way possible. Our Japanese players value this approach and know they are dealing with an international company that provides a safe and responsible gambling environment.

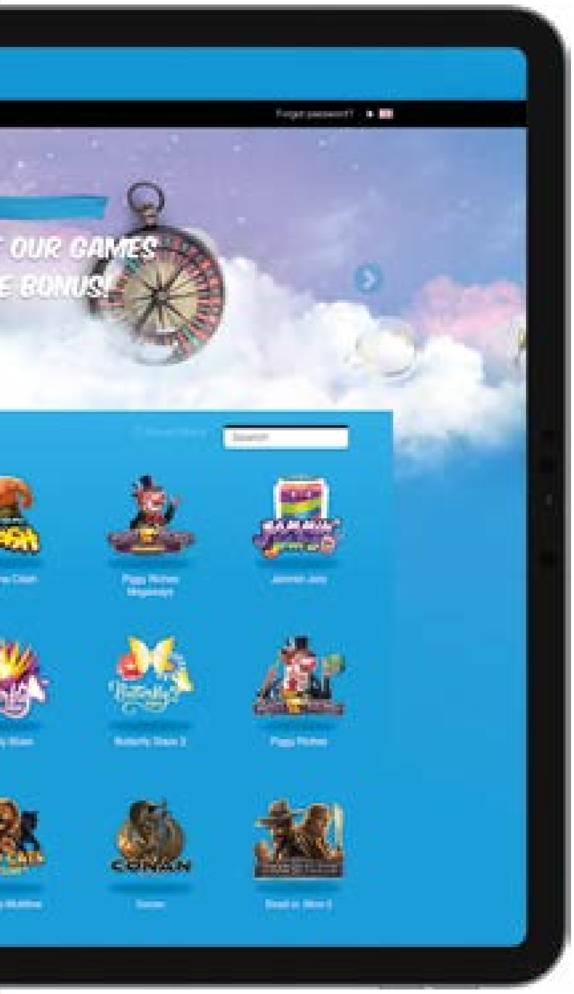
B2B
Our B2B business in Asia had a strong year in 2019 and we have made significant strides towards providing our partners with better service, enhanced product features and dedicated development resources. As a consequence of these successful initiatives, Asian B2B services and content aggregation services grew revenues by a triple digit % in 2019.

Solid Gaming, our Asian-facing Game Aggregation business that was only established in 2018, has performed well and is showing signs of increasing momentum. We have onboarded nine new clients and currently offer over 2,000 games from in excess of 50 game providers.

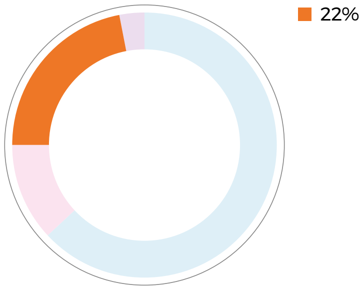
Golden Hero, our new internal game studio has grown rapidly and enjoyed a very successful year. Golden Hero offers a wide portfolio of games with seven new games launched in 2019 including three 'Pachi-slots' titles Hawaiian Dreams, Battle Dwarf and Golden Dream. These games are based around a Pachinko theme and are specifically targeted at the Japanese market. All of those games are amongst the top ten most popular titles on our Japanese sites, with Hawaiian Dreams being the top performing slot on the entire Vera&John platform. Golden Hero plans to release further games in 2020 with the next Pachi-slot release scheduled for Q2.

Pro-forma revenue 2019 (£m)

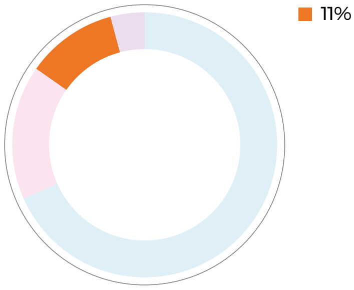
£122.4m



Asia as a percentage of pro-forma revenue 2019



Asia as a percentage of pro-forma revenue 2018

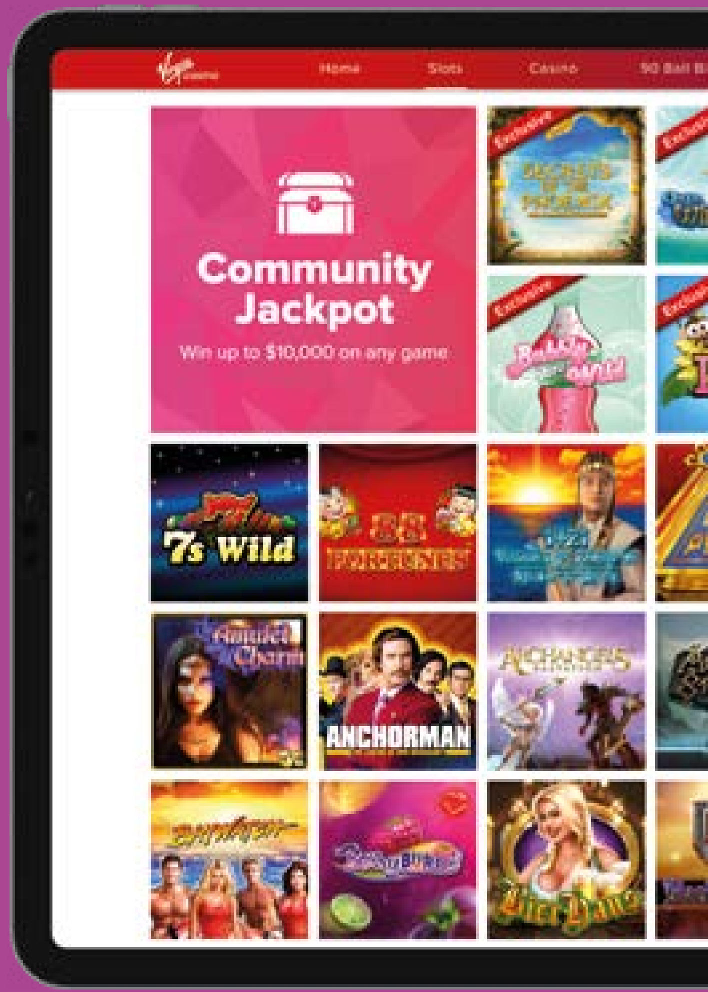


> We have been able to hone our market knowledge over many years and 2019 has seen many of our long-standing efforts bear fruit

For more information, please visit:
www.gamesysgroup.com/investors

Operational Review: Rest of the World

A foothold in the burgeoning US market



The largest single geography where we are present in 'Rest of the World' is the regulated online gaming market in New Jersey in the US. In the state of New Jersey we operate on the Tropicana platform, providing Tropicana with a B2B service but also operating on a B2C basis through our Virgin Casino brand.

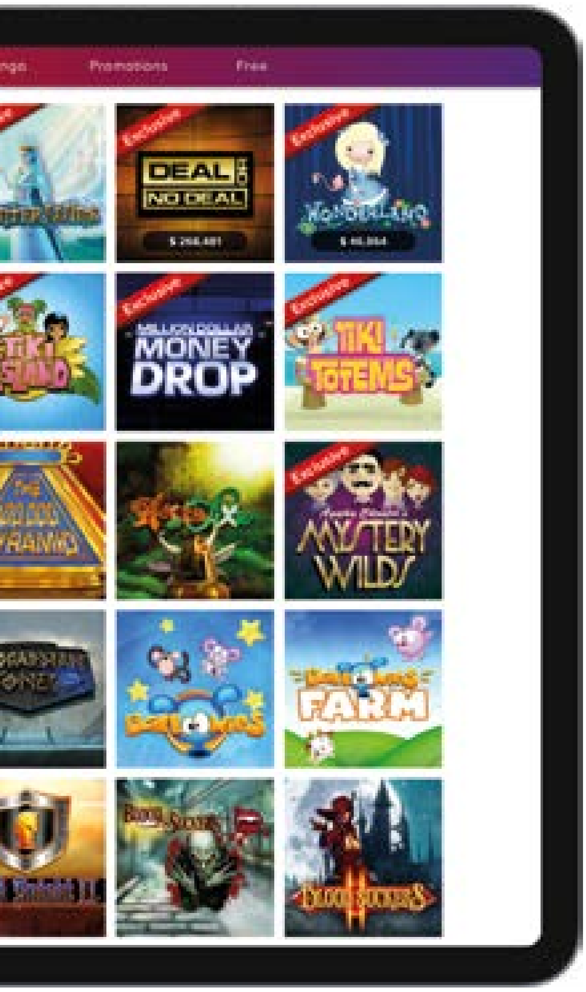
Revenues from New Jersey have been robust over the last couple of years and we remain profitable whilst continuing to invest in developing our expertise in the market. The environment is a highly competitive one so marketing spend has to be judicious and efficient but our foothold is an important one given the bigger picture. Our performance with Tropicana gives us a platform to access the US as individual states continue to open up with respect to regulated gaming and potentially to extend reach further afield in the Americas.

Brazil has delivered double-digit growth in 2019 after some restructuring at the beginning of the year. Growth was primarily achieved through opening up new acquisition channels, optimising Player Relationship Management and a greater focus on account-managed players.

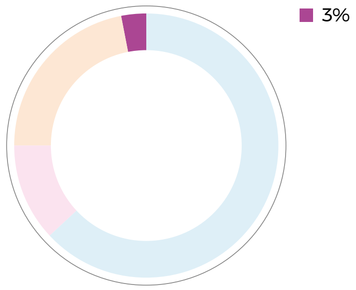
In February 2019 we launched a casino product in Canada in conjunction with local partners. After a relatively slow start, the brand has gathered momentum in Q4 following the launch of our TV campaign. We are very optimistic for prospects in the future as the market is still nascent but with an established propensity for consumers to enjoy gaming products such as lottery.

Pro-forma revenue 2019 (£m)

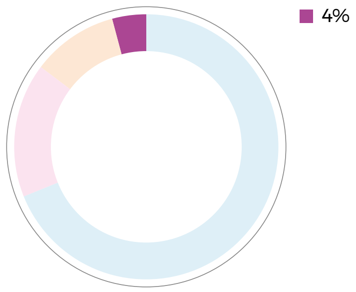
£17.1m



Rest of the World as a percentage of pro-forma revenue 2019



Rest of the World as a percentage of pro-forma revenue 2018



> Our performance with Tropicana gives us a platform to access the US as individual states continue to open up with respect to regulated gaming

For more information, please visit:
www.gamesysgroup.com/investors

Sustainability Report

Operating a sustainable business

For us, operating in a responsible and sustainable manner is not only the right thing to do, it makes fundamental business sense.

We benefit from long-term relationships with our players and other stakeholders, and aligning our approach to meet their needs facilitates better relationships. Our desire to be a responsible business leader comes from the top and is reflected in our Company purpose, 'Crafting entertainment with care'. This year we're proud to have achieved external recognition of our sustainability credentials with membership into the FTSE4Good Index Series.

Our sustainability priorities, which take into consideration our business strategic goals, risks and the perspectives of our stakeholders, are shaped around our impacts on three key stakeholder groups – our players, our people and our community.

To drive forward our approach this year we have established a Board-level ESG Committee which reports on progress directly to the Board. The ESG Committee is responsible for overseeing and publicly reporting on the Company's approach to sustainability, responsible gambling and stakeholder engagement.

For the first time this year, our Sustainability Report includes two new sections: the Non-financial Information Statement (see opposite), and the Section 172(1) statement (see pages 30 and 31).

Highlights

Gamesys Foundation

£2.25m

committed to the new Gamesys Foundation to support mental health problems (£450k in 2019, £1.8m in 2020).

Corruption

0

incidents of corruption, bribery, modern slavery or other human rights-related issues.

FTSE4Good

Index constituent member, demonstrating strong Environmental, Social and Governance practices[1].

1. FTSE Russell (the trading name of FTSE International Limited and Frank Russell Company) confirms that Gamesys Group has been independently assessed according to the FTSE4Good criteria, and has satisfied the requirements to become a constituent of the FTSE4Good Index Series. Created by the global index provider FTSE Russell, the FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong Environmental, Social and Governance ('ESG') practices. The FTSE4Good indices are used by a wide variety of market participants to create and assess responsible investment funds and other products.

Sustainability priorities

Our players
- Happy players
- Responsible gambling
- Anti-money laundering

Our people
- Effective engagement
- Learning and development
- Rewards and benefits
- Equality, diversity and inclusion
- Health and wellbeing
- Anti-bribery and corruption

Our community
- Giving back
- Respect for human rights
- Minimal environmental impact
- Taxation

Non-financial Information Statement

Detailed non-financial business information is interwoven throughout this report. Information on risks, policies and key performance indicators required by Section 414CB of The Companies Act 2006 are noted in the table below. Information on the Company's business model can be found on pages 16 and 17.

	Key risk	Policy	Measured by
Social matters	Responsible gambling (Group principal risk, see page 54)	See pages 32 to 34	% of active players considered at risk of, or experiencing, gambling-related harm (see page 33)
Company employees	Talent attraction and retention (Group principal risk, see page 55)	See pages 35 to 37	% of voluntary attrition; No. of training sessions (see pages 35 and 36)
	Equality, diversity and inclusion	See page 37	% of female employees, senior managers and Board members (see page 37)
Respect for human rights	Modern slavery	See pages 38 and 39	No. of modern slavery-related whistleblowing incidents raised (see page 39)
Anti-corruption and anti-bribery	Corruption and bribery	See page 37	No. of corruption and bribery-related whistleblowing incidents raised; No. of fines, penalties and staff disciplining in relation to corruption and bribery (see page 37)
Environmental matters	Our environmental impact is low, so this is not deemed a material issue for the Group. We do however recognise stakeholder concerns on environmental issues and take steps to reduce our impact.	See page 39	

Sustainability Report continued

A stakeholder-aligned approach

The contents of this section form our Section 172(1) statement. We value the opinions of our stakeholders, actively engage with them and respond to their priorities. The importance we attribute to this is reflected in the Company purpose, which conveys our aspirations to always put the player first, and we embed this through our Gamesys DNA.

Key
R **Group principal risk**
DL **Director-led engagement**
DV **Director visibility of engagement**
SDG **UN Sustainability Development Goal**

	Key means of engagement:	Identified priorities and our response:
Players Players are anyone who has registered and paid to play any of our games on any of our brands.	– Player satisfaction survey **(DV)** – Responsible gambling survey **(DV)** – Online research community **(DV)** – Focus groups **(DV)** – Chat rooms – Direct interactions with support staff – Social media For more information see pages 32-33	– An entertaining experience (see pages 32 and 33) – Safe playing environment **(R)** (see pages 33 and 34) – Legal and ethical operation (see pages 34, 37, 38 and 39)
Employees Our employees are defined as anyone directly employed by us.	– Employee surveys **(DV)** – Quarterly CEO presentations **(DL)** – Employee Voice representative **(DL)** – CEO feedback email **(DL)** – Intra department and division roundtables – Performance development evaluation process – Exit, initiation and probation interviews For more information see page 36	– Culture and value aligned (see page 35) – Effective communication (see page 36) – Learning and development opportunities (see page 36) – Appropriate rewards and benefits (see page 36) – Equal opportunities and inclusive culture (see page 37) – Health and wellbeing (see pages 37 and 38) – Environmental concerns (see page 39) All of the above priorities affect how we attract and retain talent, a principal business risk **(R)**
Partners Partners are people or organisations that we work or collaborate with. They include suppliers, consultants, trade bodies, industry organisations and NGOs.	– Industry working groups **(DV)** – Supplier account meetings – Research partnerships **(DV)** – Charity collaborations **(DV)** – The Gamesys Foundation **(DL)** For more information see page 34	– Responsible gambling **(R)** (see pages 32 to 34) – Problem gambling consequences – debt and mental ill health (see page 38)

The key stakeholder groups for our Company are players, employees, partners, investors, governments and regulators and wider society. Whilst interactions take place at all levels of the organisation, Directors are involved in, or have visibility of, many of these engagements, and use the feedback received to shape our long-term business and sustainability priorities.

This year we have introduced a formal Employee Voice role to capture and reflect employee sentiments at the highest level. The role is being carried out by Katie Vanneck-Smith, a new Non-Executive Director to the Board, and she will be hosting monthly roundtable discussions with employees from all levels and departments of the organisation.

Going forward, our stakeholder engagement framework will be reviewed annually by the ESG Committee.

	Key means of engagement:	Identified priorities and our response:
Investors Institutions and individuals who hold shares in Gamesys Group.	– Annual General Meeting **(DL)** – One-to-one meetings between shareholders and the Senior Independent Directors **(DL)** – Direct engagements with the Director of Investor Relations **(DV)** – Responses to investor information requests **(DV)** – Reviews of analysts' research **(DV)** For more information see page 64	– Long-term share price appreciation and dividend return (see pages 41 to 49) – Robust corporate governance and legal compliance (see pages 60 to 65) – Risk management (see pages 50 to 57) – Operational efficiency (see pages 20 to 27) – Ethical conduct (see pages 28 to 39)
Governments and regulators Governments and regulators (where applicable) in each of the territories we operate in.	– Compliance and reporting meetings **(DV)** – Regulatory body working groups **(DV)** – Participation in Government initiatives e.g. GAMSTOP **(DV)** For more information see page 34	– Responsible gambling **(R)** (see pages 32 to 34) – Anti-bribery and corruption (see page 37) – Money laundering (see page 34) – Human rights and modern slavery (see pages 38 and 39) – Diversity and inclusion (see page 37) – Taxation (see page 39) – Non-financial information reporting (see page 29) – Data security (see page 56) Monitoring and responding to all legislative and regulatory changes is a Group principal risk. (R)
Society Individuals and organisations affected by, or with an interest in, our company.	– Consideration of the UN Sustainable Development Goals – Social media interactions **(DV)** – National and local press and media coverage **(DV)** – Local community interactions	– Poverty **(SDG 1)** (see pages 32 to 34) – Health and wellbeing **(SDG 3)** (see page 38) – Gender equality **(SDG 5)** (see page 37) – Decent work **(SDG 8)** (see pages 35 to 37) – Reduced inequalities **(SDG 10)** (see page 37)

For more information, please visit:
www.gamesysgroup.com/investors

Sustainability Report continued

Our players

- Happy players
- Responsible gambling
- Anti-money laundering

Our relationship with our players is paramount. We get to know them and tailor our products around their needs, so that we form long-term bonds that give us more sustainable revenue. The key to this is providing both a fun and safe environment for players to play in, and we are committed to proactively assessing, managing and mitigating the risk of our players developing problem gambling behaviours. We take this commitment seriously and see it as a marketplace differentiator. We're already seen as a responsible gambling leader and t is one of our five strategic business goals to develop this further this year (see page 19).

Accountability for the Group's approach to responsible gambling rests with the Board, who are supported by the newly formed ESG Committee (see pages 68 and 69 for more information).

Happy players

We are first and foremost an entertainment company so our products must be fun. We provide a fully rounded entertainment experience and whilst gambling is a significant part of this, nearly half of our website use (46%) is for non-gambling related activities, including free games and chat rooms. Having this breadth of service helps us to cement longer-term relationships with our players.

The quality of our players' experience is extremely important to us and so we are highly selective about the games we offer. We conduct detailed statistical analysis on the use of our games, but we also rely heavily on player feedback, which we actively use to shape the games we have on site. We gather this feedback in a number of ways:

- **Twice-yearly player satisfaction survey:** In 2019 the survey questions were refreshed and for the first time we surveyed not only our players but also 3,500 players of 12 other brands. The feedback received was overwhelmingly positive, with an overall satisfaction and net promoter score for all Gamesys' brands significantly exceeding the peer group average.
- **Annual responsible gambling survey:** This survey is specifically to understand player views on responsible gambling and the tools we provide.
- **Online research community:** C.9,000 of our players form our voluntary online research community, 'VoiceBox'. We use the community for piloting new games, trialling advertising and conducting ad hoc surveys.
- **Focus groups:** On specific projects we engage focus groups of players and non-players in our dedicated focus group room. Almost 20 of these sessions were held in 2019, some of which were observed by members of the Board.
- **Chat rooms:** We monitor comments on our chat rooms and use this as a source of feedback, as well as hosting chat room conversations specifically designed to gather feedback.

The player insights we receive are actively used to drive change in the business. For example, when we developed new theme ideas for one of our brands, we tested these on our VoiceBox community. The winning themes were then brought to life by our in-house design team and in a subsequent survey to VoiceBox players, 76% were found to find the games appealing.

Responsible gambling

Trust is the foundation for our relationship with our players and it facilitates an enjoyable recreational experience. Imperative to this is operating fairly and providing a safe environment for our players to play in. We're proud of our work in this area and the findings from our latest available player survey showed that, on a scale of 0-10, we were rated as 8.1 for trustworthiness and 8.3 for taking responsible gambling seriously, both industry-leading scores.

We recognise, however, that there is a risk that a small number of our players may lose control of their gambling activity. We're committed to reducing this risk and as a minimum meet all regulatory and licensing requirements, going beyond these in many instances.

We deliver our commitment to responsible gambling in a number of ways:

- **Player-centric product design:** We design our products with our players in mind, including territory-specific control mechanisms to ensure players are over the legal age in territory and a range of tools to help control gambling. These tools include deposit limits, session reminders, self-exclusions and cool-off periods. Quarterly communications to players on responsible gambling tools were rolled out globally in 2019. New UK players also receive responsible gambling communications within 24 hours of joining, with additional interactions if their risk profile changes. In our latest responsible gambling survey, 96% of players said it was easy to find and use the tools.
- **Responsible marketing:** We're committed to ensuring that we market activities in a fair, transparent and responsible way, whilst maintaining data security and ensuring that our affiliate marketing meets our regulatory obligations. We ensure advertisements only target people over the legal age for gambling.
- **Management procedures:** We have a robust framework of procedures and processes in place to identify, manage and respond to suspected problem gambling. These are based on the five "I"s.
  - *Identify:* We use complex machine-learning algorithms to continually monitor gambling behaviours, allocate individual player risk ratings and identify potential players at risk. We also have a dedicated email address for employees to raise any concerns they may have about a player. VIP players are more closely monitored and must go through a risk-assessment onboarding process and frequent on-going gambling reviews. Positively, year on year we have seen the percentage of active players considered at risk of, or experiencing gambling-related harm, reduced from 7.7% in 2018 to 7.4% in 2019.
  - *Investigate:* Our skilled responsible gambling teams analyse account information using an intelligent review system.
  - *Interact:* Where there are concerns for a player, our response is tailored procedurally to the level of need. For example, interventions may begin within 15 minutes for urgent cases, or for more minor concerns, phone calls, automated emails and site pop-ups may be used.
  - *Intervene:* Where we believe problem gambling exists we will provide advice and support to players, and immediately close their accounts. One of the benefits of the majority of our products now being hosted on proprietary technology is that we can do this in real time. For UK players we will directly transfer their call to counsellors at GamCare (we were one of the first in the industry to do this), fund GamBan (device software which blocks access to gambling) on our player's behalf and talk players through how to register on GAMSTOP (which stops players being able to play on other gambling sites). We do not allow players registered with GAMSTOP to use our websites. Players who wish to return after an agreed self-exclusion (minimum duration six months) has lapsed must speak to our support staff and be supervised through their return to play with deposit limits also put into place.
  - *Impact:* We use our dedicated insights team to examine the impact of our interventions. For example, in a recent analysis they found that 84% of players who received an intervention call from our responsible gambling team saw a reduction in their algorithmic risk rating after seven days. The insight team's latest research is continually used to hone our algorithms, thresholds, limits and other responsible gambling tools.
- **Resources:** All of our employees are trained in responsible gambling and we instil a culture of care through our Gamesys DNA (for more information see page 9). We operate two dedicated responsible gambling support teams, covering all markets and, for our largest market, the UK, these are available to players 24 hours a day. Our 23 responsible gambling team staff are extensively trained in their specialist skills, with such training designed by third-party experts.

Sustainability Report continued

Collaboration

Problem gambling is an industry-wide issue so we proactively work with our peers, industry experts and charities to share information and drive change. Our commitment to collaboration is reflected in our recent decision to join the Betting and Gaming Council ('BGC'), an industry body championing progressive, beyond-regulatory standards of responsible gambling. We actively support their goals and senior Gamesys Group employees participate in three BGC sub-committees.

Another important peer group collaboration we're involved with is being led by EQ-Connect. This pioneering project involves sharing player data with other participating companies in order to better facilitate the early identification of at-risk players. We are one of the first companies to have engaged with this scheme.

In a new two-year partnership with Wolverhampton's Citizens Advice Bureau we are sponsoring an apprentice to run a web chat service providing advice on debt management. In return we will be given access to anonymised data on debt issues and the relationship between gambling and debt, for our insights team to analyse. The Citizens Advice Bureau will also be providing our staff with training on financial debt management.

Continuous improvement

It is one of the Group's five strategic priorities, 'Putting the player first', to continually evolve our approach to responsible gambling and keep ahead of the pack. Headline achievements in 2019 include rolling out the GamCare call transfer service, removal of credit card payments in the UK (prior to the required effective date) and new research into how to most effectively communicate on responsible gambling. The latter research, which was conducted by behavioural science experts, will be used to trial, iterate and improve player communication over the coming months.

Following the uniting of our two companies, the Chief Product Officer has taken responsibility for spearheading the streamlining and progression of responsible gambling initiatives, supported by a newly appointed project manager. Progress updates are regularly provided by the Chief Product Officer to the ESG Committee and the CEO. Our multiple improvement workstreams centre around three focal areas – learn, care and inform.

Global Commitments	
	Learn Invest in research to understand the drivers of problem gambling so that we can make a real difference.
	Care Creating a caring environment by investing in education and support whilst applying globally and locally defined player care standards.
	Inform Develop a 'Player Care' sub-brand, widely known by our players.

Anti-money laundering

We operate a robust risk assessment and mitigation process to prevent the business being used for money laundering. Core to this is knowing our players, and we operate both automated and manual methods to verify a player's age, identity and source of funds.

Anti-money laundering ('AML') risk assessments are conducted at a minimum on an annual basis, with additional assessments for significant business changes (e.g. launch of a new product, expansion of operations to a new jurisdiction etc.). Where significant risks are identified (e.g. a politically exposed person, presence of sanctions etc.), mitigating controls are implemented. Responsibility for our AML procedures rests with our two money laundering reporting officers, who together cover all markets.

All employees receive training on their responsibilities relating to AML and additional targeted training is given to roles relating to higher risk areas. Gamesys Group successfully completed a corporate evaluation by the UK Gambling Commission at the end of 2019.

Our people

We pride ourselves on creating a fantastic place to work. We encourage employees to 'have fun, making fun' but always within the parameters of acting in a responsible and respectful way.

The major business change we saw this year was the uniting of Gamesys Holdings and JPJ Group, and consequently our employee numbers increased from 322 at the end of 2018 to 1,453 in 2019. We're fortunate that the pre-acquisition cultures of Gamesys Holdings and JPJ Group were already akin, and coupled with the complementary nature of the companies' activities, this has resulted in a smooth integration with minimal resource-related cost reductions. Positively, there has been no increase in voluntary attrition rates since the acquisition, which was 16.5% for the year.

The integration process started immediately post-acquisition with the combining of Group services teams (Finance, Legal, HR and IT), shortly followed by the launch of a new Company purpose, 'Crafting entertainment with care' and new Company values, the 'Gamesys DNA'. These were developed following extensive employee engagement conducted in conjunction with an independent third party and including structured interviews with all the senior leadership team. The resulting new DNA, detailed on page 9, is both a combination and evolution of the old Gamesys Holdings and JPJ Group values. Training to enable employees to internalise and articulate what the DNA means to them has been successfully piloted and will be rolled out in the coming year. The DNA has also been integrated into the employee bonus review process and will be integrated into the employee appraisal and recruitment procedures.

Work to streamline people-related procedures has commenced. The focus in 2019 was on standardising employee appraisal and bonus schemes, and terms and conditions for employees in jurisdictions where offices from both legacy organisations were present. The rest of the procedural framework will be aligned in the coming year, with the general approach being to utilise the best of the two businesses. Where Group policies do not yet exist, pre-acquisition policies apply to the respective employee base, allowing us to maintain a robust people-related procedural framework at all times. All our policies apply globally but are adapted locally to reflect community and cultural needs as necessary.

Sustainability Report continued

Effective engagement

Happy employees make for happy players, so we put a lot of emphasis on employee engagement and making sure we understand and respond to our employees' views. Whilst the vast majority of Gamesys Group's work is conducted by our directly employed staff, we also use contractors as needed, which in 2019 accounted for 10.2% of our workforce.

The key ways that we engage with our employees are as follows:

- **Employee engagement survey:** A comprehensive annual employee engagement survey is conducted. Emerging themes, both positive and negative, are communicated to the entire workforce and responding actions are published and put into effect. The survey question set is being refreshed to reflect the united business and the new Gamesys DNA, and the first post-acquisition survey will be run during spring 2020. We also run bi-weekly mini-surveys to capture employee sentiment in real time. Scores over the year for the JPJ Group population demonstrated high levels of engagement, with team spirit rated as 8.1 out of ten, and job satisfaction as 7.6 out of ten.
- **Quarterly CEO presentations:** These take place off site, with the Directors and a number of senior executives presenting. They are also live streamed across all offices and available to download for employees who can't be there or watch live. These provide updates on the progress being made on our strategic goals and our business performance, along with specific functional updates.
- **Employee Voice representative:** Katie Vanneck-Smith, Non-Executive Director, has taken on the role of the Board's Employee Voice Director. She will be hosting monthly meetings to gather employee perspectives from representative samples of employees across the business.
- **Employee suggestions:** Business improvement ideas from our employees are actively encouraged. Historically, employees could raise ideas through a dedicated email address direct to the CEO. One example of this relates to the employee gym membership benefit. It was suggested that this money could be applied to other health and wellbeing related services/products and as a result the benefit was changed to a 'wellbeing subsidy' that accommodates such items. Following the acquisition, the process for raising improvement ideas has been evolved into the IDEAS hub, which was already working to great effect in Gamesys. Through the IDEAS hub all employees can submit business improvement ideas and there is a quarterly cash incentive for the best ideas. All employees are also still able and welcome to email the CEO directly at any time.
- **Roundtables:** Regular intra-department and intra-divisional meetings chaired by their respective senior leaders are held.
- **Performance development evaluation process:** These formal twice-yearly reviews provide an opportunity for employees to share with their line managers general sentiments about the Company and their role.
- **One-to-one interviews:** In addition to standard exit interviews, we interview employees immediately after recruitment and after probation periods end so that we can incorporate feedback on our induction and integration processes.
- **Direct communications:** We have a wide range of tools that we use to communicate business information with employees, including emails from the CEO, the intranet and management cascades. In relation to the acquisition, extensive communications were made in advance of, and after, the combining with Gamesys, and all managers used the same presentation to cascade information locally to their teams. Integration of the two company intranets has been expedited and since February 2020, the whole Group has operated on the same HR system and will have full access to the new group intranet during 2020.

We use the feedback from these interactions to shape our approach and deliver on employees' priorities – effective communication, learning and development, rewards and benefits, equality, diversity and inclusion, and health and wellbeing.

Learning and development

Our commitment to training our staff is set out in our training policy, which is available to all employees and conveys the process for requesting training. We operate a full learner journey of training opportunities, which includes induction, mandatory compliance training (in accordance with our regulatory training matrix), soft skills, role-specific, managerial and leadership training. Extensive learning resources and leadership coaching are also available. In 2019 we delivered 5,728 training sessions, which is an average of 7.6 per employee. Feedback is sought after training courses and taken into consideration for future training sessions.

Career progression is encouraged and facilitated by our Gamesys performance review objectives (G PRO). This twice-yearly process includes goal setting and performance reviews, and provides an opportunity for training needs to be identified.

To facilitate the entry of new people to the industry we employ several apprentices and also operate a formal graduate training programme.

Rewards and benefits

We provide market-aligned rewards and benefits to our employees. Standardising bonus and benefit schemes across the Company has been a priority for 2019 and new schemes were launched in 2020.

Equality, diversity and inclusion

We welcome individuals from all backgrounds, regardless of their gender, race, ethnicity, religious affiliations, age, disabilities, beliefs or sexual orientation. We strongly believe that the differing perspectives and experiences generated by a diverse workforce help to expand our knowledge base and improve our decision making. It is our policy to treat employees fairly and without discrimination and we also take great care to make our organisation inclusive.

In terms of recruitment, we give full and fair consideration to job applications by all candidates, we strive to use gender-neutral job descriptions and the vast majority of managers, including members of the executive team, have received training on fair and bias-free selection. Once in the organisation we provide equal opportunities for training, pay and career progression, enhanced maternity/paternity leave and flexible working. If an employee were to become disabled during their employment, we would strive to continue their employment. We also have a number of employee networks relating to specific diversity strands. We are working with the Royal National Institute of Blind People to provide two sight loss awareness training sessions in 2020.

Despite a four-fold increase in employees, the proportion of women in our workplace has remained roughly constant (2019 = 37%; 2018 = 40%), but positively we are seeing more women in senior positions. The proportion of female senior managers has increased from 24% to 28% and two of our Board directors are women.

	Male		Female		Total	
	2018	**2019**	2018	**2019**	2018	**2019**
Directors of the Company	8 (89%)	**8 (80%)**	1 (11%)	**2 (20%)**	9	**10**
Senior Managers	25 (76%)	**77 (72%)**	8 (24%)	**30 (28%)**	33	**107**
Employees (total)	194 (60%)	**916 (63%)**	128 (40%)	**537 (37%)**	322	**1,453**

We're committed to paying employees fairly and the Group's first combined gender pay gap report has been published in advance of the April 2020 deadline. In line with The Equality Act 2010 (Gender Pay Gap Information) Regulations 2017 we reported figures for two entities. Gamesys Ltd had a mean pay gap of 16.4%, and Mice & Dice Ltd had a mean pay gap of 13.0%. This disparity reflects the challenge we face in attracting females to the gambling and technology industry, coupled with reduced representation of women at the most senior levels of our business. We're striving to improve our gender balance and aspire to reduce this gap over time.

Health and wellbeing

Our commitment to promoting wellbeing is set out in our wellbeing policy. We see health and wellbeing as an increasingly important societal issue, and recognise it as of importance to our employees. We also recognise that problems with gambling can be associated with mental ill health.

Steps that we take to promote employee health and wellbeing include providing a wellbeing subsidy, training people to be mental health first aiders and providing confidential and anonymous mental health support services free of charge. Locally organised initiatives, such as a recent 'doggy de-stress' day in our London office, are also held.

In recognition of the importance of this issue, we are setting up a charitable foundation specifically focused on supporting mental health-related causes. For more information on this see page 38.

Anti-bribery and corruption

Gamesys Group is committed to countering corruption and bribery and it is Company policy to take a zero-tolerance approach to bribes paid to or accepted from, either directly or indirectly, players, suppliers, other companies and public officials. Our policies are available to all employees on the intranet and this is reinforced through the Code of Conduct. Suppliers must go through our due diligence process prior to being onboarded.

Employees can raise any suspected issues of bribery and corruption through our whistleblowing process (see page 64). In 2019 no corruption or bribery-related non-compliance issues were raised or fines and penalties incurred. No staff were disciplined or dismissed due to anti-corruption and bribery policy non-compliance.

All employees from prior to the acquisition have received comprehensive anti-bribery and corruption training and this will be rolled out to the rest of the Group in 2020.

Sustainability Report continued

Our community

Giving back
Respect for human rights
Minimal environmental impact
Taxation

As a global organisation we operate in many different countries and for each we aim to integrate and add value to the local community. Where needed, we will tailor our Group policies and procedures to reflect cultural and country-specific practices, and we give back to communities through charitable donations. Regardless of location we uphold and respect human rights, and we strive to reduce our environmental impact and comply with all tax legislation.

Giving back

We think it's important to give back to the community and so this year we have taken steps to formalise our charitable giving by setting up the Gamesys Foundation. Starting from October 2019 we have committed £150k a month to the foundation, which by the end of 2020 will result in £2.25 million being made available to charitable causes relating to mental health, which aligns with our business and stakeholder priorities (see pages 30 and 31). The foundation is in the process of being set up as a registered charity, and thereafter funds will be allocated to causes by the foundation trustees, who will report on activities to the ESG Committee.

In addition to contributions to the Gamesys Foundation, in 2019 the Group donated in excess of £550k to charitable causes, including $250k for Hurricane Dorian relief.

We also actively encourage our employees to support charities of their choosing by fundraising and volunteering. Activities this year included participating in Christmas Jumper Days, Make Some Noise and World AIDS Day Christmas Markets. Several employees in different offices simultaneously raised money for a breast cancer charity by doing a cycling challenge.

Respect for human rights

We recognise and respect the importance of human rights and are committed to avoiding, preventing and mitigating human rights impacts. Whilst we are mindful of the UN Guiding Principles on Business and Human Rights, as a company operating with due regard for local legislation, and with a focused supply chain built on long-term partnerships, our risk of human rights impacts is relatively low. We do not engage in forced, compulsory or child labour, and comply with local minimum wage legislation (where applicable). Our most pertinent human rights-related risks, albeit small, are discrimination and modern slavery, for both of which we have implemented appropriate policies and mitigations. Details of our approach to discrimination, inclusion and diversity can be found on page 37, and our modern slavery statement can be found on our website, www.gamesysgroup.com.

Should any breaches of human rights be suspected, or occur, employees can raise concerns confidentially to HR through our whistleblowing process. No human rights related incidents have been raised or upheld through these processes in the last year. We will continue to monitor our ongoing human rights impacts, and aim to consider potential impacts for major new projects and operations.

Minimal environmental impact

We recognise the global importance of environmental issues including climate change, and the importance of these to our stakeholders, however as a provider of online-only services our environmental impact is relatively minor. For that reason, we do not have an environmental policy but we do take steps to reduce our environmental footprint and improve our energy efficiency. At a more local level, employees in one of our London offices have established a Go Green initiative that has, amongst other things, displayed informative signage to assist colleagues in recycling correctly, introduced food waste bins and Nespresso pod recycling, and stopped the use of plastic bottles for staff drinks. The Go Green initiative won Best Individual Proposal for Recycling in 2018/19 at the Regent Street Recycling Awards.

Our total greenhouse gas emissions (CO_2e) for 2019 were 677.7 tonnes. These have been measured in accordance with the Greenhouse Gas Protocol, with reporting boundaries defined by the operational consolidation (control) approach. In 2019, 53% of our greenhouse gas emissions and 72% of our energy consumption was related to the UK.

As an office-based online service provider, emissions from company vehicles, production processes and other combustion sources are minimal and not deemed to be material. Scope 1 emissions are therefore comprised solely of leaks from air conditioning units. Scope 2 emissions from electricity use have been calculated using the location-based method. These reflect all our offices apart from four leased corporate offices in London, Toronto and Bahamas, which represent 3% of our total office space and are not deemed to be material.

In accordance with the Greenhouse Gas Protocol, given the significant growth in our business this year, we have restated our 2018 emissions to allow for direct comparison. 2018 greenhouse gas emissions were 644.5 tCO_2e. The increase in emissions this year has been driven by one sizeable (30kg) leak in the air conditioning system of our Malta office.

Greenhouse Gas Emissions

		2018	**2019**
Greenhouse gas emissions			
Scope 1 (direct)	tCO_2e	0	**66.8**
Scope 2 (indirect)	tCO_2e	644.5	**610.9**
Total	**tCO_2e**	**644.5**	**677.7**
Energy use			
Scope 1 (direct)	kWh	0	**0**
Scope 2 (indirect)	kWh	1,725,060	**1,752,343**
Total	**kWh**	**1,725,060**	**1,752,343**
Greenhouse gas emissions per m² of office space[1]			
Scope 1 (direct)	$KgCO_2e$ per m²	0	**4.3**
Scope 2 (indirect)	$KgCO_2e$ per m²	47.5	**39.7**
Total	**$KgCO_2e$ per m_2**	**47.5**	**44.0**
Greenhouse gas emissions per full-time employee[2]			
Scope 1 (direct)	$KgCO_2e$ per FTE	0	**46.0**
Scope 2 (indirect)	$KgCO_2e$ per FTE	446.3	**420.4**
Total	**$KgCO_2e$ per FTE**	**446.3**	**466.4**

1. Office area (excluding leased premises) for 2019 = 15,388m² and 2018 = 13,561m².
2. Full time equivalent employees for 2019 = 1,453 and 2018 = 1,444.

Taxation

Gamesys Group plc aims to achieve a low level of tax risk and to comply with the tax regulations in all the countries in which it operates. As taxation of international online businesses is complex and the tax environment is subject to ongoing change, we closely monitor changes in relevant tax practice and law and actively assess any consequences for the Group. We take expert advice when there are changes to our business that may require tax planning.

We proactively engage with the relevant tax authorities when appropriate to foster cooperation and ensure continued compliance with the regulations. We may also participate in consultation processes when changes to tax policy that could significantly impact the Group are under consideration.

The Board has overall responsibility for the Group's risk and control framework. To manage tax risk, the Board has approved a Group-wide tax risk management policy which sets out the processes which must be adopted when making tax decisions. In line with UK requirements, the Board has also adopted a UK tax statement (available at: https://www.gamesysgroup.com/investors/corporate-governance/uk-tax-statement/) and has approved a Group-wide anti-tax evasion policy which codifies the systems and procedures required to ensure the Group does not facilitate tax evasion.

Key Performance Indicators

Measuring the delivery of our strategy is in part derived from the three KPIs defined below (all on a pro-forma basis). As the chart highlights, we have made good progress of 13% in 2019 in the overall metric of Real Money Gaming Revenue. We expect to maintain an upwards trajectory in the future and to produce growth at least in line with the overall market.

Active players

Average Active Players per month

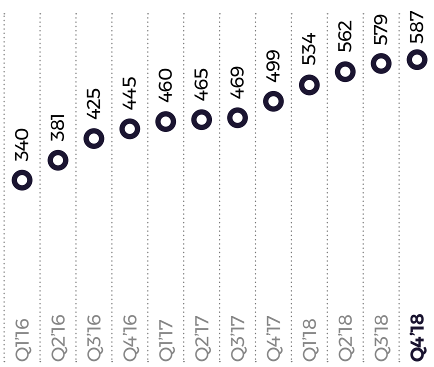
587,399

2018: 499,701
+18%

Link to Strategy see pages 18–19

Description
A key performance indicator used by management to assess real money player acquisition and real money player retention efforts of each of the Group's brands. The Group defines Average Active Players ('Average Active Players') as being real money players who have placed at least one bet in a given month. 'Average Active Players per Month' is the Average Active Players per month, averaged over a 12-month period. While this measure is not recognised by IFRS, management believes that it is a meaningful indicator of the Group's ability to acquire and retain players.

Average Active Players per month (000s)



Average revenue per month

Average Real Money Gaming Revenue per month

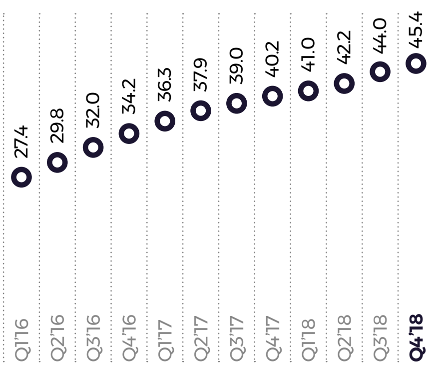
£45.4m

2018: £40.2m
+13%

Link to Strategy see pages 18–19

Description
Key performance indicators used by management to assess revenue earned from real money gaming operations of the business. The Group defines Total Real Money Gaming Revenue ('Total Real Money Gaming Revenue') as revenue less revenue earned from B2B operations. The Group defines Average Real Money Gaming Revenue per Month ('Average Real Money Gaming Revenue per month') as Real Money Gaming Revenue per month, averaged over a 12-month period. While these measures are not recognised by IFRS, management believes that they are meaningful indicators of the Group's real money gaming operational results.

Average Real Money Gaming Revenue per month (£m)



Total Real Money Gaming Revenue

£544.8m

2018: £482.2m
+13%

Revenue per player

Monthly Real Money Gaming Revenue per Average Active Player

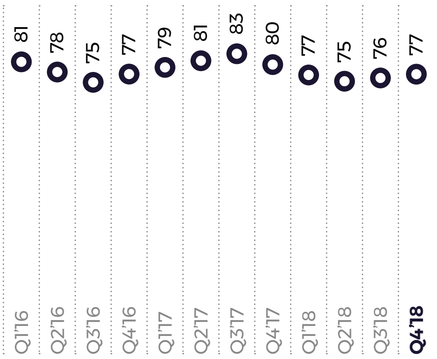
£77

2018: £80
-4%

Link to Strategy see pages 18–19

Description
A key performance indicator used by management to assess the Group's ability to generate Real Money Gaming Revenue on a per player basis. The Group defines Monthly Real Money Gaming Revenue per Average Active Player ('Monthly Real Money Gaming Revenue per Average Active Player') as being Average Real Money Gaming Revenue per month divided by Average Active Players per month. While this measure is not recognised by IFRS, management believes that it is a meaningful indicator of the Group's ability to generate Total Real Money Gaming Revenue.

Monthly Real Money Gaming Revenue per Average Active Player (£)



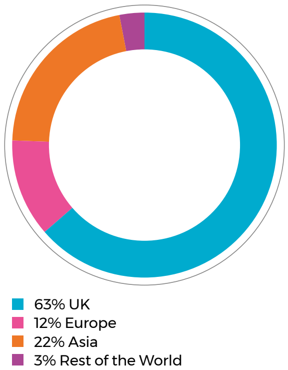
Financial Review

Keith Laslop Chief Financial Officer

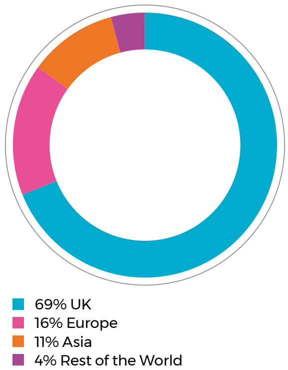
Consistently strong cash flow

FY19 builds on the Group's track record of consistently strong cash flow generation.

Pro-forma revenue 2019 (%)



Pro-forma revenue 2018 (%)



Overview

The acquisition of Gamesys (Holdings) Limited was completed on 26 September 2019 and this major event had a significant impact across all our financial statements. Our balance sheet and cash flow reflect the acquisition cost of c.£490 million which comprised £250 million in cash and the issue of 33.7 million newly issued shares. The cash component was part-funded by an add-on to JPJ's existing debt facilities of £175 million and post the year end, we successfully re-priced these debt facilities to achieve a 50 bps saving in interest costs. Our reported income statement includes the acquired business from the date of completion but a truer reflection of the enlarged Group can be found in the pro-forma figures we include in prior sections; these assume that the new Group had been as one for both 2019 and 2018. On this pro-forma basis, revenues grew 15% as a consequence of strong growth in overseas markets and in the acquired brands in the UK. Pro forma EBITDA fell 4% mainly due to higher gaming taxes in the UK. Net debt at the year-end was £450.3 million and leverage reduced from 3.02x at 30 September 2019 to 2.83x at 31 December 2019 demonstrating that our historically strong cash generation has continued. The subsequent sections include the high-level performance of the Group and business segments in 2018 compared to the previous year as well as some detail on our Group KPIs.

For more information, please visit:
www.gamesysgroup.com/investors

Financial Review continued

Selected financial information

The Group sold its Mandalay business in the period ended 31 March 2019 and it sold its social gaming business in the period ended 30 September 2018. All current year and 2018 comparative figures have been restated accordingly. Please see note 8 of the Consolidated Financial Statements, which sets out the comparative consolidated statement of comprehensive income for the Mandalay and social gaming businesses separately from the Group's continuing operations, for additional information. Results from the Gamesys Acquisition for the period from 27 September 2019 to 31 December 2019 are included in the financial information presented below.

Comparison of the year ended 31 December 2019 and 2018	Year ended 31 December 2019 (£000's)	Year ended 31 December 2018 (£000's)
Gaming revenue	415,078	308,212
Net income for the period after taxes – continuing operations	9,128	19,291
Net income for the period attributable to owners of the parent	8,468	14,477
Basic net income per share – continuing operations	£0.11	£0.26
Diluted net income per share – continuing operations	£0.11	£0.26
Basic net income per share	£0.10	£0.20
Diluted net income per share	£0.10	£0.19

Comparison of the year ended 31 December 2019 and 2018

Net income

The decrease in the Group's net income to £9.1 million during the year ended 31 December 2019 compared to a net income of £19.3 million in the same period in the prior year can be largely attributed to significantly higher transaction related costs (YTD 2019: £15.8 million and YTD 2018: £1.9 million) related to the Gamesys Acquisition and higher interest expense (YTD 2019: £21.8 million and YTD 2018: £19.8 million) related to the Group's Add-on Debt. This movement is offset by significantly lower fair value adjustments on contingent consideration (YTD 2019: £0.5 million and YTD 2018: £7.2 million) as well as lower accretion on financial liabilities (YTD 2019: £1.3 million and YTD 2018: £3.0 million), both of which are due to the fact that the final earn-out period ended in Q1 2018, leaving only the fair value adjustment on the remaining milestone payment to be recognised in the current year. The remainder of the movement in the Group's net income compared to the prior period is attributable to gaming revenue as well as the costs and expenses variances discussed below.

Gaming revenue

	Year ended 31 December 2019 (£000's)	Year ended 31 December 2018 (£000's)
UK	214,614	163,884
Asia	122,408	51,647
Europe	68,590	79,273
ROW	9,466	13,408
Total	**415,078**	308,212

The increase in total gaming revenue[1,2] for the year ended 31 December 2019 in comparison to the prior year relates to organic growth[3] of the Group's online gaming segment as well as the results of the Gamesys Acquisition.

1. Includes results of brands purchased as part of the Gamesys Acquisition.
2. Excludes results from the Group's Mandalay and social gaming businesses, which were sold during the three months ended 31 March 2019 and 30 September 2018, respectively.
3. The Group defines organic growth as growth achieved without accounting for acquisitions or disposals.

Costs and expenses

	Year ended 31 December 2019 (£000's)	Year ended 31 December 2018 (£000's)
Distribution costs[1]	214,239	149,856
Administrative costs[1]	147,432	104,840
Impairment of financial assets	3,879	1,000
Severance costs	–	850
Transaction-related costs	15,809	1,890
	381,359	258,436

Distribution costs

	Year ended 31 December 2019 (£000's)	Year ended 31 December 2018 (£000's)
Selling and marketing	81,740	54,523
Licensing fees[1]	45,318	38,094
Gaming taxes	59,165	38,670
Processing fees	28,016	18,569
	214,239	149,856

1. Certain changes were reallocated from licensing fees to general and administrative to match presentation following the Gamesys Acquisition.

Selling and marketing expenses consist of payments made to affiliates and general marketing expenses related to each brand. Licensing fees consist of the fees for the online gaming segment to operate on its platforms and game suppliers' fees paid. Gaming taxes largely consist of point of consumption taxes, payable in the regulated jurisdictions that the Group operates in. Variance in gaming taxes from prior periods relates to the Gamesys Acquisition and an increase in remote gaming duty from 15% to 21%, which came into effect in the UK in Q2 2019. Processing fees consist of costs associated with using payment providers and include payment service provider transaction and handling costs, as well as deposit and withdrawal fees. With the exception of selling and marketing expenses, distribution costs tend to be variable in relation to revenue.

The increase in distribution costs for the year ended 31 December 2019 compared to the same period in 2018 is mainly due to increased revenue and marketing spend in the online gaming segment as well as results of the Gamesys Acquisition.

Administrative costs

	Year ended 31 December 2019 (£000's)	Year ended 31 December 2018 (£000's)
Compensation and benefits	55,635	31,582
Professional fees	5,086	4,300
General and administrative	24,558	13,631
Amortisation and depreciation[1]	62,153	55,327
	147,432	104,840

1. Certain changes were reallocated from licensing fees to general and administrative to match presentation following the Gamesys Acquisition.

Compensation and benefits costs consist of salaries, wages, bonuses, Directors' fees, benefits and share-based compensation expense. The increase in these expenses for the year ended 31 December 2019 compared to the same period in 2018 is primarily due to the Gamesys Acquisition, additional staff hired and higher bonus accruals as the business continues to grow.

Professional fees consist mainly of legal, accounting and audit fees. The increase in professional fees for the year ended 31 December 2019 compared to the same period in 2018 can be attributed to the Gamesys Acquisition and services obtained in relation to some of the Group's operational and corporate initiatives.

General and administrative expenses consist of items, such as travel and accommodation, insurance, listing authority fees, one-off tax charges, technology and development costs, and other office overhead charges. The increase in these costs for the year ended 31 December 2019 compared to the same period in 2018 can be attributed to higher office overhead costs, a one-off tax charge of £6.0 million and the Gamesys Acquisition.

Amortisation and depreciation expenses consist of amortisation of the Group's intangible assets and depreciation of the Group's tangible assets over their useful lives. The increase in amortisation and depreciation in the year ended 31 December 2019 is due to the addition of purchase price intangibles bought as part of the Gamesys Acquisition. This increase is partially offset by the fact that amortisation expense related to purchase price intangibles recognised in prior periods decreases with each passing period of their useful lives as a result of the amortisation method used. The increase is further offset by the fact that the Group's non-compete clauses were fully amortised during the three months ended 31 March 2019.

Transaction-related costs

Transaction-related costs consist of legal, professional, due diligence, other direct costs/fees associated with transactions and acquisitions or disposals contemplated or completed by the Group. The increase in transaction-related costs in the year ended 31 December 2019 compared to the same period in 2018 relates to the Gamesys Acquisition.

Adjusted EBITDA, Adjusted Net Income and Diluted Adjusted Net Income per share for the year ended 31 December 2019 and 2018 – continuing operations

The following non-IFRS measures are used because management believes that they provide additional useful information regarding ongoing operating and financial performance. As these are not recognised measures under IFRS, they do not have standardised meanings prescribed by IFRS and should not be considered in isolation or construed to be alternatives to revenues and net income/(loss) and comprehensive income/(loss) for the period determined in accordance with IFRS or as indicators of performance, liquidity or cash flows. Our method of calculating these measures may differ from the method used by other entities. Accordingly, our measures may not be comparable to similarly titled measures used by other entities or in other jurisdictions.

The following table highlights Adjusted EBITDA, Adjusted Net Income and Diluted Adjusted Net Income per share from continuing operations for the year ended 31 December 2019 and 2018 and a reconciliation of the Group's reported results to its adjusted measures. All current period and 2018 comparative figures have been restated to exclude results of the Group's Mandalay and social gaming businesses, which were sold during the three-month periods ended 31 March 2019 and 30 September 2018, respectively. The results of the Gamesys Acquisition for the period from 27 September 2019 to 31 December 2019 are included in the figures presented below.

	Year ended 31 December 2019 (£000's)	Year ended 31 December 2018 (£000's)
Net income for the period after taxes from continuing operations	**9,128**	19,291
Interest expense, net	**21,404**	19,472
Accretion on financial liabilities	**1,291**	2,993
Tax expenses	**2,906**	458
Amortisation and depreciation	**62,153**	55,327
EBITDA[1]	**96,882**	97,541
Share-based compensation	**483**	583
One-off tax charges	**6,000**	–
Severance costs	**–**	850
Fair value adjustments on contingent consideration	**460**	7,208
Transaction-related costs	**15,809**	1,890
Foreign exchange (gain)/loss	**(1,470)**	354
Adjusted EBITDA[1]	**118,164**	108,426
Net income for the period after taxes from continuing operations	**9,128**	19,291
Share-based compensation	**483**	583
One-off tax charges	**6,000**	–
Severance costs	**–**	850
Fair value adjustments on contingent consideration	**460**	7,208
Transaction-related costs	**15,809**	1,890
Foreign exchange (gain)/loss	**(1,470)**	354
Amortisation of acquisition-related purchase price intangibles	**52,701**	52,752
Accretion on financial liabilities	**1,291**	2,993
Adjusted Net Income	**84,402**	85,921
Diluted net income per share from continuing operations	**£0.11**	£0.26
Diluted Adjusted Net Income per share from continuing operations	**£1.01**	£1.15

1. Normalising figures for the year ended 31 December 2019 for the impact of IFRS 16 implementation results in EBITDA of £94.0 million and Adjusted EBITDA of £115.2 million.

Financial Review continued

Summary of results by segment – continuing operations

In December 2019, following the Gamesys Acquisition, the Group determined that its reportable operating segments had changed such that the Jackpotjoy and Vera&John segments were aggregated into a single operating segment, being online gaming. The online gaming segment consists of online real money and casino operating results of the Jackpotjoy, Starspins, Virgin Games, Heart Bingo, Botemania, Rainbow Riches, Virgin Casino, Monopoly Casino, Vera&John, InterCasino and Solid Gaming brands.

Management believes that this segmentation is most appropriate because online gaming is the Group's primary business that is being managed on a combined basis without central business costs or operating expenses being allocated to any particular geography or product. The new segmentation came into effect on 1 December 2019.

Additionally, as discussed in note 8 of the Consolidated Financial Statements, the Group sold its Mandalay business in the period ended 31 March 2019 and it sold its social gaming business in the period ended 30 September 2018. All current year and 2018 comparative figures have been restated accordingly.

Year ended 31 December 2019

	Online gaming (£000's)	Unallocated corporate costs[1] (£000's)	Totals (£000's)
Gaming revenue	415,078	–	415,078
Net income/(loss) for the year after taxes from continuing operations	59,908	(50,780)	9,128
Interest expense, net	483	20,921	21,404
Accretion on financial liabilities	–	1,291	1,291
Tax expense	2,554	352	2,906
Amortisation and depreciation	61,190	963	62,153
EBITDA	124,135	(27,253)	96,882
Share-based compensation	–	483	483
One-off tax charges	6,000	–	6,000
Fair value adjustments on contingent consideration	–	460	460
Transaction-related costs	224	15,585	15,809
Foreign exchange loss/(gain)	1,319	(2,789)	(1,470)
Adjusted EBITDA[2]	131,678	(13,514)	118,164

1. Unallocated corporate costs include the results from activities such as acquisition/disposal negotiations, acquisition due diligence, the raising of capital to fund acquisitions, payment of interest on existing debt, and the reporting obligations of Gamesys Group plc.
2. This is a non-IFRS measure. See page 138 for additional information.

Year ended 31 December 2018

	Online gaming (£000's)	Unallocated corporate costs[1] (£000's)	Totals (£000's)
Gaming revenue	308,212	–	308,212
Net income/(loss) for the year after taxes from continuing operations	63,167	(43,876)	19,291
Interest (income)/expense, net	(115)	19,587	19,472
Accretion on financial liabilities	–	2,993	2,993
Tax expense	122	336	458
Amortisation and depreciation	54,937	390	55,327
EBITDA	118,111	(20,570)	97,541
Share-based compensation	–	583	583
Severance costs	850	–	850
Fair value adjustments on contingent consideration	–	7,208	7,208
Transaction-related costs	139	1,751	1,890
Foreign exchange loss/(gain)	438	(84)	354
Adjusted EBITDA[2]	119,538	(11,112)	108,426

1. Unallocated corporate costs include the results from activities such as acquisition/disposal negotiations, acquisition due diligence, the raising of capital to fund acquisitions, payment of interest on existing debt, and the reporting obligations of Gamesys Group plc.
2. This is a non-IFRS measure. See page 138 for additional information.

Summary of pro-forma results

Gaming revenue by geography for the year ended 31 December 2019

	Reported results (£000's)	Gamesys results before the Gamesys Acquisition (£000's)	Pro-forma results (£000's)
UK	**214,614**	142,555	**357,169**
Asia	**122,408**	–	**122,408**
Europe	**68,590**	–	**68,590**
ROW	**9,466**	7,670	**17,136**
Total	**415,078**	150,225	**565,303**

Gaming revenue by geography for the year ended 31 December 2018

	Reported results (£000's)	Gamesys results before the Gamesys Acquisition (£000's)	Pro-forma results (£000's)
UK	**163,884**	175,980	**339,864**
Asia	**51,647**	–	**51,647**
Europe	**79,273**	–	**79,273**
ROW	**13,408**	8,577	**21,985**
Total	**308,212**	184,557	**492,769**

Year ended 31 December 2019

	Reported results (£000's)	Gamesys results before the Gamesys Acquisition (£000's)	Pro-forma adjustments[1,2,4] (£000's)	Pro-forma results (£000's)
Gaming revenue	**415,078**	150,225	–	**565,303**
Distribution costs	**214,239**	82,826	(9,192)[1]	**287,873**
			(14,758)[1a]	
			6,228[1b]	
			(662)[1c]	
Administrative costs	**78,796**	36,420	(539)[2]	**114,677**
Impairment of financial assets	**3,879**	–	–	**3,879**
Adjusted EBITDA[3]	**118,164**	30,979	9,731	**158,874**
Amortisation and depreciation[5]	**9,452**	7,901	662[4]	**18,015**
Operating adjusted net income before taxes and interest	**108,712**	23,078	9,069	**140,859**

1. Pro-forma adjustments on distribution costs relate to the following:
   a. reversal of intercompany software licence fees and direct cost mark-ups.
   b. addition of content fees charged following the Gamesys Acquisition.
   c. reallocation of certain charges from distribution costs to administrative costs to match post transaction presentation.
2. Pro-forma adjustments on administrative costs relate to the reversal of intercompany indirect cost mark-ups.
3. This is a non-IFRS measure. See pages 43, 44 and 138 for additional information.
4. Pro-forma adjustments on amortisation and depreciation relate to the reallocation of certain charges from distribution costs to administrative costs to match post transaction presentation.
5. Figures do not include amortisation on purchase price intangible assets.

Financial Review continued

Summary of pro-forma results continued

Year ended 31 December 2018

	Reported results (£000's)	Gamesys results before the Gamesys Acquisition (£000's)	Pro-forma adjustments[1,2,4] (£000's)	Pro-forma results (£000's)
Gaming revenue	**308,212**	184,557	–	**492,769**
Distribution costs	**149,856**	96,378	(13,013)[1] *(20,945)[1a]* *8,947[1b]* *(1,015)[1c]*	**233,221**
Administrative costs	**48,930**	44,440	(497)	**92,873**
Impairment of financial assets	**1,000**	–	–	**1,000**
Adjusted EBITDA[3]	**108,426**	43,739	13,510	**165,675**
Amortisation and depreciation[5]	**2,575**	7,442	1,015[4]	**11,032**
Operating adjusted net income before taxes and interest	**105,851**	36,297	12,495	**154,643**

1. Pro-forma adjustments on distribution costs relate to the following:
   a. reversal of intercompany software licence fees and direct cost mark-ups;
   b. addition of content fees charged following the Gamesys Acquisition;
   c. reallocation of certain charges from distribution costs to administrative costs to match post transaction presentation.
2. Pro-forma adjustments on administrative costs relate to the reversal of intercompany indirect cost mark-ups.
3. This is a non-IFRS measure. See pages 43, 44 and 138 for additional information.
4. Pro-forma adjustments on amortisation and depreciation relate to the reallocation of certain charges from distribution costs to administrative costs to match post transaction presentation.
5. Figures do not include amortisation on purchase price intangible assets.

Comparison and discussion of the year ended 31 December 2019 to the same period in 2018 – continuing operations (pro-forma)

Online gaming

	YTD 2019 (£000's)	YTD 2018 (£000's)	Variance (£000's)	Variance %
Gaming revenue	**565,303**	492,769	72,534	15%
Distribution costs	**287,848**	233,158	54,690	23%
Administrative costs	**101,188**	81,824	19,364	24%
Impairment of financial assets	**3,879**	1,000	2,879	288%
Adjusted EBITDA[1]	**172,388**	176,787	(4,399)	(2%)

1. This is a non-IFRS measure. See pages 43, 44 and 138 for additional information.

Online gaming revenue by geography

	YTD 2019 (£000's)	YTD 2018 (£000's)	Variance (£000's)	Variance %
UK	**357,169**	339,864	17,305	5%
Asia	**122,408**	51,647	70,761	137%
Europe	**68,590**	79,273	(10,683)	(13%)
ROW	**17,136**	21,985	(4,849)	(22%)
Total	**565,303**	492,769	72,534	15%

Gaming revenue for the online gaming segment for the year ended 31 December 2019 was 15% higher than in the same period in 2018. UK revenues increased by 5%, for the year ended 31 December 2019 compared to the same period in 2018 despite the continued impact of enhanced responsible gambling measures. Asia continued to perform strongly, growing revenue by 137%, for the year ended 31 December 2019 compared to the same period in 2018. Europe revenues declined by 13%, for the year ended 31 December 2019 compared to the same period in 2018, largely due to the impact of regulatory measures in Sweden. ROW includes New Jersey revenues which increased by 20%, for the year ended 31 December 2019 compared to the same period in 2018.

Distribution costs increased 23%, for year ended 31 December 2019 compared to the same period in 2018 as a result of higher marketing spend and higher revenues achieved.

The increase in administrative costs for the year ended 31 December 2019 compared to the same period in 2018 was mainly driven by increases in personnel costs and administrative overhead costs as the segment continues to grow. The increase in administrative costs for the year ended 31 December 2019 compared to the same period in 2018 was also driven by an increase in professional fees.

Unallocated corporate costs – Adjusted EBITDA (pro-forma)
Adjusted EBITDA on unallocated corporate costs decreased from (£11.1) million to (£13.5) million in the year ended 31 December 2019 compared to the same period in 2018. The variance relates to a £2.0 million increase in compensation, a £0.1 million increase in professional fees and a £0.4 million increase in general administrative costs.

Unallocated corporate costs – net loss
Net loss on unallocated corporate costs increased for the year ended 31 December 2019 compared to the same period in 2018. This increase is driven by higher transaction-related costs incurred as a result of the Gamesys Acquisition.

Key performance indicators – continuing operations (pro-forma)

	12 months ended 31 December 2019	12 months ended 31 December 2018	Variance	Variance %
Average Active Players per month (#)	**587,399**	499,701	87,698	18%
Total Real Money Gaming Revenue (£000's)[1]	**544,826**	482,162	62,664	13%
Average Real Money Gaming Revenue per month (£000's)	**45,402**	40,180	5,222	13%
Monthly Real Money Gaming Revenue per Average Active Player (£)	**77**	80	(3)	(4%)

1. Total Real Money Gaming Revenue for the 12 months ended 31 December 2019 consists of total pro forma revenue less revenue earned from B2B activity of £20.5 million (31 December 2018: £10.6 million).

Monthly Real Money Gaming Revenue per Average Active Player decreased by 4% year-over-year maintaining a level consistent with the Group's overall player acquisition and retention strategy.

Financial position

	As at 31 December 2019 (£000's)	As at 31 December 2018 (£000's)	Variance (£000's)
Total current assets	**165,920**	124,320	41,600
Total non-current assets	**1,045,572**	521,586	523,986
Total assets	**1,211,492**	645,906	565,586
Total current liabilities	**122,642**	52,320	70,322
Total non-current liabilities	**624,159**	374,463	249,696
Total liabilities	**746,801**	426,783	320,018

The £25.7 million increase in current assets (excluding a cash increase of £15.9 million) since 31 December 2018 is driven by a £2.4 million increase in restricted cash related to reserves held with payment service providers, a £3.4 million increase in player deposits, a £6.4 million increase in taxes receivable and a £13.5 million increase in trade and other receivables, net of an ECL provision. All of the above movements are partially driven by current assets purchased as part of the Gamesys Acquisition, with the rest of the movements relating to the Group's normal operating activity.

The increase in non-current assets of £524.0 million since 31 December 2018 is largely driven by an increase in intangible assets and goodwill of £494.1 million and a £7.2 million increase in tangible assets. The increase in intangible assets and goodwill is primarily driven by non-current assets purchased as part of the Gamesys Acquisition as well as internally generated intangible assets, partially offset by amortisation and foreign exchange rate fluctuations. The increase in tangible assets relates to the Gamesys Acquisition and purchase of tangible assets partially offset by deprecation. The increase in non-current assets is further driven by a £22.2 million increase in right-of-use assets related to the adoption of IFRS 16 in the current year and partially attributable to the Gamesys Acquisition as well as a £0.5 million increase in other long-term receivables, net of an ECL provision, primarily relating to the fair value adjustment on the Group's secured convertible loan.

The increase in current liabilities of £70.3 million since 31 December 2018 largely relates to the following:
- an increase of £57.4 million in accounts payable and accrued liabilities, mainly relating to payables assumed by the Group as part of the Gamesys Acquisition, including payables relating to marketing spend and gaming taxes;
- an increase of £3.4 million in payable to players;
- an increase of £4.7 million in current portion of lease liabilities related to the adoption of IFRS 16;
- a £3.6 million increase in currency swap and interest rate swap payable balances;
- a £5.2 million increase in provision for taxes;
- a £3.8 million increase in the current portion of provisions arising on business combination; and
- an increase of £0.7 million in interest payable.

Financial Review continued

Financial position continued

These increases are slightly offset by a £4.5 million decrease in contingent consideration driven by the fact that upon completion of the Gamesys Acquisition, the remaining milestone payment is considered settled. The increases are further offset by a £4.0 million decrease in other short-term payables due to payments made on the current portion of the non-compete liability.

The increase in non-current liabilities of £249.7 million since 31 December 2018 can be primarily attributed to a £158.9 million increase in long-term debt due to an increase to the Group's EUR Term Facility used to fund the Gamesys Acquisition. The movement is further driven by an increase of £52.0 million in deferred tax liability related to the intangible assets purchased as part of the Gamesys Acquisition. Additionally, the increase is driven by £14.9 million in other long-term payables, mainly relating to the deferred consideration payable for the Gamesys Acquisition and an increase of £6.0 million in provisions as well as an increase of £17.9 million in lease liabilities resulting from the adoption of IFRS 16 in the current period.

Cash flow by activity

	Year ended 31 December 2019 (£000's)	Year ended 31 December 2018 (£000's)
Operating activity	**75,082**	106,593
Financing activity	**143,029**	(91,963)
Investing activity	**(198,456)**	10,890

Operating activity

Cash provided by operating activities during the year ended 31 December 2019 relates to cash generated from the operational activities of the online gaming segment, less corporate expenses. For the year ended 31 December 2019, the operating cash flow decreased compared to the same period in 2018 primarily due to accounts payable and transaction-related payable balances settled in the current period.

Financing activity

Cash provided by financing activities for the year ended 31 December 2019 mainly relates to the following transactions:
- £173.6 million in proceeds from long-term debt; and
- £2.7 million in proceeds from the exercise of options.

This was slightly offset by the following:
- £21.0 million in interest payments;
- £6.0 million in payments related to the non-compete liability;
- £2.6 million in debt issuance cost payments relating to the Group's Add-on Debt; and
- £3.6 million in lease payments.

Investing activity

Cash used in investing activities during the year ended 31 December 2019 was driven by a £199.7 million payment for the Gamesys Acquisition, a £3.8 million purchase of tangible assets as well as internally generated intangible assets of £12.9 million. This was partially offset by a receipt of £18.0 million from the disposal of a discontinued operation.

Contractual commitments

Contractual commitments of the Group, comprised of various office leases, amount to £8.8 million and are due within a ten-year period.

Dividends

During the year ended 31 December 2019, £nil (year ended 31 December 2018: £nil) ordinary share dividends were declared and paid.

Outstanding share data

As at 16 March 2020, the Gamesys Group plc had a total of 108,665,248 ordinary shares and 1,031,852 share options outstanding. Since 13 January 2020, all of the issued and outstanding exchangeable shares of Intertain have been held indirectly by the Group.

Internal control over financial reporting

The Chief Executive Officer ('CEO') and the Chief Financial Officer ('CFO') are responsible for establishing and maintaining disclosure controls and procedures and internal controls over financial reporting for the Group. The control framework used in the design of disclosure controls and procedures and internal control over financial reporting is the internal control integrated framework (2013) issued by the Committee of Sponsoring Organisations of the Treadway Commission ('COSO').

Management, including the CEO and the CFO, does not expect that the Group's disclosure controls or internal controls over financial reporting will prevent or detect all errors and all fraud or will be effective under all potential future conditions. A control system is subject to inherent limitations and, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met.

As required by National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings*, the CEO and the CFO have caused the effectiveness of disclosure controls and procedures, as well as the internal controls over financial reporting to be evaluated using the COSO framework. Based on that evaluation, they have concluded that the design and operation of the system of disclosure controls and procedures, and the design and operation of the Group's internal controls over financial reporting were effective as at 31 December 2019.

During the three months and year ended 31 December 2019 there have been no changes in the Group's internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, the Group's internal controls over financial reporting.

Viability statement

In accordance with the obligations of the UK Corporate Governance Code, the Board of Gamesys Group plc is required to provide its assessment within the Annual Report and Accounts of the viability of the Group over an appropriate period. Accordingly, the Directors have assessed the viability of the Group over a four-year period to December 2023, taking account of the Group's current position, the potential impact of the principal risks as outlined on pages 50 to 57 of this Annual Report, and the Group's key strategic initiatives. A four-year period was deemed appropriate for this assessment as it reflects the strategic planning required for the implementation of Group's strategy and the period leading up to when the Group's long-term debt falls due.

In completing this assessment, the Board completed a robust review of threats which could potentially impact the Group's financial performance, solvency and operational model.

Key factors the Board considered within this review included:
- The integration and growth of businesses acquired.
- The Group's ability to adapt to evolving regulatory and legislative changes.
- Macroeconomic factors which could cause currency fluctuations and interest rates volatility.
- The competitive landscape in the key markets the Group operates in.

Key factors the Board considered in stress-testing medium-term planning included:
- The Company's generation of positive cash flow over the assessment period well in excess of liabilities which fall due.

Having completed this review, the Board has full confidence that the Group will be able to continue operating and will be able to meet its liabilities over the four-year period to December 2023.

Keith Laslop
Chief Financial Officer

Principal Risks and Uncertainties

Managing our risks

Risk is intrinsic to the industry in which Gamesys Group plc operates. Key to the successful delivery of our strategy remains considering, and accepting, the impact, both positive and negative, which risk can have on our business.

Understanding our principal risks and uncertainties and ensuring there are sufficient controls in place remains critical to our continued growth and success. We operate in a fast-changing business environment and have considered our principal risks alongside our updated strategy. Ultimate accountability for risk lies with the Board, supported by the Audit & Risk Committee, and executive management on the day-to-day management. We have continued our work with PricewaterhouseCoopers ('PwC') who have supported the business in the implementation of a framework to allow for the identification, assessment, mitigation and monitoring of risk throughout the enlarged group. Gamesys Group plc complies with the revised 2018 UK Corporate Governance Code and supports its application in delivering a well-governed business.

We continue to develop the governance structures and processes across the enlarged Group. We established an Internal Audit & Risk function in advance of the completion of the acquisition. Our risk management framework has been developed to provide clarity on risk governance and oversight whilst encouraging ownership and accountability across the business. The framework summarises the formal process for the identification, assessment, mitigation, reporting, monitoring and review of our risks. We are continuing to implement this process across the enlarged Group during 2020 and to develop a risk-aware culture, supported by expected behaviours.

Our approach to risk management follows the three lines of defence model, whilst remaining dynamic and practical to our needs. This enables us to respond to changes in the business environment, and to deliver on our expectations of increased transparency, value protection and creation.

Risk Management Model

Board
Ultimately responsible for the effectiveness of risk management and internal control, understanding the risk environment, setting risk appetite and communication of the framework

Top-down
Define risk appetite, identify, monitor and mitigate strategic risk

Bottom-up
Identify, monitor and report on risk from the operations

Group Risk Committee and Executive Management
- Ensure the operating divisions implement the risk management framework
- Monitor performance and provide oversight on the key risks
- Provide update to the Board on changes in the key risks

Operating segments
- Managing risk on a day-to-day basis
- Responsible for implementing the risk management framework
- Oversight and review of risks and implementation of mitigation actions

Audit & Risk Committee
- Supports the Board in considering risk management and internal control
- Independently reviews the adequacy and effectiveness of risk management

Governance | **Compliance** | **Assurance** | **Culture, behaviour and change** | **Knowledge and data**

Lines of defence →

First line
Frontline ownership of risk process, reporting and effectiveness →

Second line
Oversight and challenge by the Board and executive management →

Third line
Independent assurance →

Key supporting principles

How we manage risk at Gamesys Group plc

In 2019, we consolidated the existing risk management information, and in light of the acquisition, we are now in a position to further extend the framework across the enlarged Group. As part of our enhancements to the risk management framework, we have established a Group Risk Committee, where our executives, senior management and chair of the Audit & Risk Committee discuss an aggregated view of risk, both present and developing. The Board and our executives reviewed these risks to inform the Group's understanding of its principal risks and to ensure that there were adequate controls in place to mitigate these, where applicable. During these discussions, the Board concluded that it was comfortable with the potential impact of the principal risks, measured against our inherent risk appetite, and communicated the importance of risk management clearly across the business. Work will be undertaken in 2020 that will focus on embedding our approach to risk management throughout the enlarged Group and its operating divisions.

The priorities for risk management throughout 2020 will be to:

- update our risk appetite against the principal risks to allow for informed decision-making against our strategic priorities;
- continue to embed the risk management framework, encouraging ownership and accountability;
- the development of bottom-up risk activities across territories, operating divisions and central functions including continued engagement with the wider business and application across the enlarged Group;
- identification and analysis of new and emerging risks at both a strategic and operational level. This will help to ensure that, as a business, we can adapt to an ever-changing risk landscape;
- continue to refine and develop our suite of internal controls through targeted reviews performed by the Internal Audit & Risk team supported by third-party risk management specialists; and
- continue to embed the 'three lines of defence' (as reflected in the Risk Management Model) approach to assurance through the business, management (supported by the Risk function) and independent assurance, where appropriate.

With regard to the effectiveness of risk and internal control throughout the business, please refer to page 71, under the Corporate Governance section.

Our principal risks

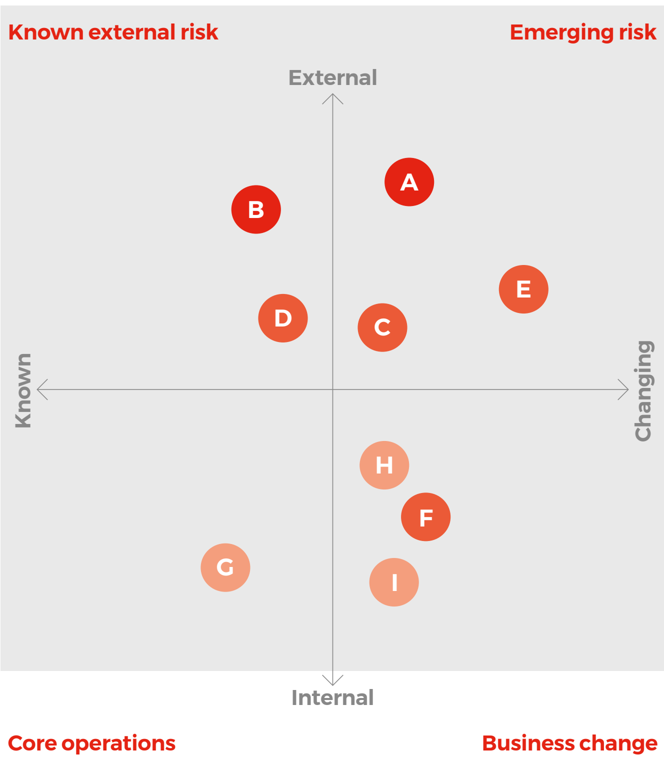
A robust assessment has been undertaken by the Board to assess the principal and emerging risks facing the business. Consideration has been given to those which could threaten the successful delivery of our strategy, impact on our future performance and create a risk around our solvency or liquidity.

The radar shows the position of our principal risks and we have taken the decision to split these into three areas over which we have varying levels of control and oversight.

These three areas are:

- **External** – where we have limited control over the cause of the risk and would need to focus our effort on managing the potential consequences.
- **Strategic** – risks which could be influenced by external factors but over which we have the opportunity to put in place controls to better manage potential causes and consequences.
- **Operational** – risks that could arise through the day-to-day operations in relation to which we could put in place effective controls. These would be for known areas of the business, in addition to risks which could potentially arise through changes which we undertake in the delivery of our growth strategy.

Further detail on the principal risks has been provided on the following pages, which includes information on the key mitigations, links to our strategic priorities, what happened in 2019 and what the focus will be in 2020.



External	
A	Regulatory and legislative change
B	Financial and economic
Strategic	
C	Brand and reputation
D	Competitive landscape
E	Responsible gambling
F	Integration and growth
Operational	
G	Talent attraction and retention
H	Technology and IT systems
I	Data management

Principal Risks and Uncertainties continued

External

Regulatory and legislative change

Risk definition

Licensing, taxes, laws and regulatory changes in key markets could have a materially adverse impact on the Group and its operations.

Link to strategy

Key mitigations

- Close relationship with the key regulators who have issued licences.
- Long-term relationship with external consultancy (Oakhill), who provide guidance and commentary on UK regulatory change.
- Strong network of external advisers who provide guidance and support to understand incoming legislation and prospective regulation.
- Membership and active participation with industry bodies such as the Betting and Gaming Council and its relevant sub-committees across various thematic areas.
- Significant relationships in similar industry bodies in each of our licensed jurisdictions.
- A diverse network of like-minded individuals with industry understanding and real-time information.
- Comprehensive suite of regulatory and legislative controls, including regulatory reporting and internal checks and balances.

Developments in 2019

- Further development of the Group Compliance function including review of existing policies and process.
- Group focus of empowering teams to be more accountable for compliance frameworks within their own operating divisions.
- Expanded the Group's compliance expertise, as a result of the acquisition, supporting the increased number of licences.
- Supported by the Audit & Risk Committee, the Group has introduced an ESG Committee to further Board oversight across the Group's regulatory requirements and processes. An internal management committee has also been established to ensure compliance and regulatory focus is maintained.
- As a result of recent changes to reporting legislation, this year's Annual Report includes a Section 172(1) statement (see pages 30 and 31) and Non-financial Information Statement (see page 29).
- Appointed a Director of Taxation, leading the in-house tax function.

Focus for 2020

- Ongoing review and enhancement of the suite of regulatory and legislative controls, in collaboration with the Internal Audit & Risk function.
- Further integration and development of the controls within the business and operating divisions.
- Sustain good governance and compliance framework in order to maintain the licences acquired and facilitate expansion into emerging territories.
- Further our participation and activity at organisations across the gaming industry and our licensed territories.
- Enhancement of our 'anti-money laundering' and 'know your client' capability through additional training, resourcing and collaboration with third parties. We will also complete a review of our risk-based triggers to support our commitments to our players.

Financial and economic

Risk definition

Potential macroeconomic change, including currency fluctuations and interest rates, have a negative impact on Gamesys Group plc.

Link to strategy

Key mitigations

- Online gaming has a proven track record of being resilient to recession and economic decline.
- Wide range of products and geographical spread of players.
- External debt is denominated in the currencies in which we generate revenue.
- From a working capital perspective, there is limited exposure due to the cash nature of the business.
- Monitoring changes in the macroeconomic environment on an ongoing basis.
- Improved the tax control environment with an in-house tax team, providing commercial decision support and championing the Board's tax risk management policy.

Developments in 2019

- Continued to monitor the wider macroeconomic environment for significant changes or developments that may have an impact on the Group.
- Continuously review our hedging processes and instruments.

Focus for 2020

- Monitoring the hedging in place to minimise our exposure.
- Continuous review and evolution of our products, as shown in greater detail in our Strategic Report on pages 18 and 19.

Strategic

Brand and reputation

Risk definition

A major incident could leave a negative impact on Gamesys Group plc and the suite of brands offered.

Link to strategy

Key mitigations

- Key response plans are in place.
- Experienced investor relations team managing all press releases and external communications.
- Business impact analysis of the key areas that could impact the business, including proactive plans in place to manage.
- Consolidation of expertise from our premium listing on the London Stock Exchange.

Developments in 2019

- Development of our cultural DNA, which puts our players and stakeholders first.
- Increased our portfolio of brands across territories as a result of the acquisition, as well as our technology base.
- Launch of the Group's ESG Committee to oversee the framework of policies and controls which (i) support its vulnerable members, (ii) manage the Company's relationships with stakeholders and (iii) protect the Group from any external issues.

Focus for 2020

- Review of the incident management processes, across areas such as compliance, technology and data privacy.
- Focus on one of the Group's strategic priorities, 'Putting the player first', to evolve our approach to responsible gambling, as mentioned on page 19.
- Enhance the Group's proprietary technology and player-facing tools across all our markets, with special focus on recreational gambling.

Competitive landscape

Risk definition

Gamesys Group plc potentially fails to adapt and innovate to maintain its position as a market leader.

Link to strategy

Key mitigations

- Ongoing competitor and market analysis to ensure wider awareness, and drive discussion on innovation required.
- Player insights, business development and data analytics capabilities in place.
- Balanced approach between regulated markets and verticals in mature markets.
- Increased local autonomy through changes to country management structure.

Developments in 2019

- Significant investment to our technological abilities through the acquisition, in turn offering players a greater choice of major brands and different games, such as our launch of Rainbow Riches Casino in the UK.
- Continued to develop in-house marketing capability and more advanced data compilation and analytics as part of our 'Be The Player' strand of our cultural DNA.
- Greater efficiencies through our marketing approach, with aligned strategies across territories we operate in.

Focus for 2020

- Emphasis on evolving the robustness of the business operating models to ensure they are more sustainable in emerging markets.
- Leveraging the Group's proprietary technology and its operational capabilities to facilitate working in emerging markets and with new revenues.
- Execution of our product roadmap, enhancing our games and product offerings across platforms in all our markets.

Principal Risks and Uncertainties continued

Strategic

Responsible gambling

Risk definition

Gamesys Group plc recognises the need to apply high standards to the welfare of our players.

Link to strategy

Key mitigations

- Suite of safer gambling processes and controls across all of the Group's proprietary platforms.
- KPIs in place which allow the business to monitor the key player metrics in relation to potential trends that could be of concern.
- Increased personalisation of the player experience with a culture based around growing player numbers.
- Processes in place to allow a proactive approach to the management of potential issues with the development of the player charter and industry engagement.
- Adviser and regulatory assurance through ongoing audits and reviews.

Developments in 2019

- Leveraged position as market leader to draw attention to player welfare as a priority within the broader industry.
- Continued to embed safer gambling as a key part of our business strategy.
- Our Malta-based business met the GamCare Safer Gambling Standard in the year. The Standard is a quality mark that recognises gambling operators who have both met and gone beyond the requirements of gambling industry codes of practice in respect of their player protection measures.
- Weekly and monthly meetings held to ensure we understand changes across the regulatory and legislative landscape and increased focus on player behaviour.
- Supported the development of the Safer Gambling Commitments alongside the Betting and Gaming Council. The commitments work to support a culture of safer gambling for our players.

Focus for 2020

- Refinement of suite of responsible gambling processes and controls including third party review.
- Enhancement of the Group's responsible gambling KPIs to inform our player-centric strategy.
- A global leader within the gaming industry, we will continue to develop the remit and activities of our ESG Committee. The Committee ensures that responsible gambling and ESG are embedded within the highest levels of the business and that we meet our commitments to our players.
- We are launching the Gamesys Foundation, a charity focusing on mental health and social isolation.

Integration and growth

Risk definition

Timely integration of the legacy businesses and delivering a clear strategy whilst maintaining our focus on growth.

Link to strategy

Key mitigations

- Long-established partnership already in place, with many successful working relationships already in place across teams.
- Strategic alignment of the two legacy businesses, both with a history of high growth and performance.
- Complementary nature of legacy businesses' activities resulting in minimal resource-related upheaval.

Developments in 2019

- Launched our cultural DNA across the Group, under a single Company purpose (refer to page 9).
- Use of an independent third party for extensive employee engagement by holding structured interviews with all the senior leadership team and multiple workshops.
- Standardisation of the employee appraisal and bonus schemes, and terms and conditions for employees in jurisdictions where offices from both legacy organisations were present.

Focus for 2020

- Roll out training to enable employees to internalise and articulate what the DNA means to them. The DNA will also be integrated into the employee appraisal and recruitment processes.
- Streamline the procedural framework by utilising the best of the two businesses where possible.
- Continue to build on our employee engagement activities, as outlined on page 36.

Operational

Talent attraction and retention

Risk definition

Failure to build the internal capability and capacity to deliver the growth targets identified.

Link to strategy

Key mitigations

- Recruitment and succession plans in place in key roles and in areas of specialism.
- Cross-business collaboration to bring efficiencies and best practice.
- Ongoing investment in people and development.
- Quarterly business updates are provided by our CEO, covering strategic, financial and operational matters, available to all staff.
- Focus on communicating and engaging with employees, and responding to their priorities (see pages 35 to 37).

Developments in 2019

- Launched our Company purpose, supported by the cultural DNA across the enlarged Group, encapsulating new corporate values.
- Improved engagement, through anonymous surveys across the workforce, with findings published and corresponding actions taken.
- Enhanced communication channels, through the use of emails from the CEO, the intranet and management cascades.
- Increased focus on learning and development, with training opportunities, across induction, mandatory compliance training, soft skills, role-specific, managerial and leadership training. Extensive learning resources and leadership coaching are also available.
- A formal graduate training programme as well as apprenticeships are offered in order to facilitate the entry of new people to the industry.
- We provide market-aligned rewards and benefits to our employees. Standardising bonus and benefit schemes across the Company has been a priority for 2019 and new schemes were launched in 2020.

Focus for 2020

- Further embed our DNA into recruitment and appraisal processes.
- Streamline and harmonise policies and procedures across legacy operating segments.
- Run a refreshed employee engagement survey to reflect the united business and the new Gamesys DNA, during spring 2020.

Technology and IT systems

Risk definition

A failure of or damage to our technology or systems will negatively impact our operations.

Link to strategy

Key mitigations

- Roll out of systems improvement plan ensuring better service availability and system resilience.
- Key metrics are in place to monitor key systems and platforms globally and identify potential emerging issues for all regions.
- Formal incident management process for identifying, escalating and resolving issues and a post incident process to ensure that similar issues cannot happen again.
- Robust development and change management processes help reduce the risk of unplanned outages.
- Regular review of our Business Continuity Plans and IT Disaster Recovery capability to ensure an appropriate failover solution is available and seek to limit single points of failure where possible.

Developments in 2019

- Extensive investment within our in-house capabilities, and now through control of the Group's proprietary technology.
- Alignment of best practice processes across a single technology function across the enlarged Group.

Focus for 2020

- Develop further our systems monitoring, change management and incident management processes.
- Improve our global reach with platforms sited in appropriate geographical locations, including consideration for disaster recovery.
- Continue to implement the structured roadmap in place, maintaining its flexibility.
- Further in-house development of gaming platform software.

Principal Risks and Uncertainties continued

Operational

Data management

Risk definition

Gamesys Group plc processes player data and recognises the need to comply with the highest standards of data protection.

Link to strategy

Key mitigations

- Data access is managed through a wholly owned system called Active Directory, which is a management system to control access to player data. Strict access procedures and audit trail capability are in place.
- Corporate office data is cloud based and player-facing data is hosted in either our own data centres or within a virtual private cloud hosted by an external provider.
- System change access is managed through management processes and permissions.
- Device and individual orientated controls.

Developments in 2019

- Data management policies and processes reviewed and updated during the period. Further GDPR training provided to relevant persons.
- Compiled a comprehensive Data Dictionary, defining data in different parts of the business and allowing a refined portfolio of data management processes.
- Continued our migration of data to cloud-based systems and completed an internal review of cloud design and security controls.
- Brought all additional systems into the scope of Active Directory, the centralised authentication system already used for core systems.
- Completed a review of access and IT security controls to cater for the changes in organisational structure and listing obligations of the business during the year.
- Continued to actively manage and secure our data with reviews of our retention and destruction policies.

Focus for 2020

- Further development of data management systems and security capabilities.
- Increased focus on retention periods of data, continuing the emphasis on applying good practice rather than meeting minimum standards.
- In light of the wider geo political and macro economic environment we continue to review our alignment to GDPR legislation.
- Implementation of more advanced procedures for anonymisation and erasing of data.
- Group-wide harmonising of security practices and processes alongside the Group-wide data management policy framework.

New and emerging risks

Emerging risks have the potential to increase in significance and affect the performance of the Group and, as such, are continually monitored through our existing risk management processes by risk owners at all levels of the Group. We also use tools such as horizon scanning, operational risk aggregation and external sources, such as our relationship with Oakhill, to support our analysis. The outputs of these processes are reported to the Audit & Risk Committee and the Board for their review and assessment.

Our ERM process ensures emerging risks are considered to aid the Audit & Risk Committee's assessment of whether the Group is adequately prepared for the potential opportunities and threats they present. The process enables new and changing risks to be discussed at an early stage, allowing us to analyse them thoroughly and assess potential exposure.

We closely monitor emerging risks and with time they may become principal risks as they mature. Emerging risks may also be superseded by other risks or cease to be relevant as the internal and external environment in which we operate evolves. A non-exhaustive list of some current emerging risks of relevance to Gamesys are set out below.

Social Attitudes

The perception of the gaming industry within society continues to evolve and change. We continue to monitor for any shifts in behaviour, awareness or attitudes that may impact our business or our key stakeholders.

Horizon

- **Near < 2 years**
- Medium <5 years
- Long 5+ years

Compliance and Regulation

Meeting our compliance and regulatory requirements is fundamental to the success of Gamesys. As a business we continue to demonstrate industry leadership and to engage with the relevant legislative and regulatory bodies for which we are a part.

Horizon

- **Near < 2 years**
- Medium <5 years
- Long 5+ years

Sustainability

In an ever-changing world, we recognise that we have a responsibility to meet our sustainability commitments and obligations. This includes failing to understand our social, environmental and economic impact or reporting requirements.

Horizon

- Near < 2 years
- **Medium <5 years**
- Long 5+ years

The Strategic Report was approved by the Board and signed on its behalf by:

Lee Fenton
Chief Executive Officer
16 March 2020

Board of Directors

As at 31 December 2019

- ● Audit & Risk Committee
- ○ Chair Audit Committee
- ● Nomination Committee
- ○ Chair Nomination Committee
- ● Remuneration Committee
- ○ Chair Remuneration Committee
- ● ESG Committee
- ○ Chair ESG Committee

Neil Goulden ●●
Executive Chair

Lee Fenton
Chief Executive Officer

	Neil Goulden – Executive Chair	Lee Fenton – Chief Executive Officer
Appointment	Neil was appointed to the Board as Non-Executive Chair on 15 August 2016 and became Executive Chair on 1 November 2017.	Lee was appointed to the Board as Chief Executive Officer on 26 September 2019.
Skills and experience	Neil was Group Managing Director, CEO, Chair and Chair Emeritus of Gala Coral Group from 2001–2014. He advised the Government on gambling matters as a member of the Responsible Gambling Strategy Board (2008–2011), as Chair of the Responsible Gambling Trust (2011–2016) and as a member of the Horserace Betting Levy Board (2015–2017). Neil is a seasoned business leader with a strong track record in chairing a range of organisations. The breadth of Neil's knowledge and operational experience with large listed groups, building teams and culture, and growing businesses are all hugely beneficial to the Company, and enables Neil to contribute to the strategic direction and long-term sustainable success of the Company. Neil graduated from the University of Southampton in 1975 with a BSc in Politics and Law.	Lee has been Chief Executive Officer of Gamesys Limited since July 2015. He initially joined Gamesys Limited in November 2008 as Chief Operating Officer. Prior to Gamesys he was Chief Operating Officer of the mobile division at 20th Century Fox and, before that, Global Director of Consumer Products & Content at Vodafone Group plc. Lee brings extensive gaming industry knowledge to the Board. He contributes to and leads a strong executive team and his contributions are reflected in the Company's new strategy. Lee brings deep experience of working with global brands and managing operations across multiple markets. He graduated in 1992 with a BA (Hons) in Media & Cultural Studies from the University of the West of England.
External listed company appointments	None.	None.

Andria Vidler ○●
Independent Non-Executive Director

Colin Sturgeon ○●
Senior Independent Director

	Andria Vidler – Independent Non-Executive Director	Colin Sturgeon – Senior Independent Director
Appointment	Andria was appointed to the Board on 7 May 2018.	Colin was appointed to the Board on 19 January 2017.
Skills and experience	Andria is currently CEO Tag EMEA, the global marketing-content production group which supports businesses by producing marketing assets that ignite brand ideas across all media and all channels. She has extensive public markets experience and was previously Chief Executive of Centaur Media PLC, the leading business information group. Appointed to this role in 2013, she oversaw its radical transformation from a publishing company to an insight-led business information group. Andria brings a wide-range of experience in managing business operations, client services and marketing across a number of industries, which enables her to robustly challenge the Group's strategy and support the long-term sustainable success of the Company. Andria was Chief Executive of EMI, UK and Ireland, from 2009–2013, where she grew market share significantly by driving consumer focus and digital innovation. Prior to this, she held senior roles in marketing and commerce for Bauer Media, Capital Radio and the BBC. Ms Vidler is a Council member for The Marketing Group of Great Britain, a member of Tech London Advocates, an advisory group of tech experts. Ms Vidler completed her MBA in 2000 from the University of Bradford.	Colin has extensive experience leading and managing the origination and execution of corporate and government finance. In July 2005, he retired from RBC Capital Markets after more than 20 years' service, having held various roles in Europe. He was Deputy Chair, Royal Bank of Canada Europe Limited and Chair of the European Banking and Trading Risk Management Committees. Colin's extensive business and management experience at executive and board level is beneficial to the Board, supporting the Company's strategy and long-term sustainable success with his key understanding of stakeholder needs and his experience in international organisations, strong leadership and strategic decision-making. Colin has served on the boards of several other companies including Krupaco Finance UK Limited, Channel Services Limited and RBC Pension Trustees Limited. He also acted as a senior adviser to the Financial Services Authority.
External listed company appointments	None.	None.

Keith Laslop
Chief Financial Officer

Keith was appointed to the Board on 5 September 2016.

Keith previously served as Principal of Newcourt Capital, a boutique private equity group. From 2004–2008, he served as CFO and then President of Prolexic Technologies Inc., the world's largest distributed denial-of-service mitigation provider. From 2001–2004, he served as CFO and Business Development Director of Elixir, a London-based video gaming software developer. Keith brings over 15 years of strategic financial management, investment banking, operational and investor relations experience, which enables him to contribute to the long-term sustainable success and strategy of the business.

Keith is a Chartered Accountant and holds the Chartered Financial Analyst accreditation.

None.

Robeson Reeves
Chief Operating Officer

Robeson was appointed to the Board as Chief Operating Officer on 26 September 2019.

Robeson has been Chief Operating Officer of Gamesys Limited since July 2015. Robeson originally joined Gamesys Limited in September 2005 and held a number of positions, most recently Director of Gaming Operations from May 2010 and as a Board member from August 2010. Since joining Gamesys Limited, he has built a strong record in cohesively connecting player and product experiences to marketing and business KPIs, ensuring sustainable growth. Robeson brings significant entrepreneurial and executive leadership experience, with a particular focus on global player engagement and business development.

Robeson graduated in 2005 with a BSc in Statistics, Operations, Research and Management Studies from University College, London.

None.

Simon Wykes
Transition Director

Simon was appointed to the Board on 1 November 2017.

Simon was Chief Executive Officer at Gala Leisure (2015–2016) and Managing Director at Gala Coral Group (2010–2015), where he oversaw the execution of a successful strategic turnaround plan of its Bingo division, culminating in a management buyout. He also served as Managing Director of Rank Group for four years (2005–2009). Simon is a highly experienced gaming industry executive. He contributes to the strong executive leadership of the business and heads up the transitional activities.

Simon graduated from Nottingham Trent University in 1994 with a BA in Business Studies.

None.

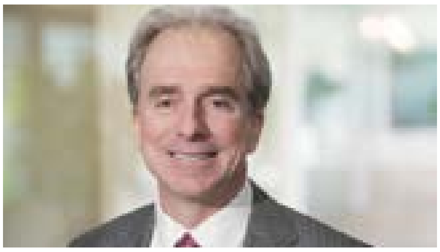
Nigel Brewster
Independent Non-Executive Director

Nigel was appointed to the Board on 19 January 2017.

Nigel is an experienced finance and management executive who has held senior roles in private equity-backed companies in the leisure industry and holds a number of private company non-executive directorships. From November 2015–April 2016 he was CFO of Parkdean Resorts Limited, where he oversaw the merger of Parkdean Holidays and Park Resorts, where he had previously served as CFO from April 2012. His role included a £570 million senior debt raise and various aspects of post-merger integration. Nigel previously served as CFO of ADP Dental Group and has held several senior roles at Gala Coral Group, one of Europe's largest integrated gaming businesses. The Board benefits from Nigel's wide-ranging experience in accounting, auditing and financial reporting as well as his industry experience and this enables him to continue to contribute to the long-term sustainable success of the Company.

He holds a Bachelor of Science and a Chartered Accountant qualification from the Institute of Chartered Accountants in England and Wales, having qualified with PricewaterhouseCoopers.

None.



Jim Ryan
Independent Non-Executive Director

Jim was appointed to the Board on 5 September 2016.

Jim is an experienced online gaming executive who is currently the CEO of Pala Interactive LLC. He has also held a number of other roles within the online gaming sector, including Co-Chief Executive Officer of bwin.party digital entertainment plc, Chief Executive Officer at PartyGaming plc, St Minver Limited and Excapsa Software Limited and Chief Financial Officer of Cryptologic Software Limited. Jim's continued contribution to the Company's strategy and long-term sustainable success comes from his extensive gaming industry experience, knowledge of gaming regulation, as well as an understanding of key investor issues.

He also currently sits on the boards of Gaming Realms plc, Bragg Gaming Group, Fralis LLC, Pala Interactive LLC and has served on the boards of several public and private companies.

Jim holds a Chartered Accountant and Certified Professional Accountant qualifications from the Canadian Institute of Chartered Professionals and a degree in business from the Goodman School of Business at Brock University.

Jim is a Director of Gaming Realms plc and Bragg Gaming Group.

Katie Vanneck-Smith
Independent Non-Executive Director and Employee Voice Director

Katie was appointed to the Board on 1 October 2019.

Katie is currently the co-founder and publisher of Tortoise Media, the slow-news start up, launched in January 2019. She previously spent over 20 years in various senior executive roles at News Corp, where she gained significant digital and marketing experience while working for some of the largest UK and US national publications, including The Times and The Wall Street Journal. She was most recently President of Dow Jones, publisher of The Wall Street Journal. Katie's acute knowledge and understanding of digital and marketing strengthens the Board's capacity for overseeing the strategic direction and development of the Group and enables her to contribute to the long-term sustainable success of the business.

None.

For more information, please visit:
www.gamesysgroup.com/investors

Corporate Governance Report

Neil Goulden Executive Chair

We remain committed to maintaining high standards of corporate governance

Board activities during 2019 and allocation of agenda time

2019 activities

- **Successfully completed acquisition of Gamesys**
- **Developed Board independence and recruited new independent Non-Executive Director**
- **Simplified our capital structure**
- **Agreed strategic objectives for our enlarged Group**
- **Disposed of Mandalay business**
- **Developed employee engagement through appointment of Employee Voice Director**

2020 focus

- **Integration of two complementary businesses reflecting the enlarged Group**
- **Embed the Company's new purpose and values**
- **Evaluation of Board's governance framework reflecting new Board composition**

Introductory letter on corporate governance from the Chair

Dear Shareholder,

On behalf of the Board, I am pleased to present the Company's Corporate Governance Report for the year ended 31 December 2019.

The combination of the Gamesys Acquisition and the changes in UK Corporate Governance standards has meant that corporate governance issues have been high on our agenda this year and we remain committed to maintaining high standards. The Gamesys Acquisition presented an excellent opportunity to strengthen our executive team with the appointments of Lee Fenton as Chief Executive Officer and Robeson Reeves as Chief Operating Officer. We are delighted to welcome them to the Board alongside our existing Executive Directors, Simon Wykes and Keith Laslop. David Danziger and Paul Pathak retired as Non-Executive Directors in June and we were pleased to appoint Katie Vanneck-Smith as a new Non-Executive Director in October. These changes signal two important changes in our corporate governance. We now have a group of independent Non-Executive Directors who fully comply with the independence criteria set out in the UK Corporate Governance Code and the appointment of a second female Director demonstrates progress towards an improved gender balance on the Board.

The newly named ESG Committee has overseen the introduction of the Section 172(1) statement (see pages 30 and 31) and the Non-financial Information Statement (see page 29). It has also made significant progress in the year driving the establishment of the Gamesys Foundation and reports for the first time (see pages 68 and 69).

Leadership and culture

The Gamesys Acquisition enabled the strategic alignment of two high-growth companies. This unification provided an opportunity to launch our new Company purpose, 'Crafting entertainment with care', supported by a new set of Company values known as the Gamesys DNA. Training to enable employees to internalise and articulate what the DNA means to them has been successfully piloted and will be rolled out in the coming year. More details can be found on page 35.

Board composition and succession planning

In last year's letter, I confirmed that a search was undergoing for a new independent Non-Executive Director. The Nomination Committee completed this process with the appointment of Katie Vanneck-Smith. As a result, all of our Non-Executive Directors are now independent. Further details can be found in the Nomination Committee report on page 67. Additionally, the Gamesys Acquisition in 2019 provided us with the opportunity to strengthen our executive team.

Accountability and audit

The Audit & Risk Committee has continued to develop its programme of activities in line with the Code. Details of the activities undertaken by the Audit & Risk Committee are set out on page 71.

Remuneration

At the 2019 AGM, approval was granted for the launch of two all-employee share plans. These provide the opportunity for us to engage with the wider workforce of the enlarged Group whilst aligning with shareholder interests. The current remuneration policy was approved by over 96% of the shareholders who voted at the 2018 AGM. Details on how the Committee implemented the remuneration policy in 2019 and plans for 2020 are set out in the Directors' Remuneration Report on pages 73 to 91.

Changes to the UK Corporate Governance Code

Further to my update last year regarding our implementation of the new requirements under the 2018 UK Corporate Governance Code, the Remuneration Committee has been fulfilling its expanded remit by reviewing and approving remuneration matters which relate to senior management (in addition to the Executive Directors). During the year, we also appointed one of our Non-Executive Directors to the role of Employee Voice Director, to ensure that employee engagement continues to be heard and considered at Board level. Further information on how we engage with our employees and other key stakeholders can be found on pages 30 and 31.

Priorities

2019 has been a transformational year. Integrating our two complementary businesses in 2020 is our key priority whilst delivering revenue growth within a responsible framework.

I look forward to reporting further on progress with these priorities in our 2020 Annual Report.

Yours faithfully,

Neil Goulden
Chair
16 March 2020

Corporate Governance Report continued

Introduction

Gamesys Group plc is a public company limited by shares incorporated in the United Kingdom. It is a premium listed company on the Main Market of the London Stock Exchange and is committed to high standards of corporate governance and control. Further information on the Company's corporate governance policies and principles are available on its website: www.gamesysgroup.com.

The Company continues to be a 'reporting issuer' under applicable Canadian securities laws. The Company has since 1 January 2020 been a 'designated foreign issuer', as defined in National Instrument 71-102 – Continuous Disclosure and Other Exemptions Relating to Foreign Issuers. As such, the Company is not subject to the same continuous and timely disclosure, insider reporting and early warning reporting requirements as most other reporting issuers in Canada. Generally, the Company will be in compliance with Canadian disclosure requirements if it complies with the foreign disclosure requirements of the United Kingdom (including the Financial Conduct Authority, the United Kingdom Listing Authority and the London Stock Exchange) and files on its SEDAR profile at www.sedar.com any documents required to be filed or furnished pursuant to the UK Rules.

Statement of compliance with the UK Corporate Governance Code

Gamesys Group plc is required to comply with all relevant provisions of the UK Corporate Governance Code published in July 2018 by the Financial Reporting Council (the 'Code') and the Listing Rules of the UK Listing Authority. If the Company does not comply with the Code, it should explain the reasons for non-compliance. The Code is available at www.frc.org.uk. It is the Board's view not to apply exemptions available under the Code for smaller companies due to its commitment to high standards of corporate governance and therefore reports its compliance accordingly.

During 2019, the Board believes that Gamesys Group plc has complied with all the principles and provisions of the Code with one exception. Provision 10 of the Code requires that the Annual Report shall identify each Non-Executive Director who the Board considers to be independent. Details can be found on page 64. The Board notes that David Danziger and Paul Pathak continued to hold share options which could preclude them from being assessed as independent, notwithstanding their independent character and judgement. Both retired at the 2019 AGM on 13 June 2019.

The Board aims to pursue its objectives in the best interests of the Company, its shareholders and other stakeholders. In particular, it seeks to create long-term value for shareholders.

Board committees

The Board is supported in its work by its principal committees, namely the Audit & Risk Committee, the Remuneration Committee, the ESG Committee and the Nomination Committee.

Each committee has written terms of reference, approved by the Board, summarising the role and responsibilities of each. An explanation of the roles and authorities delegated by the Board to each committee is available on the Group's website: www.gamesysgroup.com.

The role and composition of each committee

Committee name	Function	Composition
Audit & Risk Committee	Audit, financial reporting, risk management and controls	Three members are independent Non-Executive Directors
Nomination Committee	Selection and nomination of Board members	Two members are independent Non-Executive Directors
Remuneration Committee	Remuneration of Board members and top management	Three members are independent Non-Executive Directors
ESG Committee	Responsible gambling, sustainability and stakeholder engagement	Two members are independent Non-Executive Directors

Reports on the work of each committee during 2019 can be found on the following pages: Audit and Risk Committee, pages 70 to 72; ESG Committee, pages 68 and 69; Nomination Committee, pages 66 and 67; and Remuneration Committee, pages 73 to 76.

Board business

	Board	RemCo	Audit & RiskCo	NomCo	ESG
Total number of meetings[1]	**8**	**5**	**4**	**2**	**2**
Neil Goulden	8/8	–	–	2/2	2/2
Lee Fenton	3/3	–	–	–	–
Keith Laslop	8/8	–	–	–	–
Robeson Reeves	3/3	–	–	–	–
Simon Wykes	8/8	–	–	–	–
Colin Sturgeon	8/8	5/5	2/2	2/2	–
Nigel Brewster	8/8	5/5	4/4	–	–
Jim Ryan	8/8	–	4/4	–	–
Kate Vanneck-Smith (appointed 1 October 2019)	3/3	–	–	–	2/2
Andria Vidler	7/8	5/5	–	–	2/2

1. Attendance shown relates to the scheduled meetings. There were additional meetings held for specific individual matters.

Board leadership and company purpose

The Board engages with all its key stakeholders and the Company's success is the driving force behind all decisions made by the Board. Decision-making processes are structured to enable Directors to evaluate the merit of proposed business activities and the likely consequences of its decisions over each of the short, medium and long term. Due consideration is paid to the Company's stakeholders, including, but not limited to, our players, suppliers, business partners, employees and shareholders. Further information on our stakeholders and stakeholder engagement can be found in our Section 172 statement on pages 30 and 31.

In all of its activities, the Board requires that our employees and partners conduct business to the highest ethical and professional standards. The ESG Committee oversees the Company's commitment to make a positive contribution to the health and wellbeing of our players which underpins our purpose 'Crafting Entertainment with Care'.

Board meetings

During 2019, the Board held eight scheduled meetings and additional meetings were held for specific matters.

The Gamesys Group plc Board has approved a Schedule of Matters reserved to the Board and is responsible for key aspects of governance and performance.

The Directors are fully aware of their responsibilities to promote the success of the Company in accordance with Section 172 of the Companies Act 2006. The content on stakeholder engagement can be found on pages 30 and 31 and below.

Members of senior management attend Board meetings by invitation to deliver presentations on the status of projects and performance of business units. The regular agenda of the Board seeks to ensure that performance of the executive team in meeting their objectives and delivering the Group strategy is achieved.

Stakeholder engagement

The Board engages with all its stakeholders using a range of communication channels: investors through organised roadshows and briefings (see page 64), regulators with face-to-face meetings and desktop compliance reporting, employees by discussion groups led by the Employee Voice Director, staff surveys and Group-wide quarterly results presentations, and players via social media. Further information on engagement with players, the industry and regulators can be found in the Sustainability Report on pages 30 and 31 and steps to improve Board-level ESG engagement on page 69.

During the year, the newly named ESG Committee oversaw the framework of policies and controls which (i) support its vulnerable players, (ii) manage the Company's relationships with stakeholders and (iii) protect the Group from any external issues that have the potential to materially affect the Company's business and reputation. More details can be found in the ESG Committee report (see page 69) and within the Sustainability Report (see page 28).

> The Board engages with all its stakeholders using a range of communication channels

Corporate Governance Report continued

Shareholder engagement

The Company continues to encourage shareholder engagement. The Chair and Senior Independent Director are available to meet shareholders if there are any concerns around the governance of the Group.

The Board recognises the need to ensure that all Directors are fully aware of the views of major shareholders about the Group. Copies of all analysts' research relating to the Group are circulated to all Directors, and monthly analyses of the shareholder register are made available to the Board.

During the year, the Company held two shareholder meetings. The AGM was held on 13 June 2019 and attended by all of the Directors. All of the resolutions put to the meeting were approved with over 95% support and 55% of shares voted. An additional shareholder meeting was held on 31 July 2019 to approve the terms of the Gamesys Acquisition and the issue of shares in connection with the acquisition. Both resolutions were approved by over 99% of shares voted.

The 2020 AGM will be held on 3 June 2020. The Chair of the Board and the chairs of each of the Board committees will be available to answer questions put forward to them by shareholders of the Company.

Engagement with workforce and whistleblowing

Given the divisionalised nature of the Group's operations, most employee engagement activity is conducted at subsidiary company level under the leadership of the respective divisional management teams. The Board has agreed that an independent Non-Executive Director should be designated to fulfil this role ('the Employee Voice Director'). Initially, Jim Ryan fulfilled this role in 2019; Katie Vanneck-Smith has assumed this responsibility from 1 January 2020. Steps taken by the Employee Voice Director during the year in performing that role can be found on pages 31 and 36.

The Company has procedures and policies in place for whistleblowing and carries out awareness campaigns. We also provide an independent, third-party-hosted, whistleblowing hotline.

Conflicts of interest and concerns about the operation of the Board

As part of the process for acquiring the Gamesys business, the Board established a Conflicts Committee consisting of Directors who are free from any actual, potential or perceived conflict of interest in respect of the matter in question to assist the Board in discharging its responsibilities relating to the management of any actual, potential or perceived conflicts. The Conflicts Committee meets as required and currently consists of Neil Goulden, Colin Sturgeon, Nigel Brewster, Jim Ryan and Andria Vidler. The chair of the Conflicts Committee is Neil Goulden. The Conflicts Committee was not required to meet in 2019.

Where Directors have any concerns about the operation of the Board or the management of the Company, which cannot be resolved, they may request that their concerns be recorded in the relevant Board minutes. This was not required in 2019.

Division of responsibilities

Board roles and responsibilities

As at 31 December 2019, the Board comprised the Executive Chair, four additional Executive Directors and five Non-Executive Directors, including a Senior Independent Director.

The Board has agreed a written statement which sets out the division of responsibilities between the Executive Chair, the Chief Executive Officer, and the Chief Financial Officer.

Chair: The Executive Chair's principal responsibility is the effective running of the Board, ensuring that the Board as a whole plays a full and constructive part in the development and determination of the Group's strategy and overall commercial objectives.

Chief Executive Officer: The Chief Executive Officer is responsible for the running of the Company through the executive team.

Senior Independent Director: The Senior Independent Director serves as a sounding board for the Chair and acts as an intermediary for other Directors.

The Non-Executive Directors challenge the performance of the Executive Directors and the management team against the objectives agreed by the Board at the beginning of the year. This takes place within the Board meetings themselves and through the work of the Board Committees, which are all chaired by independent Non-Executive Directors.

Board independence

Neil Goulden was appointed the Executive Chair of the Board on 1 November 2017, having been appointed to the board of The Intertain Group Ltd in 2016. At the time of his appointment, Mr Goulden was considered to be independent. The Board considers that the following Non-Executive Directors – Nigel Brewster, Jim Ryan, Colin Sturgeon, Katie Vanneck-Smith and Andria Vidler – are independent in character and judgement, and free from any business or other relationship that could materially interfere with the exercise of their independent judgement, in compliance with the Code.

At least half the Board, excluding the Executive Chair, comprises Non-Executive Directors deemed independent, and each of the principal Board Committees is comprised of independent Non-Executive Directors. The Board expects to review the executive status of the Chair (and Mr Goulden's potential reversion to Non-Executive status) during 2020.

Jim Ryan is a director of another online bingo company and excuses himself from any Board discussions concerning this entity. Notwithstanding this interest, Mr Ryan is regarded as independent. The Board has, as stated above, satisfied itself that there is no compromise to the independence of, or existence of conflicts of interest for, those Directors who serve on the boards of outside entities.

Board time commitments
The Nomination Committee oversees the contribution and time commitment of all the Non-Executive Directors during the year. The Committee takes into consideration the additional commitments of Directors (including Executive Directors) before recommending their approval for appointment. It also considers potential conflict issues as part of that assessment. The Nomination Committee and the Board, as mentioned on page 64, are confident that each of the Non-Executive Directors are independent and will be in a position to discharge their duties and responsibilities in the coming year.

Company Secretary
Daniel Talisman is the Company Secretary of Gamesys Group plc. All of the Directors have access to his advice on governance matters and the services of the company secretarial team. The appointment and removal of the Company Secretary are matters reserved for discussion by the whole Board.

Composition, succession and evaluation

Board composition and expertise
During 2019, the composition of the Board has evolved reflecting: (i) David Danziger and Paul Pathak deciding not to seek re-election at the 2019 AGM, (ii) the acquisition of Gamesys, and (iii) the recruitment of a new independent Non-Executive Director which was completed during the year. As a result of the acquisition of Gamesys, there are now five Executive Directors on the Board who are considered to bring a comprehensive and complementary range of skills and expertise to the leadership team. The Non-Executive Directors are considered to have the requisite experience to contribute meaningfully to the Board's deliberations and resolutions.

Induction and professional development
The Chair is responsible for ensuring that there is a properly constructed and timely induction for new Directors upon joining the Board. Directors have full access to a regular and comprehensive supply of financial, operational, strategic and regulatory information to help them discharge their responsibilities.

Upon appointment, Katie Vanneck-Smith was provided with a comprehensive induction. Ms Vanneck-Smith met with key members of management and received a full briefing from the Company Secretary, with site visits being arranged.

Performance evaluation
As mentioned above, the composition of the Board has considerably changed during 2019 – primarily as a result of the Gamesys Acquisition, and also in the delivery of a body of Non-Executive Directors, all of whom are now independent. An internal evaluation of the Board and its committees was undertaken in early 2020 and an externally facilitated evaluation is expected to be undertaken in late 2020 when the rhythm for the new Board is further embedded.

Nomination Committee

Colin Sturgeon Chair of the Nomination Committee

We support moves to develop boardroom diversity whilst evaluating the balance of skills, experience and independence suitable for Gamesys Group plc

Board activities during 2019 and allocation of agenda time

2019 activities

- Recruitment of new independent Non-Executive Director
- Extended Board capabilities and skills matching business requirements

2020 focus

- Review Board's governance framework reflecting new Board composition
- Succession planning for Executive Directors and senior management

Dear Shareholder,

During 2019, the Committee met to consider and make recommendations to the Board in relation to a number of planned changes to the Board during the year. These included the replacement of two Non-Executive Directors who resigned at the 2019 AGM and the appointment of a new independent Non-Executive Director to the Board. The Committee has further considered progress with both short-term and long-term succession planning. The changes in the executive directorship as a result of the Gamesys Acquisition was the dominant focus in this regard and, as a result, two new Executive appointments were made to the Board following completion of the acquisition.

Responsibilities

The Nomination Committee (the 'Committee') assists the Board in discharging its responsibilities relating to the composition and make-up of the Board. The Committee is responsible for evaluating the balance of skills, experience, independence and knowledge on the Board, and its size, structure and composition. The Committee also considers the appointment and retirement of Directors, and makes appropriate recommendations to the Board on all such matters. The Committee also considers succession planning, taking into account the skills and expertise that the Board will require in the future.

The Committee is composed of three members, two of whom are independent Non-Executive Directors (Colin Sturgeon, as Chair, and Nigel Brewster), and Neil Goulden, the Chair of the Board. During the year, Nigel Brewster was appointed to the Committee, replacing David Danziger, who resigned as a Director at the 2019 AGM and, with effect from 1 January 2020, I took over as Chair from Neil Goulden.

The Committee meets formally at least twice a year and otherwise as required.

Boardroom diversity

Gamesys Group plc recognises the benefits that diverse viewpoints can make to decision-making. To that end, when Board positions become available, the Company is committed to considering a diverse range of candidates, and has in mind the Hampton-Alexander Review which now recommends that FTSE 350 companies adopt a target 33.3% as the minimum level of female representation on boards by 2020. The Company also notes Sir John Parker's recommendation to improve ethnic and cultural diversity for UK-listed boards. Appointments will continue to be based on merit, measured against objective criteria and the skills and experience the individual offers. During the year, the Board appointed a second female Director with the appointment of Katie Vanneck-Smith to the Board.

Board appointments process

Blackwood Group were engaged to support the Committee with its search for a new Non-Executive Director and, after taking into account the feedback from Committee members and the Board evaluation process, a balanced shortlist of candidates was prepared. After interviews, Ms Vanneck-Smith was selected by the Committee to be the preferred candidate and met with all Board members prior to being recommended to the Board and joining the Company. Blackwood Group has no other connection with the Company or its individual Directors.

Succession planning

The Committee reviews the balance and diversity of skills and experience of Board members and their tenure to manage Board succession. The Committee also discusses and reviews executive management succession planning, as required.

Board evaluation

The composition of the Board has considerably changed during 2019 – primarily as a result of the Gamesys Acquisition and also in the delivery of a body of Non-Executive Directors, all of whom are now independent. An internal evaluation of the Board and its committees was undertaken in early 2020 and an externally facilitated evaluation is expected to be undertaken in late 2020 when the rhythm for the new Board is further embedded.

I will be available at the AGM to answer any questions on the work of the Committee.

Colin Sturgeon
Chair of the Nomination Committee
16 March 2020

Environmental, Social and Governance ('ESG') Committee

Andria Vidler Chair of the ESG Committee

A refreshed Committee to drive forward our commitment to operating a responsible, stakeholder-aligned business

Committee activities during 2019 and allocation of agenda time

2019 activities

- Launched the refreshed ESG Committee and established terms of reference, attendees and a standard agenda
- Approved and oversaw setup of the Gamesys Foundation
- Published the Company's first Section 172(1) statement (see pages 30 and 31) and Non-financial Information Statement (see page 29)
- Reviewed ESG-related legislative, regulatory and reporting requirements

2020 focus

- Continued review of responsible gambling activities
- Develop and approve a new global Responsible Gambling Statement of Intent
- Monitoring of, and updating the Board about, the activities of the Gamesys Foundation
- ESG risk review and strategy development

Dear Shareholder,

I'm pleased to introduce our refreshed ESG Committee, which we set up in Q4 to oversee and drive forward our progressive approach to responsible gambling, sustainability and stakeholder engagement following completion of the Gamesys Acquisition.

Responsibilities

The ESG Committee assists the Board in determining its responsibilities in relation to responsible gaming, sustainability and stakeholder engagement. The Committee is responsible for reviewing our framework of policies and controls which supports vulnerable players, maintains fairness and integrity of the gaming and trading systems, manages the Company's relationships with stakeholders, and reduces the environmental impact of the business. The ESG Committee also considers the appointment of third parties to advise on ESG policies and practices and is responsible for the public reporting of ESG information.

The Committee is composed of three members, two of whom are independent Non-Executive Directors (Andria Vidler and Katie Vanneck-Smith), and Neil Goulden, the Chair of the Board. Andria Vidler is the Committee Chair.

The Committee meets formally at least twice a year, with additional meetings as required. Full terms of reference for the Committee are available on the Group's website as follows: https://www.gamesysgroup.com/investors/corporate-governance/committees/

The Gamesys Foundation

An extremely important achievement this year has been the agreement to set up the Gamesys Foundation. We have always been committed to supporting charitable causes (see page 38). Establishing the foundation allows us to focus our efforts on causes that most strategically align with our business and stakeholders, specifically those relating to health and wellbeing, and education. The Board has approved funding of £150k per month from October 2019, which will result in £2.25 million of funds by the end of 2020. The funds will be allocated by the five foundation trustees, consisting of the external trustees, the Chair of the Board, the Non-Executive Director discharging the Employee Voice role (Ms Katie Vanneck-Smith) and myself. I will be responsible for updating the ESG Committee on the foundation's activities and for onward reporting to the Board.

Activities

Two ESG Committee meetings were held in 2019. Its key activities included the following:

- Establishing the refreshed Committee, including recommending terms of reference for approval by the Board and agreeing Committee attendees and the annual rolling meeting agenda.
- Approval of the Gamesys Foundation objectives and trustee appointment framework.
- Approval of membership to the Betting and Gaming Council.
- Review of a report by an independent third party on the future legislative and regulatory responsible gambling landscape.
- Review of a report by an independent third party on ESG public reporting legislation and best practice.
- Review of Gamesys' UK Annual Assurance Statement, prior to submission to the Gambling Commission.

The ESG-related content of this report has also been reviewed and approved by the Committee, including the Company's first Section 172(1) statement (see pages 30 and 31) and Non-financial Information Statement (see page 29).

For 2020 the priorities of the Committee will be to ensure ongoing legal and regulatory compliance, review and assess ESG risks, and implement strategic plans to tackle key ESG issues, including responsible gambling. Our aspiration is to receive external recognition for our approach. The Committee also takes responsibility for monitoring and updating the Board on the activities of the Gamesys Foundation, reviewing stakeholder engagement activities, and public reporting.

Andria Vidler
Chair of the ESG Committee
16 March 2020

Audit & Risk Committee


Nigel Brewster Chair of the Audit & Risk Committee

We are committed to the continued development of a robust internal control and risk management framework

Committee activities during 2019 and allocation of agenda time

2019 activities

- Established internal risk management and internal audit function
- Continued review of the Group's risk framework
- Oversaw further enhancement of GDPR compliance
- Reviewed the findings of an external cyber security review
- Oversaw the introduction of a new accounting system for the enlarged Group

2020 focus

- Consider the enlarged Group's risk appetite and update the risk framework
- Continue to refine, develop and test the suite of internal controls for the Group
- Monitor the compliance by the enlarged Group's licensed companies with their respective regulators

Dear Shareholder,

I am pleased to report on the work of the Audit & Risk Committee.

Role and responsibilities of the Audit & Risk Committee

The Audit & Risk Committee (the 'Committee') assists the Board in discharging its responsibilities with regard to financial reporting, external and internal audits and controls, including: reviewing the Company's annual financial statements; reviewing and monitoring the extent of the non-audit work undertaken by external auditors; advising on the appointment, reappointment, removal and independence of external auditors; and reviewing the effectiveness of the Company's internal audit activities, internal controls and risk management systems. The ultimate responsibility for reviewing and approving the Annual Report and Accounts and the interim financial statements, including the half-yearly reports, remains with the Board.

The Committee is also responsible for: (i) advising the Board on the Company's risk strategy, risk policies and current risk exposures; (ii) overseeing the implementation and maintenance of the overall risk management framework and systems; (iii) reviewing the Company's risk assessment processes and capability to identify and manage new risks; and (iv) establishing, reviewing and maintaining procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and for the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

The membership of the Committee comprises three independent Non-Executive Directors – Nigel Brewster (Chair), Jim Ryan and Colin Sturgeon, with Keith Laslop attending from time to time as an observer. Each of the members of the Committee is considered 'financially literate' and Nigel Brewster is its Chair, who is considered to have recent and relevant financial experience.

The Committee meets formally at least four times a year and otherwise as required.

Risk and internal control

The Committee has, on behalf of the Board, reviewed the effectiveness of the Group's risk management and internal control. Such matters are also regularly considered by the Board. As a result of the review, the Committee has recommended to the Board that it considers the measures that have been in effect throughout the year ended 31 December 2019, or are planned to be implemented, are appropriate to the Group's circumstances.

The Board is committed to the continued development of internal controls and risk management. Notwithstanding that the Group's internal control systems accord with the 'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting', and that no significant failings or weaknesses are in evidence, the Board engaged PwC to provide further support on the implementation of the revised framework and to carry out specific controls testing through 2019.

Activities

During 2019, the Committee met four times and its activities included the following:

Financial reporting:	– Review and recommendation to the Board for approval of the audited financial statements for the year to 31 December 2018; the interim financial statements for the three months to 31 March 2019, the six months to 30 June 2019 and the nine months to 30 September 2019 and, in each case, associated Management Discussion and Analysis ('MD&A'). – Oversee the application of new accounting standards, IFRS 16 and IFRIC 23. – Review of the significant accounting policies and judgement areas in relation to the preparation of the full-year financial statements, including revenue recognition, taxation, goodwill impairment and contingent consideration.
External audit:	– Review of the report of the external auditor, BDO, on the audited financial statements for the year to 31 December 2018; the interim financial statements for the three months to 31 March 2019, the six months to 30 June 2019, the nine months to 30 September 2019 and associated MD&As. – Review of the scope of and letter of engagement for the 2019 full-year audit and audit planning.
Internal audit & risk:	– Established an Internal Audit & Risk function which undertook a detailed review of the enlarged Group's risk management framework.
Internal controls:	– Continued review of the Company's response to the General Data Protection Regulation. – Review of PwC's work regarding the framework for risk management and associated internal controls.
Risk:	– Assessed the principal and emerging risks facing the enlarged Group.
Whistleblowing:	– Reviewed policies and procedures in place to support the Group's whistleblowing commitments.
Regulatory compliance:	– Reviewed findings of UK Gambling Commission's Corporate Evaluation of Gamesys' UK business, and its Annual Assurance Statement prior to its submission.
Other:	– Approval of EY's engagement letter in relation to N1 52-109 Certification (being a Canadian securities filing requirement) regarding the effectiveness and suitability of the Group's internal controls over financial reporting.

Audit & Risk Committee continued

Internal audit & risk

The Committee has delegated responsibility for reviewing the effectiveness of the Group's systems of internal control. This covers all material controls including financial, operational and compliance controls and risk management systems. The Company's newly established Internal Audit & Risk function now delivers that internal assurance via the delivery of the Internal Audit Plan, which is structured to align with the key risks. The plan is developed by Internal Audit & Risk with input from management and the Committee. The role of the Internal Audit & Risk function is to provide independent, objective assurance and consulting services designed to add and protect value by improving the Group's operations and governance. The function will be augmented by specialist third-party external advisers to test controls (where necessary).

Financial reporting

The Audit & Risk Committee reviewed the financial statements published for both the six months ended 30 June 2019 and the 12 months ended 31 December 2019 and the associated reports of the external auditor in relation to those financial statements. It also reviewed the financial statements included in the Prospectus dated 27 June 2019 in relation to the Gamesys Acquisition and associated issue of shares.

Significant issues and judgements that were considered in respect of the 2019 financial statements for the Company included:

- **Accounting standards –** the Committee oversaw the Group's implementation of IFRS 16 (Leases) which came into effect from 1 January 2019. The Committee reviewed the Group's reporting and approved the changes required, as proposed by management, to fully comply with this new standard.
- **Business combination accounting –** the Committee oversaw the Group's accounting for the Gamesys Acquisition in accordance with IFRS 3 (Business Combinations). The Committee reviewed the purchase price allocation prepared by management with the assistance of professional business valuers.
- **Goodwill impairment –** with the assistance of external professional valuers, the Group performs an annual goodwill impairment review which tests the Group's cash-generating units ('CGUs'). The Committee reviewed the impairment report verifying that key judgements, estimates and assumptions used (such as pre-tax discount rates and growth rates) were reasonable. The Committee concurred with management's assessment that goodwill in each of the Group's CGUs was not impaired.
- **Taxation –** during the year the Board and Committee reviewed the tax operating manuals for Gamesys Group plc and Jackpotjoy Operations Ltd. verifying their respective approaches to decision-making and interactions with both UK third parties and other Group entities. The Committee also oversaw the Group's tax strategy and response to new UK and international tax regulations which came into effect during the year and their potential impact on the Group's financial statements.
- **Payment Service Providers ('PSP') –** the Committee considered the treatment of PSP reserves, related management of credit risk and concurred with management's provision against these balances.
- **Laws and regulations –** the Committee reviewed the Group's compliance with laws and regulations, including compliance with gaming regulations and licences.

External auditor

The Company's external auditor, BDO, was appointed in 2014 shortly after the formation of the Intertain group. Since that time, the audit partner responsible for the audit opinion on the Group's financial statements has been Kieran Storan. The Committee has agreed with BDO that a new audit partner will be responsible for the firm's review conclusion for the Group's financial statements for the half year ended 30 June 2020 and audit opinion for the year ended 31 December 2020. The Committee has reviewed the effectiveness of the external audit process. This was based on the Committee's interaction with BDO and through feedback from the Group's finance team. The Committee has satisfied itself that BDO continues to provide an effective audit service and the Committee has made a recommendation to the Board for the re-appointment of BDO to be proposed at the AGM on 3 June 2020.

Non-audit services

The Committee has established a policy regarding the appointment of external auditors to perform non-audit services for the Group and keeps this under continual review, receiving a report at each Committee meeting. This policy dictates that in the Company's financial year, the total fees for non-audit services provided by the external auditor, excluding non-audit fees for due diligence for acquisitions and other specific matters noted below, should not exceed 70% of the average of the total fees for audit services they provided in the preceding three-year period. In the year ended 31 December 2019, the total non-audit fees as a percentage of the audit fees paid to the external auditor was 24% (excluding those fees referred to below).

In addition to their statutory duties, BDO LLP is also employed where, as a result of their position as auditor or for their specific expertise, they either must, or the Committee accepts they are best placed to, perform the work in question. In the year ended 31 December 2019 this related to matters such as the Gamesys Acquisition and regulatory filings. In such circumstances, the Committee will separately review the specific service requirements and consider any impact on objectivity and independence of the auditor and any appropriate safeguards to this. As such, the Committee believes it appropriate for these non-audit services to be excluded from the 70% cap calculation set out above. In the year ended 31 December 2019, the total fees paid to the external auditor in respect of the Group's acquisition of Gamesys amounted to £1,528,000.

On 16 March 2020, the Committee considered: (i) a review of the going concern basis of preparing the statutory accounts; (ii) a review of the system of internal control; (iii) an assessment of the principal risks and uncertainties; (iv) review of the policy for the provision of non-audit services by the external auditor; and (v) determination of the period over which it is appropriate to assess the Company's prospects with a view to preparing a viability statement as required by Provisions 28 to 31 of the Code.

I will be available at the AGM to answer any questions on the work of the Committee.

Nigel Brewster
Chair of the Audit & Risk Committee
16 March 2020

Directors' Remuneration Report

Jim Ryan Chair of the Remuneration Committee

We take a disciplined approach to executive remuneration, ensuring that we incentivise and reward the right behaviours

Committee activities during 2019 and allocation of agenda time

2019 activities

- Reviewed and approved salary increases, bonus and LTIP awards for Executive Directors and senior management, including those for the wider workforce
- Approved the remuneration packages for the Company's newly appointed Executive Directors
- Implemented the remuneration aspects of the 2018 Corporate Governance Code
- Considered remuneration arrangements for the enlarged Group

2020 focus

- Launch of all-employee share schemes for the enlarged Group
- Approval of 2020 performance objectives
- Review of the Directors' Remuneration Policy and likely shareholder consultation in advance of seeking shareholder approval at the 2021 AGM

Directors' Remuneration Report continued

Letter from the Chair of the Remuneration Committee

Dear Shareholder,

I am pleased to present our Directors' Remuneration Report for the year ended 31 December 2019, my first report as the Chair of the Remuneration Committee (the 'Committee'). I would like to take this opportunity to thank Colin Sturgeon for his service as Chair of the Committee.

In accordance with the requirements of the applicable Remuneration Reporting regulations, this report is presented in two sections:

- Extracts from our Directors' Remuneration Policy (the 'Policy') approved at the 2018 Annual General Meeting by shareholders with 80.83% of all votes cast in favour. The Committee considers the Policy remains appropriate and, accordingly, shareholder approval for a new policy will not be sought at the 2020 AGM. Although we are not required to include the Policy in this Directors' Remuneration Report, we have included those parts we think shareholders will find most useful. The full Policy as approved by shareholders at the 2018 AGM is included in the Company's 2017 Annual Report and Accounts, which is available at https://www.gamesysgroup.com/investors/financial-reports-and-presentations/annual-reports/?year=2018.
- The Annual Report on Remuneration – this provides details of the amounts earned by Directors in respect of the year ended 31 December 2019 and how the Policy will be operated for the year commencing 1 January 2020. This will be subject to an advisory vote at the 2020 AGM.

Our core principles of remuneration

We take a disciplined approach to executive remuneration, ensuring that we incentivise and reward the right behaviours to support the overall strategy of the Group. Our policy on executive remuneration is designed to promote the long-term success of the Company, in line with our focus on profitability and growth.

The policy aligns the interests of shareholders and executives by the use of shareholding guidelines. Executive Directors (including the Chair) are expected to acquire shares with a value equal to 200% of salary. Until the specified level of shareholding is achieved, Executive Directors are expected to retain 50% of all shares acquired under the LTIP (net of tax). With effect from 1 January 2019 and as discussed on page 87, a post-cessation shareholding requirement has been adopted by the Committee. This requires that for the first 12 months following cessation, an Executive Director must retain shares with a value (as at cessation) equal to 200% of base salary, and that for the following 12 months he or she must retain shares with a value equal to 100% of base salary. If the Executive Director holds less than the required number of shares at any time, he or she must retain the share he or she holds.

Reflecting best practice and to ensure alignment with shareholders, LTIP awards are subject to an additional two-year holding period after the end of the vesting period.

Performance and variable pay outturns in respect of 2019

For the financial year ended 31 December 2019, Keith Laslop and Simon Wykes were eligible for a bonus of up to 100% of base salary. The bonus was assessed against Adjusted EBITDA (50%), Net Leverage (25%) and personal objectives (25%), with the personal objectives subject to an additional requirement that a threshold Adjusted EBITDA performance level be achieved.

Neil Goulden was eligible for a bonus of up to 150% of base salary. The bonus opportunity up to 100% of base salary was subject to the same weightings and performance measures as applied to Keith Laslop and Simon Wykes. A further 50% of base salary was based on the achievement of strategic objectives reflecting the Group's strategy. The additional bonus opportunity for Neil Goulden reflected his non-participation in the LTIP in 2019.

As set out on pages 82 and 83, based on the performance of the Group in relation to Adjusted EBITDA and Net Leverage and the performance of Executive Directors against personal objectives and, in the case of Neil Goulden, strategic objectives, bonuses for the year equal to 141%, 95% and 98% of salary have been earned by Neil Goulden, Keith Laslop and Simon Wykes, respectively. For Neil Goulden, 50% of the after-tax bonus will be invested into shares of Gamesys Group plc for a period of three years.

Lee Fenton and Robeson Reeves were eligible for a bonus opportunity up to 100% of their salary for the period following their appointment to the Board. Based on performance, each earned a bonus equal to 100% of their salary for that period, as set out on pages 82 and 83.

During the year, the Committee exercised its discretion to recalibrate the Adjusted EBITDA and Net Leverage targets from those originally set by taking into account both the impact of the disposal of the Mandalay business and the Gamesys Acquisition and therefore ensuring that performance was measured on a like-for-like basis. The Committee is satisfied that the recalibrated targets were appropriate, having regard to the changes to the Group, and were no less stretching than the original targets. The Committee reviewed performance against these performance measures and considered the underlying performance of the Group during the performance period and concluded the overall bonus outcomes to be appropriate.

The LTIP awards granted on 24 May 2017 were subject to performance conditions based on relative TSR performance over the period January 2017 – December 2019 (as regards 50% of the awards) and the Company's EPS for the year ended 31 December 2019 (as regards 50% of the awards). Following assessment of the performance conditions, the threshold targets for these performance conditions were not achieved and accordingly the awards did not vest.

Directorate changes

Lee Fenton and Robeson Reeves joined the Board as Chief Executive Officer and Chief Operating Officer respectively, with effect from 26 September 2019. A summary of their remuneration arrangements on appointment is set out below.

	Lee Fenton	Robeson Reeves
Service agreements	12 months' notice from the Company, six months' notice from Mr Fenton	12 months' notice from the Company, six months' notice from Mr Reeves
Salary on appointment	£500,000	£350,000
Pension	10% of salary reducing to 5% with effect from 1 January 2020 as noted below	10% of salary reducing to 5% with effect from 1 January 2020 as noted below
Annual bonus	Up to 125% of salary (but the bonus opportunity for 2020 will be 100% of salary, consistent with the previous application of the Policy)	Up to 125% of salary (but the bonus opportunity for 2020 will be 100% of salary, consistent with the previous application of the Policy)
LTIP	Up to 125% of salary	Up to 125% of salary

Katie Vanneck-Smith joined the Gamesys Board as a Non-Executive Director with effect from 1 October 2019. David Danziger and Paul Pathak stepped down from the Board on 13 June 2019.

The 2018 Corporate Governance Code ('2018 Code')

The 2018 Code applies to the Company from the start of 2019 and we have reported on compliance with the 2018 Code within our Corporate Governance Report on page 62. In the 2018 Directors' Remuneration Report we noted some changes to the way in which we would implement the Policy with effect from 2019 having regard to the provisions of the 2018 Code (with that approach to be formally enshrined in the Policy when we next seek shareholder approval for it).

Under the current Policy, incumbent Executive Directors' pension provision is 10% of salary. This is in line with the wider UK workforce pension provision before completion of the acquisition by JPJ Group plc of Gamesys (Holdings) Limited. Prior to completion of the transaction, the pension provision for the two new Executive Directors appointed during the year was agreed at this level. Following completion, there has been significant change in the make-up of the wider workforce for the enlarged Group and, accordingly, the pension provision for the workforce as a whole. As noted on page 89, notwithstanding Lee Fenton's and Robeson Reeves' contractual pension entitlements of 10% of salary, they have both agreed to reduce their pension contributions to 5% of salary with effect from 1 January 2020.

Recognising the provisions of the 2018 Code and the developing practice and shareholder sentiment with regard to pensions, employer contributions for Executive Directors appointed after 31 December 2019 will be in line with the rate available to the majority of the workforce post the Gamesys Acquisition (currently 5% of salary).

When determining the application of the Policy, the Committee considered clarity, simplicity, risk, predictability, proportionality and alignment to culture as set out in the 2018 Code. We operate simple variable pay arrangements, which are subject to clear performance measures aligned with the Group's strategy and the interests of all stakeholders. The application of recovery provisions (malus and clawback) enables the Committee to have appropriate regard to risk considerations. As part of our culture and, in particular, our DNA strand 'Be One Team', we want all employees within the enlarged Group to share in the success of the Group, with their interests aligned to those of shareholders. With this in mind we look forward to launching our all-employee share plans in 2020.

Implementation of the Policy in 2020

No changes to the Policy are proposed for 2020. A summary of the application of the Policy in 2020 is described below.

Fixed pay

The Executive Directors' base salaries were reviewed in February 2020. Following that review, the Executive Directors' salaries were increased as follows with effect from 1 January 2020. The salary increases are within the range of increases applied to the wider workforce.

	Salary with effect from 1 January 2019 (or date appointed if later)	Salary with effect from 1 January 2020	Increase %
Neil Goulden	£307,500	£307,500	N/A
Lee Fenton	£500,000	£518,250	3.65%
Robeson Reeves	£350,000	£362,775	3.65%
Keith Laslop	$578,000	$592,450	2.50%
Simon Wykes	£379,250	£379,250	N/A

Directors' Remuneration Report continued

Keith Laslop and Simon Wykes are entitled to a pension contribution, or salary supplement in lieu of pension contributions, of up to 10% of salary. The Chair will not receive a pension contribution or salary supplement. As noted on page 75, Lee Fenton's and Robeson Reeves' pension contributions will be reduced from 10% of salary to 5% of salary, effective 1 January 2020.

Non-Executive Director fees

The Non-Executive Directors' basic fee of £65,000 has been held at its 2017 level for 2020. Reflecting the increased size and complexity of the Company, supplementary fees for 2020 have been increased to £10,000 (from £5,000) for chairing a Committee, including the newly formed Environmental, Social & Governance ('ESG') Committee. The supplementary fee for holding office of the Senior Independent Director has been held at its 2017 level of £10,000. The supplementary fee for holding the office of the Employee Voice Director (introduced in 2019) has been increased to £10,000 (from £5,000), consistent with the other supplementary fees. The Committee considers that the Non-Executive Directors' fees appropriately reflect the work and responsibilities associated with each role.

2020 annual bonus

The Policy provides for a maximum annual bonus opportunity for Executive Directors, other than the Chair, of 125% of salary. Notwithstanding this, the maximum opportunity for 2020 will remain at 100% of salary for Executive Directors other than the Chair, consistent with the approach in 2019. For 2020, the bonus opportunity will be based on Adjusted EBITDA (75% of salary) and individual personal objectives (25% of salary), with any vesting under the individual personal objectives being subject to the achievement of the threshold Adjusted EBITDA target.

The Chair will not participate in the LTIP for 2020 and, in recognition of this, his annual bonus opportunity will remain at 150% of salary, consistent with 2019. For 2020, half of the Chair's bonus opportunity (75% of salary) will be based on Adjusted EBITDA using the same measure as applies to the other Executive Directors, with the other half of the opportunity (75% of salary) based on individual personal objectives. The bonus opportunity for the Chair is subject to the Adjusted EBITDA underpin. To ensure appropriate alignment with shareholders, at least 50% of the Chair's bonus (net of tax) must be invested in shares which must ordinarily be retained until the end of a period of three years from the date on which the bonus is determined.

The Committee considers that Adjusted EBITDA is closely aligned to the Group's key performance metrics and encourages sustainable growth year by year, and that the use of individual/strategic objectives provides an appropriate link to the Group's longer-term strategy.

2020 LTIP

The Policy provides for a maximum LTIP annual award of 125% of salary (or 250% in exceptional circumstances). Awards were granted in 2019 at the level of 125% of salary. It is the Committee's intention to grant 2020 LTIP awards at the level of 125% of salary. The performance measures will be based on EPS and TSR as with the 2019 awards. The Committee has reflected upon the challenges presented by setting three-year EPS growth targets for the purposes of the LTIP and, having considered external advice and industry trends, the Committee has determined a re-weighting of performance measures as follows:

- For the 2019 awards we applied an EPS growth measure to 50% of the award and a relative TSR measure to 50% of the award (split equally between a measure comparing Gamesys' performance to the FTSE 250 and a measure comparing Gamesys' performance to a bespoke peer group); further details are included on pages 84 and 85.
- For the 2020 awards, we will apply an EPS growth measure to 25% of the award (with the same targets as apply for the 2019 awards) and a relative TSR measure to 75% of the award (with 50% based on the bespoke peer group and 25% based on the FTSE 250); further details are included on page 90.

For both the 2019 and 2020 awards, the peer group is GVC Holdings plc, Flutter Entertainment plc, Playtech plc, Rank Group plc, William Hill plc and 888 Holdings plc.

The Chair will not participate in the LTIP for 2020. As outlined above, reflecting best practice and to ensure alignment with shareholders, LTIP awards are subject to an additional two-year holding period after the end of the vesting period.

In 2020 we propose to offer employees participation in the employee share plans that were approved by shareholders at the 2019 AGM. In line with current policy, Executive Directors will not participate in the initial offer under those plans.

I believe our Directors' Remuneration Report gives our shareholders a clear understanding of our approach to executive remuneration and an assurance that we are adopting an approach which properly incentivises the achievement of the Company's objectives. I will be happy to answer questions on executive remuneration at the AGM and I look forward to shareholders supporting the Directors' Remuneration Report at that meeting.

Jim Ryan
Chair of the Remuneration Committee
16 March 2020

Directors' Remuneration Policy

Gamesys Group plc's Directors' Remuneration Policy was approved by shareholders with 80.83% of all votes cast in favour at the AGM held on 7 June 2018 and took effect from the close of that meeting. That Policy will continue to apply in 2020 and, accordingly, shareholder approval for the Policy will not be sought at the 2020 AGM. We have set out below those parts of the Policy approved at the 2018 AGM that we think shareholders will find most useful, with date-specific provisions removed. The full Policy is included in the Company's 2017 Annual Report and Accounts which are available on the Company's website at https://www.gamesysgroup.com/investors/financial-reports-and-presentations/annual-reports/.

The Policy is determined by the Committee.

The Company's remuneration package for Executive Directors has been designed with the following aims:

- to attract, retain and motivate high-calibre senior management talent, and to focus these individuals on the delivery of the Group's strategic and business objectives;
- to have a competitive mix of base salary and short-term and long-term incentives, with an appropriate proportion of the package determined by stretching targets linked to the Company's performance;
- to promote and maintain a strong and sustainable culture of performance in the Group, with transparent and stretching performance conditions that are rigorously applied;
- to provide appropriate alignment between strategic goals, shareholder return and executive reward;
- to provide incentives that promote responsible growth for the Group's various businesses; and
- to align the interests of senior management with those of shareholders.

Policy for Executive Directors

Base salary		
Purpose and link to strategy	Core element of fixed remuneration reflecting individual's role and experience.	
Operation	The Committee ordinarily reviews base salaries annually taking into account a number of factors, including (but not limited to) the value of the individual, their skills and experience and performance.	The Committee also takes into consideration: – pay increases generally; and – Group organisation, profitability and prevailing market conditions.
Maximum opportunity	Whilst there is no maximum salary, increases will normally be within the range of salary increases awarded (in percentage of salary terms) to other employees of the Group. However, higher increases may be awarded in certain circumstances, such as: – on promotion or in the event of an increase in scope of the role or individual's responsibilities; – where an individual has been appointed to the Board at a lower than typical market salary to allow for growth in the role, in which case larger increases may be awarded to move salary positioning to a typical market level as the individual gains experience; – change in size and complexity of the Group; and/or – significant market movement.	Such increases may be implemented over such time period as the Committee deems appropriate.
Performance measures	While no formal performance conditions apply, an individual's performance in their role is taken into account in determining any salary increase.	

Directors' Remuneration Report continued

Benefits

Purpose and link to strategy	Core element of benefits provided on a market competitive basis.	
Operation	The Company provides benefits in line with market practice and includes the use of a fully expensed car (or car allowance), medical cover for the Executive Director and his/her spouse and dependent children, permanent health insurance and life assurance scheme.	Other benefits may be based on individual circumstances, which may include relocation costs, travel and accommodation expenses. Reimbursed expenses may include a gross-up to reflect any tax or social security due in respect of the reimbursement.
Maximum opportunity	Whilst the Committee has not set an absolute maximum on the level of benefits Executive Directors may receive, the value is set at a level which the Committee considers to be appropriately positioned taking into account relevant market levels based on the nature and location of the role and individual circumstances.	
Performance measures	Not applicable.	

Retirement benefits

Purpose and link to strategy	Provides a competitive means of saving to deliver appropriate income in retirement.	
Operation	The Company may make a contribution to a defined contribution scheme or a personal pension.	In appropriate circumstances, an Executive Director may receive a salary supplement in lieu of a contribution to a pension scheme.
Maximum opportunity	Up to 10% of salary.	
Performance measures	Not applicable.	

Annual bonus

Purpose and link to strategy	The executive bonus scheme rewards Executive Directors for performance in the year against targets and objectives linked to the delivery of the Company's strategy.	
Operation	Targets and objectives are reviewed annually and any payout is determined by the Committee after the year end. The Committee has discretion to amend the payout should any formulaic output not reflect the Committee's assessment of overall business performance.	Recovery provisions apply, as referred to below. At least 50% of the Chair's after-tax bonus for any year in which he does not participate in the Long-Term Incentive Plan ('LTIP') must be invested in shares in the Company which must ordinarily be retained until the end of a period of at least three years from the date on which the bonus is determined.
Maximum opportunity	For Executive Directors other than the Chair, the maximum annual bonus opportunity is 125% of base salary.	The Chair's maximum annual bonus opportunity is 150% of salary for any year in which he does not participate in the LTIP, and 125% of salary for any other year.
Performance measures	Targets (which may be based on financial or strategic measures) and individual objectives are determined to reflect the Company's strategy. At least 50% of the bonus opportunity is based on financial measures which may include, but are not limited to, EBITDA, Net Leverage and a measure of profit.	The balance of the bonus opportunity will be based on financial measures and/or the delivery of strategic/individual measures.

Long-Term Incentive Plan ('LTIP')

Purpose and link to strategy	The LTIP provides a clear link between the remuneration of the Executive Directors and the creation of value for shareholders by rewarding the Executive Directors for the achievement of longer-term objectives aligned to shareholders' interests.	The Chair will not participate in the LTIP.
Operation	Under the LTIP, the Committee may grant awards as conditional shares, as nil (or nominal) cost options or as cash-settled equivalents. Awards will usually vest following the assessment of the applicable performance conditions, but will not be released (so that the participant is entitled to acquire shares) until the end of a holding period of two years beginning on the vesting date. Alternatively, awards may be granted on the basis that the participant is entitled to acquire shares following the assessment of the applicable performance conditions but that (other than as regards sales to cover tax liabilities) the award is not released (so that the participant is able to dispose of those shares) until the end of the holding period.	An additional payment (in the form of cash and shares) may be made in respect of shares which vest under the LTIP to reflect the value of dividends which would have been paid on those shares during the period beginning with the date of grant and ending with the release date (this payment may assume that dividends had been reinvested in Gamesys Group plc shares on a cumulative basis). The Committee may, at its discretion, structure awards as Qualifying LTIP Awards, consisting of a tax-qualifying Company Share Option Plan ('CSOP') option with a per share exercise price equal to the market value of a share at the date of grant and an ordinary nil-cost LTIP award, with the ordinary award scaled back at exercise to take account of any gain made on exercise of the CSOP option. Recovery provisions apply.
Maximum opportunity	The maximum award level in respect of any financial year is 125% of salary, or 250% of salary in exceptional circumstances.	If a qualifying LTIP is granted, the value of shares subject to the CSOP option will not count towards the limit referred to above, reflecting the provisions for the scale back of the ordinary LTIP award.
Performance measures	Performance measures under the LTIP will be based on financial measures (which may include, but are not limited to, EPS and relative TSR).	Awards will vest as to 25% for threshold performance, rising to 100% for maximum performance.

Recovery provisions (malus and clawback)

Malus: The annual bonus opportunity may be cancelled or reduced before payment and an LTIP award may be cancelled or reduced before vesting in the event of material error or misstatements of results, material failure of risk management, material misconduct by the Executive Director or information coming to light which if it had been known previously would have affected the grant or vesting decision.

Clawback: For up to two years following payment of a bonus or the vesting of an LTIP award, the bonus paid may be recovered or the LTIP award cancelled or reduced (if it has not been exercised) or the Executive Director may be required to make a payment to the Company in respect of some or all of the shares acquired in the event of material error or misstatements of results, material failure of risk management, material misconduct by the Executive Director or information coming to light which if it had been known previously would have affected the grant or vesting decision.

Malus and clawback may be applied to any CSOP option granted under the LTIP to the extent permitted by the applicable tax legislation.

Directors' Remuneration Report continued

Explanation of performance metrics
Performance measures for the LTIP and annual bonus are selected to reflect the Company's strategy. Stretching performance targets are set each year by the Committee taking into account a number of different factors.

Annual bonus
The annual bonus can be assessed against financial, strategic and/or individual targets determined by the Committee with at least 50% subject to financial targets.

For 2020, the bonus opportunity for the Executive Directors will be based on EBITDA (50% of salary), Net Leverage (25% of salary), and individual strategic objectives (25% of salary), with any vesting under the individual strategic objectives being subject to the achievement of the threshold EBITDA target.

For 2020, the Chair's bonus opportunity will be based on the same performance measures and weightings as for the other Executive Directors, as regards a bonus of up to 100% of salary; the remaining 50% of salary opportunity will be based on key strategic objectives, with 50% of any bonus paid to be invested in shares and held for a minimum of three years. The Committee considers that EBITDA and Net Leverage are closely aligned to the Group's key performance metrics and encourage sustainable growth year by year, and that the use of individual/strategic objectives provides an appropriate link to the Group's longer-term strategy.

LTIP
Long-term performance measures are chosen by the Committee to provide a robust and transparent basis on which to measure the Company's performance over the longer term and to provide alignment with the business strategy. Currently, the application of EPS and TSR targets to the LTIP is considered to align management's objectives with those of shareholders for the longer term.

The Committee may vary or substitute any performance measure if an event occurs which causes it to determine that it would be appropriate to do so (including to take account of acquisitions or divestments, a change in strategy or a change in prevailing market conditions), provided that any such variation or substitution is fair and reasonable and (in the option of the Committee) the change would not make the measure less demanding than the original measure would have been but for the event in question. If the Committee were to make such a variation, an explanation would be given in the next Directors' Remuneration Report.

Operation of share plans
The Committee may amend the terms of awards and options under its share plans in accordance with the plan rules in the event of a variation of Gamesys Group plc's share capital or a demerger/merger, special dividend or other similar event or otherwise in accordance with the rules of those plans. The Committee may operate any such plan in accordance with its rules. Share awards granted under any such plan may be settled in cash, although the Committee would only do so where the particular circumstances made this the appropriate course of action (for example, where a regulatory reason prevented the delivery of shares).

Shareholding guidelines
To align interests of Executive Directors with those of shareholders, the Committee has adopted formal shareholding guidelines. Executive Directors are expected to retain half of all shares acquired under the LTIP (after sales to cover tax) until such time as their holding has a value equal to 200% of gross salary. Shares subject to LTIP awards which have vested but have not been released (that is, which are in a holding period), or which have been released but have not been exercised, count towards the guidelines on a net of assumed tax basis.

Policy for Non-Executive Directors

Fees and benefits		
Purpose and link to strategy	To provide fees within a market competitive range reflecting the experience of the individual, responsibilities of the role and the expected time commitment.	To provide benefits, where appropriate, which are relevant to the requirements of the role.
Operation	The fees of the Non-Executive Directors are determined by the Board. On appointment of a Non-Executive Chair, his or her fees would be determined by the Committee.	Non-Executive Directors are not eligible to participate in any of the Company's share schemes, incentive schemes or pension schemes. Non-Executive Directors may be eligible to receive benefits such as travel and other reasonable expenses.
Maximum opportunity	Fees are set taking into account the responsibilities of the role and expected time commitment.	
Performance measures	Non-Executive Directors are paid a basic fee, with additional fees paid for chairing of Committees. An additional fee is also paid for the role of Senior Independent Director.	Where benefits are provided to Non-Executive Directors, they will be provided at a level considered to be appropriate taking into account the individual circumstances.

Annual Report on Remuneration

The table below sets out the total remuneration for each person who served as a Director in the period ended 31 December 2019. The table shows the remuneration for each such person in respect of the year ended 31 December 2019 and 31 December 2018.

Single total figure table of remuneration (audited)

	Salary and fees[a] (£000's)		Benefits[b] (£000's)		Annual bonus[c] (£000's)		LTIP[d] £'000s		Pension[e] (£000's)		Total remuneration (£000's)	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
Executive Directors												
Neil Goulden	**308**	300	**6**	7	**434**	277	**–**	–	**–**	–	**748**	584
Lee Fenton[1]	**131**	–	**–**	–	**125**	–	**–**	–	**13**	–	**269**	–
Keith Laslop[2,3]	**453**	423	**23**	38	**412**	242	**–**	–	**–**	–	**888**	703
Simon Wykes	**379**	370	**295**	–	**372**	212	**–**	–	**38**	44	**1,084**	626
Robeson Reeves[4]	**91**	–	**–**	–	**88**	–	**–**	–	**9**	–	**188**	–
Non-Executive Directors												
Nigel Brewster	**70**	70	**–**	–	**–**	–	**–**	–	**–**	–	**70**	70
David Danziger[5]	**29**	65	**–**	–	**–**	–	**–**	–	**–**	–	**29**	65
Paul Pathak[5]	**29**	65	**–**	–	**–**	–	**–**	–	**–**	–	**29**	65
Jim Ryan	**68**	65	**–**	–	**–**	–	**–**	–	**–**	–	**68**	65
Colin Sturgeon	**80**	80	**–**	–	**–**	–	**–**	–	**–**	–	**80**	80
Andria Vidler[6]	**67**	37	**–**	–	**–**	–	**–**	–	**–**	–	**67**	37
Katie Vanneck-Smith[7]	**16**	–	**–**	–	**–**	–	**–**	–	**–**	–	**16**	–
Total	**1,721**	1,475	**324**	45	**1,431**	731	**–**	–	**60**	44	**3,536**	2,295

1. Lee Fenton was appointed as Chief Executive Officer on 26 September 2019; the 2019 figures reflect his remuneration as an Executive Director from 26 September 2019 to 31 December 2019.
2. Keith Laslop has a service agreement with the Company and a service agreement with Jackpotjoy Operations Ltd. (its wholly owned subsidiary). The sums in the above table include remuneration earned under each agreement where required.
3. Keith Laslop's remuneration is partly paid in US Dollars. For the purposes of the above table, these have been converted into pounds Sterling using an exchange rate of 0.7837 for 2019 (0.7501 for 2018).
4. Robeson Reeves was appointed as Chief Operating Officer on 26 September 2019; the 2019 figures reflect his remuneration as an Executive Director from 26 September 2019 to 31 December 2019.
5. David Danziger and Paul Pathak stepped down from the Board on 13 June 2019; the 2019 figures reflect their remuneration up to the date of their departure.
6. Andria Vidler was appointed as a Non-Executive Director on 7 June 2018; the 2018 figures reflect her remuneration as a Non-Executive Director from 7 June 2018 to 31 December 2018.
7. Katie Vanneck-Smith was appointed as a Non-Executive Director on 1 October 2019; the 2019 figures reflect her remuneration as a Non-Executive Director from 1 October 2019 to 31 December 2019.

The figures in the single figure table above are derived from the following:

(a)	Salary and fees	The amount of salary/fees earned in respect of the year.
(b)	Benefits	The taxable value of the benefits received in the year. In the case of Neil Goulden, these are principally private medical insurance, life assurance, car allowance and social expenses. During 2019 Simon Wykes received £295,000 relocation costs, as discussed in the 2018 Directors' Remuneration Report.
(c)	Annual bonus	The amount of bonus earned in respect of the financial year. A description of performance against the performance measures which applied for 2019 is provided on pages 82 and 83.
(d)	LTIP	The value of any long-term incentives vesting where the performance period has ended in the relevant period, calculated as set out on page 84.
(e)	Pension	The pension figure represents the amount of pensions contributions to the defined contribution pension arrangements and any cash payments in lieu of pension contributions made in the year.

Additional disclosures in respect of the single figure table (audited)

Base salary and fees

Details of annual base salaries for Executive Directors are set out below.

	Salaries from 1 January 2019 (or, if later, date of appointment)	Salaries from 1 January 2018	Increase
Neil Goulden	**£307,500**	£300,000	2.5%
Lee Fenton[1]	**£500,000**	–	–
Keith Laslop	**US$578,000**	US$563,750	2.5%
Simon Wykes	**£379,250**	£370,000	2.5%
Robeson Reeves[1]	**£350,000**	–	–

1. Lee Fenton and Robeson Reeves were appointed as Executive Directors on 26 September 2019.

Directors' Remuneration Report continued

Details of Chair and Non-Executive Directors' fees are set out below. The Non-Executive Director fees were not increased in respect of 2019.

	Fees from 1 January 2019
Chair's fee	N/A[1]
Basic fee paid to all Non-Executive Directors	£65,000
Supplementary fees:[2]	
Senior Independent Director	£10,000
Remuneration Committee Chair	£5,000
Audit & Risk Committee Chair	£5,000
Employee Voice Director	£5,000[3]

1. The Company's Chair's salary is disclosed in the table on page 81.
2. There is no supplementary fee for chairing the Nomination Committee.
3. A supplementary fee of £5,000 for holding office of Employee Voice Director was introduced during 2019. The figure above is pro-rated in the single figure table to reflect the date of appointment as Employee Voice Director.

Annual incentive plan (audited)

For the financial year ended 31 December 2019, Keith Laslop and Simon Wykes were eligible to earn a bonus of up to 100% of base salary. The bonus was assessed against the following performance measures:

- 50% Adjusted EBITDA
- 25% Net Leverage
- 25% personal objectives

The personal objectives performance measure is subject to an Adjusted EBITDA underpin of £97.2 million to ensure the threshold level of Adjusted EBITDA performance is achieved before any payout is made under the personal objectives element of the bonus.

Neil Goulden was eligible to earn a bonus of up to 150% of base salary. The bonus opportunity up to 100% of salary was subject to the same weightings and performance measures as applied to Keith Laslop and Simon Wykes. A further 50% of salary was based on the achievement of strategic objectives reflecting the Group's strategy. The additional bonus opportunity for Neil Goulden reflected his non-participation in the LTIP in 2019.

Bonuses equal to the following percentages of salary were earned by the Executive Directors:

- Neil Goulden: 141%
- Keith Laslop: 95%
- Simon Wykes: 98%

Lee Fenton and Robeson Reeves were each eligible to earn a bonus of up to 100% of their salary for the period following their appointment to the Board. Based on performance, each earned a bonus equal to 100% of their salary for that period.

For Neil Goulden, 50% of the after-tax bonus will be invested into shares of Gamesys Group plc for a period of three years from the date on which the bonus is determined.

During the year, the Committee exercised their discretion to recalibrate the Adjusted EBITDA and Net Leverage targets from those originally set, to take account of the impact of the disposal of the Mandalay operating business and the Gamesys Acquisition so as to ensure that performance is measured on a like-for-like basis. The threshold and maximum Adjusted EBITDA and Net Leverage targets were recalibrated, to reflect the disposal of the Group's Mandalay business. The Committee is satisfied that the recalibrated targets are appropriate, having regard to the changes to the Group, and are no less stretching than the original targets. For transparency, we have included below both the targets originally set and the adjusted targets.

The following tables set out the performance outturns against the applicable measures:

Adjusted EBITDA[1]

	Performance level required (original) (£m)	Performance level required (recalibrated) (£m)	Vesting (% of salary)[2]	Actual performance (£m)	Bonus earned (% of salary)
Threshold	£100.0	£97.2	25%	£109.4	50%
Maximum	£110.0	£106.9	50%		

1. For bonus purposes, an amended Adjusted EBITDA is used.
2. Vesting is on a straight-line basis.

Net Leverage[1]

	Performance level required (original)	Performance level required (recalibrated)	Vesting (% of salary)[2]	Actual performance	Bonus earned (% of salary)
Threshold	2.38x	2.50x	12.5%	2.15x	25%
Maximum	2.14x	2.25x	25%		

1. For bonus purposes, an amended Net Leverage is used.
2. Vesting is on a straight-line basis.

Personal objectives/strategic business element – outturn

The personal objectives element of the bonus was measured on the achievement of clear personal objectives and targets which supported the strategic objectives of the business. The objectives, achievements and overall outturn are summarised below for each Executive Director.

Keith Laslop	Keith Laslop's personal objectives centred around improving the Group's P/E ratio, and maintaining appropriate capital structure, including the review of debt, leverage, refinancing and equity options. During the year, the Group has had a strong cashflow and a high cash conversion from EBITDA. Strong underlying cash flows have been a consistent feature of our results and prior to the acquisition of Gamesys, leverage had reduced to below 2.5x and down from over 3.5x at the beginning of 2018. Awarded 20% from a maximum 25% of salary.
Simon Wykes	Simon Wykes' personal objectives centred around the completion of Gamesys Acquisition, delivering growth in global revenue and successful implementation of the player initiative. During the year, the Gamesys Acquisition was completed for c.£490 million. Revenues grew by 35% in 2019 reflecting high growth in key overseas markets, notably Spain and Asia, and also good progress across our UK brands, highlighting robust underlying momentum in our brands and the effect of the enhanced responsible gambling measures. Awarded 23% from a maximum 25% of salary.
Neil Goulden	As Chair, Neil Goulden's personal and strategic objectives focused on maintaining appropriate capital structure, including the review of debt, leverage refinancing and equity options, delivering growth in global revenue, recruiting a high-quality Non-Executive Director and ensuring responsible gambling and regulatory adherence alongside business growth. During the year, the Group has had a strong cashflow and a high cash conversion from EBITDA. Strong underlying cash flows have been a consistent feature of our results and prior to the acquisition of Gamesys, leverage had reduced to below 2.5x and down from over 3.5x at the beginning of 2018. Revenues grew by 35% in 2019, reflecting high growth in key overseas markets, notably Spain and Asia and also good progress across our UK brands, highlighting robust underlying momentum in our brands and the effect of the enhanced responsible gambling measures. Katie Vanneck-Smith joined the Gamesys Board as a Non-Executive Director during the year. The Group continues to manage and address the changing regulatory backdrop and normalise the conversation around responsible gambling and broaden its relevance. Awarded 66% from a maximum of 75% of salary.
Lee Fenton	Lee Fenton's personal objectives centred around overseeing the Gamesys Acquisition and, post-acquisition, ensuring the integrity of the two underlying businesses. During the year, the Gamesys Acquisition was completed for c.£490 million. The new organisation, Gamesys Group plc, has strengthened the relationship between the two existing companies. This has helped the Group attain another milestone in corporate development by being admitted to the FTSE 250 Index. Awarded 25% from a maximum of 25% of salary.
Robeson Reeves	Robeson Reeves' personal objectives centred around overseeing the Gamesys Acquisition and, post-acquisition, ensuring the integrity of the two underlying businesses. During the year, the Gamesys Acquisition was completed for c.£490 million. The new organisation, Gamesys Group plc, has strengthened the relationship between the two existing companies. This has helped the Group attain another milestone in corporate development by being admitted to the FTSE 250 Index. Awarded 25% from a maximum of 25% of salary.

The Committee reviewed performance against these performance measures and considered the underlying performance of the Group during the performance period and concluded the overall bonus outcomes to be appropriate.

Directors' Remuneration Report continued

Long-term incentives (audited)

Awards with performance period ending during the financial year

The LTIP awards granted on 24 May 2017 were subject to performance conditions assessed over the period January 2017 to December 2019.

As shown in the tables below, the Committee reviewed the performance, considered the underlying performance of the Group during the performance period, and concluded the proposed vesting outcome to be appropriate with vesting at nil.

Company's TSR performance relative to FTSE 250 Index (excluding investment trusts and financial service companies) over the period from 25 January 2017 to 31 December 2019	Percentage of award vesting	Actual	Actual vesting
Below median	0%	Below median	0%
Median	25%		
Between median and upper quartile	On a straight-line basis between 25% and 100%		
Upper quartile or above	100%		

2019 EPS	Percentage of award vesting	Actual	Actual vesting
Below 133.5p	0%	10.0p	0%
133.5p	25%		
Between 133.5p and 160p	On a straight-line basis between 25% and 100%		
160p or above	100%		

Awards granted during the financial year

Awards were granted to the Executive Directors on 30 September 2019 on the following basis:

	Type of award	Maximum opportunity	Number of shares	Face value at grant[3] (£000's)	% of award vesting at threshold	Performance period[4]
Lee Fenton	LTIP	125% of salary	85,149[1]	£625,000	25%	January 2019 – December 2021
Keith Laslop	LTIP	125% of salary	74,591[2]	£547,500	25%	January 2019 – December 2021
Simon Wykes	LTIP	125% of salary	64,586	£474,062	25%	January 2019 – December 2021
Robeson Reeves	LTIP	125% of salary	59,604[1]	£437,500	25%	January 2019 – December 2021

1. On the same date, Lee Fenton and Robeson Reeves were granted a tax-qualifying CSOP Award over 4,087 shares at a per share exercise price of 734 pence. Each CSOP Award is linked to the relevant individual's LTIP Award such that, at the time of exercise, to the extent that there is a gain in the CSOP Award, the LTIP Award will be forfeited to the value of that gain to ensure that the total pre-tax value of the original LTIP Award is not increased by the grant of the CSOP Award.
2. Keith Laslop is paid partly in Dollars ($). For the purposes of determining the number of shares subject to his award, that part of his salary was converted into pounds Sterling (£) using an exchange rate of $1:£0.7578.
3. The face value of the award is calculated by multiplying the number of shares over which the award was granted by £7.34, the average closing share price for each of the three business days prior to the date of grant.
4. Each award is subject to performance conditions assessed over the period January 2019 to December 2021 (as described further below). To the extent the awards vest following the end of the performance period, they will be released so that the Executive Director can acquire the shares following the end of a two-year holding period.

A summary of the performance conditions for these awards is set out in the tables below.

Each award is subject to a performance condition based on the Company's total shareholder return ('TSR') compared to:
- the TSR of the companies constituting the FTSE 250 Index (excluding investment trusts and financial service companies) as regards 25% of the award; and
- a bespoke peer group consisting of GVC Holdings plc, Flutter Entertainment plc, Playtech plc, Rank Group plc, William Hill plc and 888 Holdings plc as regards 25% of the award.

For these purposes, TSR is assessed over three years commencing on 1 January 2019.

The same vesting targets apply to each TSR element, as follows.

Company's TSR performance relative to FTSE 250 Index (excluding investment trusts and financial service companies) or peer group as appropriate	Percentage of the element of the award vesting
Below median	0%
Median	25%
Between median and upper quartile	On a straight-line basis between 25% and 100%
Upper quartile or above	100%

Each award is subject to a performance condition based on the Company's compound annual growth rate in earnings per share ('EPS') between a base year of 2018 and a final year of assessment of 2021 as regards 50% of the award. For these purposes, EPS shall be underlying basic earnings per share as disclosed in the Annual Report and Accounts (subject to such adjustments as the Board shall determine from time to time) for that year and assessed over three years commencing on 1 January 2019. When setting the EPS growth targets for the awards, the Committee had regard to the impact of regulatory changes and the consequential effect on the level of stretch in the targets. The Committee determined that a modest decrease in the threshold target from 5.5% compound annual growth (which applied for the 2018 awards) to 5% compound annual growth was appropriate in the circumstances, but that the stretching 14% compound annual growth for maximum vesting would be retained. The Committee is satisfied that the EPS targets remain sufficiently stretching.

EPS compound annual growth rate	Percentage of the element of the award vesting
Less than 5% p.a.	0%
5% p.a.	25%
Between 5% p.a. and 14% p.a.	On a straight-line basis between 25% and 100%
14% p.a. or above	100%

Payments made to former Directors and payments for loss of office during the year (audited)

No payments for loss of office and no payments to any former Director of the Company were made during the year.

Statement of Directors' shareholding and share interests (audited)

The interests of the Directors and their connected persons in the Company's ordinary shares as at 31 December 2019 were as set out below. There have been no changes to those interests between 31 December 2019 and the date of this report.

Actual shares owned:

	At 1 January 2019 (or, if later, date of appointment)	**At 31 December 2019 (or, if earlier, date of resignation)**
Executive Directors		
Neil Goulden	95,000	**105,500**
Lee Fenton[1]	694,126	**729,026**
Keith Laslop	908,606	**1,078,682**
Simon Wykes	7,031	**7,031**
Robeson Reeves[1]	707,500	**742,400**
Non-Executive Directors		
Nigel Brewster	5,000	**5,000**
David Danziger[2,4]	21,243	**21,243**
Paul Pathak[3,4]	3,000	**3,000**
Jim Ryan	10,000	**10,000**
Colin Sturgeon	5,000	**5,000**
Andria Vidler	–	**–**
Katie Vanneck-Smith[5]	–	**–**

1. Lee Fenton and Robeson Reeves were appointed as Executive Directors on 26 September 2019.
2. David Danziger also held, at the date of his resignation, an aggregate of 20,982 exchangeable shares directly or indirectly. Each exchangeable share may be converted into one ordinary share of Gamesys Group plc at the prescribed exchangeable share transfer price.
3. Paul Pathak also held, at the date of his resignation, 28,225 exchangeable shares directly or indirectly. Each exchangeable share may be converted into one ordinary share of Gamesys Group plc at the prescribed exchangeable share transfer price.
4. David Danziger and Paul Pathak stepped down from the Board on 13 June 2019.
5. Katie Vanneck-Smith was appointed as a Non-Executive Director on 1 October 2019.

Directors' Remuneration Report continued

Awards under share plans:

	Award	At 1 January 2019	Granted in the year	Lapsed/ forfeited in the year	Exercised in the year	Exercise price	At 31 December 2019	Status
Executive Directors								
Neil Goulden	2016 share options[1]	85,000	–	–	–	£6.79	85,000	Fully vested on 8 March 2019 and exercisable up to 8 September 2021
Lee Fenton	2019 LTIP[2]	–	85,149[5]	–	–	–	85,149	Unvested, subject to performance conditions
Keith Laslop	2019 LTIP[2]	–	74,591	–	–	–	74,591	Unvested, subject to performance conditions
	2018 LTIP[3]	61,786	–	–	–	–	61,786	Unvested, subject to performance conditions
	2017 LTIP[4]	88,520	–	(88,520)	–	–	–	Lapsed
	2014 share options[1]	170,076	–	–	(170,076)	£2.42	–	Exercised
Simon Wykes	2019 LTIP[2]	–	64,586	–	–	–	64,586	Unvested, subject to performance conditions
	2018 LTIP[3]	57,365	–	–	–	–	57,365	Unvested, subject to performance conditions
Robeson Reeves	2019 LTIP[2]	–	59,604[5]	–	–	–	59,604	Unvested, subject to performance conditions

	Award	At 1 January 2019	Granted in the year	Lapsed/ forfeited in the year	Exercised in the year	Exercise price	At 31 December 2019 (or, if earlier, date of resignation)	Status
Non-Executive Directors								
David Danziger	2016 share options[1]	50,000	–	–	–	£6.79	50,000	Fully vested on 8 March 2019 and exercisable up to 8 September 2021
	2015 share options[1]	55,000	–	–	–	£9.73	55,000	Fully vested on 13 February 2016 and exercisable up to 11 February 2020[7]
	2014 share options[1]	27,206	–	–	(27,206)[6]	£2.42	27,206	Exercised
Paul Pathak	2016 share options[1]	50,000	–	–	–	£6.79	50,000	Fully vested on 8 March 2019 and exercisable up to 8 September 2021
	2015 share options[1]	55,000	–	–	–	£9.73	55,000	Fully vested on 13 February 2016 and exercisable up to 11 February 2020[7]
	2014 share options[1]	27,206	–	–	(27,206)[6]	£2.42	–	Exercised

1. These options over shares in Gamesys Group plc were granted pursuant to JPJ Group plc's Share Option Plan (the 'Plan') upon implementation of the Plan of Arrangement. These options were originally granted by Intertain over common shares of Intertain, all as disclosed on page 304 of the Company's prospectus dated 20 January 2017. Under the rules of the Plan, the exercise period for options which expire during a Blackout Period (as defined in the Plan rules) is extended by ten business days immediately following the end of the Blackout Period.
2. The performance conditions applying to the 2019 LTIP are set out on pages 84 and 85 of this Annual Report.
3. The performance conditions applying to the 2018 LTIP are set out on page 67 of the Annual Report 2018.
4. The performance conditions applying to the 2017 LTIP are set out on page 84 of this Annual Report.
5. Each of Lee Fenton and Robeson Reeves was granted a tax-qualifying CSOP Award over 4,087 shares at a per share exercise price of 734 pence. Each CSOP Award is linked to the relevant individual's LTIP Award such that, at the time of exercise, to the extent that there is a gain in the CSOP Award, the LTIP Award will be forfeited to the value of that gain to ensure that the total pre-tax value of the original LTIP Award is not increased by the grant of the CSOP Award.
6. Options exercised post date of retirement.
7. Options lapsed post 31 December 2019.

The aggregate gain made by Directors on the exercise of options during 2019 was £864,000 (2018: £969,000). The aggregate gain has been calculated with reference to Directors who have remained appointed to the Board.

The Committee has adopted a shareholding guideline for the Executive Directors, which specifies a shareholding equivalent to 200% of base salary, as further described in the Directors' Remuneration Policy. The Executive Directors' achievement of this guideline at 31 December 2019 is summarised on page 87.

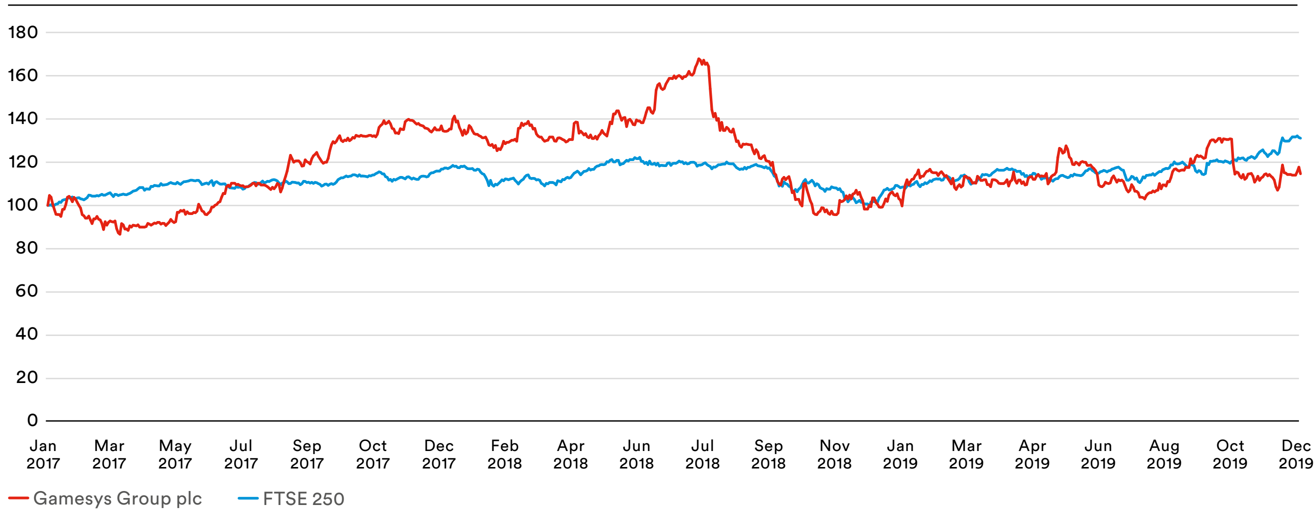
Executive Director	Shares counting towards the guideline at 31 December 2019	Value of shares counting towards the guideline[1]	Value of shares as a percentage of 2019 salary
Neil Goulden	105,500	£745,885	243%
Lee Fenton	729,064	£5,154,482	1,031%
Keith Laslop	1,078,682	£7,626,282	1,683%
Simon Wykes	7,031	£49,709	13%
Robeson Reeves	742,400	£5,248,768	1,500%

1. Based on a share price of £7.07, being the prevailing mid-market closing share price on 31 December 2019.

Reflecting best practice, the Committee has adopted, with effect from January 2019, a post-cessation shareholding requirement. This requires that, for the first 12 months following cessation, an Executive Director must retain shares with a value (as at cessation) equal to 200% of base salary, and that for the following 12 months he or she must retain shares with a value equal to 100% of base salary. If the Executive Director holds less than the required number of shares at any time, he or she must retain the shares he or she holds. This requirement does not apply to shares which the Executive Director has purchased. The Committee retains discretion to vary the post-cessation shareholding requirement in appropriate circumstances and will continue to review the requirement in light of developing market practice before formally enshrining it in the next Policy.

Performance graph

The graph below shows the TSR performance for the Company's shares in comparison to the FTSE 250 for the period from Main Market Admission on 25 January 2017 to 31 December 2019, reflecting that the FTSE 250 Index is used as the TSR comparator group for the purposes of the Company's LTIP. For the purposes of the graph, TSR has been calculated as the percentage change during the period in the market price of the shares, assuming that dividends are reinvested. The graph shows the value, by 31 December 2019, of £100 invested in shares in the Company on 25 January 2017 compared with £100 invested in the FTSE 250.



Historical Chief Executive Officer remuneration

The table below shows details of the total remuneration, and annual bonus and LTIP vesting (as a percentage of the maximum opportunity) for the Chief Executive Officer over the last three financial years, the same period as is covered by the TSR performance graph above.

	Total single figure of remuneration (£000's)	Annual bonus payout (% of maximum opportunity)	LTIP vesting (% of maximum number of shares)
2019 (Lee Fenton[1] from 26 September 2019)	269	100%	N/A
2019 (Simon Wykes[2], until 25 September 2019)	834	98%	N/A
2018 (Simon Wykes[2])	626	57.8%	N/A
2017 (Andrew McIver)	625	15.0%	N/A

1. Lee Fenton was appointed as Chief Executive Officer on 26 September 2019; his remuneration for 2019 is from 26 September 2019 to 31 December 2019.
2. Between the departure of the Company's former Chief Executive Officer and 26 September 2019, Simon Wykes (Chief Executive Officer of Jackpotjoy Operations Ltd.) took over the day-to-day management responsibilities of the Company in conjunction with the Chair and Chief Financial Officer, as described in the Governance Report on page 47 of the Annual Report 2018. Accordingly:
(a) for the purposes of 2019, Simon Wykes' salary for the period 1 January 2019 to 25 September 2019 is included, along with his annual bonus payout for that year; and
(b) for the purposes of 2018, Simon Wykes is designated the 'Chief Executive Officer' for the purposes of this disclosure.

Directors' Remuneration Report continued

CEO pay increase in relation to all employees

The table below sets out the percentage change in base salary, value of taxable benefits and bonus for the Chief Executive Officer compared with the average percentage change for all employees.

	Percentage change between 2018 and 2019 for the Chief Executive Officer[1]	Percentage change between 2018 and 2019 for the wider workforce[2]
Salary	11%	3%
Taxable benefits	N/A	11%
Annual bonus	45%	234%

1. Lee Fenton became the Chief Executive Officer from 26 September 2019. To facilitate year-on-year comparison, the change in CEO percentage is calculated by reference to:
   (a) as regards 2018, Simon Wykes remuneration (recognising that Simon Wykes took over the day-to-day management responsibilities of the Company for 2018 in conjunction with the Chair and Chief Financial Officer; and
   (b) as regards 2019: (i) salary is based on the aggregate of Simon Wykes' salary for the period 1 January to 25 September and Lee Fenton's salary for the period 26 September to 31 December; (ii) benefits are based on the aggregate of Simon Wykes' benefits for the period 1 January to 25 September (excluding relocation benefits of £295,000 to provide a meaningful comparison) and Lee Fenton's benefits for the period 26 September to 31 December; and (iii) annual bonus is based on the aggregate of Simon Wykes' bonus for the period 1 January to 25 September and Lee Fenton's bonus for the period 26 September to 31 December.
2. For these purposes, the wider workforce is consolidated Group employees (including Directors and excluding Gamesys employees).

Chief Executive Officer pay ratio

The following table sets out the ratio of the CEO's total remuneration in respect of the 2019 financial year (taken from the single figure table on page 81) to the 25th percentile, 50th percentile (i.e. the median) and the 75th percentile full-time equivalent ('FTE') of the Group's UK employees. Gamesys Group used Option A as defined in The Companies (Miscellaneous Reporting) Regulations 2018, as this calculation methodology for the ratios was considered to be the most accurate method. The 25th, median and 75th percentile pay ratios were calculated using the full-time equivalent remuneration for all UK employees as at the end of 2019. The Group aims to provide a remuneration package that is competitive in an employee's country of employment and which is appropriate to promote the long-term success of the Company. Employees' involvement in the Group's performance is encouraged, with all employees eligible to participate in the Share Incentive Plan. Certain employees also participate in a discretionary bonus scheme and LTIP. The Group considers the median pay ratio to be consistent with the Group's wider policies on employee pay, reward and progression.

		Pay ratio		
Year	Method	25th percentile (lower quartile)	50th percentile (median)	75th percentile (upper quartile)
2019	A	36:1	23:1	15:1

Pay details for the individuals are set out below:

	CEO[1]	25th percentile (lower quartile)	50th percentile (median)	75th percentile (upper quartile)
Salary	£409,726	£24,480	£34,000	£75,000
Total remuneration	£1,103,000	£30,943	£47,696	£75,602

1. Calculated on an aggregate basis reflecting Simon Wykes' and Lee Fenton's respective period as CEO during 2019.

Spend on pay

The following table sets out the percentage change in dividends and share buybacks and the overall expenditure on pay (as a whole across the organisation).

	2019 (£000's)	2018 (£000's)	Percentage change
Dividends and share buybacks	**N/A**	N/A	N/A
Overall expenditure on pay[1]	**35,075**	18,762	87%[2]

1. Figures relate to full and part-time employees only and include severance costs.
2. Overall expenditure on pay has increased significantly post the Gamesys Acquisition as the number of employees of the Group has increased from 322 at the end of 2018 to 1,453 in 2019.

External directorships

The Company encourages Executive Directors (including the Chair) to take up non-executive appointments, with prior consent of the Company, in the belief that such appointments broaden their skills and the contribution which they can make to the Company's performance. There must be no conflict of interest and the time devoted to the external appointment must be reasonable in relation to the individual's commitment to the Company. Fees paid for external appointments may be retained by the individual concerned.

Implementation of the Directors' Remuneration Policy for the financial year commencing 1 January 2020

Information on how Gamesys Group plc intends to implement the Directors' Remuneration Policy for the financial year commencing on 1 January 2020 is set out below.

Fixed pay

The Executive Directors' base salaries were reviewed in February 2020. Following that review, salaries were increased as follows, with effect from 1 January 2020. The salary increases are broadly in line with the average increases applied to the wider workforce.

	Salaries from 1 January 2020 (or, if later, date of appointment)	Increase %
Neil Goulden	£307,500	0.0%
Lee Fenton	£518,250	3.65%
Keith Laslop	$592,450	2.5%
Simon Wykes	£379,250	0.0%
Robeson Reeves	£362,775	3.65%

Lee Fenton's and Robeson Reeves' pension contributions will be reduced from 10% of salary to 5% of salary, effective 1 January 2020.

Non-Executive Director fees

Details of Non-Executive Directors' fees are set out below; the fees will apply with effect from 1 January 2020. The Company's Chair's salary is disclosed in the table above. The Non-Executive Directors' basic fee of £65,000 has not been increased in respect of 2020. However, taking into account the increased size and complexity of the Company, supplementary fees have been increased to £10,000 for chairing a Committee, including the newly formed ESG Committee, and Employee Voice Director role. The Committee considers that the Non-Executive Directors' fees appropriately reflect the work and responsibilities associated with each role.

	Fees from 1 January 2020	Fees from 1 January 2019
Basic fee paid to all Non-Executive Directors	£65,000	£65,000
Supplementary fees:[1]		
Senior Independent Director	£15,000	£10,000
Remuneration Committee Chair	£10,000	£5,000
Audit & Risk Committee Chair	£10,000	£5,000
ESG Committee Chair	£10,000	N/A
Employee Voice Director	£10,000	£5,000

1. There is no supplementary fee for chairing the Nomination Committee.

Annual bonus

The maximum bonus opportunity for 2020 will remain at 100% of salary for Executive Directors excluding the Chair. The bonus will be subject to stretching performance measures weighted 75% Adjusted EBITDA and 25% based on the achievement of personal objectives. The personal objectives performance measure will be subject to an Adjusted EBITDA underpin, to ensure the threshold level of Adjusted EBITDA performance is achieved before any payout is made under the personal objectives element of the bonus. The Committee considers the targets are commercially sensitive matters as they provide competitors with insight into our business plans and expectations and therefore they should remain confidential to the Group. However, the Committee intends to disclose the performance targets and performance against them retrospectively in the 2020 Directors' Remuneration Report, as it has done on pages 82 and 83 in respect of the targets for the 2019 bonus.

Neil Goulden shall be eligible to earn a bonus of up to 150% of salary for FY20, consistent with 2019. For 2020, the Chair's bonus opportunity will be based on Adjusted EBITDA as regards half of the opportunity (75% of salary) using the same measure as applies to the other Executive Directors' opportunities, and individual personal objectives as regards half of the opportunity (75% of salary). The additional bonus opportunity for Mr Goulden reflects that he will not participate in the LTIP in 2020, and will be subject to the Adjusted EBITDA underpin.

Directors' Remuneration Report continued

LTIP

It is the Committee's intention to grant 2020 LTIP awards other than to Neil Goulden. The maximum opportunity will be 125% of salary. As noted in the Committee Chair's statement, although we will continue to apply performance measures based on EPS and relative TSR (with the relative TSR measure split between a comparison with the FTSE 250 and a bespoke peer group) the performance measures are to be re-weighted for the 2020 awards, as follows:

Measure	Weighting	Threshold (25% vesting)	Maximum (100% vesting)
EPS	25%	Compound annual growth of 5%	Compound annual growth of 14%
Gamesys' TSR relative to a bespoke peer group[1]	50%	Median	Upper quartile
Gamesys' TSR relative to the FTSE250 (excluding investment trusts and financial services companies)	25%		

1. GVC Holdings plc, Flutter Entertainment plc, Playtech plc, Rank Group plc, William Hill plc and 888 Holdings plc.

Statement of voting at previous AGM

The Company remains committed to ongoing shareholder dialogue and takes an active interest in voting outcomes. The following table sets out actual voting in respect of the advisory vote on the Directors' Remuneration Report at the Company's AGM on 13 June 2019, the binding vote on the Share Incentive Plan Rules and Save As You Earn Plan Rules at the Company's Annual General Meeting on 13 June 2019 and the binding vote on the Directors' Remuneration Policy at the Company's AGM on 7 June 2018.

Resolution	Votes for	% of vote	Votes against	% of vote	Votes withheld
To approve the Directors' Remuneration Report	41,021,841	99.46%	220,669	0.54%	93,091
To approve the Directors' Remuneration Policy	33,849,091	96.66%	1,168,790	3.34%	800,655
To approve the Share Incentive Plan Rules	39,266,549	95.21%	1,975,962	4.79%	93,091
To approve the Save As You Earn Plan Rules	41,265,717	99.83%	69,885	0.17%	0

Service contracts

Details of the Executive Directors' service contracts and Non-Executive Directors' letters of appointment are set out below.

The Company's policy is for service agreements with Executive Directors to be capable of termination by the Company by the giving of 12 months' notice.

Keith Laslop may terminate his service agreement by giving six months' notice, other than if he terminates employment for certain 'good reason' circumstances (including a takeover of the Company or any substantially adverse change in his title, status or position) in which case he may terminate his employment immediately with no further payments post his termination date.

		Notice period[2]	
Name[1]	Commencement date	Director	Company
Neil Goulden	1 November 2017	6 months	12 months
Lee Fenton	26 September 2019	6 months	12 months
Keith Laslop[3]	1 July 2017	6 months	12 months
Simon Wykes	1 November 2017	6 months	12 months
Robeson Reeves	26 September 2019	6 months	12 months
Nigel Brewster	19 January 2017	1 month	1 month
Jim Ryan	2 November 2016	1 month	1 month
Colin Sturgeon	19 January 2017	1 month	1 month
Andria Vidler	7 June 2018	1 month	1 month
Katie Vanneck-Smith	1 October 2019	1 month	1 month

1. All continuing Directors will offer themselves for election or re-election, as the case may be, at the 2019 AGM.
2. Each Executive Director, other than Keith Laslop, is employed under a rolling service agreement which may be terminated by the Executive Director giving six months' notice or the employer giving 12 months' notice. Each Non-Executive Director is appointed pursuant to a letter of appointment for an initial fixed term of three years, which may be renewed, subject to re-election at the AGM.
3. Keith Laslop has a service agreement with both the Company and Jackpotjoy Operations Ltd. (formerly Intertain (Bahamas) Ltd). The latter agreement's commencement date is 1 July 2017. These service agreements replaced Keith Laslop's legacy employment contract with The Intertain Group Limited dated 1 January 2015, as amended on 21 February 2016 (the Legacy Contract).

The service agreements for the current Executive Directors and the letters of appointment for the current Non-Executive Directors are available for inspection on request during normal business hours at the Company's head office.

Consideration by the Directors of matters relating to Directors' remuneration

In 2019, until 13 June, the membership of the Committee comprised of four independent Non-Executive Directors (Colin Sturgeon, Paul Pathak, Nigel Brewster and Andria Vidler). Paul Pathak did not stand for re-election at the 2019 AGM on 13 June 2019 and subsequently stepped down from the Board on this date. Neil Goulden, the Chair of the Company, attends Remuneration Committee meetings from time to time, as an observer. Colin Sturgeon was the Chair of the Committee until 1 January 2020 when Jim Ryan joined and became Chair of the Committee.

The Committee met a total of five times and all members of the Committee attended these meetings. The Committee has considered the requirements of the 2018 Code and agreed a number of changes to be made to its terms of reference. Full terms of reference can be found in the Governance section of the Company's website: www.gamesysgroup.com. The Committee's key responsibilities are:

- reviewing the ongoing appropriateness and relevance of remuneration policy;
- reviewing and approving the remuneration packages of the Executive Directors and each member of senior management (which shall include as a minimum the first layer of management below Board level and the Company Secretary);
- approving the design of, determining the targets for and approving the payouts of, annual and long-term incentive awards; and
- production of the Annual Report on Remuneration.

Advisers

The following people have provided advice to the Committee during the year in relation to its consideration of matters relating to Directors' remuneration:

- Chair, Chief Executive Officer, Chief Financial Officer, Transitional Director, Chief Legal Officer and Company Secretary.
- Deloitte LLP ('Deloitte').

Deloitte is retained to provide objective and independent advice to the Committee as required. Deloitte is a member of the Remuneration Consultants Group and, as such, voluntarily operated under the Code of Conduct in relation to executive remuneration consulting in the UK. Deloitte's fees for providing remuneration advice to the Committee were £34,450 for the year ended 31 December 2019. The Committee assesses from time to time whether this appointment remains appropriate or should be put out to tender and takes into account the Remuneration Consultants Group Code of Conduct when considering this. Deloitte was appointed by the Committee and has provided share scheme advice and general remuneration advice to the Company. No additional services were provided by Deloitte to Gamesys Group plc.

Approval

This report was approved by the Board on 16 March 2020 and signed on its behalf by:

Jim Ryan
Chair of the Remuneration Committee
16 March 2020

Directors' Report

Introduction

In accordance with Section 415 of the Companies Act 2006, the Directors of Gamesys Group plc present their report to shareholders for the financial year ending 31 December 2019. The Directors' Report comprises the Directors' Report section of this report, together with the sections of the Annual Report incorporated by reference. As permitted by legislation, some of the matters normally included in the Directors' Report have instead been included in other sections of the Annual Report, as indicated below.

The Company was incorporated under the name Goldilocks Topco plc as a public company limited by shares on 29 July 2016 under registered number 10303804. On 15 August 2016, Goldilocks Topco plc changed its name to Jackpotjoy plc. Jackpotjoy plc listed on the Main Market of the London Stock Exchange on 25 January 2017. On 27 June 2018, Jackpotjoy plc changed its name to JPJ Group plc. On 26 September 2019, JPJ Group plc changed its name to Gamesys Group plc.

Results and dividends	The Group results for the year ended 31 December 2019 are set out on pages 41 to 49 of the Strategic Report. The Company's aim is to generate long-term value for its stakeholders and design a shareholder distribution policy that reflects the growth prospects and profitability of the Company while maintaining appropriate levels of operational liquidity. Subject to ensuring sufficient cash remains in the business, including to meet forecast working capital requirements, contingent and financial liabilities and other capital requirements, the Board intends to institute an appropriate dividend payout from the Group's adjusted net income (a non-IFRS measure), as defined and calculated from time to time by the Company. The Board intends to introduce such a policy once the Group has a clear sightline to a level of leverage commensurate with its UK-listed peers. The Board will continue to reassess the Company's shareholder distribution policy from time to time. The introduction and payment of dividends by the Company will be subject to its ongoing assessment of its financial liabilities, leverage and operational working capital needs, as well as various additional factors, including those outside of the direct control of the Group. There can therefore be no assurance that the Company will introduce a dividend or, if one is paid, that it will be of the quantum or on the timelines outlined above. The Company's dividend policy is explained above. In line with that policy, no interim dividend was paid for the half-year ended 30 June 2019 and no final dividend is recommended for the year ended 31 December 2019.
Share capital	The Company was granted authority at the 2019 AGM to allot shares in the capital of the Company up to a maximum nominal amount of £4,915,263, representing approximately two-thirds of the Company's issued ordinary share capital (equivalent to 49,152,627 shares). Details of the Company's share capital are set out in note 25 to the Consolidated Financial Statements, including details on the movements in the Company's issued share capital during the year. The Company's issued ordinary share capital ranks pari passu in all respects and carries the right to receive all dividends and distributions declared, made or paid on or in respect of the ordinary shares. There are currently no redeemable non-voting preference shares or subscriber shares of the Company in issue.
Authority to purchase own shares	The Company was granted authority at the 2019 AGM to make market purchases of its own shares for up to 7,447,367 shares. Details of the Company's authority to purchase its own shares, which will be sought at the Company's forthcoming Annual General Meeting, will be set out in the Notice of Meeting for that AGM.
Directors	Information about the Directors, including details of their appointments and resignations, is set out in the Corporate Governance section on pages 58 and 59. All of the continuing Directors will stand for re-appointment at the 2020 AGM.
Directors' interests	Information on share ownership by Directors can be found in this report and in the Directors' Remuneration Report on page 85.
Directors' indemnities and Director and officer liability insurance	As at the date of this report, the Company has granted qualifying third-party indemnities to each of its Directors against any liability that attaches to them in defending proceedings brought against them, to the extent permitted by the Companies Act. In addition, Directors and officers of the Company and its subsidiaries have been, and continue to be, covered by Director and officer liability insurance.
Powers of Directors	Subject to the Company's Articles of Association, UK legislation and to any directions given by special resolution, the business of the Company is managed by the Board, which may exercise all the powers of the Company. The Articles of Association contain specific provisions concerning the Company's power to borrow money and also provide the power to make purchases of any of its own shares. The Directors have the authority to allot shares or grant rights to subscribe for or to convert any security into shares in the Company. Further details of the proposed authorities are set out in the Notice of the AGM.
Research and development	Gamesys Group plc outsources some of its software development activities and engages in research and development activity within its Vera&John division.
Sustainable development	The Sustainability section of this report focuses on the health and safety, environmental and employment performance of the Company's operations, and outlines the Company's core values and commitment to the principles of sustainable development and development of community relations programmes. Details of the Company's policies and performance are provided in the Sustainability Report on pages 28 to 39.
Political donations	No political contributions were made in 2019.
Greenhouse gas emissions	In 2019, in accordance with the requirements of the Companies Act 2006 (Strategic and Directors' Report) Regulations 2013, Gamesys Group plc undertook to assess full emissions of greenhouse gases from facilities under its control. Details can be found in the Sustainability Report on page 39.
Employees	Information regarding the Company's employees can be found in the Our People section on pages 35 to 37.

Overseas branches	Gamesys Group plc does not have any branches. A full list of the Group's controlled subsidiaries is disclosed in note 2 of the Consolidated Financial Statements.
Financial risk management and financial instruments	Information regarding the financial risk management and internal control processes and policies, as well as details of hedging policy and exposure to the risks associated with financial instruments, can be found in note 2 to the Consolidated Financial Statements, the Corporate Governance, Risk Management and Internal Control sections on pages 60 to 72, and the Financial Review on pages 41 to 49.
Going concern	The financial position and performance of the Group and its cash flows are set out in the Financial Review section of the report on pages 41 to 49. The Directors have considered the Group's cash flow projections and an analysis of projected debt covenants compliance for the period to the end of December 2023. The Board is satisfied that the Group's forecasts and projections, taking into account reasonably possible changes in trading performance, show that the Group and the Parent Company will continue in operation over a period of 12 months from the date of approval of the financial statements and has neither the intention nor the need to liquidate or materially curtail the scale of its operations. For this reason, the Group continues to adopt the going concern basis in preparing its financial statements. More details are provided in note 2 to the Consolidated Financial Statements on page 109.
Future developments	Information on the Group and its subsidiaries' future developments is provided in the Strategic Report on pages 18 and 19.
Events since the reporting date	The major events after 31 December 2019 are disclosed in note 33 to the Consolidated Financial Statements on page 137.
Annual General Meeting ('AGM')	The 2020 AGM will be held on 3 June 2020 in London. At the AGM, shareholders will have the opportunity to put questions to the Board, including the Chairs of the Board Committees. Full details of the AGM, including explanatory notes, are contained in the Notice of the AGM, which will be distributed at least 20 working days before the meeting. The Notice sets out the resolutions to be proposed at the AGM and an explanation of each resolution. All documents relating to the AGM are available on the Company's website at www.gamesysgroup.com.
Corporate Governance Statement	The Disclosure Guidance and Transparency Rules (DTR 7.2) require certain information to be included in a Corporate Governance Statement set out in a company's Directors' Report. In common with many companies, Gamesys Group plc has an existing practice of issuing, within its Annual Report, a Corporate Governance Report that is separate from its Directors' Report.
Electronic communications	A copy of the 2019 Annual Report, the Notice of the AGM and other corporate publications, reports and announcements are available on the Company's website at the following link: www.gamesysgroup.com. Shareholders may elect to receive notification by email of the availability of the Annual Report on the Company's website instead of receiving paper copies.

Major shareholdings

The Company's issued share capital as of 31 December 2019 was 108,665,248 ordinary shares and at 16 March 2020 was 108,665,248 ordinary shares. No shares are held in treasury. Thus, the total voting rights are 108,665,248 ordinary shares.

At 31 December 2019, the Company had been notified pursuant to the Financial Conduct Authority's Disclosure Guidance and Transparency Rule (DTR 5) of the following notifiable interests in the Company's issued share capital:

	Number of ordinary shares	% of issued ordinary shares	Number of shares direct	Number of shares indirect
Mr Noel Hayden	16,162,418	14.87	16,162,418	–
HG Vora Special Opportunities Master Fund Limited	14,950,000	13.76	14,950,000	–
Intertain JerseyCo Ltd[1]	3,539,328	3.26	3,539,328	–
Andrew Dixon	5,747,542	5.29	5,661,075	86,467
Robin Tombs	4,535,379	4.17	3,341,986	1,193,393

1. Intertain JerseyCo Ltd ('JerseyCo') was incorporated in order to facilitate the exercise of voting rights in the Company by the holders of exchangeable shares in The Intertain Group Limited. JerseyCo holds underlying shares in the Company, the voting rights of which are directed by holders in exchangeable shares in The Intertain Group Limited pursuant to a power of attorney granted by JerseyCo to a voting trustee. See page 95 for more information. When Intertain exchangeable shareholders exchange their exchangeable shares for ordinary shares in the Company, JerseyCo transfers the relevant number of ordinary shares to such holder. JerseyCo does not carry on any business except in connection with these functions and does not sit within the Group.

Directors' Report continued

As at 16 March 2020, being the latest practicable date before the approval of the Annual Report and Accounts, the Company had been notified pursuant to DTR 5 that the above positions have changed as follows:

	Number of ordinary shares	% of issued ordinary shares
Intertain JerseyCo Ltd[1]	3,199,006	2.94

1. Since the end of 2019, the exchangeable shares in The Intertain Group Limited have been redeemed following a general meeting held on 30 August 2019 to expedite the redemption date. Therefore the number of shares held by JerseyCo are expected to reduce significantly as exchangeable shareholders submit the necessary paperwork to redeem their shares into Gamesys shares.

Changes in interests that have been notified to the Company pursuant to DTR 5 since 18 March 2019 can be found in the Regulatory News section of the Investors page of the Company's corporate website: https://www.gamesysgroup.com/investors/.

Listing Rule disclosures

The information required to be disclosed by LR 9.8.4R can be found in the following locations:

Item	Location
Details of long-term incentive schemes	Note 25 to the Consolidated Financial Statements, Directors' Remuneration Report
Contracts of significance with a controlling shareholder	Relationship Agreement section below
Agreements with controlling shareholder	Relationship Agreement section below

There is no other relevant information to disclose for the purposes of LR 9.8.4R.

Significant contractual arrangements

Relationship Agreement

The Board is satisfied that the Company is capable of carrying on its business independently of Intertain JerseyCo Ltd ('JerseyCo') and that the Board makes its decisions in a manner consistent with its duties to the Company and stakeholders of Gamesys Group plc. JerseyCo was incorporated in order to facilitate the exercise of voting rights in the Company by the holders of exchangeable shares in The Intertain Group Limited. JerseyCo holds underlying shares in the Company, the voting rights of which are directed by holders in exchangeable shares in The Intertain Group Limited pursuant to a power of attorney granted by JerseyCo to a voting trustee. When Intertain exchangeable shareholders exchange their exchangeable shares for ordinary shares in the Company, JerseyCo transfers the relevant number of ordinary shares to such holder (such ordinary shares referred to as 'Underlying Shares'). On 13 January 2020, Intertain CallCo ULC exercised its overriding call right to purchase all of the then outstanding exchangeable shares not already held by it. As of such time, holders of exchangeable shares ceased to be holders of exchangeable shares and had no further entitlement to exercise any of the rights of holders of exchangeable shares (other than the right to receive, without interest, the prescribed purchase price therefore against deposit of certain required exchange materials). In connection with such purchase, Intertain CallCo ULC procured the granting of a voting power of attorney with respect to the Underlying Shares to allow former exchangeable shareholders to direct the voting of their respective Underlying Shares until such time as the Underlying Shares are registered in the name of the former exchangeable shareholder (or, in the case of any former exchangeable shareholder located in the United States of America, such time as its respective Underlying Shares are sold with the proceeds remitted to the former exchangeable shareholder). JerseyCo does not carry on any business except in connection with these functions and does not sit within the Group.

Other agreements

In December 2017, Gamesys Group plc (then called Jackpotjoy plc) entered into a senior facilities agreement with, amongst others, certain banks as mandated lead arrangers (the 'Senior Facilities Agreement'). Pursuant to the Senior Facilities Agreement, debt financing has been made available to Gamesys Group plc and certain of its subsidiaries in an aggregate Sterling equivalent amount of £388,492,000, comprised of Euro and Sterling-denominated term loans and a revolving facility (the 'Facilities'). On 26 September 2019, Gamesys Group plc increased the amount of the Euro-denominated term loan under the Senior Facilities Agreement by €196,000,000 (pursuant to a financing commitment from certain banks obtained in June 2019). The proceeds of such additional term loan were applied in connection with the financing of the cash consideration payable pursuant to the Gamesys Acquisition. If a change of control occurs, then each lender under the Senior Facilities Agreement will have an individual right to cancel its commitments and require all amounts owed to it to be prepaid at par within 30 days of being notified of the change of control. Such right is exercisable by a lender within 30 days of being notified of a change of control. In the context of a takeover bid, an acquirer would normally look to obtain a waiver from the lenders in respect of any change of control or else arrange for substitute facilities.

Articles of Association

The Company's Articles of Association were adopted pursuant to a resolution passed at a general meeting of the Company held on 13 June 2019 and contain, amongst others, provisions on the rights and obligations attaching to the Company's shares, including the redeemable non-voting preference shares and the subscriber shares. There are no other restrictions on voting rights (save in situations where the Company is legally entitled to impose a restriction, such as where a Shareholder Regulatory Event has occurred pursuant to the Company's Articles). The Articles of Association may only be amended by special resolution at a general meeting of the shareholders.

Share rights

Without prejudice to any rights attached to any existing shares, the Company may issue shares with rights or restrictions as determined by either the Company by ordinary resolution or, if the Company passes a resolution, the Directors. The Company may also issue shares that are, or are liable to be, redeemed at the option of the Company or the holder and the Directors may determine the terms, conditions and manner of redemption of any such shares.

Voting rights

There are no other restrictions on voting rights or transfers of shares in the Articles other than those described in these paragraphs. Details of deadlines for exercising voting rights and proxy appointment will be set out in the Notice of the 2020 AGM.

At a general meeting, subject to any special rights or restrictions attached to any class of shares on a poll, every member present in person or by proxy has one vote for every share that he or she holds.

A proxy is not entitled to vote where the member appointing the proxy would not have been entitled to vote on the resolution had he or she been present in person. Unless the Directors decide otherwise, no member shall be entitled to vote either personally or by proxy or to exercise any other right in relation to general meetings if any sum due from him or her to the Company in respect of that share remains unpaid.

The trustee of the Company's Employee Share Trust is entitled, under the terms of the trust deed, to vote as it sees fit in respect of the shares held on trust. The trustee, under the Voting and Exchange Trust Agreement, to which Gamesys Group plc is a party in connection with the Group's exchangeable share structure described in the prospectus, holds a power of attorney granted by JerseyCo pursuant to which it will vote the shares of Gamesys Group plc held by JerseyCo in the manner directed by the holders of exchangeable shares on the basis of one vote for each exchangeable share held.

Transfer of shares

The Company's Articles provide that transfers of certificated shares must be effected in writing, and duly signed by or on behalf of the transferor and, except in the case of fully paid shares, by or on behalf of the transferee. The transferor shall remain the holder of the shares concerned until the name of the transferee is entered in the Register of Members in respect of those shares. Transfers of uncertificated shares may be effected by means of CREST unless the CREST Regulations provide otherwise.

The Directors may refuse to register an allotment or transfer of shares in favour of more than four persons jointly.

Audit information

Each of the Directors who were members of the Board at the date of the approval of this report confirms that:

- So far as he or she is aware, there is no relevant audit information of which the Company's auditors are unaware.
- He or she has taken all the reasonable steps that he or she ought to have taken as a Director to make him or herself aware of any relevant audit information and to establish that the Company's auditors are aware of the information.

The confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

The Gamesys Group plc Directors' Report has been prepared in accordance with applicable UK company law and was approved by the Board on 16 March 2020.

By the order of the Board

Dan Talisman
Chief Legal Officer & Company Secretary
Gamesys Group plc

Directors' Responsibility Statements

Statement of Directors' responsibilities in relation to the Annual Report and financial statements

The Directors are responsible for preparing the Annual Report and the Group and Company financial statements in accordance with applicable United Kingdom law and regulations. Company law requires the Directors to prepare Group and Company financial statements for each financial year. Under the law, the Directors are required to prepare Group financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union and applicable law and have elected to prepare the Company's financial statements on the same basis.

Under the Companies Act 2006, the Directors must not approve the Group and Company financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group and the Company for that period. In preparing each of the Group and the Company's financial statements the Directors are required to:

- select suitable accounting policies in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- provide additional disclosures when compliance with the specific requirements in IFRSs as adopted by the European Union is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's and the Company's financial position and financial performance; and
- state whether the Group and the Company financial statements have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements comply with the Companies Act 2006 and, with respect to the Group financial statements, Article 4 of the IAS Regulation.

They are also responsible for safeguarding the assets of the Group and the Company, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for preparing the Strategic Report, Directors' Report, the Directors' Remuneration Report and the Corporate Governance Report in accordance with the Companies Act 2006 and applicable regulations, including the requirements of the Listing Rules and the Disclosure Guidance and Transparency Rules of the United Kingdom Listing Authority. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Website publication

The Directors are responsible for ensuring the Annual Report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors.

The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Responsibility statement under the Disclosure Guidance and Transparency Rules

Each of the Directors whose names and functions are listed on pages 58 and 59 confirm that to the best of their knowledge:

- the Consolidated Financial Statements of Gamesys Group plc have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole (the 'Group'); and
- the Annual Report and Accounts, including the Strategic Report, include a fair review of the development and performance of the business and the financial position of the Company and the Group, taken as a whole, together with a description of the principal risks and uncertainties that they face.

Statement under the UK Corporate Governance Code

The Board considers that the Annual Report and Accounts taken as a whole, which incorporates the Strategic Report and the Directors' Report, is fair, balanced and understandable, and that it provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

By the order of the Board

Neil Goulden
Chair
Gamesys Group plc
16 March 2020

Independent Auditor's Report to the members of Gamesys Group plc

Opinion

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

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 2019 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006, and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Basis for opinion

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

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the Annual Report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the Directors' confirmation set out on page 51 in the Annual Report that they have carried out a robust assessment of the Group's emerging and principal risks and the disclosures in the Annual Report that describe the principal risks and the procedures in place to identify emerging risks and explain how they are being managed or mitigated;
- the Directors' statement set out on page 93 in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the Directors' identification of any material uncertainties to the Group and the Parent Company's ability to continue to do so over a period of at least 12 months from the date of approval of the financial statements;
- whether the Directors' statement relating to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the Directors' explanation set out on page 49 in the Annual Report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Key audit matters

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

Key audit matters	How we addressed the matter in our audit
Revenue recognition The Group's revenue of £415.1 million (2018: £308.2 million) is comprised of B2B revenue, affiliate revenue and game aggregation revenue totalling £17.8 million (2018: £8.1 million) with the remaining portion being revenue earned from B2C online gaming operations. For its B2C revenue streams, the Group is reliant on online gaming platforms which, by the end of the year, were owned and operated by the Group. These IT systems record all gaming transactions including deposits, withdrawals, wagers, wins and losses and their ability to process data accurately is critical. Any possibility of weaknesses in the IT systems would constitute a risk of material misstatement. Given the complex systems relied upon by the Group to record transactions with customers, we identified the occurrence of revenue as a significant risk of material misstatement. The Group's accounting policy for revenue recognition is disclosed in note 3 and the financial statements disclose further detail concerning the Group's revenues in note 6.	Through the involvement of our IT specialists, we planned and performed a range of substantive and IT controls-based audit procedures to check the completeness and accuracy of gaming revenue and player balances reported in the financial statements. These procedures included, inter alia, live environment test bets, re-performance of reconciliations between revenue, cash and player balances and comparisons of game suppliers' costs with revenues recorded in the Group's gaming systems. We assessed whether the revenue recognition policies adopted by the Group comply with accounting standards as well as industry practices. Particular areas of focus were the appropriateness of the presentation of customer bonuses and incentives on B2C revenues in the statement of comprehensive income and checking that management had correctly determined the treatment of and presented revenues and costs on the basis of the Group acting as the principal rather than as an agent in relation to its B2B contractual arrangements. **Key observations** Nothing has come to our attention as a result of performing the above procedures that causes us to believe that a material misstatement is present in respect of revenue recognition. The related disclosures in the financial statements are appropriate.

Independent Auditor's Report to the member of Gamesys Group plc continued

Key audit matters	How we addressed the matter in our audit
Accounting for the Gamesys Acquisition On 26 September 2019, the Group completed the Gamesys Acquisition. Management has set out the accounting for the acquisition in note 5 and its policy for the business combination accounting in note 3. The completion of the acquisition follows the announcement on 13 June 2019 that the Group had entered into a conditional agreement to effect the acquisition, for a mixture of cash (£240 million), deferred cash (£10 million) and new shares (approximately 33.7 million in number representing approximately 30% of the enlarged Group). Management is required to make significant judgements in assessing the fair values of consideration and the assets and liabilities acquired, and has engaged external valuation experts to undertake the purchase price allocation exercise. This gave rise to the recognition of customer relationship intangible assets and goodwill. Because of the judgements involved, we considered the accounting for the Gamesys Acquisition to be a key audit matter.	In our audit we applied our industry experience, detailed knowledge of the target business and valuations expertise to ascertain that the accounting for the acquisition had been properly considered by management in their preparation of the financial statements. In conjunction with our internal valuations specialists, we held discussions with management and its experts to challenge the assumptions used in the purchase price allocation exercise, including in relation to the completeness of identifiable assets and liabilities, the useful life assumptions adopted and cash-generating unit analysis of the acquired business. Other substantive procedures we conducted included: – A recalculation of the consideration due to the sellers and confirmation to payments made. – A range of procedures were applied in our audit to ascertain that the acquisition date balance sheet was not materially misstated including checking that transactions around the acquisition date were recorded in the correct period, and to check balances existed and were accurate by obtaining third party confirmations or appropriate supporting evidence. – Making enquiries of Group key management more widely, including in conjunction with our work on regulatory compliance, to identify any acquisition date fair value provisions. – Recalculation by reference to appropriate tax rates to check that the deferred tax arising on the initial recognition of finite-lived intangibles was appropriate and the calculations properly prepared. – Examination of the accounting policies applied by the acquired business both in its acquisition balance sheet and thereafter for compliance with the Group's accounting policies, including testing of IFRS adjustments in relation to lease accounting and development cost capitalisation, and evaluation of whether there may be other accounting policy alignments required. **Key observations** Nothing has come to our attention as a result of performing the above procedures that causes us to believe that a material misstatement is present in respect of the accounting for the Gamesys Acquisition.
Compliance with laws and regulations The Group operates in a highly regulated industry across multiple jurisdictions. There are compliance requirements with laws and regulations in each jurisdiction in relation to licensing, money laundering, data protection, fraud, responsible gambling, direct and indirect taxation as well as other legislative matters. The legal and licensing framework for UK customers, where the largest proportion of the Group's customers are located, is an area of particular focus for the UK industry regulator. Given the current regulatory landscape and compliance requirements across all jurisdictions in which the Group operates, there is a risk that non-compliance with laws and regulations may adversely affect the Group's ability to maintain its operating licences or give rise to material regulatory sanctions, resulting in a requirement for additional provisions or contingent liabilities. For this reason, we determined compliance with laws and regulations to be a key audit matter.	We assessed the controls and processes in operation across the Group to address the prevention and detection of non-compliance with laws and regulations. We held discussions with, and obtained evidence from, the Group's in-house legal and regulatory experts to understand the control framework in place and the policies and procedures in operation. In addition, due to the significance of the operations outsourced to Gamesys under the services agreement with the Group prior to the acquisition in the year, we held discussions directly with that team in respect of the period prior to the acquisition. We reviewed the reports prepared by the Group's internal and external legal and regulatory experts and relevant Board minutes. We also obtained and reviewed relevant correspondence with regulators to assess for any material liability or contingent liability relating to penalties or fines arising from non-compliance with law or regulation. We obtained representations from management that they were not aware of any other issues that may adversely affect the Group's ability to trade or that may give rise to the possibility of significant penalties. **Key observations** Based on the work undertaken, management have appropriately assessed the financial implications of non-compliance with laws and regulations. Nothing has come to our attention as a result of performing the above procedures that causes us to believe that a material misstatement is present in respect of the accounting for and disclosure of legal and regulatory matters.

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 readers 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 into account the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Level of materiality applied and rationale

We consider an Adjusted Profit Before Tax measure to be the best benchmark for the materiality calculation as this measure reflects the Group's profitability excluding the impact of certain non-recurring and business acquisition-related items. Adjusted Profit Before Tax is calculated for this purpose as Net Profit for the Year Before Taxes from continuing operations, adjusted to exclude one-off tax charges, fair value adjustments on contingent consideration, transaction-related costs and amortisation of acquisition-related purchase price intangibles and non-compete clauses totalling to a net £74.5 million increase in profit (2018: £71.5 million increase in profit, which included adjustments to exclude additional significant non-recurring and business acquisition-related items comprising accretion of liabilities arising in connection with business acquisitions and non-compete clauses, severance costs, realised losses on the cross-currency swap, fair value adjustments on contingent considerations, foreign exchange and gain on sale of intangible assets). Using this benchmark, we set materiality at £4.4 million (2018: £4.2 million) being 5.0% of Adjusted Profit Before Tax (2018: 4.7% of Adjusted Profit Before Tax).

Materiality in respect of the audit of the Parent Company has been set at £1.8 million, based on 40% of Group materiality (2018: £2.1 million based on 50% of Group materiality).

Performance materiality was set at 65% (2018: 65%) of materiality for both the Group and Parent Company audits. In setting the level of performance materiality, we considered a number of factors including the control environment, our testing strategy, the expected total value of known and likely misstatements (based on past experience and other factors) and management's attitude towards proposed adjustments.

Component materiality

We set materiality for each component of the Group audit based on a percentage of between 40% and 70% of Group materiality (2018: 25% and 50%) dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £1.8 million to £3.1 million (2018: £1.0 million to £2.2 million). In the audit of each component, we further applied a performance materiality level of 65% (2018: 65%) of the component materiality level to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

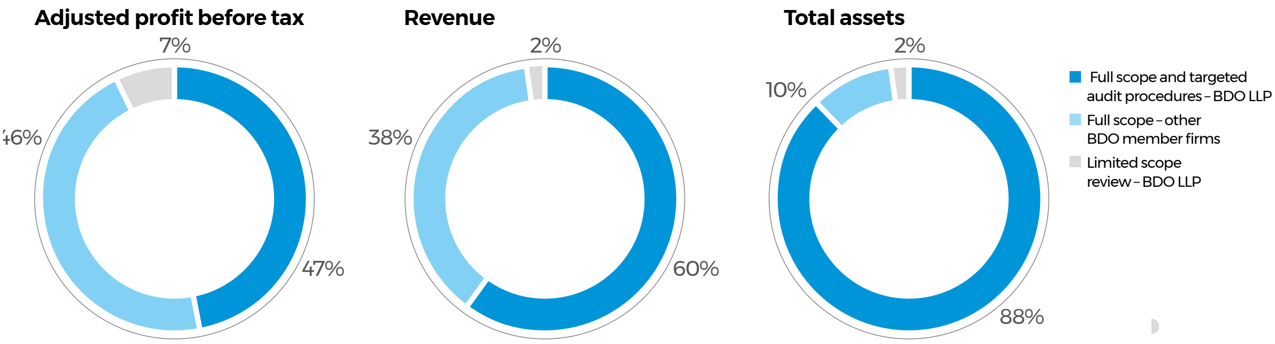
Reporting to the Audit & Risk Committee

We agreed with the Audit & Risk Committee that we would report to the Committee all audit differences individually in excess of £180k (2018: £160k). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

We tailored the scope of our audit to ensure that enough work was performed to be able to issue an opinion on the financial statements as a whole, whilst taking into consideration the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

During the planning of our Group audit, we confirmed our strategy for the procedures to be performed across the Group's four components which we evaluated for our Group audit strategy. Full scope audits were undertaken in respect of the four components. All audit work was undertaken by BDO LLP with the exception of the Vera&John component in Sweden where we engaged BDO Sweden as component auditor. Our strategy is summarised as follows:



In relation to the component auditor's work on the Vera &John component, we considered the level of involvement required by us to determine whether sufficient appropriate audit evidence had been obtained. We discussed the planned procedures ahead of the audit, visited the component auditor, examined the conduct, results and findings of their audit and participated in their closing meetings with component management.

Independent Auditor's Report to the member of Gamesys Group plc continued

How the audit was considered capable of detecting irregularities including fraud
We gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates, and considered the risk of non-compliance or fraud by the Group. We designed audit procedures to detect material misstatements due to fraud and error. We note that it can be harder to detect those arising due to fraud as they may involve deliberate concealment or collusion. We focused on laws and regulations that could give rise to a material misstatement in the Group and Parent Company financial statements, including, but not limited to, the Companies Act 2006, the UK Listing Rules and significant regulations relating to the sector in which the Group operates as referred to in the Key Audit Matters set out on page 97. Our tests included, but were not limited to, agreement of the financial statement disclosures to underlying supporting documentation, review of correspondence with regulators and legal advisers, enquiries of management, review of significant component auditors' working papers and review of internal audit reports. There are inherent limitations in the audit procedures described above and the more removed from the financial transactions, the less likely it is that we would become aware of non-compliance with laws and regulations.

Other information

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

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

We have nothing to report in this regard.

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

- **Fair, balanced and understandable set out on page 96** – the statement given by the Directors that they consider the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position, performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit & Risk Committee reporting set out on pages 70 to 72** – the section describing the work of the Audit & Risk Committee does not appropriately address matters communicated by us to the audit; or
- **Directors' statement of compliance with the UK Corporate Governance Code set out on page 62** – the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements and those reports have been prepared in accordance with applicable legal requirements;
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Guidance and Transparency Rules sourcebook made by the Financial Conduct Authority (the 'FCA Rules'), is consistent with the financial statements and has been prepared in accordance with applicable legal requirements; and
- information about the Company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Company and its environment obtained in the course of the audit, we have not identified material misstatements in:

- the Strategic Report or the Directors' Report; or
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 of the FCA Rules.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' Remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a corporate governance statement has not been prepared by the Parent Company.

Responsibilities of Directors

As explained more fully in the Directors' Responsibility Statement set out on page 96, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Other matters which we are required to address

Following the recommendation of the Audit & Risk Committee, we were appointed by the Audit & Risk Committee on 24 September 2014 to audit the financial statements for the year ending 31 December 2014 and subsequent financial periods. The period of total uninterrupted engagement is six years, covering the years ending 31 December 2014 to 31 December 2019 inclusive.

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

Our audit opinion is consistent with the additional report to the Audit & Risk Committee.

Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the 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.

Kieran Storan
(Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK
17 March 2020

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

Consolidated Statements of Comprehensive Income

	Notes	Year ended 31 December 2019 (£000's)	Year ended 31 December 2018 (£000's)
Gaming revenue	6	**415,078**	308,212
Costs and expenses			
Distribution costs	6, 7	**214,239**	149,856
Administrative costs	7	**147,432**	104,840
Impairment of financial assets	6,13	**3,879**	1,000
Severance costs	6	**–**	850
Transaction-related costs	6	**15,809**	1,890
Foreign exchange (gain)/loss	6	**(1,470)**	354
Total costs and expenses		**379,889**	258,790
Fair value adjustments on contingent consideration	23	**460**	7,208
Interest income	9	**(420)**	(349)
Interest expense	9	**21,824**	19,821
Accretion on financial liabilities	9	**1,291**	2,993
Financing expenses		**23,155**	29,673
Net income for the year before taxes from continuing operations		**12,034**	19,749
Tax expense	27	**2,906**	458
Net income for the year after taxes from continuing operations		**9,128**	19,291
Net loss from discontinued operations	8	**(660)**	(4,814)
Net income for the year attributable to owners of the parent		**8,468**	14,477
Other comprehensive income/(loss): Items that will or may be reclassified to profit or loss in subsequent periods			
Foreign currency translation gain on retranslation of overseas subsidiaries		**1,316**	394
Unrealised gain on foreign exchange forward	15	**2,717**	–
Unrealised loss on cross currency swap	15	**(9,251)**	–
Unrealised loss on interest rate swap	15	**(1,238)**	(1,141)
Total comprehensive income for the year attributable to owners of the parent		**2,012**	13,730
Net income for the year per share			
Basic	10	**£0.10**	£0.20
Diluted	10	**£0.10**	£0.19
Net income for the year per share – continuing operations			
Basic	10	**£0.11**	£0.26
Diluted	10	**£0.11**	£0.26

The accompanying notes form an integral part of the financial statements.

Consolidated Balance Sheets

ASSETS	Notes	As at 31 December 2019 (£000's)	As at 31 December 2018 (£000's)
Current assets			
Cash	12, 23	**100,299**	84,383
Restricted cash	12, 23	**6,324**	3,912
Player deposits	12, 23	**12,444**	9,032
Trade and other receivables	13, 23	**33,182**	19,680
Taxes receivable		**13,671**	7,313
Total current assets		**165,920**	124,320
Non-current assets			
Tangible assets		**9,448**	2,232
Intangible assets	5, 16	**484,524**	226,324
Goodwill	16	**524,208**	288,355
Right-of-use assets	17	**22,176**	–
Other long-term receivables	14, 22	**5,216**	4,675
Total non-current assets		**1,045,572**	521,586
Total assets		**1,211,492**	645,906
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	18, 23	**77,970**	20,606
Other short-term payables	11, 20, 23	**5,617**	9,612
Current portion of provisions	19	**3,800**	–
Current portion of cross currency and interest rate swap payable	11, 15, 23	**3,719**	97
Current portion of lease liabilities	11, 17	**4,727**	–
Interest payable	11,23	**959**	264
Payable to players	23	**12,444**	9,032
Current portion of contingent consideration	11, 23	**–**	4,540
Provision for taxes		**13,406**	8,169
Total current liabilities		**122,642**	52,320
Non-current liabilities			
Other long-term payables	11, 15, 23, 24	**16,724**	1,817
Provisions	19	**6,000**	–
Lease liabilities	11, 17, 23	**17,907**	–
Deferred tax liability	5	**53,209**	1,196
Long-term debt	11, 22, 23	**530,319**	371,450
Total non-current liabilities		**624,159**	374,463
Total liabilities		**746,801**	426,783
Equity			
Retained earnings		**190,839**	182,435
Share capital	25	**10,867**	7,434
Share premium		**4,685**	2,068
Other reserves		**258,300**	27,186
Total equity		**464,691**	219,123
Total liabilities and equity		**1,211,492**	645,906

The accompanying notes form an integral part of the financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 17 March 2020.

Lee Fenton
Chief Executive Officer

Keith Laslop
Chief Financial Officer

Consolidated Statements of Changes in Equity

	Notes	Share capital (£000's)	Share premium (£000's)	Merger reserve (£000's)	Share-based payment reserve (£000's)	Translation reserve (£000's)	Hedge reserve (£000's)	Retained earnings (£000's)	Total (£000's)
Balance at 1 January 2018		7,407	1,342	(6,111)	9,971	23,649	–	167,799	204,057
Comprehensive income/(loss) for the year:									
Net income for the year (continued and discontinued operations)		–	–	–	–	–	–	14,477	14,477
Other comprehensive income/(loss)	15	–	–	–	–	394	(1,141)	–	(747)
Total comprehensive income/(loss) for the year:		–	–	–	–	394	(1,141)	14,477	13,730
Contributions by and distributions to shareholders:									
Conversion of debentures	25	6	186	–	–	–	–	–	192
Exercise of options	25	21	540	–	(159)	–	–	159	561
Share-based compensation	25	–	–	–	583	–	–	–	583
Total contributions by and distributions to shareholders:		27	726	–	424	–	–	159	1,336
Balance at 1 January 2019		**7,434**	**2,068**	**(6,111)**	**10,395**	**24,043**	**(1,141)**	**182,435**	**219,123**
Comprehensive income/(loss) for the year:									
Net income for the year (continued and discontinued operations)		**–**	**–**	**–**	**–**	**–**	**–**	**8,468**	**8,468**
Other comprehensive income/(loss)	15	**–**	**–**	**–**	**–**	**1,316**	**(7,772)**	**–**	**(6,456)**
Total comprehensive income/(loss) for the year:		**–**	**–**	**–**	**–**	**1,316**	**(7,772)**	**8,468**	**2,012**
Contributions by and distributions to shareholders:									
Issuance of common shares, net of costs	25	**3,365**	**–**	**240,625**	**–**	**–**	**–**	**(1,355)**	**242,635**
Reclassification of gain on foreign forward	15	**–**	**–**	**–**	**–**	**–**	**(2,717)**	**–**	**(2,717)**
Exercise of options	25	**68**	**2,617**	**–**	**(821)**	**–**	**–**	**821**	**2,685**
Issuance of ordinary share warrants		**–**	**–**	**–**	**–**	**–**	**–**	**470**	**470**
Share-based compensation	25	**–**	**–**	**–**	**483**	**–**	**–**	**–**	**483**
Total contributions by and distributions to shareholders:		**3,433**	**2,617**	**240,625**	**(338)**	**–**	**(2,717)**	**(64)**	**243,556**
Balance at 31 December 2019		**10,867**	**4,685**	**234,514**	**10,057**	**25,359**	**(11,630)**	**190,839**	**464,691**

The accompanying notes form an integral part of the financial statements.

Consolidated Statements of Cash Flows

	Notes	Year ended 31 December 2019 (£000's)	Year ended 31 December 2018 (£000's)
Operating activities			
Net income for the year		**8,468**	14,477
Add (deduct) items not involving cash			
Amortisation and depreciation		**63,241**	61,994
Share-based compensation expense	25	**483**	583
Issuance of ordinary share warrants		**470**	–
Tax expense	27	**2,906**	458
Interest expense, net	9	**22,695**	22,465
Fair value adjustments on contingent consideration	23	**460**	7,208
Foreign exchange (gain)/loss	6	**(1,470)**	317
Loss on sale of discontinued operation, net of tax	8	**26**	4,477
		97,279	111,979
Restriction of cash balances		**(1,409)**	(3,651)
Increase in trade and other receivables		**(6,311)**	(1,299)
(Increase)/reduction in other long-term receivables		**(61)**	571
Increase in accounts payable and accrued liabilities		**6,338**	2,705
Reduction in other short-term payables		**(23,727)**	(2,871)
Increase in provisions		**6,000**	–
Cash generated from operations		**78,109**	107,434
Income taxes paid		**(5,957)**	(3,325)
Income taxes received		**2,930**	2,484
Total cash provided by operating activities		**75,082**	106,593
Financing activities			
Proceeds from exercise of options		**2,685**	561
Proceeds from long-term debt	5, 22	**173,578**	–
Debt issuance costs	22	**(2,617)**	–
Debenture settlement		**–**	(62)
Lease payments		**(3,643)**	–
Repayment of non-compete liability		**(6,000)**	(8,000)
Interest repayment		**(20,974)**	(21,007)
Payment of contingent consideration	23	**–**	(63,455)
Total cash provided by/(used in) financing activities		**143,029**	(91,963)
Investing activities			
Purchase of tangible assets		**(3,809)**	(1,450)
Purchase of intangible assets		**(12,921)**	(5,250)
Proceeds from sale of intangible assets		**–**	1,450
Disposal of discontinued operation	8	**18,000**	16,140
Business acquisitions, net of cash acquired	5	**(199,726)**	–
Total cash (used in)/provided by investing activities		**(198,456)**	10,890
Net increase in cash during the year		**19,655**	25,520
Cash, beginning of year		**84,383**	59,033
Exchange loss on cash and cash equivalents		**(3,739)**	(170)
Cash, end of year		**100,299**	84,383

The accompanying notes form an integral part of the financial statements.

Parent Company Balance Sheets

ASSETS	Notes	As at 31 December 2019 (£000's)	As at 31 December 2018 (£000's)
Current assets			
Cash	12, 23	**6,439**	626
Restricted cash	12, 23	**–**	74
Trade and other receivables	13, 23	**1,585**	399
Intercompany receivables	13, 23	**253,941**	237,971
Total current assets		**261,965**	239,070
Non-current assets			
Tangible assets		**22**	32
Investments in subsidiaries	2, 32	**915,168**	416,258
Other long-term receivables		**227**	–
Total non-current assets		**915,417**	416,290
Total assets		**1,177,382**	655,360
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	18, 23	**1,953**	1,709
Intercompany payables	18, 23	**240,861**	–
Other short-term payables	11, 15, 20, 23	**3,981**	97
Interest payable	11, 23	**–**	90
Total current liabilities		**246,795**	1,896
Non-current liabilities			
Other long-term payables	11, 15, 23, 24	**16,724**	388
Long-term debt	11, 22, 23	**247,418**	246,988
Total non-current liabilities		**264,142**	247,376
Total liabilities		**510,937**	249,272
Equity			
Retained earnings		**420,531**	396,022
Share capital	25	**10,867**	7,434
Share premium		**4,685**	2,068
Other reserves		**230,362**	564
Total equity		**666,445**	406,088
Total liabilities and equity		**1,177,382**	655,360

The accompanying notes form an integral part of the financial statements.

The Parent Company has taken advantage of the exemption allowed under s408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements. The profit after tax of the Parent Company for the year was £24,573,000 (2018: loss of £5,792,000).

The financial statements were approved by the Board of Directors and authorised for issue on 17 March 2020.

Lee Fenton
Chief Executive Officer

Keith Laslop
Chief Financial Officer

Parent Company Statements of Changes in Equity

	Notes	Share capital (£000's)	Share premium (£000's)	Merger reserve (£000's)	Share-based payment reserve (£000's)	Translation reserve (£000's)	Hedge reserve (£000's)	Retained earnings (£000's)	Total (£000's)
Balance at 1 January 2018		7,407	1,342	–	1,281	–	–	401,655	411,685
Comprehensive loss for the year:									
Net loss for the year		–	–	–	–	–	–	(5,792)	(5,792)
Other comprehensive loss	15	–	–	–	–	–	(1,141)	–	(1,141)
Total comprehensive loss for the year:		–	–	–	–	–	(1,141)	(5,792)	(6,933)
Contributions by and distributions to shareholders:									
Conversion of debentures	25	6	186						192
Exercise of options	25	21	540	–	(159)	–	–	159	561
Share-based compensation	25	–	–	–	583	–	–	–	583
Total contributions by and distributions to shareholders:		27	726	–	424	–	–	159	1,336
Balance at 1 January 2019		**7,434**	**2,068**	**–**	**1,705**	**–**	**(1,141)**	**396,022**	**406,088**
Comprehensive loss for the year:									
Net profit for the year		**–**	**–**	**–**	**–**	**–**	**–**	**24,573**	**24,573**
Other comprehensive loss	15	**–**	**–**	**–**	**–**	**–**	**(7,772)**	**–**	**(7,772)**
Total comprehensive loss for the year:		**–**	**–**	**–**	**–**	**–**	**(7,772)**	**24,573**	**16,801**
Contributions by and distributions to shareholders:									
Issuance of common shares, net of costs	25	**3,365**	**–**	**240,625**	**–**	**–**	**–**	**(1,355)**	**242,635**
Reclassification of gain on foreign forward	15	**–**	**–**	**–**	**–**	**–**	**(2,717)**	**–**	**(2,717)**
Exercise of options	25	**68**	**2,617**	**–**	**(821)**	**–**	**–**	**821**	**2,685**
Issuance of ordinary share warrants		**–**	**–**	**–**	**–**	**–**	**–**	**470**	**470**
Share-based compensation	25	**–**	**–**	**–**	**483**	**–**	**–**	**–**	**483**
Total contributions by and distributions to shareholders:		**3,433**	**2,617**	**240,625**	**(338)**	**–**	**(2,717)**	**(64)**	**243,556**
Balance at 31 December 2019		**10,867**	**4,685**	**240,625**	**1,367**	**–**	**(11,630)**	**420,531**	**666,445**

The accompanying notes form an integral part of the financial statements.

STRATEGIC REPORT GOVERNANCE FINANCIAL STATEMENTS

Parent Company Statements of Cash Flows

	Notes	Year ended 31 December 2019 (£000's)	Year ended 31 December 2018 (£000's)
Operating activities			
Net income/(loss) for the year		**24,573**	(5,792)
Add (deduct) items not involving cash			
Amortisation and depreciation		**370**	16
Share-based compensation expense	25	**112**	131
Issuance of ordinary share warrants		**470**	–
Interest expense, net	9	**1,871**	(907)
Foreign exchange gain	6	**(3,396)**	(7)
		24,000	(6,559)
Change in non-cash operating items			
Trade and other receivables		**(1,112)**	45
Other long-term receivables		**(227)**	–
Accounts payable and accrued liabilities		**722**	459
Intercompany balances		**(11,174)**	429
Total cash used in/(provided by) operating activities		**12,209**	(5,626)
Financing activities			
Debenture settlement		**–**	(62)
Proceeds from exercise of options		**2,685**	561
Lease payments		**(376)**	–
Interest repayment		**(15,259)**	(15,660)
Total cash used in financing activities		**(12,950)**	(15,161)
Investing activities			
Purchase of tangible assets		**(5)**	–
Business acquisitions	5	**(246,006)**	–
Proceeds from intercompany interest		**11,597**	15,991
Proceeds from intercompany loan		**240,968**	–
Total cash provided by investing activities		**6,554**	15,991
Net increase/(decrease) in cash during the year		**5,813**	(4,796)
Cash, beginning of year		**626**	5,422
Cash, end of year		**6,439**	626

The accompanying notes form an integral part of the financial statements.

Notes to the Audited Consolidated Financial Statements

31 December 2019

1. Corporate information

Gamesys Group plc, formerly JPJ Group plc, is an online gaming holding company that was incorporated under the Companies Act 2006 (England and Wales) on 29 July 2016. On 26 September 2019, following the completion of the Gamesys Acquisition (as defined below), JPJ Group plc changed its name to Gamesys Group plc. Gamesys Group plc's registered office is located at 10 Piccadilly, London, United Kingdom. Unless the context requires otherwise, use of 'Group' in these accompanying notes means Gamesys Group plc and its subsidiaries, as applicable, and use of 'Parent Company' means Gamesys Group plc.

The Group currently offers bingo, casino and other games to its players using the Jackpotjoy, Starspins, Botemania, Virgin Games, Heart Bingo, Virgin Casino, Monopoly Casino, Rainbow Riches, Vera&John, InterCasino and Solid Gaming brands. All brands operate off proprietary software owned by the Group.

On 13 June 2019, the Group entered into a conditional agreement to acquire the business of Gamesys (Holdings) Limited, excluding sports brands and games, for a mixture of cash and new Group shares (the 'Gamesys Acquisition'). The Gamesys Acquisition was completed on 26 September 2019. The total consideration amounted to approximately £491.2 million, comprising of: (i) £237.3 million in cash (net of gains from hedging), of which £173.6 million was funded by an add-on to the Group's existing term facility, (ii) £9.9 million in deferred consideration (net of working capital adjustments) and (iii) 33.7 million in newly issued shares, representing approximately £244.0 million.

These Consolidated Financial Statements were authorised for issue by the Board of Directors of Gamesys Group plc on 17 March 2020.

2. Basis of preparation

Basis of presentation

These Consolidated Financial Statements have been prepared by management on a going concern basis, and are presented in compliance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB') and adopted by the European Union. The impact of the first-time adoption of IFRS 16 – Leases ('IFRS 16') is explained in note 3.

These Consolidated Financial Statements have been prepared under the historical cost convention, other than for the measurement at fair value of the Group's Interest Rate Swap, Currency Swap, FX Forward, contingent consideration, certain hedged loan instruments, and certain loans receivable.

Basis of consolidation

Gamesys Group plc's Consolidated Financial Statements consolidate the Parent Company and all of its subsidiaries. The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All transactions and balances between companies within the Group are eliminated on consolidation.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which Gamesys Group plc obtains control, and continue to be consolidated until the date that such control ceases.

Intercompany transactions, balances, income and expenses on transactions between Gamesys Group plc's subsidiaries are eliminated. Profit and losses resulting from intercompany transactions that are recognised in assets are also eliminated.

The subsidiaries of Gamesys Group plc, all of which have been included in these Consolidated Financial Statements, are wholly owned by the Group and constitute investment in subsidiaries on the Parent Company's Balance Sheets, are as follows:

Name of Business	Country of Incorporation and Principal Place of Business	Registered Address
Intertain CallCo ULC	Canada	P.O. Box 997 Halifax, NS, B3J 3N2, Canada
The Intertain Group Limited	Canada	24 Duncan Street, Floor 2, Toronto, ON, M5V 2B8, Canada
JPJ Maple Media Ltd[1]	Canada	1055 West Hastings Street, Suite 1700 Vancouver, BC V6E 2E9 Canada
Libita Group Ltd Jackpotjoy Operations Ltd Wagerlogic Bahamas Ltd Golden Hero Group Ltd Mandalay Media Ltd Jet Management Group Ltd Stockwell Ltd	Bahamas	303 Shirley Street, P.O. Box N-492, Nassau, The Bahamas
Gamesys Estonia OU[2]	Estonia	Rotermanni Street, 14-5 Floor, Tallinn, 10111 Estonia

Notes to the Audited Consolidated Financial Statements continued

31 December 2019

2. Basis of preparation continued

Name of Business	Country of Incorporation and Principal Place of Business	Registered Address
JPJ Group Jersey Finance Ltd JPJ Holdings II Ltd JPJ Group Holdings Ltd JPJ Holding Jersey Ltd JPJ Jersey Ltd Gamesys Group (Holdings) Ltd[2] Gamesys Jersey Ltd[2]	Jersey	22 Grenville Street, St Helier, Jersey JE4 8PX, Channel Islands
Dumarca Holdings Ltd Dumarca Services Ltd Dumarca Gaming Ltd	Malta	The Emporium, Level 3, St Louis Street, MSD 1421, Msida, Malta
Wagerlogic Malta Holdings Ltd Cryptologic Operations Ltd Cryptologic Trading Ltd	Malta	Office 1/4457, Level G, Quantum House, 75 Abate Rigord Street, Ta' Xbiex, XBX 1120, Malta
JPJ Maple II Ltd JPJ Spain plc Simplicity Malta Limited	Malta	Office 1/5457, Level G, Quantum House, 75 Abate Rigord Street, Ta' Xbiex, XBX 1120, Malta
Gamesys Network Ltd[2] Gamesys Spain plc[2] Juegos España plc[2]	Malta	Capital Business Centre, Entrance A, Level 1, Taz-Zwejt Street, San Gwann, SGN 3000
Wagerlogic Alderney Ltd	Alderney	Inchalla, La Val, Alderney GY9 3UL
Wagerlogic Israel Ltd	Israel	4 Berkowitz Street, 7th Floor, P.O. Box 33111, Tel Aviv, 61330, Israel
Jet Media Ltd.	Gibraltar	Suite 2B, 143 Main Street, Gibraltar
Fifty States (Gibraltar) Ltd	Gibraltar	Suite 23, Portland House, GX11 1AA, Gibraltar
Solid Innovations Ltd	Gibraltar	6.20 World Trade Center, 6 Bayside Road, GX11 1AA, Gibraltar
Entertaining Play Ltd[2] Leisure Spin Ltd[2] Profitable Play Ltd[2] Nozee Ltd[2] Gamesys Operations Ltd[2]	Gibraltar	57/63 Line Wall Road, Gibraltar, GX11 1AA, Gibraltar
JPJ Marketing Support Services Ltd JPJ Group Ltd[1] Gamesys Group (Holdings) Ltd[1]	United Kingdom	35 Great St Helen's, London, EC3A 6AP, United Kingdom
Gamesys Ltd[2] Gamesys Group plc Intertain Management (UK) Ltd Mice & Dice Ltd[2]	United Kingdom	10 Piccadilly, London, W1J 0DD, United Kingdom
Plain Support SA	Costa Rica	San Jose Mata Redonda, Del Am-Pm, 200 Oeste Y 25 Sur, Costa Rica
Dumarca Asia Ltd Simplicity V8 Hong Kong Ltd	Hong Kong	Office L, 17th Floor, MG Tower, 133 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong
Intertainment Asia Inc.	British Virgin Islands	Palm Grove House, Road Town, Tortola, PO BOX438, British Virgin Islands
Entserv Asia Ltd	British Virgin Islands	Akara Bldg., 24 De Castro Street, Wickhams Cay 1, Road Town, Tortola,VG 1110, British Virgin Islands
Silverspin AB	Sweden	P.O. Box 113, SE-541 23, Skövde, Sweden

Name of Business	Country of Incorporation and Principal Place of Business	Registered Address
Intertain Financial Services AB	Sweden	Ingemar Bergmansgata 2, SE114 34, Stockholm, Sweden
Fifty States Ltd	Isle of Man	Fort Anne, Douglas, IM1 5PD, Isle of Man
Solid (IOM) Ltd	Isle of Man	49 Victoria Street, Douglas, IM1 2LD, Isle of Man
Intertain Group Finance LLC Gamesys US LLC[2]	United States of America	2711 Centerville Road, New Castle Country, Wilmington, 19808, Delaware
Luxembourg Investment Company 192 S.a.r.l.	Luxembourg	6, rue Eugene Ruppert, Luxembourg

1. Entities incorporated during the year ended 31 December 2019.
2. Entities acquired during the year ended 31 December 2019.

3. Summary of significant accounting policies

Business combinations and goodwill

The acquisition method of accounting is used to account for the acquisition of subsidiaries by Gamesys Group plc, whereby the purchase consideration is allocated to the identifiable assets and liabilities on the basis of fair value at the date of acquisition. Provisional fair values allocated at a reporting date are finalised as soon as the relevant information is available, within a period not to exceed a year from the acquisition date.

Consideration transferred includes the fair values of the assets transferred, liabilities incurred, and equity interests issued by Gamesys Group plc. Consideration also includes the fair value of any contingent consideration. Subsequent to the acquisition, contingent consideration that is based on an earnings target and classified as a liability is measured at fair value, with any resulting gains or losses recognised in net income. Transaction-related costs are expensed as incurred.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred over the net identifiable assets acquired and liabilities assumed. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to Gamesys Group plc's cash-generating units that are expected to benefit from the combination.

Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Makers. The Chief Operating Decision Makers, who are responsible for allocating resources and assessing the performance of the operating segments, have been identified as the management team comprising of the Chair, Chief Executive Officer and Chief Financial Officer.

In December 2019, following the Gamesys Acquisition, the Group determined that Chief Operating Decision Makers will no longer allocate resources and assess performance based on previously established operating segments. Therefore, the Group's reportable operating segments had changed such that the Jackpotjoy and Vera&John segments were aggregated into a single operating segment, being online gaming.

Revenue recognition

The Group earns its revenue from operating online bingo and casino websites ('Net Gaming Revenue'). Other revenue streams, which the Group does not consider material comprise of licensing of its proprietary platform to third parties, affiliate aggregation services, and game aggregation services (in combination 'B2B Revenue').

Net Gaming Revenue

Revenue from online bingo and casino consists of the difference between total amounts wagered by players less all winnings payable to players, bonuses allocated and jackpot contributions. Players transact with the Group's businesses under agreed terms, which form the basis for the contractual arrangement. There are no significant judgements required in applying IFRS 15 – Revenue from Contracts with Customers to these arrangements.

Net Gaming Revenue is recognised upon satisfaction of the Group's performance obligation to the player, which is the point in time when the player completes one of the games offered by the Group and the outcome of the game is honoured with the appropriate payout being made.

There is no significant degree of uncertainty involved in quantifying the amount of Net Gaming Revenue earned, including bonuses, jackpot contributions, and loyalty points. Bonuses, jackpot contributions and loyalty points are measured at face value when credited to the player's account.

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.

Notes to the Audited Consolidated Financial Statements continued

31 December 2019

3. Summary of significant accounting policies continued

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either: in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market accessible by the Group for the asset or liability.

Gamesys Group plc 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 Consolidated 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.

The Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation at the end of each reporting period.

Foreign currency translation

Functional and presentation currency

The Group's Consolidated Financial Statements are presented in pounds Sterling. Management determines the functional currency for each subsidiary within the Group based on the principal economic environment in which the subsidiary is active. Items included in the financial statements of each subsidiary are measured using that functional currency. Differences arising on the retranslation of subsidiaries whose functional currency is not pounds Sterling are recorded in other comprehensive income and accumulated in translation reserve.

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the respective entity of Gamesys Group plc, using the exchange rates prevailing at the dates of the transactions (spot rates). Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates as at the reporting date. Foreign exchange gains and losses resulting from the settlement or translation of monetary items are recognised in profit and loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item.

Financial instruments

Financial assets and financial liabilities are recognised when Gamesys Group plc becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire, or when the financial asset and all substantial risks and rewards are transferred. Financial liabilities are derecognised when extinguished, discharged, cancelled, or when they expire.

The Group classifies its financial assets and liabilities under the following categories: fair value through profit or loss ('FVPL'), fair value through other comprehensive income ('FVOCI'), financial assets at amortised cost, and financial liabilities at amortised cost. All financial instruments are recognised initially at fair value. Transaction costs that are directly attributable to the acquisition or issue of a financial instrument classified as other than at FVPL are added to the carrying amount of the asset or liability.

The accretion of these costs is recognised over the life of the instrument in accretion on financial liabilities under the effective interest rate method described below.

Fair value through profit or loss

The Group's contingent consideration is classified as FVPL. Any gains or losses are recorded in net income in the period in which they arise.

Financial assets at amortised cost

Financial assets at amortised cost are non-derivative financial instruments with fixed or determinable payments that are not quoted in an active market. After initial measurement, such instruments are subsequently measured at amortised cost using the effective interest rate ('EIR') method, less impairment. 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 in interest income or expense in the Consolidated Statements of Comprehensive Income. This category generally applies to cash, restricted cash, player deposits, trade and other receivables, and other long-term receivables.

The Group uses the simplified expected credit loss ('ECL') model ('ECL Model') for Gamesys Group plc's trade receivables in accordance with IFRS 9 – Financial Instruments ('IFRS 9'). Other receivables have been evaluated under the standard ECL Model. Under the ECL Model, Gamesys Group's trade receivables are classified in stage 1 – financially healthy assets that are expected to perform in line with their contractual terms and which show no signs of increased credit risk.

In order to determine the amount of ECL to be recognised in the Consolidated Financial Statements on trade and other receivables, Gamesys Group plc has set up a provision matrix based on its historical credit loss experience. The matrix is adjusted for forward-looking estimates and establishes that ECL should be calculated as follows:
- 0-30 days past due: 1% of carrying value (2018: less than 1% of carrying value)
- 31-60 days past due: 15% of carrying value (2018: 15% of carrying value)
- 61-90 days past due: 19% of carrying value (2018: 19% of carrying value)
- More than 90 days past due: 25% of carrying value (2018: 25% of carrying value)

Balances in transit or receivable from payment service providers are also considered trade and other receivables that fall under the scope of IFRS 9. In order to determine the amount of ECL to be recognised in the Consolidated Financial Statements on these balances, the Group has set up a risk rating system to determine credit risk of each counterparty. ECL is calculated as 30% of the balances owing from all payment service providers identified as high-risk.

Financial liabilities at amortised cost
With the exception of contingent consideration and derivatives, all financial liabilities are measured at amortised cost using the effective interest rate method. This category generally applies to interest payable, accounts payable and accrued liabilities, other short-term payables, payable to players, lease liabilities, long-term debt, and other long-term payables. All interest-related charges are reported in profit or loss within interest expense.

Convertible loan receivable
The Group holds convertible loan receivable that can be converted to equity of the borrower after 12 months following the date of the loan agreement.

The convertible loan receivable is shown as a single asset and is measured at fair value through profit or loss. Fair value is established using a risk neutral simulation model.

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount reported in the Consolidated Balance Sheets if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Derivative financial instruments
Gamesys Group plc uses derivative instruments for risk management purposes. Gamesys Group plc does not use derivative instruments for speculative trading purposes. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value at each reporting period end. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. The method of recognising unrealised and realised fair value gains and losses depends on whether the derivatives are designated as hedging instruments. For derivatives not designated as hedging instruments, unrealised gains and losses are recorded in interest income/expense on the Consolidated Statements of Comprehensive Income. For derivatives designated as hedging instruments, unrealised and realised gains and losses are recognised according to the nature of the hedged item and where the hedged item is a non-financial asset, amounts recognised in the hedging reserve are reclassified and the non-financial asset is adjusted accordingly.

Hedge accounting
Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which are recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

The Group elected to use hedge accounting for the purposes of recognising realised and unrealised gains and losses associated with its Interest Rate Swap and Currency Swap.

Notes to the Audited Consolidated Financial Statements continued

31 December 2019

3. Summary of significant accounting policies continued

IFRS 9 permits hedge accounting under certain circumstances provided that the hedging relationship is:

- formally designated and documented, including the entity's risk management objective and strategy for undertaking the hedge, identification of the hedging instrument, the hedged item, the nature of the risk being hedged, and how the entity will assess the hedging instrument's effectiveness;
- expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk as designated and documented, and effectiveness can be reliably measured; and
- assessed on an ongoing basis and determined to have been highly effective.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment;
- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a risk associated with a recognised asset or liability or a highly probable forecast transaction; and
- hedges of a net investment in a foreign operation.

Fair value hedges

The change in the fair value of a hedging instrument is recognised in the Consolidated Statements of Comprehensive Income as a financing expense. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the Consolidated Statements of Comprehensive Income as a financing expense. For fair value hedges relating to items carried at amortised cost, any adjustment to carrying value is amortised through profit or loss over the remaining term of the hedge using the effective interest rate method. EIR amortisation may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged. If the hedged item is derecognised, the unamortised fair value is recognised immediately in profit or loss.

At 31 December 2019, the Group had no hedges designated as fair value hedges.

Cash flow hedges

The Group uses interest rate contracts as hedges of its exposure to interest rate risk in forecast transactions and firm commitments. The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in profit or loss. The ineffective portion relating to interest rate contracts is recognised in financing expenses. Amounts recognised in other comprehensive income are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs.

If the hedging instrument or hedged item expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognised in other comprehensive income remains separately in equity until the forecast transaction occurs or the foreign currency firm commitment is met.

At 31 December 2019, the Group designated its Interest Rate Swap and Currency Swap as a cash flow hedges.

Hedges of net investments in foreign operations

Hedges of net investments in foreign operations are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised in other comprehensive income, while any gains or losses relating to the ineffective portion are recognised in profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to profit or loss.

The Group uses its EUR Term Facility as a hedge of its exposure to foreign exchange risk on its investments in EUR foreign subsidiaries. Gains or losses on the retranslation of this borrowing are transferred to other comprehensive income to offset any gains or losses on translation of the net investments in the subsidiaries.

At 31 December 2019, no material ineffectiveness arising on net investment hedges was included in the Consolidated Statements of Comprehensive Income.

Income taxes

Income tax expense consists of current and deferred tax expense. Income tax expense is recognised in the Consolidated Statements of Comprehensive Income. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year-end, adjusted for amendments to tax payable with regard to previous years.

Deferred tax assets and liabilities are recognised for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred taxes are not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realised or the liability settled.

The effect on deferred tax assets and liabilities of a change in tax rates is recognised in the Consolidated Statements of Comprehensive Income in the period that substantive enactment occurs.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. To the extent that the Group does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced.

Where there is uncertainty about the appropriate tax treatment of certain transactions or circumstances, the Group applies the guidance of IFRIC 23 – *Uncertainty Over Income Tax Treatments* and recognises and measures its current and deferred tax assets and liabilities in accordance with its evaluation of the likelihood that a taxation authority will accept the uncertain tax treatment. Where it is considered probable that a taxation authority will accept the Group's uncertain tax treatment, the Group determines its taxable profit consistently with the tax treatment used or planned to be used in its income tax filings. Where it is considered unlikely that a taxation authority will accept the Group's uncertain tax treatment, the Group reflects the effect of uncertainty in determining its taxable profit following the method it expects to better predict the resolution of the uncertainty.

Cash and cash equivalents
Cash and cash equivalents include cash in hand and deposits held at call with banks, as well as balances with payment processors which are subject to an insignificant risk of change in value.

Cash and cash equivalents exclude restricted cash. Restricted cash is made up of cash held on deposit for the purpose of applying for business and gaming licences, as well as reserves held with payment service providers.

The effect on the Consolidated Statements of Cash Flows of restrictions either taking effect on, or being lifted from, cash balances are reported with regard to the linkage principle, under which changes in cash are classified based on the purpose for which the restricted cash is used. Under this principle, changes (such as cash, which is restricted for the purposes of applying for a business licence and payment service provider reserves) are treated as an operating cash outflow.

Tangible assets
Tangible assets are recorded at cost less accumulated depreciation. These assets are depreciated over their estimated useful lives as follows:

Computer hardware	33%–50% per annum
Office furniture	20%–50% per annum
Freehold property	Over 50 years
Leasehold improvements	Over the term of the lease

Depreciation is recorded under administrative costs in the Consolidated Statements of Comprehensive Income.

Intangible assets
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over their useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. Amortisation expense is reflected in the Consolidated Statements of Comprehensive Income. Amortisation for the material categories of finite life intangible assets is recorded under administrative costs and is calculated at the following rates:

Brand	5% per annum
Gaming licences	5% per annum
Platform and software	7%–33% per annum
Player relationships and partnership agreements	8%–20% per annum (variable, according to the expected pattern of consumption)

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit ('CGU') level. If any indication of impairment exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows independently of other assets, the Group estimates the recoverable amount of the CGU to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell (measured according to level 3 in the fair value hierarchy) and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Notes to the Audited Consolidated Financial Statements continued

31 December 2019

3. Summary of significant accounting policies continued

The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

In instances when a part of a particular CGU is disposed of, the value of goodwill associated with the disposal is measured on the basis of the relative value of the operation disposed of as a portion of the unit retained. The relative value is derived by analysing various methods available for the asset being disposed of and concluding on the method that is most appropriate for each individual disposal.

Share-based compensation and long-term incentive plan

Compensation expense for equity-settled stock options awarded under the share option plan is measured at the fair value at the grant date using the Black-Scholes valuation model and is recognised using the graded vesting method over the vesting period of the options granted. Compensation expense for equity-settled stock options awarded under the LTIP, LTIP2 and LTIP3 (as defined in note 25) is measured at the fair value at the grant date using the Black-Scholes valuation model for the EPS and EPS CAGR Tranches (as defined in note 25) and the Monte Carlo model for the TSR Tranches (as defined in note 25).

Compensation expense recognised is adjusted to reflect the number of options that have been estimated by management for which conditions attached to service will be fulfilled as of the grant date until the vesting date so that the ultimately recognised expense corresponds to the options that have actually vested. The compensation expense credit is attributed to share-based payment reserve when the expense is recognised in the Consolidated Statements of Comprehensive Income.

Earnings per share

Basic earnings per share is calculated by dividing the net income or loss for the period attributed to common shareholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share is calculated using the same method as for basic earnings per share and adjusting the weighted average of common shares outstanding during the period to reflect the dilutive impact, if any, of options and warrants assuming they were exercised for that number of common shares calculated by applying the treasury stock method. The treasury stock method assumes that all proceeds received by Gamesys Group plc when options and warrants are exercised will be used to purchase common shares at the average market price during the reporting period. Convertible debt is considered in the calculation of diluted earnings per share to the extent that it is dilutive.

Provisions

Provisions are recognised when the Group has a present obligation, legal or constructive, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:
- the technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
- its intention to complete and its ability to use or sell the asset;
- how the asset will generate future economic benefits;
- the availability of resources to complete the asset; and
- the ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins the same month the asset is recognised and is amortised over the period of expected future economic benefit to the Group. During the period of development, the asset is tested for impairment annually as part of the CGU to which it relates.

Leases

Effective from 1 January 2019, the Group adopted IFRS 16, which replaces IAS 17 – *Leases* and related interpretations.

The Group elected to apply the modified retrospective approach which does not require restatement of comparative periods. As a result, lease liabilities were recognised in the opening consolidated balance sheet as at 1 January 2019 at an amount equal to the Group's remaining lease payments discounted using the Group's incremental borrowing rate. Additionally, the Group elected to measure right-of-use assets by reference to the measurement of the lease liabilities on the same date. As a result, net assets were not impacted. There was also no impact on the Group's equity at 1 January 2019.

On 1 January 2019, the Group recognised right-of-use assets and lease liabilities of £3.2 million related to its existing leases. Furthermore, the Group assumed that leases obtained as part of the Gamesys Acquisition were also subject to IFRS 16 starting on 1 January 2019 and recognised additional right-of-use assets and lease liabilities of £20.7 million as a result.

Under IFRS 16, the Group amortises its right-of-use assets and accretes interest on its lease liabilities. As at 31 December 2019, the carrying value of the right-of-use assets amounted to £22.2 million and the carrying value of lease liabilities amounted to £22.6 million, with £4.7 million of this balance shown in current liabilities with the remaining portion of £17.9 million reflected under non-current liabilities.

The above lease liabilities balances were calculated using an incremental borrowing rate of 5.0%.

4. Summary of significant accounting estimates and assumptions

The preparation of Gamesys Group plc's Consolidated Financial Statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Estimates and judgements are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The effect of a change in an accounting estimate is recognised prospectively by including it in the Consolidated Statements of Comprehensive Income in the period of the change, if the change affects that period only; or in the period of the change and future periods if the change affects both.

The estimates and judgements that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Business combinations and contingent consideration

Business combinations require management to exercise judgement in measuring the fair value of the assets acquired, equity instruments issued, liabilities, and contingent consideration incurred or assumed. In particular, a high degree of judgement is applied in determining which assets and liabilities are included in a business combination, the fair value of the separable intangible assets acquired and their useful economic lives.

Goodwill and intangible assets

Goodwill and intangible assets are reviewed for impairment annually, or more frequently when there are indicators that impairment may have occurred, by comparing the carrying value to its recoverable amount. Management uses judgement in estimating the recoverable values of the Group's CGUs and uses internally developed valuation models that consider various factors and assumptions including forecasted cash earnings, growth rates and discount rates. The use of different assumptions and estimates could influence the determination of the existence of impairment and the valuation of goodwill.

For the Parent Company, investments in subsidiaries are reviewed for impairment annually based on the above analysis.

Taxes

Group companies may be subject to indirect taxation on transactions, which have been treated as exempt supplies of gambling, or on supplies which have been zero rated where legislation provides that the services are received or used and enjoyed in the country where the service provider is located. Revenue earned from players located in any particular jurisdiction may give rise to further taxes in that jurisdiction. If such taxes are levied, either on the basis of current law or the current practice of any tax authority, or by reason of a change in the law or practice, then this may have a material adverse effect on the amount of tax payable by the Group, its financial position or its reported results. Where it is considered probable that a previously identified contingent liability will give rise to an actual outflow of funds, then a provision is made in respect of the relevant jurisdiction and period impacted. Where the likelihood of a liability arising is considered remote, or the possible contingency is not material to the financial position of the Group, the contingency is not recognised as a liability at the balance sheet date.

The Group is also exposed to a range of different corporation and other tax regimes. Any given tax jurisdiction may have complex legislation operating both domestically and potentially beyond the borders of the country in question. This requires the Group to make judgments on the basis of detailed tax analysis and recognise payables or provisions and disclose contingent liabilities as appropriate in the circumstances. Should the Group's judgement change as it is revisited over time, or the associated estimates be updated as more information comes to light, tax expense recorded in the income statement in future reporting periods will be affected. Further information on recognised provisions is included in note 19.

5. Business combinations

On 26 September 2019, the Group completed the Gamesys Acquisition, which includes the Virgin Games, Heart Bingo, Virgin Casino and Monopoly Casino brands and related assets. The purchase was completed for £237.3 million in cash (net of gains from hedging), of which £173.6 million was funded by an add-on to the Group's existing Term Facility, £9.9 million in deferred consideration (net of working capital adjustments) and 33,653,846 newly issued ordinary shares of the Parent Company, which at the prevailing share price of £7.25 on 26 September 2019 amounted to £244.0 million. The deferred consideration is payable in March 2022 and is subject to an annual interest rate of 5.0% plus LIBOR. The Gamesys Acquisition has been accounted for as a business combination.

The purchase price allocation set forth on page 118 represents the allocation of the purchase price to the provisional fair value of assets acquired and liabilities assumed. No indemnification assets have been recognised at this stage due to the uncertainty of any such amounts being agreed.

Notes to the Audited Consolidated Financial Statements continued

31 December 2019

5. Business combinations continued

Effect of acquisition on the financial position of the Group

	26 September 2019 (£000's)
Assets acquired	
Cash	40,274
Restricted cash	1,165
Player deposits	8,960
Trade and other receivables	14,010
Other non-current assets	5,943
Right-of-use assets	18,786
Intangible assets (note 16)	309,000
Goodwill (note 16)	252,718
	650,856
Liabilities assumed	
Accounts payable and accrued liabilities	75,452
Player liabilities	8,960
Deferred tax liabilities (note 27)	52,403
Provisions (note 19)	3,800
Lease liabilities	19,067
	159,682
Net assets acquired	491,174
Consideration	
Cash	240,000
Realised gain on FX Forward (note 15)	(2,717)
Deferred consideration	10,000
Estimated working capital adjustment	(99)
Shares issued	243,990
	491,174

The excess purchase consideration over the net fair value of financial and other tangible and intangible assets and liabilities acquired was allocated to goodwill. The goodwill recognised is primarily attributed to the expected synergies and other benefits from combining the assets and activities of Gamesys (Holdings) Limited with those of the Group.

None of the goodwill is expected to be deductible for income tax purposes.

The Gamesys Acquisition is expected to enhance the Group's scale and will allow it to benefit from a diversified brand portfolio, greater operational control and complementary executive and operational team. Costs relating to this transaction amounted to a total of £15.8 million, with £14.4 million reflected in transaction related costs and £1.4 million reflected as costs of issuance of common shares.

Since the date of acquisition, this business combination has contributed £60.3 million in revenue and £9.9 million in net income to the Group. The results of this business combination are included in the Group's online gaming segment. The Group has used a significant amount of judgement and simplifying assumptions in estimating the net income and operating profits before income taxes had the business combination occurred at the beginning of the year. Had the business combination occurred at the beginning of the year, it would have contributed £210.5 million in revenue and £49.7 million in operating profit before income taxes, making consolidated revenue for the year be £565.3 million and operating profit before income taxes for the year be £51.8 million. Operating profit before income taxes take into account income earned from the software licence fee and other income earned by the acquired business from the reporting entity during the period before the Gamesys Acquisition. As a result of the judgement and simplifying assumptions used to generate these estimates, the amounts should not be used as an indicator of past or future performance of the Group or its acquired subsidiaries.

6. Segment information

Under IFRS 8 – *Operating Segments* ('IFRS 8') segments are reported in a manner consistent with internal reporting provided to the Chief Operating Decision Makers (as defined in note 3).

In December 2019, following the Gamesys Acquisition, the Group determined that its reportable operating segments had changed such that the Jackpotjoy and Vera&John segments were aggregated into a single operating segment, being online gaming. The online gaming segment consists of online real money and casino operating results of the Jackpotjoy, Starspins, Virgin Games, Heart Bingo, Botemania, Rainbow Riches, Virgin Casino, Monopoly Casino, Vera&John, InterCasino and Solid Gaming brands.

Management believes that this segmentation is most appropriate because online gaming is the Group's primary business that is being managed on a combined basis without central business costs or operating expenses being allocated to any particular geography or product. The new segmentation came into effect on 1 December 2019.

Additionally, as discussed in note 8, the Group sold its Mandalay business in the period ended 31 March 2019 and it sold its social gaming business in the period ended 30 September 2018. All current year and 2018 comparative figures have been restated accordingly.

The following tables present selected financial results for online gaming and the unallocated corporate costs:

Year ended 31 December 2019:

	Online gaming[1] (£000's)	Unallocated corporate costs (£000's)	Total (£000's)
Gaming revenue	**415,078**	**–**	**415,078**
Distribution costs	214,214	25	214,239
Amortisation and depreciation	61,190	963	62,153
Compensation, professional, and general and administrative expenses	71,307	13,972	85,279
Impairment of financial assets	3,879	–	3,879
Transaction-related costs	224	15,585	15,809
Foreign exchange loss/(gain)	1,319	(2,789)	(1,470)
Financing, net	483	22,672	23,155
Income/(loss) for the year before taxes from continuing operations	**62,462**	**(50,428)**	**12,034**
Tax expense	2,554	352	2,906
Net income/(loss) for the year after taxes from continuing operations	**59,908**	**(50,780)**	**9,128**
Net income/(loss) for the year after taxes from continuing operations	**59,908**	**(50,780)**	**9,128**
Interest expense, net	483	20,921	21,404
Accretion on financial liabilities	–	1,291	1,291
Tax expense	2,554	352	2,906
Amortisation and depreciation	61,190	963	62,153
EBITDA	**124,135**	**(27,253)**	**96,882**
Share-based compensation	–	483	483
One-off tax charges	6,000	–	6,000
Fair value adjustments on contingent consideration	–	460	460
Transaction-related costs	224	15,585	15,809
Foreign exchange loss/(gain)	1,319	(2,789)	(1,470)
Adjusted EBITDA	**131,678**	**(13,514)**	**118,164**
Net income/(loss) for the year after taxes from continuing operations	**59,908**	**(50,780)**	**9,128**
Share-based compensation	–	483	483
One-off tax charges	6,000	–	6,000
Fair value adjustments on contingent consideration	–	460	460
Transaction-related costs	224	15,585	15,809
Foreign exchange loss/(gain)	1,319	(2,789)	(1,470)
Amortisation of acquisition-related purchase price intangibles	52,701	–	52,701
Accretion on financial liabilities	–	1,291	1,291
Adjusted net income/(loss)	**120,152**	**(35,750)**	**84,402**

1. Includes Gamesys Acquisition results from 27 September 2019 to 31 December 2019.

Notes to the Audited Consolidated Financial Statements continued

31 December 2019

6. Segment information continued

Year ended 31 December 2018:

	Online gaming (£000's)	Unallocated corporate costs (£000's)	Total (£000's)
Gaming revenue	**308,212**	**–**	**308,212**
Distribution costs	149,793	63	149,856
Amortisation and depreciation	54,937	390	55,327
Compensation, professional, and general and administrative expenses	37,881	11,632	49,513
Impairment of financial assets	1,000	–	1,000
Severance costs	850	–	850
Transaction-related costs	139	1,751	1,890
Foreign exchange loss/(gain)	438	(84)	354
Financing, net	(115)	29,788	29,673
Income/(loss) for the year before taxes from continuing operations	**63,289**	**(43,540)**	**19,749**
Tax expense	122	336	458
Net income/(loss) for the year after taxes from continuing operations	**63,167**	**(43,876)**	**19,291**
Net income/(loss) for the year after taxes from continuing operations	63,167	(43,876)	19,291
Interest expense, net	(115)	19,587	19,472
Accretion on financial liabilities	–	2,993	2,993
Tax expense	122	336	458
Amortisation and depreciation	54,937	390	55,327
EBITDA	**118,111**	**(20,570)**	**97,541**
Share-based compensation	–	583	583
Severance costs	850	–	850
Fair value adjustments on contingent consideration	–	7,208	7,208
Transaction-related costs	139	1,751	1,890
Foreign exchange loss/(gain)	438	(84)	354
Adjusted EBITDA	**119,538**	**(11,112)**	**108,426**
Net income/(loss) for the year after taxes from continuing operations	63,167	(43,876)	19,291
Share-based compensation	–	583	583
Severance costs	850	–	850
Fair value adjustments on contingent consideration	–	7,208	7,208
Transaction-related costs	139	1,751	1,890
Foreign exchange loss/(gain)	438	(84)	354
Amortisation of acquisition-related purchase price intangibles	52,752	–	52,752
Accretion on financial liabilities	–	2,993	2,993
Adjusted net income/(loss)	**117,346**	**(31,425)**	**85,921**

During the year ended 31 December 2019, revenue was earned from players situated in the following locations: United Kingdom: 52% (year ended 31 December 2018: 53%), Japan: 26% (year ended 31 December 2018: 14%), Spain: 8% (year ended 31 December 2018: 10%), Sweden: 3% (year ended 31 December 2018: 8%), rest of Europe: 6% (year ended 31 December 2018: 7%), rest of world: 5% (year ended 31 December September 2018: 8%).

During the year ended 31 December 2019, the Group's B2B Revenue comprised 4% (year ended 31 December 2018: 3%) of total Group revenues, with the remaining portion being revenues earned from Net Gaming Revenue operations.

Non-current assets by geographical location as at 31 December 2019 were as follows: Europe £85.3 million (31 December 2018: £85.2 million), Americas £383.9 million (31 December 2018: £436.8 million) and United Kingdom £576.4 million (31 December 2018: £nil).

7. Costs and expenses

As discussed in note 8, the Group sold its Mandalay business in the period ended 31 March 2019 and its social gaming business in the period ended 30 September 2018. All current year and 2018 comparative figures have been restated accordingly. The results of the Gamesys Acquisition for the period from 27 September 2019 to 31 December 2019 are included in the tables below.

	Year ended 31 December 2019 (£000's)	Year ended 31 December 2018 (£000's)
Distribution costs:		
Selling and marketing	**81,740**	54,523
Licensing fees[1]	**45,318**	38,094
Gaming taxes	**59,165**	38,670
Processing fees	**28,016**	18,569
	214,239	149,856
Administrative costs:		
Compensation and benefits	**55,635**	31,582
Professional fees	**5,086**	4,300
General and administrative[1]	**24,558**	13,631
Tangible asset depreciation	**4,361**	538
Intangible asset amortisation	**57,792**	54,789
	147,432	104,840

1. Certain changes were reallocated from licensing fees to general and administrative to match presentation following the Gamesys Acquisition.

8. Discontinued operations

On 12 March 2019, the Group completed the sale of its Mandalay business for a cash consideration of £18.0 million. The Mandalay business was not previously classified as held-for-sale. As discussed in note 7 of the Group's 2018 Consolidated Financial Statements, the Group disposed of its social gaming business in the period ended 30 September 2018. The comparative Consolidated Statement of Comprehensive Income is presented below to show the Mandalay and social gaming business discontinued operations separately from continuing operations. The results of the Mandalay and social gaming businesses have been excluded from notes 6 and 7.

Results of discontinued operations

	Year ended 31 December 2019 (£000's)	Year ended 31 December 2018 (£000's)
Gaming revenue	**1,595**	11,376
Social gaming revenue	**–**	7,495
Expenses	**2,229**	19,208
Results from operating activities	**(634)**	(337)
Income tax	**–**	–
Loss for the year	**(634)**	(337)
Loss on disposal of discontinued operations	**(26)**	(4,477)
Income tax on loss on disposal of discontinued operations	**–**	–
Loss from discontinued operations, net of tax	**(660)**	(4,814)
Basic loss per share from discontinued operations	**£(0.01)**	£(0.06)
Diluted loss per share from discontinued operations	**£(0.01)**	£(0.06)

Cash flows from discontinued operations

	Year ended 31 December 2019 (£000's)	Year ended 31 December 2018 (£000's)
Net cash provided by operating activities	**525**	6,090
Net cash provided by investing activities	**18,000**	16,140
Net cash from financing activities	**–**	–
Net cash flows for the period	**18,525**	22,230

Notes to the Audited Consolidated Financial Statements continued

31 December 2019

8. Discontinued operations continued

Effect of disposal on the financial position of the Group

	31 December 2019 (£000's)	31 December 2018 (£000's)
Trade and other receivables	–	184
Non-current assets	**3,753**	10,365
Goodwill	**14,273**	9,638
Net assets	**18,026**	20,187
Working capital adjustments payable	–	(1,203)
Costs of disposal	–	(1,118)
Consideration received, satisfied in cash	**18,000**	18,031
Loss on disposal of discontinued operations	**(26)**	(4,477)

Goodwill disposed of was allocated to the Mandalay business on the basis of earnings before interest, taxes, depreciation and amortisation, relative to that of the overall segment.

9. Interest income/expense

	Year ended 31 December 2019 (£000's)	Year ended 31 December 2018 (£000's)
Total interest income	**420**	349
Interest accrued and paid on long-term debt	**21,435**	19,815
Fair value adjustment on secured convertible loan	**(248)**	–
Interest accrued and paid on lease liabilities	**637**	–
Interest accrued and paid on convertible debentures	–	6
Total interest expense	**21,824**	19,821
Accretion of discount recognised on contingent consideration	–	1,204
Interest accretion recognised on convertible debentures	–	8
Debt issue costs and accretion recognised on long-term debt	**723**	576
Interest accretion recognised on other long-term liabilities	**568**	1,205
Total accretion on financial liabilities	**1,291**	2,993

10. Earnings per share

The following table presents the calculation of basic and diluted earnings per share:

	Year ended 31 December 2019 (£000's)	Year ended 31 December 2018 (£000's)
Numerator:		
Net income attributable to owners of the parent – basic	**8,468**	14,477
Net income attributable to owners of the parent – diluted	**8,468**	14,477
Numerator:		
Net income from continuing operations – basic	**9,128**	19,291
Net income from continuing operations – diluted	**9,128**	19,291
Numerator:		
Net loss from discontinued operations – basic	**(660)**	(4,814)
Net loss from discontinued operations – diluted[1]	**(660)**	(4,814)
Denominator:		
Weighted average number of shares outstanding – basic	**83,326**	74,241
Weighted average effect of dilutive share options	**266**	592
Weighted average number of shares outstanding – diluted	**83,592**	74,833
Net income per share[2,3]		
Basic	**£0.10**	£0.20
Diluted	**£0.10**	£0.19
Net income per share[2,3] – continuing operations		
Basic	**£0.11**	£0.26
Diluted	**£0.11**	£0.26
Net loss per share[1,2,3] – discontinued operations		
Basic	**£(0.01)**	£(0.06)
Diluted	**£(0.01)**	£(0.06)

1. In case of a net loss, the effect of share options potentially exercisable on diluted loss per share will be anti-dilutive; therefore, basic and diluted net loss per share will be the same.
2. Basic income per share is calculated by dividing the net income by the weighted average number of shares outstanding during the year.
3. Diluted income per share is calculated by dividing the net income by the weighted average number of shares outstanding during the year and adjusted for the number of potentially dilutive share options and contingently issuable instruments.

11. Liabilities arising from financing activities

The following is a reconciliation of liabilities arising from financing activities:

Group

	Long-term debt (£000's)	Interest payable (£000's)	Non-compete clauses (£000's)	Interest rate swap liability (£000's)	Currency swap liability (£000's)	Contingent consideration (£000's)	Lease liabilities (£000's)	Total (£000's)
Balance, 1 January 2018	369,487	924	16,912	–	–	59,583	–	446,906
Cash flows	–	(20,351)	(8,000)	(656)	–	(63,455)	–	(92,462)
Non-cash flows:								
Fair value adjustments	–	–	–	1,141	–	7,208	–	8,349
Interest expense	–	19,815	–	–	–	–	–	19,815
Accretion	576	–	1,184	–	–	1,204	–	2,964
Foreign exchange translation	1,387	(124)	–	–	–	–	–	1,263
Balance, 31 December 2018	371,450	264	10,096	485	–	4,540	–	386,835
Cash flows	170,961	(20,391)	(6,000)	(583)	–	–	(3,643)	140,344
Non-cash flows:								
Fair value adjustments	–	–	–	1,238	9,251	460	–	10,949
Interest expense	–	21,435	–	–	–	–	637	22,072
Lease liabilities	–	–	–	–	–	–	25,643	25,643
Accretion	723	–	568	–	–	–	–	1,291
Set-off against acquired assets	–	–	–	–	–	(5,000)	–	(5,000)
Foreign exchange translation	(12,815)	(349)	–	–	–	–	(3)	(13,167)
Balance, 31 December 2019	**530,319**	**959**	**4,664**	**1,140**	**9,251**	**–**	**22,634**	**568,967**

Parent Company

	Long-term debt (£000's)	**Interest payable (£000's)**	**Interest rate swap liability (£000's)**	**Currency swap liability (£000's)**	**Lease liabilities (£000's)**	**Total (£000's)**
Balance, 1 January 2018	246,584	672	–	–	–	247,256
Cash flows	–	(15,003)	(656)	–	–	(15,659)
Non-cash flows:						
Fair value adjustments	–	–	1,141	–	–	1,141
Interest expense	–	14,421	–	–	–	14,421
Accretion	404	–	–	–	–	404
Balance, 31 December 2018	246,988	90	485	–	–	247,563
Cash flows	–	(14,676)	(583)	–	(376)	(15,635)
Non-cash flows:						
Fair value adjustments	–	–	1,238	9,251	–	10,489
Interest expense	–	14,586	–	–	22	14,608
Lease liabilities	–	–	–	–	354	354
Accretion	430	–	–	–	–	430
Balance, 31 December 2019	**247,418**	**–**	**1,140**	**9,251**	**–**	**257,809**

STRATEGIC REPORT GOVERNANCE FINANCIAL STATEMENTS

Notes to the Audited Consolidated Financial Statements continued

31 December 2019

12. Cash, restricted cash and player deposits

Group

	31 December 2019 (£000's)	31 December 2018 (£000's)
Cash	**100,299**	84,383
Restricted cash[1]	**6,324**	3,912
	106,623	88,295
Player deposits – restricted cash[2]	**12,444**	3,853
Player deposits – other[3]	**–**	5,179
	12,444	9,032

Parent Company

	31 December 2019 (£000's)	31 December 2018 (£000's)
Cash	**6,439**	626
Restricted cash	**–**	74
Total cash balances	**6,439**	700

1. The Group has elected to present £2.2 million of its 31 December 2018 balance related to reserves held with payment service providers as trade and other receivables (note 13).
2. Player deposits – restricted cash consists of cash held by the Group in relation to amounts payable to players where the Group acts as operator. In this regard, the Group has elected to split player deposits into sub-categories and present £3.9 million of its 31 December 2018 balance as player deposits – restricted cash, rather than player deposits, to improve comparability with the balances at the current reporting date.
3. Player deposits – other includes balances held by third-party operators on behalf of the Group in relation to amounts payable to players.

13. Trade and other receivables

Trade and other receivables consist of the following items:

Group

	31 December 2019 (£000's)	31 December 2018 (£000's)
Due from the Gamesys Group	**–**	8,764
Due from the 888 group	**–**	1,665
Due from payment service providers[1]	**12,218**	2,249
ECL on payment service providers (note 3)	**(3,579)**	–
B2B Revenue receivable	**5,453**	2,722
ECL on B2B Revenue receivable	**(107)**	(334)
Sales tax refund receivable	**4,806**	1,461
ECL on sales tax refund receivable	**(521)**	(266)
Prepaid expenses	**10,443**	2,925
Other receivables	**4,791**	533
ECL on other receivables	**(322)**	(39)
	33,182	19,680

1. The Group has elected to present £2.2 million of its 31 December 2018 balance related to reserves held with payment service providers as trade and other receivables (note 12).

The following table summarises the Group's expected credit loss on its trade receivables and other long-term receivables at 31 December 2019:

	0–30 days (£000's)	31–60 days (£000's)	61–90 days (£000's)	90 days + (£000's)	Total (£000's)
Trade and other receivables	116	12	30	792	**950**
Other long-term receivables	–	–	–	350	**350**
	116	12	30	1,142	**1,300**

The following table summarises the Group's expected credit loss on its trade receivables and other long-term receivables at 31 December 2018:

	0-30 days (£000's)	31-60 days (£000's)	61-90 days (£000's)	90 days + (£000's)	Total (£000's)
Trade and other receivables	–	91	131	417	**639**
Other long-term receivables	–	–	–	361	**361**
	–	91	131	778	**1,000**

Parent Company

	31 December 2019 (£000's)	31 December 2018 (£000's)
Intercompany receivable	**253,941**	237,971
Prepaid expenses	**286**	399
Sales tax refund receivable	**1,299**	–
	255,526	238,370

For the parent company, ECL was calculated on related company loans by applying the Probability of Default ('PD') by the Loss Given Default ('LGD') by the Exposure at Default ('EAD') ('PD x LGD x EAD') method. The amount calculated was not recorded on the grounds of materiality.

14. Other long-term receivables

In connection with the Gaming Realms Transaction, the Group recognised a long-term receivable of £3.8 million (31 December 2018: £3.6 million) for the secured convertible loan, in accordance with IFRS 9, based on the calculation of fair value at 30 September 2019, as explained in note 23.

As at 31 December 2019, the remaining balance of £1.4 million (31 December 2018: £1.1 million), net of an ECL provision discussed in note 13, relates to a long-term loan receivable by the Group.

15. Interest rate swap, currency swap and foreign exchange forward

Group and Parent Company

Foreign exchange forward

On 26 June 2019, Gamesys Group plc entered into a foreign exchange forward agreement (the 'FX Forward') in order to minimise the Group's exposure to foreign exchange rate fluctuations between GBP and EUR as the Group added €196.0 million to its EUR Term Facility in relation to the Gamesys Acquisition. Under the FX Forward, the Group was able to convert €193.0 million to £173.7 million at an exchange rate of 0.89970 on 26 September 2019, giving rise to a £2.7 million realised gain on settlement of the foreign exchange forward.

Prior to being utilised, the FX Forward was designated as a cash flow hedge. As a result, upon utilising the FX Forward, the entire gain in the amount of £0.3 million previously shown in other comprehensive income was reclassified, in accordance with IFRS 9, and formed part of the realised gain on foreign exchange forward discussed above.

Currency swap

On 1 August 2019, the Group entered into a cross currency swap agreement (the 'Currency Swap') in order to minimise the Group's increased exposure to exchange rate fluctuations between GBP and EUR impacting the Group's EUR Term Facilities. The Currency Swap had an effective date of 30 September 2019 and a maturity date of 30 September 2022.

As at 31 December 2019, the fair value of the Currency Swap was a £9.3 million payable (31 December 2018: £nil). The Group has included £3.4 million of this amount in current liabilities with the remaining balance included in other long-term payables, as discussed in note 24. An unrealised loss of £9.3 million for the year ended 31 December 2019 related to the Currency Swap was recognised in other comprehensive income (year ended 31 December 2018: £nil).

Interest rate swap

On 5 August 2019, Gamesys Group plc amended the terms of its existing Interest Rate Swap to further minimise its exposure to interest rate fluctuations. Under the new terms, the Group will pay a fixed 6.08% rate of interest in place of floating GBP interest payments of GBP LIBOR plus 5.00%. On 15 August 2019, the starting Notional Amount went back to being 60% of the GBP Term Facility (£150.0 million) and will decrease to £69.0 million by 15 June 2021.

As at 31 December 2019, the fair value of the Interest Rate Swap was a £1.1 million payable (31 December 2018: £0.5 million). The Group has included £0.4 million of this payable in current liabilities (31 December 2018: £0.1 million), with the value of the remaining balance included in other long-term payables, as discussed in note 24. For the year ended 31 December 2019, the Group recognised an unrealised loss of £1.2 million in other comprehensive income (year ended 31 December 2018: £1.1 million).

Notes to the Audited Consolidated Financial Statements continued

31 December 2019

16. Intangible assets and goodwill

As at 31 December 2019

	Gaming licences (£000's)	Player relationships (£000's)	Software (£000's)	Brand (£000's)	Partnership agreements (£000's)	Non-compete clauses (£000's)	Goodwill (£000's)	Total (£000's)
Cost								
Balance, 1 January 2019	**91**	**320,060**	**30,955**	**70,326**	**12,900**	**20,434**	**309,121**	**763,887**
Additions (note 5)	**–**	**223,300**	**93,974**	**–**	**4,600**	**–**	**252,718**	**574,592**
Disposals (note 8)	**–**	**(27,200)**	**(350)**	**(1,610)**	**–**	**–**	**(14,273)**	**(43,433)**
Translation	**(2)**	**(1,209)**	**(1,614)**	**(536)**	**(43)**	**–**	**(3,149)**	**(6,553)**
Balance, 31 December 2019	**89**	**514,951**	**122,965**	**68,180**	**17,457**	**20,434**	**544,417**	**1,288,493**
Accumulated amortisation/impairment								
Balance, 1 January 2019	**56**	**172,574**	**18,280**	**13,577**	**6,080**	**17,875**	**20,766**	**249,208**
Amortisation	**47**	**41,571**	**8,650**	**3,442**	**2,609**	**2,559**	**–**	**58,878**
Disposals (note 8)	**–**	**(24,700)**	**(329)**	**(378)**	**–**	**–**	**–**	**(25,407)**
Translation	**(14)**	**(1,133)**	**(1,043)**	**(129)**	**(42)**	**–**	**(557)**	**(2,918)**
Balance, 31 December 2019	**89**	**188,312**	**25,558**	**16,512**	**8,647**	**20,434**	**20,209**	**279,761**
Carrying value								
Balance, 31 December 2019	**–**	**326,639**	**97,407**	**51,668**	**8,810**	**–**	**524,208**	**1,008,732**

As at 31 December 2018

	Gaming licences (£000's)	Player relationships (£000's)	Software (£000's)	Brand (£000's)	Partnership agreements (£000's)	Non-compete clauses (£000's)	Goodwill (£000's)	Total (£000's)
Cost								
Balance, 1 January 2018	93	337,655	25,211	70,019	12,900	20,434	316,386	782,698
Additions	–	–	5,318	–	–	–	–	5,318
Disposals (note 8)	–	(18,000)	–	–	–	–	(9,638)	(27,638)
Translation	(2)	405	426	307	–	–	2,373	3,509
Balance, 31 December 2018	91	320,060	30,955	70,326	12,900	20,434	309,121	763,887
Accumulated amortisation/impairment								
Balance, 1 January 2018	81	139,333	12,551	10,005	4,458	7,661	19,605	193,694
Amortisation	44	40,496	5,518	3,502	1,622	10,214	–	61,396
Disposals (note 8)	–	(7,635)	–	–	–	–	–	(7,635)
Translation	(69)	380	211	70	–	–	1,161	1,753
Balance, 31 December 2018	56	172,574	18,280	13,577	6,080	17,875	20,766	249,208
Carrying value								
Balance, 31 December 2018	35	147,486	12,675	56,749	6,820	2,559	288,355	514,679

Goodwill impairment testing

For the purpose of the annual impairment test, goodwill has been allocated to each CGU of the business.

The recoverable amount of the Jackpotjoy CGU has been determined based on a fair value less selling costs calculation using cash flow projections from financial forecasts approved by senior management covering a five-year period. The pre-tax discount rate applied to cash flow projections is 14.0% (2018: 14.0%) and cash flows beyond the five-year period are extrapolated using a 2.0% (2018: 2.5%) growth rate. At 31 December 2019, the carrying amount of goodwill related to the Jackpotjoy CGU is £469.8 million (2018: £231.3 million).

The recoverable amount of the Vera&John CGU has been determined based on a fair value less selling costs calculation using cash flow projections from financial forecasts approved by senior management covering a five-year period. The pre-tax discount rate applied to cash flow projections is 19.0% (2018: 18.0%) and cash flows beyond the five-year period are extrapolated using a 2.0% (2018: 2.5%) growth rate. At 31 December 2019, the carrying amount of goodwill related to the Vera&John CGU is £54.4 million (2018: £57.0 million).

The fair value less selling costs calculations are based on level 3 in the fair value hierarchy.

As at 31 December 2019, there was no indication of impairment of goodwill, nor does senior management expect any reasonably possible change in a key assumption that may give rise to an impairment.

17. Leases

As discussed in note 3, on 1 January 2019, the Group adopted IFRS 16. The tables below provide a reconciliation between operating lease commitments disclosed at 31 December 2018 and balances presented in the Group's Consolidated Financial Statements:

Right-of-use assets

	31 December 2019 (£000's)
Balance, 1 January 2019	3,189
Additions	5,254
Additions arising on business combination	18,691
Depreciation	(2,614)
Effect of modification of lease terms	(2,346)
Foreign exchange movements	2
Balance, 31 December 2019	**22,176**

Lease liabilities

	31 December 2019 (£000's)
Balance, 1 January 2019	3,189
Additions	5,254
Additions arising on business combination	18,825
Interest expense	637
Effect of modification of lease terms	(1,625)
Lease payments	(3,643)
Foreign exchange movements	(3)
Balance, 31 December 2019	**22,634**

The following table reconciles the minimum lease commitments disclosed in the Group's 31 December 2018 Consolidated Financial Statements to the lease liabilities recognised on 1 January 2019:

	1 January 2019 (£000's)
Lease commitments at 31 December 2018	1,623
Short-term leases not recognised under IFRS16	(93)
Effects of extension options reasonably certain to be exercised	2,005
Undiscounted lease payments	3,535
Effect of discounting	(346)
Lease liabilities at 1 January 2019	3,189

18. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities consist of the following items:

Group

	31 December 2019 (£000's)	31 December 2018 (£000's)
Affiliate/marketing expenses payable	11,148	7,038
Payable to game suppliers	10,414	3,181
Compensation payable	21,833	5,773
Professional fees	2,137	1,231
Gaming tax payable	24,434	1,174
Other	8,004	2,209
	77,970	20,606

Parent Company

	31 December 2019 (£000's)	31 December 2018 (£000's)
Intercompany payables	240,861	–
Affiliate/marketing expenses payable	–	15
Compensation payable	920	1,229
Professional fees	291	332
Other	742	133
	242,814	1,709

Notes to the Audited Consolidated Financial Statements continued

31 December 2019

19. Provisions

Provisions consist of:

	31 December 2019 (£000's)
Balance,1 January 2019	–
Arising on business combination (note 5)	3,800
Provision in the year	6,000
Balance, 31 December 2019	9,800

The Group has taken external legal advice in respect of the impact of new legislation introduced in the UK relating to tax on income derived from the UK players. Management has determined that there is a reasonable argument that the Group does not fall under the new legislation; however, it is noted that this is not certain due to ambiguity in the legislation and its practical operation. Management considers that the liability based on payments made in the period would result in a provision of approximately £6.0 million.

Provisions arising on business combination include a probability based estimate of the fair value of potential UK tax liabilities of £3.8 million which have been disclosed under HMRC's Profit Diversion Compliance Facility.

The Group has included £3.8 million of these provisions in current liabilities (31 December 2018: £nil million), with the value of the remaining balance included in non-current liabilities.

20. Other short-term payables

Other short-term payables consist of:

Group

	31 December 2019 (£000's)	31 December 2018 (£000's)
Transaction-related payables	953	516
Current portion on non-compete clauses payable	4,664	8,667
Working capital adjustment payable	–	429
	5,617	9,612

Parent Company

	31 December 2019 (£000's)	31 December 2018 (£000's)
Transaction-related payables	262	–
Interest rate swap (note 15)	355	97
Cross currency swap (note 15)	3,364	–
	3,981	97

21. Financial risk management

Credit risk

Credit risk is the risk of loss associated with the counterparty's inability to fulfil its payment obligations. As at 31 December 2019, the Group is largely exposed to credit risk through its relationship with its service providers as well as its cash balances. Credit risk also arises from payment services providers ('PSPs'). Prior to accepting new PSPs, credit checks are performed using a reputable external source, where available. Management monitors PSP balances on a weekly basis and promptly takes corrective action if pre-agreed limits are exceeded. As at 31 December 2019, the Group recognised a £4.9 million provision for potentially uncollectible trade and other receivables and other long-term receivables, as explained in note 3. With the exception of the balances discussed in note 13, no other receivables are considered past due or impaired. Quantitative analysis of the Group's exposure to credit risk arising from its receivables is included in note 13 and analysis of the Group's exposure to its credit risk arising from cash is presented below.

A significant amount of cash is held with the following institutions:

Group

Financial institution rating	31 December 2019 (£000's)	31 December 2018 (£000's)[1]
AA-	3,693	17,786
A	61,099	43,946
A-	5,305	31
BBB+	–	1,969
BBB	1,948	5,975
BBB-	2,245	–
BB	2,410	4,002

Parent Company

Financial institution rating	31 December 2019 (£000's)	31 December 2018 (£000's)
A	**6,439**	626

The Group monitors the credit ratings of counterparties regularly and at the reporting date does not expect any losses from non-performance by the counterparties. The Group's policy is to transfer significant concentrations of cash held at lower-rated financial institutions to higher-rated financial institutions as swiftly as possible.

Interest rate risk

Interest rate risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Gamesys Group plc is exposed to cash flow interest rate risk on its credit facilities, described in note 22, which bear interest at variable rates. A one percentage point increase (decrease) in interest rates would have decreased (increased) net earnings before income taxes by approximately £4.2 million for the year ended 31 December 2019 (31 December 2018: £3.7 million), with all other variables held constant.

Management monitors movements in interest rates by reviewing the LIBOR on a frequent basis.

On 16 February 2018, Gamesys Group plc entered into an Interest Rate Swap to mitigate its exposure to interest rate volatility. On 5 August 2019, the Group amended the terms of its existing Interest Rate Swap to further minimise its exposure to interest rate fluctuations. A one percentage point increase (decrease) in interest rates would have increased (decreased) the fair value of the Interest Rate Swap by approximately £2.7 million for the year ended 31 December 2019 (31 December 2018: £2.9 million), with all other variables held constant.

For the Parent Company, a one percentage point increase (decrease) in interest rates would have decreased (increased) net earnings before income taxes by approximately £2.5 million for the year ended 31 December 2019 (31 December 2018: £2.9 million), with all other variables held constant.

Foreign exchange risk

Foreign exchange risk arises when individual Group entities enter into transactions denominated in a currency other than their functional currency. Gamesys Group plc's policy is, where possible, to allow the Group's entities to settle liabilities denominated in their functional currency with the cash generated from their own operations in that currency. Where Gamesys Group plc's entities have liabilities denominated in a currency other than their functional currency (and have insufficient reserves of that currency to settle them), cash already denominated in that currency will, where possible, be transferred from elsewhere within Gamesys Group plc.

Apart from these particular cash flows, the Group aims to fund expenses and investments in their respective currencies and to manage foreign exchange risk at a local level by matching the currency in which revenue is generated and expenses are incurred, as well as by matching the currency of its debt structure with the currency cash is generated in.

The following table summarises the Group's discounted net financial assets/liabilities by currency and the approximate effects on total comprehensive income, and therefore total equity, as a result of a 10% change in the value of the foreign currencies against pounds Sterling where the Group has significant exposure. The analysis assumes that all other variables remain constant.

At 31 December 2019	**Net foreign currency financial assets/ (liabilities) (£000's)**	**Effect of 10% strengthening in foreign exchange rates on comprehensive income (£000's)**	**Effect of 10% weakening in foreign exchange rates on comprehensive income (£000's)**
Canadian Dollar	**(92)**	**(9)**	**9**
Euro	**(245,476)**	**(24,548)**	**24,548**
United States Dollar	**5,122**	**512**	**(512)**

At 31 December 2018	Net foreign currency financial assets/ (liabilities) (£000's)	Effect of 10% strengthening in foreign exchange rates on comprehensive income (£000's)	Effect of 10% weakening in foreign exchange rates on comprehensive income (£000's)
Canadian Dollar	(237)	(24)	24
Euro	(99,546)	(9,955)	9,955
United States Dollar	1,471	147	(147)

The Parent Company's accounting exposure to foreign exchange risk is not considered material.

Notes to the Audited Consolidated Financial Statements continued

31 December 2019

21. Financial risk management continued

Liquidity risk

The Group requires capital and liquidity to fund existing and future operations and future cash payments. The Group's policy is to maintain sufficient capital levels to fund its financial position and meet future commitments and obligations in a cost-effective manner.

Liquidity risk arises from the Group's ability to meet its financial obligations as they become due. The following tables summarise the Group's undiscounted financial and other liabilities as at 31 December 2019 and 31 December 2018:

Group

At 31 December 2019	On demand (£000's)	Less than 1 year (£000's)	2–3 years (£000's)	4–5 years (£000's)	After 5 years (£000's)
Accounts payable and accrued liabilities	**77,970**	**–**	**–**	**–**	**–**
Other payables	**953**	**8,383**	**16,724**	**–**	**–**
Lease liabilities	**–**	**4,727**	**8,866**	**7,995**	**5,795**
Payable to players	**12,444**	**–**	**–**	**–**	**–**
Long-term debt	**–**	**–**	**–**	**536,306**	**–**
Interest payable on long-term debt	**–**	**25,844**	**51,547**	**52,578**	**–**
	91,367	**38,954**	**77,137**	**596,879**	**5,795**

At 31 December 2018	On demand (£000's)	Less than 1 year (£000's)	2–3 years (£000's)	4–5 years (£000's)	After 5 years (£000's)
Accounts payable and accrued liabilities	20,606	–	–	–	–
Other payables	1,612	8,097	2,388	–	–
Payable to players	9,032	–	–	–	–
Contingent consideration	–	4,670	–	–	–
Long-term debt	–	–	–	–	375,692
Interest payable on long-term debt	–	19,763	39,580	39,526	20,081
	31,250	32,530	41,968	39,526	395,773

Parent Company

At 31 December 2019	On demand (£000's)	Less than 1 year (£000's)	2–3 years (£000's)	4–5 years (£000's)	After 5 years (£000's)
Accounts payable and accrued liabilities	**1,953**	**–**	**–**	**–**	**–**
Other short-term/long-term payables	**262**	**3,719**	**16,724**	**–**	**–**
Long-term debt	**–**	**–**	**–**	**250,000**	**–**
Interest payable on long-term debt	**–**	**14,360**	**28,643**	**28,440**	**–**
	2,215	**18,079**	**45,367**	**278,440**	**–**

At 31 December 2018	On demand (£000's)	Less than 1 year (£000's)	2–3 years (£000's)	4–5 years (£000's)	After 5 years (£000's)
Accounts payable and accrued liabilities	1,709	–	–	–	–
Other short-term/long-term payables	–	97	388	–	–
Long-term debt	–	–	–	–	250,000
Interest payable on long-term debt	–	14,421	28,881	28,842	14,550
	1,709	14,518	29,269	28,842	264,550

The Group manages liquidity risk by monitoring actual and forecasted cash flows in comparison with the maturity profiles of financial assets and liabilities. The Group does not anticipate fluctuations in its financial obligations as they largely stem from interest payments related to the EUR Term Facility (as defined on page 131) and the GBP Term Facility (as defined on page 131). Management believes that the cash generated from the Group's business activities is sufficient to fund the working capital and capital expenditure needs in the short and long term, assuming there are no significant adverse changes in the markets in which the Group operates. The Group is actively managing its capital resources to ensure sufficient resources will be in place when Term Facilities (as defined on page 131) repayments and interest payments become due.

Subject to meeting certain financial covenants, the Group may have the ability to draw on the £13.5 million RCF (as defined on page 131) as a further capital resource.

22. Credit facilities

	Parent Company	Rest of Group	
	GBP Term Facility (£000's)	EUR Term Facility (£000's)	Total (£000's)
Balance, 1 January 2018	246,584	122,903	369,487
Accretion[1]	404	172	576
Foreign exchange translation	–	1,387	1,387
Balance, 31 December 2018	246,988	124,462	371,450
Add-on Debt	–	173,578	173,578
Debt financing costs	–	(2,617)	(2,617)
Accretion[1]	430	293	723
Foreign exchange translation	–	(12,815)	(12,815)
Balance, 31 December 2019	**247,418**	**282,901**	**530,319**
Current portion	–	–	–
Non-current portion	247,418	282,901	530,319

1. Effective interest rates are as follows: EUR Term Facility: 4.26% (2018: 4.44%), GBP Term Facility: 5.97% (2018: 6.01%).

On 6 December 2017, Gamesys Group plc entered into a senior facilities agreement ('Senior Facilities Agreement') pursuant to which debt facilities were made available to Gamesys Group plc and certain of its subsidiaries in an aggregate Sterling equivalent amount of approximately £388.5 million, comprised of (i) a €140.0 million term facility (the 'EUR Term Facility'), (ii) a £250.0 million term facility (the 'GBP Term Facility' and, together with the EUR Term Facility, the 'Term Facilities') and (iii) a £13.5 million revolving credit facility (the 'RCF' and, together with the Term Facilities, the 'Facilities'). Proceeds from the Term Facilities were used in part to repay the Group's existing First and Second Lien Facilities on 14 December 2017, at which point, the accretion of the remaining debt issue costs on the First and Second Lien facilities was accelerated. Proceeds from the RCF can be applied to, among other things, working capital and general corporate purposes and financing or refinancing capital expenditure.

On 1 July 2019, the Group completed the syndication of a €196.0 million additional term loan facility (the 'Add-on Debt') to fund the Gamesys Acquisition. The Group's new incremental term loan facility is fungible with the Group's existing EUR Term Facility and the syndication came into effect on 26 September 2019.

The Term Facilities are non-amortising and mature in December 2024. The RCF matures in December 2023 and remains undrawn as at 31 December 2019.

The EUR Term Facility has an interest rate of EURIBOR (with a 0% floor) plus an opening margin of 4.25% per annum, subject to a margin ratchet with step downs of 0.25% to 3.50% based on reductions in the senior secured net leverage ratio ('SSLR') and meeting certain ratings requirements. The GBP Term Facility has an interest rate of LIBOR (with a 0% floor) plus an opening margin of 5.25% per annum, subject to a margin ratchet with step downs of 0.25% to 4.50% based on reductions in the SSLR and meeting certain ratings requirements. The RCF has an interest rate of EURIBOR (for Euro loans, with a 0% floor) or LIBOR (for GBP loans, with a 0% floor) plus, in each case, an opening margin of 4.25% per annum, subject to a margin ratchet with step downs of 0.50% to 3.25% based on reductions in the SSLR.

The Senior Facilities Agreement contains certain restrictions on, amongst other things, asset disposals, debt incurrence, loans and guarantees, joint ventures and acquisitions, subject in each case to various permissions. The Senior Facilities Agreement also contains a senior secured leverage ratio maintenance covenant and an interest cover maintenance covenant.

Gamesys Group plc was in compliance with the terms of the Senior Facilities Agreement as at 31 December 2019.

Notes to the Audited Consolidated Financial Statements continued

31 December 2019

23. Financial instruments

The principal financial instruments used by the Group are summarised below:

Group

Financial assets

	Financial assets as subsequently measured at amortised cost	
	31 December 2019 (£000's)	31 December 2018 (£000's)
Cash and restricted cash	**106,623**	88,295
Trade and other receivables	**33,182**	19,680
Other long-term receivables	**1,391**	1,101
Player deposits	**12,444**	9,032
	153,640	118,108

Financial liabilities

	Financial liabilities as subsequently measured at amortised cost	
	31 December 2019 (£000's)	31 December 2018 (£000's)
Accounts payable and accrued liabilities	**77,970**	20,606
Other short-term payables	**5,617**	9,612
Other long-term payables	**10,052**	1,429
Interest payable	**959**	264
Payable to players	**12,444**	9,032
Lease liabilities	**22,634**	–
Long-term debt	**530,319**	371,450
	659,995	412,393

Parent Company

Financial assets

	Financial assets as subsequently measured at amortised cost	
	31 December 2019 (£000's)	31 December 2018 (£000's)
Cash and restricted cash	**6,439**	700
Trade and other receivables	**1,585**	399
Intercompany receivable	**253,941**	237,971
	261,965	239,070

Financial liabilities

	Financial liabilities as subsequently measured at amortised cost	
	31 December 2019 (£000's)	31 December 2018 (£000's)
Accounts payable and accrued liabilities	**1,953**	1,709
Intercompany payables	**240,861**	–
Other short-term payables	**262**	–
Other long-term payables	**10,052**	–
Interest payable	**–**	90
Long-term debt	**247,418**	246,988
	500,546	248,787

The carrying values of the financial instruments noted above approximate their fair values.

Group

Other financial instruments

	Financial instruments at fair value through profit or loss – assets/(liabilities)	
	31 December 2019 (£000's)	31 December 2018 (£000's)
Interest Rate Swap	**(1,140)**	(485)
Currency Swap	**(9,251)**	–
Contingent consideration	**–**	(4,540)
Other long-term receivables	**3,825**	3,574
	(6,566)	(1,451)

Parent Company

	Financial instruments at fair value through profit or loss – assets/(liabilities)	
	31 December 2019 (£000's)	31 December 2018 (£000's)
Interest Rate Swap	**(1,140)**	(485)
Cross currency swap	**(9,251)**	–
	(10,391)	(485)

Fair value hierarchy

The hierarchy of the Group's financial instruments carried at fair value is as follows:

	Level 2		Level 3	
	31 December 2019 (£000's)	31 December 2018 (£000's)	**31 December 2019 (£000's)**	31 December 2018 (£000's)
Interest Rate Swap	**(1,140)**	(485)	**–**	–
Currency Swap	**(9,251)**	–	**–**	–
Other long-term receivables	**3,825**	3,574	**–**	–
Contingent consideration	**–**	–	**–**	(4,540)

The Interest Rate Swap and Currency Swap balances represent the fair values of expected cash flows under the Interest Rate Swap and Currency Swap agreements.

Other long-term receivables represent the fair value of the loan receivable from Gaming Realms. The key inputs into the fair value estimation of this balance include the share price of Gaming Realms on the date of cash transfer, a 3.2-year risk-free interest rate of 0.6019%, and an estimated share price return volatility rate of Gaming Realms of 47.8%.

Following completion of the Gamesys Acquisition, the Group was able to set off the remaining milestone payment for the Jackpotjoy acquisition. As a result, at 31 December 2019, the remaining milestone payment is considered settled.

The movement in level 3 financial instruments is detailed below:

	(£000's)
Contingent consideration, 1 January 2018	59,583
Fair value adjustments	7,208
Payments	(63,455)
Accretion of discount	1,204
Contingent consideration, 31 December 2018	4,540
Fair value adjustments	460
Set-off against acquired assets	(5,000)
Contingent consideration, 31 December 2019	**–**

24. Other long-term payables

Other long-term payables consist of:

Group

	31 December 2019 (£000's)	31 December 2018 (£000's)
Deferred consideration payable (note 5)	**10,052**	–
Interest Rate Swap (note 15)	**784**	388
Currency Swap (note 15)	**5,888**	–
Non-compete clauses payable	**–**	1,429
	16,724	1,817

Parent Company

	31 December 2019 (£000's)	31 December 2018 (£000's)
Deferred consideration payable (note 5)	**10,052**	–
Interest rate swap (note 15)	**784**	388
Cross currency swap (note 15)	**5,888**	–
	16,724	388

Notes to the Audited Consolidated Financial Statements continued

31 December 2019

25. Share capital

As at 31 December 2019, Gamesys Group plc's issued share capital consisted of 108,665,248 ordinary shares, each with a nominal value of £0.10.

Group and Parent Company

	Ordinary shares of £0.10	
	(£000's)	#
Balance, 1 January 2018	7,407	74,064,931
Conversion of convertible debentures, net of costs	6	56,499
Exercise of options	21	207,500
Balance, 31 December 2018	7,434	74,328,930
Issuance, net of costs	3,365	33,653,846
Exercise of options	68	682,472
Balance, 31 December 2019	**10,867**	**108,665,248**

Ordinary shares

During the year ended 31 December 2019, Gamesys Group plc issued 33,653,846 additional ordinary shares as part of the consideration paid for the Gamesys Acquisition.

Share options

The share option plan (the 'Share Option Plan') was approved by the Board of Directors on 5 September 2016. Upon completion of the plan of arrangement, all options over common shares of Intertain under Intertain's stock option plan were automatically exchanged for options of equivalent value over ordinary shares of Gamesys Group plc on equivalent terms and subject to the same vesting conditions under Intertain's share option plan. The strike price of each grant was converted from Canadian dollars to pound sterling at the foreign exchange rate of 0.606, being the exchange rate at the date of the plan of arrangement. Following the grant of the replacement options, no further options were, or will be, granted under the Share Option Plan.

The changes in the number of share options outstanding during the year ended 31 December 2019 were as follows:

	Number of options #	Weighted average exercise price (£)
Outstanding, 1 January 2018	3,027,990	6.79
Forfeited	(425,000)	9.51
Exercised	(207,500)	2.70
Outstanding, 31 December 2018	2,395,490	6.66
Forfeited	(121,166)	7.53
Exercised	(682,472)	3.93
Outstanding, 31 December 2019	**1,591,852**	**7.76**

Long-term incentive plan

On 30 September 2019, Gamesys Group plc granted additional equity-settled awards over ordinary shares of Gamesys Group plc under the Group's long-term incentive plan ('LTIP3') for key management personnel. The awards will (i) vest on the date on which the Remuneration Committee determines the extent to which the performance conditions (as described below) have been met and (ii) are subject to a holding period of two years beginning on the vesting date. At 31 December 2019, the number of ordinary shares that may be allotted under the Group's 2019 LTIP3 awards is 778,100.

The performance condition as it applies to 25% of each LTIP3 award is based on the Group's total shareholder return compared with the total shareholder return of the companies constituting the Financial Times Stock Exchange 250 index (excluding investment trusts and financial services companies) over three years commencing on 1 January 2019. The performance condition as it applies to another 25% of the award is based on the Group's total shareholder return compared with the total shareholder return of certain companies in a peer group over three years commencing on 1 January 2019. The performance condition as it applies to the remaining 50% of the award is based on the compound annual growth rate ('CAGR') of the Group's earnings per share over a three-year period commencing on 1 January 2019 ('EPS CAGR Tranche') and vests as to 25% if the EPS CAGR equals 5.0%, between 25% and 100% (on a straight-line basis) if final year EPS CAGR is more than 5.0% but less than 14.0%, and 100% if final year EPS CAGR is 14.0% or more.

During the year ended 31 December 2019, the Group recorded £0.5 million (year ended 31 December 2018: £0.3 million) in share-based compensation expense relating to its long-term incentive plans with a corresponding increase in share-based payment reserve.

STRATEGIC REPORT GOVERNANCE FINANCIAL STATEMENTS

Reserves

The following describes the nature and purpose of each reserve within the Group's Consolidated Statements of Changes in Equity.

Share capital

The purpose of this reserve is to show Gamesys Group plc's issued share capital at its nominal value of £0.10 per share.

Share premium

The purpose of this reserve is to show the amount subscribed for Gamesys Group plc's issued share capital in excess of nominal value.

Merger reserve

The purpose of this reserve is to present the Consolidated Statements of Changes in Equity under the merger method of accounting, as if Gamesys Group plc has always been the Parent Company and owned all of the subsidiaries.

Share-based payment reserve

The purpose of this reserve is to show cumulative share-based compensation expense relating to the Group's Share Option Plan, LTIP, LTIP2 and LTIP3.

Translation reserve

The purpose of this reserve is to show gains and losses arising on retranslating the financial information of the Group companies with functional currencies other than GBP.

Hedge reserve

The purpose of this reserve is to show unrealised gains and losses arising from the changes in the fair value of the Group's Interest Rate Swap and Currency Swap.

Retained earnings

The purpose of this reserve is to show cumulative net gains and losses recognised in the Consolidated Statements of Comprehensive Income.

26. Capital management

Gamesys Group plc defines the capital that it manages as its aggregate shareholders' equity. Its principal source of cash is operating activities and, in earlier periods, the issuance of common shares, and long-term debt. Gamesys Group plc's capital management objectives are to safeguard its ability to continue as a going concern and to have sufficient capital to meet its financial obligations as they become due. To maintain or adjust the capital structure, Gamesys Group plc may attempt to issue new shares, issue new debt, or acquire or dispose of assets.

The Group monitors its SSLR, which is calculated in accordance with the Senior Facilities Agreement, on a frequent basis as this ratio impacts, among other things, the amount of excess cash flow required to be applied in prepayment of the Term Facilities. Commencing on 31 December 2018, if the Group's SSLR is greater than 2.5, 50% of the Group's excess cash flow is required to be applied in prepayment of the Term Facilities. If the Group's SSLR falls between 2.0 and 2.5, 25% of the Group's excess cash flow is required to be applied in prepayment of the Term Facilities. If the Group's SSLR falls below 2.0, 0% of the Group's excess cash flow is required to be applied in prepayment of the Term Facilities. At 31 December 2019, the Group's SSLR is greater than 2.5.

Excess cash flow is calculated in accordance with the Senior Facilities Agreement and is based on consolidated EBITDA (also calculated in accordance with the Senior Facilities Agreement) to which certain adjustments are made (such as the deduction of certain items such as debt prepayments). Gamesys Group plc is not subject to any externally imposed capital requirements. Gamesys Group plc manages the Group's capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the Group's underlying assets.

There have been no changes to Gamesys Group plc's approach to capital management or in the items the Group manages as capital during the year ended 31 December 2019.

27. Taxes and deferred taxes

	Year ended 31 December 2019 (£000's)	Year ended 31 December 2018 (£000's)
Current tax expense		
Total current tax on profits for the year	**10,285**	853
Deferred tax		
Origination and reversal of temporary differences related to business combinations	**(7,379)**	(395)
Total tax expense	**2,906**	458

Notes to the Audited Consolidated Financial Statements continued

31 December 2019

27. Taxes and deferred taxes continued

The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax in the United Kingdom applied to profits for the year are as follows:

	Year ended 31 December 2019 (£000's)	Year ended 31 December 2018 (£000's)
Profit for the year before taxes	**11,374**	14,935
Tax using Gamesys Group plc's domestic tax rate of 19% (2018: 19%)	**2,160**	2,838
Effect of different tax rates applied in overseas jurisdictions	**(915)**	(3,754)
Non-capital loss for which no tax benefit has been recorded	**1,661**	1,374
Total tax expense	**2,906**	458

As at 31 December 2019, taxes payable and receivable balances consist primarily of taxes related to the 2018 and 2019 fiscal years.

The Group generated unused UK tax losses of approximately £8.7 million (2018: £7.1 million) that are available indefinitely for offsetting against future taxable profits. There is no certainty over the use or timing of use of tax losses and, as a result, no deferred tax assets have been recognised.

Deferred tax liabilities relate exclusively to balances arising on business combination.

28. Contingent liabilities

Indirect taxation

Gamesys Group plc subsidiaries may be subject to indirect taxation on transactions that have been treated as exempt supplies of gambling, or on supplies that have been zero rated where legislation provides that the services are received or used and enjoyed in the country where the service provider is located. Revenue earned from players located in any particular jurisdiction may give rise to further taxes in that jurisdiction. If such taxes are levied, either on the basis of current law or the current practice of any tax authority, or by reason of a change in the law or practice, then this may have a material adverse effect on the amount of tax payable by the Group or on its financial position.

Where it is considered probable that a previously identified contingent liability will give rise to an actual outflow of funds, then a provision is made in respect of the relevant jurisdiction and period impacted. Where the likelihood of a liability arising is considered remote, or the possible contingency is not material to the financial position of the Group, the contingency is not recognised as a liability at the balance sheet date. As at 31 December 2019, the Group had recognised £nil (31 December 2018: £nil) potential contingent indirect taxation liabilities.

29. Related party transactions

Compensation of key management

Key management is comprised of the Board of Directors, officers and members of management of the Group. The number of individuals included in key management increased as a result of the Gamesys Acquisition. Key management personnel compensation for services rendered is as follows:

	Year ended 31 December 2019 (£000's)	Year ended 31 December 2018 (£000's)
Salaries, bonuses and benefits	**8,994**	4,619
Share-based compensation	**412**	404
	9,406	5,023

30. Employees

Group

	31 December 2019 (£000's)	31 December 2018 (£000's)
Wages and salaries[1]	**37,303**	16,071
Pensions	**916**	545
Social security	**3,747**	1,846
Benefits	**513**	300
	42,479	18,762

Parent Company

	Year ended 31 December 2019 (£000's)	Year ended 31 December 2018 (£000's)
Wages and salaries[1]	**1,411**	2,709
Pensions	**151**	93
Social security	**386**	214
Benefits	**47**	43
	1,995	3,059

1. Wages and salaries figures include severance costs.

Parent Company Directors' remuneration details are provided in the Directors' remuneration report.

The average headcount of employees on a full-time and part-time basis during the year was as follows:

	31 December 2019 (#)	31 December 2018 (#)
Group	**580**	281
Parent Company	**20**	12
	600	293

31. Auditor's remuneration

BDO LLP's remuneration for the auditing of these Consolidated Financial Statements and for other services provided is as follows:

	Year ended 31 December 2019 (£000's)	Year ended 31 December 2018 (£000's)
Audit fees for the audit of the Company's annual accounts	**588**	282
Audit fees for the audit of the Company's subsidiaries	**110**	53
Audit-related assurance services	**167**	100
Services relating to corporate finance transactions	**1,528**	239
	2,393	674

32. Investments

Parent Company

Group undertakings

	(£000's)
At 1 January 2018	415,807
Additions in the year	–
Capital contribution	451
At 31 December 2018	416,258
Additions in the year	498,540
Capital contribution	370
At 31 December 2019	**915,168**

33. Subsequent events

On 6 February 2020, the Group completed the repricing of its Facilities to lower the overall cost of the Group's debt by 50 bps while maintaining the interest rate step downs based on future leverage ratios.

On 2 March 2020, the Group voluntarily made the first paydown of £40.0 million towards its GBP Term Facility.

Glossary

Adjusted EBITDA: As defined by the Group, is income from continuing operations before interest expense including accretion (net of interest income), income taxes, amortisation and depreciation, share-based compensation, one-off tax charges, severance costs, fair value adjustments on contingent consideration, transaction related costs and foreign exchange (gain)/loss. Management believes that Adjusted EBITDA is an important indicator of the issuer's ability to generate liquidity to service outstanding debt and uses this metric for such purpose. The exclusion of share-based compensation eliminates non-cash items and the exclusion of fair value adjustments on contingent consideration, one-off tax charges, severance costs, transaction-related costs and foreign exchange (gain)/loss eliminates items which management believes are either non-operational and/or non-routine.

Adjusted Net Income: As defined by the Group, is net income from continuing operations plus or minus items of note that management may reasonably quantify and believes will provide the reader with a better understanding of the Group's underlying business performance. Adjusted Net Income is calculated by adjusting net income for accretion on financial liabilities, amortisation of acquisition-related purchase price intangibles (including non-compete clauses), share-based compensation, one-off tax charges, severance costs, fair value adjustments on contingent consideration, transaction-related costs and foreign exchange (gain)/loss. The exclusion of accretion on financial liabilities and share-based compensation eliminates the non-cash items and the exclusion of amortisation of acquisition-related purchase price intangibles (including non-compete clauses), fair value adjustments on contingent consideration, one-off tax charges, severance costs, transaction-related costs and foreign exchange (gain)/loss eliminates items which management believes are non-operational and/or non-routine. Adjusted Net Income is considered by some investors and analysts for the purpose of assisting in valuing a company.

AGM: Annual General Meeting.

AML: Anti-money laundering.

ASA: Advertising Standards Authority, the UK's independent advertising regulator.

Average Active Players: 'Real money' players who have placed at least one bet in a given month.

Bingo-led: Online bingo branded sites.

B2B: Business-to-business.

B2C: Business-to-consumer.

Board or Directors: the Directors of Gamesys Group plc.

CAGR: Compound annual growth rate, annual growth rate over a specified period of time longer than one year.

CAP: Committee of Advertising Practice, the sister organisation of the ASA, responsible for writing the Advertising Codes.

CGU: Cash-generating unit.

Company: Gamesys Group plc

Constant currency: Constant currency amounts are calculated by applying the same EUR to GBP average exchange rates to both current and prior year comparative periods.

CSOP: Company Share Option Plan.

Diluted Adjusted Net Income per share from continuing operations: As defined by the Group, means Adjusted Net Income divided by the diluted weighted average number of shares outstanding, calculated using the IFRS treasury method, for the applicable period. Management believes that Diluted Adjusted Net Income per share from continuing operations assists with the Group's ability to analyse Adjusted Net Income on a diluted weighted average per share basis.

DTR: Disclosure Guidance and Transparency Rules.

FRC: Financial Reporting Council.

GamCare: An independent charity which provides counselling and treatment to those with gambling-related problems.

Gamesys Acquisition: The acquisition of Gamesys (Holdings) Limited by Gamesys Group plc (then called JPJ Group plc) which completed on 26 September 2019.

GAMSTOP: The UK's online self-exclusion scheme which will prevent users from accessing gambling websites and apps run by companies licensed in Great Britain.

GDPR: General Data Protection Regulation, regulations by which the European Parliament, the Council of the European Union, and the European Commission intend to strengthen and unify data protection for all individuals within the European Union.

GGR: Gross Gaming Revenue

IASB: International Accounting Standards Board.

IFRSs: International Financial Reporting Standards.

IPO: Initial Public Offering, the first sale of stock issued by a company to the general public.

ISAs (UK): International Standards on Auditing (UK).

KPIs: Key performance indicators.

LSE: London Stock Exchange, the main stock exchange in the United Kingdom, operating the main equity market.

LTIP: Long-Term Incentive Plan.

MD&A: Management's Discussion & Analysis.

Net debt: Consists of existing term loan, convertible debentures, non-compete clause payout, and contingent consideration liability less non-restricted cash.

Net leverage: The sum of term debt, earn-out, milestone payments and non-compete payments less cash balance.

NGOs: Non-Governmental Organisations.

Online gaming: Gambling by means of remote communication (using the internet, radio or any other kind of technology for facilitating communication).

Organic growth: The Group defines organic growth as growth achieved without accounting for acquisitions or disposals.

Real Money Gaming Revenue: Revenue less revenue earned from affiliate websites and social gaming.

Responsible Gambling Trust: A charity that funds treatment, education and research related to problem gambling.

ROI: Return on Investment.

Sustainable Development Goals: A collection of 17 global goals set by the United Nations. The broad goals are interrelated though each has its own targets to achieve. The total number of targets is 169. The SDGs cover a broad range of social and economic development issues.

TSR: Total Shareholder Return.

UK Corporate Governance Code: The 2016 and 2018 editions of the UK Corporate Governance Code (as applicable).

UK Gambling Commission: Public body responsible for licensing and regulating the people and businesses that provide gambling in Great Britain, including the National Lottery and remote gambling.

Shareholder Information

Corporate and Registered office
10 Piccadilly
London
W1J 0DD
United Kingdom

Registered number
10303804

Company Secretary
Dan Talisman

Joint brokers
Canaccord Genuity
88 Wood Street
London
EC2V 7QR
United Kingdom

Joh. Berenberg, Gossler & Co. KG
60 Threadneedle Street
London
EC2R 8HP
United Kingdom

Auditor
BDO LLP
55 Baker Street
London
W1U 7EU
United Kingdom

Solicitors
Clifford Chance LLP
10 Upper Bank Street
London
E14 5JJ
United Kingdom

Mishcon de Reya LLP
70 Kingsway
London
WC2B 6AH
United Kingdom

Osler, Hoskin & Harcourt LLP
1 First Canadian Place
Suite 6200
Toronto
Ontario
M5X 1B8
Canada

Financial PR
Finsbury
Tenter House
45 Moorfields
London
EC2Y 9AE
United Kingdom

Registrar
Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol
BS99 6ZZ
United Kingdom

Enquiring about your shareholding
If you want to ask, or need any information, about your shareholding, please contact our registrar, Computershare Investor Services PLC.

UK and rest of the world shareholder queries:
Computershare UK shareholder helpline: +44 (0370) 889 4098 (8:30am to 5:30pm BST) FAQs, access to a virtual agent and contact email and mail addresses can be found at: www-uk.computershare.com/Investor/default.asp.

Canadian shareholder information and ITX queries:
Computershare Canada shareholder services line: +1 800 564-6253 (8:30am to 8:00pm EST).

Investor relations website and share price information
The investor relations section of our website, www.gamesysgroup.com/investors/ includes the Annual Report, daily share price and Company announcements, including the half-year and full-year results.

Share dealing service by telephone or online
This service provides a simple way to sell or purchase shares (subject to availability) on the London Stock Exchange. Real time trading is available during market hours 8:00am to 4:30pm Monday to Friday (excluding bank holidays). There is also a convenient facility to place a sale instruction outside of market hours.
Computershare Brokerage Services
+44 (0370) 703 0084
www.computershare.trade

Electronic communications
Shareholders can elect to receive communications electronically by contacting our registrar at the numbers above. This will save on printing and distribution costs, creating environmental benefits. When you register, you will be sent a notification to say when shareholder communications are available on our website and you will be provided with a link to that information.

Financial calendar

Announcement of 2019 full-year results	17 March 2020
Annual General Meeting	3 June 2020

Cautionary note regarding forward-looking statements

This Annual Report contains certain information and statements that may constitute 'forward-looking information' (including future-oriented financial information and financial outlooks) within the meaning of applicable laws, including Canadian securities laws. Often, but not always, forward-looking information can be identified by the use of words such as 'plans', 'expects', 'estimates', 'projects', 'predicts', 'targets', 'seeks', 'intends', 'anticipates', 'believes', or 'is confident of' or the negative of such words or other variations of or synonyms for such words, or state that certain actions, events or results 'may', 'could', 'would', 'should', 'might' or 'will' be taken, occur or be achieved. Forward-looking information involves known and unknown risks, uncertainties and other factors which may cause actual results, performance, achievements or developments to be materially different from those anticipated by the Group and expressed or implied by the forward-looking statements. Forward-looking information contained in this Annual Report includes, but is not limited to, statements with respect to the Group's future financial performance, the future prospects of the Group's business and operations, the Group's growth opportunities and the execution of its growth strategies, the future performance of the online gaming segment, the possibility of the Group drawing on the RCF, and the statements made under the heading 'Outlook' of the Chair's Introduction. Certain of these statements may constitute a financial outlook within the meaning of Canadian securities laws. These statements reflect the Group's current expectations related to future events or its future results, performance, achievements or developments, and future trends affecting the Group. All such statements, other than statements of historical fact, are forward-looking information. Such forward-looking information is based on a number of assumptions which may prove to be incorrect, including, but not limited to, the ability of the Group to secure, maintain and comply with all required licences, permits and certifications to carry out business in the jurisdictions in which it currently operates or intends to operate; governmental and regulatory actions, including the introduction of new laws or changes in laws (or the interpretation thereof) related to online gaming; general business, economic and market conditions (including market growth rates and the withdrawal of the UK from the European Union); the Group operating in foreign jurisdictions; the competitive environment; the expected growth of the online gaming market and potential new market opportunities; anticipated and unanticipated costs; the protection of the Group's intellectual property rights; the Group's ability to successfully integrate and realise the benefits of its completed acquisitions; the Group's relationship with third parties; the ability of the Group to service its debt obligations; and the ability of the Group to obtain additional financing, if, as and when required. Such statements could also be materially affected by risks relating to the lack of available and qualified personnel or management; stock market volatility; taxation policies; competition; foreign operations; the Group's limited operating history and the Group's ability to access sufficient capital from internal or external sources. However, whether actual results and developments will conform with the expectations and predictions contained in the forward-looking information is subject to a number of risks and uncertainties, many of which are beyond the Group's control, and the effects of which can be difficult to predict, including that the assumptions outlined above may not be accurate. For a description of additional risk factors, see Schedule 'A' attached to Gamesys Group plc's most recently filed annual information form. Although the Group has attempted to identify important factors that could cause actual results, performance, achievements or developments to differ materially from those described in forward-looking statements, there may be other factors that cause actual results, performance, achievements or developments not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results, performance, achievement or developments are likely to differ, and may differ materially, from those expressed in or implied by the forward-looking information contained in this Annual Report. Accordingly, readers should not place undue reliance on forward-looking information. While subsequent events and developments may cause the Group's expectations, estimates and views to change, the Group does not undertake or assume any obligation to update or revise any forward-looking information, except as required by applicable securities laws. The forward-looking information contained in this Annual Report should not be relied upon as representing the Group's expectations, estimates and views as of any date subsequent to the date of this Annual Report. The forward-looking information contained in this Annual Report is expressly qualified by this cautionary statement. Investors should not place undue reliance on forward-looking statements as the plans, intentions or expectations upon which they are based might not occur.

Any future-oriented financial information or financial outlooks in this Annual Report (including any such information or outlooks under the heading 'Outlook' on page 8 of the Chair's Introduction) are based on certain assumptions regarding expected growth, results of operations, performance, and business prospects and opportunities. While the Group considers these assumptions to be reasonable, based on information currently available, they may prove to be incorrect. These risks, uncertainties and other factors include, but are not limited to: credit, market, currency, operational, liquidity and funding risks, including changes in economic conditions, and interest rates or tax rates.

Designed and produced by **emperor**
Visit us at **emperor.works**

Corporate and Registered Office
10 Piccadilly
London
W1J 0DD
+44 (0)20 7478 8100
corporatesecretary@gamesysgroup.com