5 March 2020

GVC Holdings PLC

("GVC" or the "Group")

Final results for the year ended 31 December 2019

A strong financial and operational performance
Underlying EBITDA ahead of original expectations

GVC Holdings PLC (LSE: GVC), the global sports-betting and gaming Group, is pleased to announce its results for the year ended 31 December 2019.

Group	**Reported[1]**			**Proforma[2]**			
Year ended 31 December	**2019**	**Pre IFRS 16 2019**	**2018**	**Pre IFRS 16 2019**	**2018**	**Change[3]**	**CC[4]**
	£m	£m	£m	£m	£m	%	%
Net gaming revenue (NGR)	3,655.1	3,655.1	2,979.5	3,655.1	3,571.4	2%	3%
Revenue	3,600.5	3,600.5	2,935.2	3,600.5	3,523.6	2%	3%
Gross profit	2,378.2	2,378.2	2,004.2	2,378.2	2,404.4	(1%)	
Underlying EBITDAR[5]	782.7	782.7	723.7	782.7	864.3	(9%)	
Underlying EBITDA[5]	761.1	678.3	640.8	678.3	755.3	(10%)	
Underlying operating profit[6]	520.0	490.1	520.8	490.1	610.1	(20%)	
Underlying profit before tax[6]	535.8	522.9	434.6				
Loss after tax	(140.7)	(159.2)	(56.4)				
Diluted EPS (p)	(26.4)	(28.3)	(12.2)				
Adjusted diluted EPS[7] (p)	64.2	62.3	76.3				
Total dividend per share (p)	35.2		32.0				

Financial highlights (proforma basis[2] pre IFRS 16)

- Proforma Group NGR up 2% (+3% on a constant currency[4] (cc) basis) at £3,655.1m, driven by the strong performance in Online, European Retail and UK Retail OTC
- Proforma Group Revenue up 2% (+3% cc) at £3,600.5m, over 96% of which was from markets that were either regulated or in the process of regulating
- Proforma Group underlying EBITDA[5] down 10% at £678.3m
    - £50m ahead of consensus at the start of the year
    - Up 14% ahead after adjusting for the estimated impact of the Triennial Review and incremental taxes[8]
    - Online underlying EBITDA[5] was 20% ahead after adjusting for the estimated impact of incremental taxes[8]
    - UK Retail underlying EBITDA[5] was 5% ahead after adjusting for the estimated impact of the Triennial Review[8]
- Proforma Group underlying operating profit was 20% lower than 2018 at £490.1m
- Excluding net debt arising on IFRS 16 of £347.1m, adjusted net debt at 31 December 2019 was £1,822.7m 2.7x LTM underlying EBITDA[5] pre IFRS 16 (2018: £1,896.6m)

Financial highlights (reported basis[1])

- Reported Group NGR up 23% at £3,655.1m
- Reported Group underlying EBITDA[5] up 19%
- Reported Group loss after tax of £140.7m after charging £630.1m (£710.0m pre-tax) of separately disclosed items, of which £376.2m relates to the non-cash amortisation of acquired intangibles (primarily arising from the acquisitions of Ladbrokes Coral and bwin) and £245.0m to a non-cash impairment of the Group's Australian Online business

- Diluted EPS[7] loss of 26.4p (2018: loss of 12.2p)
- Second interim dividend of 17.6p per share, taking the full year dividend to 35.2p, an increase of 10% on 2018 in line with the Group's current dividend policy of double digit dividend growth
- Adjusted net debt, post IFRS 16, at 31 December 2019 of £2,169.8m (2.9x underlying EBITDA)

Operational highlights (proforma basis[2] pre IFRS 16)

- Safer gambling & ESG
    - Unilateral commitment to increase responsible gaming funding by ten fold in the UK and withdrawal of sponsorship on football shirts and perimeter boards
    - Leading the industry with the introduction of a pre-watershed whistle-to-whistle ban on advertising during the broadcast of live sport[10] on UK TV
    - Launch of the GVC Global Foundation to coordinate and support GVC's Environmental, Social and Governance (ESG) initiatives, objectives and donations around the world
- Very strong growth in Online with market share gains in all key territories once again;
    - total NGR up 13% (+14% cc)
    - sports NGR 16% ahead (+17% cc)
    - gaming NGR 13% ahead (+13% cc)
- UK Retail like-for-like (LFL)[9] NGR -12%; LFL sports NGR grew by 7%, driven by;
    - excellent implementation of our Triennial mitigation plans by UK Retail colleagues and continued investment in shops
    - LFL machines NGR down 26% as a result of the introduction of the £2 limit on B2 machines stakes
- European Retail proforma NGR +4% (+5% cc) with growth in every year post the Ladbrokes and Coral merger
- US: Roar Digital has established multi-year partnerships with Buffalo Wild Wings and Yahoo Sports, providing the opportunity to reach the widest possible audience of engaged sports fans in the US and, following launches through the year, GVC technology is now powering both Online and Retail offerings in the US

Kenneth Alexander (CEO) commented:

"Our first full year since the Ladbrokes Coral acquisition has been a good one, and the performance has continued to be underpinned by our unique and highly effective operating model. We have delivered very strong growth in our Online business, including market share gains in all major territories, and good momentum in our European Retail business. This revenue growth has more than offset the impact on the UK Retail business of the £2 restriction on B2 machines stakes. We are delighted with the progress that is being made on the Ladbrokes Coral integration, and in the US the launch of BetMGM on the GVC platform in New Jersey was an important milestone for our business there and enables us to remain on track to deliver on our ambitions in this exciting market.

During the year, we have also continued to clearly demonstrate our leadership in, and commitment to, Responsible Gambling with a number of decisive actions, not least being the first in our industry to commit to a ten-fold increase in contributions to Responsible Gambling causes and our call for a total ban on sports-betting television advertising in the UK. Having an effective regulatory environment is critically important in encouraging customers to play with responsible regulated operators. With that in mind, it is our firm view that over-regulation in the UK would result in customers moving to the black market where there is zero responsibility, zero protection and zero tax being paid to the Treasury. As a consequence, it would also lead to a reverse in the considerable decline in problem gambling that the industry has delivered over recent years.

Looking ahead, we are confident that GVC's broad international footprint, proven track record of acquisition and strong organic growth will continue to present significant opportunities for further expansion."

Current Trading (Period 1 January 2020 to 23 February 2020)

Trading in the year to date was strong with Group NGR +5% cc and Online NGR +16% cc, both of which have benefitted from strong sports margins in the first two months. This represents a good start to the year and, at this early stage, the Board is confident of delivering EBITDA and operating profit in line with expectations.

Conference call

A presentation to analysts will be held at 9:30am (GMT) today at the offices of Deutsche Bank.

The presentation will be broadcast on the Group's website :
https://webcasting.brrmedia.co.uk/broadcast/5e417bac2aec863039efac73

Participants may join the call by dialing the following number approximately 10 minutes before the start of the call:

UK Toll: +44 (0)330 336 9411
Confirmation code: 6600932

Enquiries:

Investor Relations

GVC Holdings PLC

David Lloyd-Seed, Director of Investor Relations & External Communications	Tel: +44 (0) 203 938 0000
Jennifer Spencer, Investor Relations Manager	(investors@gvc-plc.com)

Media

GVC Holdings PLC

Jay Dosseter, Head of CSR & Corporate Communications	Tel: +44 (0) 203 938 0000

Powerscourt

Rob Greening / Elly Williamson	Tel: +44 (0) 20 7250 1446

Forward-looking statements

This document contains certain statements that are forward-looking statements. They appear in a number of places throughout this document and include statements regarding our intentions, beliefs or current expectations and those of our officers, directors and employees concerning, amongst other things, results of our operations, financial condition, liquidity, prospects, growth, strategies and the business we operate. These forward-looking statements include all matters that are not historical facts. By their nature, these statements involve risks and uncertainties since future events and circumstances can cause results and developments to differ materially from those anticipated. Any such forward-looking statements reflect knowledge and information available at the date of preparation of this document. Other than in accordance with its legal or regulatory obligations (including under the Market Abuse Regulation (596/2014), the Listing Rules, the Disclosure Guidance and Transparency Rules and the Prospectus Rules), the Company undertakes no obligation to update or revise any such forward-looking statements. Nothing in this document should be construed as a profit forecast. The Company and its directors accept no liability to third parties in respect of this document save as would arise under English law.

About GVC Holdings PLC

GVC Holdings PLC is one of the world's largest sports-betting and gaming groups, operating both online and in the retail sector. The Group owns a comprehensive portfolio of established brands; Sports Brands include bwin, Coral, Crystalbet, Eurobet, Ladbrokes, Neds and Sportingbet; Gaming Brands include CasinoClub, Foxy Bingo, Gala, Gioco Digitale, partypoker and PartyCasino. The Group owns proprietary technology across all of its core product verticals and in addition to its B2C operations provides services to a number of third party customers on a B2B basis. The Group has also entered into a joint-venture with MGM Resorts to capitalise on the sports-betting and gaming opportunity in the US. The Group, incorporated in the Isle of Man, is a constituent of the FTSE 250 index and has licences in more than 20 countries, across five continents.

For more information see the Group's website: www.gvc-plc.com

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CHIEF EXECUTIVE'S REVIEW

Overview

2019 was yet another highly successful year for the Group. We performed well ahead of expectations, which was reflected in a number of upgrades to EBITDA guidance during the year. In addition to delivering a robust underlying financial performance, we made positive strategic progress in existing and new markets. We remain committed to providing our customers with an enjoyable, safe and affordable suite of products and during the year took further significant strides forward in spearheading the industry's approach to safer gaming for our many millions of customers.

Group proforma[2] net gaming revenue (NGR) increased by 2% (+3% on a constant currency[4] (cc) basis) against proforma 2018 to £3,655.1m. Strong NGR growth from Online, European Retail and sports in UK Retail offset the decline in machines revenue in UK Retail which, as anticipated, was impacted by the cut in B2 machines maximum stakes to £2. On a pre IFRS 16 basis, Group proforma[2] underlying EBITDA[5] was £678.3m versus £755.3m in 2018, whilst Group proforma[2] operating profit[6] was £490.1m versus £610.1m in the previous year. Underlying proforma EBITDA[5], excluding the adverse impact of the Triennial Review on UK Retail and incremental Online and European Retail taxes[8], rose 14%, whilst underlying operating profit[6] rose 10%. On a post IFRS 16 basis, Group underlying EBITDA[5] was £761.1m and underlying operating profit[6] was £520.0m.

On a reported[1] basis, Group underlying profit before tax[6] was £535.8m (2018: £434.6m), and after charging £710.0m of separately disclosed items (2018: £453.5m), the loss after tax was £140.7m (2018: £56.4m loss). A second interim dividend of 17.6p was declared making a total for the year of 35.2p, an increase of 10% on 2018, in line with the Group's current dividend policy of double-digit dividend growth. The Group ended the period with pre IFRS 16 net debt of £1,822.7m (2018: £1,896.6m) representing a net debt to EBITDA ratio of 2.7x, slightly better than guidance after favourable currency movement on non-sterling debt. Net debt post IFRS 16 of £2,169.8m represents a leverage ratio of 2.9x.

Online once again delivered the stand-out performance, with proforma[2] NGR growing 13% (+14% cc) to £2,170.7m. The Group achieved double digit proforma[2] NGR growth across all of its core online markets and continued to grow share. Online proforma[2] sports NGR was up 16% (+17% cc) despite the tough comparison against 2018 which was boosted by the FIFA World Cup. Proforma[2] sports wagers grew 9% (+11% cc), despite a strong gross win margin at 11.1% (+0.6pp), which was largely driven by favourable results. Proforma[2] gaming NGR rose 13% (+13% cc), with a strong performance from both specialist gaming brands and sports brands.

GVC has a truly global online footprint with licenses in 24 territories. This diversification provides GVC with a significant competitive advantage, and enables us to spread the risk and allocate capital and resource to those markets with the most attractive opportunities. In addition to entering and growing in newer markets, the Group continues to take share in its more established markets. Our proprietary technology and products are also major differentiating factors, providing the scale and efficiencies required to support multiple products in multiple markets. Together with our strong local presence in core markets, GVC is well placed to continue to achieve market share gains and support further geographic expansion, both organically and through mergers & acquisitions (M&A).

The performance of the Group's UK Retail business was very strong against a backdrop of significant regulatory change. Following the Triennial Review, the implementation of a cut in maximum stakes on B2 machines to £2 was introduced on 1 April 2019. As a consequence, UK Retail like-for-like[9] (LFL) proforma[2] NGR declined 12%, with revenue from machines down 26% on a LFL[9] basis. LFL[9] over the counter (OTC) wagers were 7% higher than 2018 reflecting a better than expected level of substitution and strong self service betting terminals (SSBTs) performance resulting in LFL[9] sports NGR +7%.

This better than expected performance in UK Retail was driven by a number of factors: firstly, as part of our plan to offset the regulatory headwinds, we continued to invest in our estate, with the new Equinox gaming cabinets and SSBTs performing particularly well; secondly, the importance of retail betting shops to our customers, communities and indeed the wider Group should not be underestimated; and thirdly, and most importantly, the dedication and professionalism of our retail colleagues is an inspiration and continues to deliver tangible results in terms of customer engagement and loyalty. In light of these factors, it is no coincidence that in one of the most challenging years ever for the UK Retail industry, we have gained market share. We now anticipate closing 450 shops as a direct result of the Triennial Review, less than half of those originally anticipated. In recognition of the outstanding efforts, loyalty and resilience of our colleagues, we will be awarding a one-off bonus of £2.5m amongst our front-line colleagues in UK Retail.

European Retail proforma[2] NGR rose 4% (+5% cc), with OTC wagers 6% ahead (+6% cc), despite 2018 benefiting from the FIFA World Cup. Our operations in Italy delivered a strong performance with NGR up 9% cc, driven by wagers growth of 10% and virtual revenue growth of 17%. The strength of the Eurobet brand and omnichannel offering has proved its value in a market where significant advertising restrictions were introduced in 2019. Elsewhere, Belgium delivered good underlying progress, albeit with some operational challenges in virtual leaving revenue flat year on year. Meanwhile, revenue in our Irish Retail business was in line with 2018.

Roar Digital - US joint venture (JV) with MGM

Roar Digital, our US JV with MGM Resorts, made good progress in 2019. The focus during the year was to establish the infrastructure, build attractive long-term partnerships and launch the full GVC technology platform initially in New Jersey. During the period, we entered into key partnerships with Buffalo Wild Wings and Yahoo Sports. Buffalo Wild Wings is one of the most iconic sports bar and restaurant brands in the US, serving over 30 million guests per annum in an entertaining sports-focused environment. The agreement with Yahoo Sports represents a significant step forward. It is a content-rich digital platform with over 60 million monthly unique viewers, and is one of the leading fantasy sports operators in the US. The launch of the full GVC technology platform in New Jersey ahead of the NFL season was an important development. In Q4, total GGR was 55% ahead of 2018 and Digital GGR (68% of total GGR) was 137% higher. Roar has secured access to 19 states (c50% of the US population), is currently live in 7 markets and is aiming to operate in 11 markets by the end of 2020 (c20% of the US population). The opportunity in the US is significant and Roar now has a strong platform in place from which to pursue the many opportunities that we see for GVC in this market. As with any new business, investment is required at the outset and during 2019, as the JV invested in promoting the BetMGM brand and deploying the GVC platform, the Group has recorded a £12.5m loss in respect of its share of the JV's 2019 result.

Integration

In January of 2019 we announced an updated agreement with Playtech which enabled us to accelerate the migration of the Ladbrokes Coral online brands onto the GVC platform. Coral and Gala have both already been successfully migrated, with Ladbrokes to follow in the coming months.

The platform migrations are a key enabler to further back office integration and, as previously announced, this enables us to bring forward £15m of synergies into 2020. However, the migration is not simply about cost. Operating on our own platform gives GVC a significant competitive advantage in a number of key areas including delivering greater efficiencies, stability, speed to market, product development and customer propositions. The Group remains on track to complete the migration in 2021.

Corporate Activity

The Group disposed of its 50% interest in the Spanish JV, Sportium Apuestas Deportivas S.A. ("Sportium") during the year for a net £63.8m in cash plus repayment of loans. GVC's interest in Sportium was inherited through the acquisition of Ladbrokes Coral and the subsequent divestment enables the Group to focus on the bwin brand in our Spanish speaking markets.

GVC has a strong track record in M&A having integrated acquired operations seamlessly and accelerating growth through our technology and marketing expertise. In particular, the value of local knowledge is never underestimated and despite the growth in scale of GVC, at heart the group retains its entrepreneurial culture. We continue to evaluate appropriate opportunities.

Strategic Key enablers

Technology

Ownership of all elements of our technology platform is a significant competitive advantage. The flexibility and stability of our technology platform enables us to release new products and features quickly and to make rapid changes to the customer user-journey without frustrating customers with downtime. Its scalability means that it has the capacity to manage major increases in volume at minimal incremental cost, and more generally the platform has been fundamental in enabling us to execute our operational delivery, grow our business and deliver tools and initiatives to support safer gaming. The migration of both the Ladbrokes Coral UK Online businesses and our US JV's Online operations onto GVC technology will bring these extensive and clear benefits to the wider Group.

Brands and Marketing

The Group now operates 24 brands across multiple territories worldwide. Our brands are well established with high levels of customer recognition, and help to consolidate our leading positions in the markets in which we operate. Furthermore, our omnichannel sports brands (Eurobet, Ladbrokes and Coral) drive faster online growth through cost effective customer recruitment in our retail estates. The enlarged Group now has powerful marketing capabilities at its disposal, including best in class predictive analytics, return on investment diagnostics and real time customer relationship management tools. Through 2019 we began the sharing of 'best-of-both' marketing execution between the original GVC and Ladbrokes Coral businesses with strong initial results and we foresee further benefits as the businesses continue to come together.

Product

The Group has continued to deliver a strong pipeline of new products and features. Our gaming offering contains the 'best-of-both' inhouse and third party developed content. This is driving high levels of cross-sell from sports into gaming, while our leading live casino offering is evolving to focus on delivering a more market specific experience. The Group's ability to "develop once and deploy multiple times" will be further enhanced following the migration of the UK online businesses onto the Group's own technology platform.

People

GVC continues to attract and nurture some of the best talent in the industry, and through acquisition we have added to the strength and depth of our teams at all levels of the Group. Meanwhile, the growth and success of the business has enabled us to offer colleagues attractive career progression, new opportunities in different divisions and to work across a variety of brands. As an example, over 150 GVC colleagues are now working within the hugely exciting environment of Roar Digital, a number having relocated to the US.

A key priority for us is to build our culture to support integration success and make GVC a great place to work. With that in mind, in 2019 we held an inaugural global event for all our employees, under the banner 'GVC One'. At the event we launched our new employer brand 'For the Good of Entertainment' encapsulating our corporate purpose; to deliver exciting gaming experiences in a safe and fair environment. Bringing together our colleagues from across the globe, 'GVC One' promoted our responsibility-first culture and how doing the right thing is at the heart of our business. As part of our employer brand, we launched a new careers site, www.gvccareers.com.

Safer Gaming and Environmental, Social and Governance (ESG)

As a global leader in sports-betting and gaming, with over 24,000 employees, the Group is developing a leading role on ESG and safer gambling issues. The Board level Corporate Social Responsibility Committee, chaired by Non-Executive Director Virginia McDowell, has developed a strategic approach comprising the three principal pillars of; Responsible Employer, Responsible Communities and Safer Gambling.

Diversity & Inclusion

Throughout 2019 we set about embedding this approach across the Group's operations. Our Diversity and Inclusion (D&I) strategy, now into the second year of a three year roadmap, places an emphasis on inclusion across the four strands of: recruitment, process and policy, people development and awareness and education. This has already delivered results by, for example, increasing the number of women in senior management roles. In Q2 we launched a multicultural workstream to enable us to measure the ethnicity of our employees, establish priorities and to create an internal multicultural network. Additionally, we entered into a partnership with Stonewall, the LGBT rights group, to help us create an accepting and inclusive workplace for our LGBT colleagues. To promote the wellbeing of our employees we have introduced a new 'Well-me' programme which focuses on both physical and mental health as part of the Group's comprehensive people plan.

Environment

We set a target to reduce our carbon footprint by 15% and have been implementing measures to help us deliver this objective. At the beginning of 2020 we moved the supply of electricity to our UK Retail estate to use 100% renewables. We have also progressed the transition of the retail estate to LED lighting and have introduced improved video conferencing technology to help us reduce the number of flights taken by employees.

Communities and the GVC Global Foundation

Following an internal voting process, the Ladbrokes Coral Trust announced two long-term strategic charitable partnerships as part of our responsible communities initiative. Over the next three years Coral will raise money through its betting shops for Prostate Cancer UK while Ladbrokes has partnered with Children with Cancer UK, to whom we donated the shirt sponsorship rights we held for the 2019-2020 season for Charlton Athletic and Sunderland AFC. We also continue to support SportsAid, backing the next generation of British athletes, while the GVC Community Fund has also begun issuing grants to support UK community projects from the £2 million fund the Group established.

In September 2019, the Group created the GVC Global Foundation (“the Foundation") to better co-ordinate our international ESG initiatives and provide oversight for the distribution of donations to good causes in support of the Group’s broader ESG objectives. The Foundation focuses its activity on four key areas: safer gambling (including research, education and treatment and sports integrity); grass roots and disability sport; men’s health; and projects with a clear link to the local community in our major office locations.

Safer Gambling

Delivering a safe and responsible gambling experience to our customers is fundamental to the long-term sustainability of our business. While the vast majority of consumers enjoy our products safely, we recognise that for some individuals, gambling can become a problem and adversely impact their lives. It is incumbent on us as a responsible operator to do everything we can to minimise the potential for harm.

At the beginning of 2019 we launched ‘Changing for the Bettor’, a comprehensive package of measures designed to minimise gambling related harm while enhancing our collective understanding of problem gambling behaviours. We acknowledged that problem gambling is a complex issue, it requires a multi-faceted approach to address and will require continuous evolution. ‘Changing for the Bettor’ includes seven key commitments, with substantive initiatives attached to each. These include a five year, multimillion-dollar research project with the Division on Addiction, a Harvard Medical School teaching hospital; the roll-out of a youth-focused education syllabus with GamCare and EPIC Risk Management and the introduction of sophisticated online player protection tools.

Successful delivery of this comprehensive plan to improve standards requires investment together with a greater understanding as well as a joined-up approach by the industry. As such the Group announced it would be increasing expenditure on research, education and treatment ten-fold, to 1% of UK GGR. This commitment was subsequently matched by our four largest UK peers, meaning that the five companies will be cumulatively investing £100m into research, education and treatment over the next four years, with annual spend reaching £60m by 2023.

Building on this financial commitment, and the voluntary introduction in August of a pre-watershed whistle-to-whistle ban on broadcast gambling advertising around sport in the UK, throughout the past year the industry has accepted the challenge of the Gambling Commission to collaborate more closely together to improve standards. This, in part, led to the creation of the Betting and Gaming Council (BGC) in November 2019 to act as a single body to represent the online and offline industry. Through the BGC, major operators launched five core Safer Gambling Commitments, supported by a detailed action plan.

These efforts were further advanced in January 2020, when the Gambling Commission announced the establishment of three industry working groups to tackle key challenges as part of a drive to make gambling safer. GVC was charged with leading the working group responsible for developing a code of conduct for VIP and high value customer reward schemes and is also contributing to the working groups addressing safe product design and the use of advertising technology. These groups will report back findings at the end of March 2020.

Following extensive independent reviews of the Group’s ESG policies and practices GVC was pleased to be re-admitted to two of the major ESG indices, the Dow Jones Sustainability Index (DJSI) and FTSE4Good.

Regulation

Gaming is a truly global market and in 2019 the Group held licenses in more than 20 territories, whilst there are live applications in a further five. By the end of 2019, over 96% of the Group’s revenues were from markets that were either regulated or in the process of regulating.

The UK

The UK market has seen significant changes over the past 12 months, with the implementation of the £2 maximum B2 machines stakes coming into force in betting shops on 1st April 2019. At the same time Remote Gaming Duty (RGD) was increased to 21% from 15%. Following the General Election the new Government has committed to reviewing the 2005 Gambling Act, to ensure it is appropriate for the digital age. The regulatory focus on the industry has never been greater and safer gaming is a core driver, something the industry has embraced. GVC has led many of the positive initiatives. According to the NHS Health Survey, problem gambling fell to just 0.4% of the population from 0.7% in the last survey. Whilst a very small percentage of people have gambling issues, we and the industry are committed to reducing this even further. Responsible licensed operators are best placed to ensure the continued reduction in problem gambling and it is important that any legislative developments are properly thought through and don't drive the most vulnerable into the unlicensed environment.

Germany

The German authorities announced in March 2019 that they would launch a new tender for sports-betting licences in January 2020, having dropped the previously existing cap on the number of these licences. GVC has applied for sports-betting licences for four of its brands within the framework of the tender. At the same time, GVC intends to continue offering its online casino products into the German market in reliance on EU law.

In the meantime, the German federal states have continued to negotiate new online gambling regulation that will apply from July 2021 onwards. The regulation will not be finalised until the end of the first quarter of 2020 but the regulatory trend is towards allowing all online gambling products, including online casino. Requirements relating to product offering, licencing arrangements and operational obligations are yet to be finalised. Fair market access is at the heart of European legislation and any new regulation will have to comply with these principles or risk further legal challenges.

Brazil

Following the 2018 parliamentary authorisation to regulate sports betting in the country, the Brazilian government has worked on draft sports betting regulation over the course of 2019. No final draft of the regulation has been issued yet but the government has announced that its intention is to attract foreign operators, such as GVC, to the future regulated market.

Netherlands

The Dutch authorities have announced that the newly regulated online gambling market in the Netherlands will open in July 2021. The Dutch tolerance policy, allowing operators such as GVC to take business from the Dutch market without targeting it directly, will remain in place until then.

US

Opening of the US sports betting market continued at pace in 2019 with 14 states now having launched sports-betting and a further 6 states (and DC) legalised but not yet operating (legalised states now accounting for approximately 36% of the US population) and this is expected to increase further in 2020. Roar has secured access to 19 states to date and is already operating in 7. The focus of US legislators and regulators is on providing access to the newly opened sports betting markets whilst ensuring the markets remain sustainable in the long run; GVC's and Roar's safer gambling efforts have played a key contributing role in this regard.

Europe

Several European countries, such as Belgium, Denmark and Spain, have announced their intention to introduce stricter responsible gambling and/or gambling advertising standards. The Group is in a good position to absorb these changes.

Australia

A Point of Consumption Tax (POCT) was introduced by four states in 2019, ranging from 8% to 15% of gross wagering revenue. In January 2020, Tasmania also introduced a POCT at a rate of 15% of net wagering revenue. Also in 2019, the implementation of four measures under the National Consumer Protection Framework introduced restrictions, in particular to marketing, whilst responsible gaming obligations have also been enhanced. The Framework, which needs to be implemented as law into each state/territory, has further measures to be implemented in 2020 and beyond. The Framework is part of a review of online gaming, which has also led to reforms to grant more powers to tackle black market operators.

Notes

(1) *2019 and 2018 reported results are audited and reflect the acquisition of the Ladbrokes Coral Group plc on 28 March 2018. The pre IFRS 16 2019 reported results are unaudited and reflect the 2019 audited results adjusted to remove the impact of IFRS 16*
(2) *The Group's proforma results for 2019 are unaudited and equal the pre IFRS 16 2019 reported results. The Group's proforma results for 2018 are unaudited and presented as if the current Group, post the acquisition of Ladbrokes Coral Group plc, had existed since 1 Jan 2018. The results of Crystalbet and Neds are included from the dates of acquisition (11 April 2018 and 28 November 2018 respectively)*
(3) *2019 (excluding the impact of IFRS 16) change v proforma 2018*
(4) *Growth on a constant currency basis is calculated by translating both current and prior year performance at the 2019 exchange rates*
(5) *EBITDAR is defined as earnings before interest, tax, depreciation and amortisation, rent and associated costs, share based payments and share of results from Joint Ventures (JV) and associates. EBITDA is defined as EBITDAR after charging rent and associated costs. Both EBITDAR and EBITDA are stated pre separately disclosed items*
(6) *Stated pre separately disclosed items*
(7) *Adjusted for the impact of separately disclosed items, foreign exchange movements on financial indebtedness and losses/gains on derivative financial instruments (see the Separately disclosed items note in the financial statements)*
(8) *After rebasing the prior year for the adverse EBITDA impact of incremental taxes (UK Remote Gaming Duty (RGD), Irish and Italian taxes and Australian Point of Consumption Tax (POCT)) of £56.7m, and adjusting the current year for the estimated £118.0m adverse impact of the Triennial Review on UK Retail*
(9) *UK Retail numbers are quoted on a LFL basis. During 2019 there was an average of 3,341 shops in the estate, compared to an average of 3,524 in 2018*
(10) *Excluding horse racing*

Financial Results and the use of Non-GAAP measures

The reported statutory results for the year ended 31 December 2019 include 12 months of trading for both the legacy GVC and Ladbrokes Coral businesses. The reported statutory results for the year ended 31 December 2018 reflect the acquisition of the Ladbrokes Coral Group which took place at the close of business on 28 March 2018 and therefore includes the results of the Ladbrokes Coral Group from that date only.

As a result, and in order to aid the comparison of year on year results, the Directors have deemed it appropriate to provide and analyse proforma results for the combined Group as if it had existed from 1 Jan 2018. Given the changes in capital structure arising from the acquisition of the Ladbrokes Coral Group, the historical interest, tax and dividend charges are not deemed to be meaningful. As a result, proforma results have only been provided down to operating profit.

Given the nature of the IFRS 3 fair value exercise conducted on the Ladbrokes Coral business on acquisition, the proforma depreciation and amortisation charges for 2018 may not be comparable with those arising post the acquisition of Ladbrokes Coral. Therefore, the Directors believe that the provision of underlying EBITDA within the proforma and segmental information is appropriate, as it aids the comparability of "underlying" profit whilst the impact of IFRS 3 on depreciation and amortisation normalises.

In addition, as the Group has taken transition relief, available under IFRS 16, not to restate comparative financial information, the 2018 Income Statement has not been impacted by the adoption of the new accounting standard. To enable a like for like comparison of year on year results, the Directors have therefore also provided the 2019 results pre the impact of IFRS 16. Due to the nature of our Retail estate and the impact of the triennial review on the timing and extent of our lease renewal program, the Directors are also of the opinion that the provision of EBITDAR will aid the understanding of the Groups results in the medium term.

Contribution, which is also presented, represents gross profit less marketing cost and is a key measure used by the Group in assessing the Online business. Like-for-like (LFL) growth is a measure used in UK Retail to measure performance of the shops that have been open in both 2018 and 2019. Along with EBITDA, both are industry-standard measures.

The tables below reconcile reported results to proforma results for 2018 and pre and post IFRS 16 for 2019.

2019 results	**Reported underlying results[1]**	**IFRS 16 impact[3]**	**Pre IFRS 16 underlying results**
Net gaming revenue	3,655.1	-	3,655.1
Revenue	3,600.5	-	3,600.5
Gross profit	2,378.2	-	2,378.2
Contribution	1,883.2	-	1,883.2
Underlying EBITDAR	782.7	-	782.7
Underlying EBITDA	761.1	(82.8)	678.3
Share based payments	(12.7)	-	(12.7)
Underlying depreciation & amortisation	(219.2)	52.9	(166.3)
Share of JV income	(9.2)	-	(9.2)
Underlying group operating profit	520.0	(29.9)	490.1

2018 results	Reported underlying results[1]	Ladbrokes Coral trading pre acquisition[2]	Proforma results (unaudited)
Net gaming revenue	2,979.5	591.9	3,571.4
Revenue	2,935.2	588.4	3,523.6
Gross profit	2,004.2	400.2	2,404.4
Contribution	1,598.8	341.0	1,939.8
Underlying EBITDAR	723.7	140.6	864.3
Underlying EBITDA	640.8	114.5	755.3
Share based payments	(10.7)	(1.0)	(11.7)
Underlying depreciation & amortisation	(117.7)	(24.0)	(141.7)
Share of JV income	8.4	(0.2)	8.2
Underlying group operating profit	520.8	89.3	610.1

Notes

(1) *Excludes the impact of separately disclosed items*
(2) *Represents the trading results for the Ladbrokes Coral Group plc for the period 1 January 2018 to 28 March 2018 pre separately disclosed items*
(3) *IFRS 16 has also resulted in an additional £16.8m of net interest in 2019*

BUSINESS REVIEW

The Group operates through five segments; Online, UK Retail, European Retail, Other and Corporate.

Group

Year ended 31 December	Reported results[1]				Proforma results[2]			
	2019 £m	**Pre IFRS 16 2019 £m**	2018 £m	Change %	**Pre IFRS 16 2019 £m**	2018 £m	Change %	CC[3] %
NGR	3,655.1	3,655.1	2,979.5	23%	3,655.1	3,571.4	2%	3%
VAT/GST	(54.6)	(54.6)	(44.3)	(23%)	(54.6)	(47.8)	(14%)	(16%)
Revenue	3,600.5	3,600.5	2,935.2	23%	3,600.5	3,523.6	2%	3%
Gross profit	2,378.2	2,378.2	2,004.2	19%	2,378.2	2,404.4	(1%)	
Contribution	1,883.2	1,883.2	1,598.8	18%	1,883.2	1,939.8	(3%)	
Operating costs	(1,100.5)	(1,100.5)	(875.1)	(26%)	(1,100.5)	(1,075.5)	(2%)	
Underlying EBITDAR[4]	782.7	782.7	723.7	8%	782.7	864.3	(9%)	
Rent and associated costs	(21.6)	(104.4)	(82.9)	74%	(104.4)	(109.0)	4%	
Underlying EBITDA[4]	761.1	678.3	640.8	19%	678.3	755.3	(10%)	
Share based payments	(12.7)	(12.7)	(10.7)	(19%)	(12.7)	(11.7)	(9%)	
Underlying depreciation and amortisation	(219.2)	(166.3)	(117.7)	(86%)	(166.3)	(141.7)	(17%)	
Share of JV income	(9.2)	(9.2)	8.4	(210%)	(9.2)	8.2	(212%)	
Underlying operating profit[5]	520.0	490.1	520.8	-	490.1	610.1	(20%)	

Reported Results[1]:

Revenue increased by 23% to £3,655.1m, underlying EBITDAR[4] increased by 8% to £782.7m and underlying EBITDA[4] increased by 19% to £761.1m, reflecting the prior year period only containing nine months of trading for the Ladbrokes Coral business post acquisition on 28 March 2018, the impact of IFRS 16 on rental costs and underlying growth. Underlying operating profit[5] of £520.0m was in line with last year and operating loss post separately disclosed items of £175.9m was £243.2m behind 2018.

Proforma Results[2]:

Revenue increased by 2% driven by the strong performance in Online, European Retail and UK Retail OTC, partially offset by the decline in machines revenue in UK Retail resulting from the implementation of £2 maximum B2 stakes on 1 April 2019. Contribution of £1,883.2m was 3% behind last year, with contribution margin of 51.5% in-line with expectations, but 2.8pp lower than last year due to the change in segmental mix following the £2 B2 stakes restriction in UK Retail, an increase in the proportion of revenue generated from regulated markets in Online and increased gaming taxes in the UK, Australia, Ireland and Italy. Operating costs were 2% higher, primarily driven by the prior year acquisitions of Crystalbet and Neds (1pp) and inflation, partly offset by the delivery of synergies and savings in UK Retail as a result of mitigation of the Triennial restrictions. Resulting underlying EBITDAR[4] was down 9%. Pre IFRS 16 rent and associated costs of £104.4m were £4.6m lower than last year reflecting the impact of shop closures following the Triennial implementation. Pre IFRS 16 underlying EBITDA[4] was 10% behind but approximately £50m ahead of consensus as at the beginning of 2019. After adjusting for the impact of duty increases in the UK, Australia, Ireland and Italy and the estimated impact of the Triennial Review in UK Retail[8], pre IFRS 16 underlying Group EBITDA[4] was 14% ahead.

Share based payment charges were 9% higher than last year, while pre IFRS 16 underlying depreciation and amortisation was 17% higher, primarily due to the impact of the prior year IFRS 3 fair value exercise and amortisation on integration costs. Share of JV loss of £9.2m includes a loss of £12.5m from the US JV, Roar Digital and only nine months of Sportium results following its sale in October 2019. Pre IFRS 16 Group underlying operating profit[5] was 20% behind last year.

Online

Year ended 31 December	Reported results[1]				Proforma results[2]			
	2019 £m	**Pre IFRS 16 2019 £m**	2018 £m	Change %	**Pre IFRS 16 2019 £m**	2018 £m	Change %	CC[3] %
Sports wagers	11,216.7	11,216.7	8,853.0	27%	11,216.7	10,251.4	9%	11%
Sports margin	11.1%	11.1%	10.6%	0.5pp	11.1%	10.5%	0.6pp	0.6pp
Sports NGR	966.5	966.5	731.3	32%	966.5	835.4	16%	17%
Gaming NGR	1,189.1	1,189.1	958.1	24%	1,189.1	1,055.7	13%	13%
B2B NGR	15.1	15.1	23.3	(35%)	15.1	24.0	(37%)	(38%)
Total NGR	2,170.7	2,170.7	1,712.7	27%	2,170.7	1,915.1	13%	14%
VAT/GST	(54.6)	(54.6)	(44.3)	(23%)	(54.6)	(47.8)	(14%)	(16%)
Revenue	2,116.1	2,116.1	1,668.4	27%	2,116.1	1,867.3	13%	14%
Gross profit	1,367.8	1,367.8	1,134.9	21%	1,367.8	1,265.0	8%	
Contribution	887.2	887.2	742.8	19%	887.2	816.4	9%	
Contribution margin	*40.9%*	*40.9%*	*43.4%*	*(2.5pp)*	*40.9%*	*42.6%*	*(1.7pp)*	
Operating costs	(352.2)	(352.2)	(289.3)	(22%)	(352.2)	(319.3)	(10%)	
Underlying EBITDAR[4]	535.0	535.0	453.5	18%	535.0	497.1	8%	
Rent and associated costs	(1.1)	(12.9)	(10.1)	89%	(12.9)	(11.4)	(13%)	
Underlying EBITDA[4]	533.9	522.1	443.4	20%	522.1	485.7	7%	
Share based payments	(5.5)	(5.5)	(2.4)	(129%)	(5.5)	(2.8)	(96%)	
Underlying depreciation and amortisation	(116.0)	(105.2)	(70.7)	(64%)	(105.2)	(82.2)	(28%)	
Share of JV income	0.8	0.8	0.8	-	0.8	0.5	60%	
Underlying operating profit[5]	413.2	412.2	371.1	11%	412.2	401.2	3%	

Reported Results[1]:

On a reported basis, revenue of £2,116.1m was 27% ahead of last year, underlying EBITDAR[4] of £535.0m was 18% ahead and underlying EBITDA[4] of £533.9m was 20% ahead, reflecting continued growth in the Online division, the prior year period only containing nine months of trading of the Ladbrokes Coral Group post acquisition on 28 March 2018, and the impact of IFRS 16. Underlying operating profit[5] of £413.2m was 11% ahead of 2018, and an operating loss post separately disclosed items of £161.5m was £29.1m lower than last year.

Proforma Results[2]:

Our Online segment has continued to deliver double digit growth with total Online NGR 13% (+14% cc) ahead of last year, despite the comparative period containing the FIFA World Cup. Underlying EBITDAR[4] of £535.0m was 8% ahead and pre IFRS 16 underlying EBITDA[4] of £522.1m was 7% ahead. After adjusting for the impact of tax and duty increases in the UK, Australia and Italy[8], pre IFRS 16 underlying EBITDA[4] was 20% ahead. Pre IFRS 16 underlying operating profit[5] of £412.2m was 3% ahead.

Sports NGR was 16% (+17% cc) ahead with sports wagers up 9% (+11% cc) and sports gross win margin 0.6pp ahead at 11.1%. After adjusting for the FIFA World Cup[7], Online NGR was 15% ahead, sports NGR 19% ahead and sports wagers 12% ahead. Gaming NGR was 13% (+13% cc) ahead. The tailwinds to NGR growth provided by the acquisition of Crystalbet in Georgia in April 2018 and Neds in Australia in November 2018 were broadly offset by the prior period containing the FIFA World Cup and the exit from certain territories in 2019.

Growth was strong across all major territories as the Group continues to make market share gains. In the UK, NGR was 11% ahead, supported by the re-invigoration of the Ladbrokes brand. Benefits continued to be delivered from the deployment of enhanced real-time CRM and improved gaming cross-sell techniques already utilised in Coral.co.uk. Enhanced Live Casino features and additional Slots content have also significantly improved customer experience. UK gaming brands NGR growth was +10%. One of the main drivers of the gaming brands growth was Foxy, where NGR was 21% ahead of last year driven by the successful migration of Foxy onto the GVC technology platform at the end of 2018, which enabled bespoke customer promotions, and 'The Foxy Fabulous' TV campaign. These sustained market share gains mean the Group is on track to be the number 1 operator in the UK online betting and gaming market. The Group again demonstrated its ability to effectively navigate regulatory changes with no noticeable impact on revenues from the necessary industry wide enhancements made to age verification during Q2.

Growth remains strong in Germany, where NGR was 15% ahead on a constant currency basis, despite the impact of the removal of Paypal from Casino. bwin's 'This is our game!' and 'Real Football' campaigns aimed at creating a 'passionate and authentic' identity helped cement the bwin brand as a leading online sports-betting and gaming brand in Germany, and it is well placed to adapt to the proposed regulatory changes in 2020.

In Australia, NGR was 43% ahead on a constant currency basis (and 22% cc ahead if the Neds acquisition is adjusted to a proforma basis). The market remains competitive and challenging following the implementation of POCT in the majority of states and a significant tightening in the regulatory framework following the introduction of the National Consumer Protection Framework in May 2019. As a result, market overrounds have increased and above the line marketing spend has reduced, leading to reduced volumes across the market, particularly in racing. However, a disciplined marketing and bonusing strategy, and the benefits of 'best-of-both' sharing between Ladbrokes and Neds, continues to drive profitable growth ahead of the market.

In Italy, combined NGR growth across the three major brands (Eurobet, bwin and Gioco Digitale) was 21% cc, which was stronger than the market, consolidating GVC's position as the number 1 online operator in Italy. Growth benefitted from strong acquisition rates ahead of the advertising restrictions, increased value of the older loyal customer base and bonus spend optimisation. Post the implementation of advertising restrictions, the Italian brands performed well, benefitting from strong operational management and the retail presence of Eurobet keeping the brand top of mind. During the year the GVC gaming platform was integrated into the Eurobet.it online platform providing access to the Group's wide range of leading gaming content.

Meanwhile, Brazil maintained strong growth which was further boosted by the Copa America tournament in June and July.

Partypoker NGR was 8% cc ahead of last year, slowing in the second half due to a tough prior year comparator and the impact of ecology changes that were made during H1 to improve profitability. The rollout of a new partypoker mobile app began during the final quarter and is expected to strengthen acquisition capability in 2020.

In Georgia, the superior gaming product suite, new sports feeds providing over 8,000 additional markets daily, and access to Group marketing capabilities, drove Crystlabet NGR 65% cc ahead in H2, leaving the business in a market leading position in slots.

Online contribution margin was ahead of expectations at 40.9% (0.9pp ahead of guidance) with the marketing rate 0.9pp ahead of guidance, which was helped by early delivery of planned synergies as marketing teams were brought together. Contribution margin was 1.7pp lower than last year as the adverse impact of Australian POCT and product fees, increases in Italian online taxes announced in December 2018 and the increase in UK RGD from 15% to 21% on 1 April 2019, combined with a change in mix to more regulated territories, was only partially offset by a relative reduction in marketing spend as well as the reclassification of certain costs which are now reflected in overheads rather than in cost of sales as they have been brought inhouse.

Operating costs (before rent) were 10% higher than last year (or 8% excluding the reclassification from cost of sales), driven by the acquisitions of Crystalbet and Neds (+3pp) and underlying inflation of 5%. Pre IFRS 16, rent and associated costs were £12.9m, compared with £11.4m in the prior year.

Pre IFRS 16 underlying depreciation and amortisation of £105.2m was 28% higher than last year primarily due to the impact of the prior year IFRS 3 fair value exercise, amortisation on integration capex costs incurred as we bring the businesses together and the acceleration of the amortisation on certain assets rendered redundant following migration to the GVC technology platform.

The disposal of the Group's 50% interest in Sportium to Cirsa S.A. was completed during the final quarter of the year. Sportium Online JV income was £0.8m in 2019.

Outlook:

The online gaming market continues to evolve at a rapid pace, in particular regulation. This is creating opportunities as well as challenges. We continue to target double digit online revenue growth in the medium term, which we expect to deliver through a combination of underlying market growth and continuing to gain share in key territories and M&A activity. We expect to further expand internationally, entering new markets through a combination of organic (licence applications) and non-organic (acquisitions and strategic partnerships) expansion.

UK Retail

Year ended 31 December	Reported results[1] 2019 £m	Pre IFRS 16 2019 £m	2018 £m	Change %	Proforma results[2] Pre IFRS 16 2019 £m	2018 £m	Change %	CC[3] %
OTC wagers	3,182.7	3,182.7	2,372.2	34%	3,182.7	3,084.5	3%	n/a
OTC margin	17.9%	17.9%	17.8%	0.1pp	17.9%	17.9%	-	n/a
Sports NGR/Revenue	565.9	565.9	417.7	35%	565.9	547.3	3%	n/a
Machines NGR/Revenue	561.9	561.9	597.2	(6%)	561.9	780.7	(28%)	n/a
Total NGR/Revenue	1,127.8	1,127.8	1,014.9	11%	1,127.8	1,328.0	(15%)	n/a
Gross profit	817.7	817.7	725.7	13%	817.7	952.2	(14%)	
Contribution	812.6	812.6	723.1	12%	812.6	948.3	(14%)	
Contribution margin	*72.1%*	*72.1%*	*71.2%*	*0.9pp*	*72.1%*	*71.4%*	*0.7pp*	
Operating costs	(585.1)	(585.1)	(463.7)	(26%)	(585.1)	(607.9)	4%	
Underlying EBITDAR[4]	227.5	227.5	259.4	(12%)	227.5	340.4	(33%)	
Rent and associated costs	(19.6)	(81.7)	(66.0)	70%	(81.7)	(88.7)	8%	
Underlying EBITDA[4]	207.9	145.8	193.4	7%	145.8	251.7	(42%)	
Share based payments	(1.0)	(1.0)	(0.1)	(900%)	(1.0)	(0.3)	(233%)	
Underlying depreciation and amortisation	(72.7)	(37.6)	(32.4)	(124%)	(37.6)	(40.2)	6%	
Share of JV income	-	-	-	-	-	-	-	
Underlying operating profit[5]	134.2	107.2	160.9	(17%)	107.2	211.2	(49%)	

Reported Results[1]:

On a reported basis, revenue of £1,127.8m was 11% ahead of last year, underlying EBITDAR[4] of £227.5m was 12% behind and underlying EBITDA[4] of £207.9m was 7% ahead, reflecting the prior year period only containing nine months of trading of the Ladbrokes Coral Group post acquisition on 28 March 2018, the impact of IFRS 16 and the impact of the Triennial Review on machines revenue. Underlying operating profit[5] of £134.2m was 17% behind last year and operating profit after charging separately disclosed items of £135.0m was £24.6m ahead.

Proforma Results[2]:

The cut in maximum B2 stakes to £2 following the UK Government's Triennial Review was implemented on 1 April 2019, resulting in a material change to the division's performance in the remainder of the period. Post the implementation, the performance of the UK Retail business has been stronger than initially anticipated, with our leading sports-betting offering driving higher levels of substitution from displaced B2 spend into OTC and SSBTs. Overall the impact of the Triennial Review is estimated to have reduced UK Retail EBITDA by £118.0m in 2019, and we expect it to remain broadly at that level as further lost revenue from the annualisation of the new measures is offset by cost mitigation and competitor closures. Triennial Review shop closures in the year totalled 245, with a further c200 closing during the first quarter of 2020. Closures will now return to a business as usual level of 2-3%p.a. including during 2020.

Total UK Retail NGR was 15% behind last year and 12% on a LFL[6] basis. Underlying EBITDAR[4] of £227.5m was 33% behind and pre IFRS 16 underlying EBITDA[4] of £145.8m was 42% behind. After adjusting for the estimated impact of the Triennial Review[8], pre IFRS 16 underlying EBITDA[4] was 5% ahead. Pre IFRS 16 underlying operating profit[5] of £107.2m was 49% behind.

OTC wagers were 3% ahead of last year and on a LFL[6] basis were 7% ahead (+12% in Q4). OTC wagers benefitted from part substitution of displaced B2 revenue into sports-betting and earlier than anticipated industry closures, with the FIFA World Cup[7] in the prior period a 1pp headwind to wagering growth. OTC gross win margin of 17.9% was in line with last year, as strong football results offset softer margins in greyhounds and horse racing.

LFL[6] SSBT wagering was 46% ahead of last year. The new deal with BGT will result in 9,000 new cabinets being rolled out across the estate, concluding in 2020 and taking the density per shop up towards 5.

Machines NGR was 28% behind last year and 26% behind on a LFL[6] basis. The excellent implementation of our Triennial Review mitigation plans by UK Retail colleagues and continued investment in our 'Slots first' strategy, meant that the impact of the cut to maximum B2 stakes to £2, implemented on 1 April 2019, was better than initial expectations.

Operating costs (before rent) were 4% lower than last year, as a result of shops closures and cost mitigation actions following the Triennial Review.

Compared to our original Triennial impact guidance, we now estimate a £30m outperformance for UK Retail in 2019, reducing the impact in 2019 to £118.0m.

Pre IFRS 16 rent and associated costs were £81.7m, compared to £88.7m in the prior year, reflecting the smaller estate size and a number of rent reductions achieved as a response to the Triennial Review (2019 average shops: 3,341; 2018: 3,524).

Pre IFRS 16 underlying depreciation and amortisation of £37.6m was 6% lower than last year following shop closures.

At 31 December 2019, there were a total of 3,233 shops in the estate (2018: 3,475). During the period 245 shops were closed as a consequence of the Triennial Review.

Outlook:

Following the cut in maximum B2 stakes to £2, both retained machines revenue and revenues substituted into OTC and SSBTs were higher than initially anticipated, driven by an effective Triennial Response plan featuring high levels of staff interaction with customers and a range of new products and customer offers.

We have also benefitted from earlier than anticipated mitigation from competitor closures and cost savings. We therefore anticipate a further £15m improvement to the guided 2020 Triennial Review impact (£40m total improvement including £25m of upgrades announced at our Capital Markets Day presentation and the Interims in 2019), reducing the guided 2020 impact to c.£125m. Guidance for 2021 is £5m better than previously communicated and 2022 remains unchanged as the timing benefits of mitigation in 2020 unwind.

The UK Retail division is highly cash generative and post Triennial Review impacts will deliver over £100m of free cash-flow per annum. This represents a c.14% Return on Invested Capital[9], even before considering the benefits to Online through brand awareness and customer acquisition. The presence of Ladbrokes and Coral shops in most high streets helps reinforce brand recognition and the Grid and Connect omnichannel offerings are a material competitive advantage, driving online growth through in-shop sign-ups to the Ladbrokes and Coral online offerings, and the subsequent servicing of those customers through the use of a seamless customer wallet. Combined with the investment in machines cabinets, new B3 content, SSBTs and OTC product and our new proprietary EPOS system, the UK Retail business is very well placed to take market share as the industry transitions to a post-Triennial Review environment.

European Retail

Year ended 31 December	Reported results[1] 2019 £m	Pre IFRS 16 2019 £m	2018 £m	Change %	Proforma results[2] Pre IFRS 16 2019 £m	2018 £m	Change %	CC[3] %
OTC wagers	1,659.9	1,659.9	1,216.4	36%	1,659.9	1,571.4	6%	6%
OTC margin	17.4%	17.4%	17.3%	0.1pp	17.4%	17.7%	(0.3pp)	(0.3pp)
Sports NGR/Revenue	218.2	218.2	158.6	38%	218.2	210.2	4%	4%
Other OTC NGR/Revenue	69.3	69.3	51.1	36%	69.3	66.0	5%	6%
Machines NGR/Revenue	2.3	2.3	2.0	15%	2.3	2.6	(12%)	(9%)
Total NGR/Revenue	289.8	289.8	211.7	37%	289.8	278.8	4%	5%
Gross profit	143.6	143.6	109.9	31%	143.6	145.7	(1%)	
Contribution	138.0	138.0	103.4	33%	138.0	138.0	-	
Contribution margin	*47.6%*	*47.6%*	*48.8%*	(1.2pp)	*47.6%*	*49.5%*	(1.9pp)	
Operating costs	(70.8)	(70.8)	(47.7)	(48%)	(70.8)	(63.9)	(11%)	
Underlying EBITDAR[4]	67.2	67.2	55.7	21%	67.2	74.1	(9%)	
Rent and associated costs	(0.8)	(9.4)	(6.6)	88%	(9.4)	(8.7)	(8%)	
Underlying EBITDA[4]	66.4	57.8	49.1	35%	57.8	65.4	(12%)	
Share based payments	(0.3)	(0.3)	(0.1)	(200%)	(0.3)	(0.1)	(200%)	
Underlying depreciation and amortisation	(29.0)	(22.3)	(14.0)	(107%)	(22.3)	(18.3)	(22%)	
Share of JV income	1.0	1.0	2.7	(63%)	1.0	2.6	(62%)	
Underlying operating profit[5]	38.1	36.2	37.7	1%	36.2	49.6	(27%)	

Reported Results[1]:

On a reported basis, revenue of £289.8m was 37% ahead of last year, underlying EBITDAR[4] of £67.2m was 21% ahead and underlying EBITDA[4] of £66.4m was 35% ahead, reflecting the prior year period only containing nine months of trading of the Ladbrokes Coral Group post acquisition on 28 March 2018 and the impact of IFRS 16. Underlying operating profit[5] of £38.1m was 1% ahead of 2018, and operating profit after charging separately disclosed items was £16.0m, £14.7m lower than 2018.

Proforma Results[2]:

European Retail NGR of £289.8m was 4% ahead of last year (+5% cc), delivering growth in every year since the Ladbrokes and Coral merger. However, underlying EBITDAR[4] of £67.2m was 9% behind, primarily as a result of one-off costs in the current year and the impact of incremental tax in Italy and the Republic of Ireland. Pre IFRS 16 underlying EBITDA[4] of £57.8m was 12% behind and pre IFRS 16 underlying operating profit[5] of £36.2m was 27% behind.

Sports NGR was 4% ahead with OTC wagers 6% ahead as a result of strong growth in football wagers in Eurobet Italy (+9% cc) and Ladbrokes Belgium (+19% cc) despite the FIFA World Cup comparative. OTC sports gross win margin of 17.4% was 0.3pp down primarily driven by football gross win margins in Belgium, which were 2.8pp behind last year. Sports NGR was 7% ahead after adjusting for the FIFA World Cup[7]. Other OTC growth of 5% was primarily due to growth in Virtual in Eurobet Italy (+17% cc) driven by the roll-out of a range of new products, partially offset by a 6% decline in Belgium due to disruption to the Virtual product offering in H2.

Eurobet Retail, which represents over half of the segment, grew NGR at 9%, +5pp ahead of the Italian Retail market (excluding VLT/AWP machines).

Contribution margin of 47.6% decreased 1.9pp, as a result of incremental taxes in Italy and the Republic of Ireland more than offsetting marketing savings following the advertising restrictions coming into force in Italy.

Operating costs (pre rent) were 11% higher due to the full year effect of the 26 shops acquired in Belgium during 2018, one off costs associated with the disruption to our Virtual product in Belgium and additional costs in Italy as we integrate the management of our Italian brands.

Pre IFRS 16 rent and associated costs were £9.4m in the year, compared to £8.7m in the prior year.

Pre IFRS 16 underlying depreciation and amortisation of £22.3m was £4.0m higher than last year largely due to investment in Italy.

As at 31 December 2019 there were a total of 1,730 outlets/shops: Italy 883 (2018: 851), Belgium shops 311, outlets 397 (2018: shops 321, outlets 364) and Ireland 139 (2018: 141).

The disposal of the Group's 50% interest in Sportium to Cirsa S.A. was completed during the final quarter of the period. Sportium Retail JV income was £1.0m in 2019.

Outlook:

Our Italian business has gone from strength to strength and the benefits of the omnichannel approach are expected to drive further growth in what is Europe's largest gaming market. In Belgium, we are migrating Ladbrokes.be to an inhouse platform and introducing significant new content, whilst in retail we see further opportunities to expand the network. Opportunities to leverage the Group's omnichannel experience are also being evaluated in new territories.

Other

	Reported results[1]				**Proforma results[2]**			
Year ended 31 December	**2019 £m**	**Pre IFRS 16 2019 £m**	2018 £m	Change %	**Pre IFRS 16 2019 £m**	2018 £m	Change %	CC[3] %
NGR/Revenue	70.4	70.4	43.8	61%	70.4	53.1	33%	32%
Gross profit	49.1	49.1	33.7	46%	49.1	41.5	18%	
Contribution	45.4	45.4	29.5	54%	45.4	37.1	22%	
Operating costs	(46.0)	(46.0)	(27.2)	(69%)	(46.0)	(34.0)	(35%)	
Underlying EBITDAR[4]	(0.6)	(0.6)	2.3	(126%)	(0.6)	3.1	(119%)	
Rent and associated costs	(0.1)	(0.4)	-	-	(0.4)	-	-	
Underlying EBITDA[4]	(0.7)	(1.0)	2.3	(130%)	(1.0)	3.1	(132%)	
Share based payments	(0.1)	(0.1)	-	-	(0.1)	-	-	
Underlying depreciation and amortisation	(1.1)	(0.8)	(0.4)	(175%)	(0.8)	(0.6)	(33%)	
Share of JV income	1.5	1.5	4.9	(69%)	1.5	5.1	(71%)	
Underlying operating profit[5]	(0.4)	(0.4)	6.8	(106%)	(0.4)	7.6	(105%)	

Reported Results[1]:

On a reported basis, NGR of £70.4m was 61% up on the prior period reflecting the prior period only containing nine months trading of Ladbrokes Coral post acquisition and only a few months of trading from Sigma and Argon, two small financials businesses acquired in 2018 to complement the existing Intertrader business. Underlying EBITDAR[4] loss was £0.6m, down from £2.3m of profit last year, and underlying EBITDA[4] loss was £0.7m (2018: £2.3m profit). Underlying operating loss[5] of £0.4m was £7.2m behind 2018 and operating loss after charging separately disclosed items of £3.0m was £9.8m behind.

Proforma Results[2]:

The prior year acquisitions of Sigma and Argon, helped drive a 33% increase in NGR to £70.4m, and a 35% increase in operating costs to £46.0m. Underlying EBITDAR[4] loss of £0.6m was £3.7m behind last year, and is largely a result of a number of additional costs associated with changes in regulation in our financial businesses. Underlying EBITDA[4] loss of £1.0m was £4.1m behind. The operating loss was £8.0m behind last year, largely due to the aforementioned reduction in EBITDA and a one-off profit in our JV during 2018.

Corporate

Year ended 31 December	Reported results[1]				Proforma results[2]			
	2019 £m	**Pre IFRS 16 2019 £m**	2018 £m	Change %	**Pre IFRS 16 2019 £m**	2018 £m	Change %	CC[3] %
Underlying EBITDAR[4]	(46.4)	(46.4)	(47.2)	2%	(46.4)	(50.4)	8%	
Rent and associated costs	-	-	(0.2)	100%	-	(0.2)	100%	
Underlying EBITDA[4]	(46.4)	(46.4)	(47.4)	2%	(46.4)	(50.6)	8%	
Share based payments	(5.8)	(5.8)	(8.1)	28%	(5.8)	(8.5)	32%	
Underlying depreciation and amortisation	(0.4)	(0.4)	(0.2)	(100%)	(0.4)	(0.4)	-	
Share of JV income	(12.5)	(12.5)	-	-	(12.5)	-	-	
Underlying operating profit[5]	(65.1)	(65.1)	(55.7)	(17%)	(65.1)	(59.5)	(9%)	

Reported Results[1]:

On a reported basis, Corporate costs[4] of £46.4m were 2% lower than last year, and after share based payments, depreciation and amortisation and share of JV losses, were £65.1m, an increase of 17%, reflecting the prior year period only containing costs for nine months of Ladbrokes Coral results post acquisition and the £12.5m loss in the new US JV, Roar Digital in 2019. After charging separately disclosed items, the operating loss of £162.4m was £214.2m behind 2018.

Proforma Results[2]:

Corporate costs[4] of £46.4m were 8% lower than last year as a result of the delivery of cost synergies arising from the acquisition of the Ladbrokes Coral Group. During the year the Group also recorded a £12.5m loss on its share of the results of the US JV (2018: £nil).

Notes

(1) 2019 and 2018 reported results are audited and reflect the acquisition of the Ladbrokes Coral Group plc on 28 March 2018. The pre IFRS 16 2019 reported results are unaudited and reflect the 2019 audited results adjusted to remove the impact of IFRS 16

(2) The Group's proforma results for 2019 are unaudited and equal the pre IFRS 16 2019 reported results. The Group's proforma results for 2018 are unaudited and presented as if the current Group, post the acquisition of Ladbrokes Coral Group plc, had existed since 1 Jan 2018. The results of Crystalbet and Neds are included from the dates of acquisition (11 April 2018 and 28 November 2018 respectively)

(3) Growth on a constant currency basis is calculated by translating both current and prior year performance at the 2019 exchange rates

(4) Stated pre separately disclosed items and share based payments

(5) Stated pre separately disclosed items

(6) UK Retail numbers are quoted on a LFL basis. During 2019 there was an average of 3,341 shops in the estate, compared to an average of 3,524 in 2018

(7) FIFA World Cup post substitution

(8) After rebasing the prior year for the adverse EBITDA impact of incremental taxes (UK RGD, Irish and Italian taxes and Australian POCT) of £56.7m, and adjusting the current year for the estimated £118.0m adverse impact of the Triennial Review on UK Retail

(9) Cash return defined as unlevered Cashflow attributable to the UK Retail business as a percentage of the implied valuation at the time of the Ladbrokes Coral Group acquisition after adjusting for the impact of the Triennial Review

CHIEF FINANCIAL OFFICER'S REVIEW

Year ended 31 December	Reported results[1]			Proforma results[2]			
	2019 £m	2018 £m	Change %	**Pre IFRS 16 2019 £m**	2018 £m	Change %	CC[3] %
NGR	3,655.1	2,979.5	23%	3,655.1	3,571.4	2%	3%
Revenue	3,600.5	2,935.2	23%	3,600.5	3,523.6	2%	3%
Gross profit	2,378.2	2,004.2	19%	2,378.2	2,404.4	(1%)	
Contribution	1,883.2	1,598.8	18%	1,883.2	1,939.8	(3%)	
Underlying EBITDAR[4]	782.7	723.7	8%	782.7	864.3	(9%)	
Underlying EBITDA[4]	761.1	640.8	19%	678.3	755.3	(10%)	
Share based payments	(12.7)	(10.7)	(19%)	(12.7)	(11.7)	(9%)	
Underlying depreciation and amortisation	(219.2)	(117.7)	(86%)	(166.3)	(141.7)	(17%)	
Share of JV income	(9.2)	8.4	(210%)	(9.2)	8.2	(212%)	
Underlying operating profit[5]	520.0	520.8	-	490.1	610.1	(20%)	
Net finance income/(costs)	15.8	(86.2)	118%				
Profit before tax pre separately disclosed items	535.8	434.6	23%				
Separately disclosed items:							
Amortisation of acquired intangibles	(376.2)	(322.5)	(17%)				
Impairment	(245.0)	(41.3)	(493%)				
Other	(88.8)	(89.7)	1%				
Loss before tax	(174.2)	(18.9)	(822%)				
Tax	33.5	(37.5)	189%				
Loss after tax	(140.7)	(56.4)	(149%)				

NGR and revenue

Reported NGR and revenue were 23% ahead of 2018 as a result of a full twelve months of trading of Ladbrokes Coral in 2019 (only nine months post acquisition in 2018) and underlying growth in all areas of the business except UK Retail machines where revenues have declined following the implementation of the £2 limit on B2 machines stakes. On a proforma basis, Group NGR and revenue were 2% ahead (+3% cc) with growth in Online of 13% (+14% cc), European Retail of 4% (+5% cc) and UK Retail OTC of 7% LFL partially offset by the aforementioned machines revenue decline of -26% LFL. Further details are provided in the Business Review section.

Underlying operating profit[5]

Group reported underlying operating profit[5] of £520.0m (2018: £520.8m) was marginally behind 2018 with growth in Online and European Retail offset by declines elsewhere. Online operating profit increased 11% year on year with the inclusion of twelve months of Ladbrokes Coral trading and underlying revenue growth more than offsetting the regulatory headwinds previously discussed. European Retail operating profit increased by 1% versus 2018, however, this was driven by the benefit of including twelve months of trading for the acquired Ladbrokes Coral businesses with proforma underlying operating profit 27% behind as discussed in the business review. Operating profit in UK Retail was 17% behind 2018 due to the impact of the £2 limit on B2 machines stakes partially offset by the impact of IFRS 16 and the prior year only including nine months of trading. On a proforma basis, UK Retail operating profit was 49% behind 2018. Other and Corporate operating profit combined to be £16.6m behind 2018, principally driven by the impact of including twelve months of Ladbrokes Coral, additional costs in our financial businesses, the prior year containing a one-off profit in one of our JV's and the £12.5m loss in the US JV in 2019. See the Business Review for more details.

On a proforma basis, depreciation and amortisation was £24.6m higher than 2018 as a result of the impact of the IFRS 3 fair value exercise and integration investment in 2018. The current year charge also includes £6.9m of accelerated amortisation on assets which will no longer be used post the GVC platform migration, this will not repeat in 2020.

Financing costs

Net finance income of £15.8m (2018: £86.2m charge) was £102.0m favourable to 2018. Excluding foreign exchange gains of £101.9m (2018: £23.4m loss), net finance costs of £86.1m were £23.3m higher than the prior year. The year on year increase was driven by the Group incurring twelve months of interest charges on the debt raised to acquire Ladbrokes Coral versus only nine months in the prior year and the impact of IFRS 16, partially offset by savings resulting from the refinancing during H2.

Separately disclosed items

	2019 £m	2018 £m
Amortisation of acquired intangibles	(376.2)	(322.5)
Impairment loss	(245.0)	(41.3)
Integration costs	(44.9)	(14.5)
Triennial restructuring costs	(8.7)	(2.3)
Corporate transaction costs	(3.1)	(64.4)
Tax litigation/one-off legislation	11.6	(186.8)
Legal and onerous contract provisions	(3.4)	(9.2)
Movement in fair value of contingent consideration	(44.4)	192.5
Issue cost write-off	(14.1)	-
Profit on disposal of joint ventures and property, plant and equipment	19.0	-
Other one-off items	(0.8)	(5.0)
	(710.0)	**(453.5)**

Separately disclosed items before tax for the period amount to a £710.0m charge (2018: £453.5m) and includes £376.2m for the amortisation of acquired intangibles (2018: £322.5m), £44.9m of costs associated with the integration of the GVC and Ladbrokes Coral businesses (2018: £14.5m), £8.7m of costs associated with restructuring in UK Retail following the £2 B2 machines stakes restriction (2018: £2.3m), corporate transaction costs of £3.1m (2018: £64.4m including the Ladbrokes Coral acquisition), £3.4m of costs on onerous contracts including property closure costs following the triennial stakes restriction (2018: £9.2m) and £44.4m for the movement in the fair value of contingent consideration driven by the very strong performance in Crystalbet during the year (2018: £192.5m gain including the release from the potential CVR liability).

The Group has also separately disclosed income associated with the sale of assets and investments of £19.0m, most notably the sale of the Sportium JV (2018: £nil), and a net £11.6m release from provisions for tax litigation with £21.2m released from the Group's Greek tax provision offset by incremental taxes in Austria and a new UK income tax charge, effective from April 2019, from which we expect to be exempt after April 2020 once the new UK/Gibraltar double taxation agreement enters into force. The release from the Group's Greek tax provision of £21.2m follows the successful settlement of the liabilities for 2012 to 2014 and the Director's best estimate of the likely liability for the remaining years.

In addition to the items mentioned above, the Group also recorded a non-cash impairment charge of £245.0m against the Online division, £243.9m in goodwill and £1.1m in PP&E (2018: £41.3m primarily in UK Retail PP&E). The charge has arisen in the Group's Australian online CGU and follows the impact of unforeseen POCT in certain states/regions (e.g. New Zealand, and Tazmania), unexpected increases in product fees and lower pass through to customers in mitigation of POCT than originally anticipated at the time of the Ladbrokes Coral and Neds acquisitions. Whilst the Australian business continues to outperform its market with 2019 revenue growth of 22% cc (on a proforma basis), the cost headwinds have reduced the value in use of the business resulting in the impairment charge. Following the impact of these headwinds which were felt throughout 2019, the Australian business is now anticipating a more stable 2020 and current performance is in line with internal expectations.

Whilst the impairment charge has reduced the value at which the legacy Ladbrokes Coral businesses are carried, the Directors note that the headroom on the IAS 36 impairment reviews of the other legacy Ladbrokes Coral CGU's has increased significantly, with the aggregate value in use, including Australia, greater than it was in 2018.

Profit before tax

Profit before tax and before separately disclosed items of £535.8m (2018: £434.6m) was £101.2m ahead of 2018, with the incremental three months of Ladbrokes Coral trading, underlying growth and favourable FX movements, more than offsetting the £2 limit on B2 machines stakes headwinds and additional interest. After charging separately disclosed items, the Group recorded a pre-tax loss of £174.2m (2018: £18.9m).

Taxation

The tax credit for the year ended 31 December 2019 of £33.5m (2018: charge of £37.5m) reflects a £46.4m charge on underlying trading (2018: £56.8m) and a £79.9m credit on separately disclosed items (2018: £19.3m credit). The underlying tax charge reflects a 9% (2018: 13%) effective tax rate.

Dividends

A second interim dividend of 17.6p per share has been declared, an increase of 10% on the prior year in line with the Group's current dividend policy of double digit dividend growth.

Cashflow

Year ended 31 December	2019 £m	2018 £m
Underlying EBITDA[4]	761.1	640.8
Underlying working capital	(13.9)	(24.8)
Capital expenditure	(164.1)	(194.7)
Investment in US	(3.8)	(20.5)
Net payments against finance lease (inc IFRS 16 leases)	(77.7)	(1.1)
Interest paid including interest on finance leases	(68.9)	(55.5)
Corporate taxes	(37.5)	(43.5)
Free Cashflow	**395.2**	**300.7**
Greek tax	(118.0)	(108.8)
Playtech payment	(30.0)	-
Integration costs	(45.1)	(17.0)
Other separately disclosed items	(26.1)	(92.9)
Acquisitions (net of cash acquired)	-	(522.6)
Contingent consideration	(17.5)	-
Disposal proceeds	74.7	1.0
Net movement on debt and associated instruments	(53.6)	701.1
Equity issue	1.5	26.2
Dividends received from associates	1.2	9.4
Dividends paid	(203.6)	(142.7)
Net Cashflow	**(21.3)**	**154.4**
Foreign exchange	(10.5)	(2.5)
Net cash generated	**(31.8)**	**151.9**
Cash and cash equivalents at beginning of period	421.9	270.0
Cash and cash equivalents at the end of period	**390.1**	**421.9**

During the year, the Group had a net cash outflow of £21.3m (2018: £154.4m inflow). Free cashflow for the period was £395.2m (2018: £300.7m) with underlying EBITDA (post IFRS 16) of £761.1m (2018: £640.8m) offset by capital expenditure of £164.1m, including £2.4m of payments in relation to the 2020 annual Italian licenses whilst we await the tender process (2018: £194.7m), investment in the US of £3.8m (2018: £20.5m), net finance lease payments (including IFRS 16) of £77.7m, £68.9m of interest (2018: £55.5m) including £16.8m on finance leases and £37.5m in corporate taxes (2018: £43.5m). Following the introduction of the £2 limit on B2 machines stakes there was also a net working capital outflow of £13.9m (2018: £24.8m) due to the reduction in the machines duty creditor.

During 2019, the Group paid an additional £74.7m of payments on account in relation to the 2010/11 Greek Tax Assessment (2018: £87.5m), in-line with expectations and £43.3m in settlements and fees against 2012-2017 (2018: £21.3m) Greek tax provision. As anticipated, a £30.0m (2018: £nil) payment was made in respect of the legacy Ladbrokes Coral marketing services agreement with Playtech. The Group also paid £45.1m (2018: £17.0m) in integration costs and £26.1m (2018: £92.9m including Ladbokes Coral acquisition costs) in relation to other separately disclosed items.

The Group also paid £17.5m in respect of contingent consideration on historic acquisitions (2018: £nil), made net repayments on debt of £53.6m and paid £203.6m in dividends during the year including £8.1m to minority interests.

£1.5m was raised on equity issuances (2018: £26.2m). During the prior year the Group raised net proceeds on the issuance of debt of £701.1m and reinvested £522.6m in acquisitions.

Net debt and liquidity

As at 31 December 2019, net debt post IFRS 16 was £2,169.8m, representing a net debt to proforma underlying EBITDA ratio of 2.9x. Pre IFRS 16, net debt was £1,822.7m, representing a net debt to proforma underlying EBITDA ratio of 2.7x.

	Par value £m	Issue costs/ Premium £m	Total £m
Bonds	(500.0)	(24.9)	(524.9)
Term loans	(1,579.7)	14.1	(1,565.6)
Interest accrual	(25.5)	-	(25.5)
	(2,105.2)	**(10.8)**	**(2,116.0)**
Cash			390.1
Accounting net debt			**(1,725.9)**
Cash held on behalf of customers			(335.4)
Fair value of swaps held against debt instruments			47.4
Short term investments/Deposits held			129.1
Balances held with payment service providers			78.5
Finance leases excluding those arising on IFRS 16			(16.4)
			(1,822.7)
Finance leases including those recognised as a result of IFRS 16			(347.1)
Adjusted net debt			**(2,169.8)**

Interim Dividend timetable

5 March 2020	Dividend declared
12 March 2020	Ex-dividend date
13 March 2020	Record date
23 April 2020	Payment

Going Concern

Having assessed the financial forecasts of the business, the principal risks and other matters discussed in connection with the long-term viability statement, the Directors consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements as the Company will generate sufficient cash to meet its ongoing obligations for at least 12 months from the date of signing the financial statements.

Notes

(1) 2019 and 2018 reported results are audited and reflect the acquisition of the Ladbrokes Coral Group plc on 28 March 2018. The pre IFRS 16 2019 reported results are unaudited and reflect the 2019 audited results adjusted to remove the impact of IFRS 16. The new financial reporting standard for leases, IFRS 16, applies to financial periods commencing on or after 1 January 2019 and therefore the 2019 reported results. For leases previously classified as operating leases, a right of use asset and lease liability will be recognised going forward. The Group has adopted the modified retrospective approach, meaning that comparative periods are not restated. The Group has elected to use the following practical expedients proposed by the standard:

- *The right of use asset for all leases is recognised at an amount equal to the liability plus prepaid lease payments immediately before the date of initial application*
- *The application of a single discount rate to a portfolio of leases with reasonably similar characteristics. The key differential considered in determining the discount rate will be the length of the lease*
- *The use of hindsight when determining the lease term, if the lease contains an option to extend or terminate the lease; and*
- *On initial application, initial direct costs are excluded from the measurement of the right of use asset*

(2) The Group's proforma results for 2019 are unaudited and equal the pre IFRS 16 2019 reported results. The Group's proforma results for 2018 are unaudited and presented as if the current Group, post the acquisition of Ladbrokes Coral Group plc, had existed since 1 Jan 2018. The results of Crystalbet and Neds are included from the dates of acquisition (11 April 2018 and 28 November 2018 respectively)

(3) Growth on a constant currency basis is calculated by translating both current and prior year performance at the 2019 exchange rates

(4) Stated pre separately disclosed items and shared based payments

(5) Stated pre separately disclosed items

Principal risks

Key risks are reviewed by the risk committee, executive directors, other senior executives and the Board of GVC Holdings PLC on a regular basis and, where appropriate, actions are taken to mitigate the key risks that are identified. The Board has overall responsibility for risk management as an integral part of strategic planning and each principal risk has an executive owner.

The principal risks and uncertainties which could impact the Group are detailed in the Group's Annual Report and Accounts 2019 and are as follows:

Data breach and cyber security

The Group processes sensitive personal customer data as part of its business and therefore must comply with strict data protection and privacy laws in all jurisdictions in which it operates. The Group is exposed to the risk that data confidentiality could be compromised, data could be wrongfully obtained or that its services could be interrupted through either a cyber-attack or a breach in data security. This could result in prosecutions including financial penalties and the loss of the goodwill of its customers.

Laws, regulations, licensing and regulatory compliance

Regulatory, legislative and fiscal regimes for betting and gaming in key markets around the world are complex and can change, sometimes at short notice. Such changes could benefit or have an adverse effect on the Group and additional costs might be incurred in order to comply with any new laws or regulations in multiple jurisdictions.

Technology failure

The Group's operations are highly dependent on technology and advanced information systems including third party supplied technology and there is a risk that such technology or systems could fail. In particular, any damage to, or failure of, online systems and servers, electronic point of sale systems and electronic display systems could result in interruptions to financial control and customer service systems.

Taxes

The Group is subject to a range of taxes, duties and levies in many of the countries where it has operations or in which its customers are located, and revenues earned from customers located in a particular jurisdiction may give rise to further taxes in that jurisdiction. If additional taxes are levied, this may have a material adverse effect on the amount of tax payable by the Group.

Further taxes may include corporate income tax, value added tax (VAT) or other indirect taxes. Group companies may be subject to VAT or similar taxes on transactions, which have previously been treated as exempt.

The multi-location nature of the Group may lead to higher corporate income tax from transfer pricing adjustments.

Increased cost of product

The Group is subject to arrangements intended to support industries in which it operates including the horse racing and the voluntary greyhound racing levies, which respectively support the British horse racing and greyhound racing industries. In addition, the Group enters into contracts for the distribution of television pictures, audio and other data that are broadcast across the various routes to market. A number of these are under negotiation at any one time and the combined cost of these services is material and collectively may have a significant impact on profitability.

Health, safety and wellbeing of customers and staff

Failure to maintain standards and meet the requirements of the various domestic and international rules and regulations could expose the company (and individual employees and directors) to material civil/criminal action with the associated financial and reputational consequences.

Trading, liability management and pricing

The Group may experience significant losses as a result of a failure to accurately determine the odds in relation to any particular event and/or any failure of its sports risk management processes.

Loss of key locations

The Group operates out of a large number of geographical locations, with key sites which are critical to the day to day operations of the Group, including our offices in Central London, Gibraltar, Vienna, Hyderabad, Australia, Italy, and Manila. Disruption in any of these locations could have an impact on operations.

Synergy delivery/failure to integrate

Challenges or difficulties to realising synergies/operational integration from the Ladbrokes Coral acquisition could potentially result in interruption to business operations, loss of customers and staff and adversely influence relationships with key suppliers. The failure to achieve the cost synergies could have a material impact on the financial performance of the Group.

Recruitment and retention of key employees

The people who work within GVC are pivotal to the success of the company and it is the Group’s aim to be an employer of choice for talented and passionate people to meet our objectives and respond to changing market needs. Failure to attract or retain key individuals may impact our ability to deliver on our strategic goals.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December	Notes	2019 Underlying items £m	2019 Separately disclosed Items (note 6) £m	2019 Total £m	2018 Underlying items £m	2018 Separately disclosed Items (note 6) £m	2018 Total £m
Net Gaming Revenue		3,655.1	-	3,655.1	2,979.5	-	2,979.5
VAT/GST		(54.6)	-	(54.6)	(44.3)	-	(44.3)
Revenue		3,600.5	-	3,600.5	2,935.2	-	2,935.2
Cost of sales		(1,222.3)	-	(1,222.3)	(931.0)	-	(931.0)
Gross profit		2,378.2	-	2,378.2	2,004.2	-	2,004.2
Administrative costs		(1,849.0)	(695.9)	(2,544.9)	(1,491.8)	(453.5)	(1,945.3)
Contribution		1,883.2	-	1,883.2	1,598.8	-	1,598.8
Administrative costs excluding marketing		(1,354.0)	(695.9)	(2,049.9)	(1,086.4)	(453.5)	(1,539.9)
Group operating profit/(loss) before share of results from joint ventures and associates		529.2	(695.9)	(166.7)	512.4	(453.5)	58.9
Share of results from joint ventures and associates		(9.2)	-	(9.2)	8.4	-	8.4
Group operating profit/(loss)		520.0	(695.9)	(175.9)	520.8	(453.5)	67.3
Finance expense		(88.5)	(14.1)	(102.6)	(63.9)	-	(63.9)
Finance income		2.4	-	2.4	1.1	-	1.1
Gain arising from change in fair value of financial instruments		17.6	-	17.6	58.3	-	58.3
Gains/(losses) arising from foreign exchange on debt instruments		84.3	-	84.3	(81.7)	-	(81.7)
Profit/(loss) before tax		535.8	(710.0)	(174.2)	434.6	(453.5)	(18.9)
Income tax (expense)/income		(46.4)	79.9	33.5	(56.8)	19.3	(37.5)
Profit/(loss) for the year		489.4	(630.1)	(140.7)	377.8	(434.2)	(56.4)
Attributable to:							
Equity holders of the parent		476.4	(630.1)	(153.7)	371.7	(434.2)	(62.5)
Non-controlling interests		13.0	-	13.0	6.1	-	6.1
		489.4	(630.1)	(140.7)	377.8	(434.2)	(56.4)
Earnings per share on profit/(loss) for the year							
From profit/(loss) for the year[1]	10	65.1p		(26.4)p	76.9p		(12.2)p
Diluted earnings per share on profit/(loss) for the year							
From profit/(loss) for the year[1]	10	64.2p		(26.4)p	76.3p		(12.2)p
Proposed dividends	9			17.6p			16.0p

Memo

EBITDAR[2]	782.7	(74.7)	708.0	723.7	(89.7)	634.0
Rent and associated costs[3]	(21.6)	-	(21.6)	(82.9)	-	(82.9)
EBITDA	761.1	(74.7)	686.4	640.8	(89.7)	551.1
Share based payments	(12.7)	-	(12.7)	(10.7)	-	(10.7)
Depreciation, amortisation and impairment	(219.2)	(621.2)	(840.4)	(117.7)	(363.8)	(481.5)
Share of results from joint ventures and associates	(9.2)	-	(9.2)	8.4	-	8.4
Group operating profit/(loss)	520.0	(695.9)	(175.9)	520.8	(453.5)	67.3

1. The calculation of underlying earnings per share has been adjusted for separately disclosed items and for the removal of foreign exchange volatility arising on financial instruments as it provides a better understanding of the underlying performance of the Group. See note 10 for further details
2. Included within the Income Statement and Memo above are certain non-statutory measures. The use of these items and the reconciliation to their statutory equivalents is provided above within the financial results and the use of non-GAAP measures section
3. Rent and associated costs being rental costs, including any associated VAT, on items not captured by IFRS 16. These are predominantly driven by low value items, and held over leases where there is no future rental commitment

All amounts stated above relate to continuing activities.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December	2019 £m	2018 £m
Loss for the year	(140.7)	(56.4)
Other comprehensive expense:		
Items that may be reclassified to profit or loss:		
Currency differences on translation of foreign operations	(158.6)	44.7
Total items that may be reclassified to profit or loss	(158.6)	44.7
Items that will not be reclassified to profit or loss:		
Re-measurement of defined benefit pension scheme[1]	(104.6)	(10.9)
Tax on re-measurement of defined benefit pension scheme[1]	36.6	3.8
Share of associate other comprehensive income	1.0	0.2
Total items that will not be reclassified to profit or loss	(67.0)	(6.9)
Other comprehensive (expense)/income for the year, net of tax	(225.6)	37.8
Total comprehensive expense for the year	(366.3)	(18.6)
Attributable to:		
Equity holders of the parent:	(379.3)	(24.7)
Non-controlling interests	13.0	6.1

1. Included within the re-measurement of defined benefit schemes is a charge of £81.3m relating to the buy-in of the Ladbrokes Pension Plan.

CONSOLIDATED BALANCE SHEET

At 31 December	Notes	2019 £m	Restated 2018 ~~(note 31)~~ £m
Assets			
Non-current assets			
Goodwill	11	2,966.4	3,328.1
Intangible assets	11	2,398.0	2,800.9
Property, plant and equipment	13	467.9	195.6
Interest in joint venture		6.0	46.1
Interest in associates and other investments		29.9	26.0
Trade and other receivables		3.3	-
Other financial assets		2.1	1.5
Deferred tax assets	8	124.4	76.6
Retirement benefit asset		66.6	168.2
		6,064.6	**6,643.0**
Current assets			
Trade and other receivables		477.6	402.7
Income and other taxes recoverable		9.1	30.3
Derivative financial instruments		47.4	43.3
Other financial assets		-	3.4
Short term investments		-	2.6
Cash and cash equivalents		390.1	421.9
		924.2	**904.2**
Total assets		**6,988.8**	**7,547.2**
Liabilities			
Current liabilities			
Trade and other payables		(678.7)	(639.1)
Balances with customers	15	(335.4)	(312.5)
Lease liabilities		(75.5)	-
Interest bearing loans and borrowings		(31.5)	(14.3)
Corporate tax liabilities		(35.1)	(42.5)
Provisions	14	(73.0)	(160.5)
Other financial liabilities		(30.7)	(16.3)
		(1,259.9)	**(1,185.2)**
Non-current liabilities			
Interest bearing loans and borrowings		(2,084.5)	(2,221.1)
Lease liabilities		(288.0)	-
Deferred tax liabilities	8	(358.2)	(452.8)
Provisions	14	(16.5)	(56.6)
Other financial liabilities		(125.8)	(143.5)
		(2,873.0)	**(2,874.0)**
Total liabilities		**(4,132.9)**	**(4,059.2)**
Net assets		**2,855.9**	**3,488.0**
Equity			
Issued share capital		4.8	4.8
Share Premium		1,198.0	1,196.5
Merger Reserve		2,527.4	2,527.4
Translation reserve		54.0	212.6
Retained earnings		(971.4)	(491.5)
Equity shareholders' funds		**2,812.8**	**3,449.8**
Non-controlling interests		43.1	38.2
Total shareholders' equity		**2,855.9**	**3,488.0**

KJ Alexander
(Chief Executive Officer)

R Wood
(Chief Financial Officer)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued share capital	Share premium	Merger Reserve	Translation reserve[1]	Retained earnings	Equity shareholders' funds	Non-controlling Interests	Total Shareholders' equity
	£m	£m	£m	£m	£m	£m	£m	£m
At 1 January 2018	2.3	1,170.4	34.5	167.9	(237.2)	1,137.9	(1.5)	1,136.4
Loss for the year	-	-	-	-	(62.5)	(62.5)	6.1	(56.4)
Other comprehensive income	-	-	-	44.7	(6.9)	37.8	-	37.8
Total comprehensive income	-	-	-	44.7	(69.4)	(24.7)	6.1	(18.6)
Issue of shares on acquisition	2.4	-	2,492.9	-	-	2,495.3	-	2,495.3
Share options exercised	0.1	26.1	-	-	-	26.2	-	26.2
Share-based payments charge	-	-	-	-	2.1	2.1	-	2.1
Acquisition of investment	-	-	-	-	(44.6)	(44.6)	35.0	(9.6)
Equity dividends	-	-	-	-	(138.8)	(138.8)	(1.4)	(140.2)
Non-controlling interests	-	-	-	-	(3.6)	(3.6)	-	(3.6)
At 31 December 2018	4.8	1,196.5	2,527.4	212.6	(491.5)	3,449.8	38.2	3,488.0
At 1 January 2019	4.8	1,196.5	2,527.4	212.6	(491.5)	3,449.8	38.2	3,488.0
Impact of change of accounting policy[2]	-	-	-	-	(70.7)	(70.7)	-	(70.7)
Restated at 1 January 2019	4.8	1,196.5	2,527.4	212.6	(562.2)	3,379.1	38.2	3,417.3
(Loss)/profit for the year	-	-	-	-	(153.7)	(153.7)	13.0	(140.7)
Other comprehensive income	-	-	-	(158.6)	(67.0)	(225.6)	-	(225.6)
Total comprehensive income	-	-	-	(158.6)	(220.7)	(379.3)	13.0	(366.3)
Share options exercised	-	1.5	-	-	-	1.5	-	1.5
Share-based payments charge	-	-	-	-	10.8	10.8	-	10.8
Equity dividends (note 9)	-	-	-	-	(195.5)	(195.5)	(8.1)	(203.6)
Non-controlling interests[3]	-	-	-	-	(3.8)	(3.8)	-	(3.8)
At 31 December 2019	4.8	1,198.0	2,527.4	54.0	(971.4)	2,812.8	43.1	2,855.9

1. The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries
2. On 1 January 2019 GVC Holdings PLC transitioned to IFRS 16 resulting in an opening adjustment to equity of £70.7m. See note 3 for more information
3. During the year GVC Holdings PLC recognised amounts paid of £3.8m to acquire the remaining share capital of Stadium Technology Group LLC

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December	Notes	2019 £m	2018 £m
Cash generated by operations	16	543.7	395.5
Income taxes paid		(37.5)	(43.5)
Net finance expense paid		(68.9)	(55.5)
Net cash generated from operating activities		437.3	296.5
Cash flows from investing activities:			
Acquisitions		(21.3)	(735.6)
Cash acquired on acquisition of businesses		-	213.0
Dividends received from associates		1.2	9.4
Purchase of intangible assets		(107.2)	(99.2)
Purchase of property, plant and equipment		(72.6)	(95.5)
Proceeds from the sale of property, plant and equipment including disposal of shops		10.9	-
Investment in joint ventures		-	(20.5)
Decrease in short term investments		-	1.8
Deferred proceeds from disposal of available-for-sale assets		-	1.0
Proceed from disposal of joint ventures		63.8	-
Net cash used in investing activities		(125.2)	(725.6)
Cash flows from financing activities:			
Proceeds from issue of ordinary shares		1.5	26.2
Net proceeds from borrowings		1,045.5	1,366.0
Repayment of borrowings		(1,099.1)	(664.9)
Net repayment of finance leases		(77.7)	(1.1)
Equity dividends paid[1]		(203.6)	(142.7)
Net cash generated financing activities		(333.4)	583.5
Net (decrease)/increase in cash and cash equivalents		(21.3)	154.4
Effect of changes in foreign exchange rates		(10.5)	(2.5)
Cash and cash equivalents at beginning of the year		421.9	270.0
Cash and cash equivalents at end of the year		390.1	421.9

1. Equity dividends paid are inclusive of dividend credits on share options of £nil (2018: £2.5m) and dividends paid to non-controlling interests of £8.1m (2018: £1.4m)

1 Corporate information

This announcement was approved by the Board of Directors on 5 March 2020. GVC Holdings PLC (the Company) is a company incorporated and domiciled in the Isle of Man on 5 January 2010 whose shares are traded publicly on the London Stock Exchange. The principal activities of the Company and its subsidiaries ("the Group") are described in the strategic report. The consolidated financial statements of the Group for the year ended 31 December 2019 were authorised for issue in accordance with a resolution of the directors on 5 March 2020.

The nature of the Group's operations and its principal activities are set out in note 5.

2 Basis of preparation

The financial information set out in this document does not constitute the Group's statutory accounts for the years ended 31 December 2019 or 31 December 2018, but is derived from those accounts. Statutory accounts for the year ended 31 December 2018 have been delivered to the registrar of companies, and those for 31 December 2019 will be delivered in due course. The auditor has reported on those accounts; their reports were (i) unqualified and (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report.

The consolidated financial statements of the Group have been prepared in accordance, and comply, with International Financial Reporting Standards (IFRSs) and IFRS Interpretations Committee (IFRS IC) pronouncements as adopted for use in the European Union and with the Isle of Man Companies Act 2006 applicable to companies reporting under IFRSs. The accounting policies set out in this section as detailed have been applied consistently year on year other than for the changes in accounting policies set out in note 3.

The Group financial statements are prepared under the historical cost convention unless otherwise stated. Having assessed the financial forecasts of the business, the principal risks and other matters discussed in connection with the long-term viability statement, the Directors consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements as the Group will generate sufficient cash to meet its ongoing obligations for at least 12 months from the date of signing the financial statements.

The consolidated financial statements are presented in Pounds Sterling (£). All values are in millions (£m) rounded to one decimal place except where otherwise indicated.

The separately disclosed items have been included within the appropriate classifications in the consolidated income statement. Further details are given in note 6.

Due to the timing of certain acquisitions in the previous financial year, the fair values applied to the assets and liabilities acquired were provisional, in accordance with IFRS 3 Business Combinations. Since the initial fair value assessment, certain measurement period adjustments have been identified resulting in reallocations between goodwill and other components of the net assets acquired. This has resulted in a restatement of the prior year balance sheet to reflect these changes. Net assets and Total shareholders' equity have not changed as a result of this restatement.

3 Changes in accounting policies

From 1 January 2019 the Group has applied, for the first time, certain standards, interpretations and amendments being;

IFRS16 Leases

The Group applied IFRS 16 with a date of initial application of 1 January 2019. As a result, the Group has changed its accounting policy for lease contracts as detailed below.

The Group applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. There has been no restatement of comparative balances, which were presented under the requirements of IAS 17 - L eases.

For leases previously classified as operating leases, a right of use (ROU) asset and associated lease liability has been recognised. As such, the Group no longer records a lease cost associated with those assets in its Income Statement, but instead will record depreciation and interest charges.

In applying the modified retrospective approach, the Group has elected to use the following practical expedients proposed by the standard;

- reliance on the previous identification of a lease (as provided by IAS 17) for all contracts that existed on the date of initial application;
- the ROU assets for all leases were recognised at an amount equal to the lease liability plus prepaid lease payments immediately before the date of initial application;
- the application of a single discount rate to a portfolio of leases with reasonably similar characteristics. The key differential considered in determining the discount rate is the length of the lease;
- the use of hindsight when determining the lease term, if the contract contains an option to extend or terminate the lease; and
- on initial application, initial direct costs are excluded from the measurement of the right of use asset.

3 Changes in accounting policies (continued)

Definition of a lease

The Group has applied IFRS 16 only to those contracts that were previously identified as a lease under IAS 17 Leases, any contracts not previously identified as leases have not been reassessed for the purposes of adopting IFRS 16. Accordingly, the definition of a lease under IFRS 16 has only been applied to contracts entered into on or after 1 January 2019.

Upon transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the rate implicit in the lease as at 1 January 2019, or at the Group's incremental borrowing rate if this was not ascertainable. The right of use assets for all leases were recognised at an amount equal to the lease liability plus prepaid lease payments immediately before the date of initial application. The ROU assets were then subject to a detailed impairment review to ascertain whether the attributable cash flows supported the additional ROU assets recognised. This resulted in an impairment of £136.7m being recognised at the date of transition, which was a direct consequence of the regulatory changes in 2018 in the UK Retail segment. To the extent that certain property provisions were recognised in respect of rent, as at 31 December 2018, an adjustment has been made to reduce the provision as part of the transition to IFRS 16.

Following the transition to IFRS 16, equity as at 1 January 2019 has been restated as follows:

	1 January 2019 £m
1 January 2019 net assets as previously reported	**3,488.0**
ROU assets recognised[1]	396.9
Lease liabilities recognised[2]	(379.3)
Prepayments transferred to right of use assets[1]	(17.6)
Provisions released[3]	51.7
Impairments recognised[4]	(136.7)
De-recognition of sub lease right of use assets[5]	(5.0)
Finance lease debtors recognised[5]	5.0
Associated deferred tax asset recognised	14.3
1 January 2019 net assets restated	**3,417.3**

1. ROU assets of £396.9m have been recognised as at 1 January 2019 based on the lease liabilities calculated upon transition combined with £17.6m of lease prepayments released from the balance sheet. ROU assets predominantly relate to property leases, for which the majority relate to UK Retail and Belgium Retail, but also head office leases, car leases and other leases deemed to be captured by IFRS 16.
2. Lease liabilities of £379.3m have been recognised as at 1 January 2019. The lease liability has been calculated based on the future cash flows relating to a lease, discounted at the relevant discount rate. For the transition adjustment, the application of a single discount rate has been applied to a portfolio of leases with reasonably similar characteristics. The key differential considered in determining each lease's discount rate is the length of the lease. Where a lease includes an option to break, the group makes a judgement as to whether it is likely that such a break will be exercised. In the case of LBOs this will take accounts of current trading and trading forecasts as to the ongoing profitability of the LBO. The judgement is reassessed at each reporting date.
3. Previously recognised property provisions, in respect of rent obligations, of £51.7m have been released as they are now included in the calculation of the lease liability under IFRS 16.
4. Upon recognition of additional ROU assets, an impairment assessment was performed under the principles of IAS 36 Impairment, as the £2 limit on B2 machine stakes introduced by the UK government was expected to result in shop closures. This review resulted in an impairment of £136.7m on newly capitalised ROU assets. This amount was recognised directly in retained earnings upon transition, as at 1 January 2019.
5. Where a sub-lease is entered into, with the Group being the lessor, and which is considered to be a finance lease, part or all of the ROU asset is de-recognised and a finance lease receivable is recognised in relation to the sub lease. As a result, the ROU asset is disposed of as the finance lease receivable is recognised.

A reconciliation of the lease liabilities recognised at 1 January 2019 to the previously reported operating lease commitments at 31 December 2018 is as follows:

	1 January 2019 £m
Operating lease commitment at 31 December 2018 as disclosed	345.3
Effect of discounting at 1 January 2019	(67.6)
Impact of break dates not expected to be exercised	101.6
Lease liabilities recognised at 1 January 2019	**379.3**

3 Changes in accounting policies (continued)

Under the modified retrospective transition method, lease payments were discounted at 1 January 2019 using an incremental borrowing rate requesting the rate of interest at which the entity within the group that entered into the lease would have to pay over a similar term and with similar amounts to borrow the funds to obtain the right of use asset concerned, in a similar economic environment. The weighted average incremental borrowing rate applied upon transition was 4.6%. Incremental borrowing rates applied to individual leases ranged between 3.7% and 5.7%.

The adoption of the following standards and amendments to standards did not have a material impact on the current period or any prior period upon transtition:

- IFRIC 23 Uncertainty over Income Tax Treatment,
- IAS 19 Employee Benefits; amendments regarding plan amendments, curtailments or settlements,
- IAS 28 Investments in Associated and Joint Ventures; amendments regarding long-term interests in associates and joint ventures, and
- amendments resulting for Annual Improvements 2015 – 2017 Cycle.

4 Summary of significant accounting policies

4.1 Critical accounting estimates and judgements

The preparation of financial information requires the use of assumptions, estimates and judgements about future conditions. Use of available information and application of judgement are inherent in the formation of estimates. Actual results in the future may differ from those reported.

In this regard, management believes that the accounting policies where judgement has been applied are:

- accounting for uncertain tax positions; and
- separately disclosed items.

Furthermore, management believes that the accounting policies where estimates have been utilised are:

- the measurement and impairment of goodwill and other assets;
- pension and other post-employment benefit obligations; and
- accounting for business combinations.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised.

Further information about key assumptions concerning the future and other key sources of estimation uncertainty are set out below.

Accounting for uncertain tax positions

The Group is subject to various forms of tax in a number of jurisdictions. Given the nature of the industry within which the Group operates, the tax and regulatory regimes are continuously changing and, as such, the Group is exposed to a small number of uncertain tax positions. Provisions are made for uncertain tax positions where it is believed that it is more likely than not that an economic outflow will arise.

The Group has made a provision for a potential liability in Greece (see note 17) based on the directors' best estimate of the likely economic outflow. However, as the statutory window in Greece for the authorities to conclude their tax audit work is generally six years from the end of the relevant tax year, both the timing and the conclusions of the tax audits, and any associated tax payments, remain uncertain.

Separately disclosed items

To assist in understanding its underlying performance, the Group has defined the following items of pre-tax income and expense as separately disclosed items as they either reflect items which are exceptional in nature or size or are associated with the amortisation of acquired intangibles. Items treated as separately disclosed items include:

– amortisation of acquired intangibles resulting from IFRS3 "Business Combinations" fair value exercises;
– profits or losses on disposal, closure or impairment of non-current assets or businesses;
– corporate transaction and restructuring costs;
– tax litigation;
– changes in the fair value of contingent consideration; and
– the related tax effect of these items.

Any other non-recurring items are considered individually for classification as separately disclosed or exceptional by virtue of their nature or size.

4 Summary of significant accounting policies (continued)

4.1 Critical accounting estimates and judgements (continued)

The separate disclosure of these items allows a clearer understanding of the trading performance on a consistent and comparable basis, together with an understanding of the effect of non-recurring or large individual transactions upon the overall profitability of the Group.

The separately disclosed items have been included within the appropriate classifications in the consolidated income statement. Further details are given in note 6.

Goodwill

Goodwill on acquisition is initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the separately identifiable assets, liabilities and contingent liabilities at the date of acquisition. In accordance with IFRS 3 Business Combinations, goodwill is not amortised but reviewed for impairment at the first reporting period after acquisition and then annually thereafter. As such it is stated at cost less any provision for impairment of value. Any impairment is recognised immediately in the consolidated income statement and is not subsequently reversed.

On acquisition, any goodwill acquired is allocated to cash generating units for the purpose of impairment testing. Where goodwill forms part of a cash generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposal is included in the carrying amount of the assets when determining the gain or loss on disposal.

Intangible assets

Intangible assets acquired separately are capitalised at cost and those acquired as part of a business combination are capitalised separately from goodwill if the fair value can be measured reliably on initial recognition. The costs relating to internally generated intangible assets, principally software costs, are capitalised if the criteria for recognition as assets are met. Other expenditure is charged in the year in which the expenditure is incurred. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of these intangible assets are assessed to be either finite or indefinite. All indefinite lived assets are subject to an annual impairment review from the year of acquisition. Where amortisation is charged on assets with finite lives, this expense is taken to the consolidated income statement through the 'operating expenses, depreciation and amortisation' line item. Useful lives are reviewed on an annual basis.

A summary of the policies applied to the Group's intangible assets is as follows:

Retail licences	Lower of 15 years, or duration of licence
Software	2-15 years
Capitalised development expenditure	3-5 years
Trademarks and brand names	10-15 years, or indefinite life
Customer relationships	3-15 years

The useful lives of all intangible assets are reviewed at each financial period end. Impairment testing is performed annually for intangible assets which are not subject to systematic amortisation and where an indicator of impairment exists for all other intangible assets.

An intangible asset is derecognised on disposal, with any gain or loss arising (calculated as the difference between the net disposal proceeds and the carrying amount of the item) included in the consolidated income statement in the year of disposal.

Pensions and other post-employment benefits

The Group's defined benefit pension plans, the Ladbrokes Pension Plan and the Gala Coral Pension Plan hold assets separately from the Group. The pension cost relating to this plan is assessed in accordance with the advice of independent qualified actuaries using the projected unit credit method.

Actuarial gains or losses are recognised in the consolidated statement of comprehensive income in the period in which they arise.

Any past service cost is recognised immediately. The retirement benefit asset recognised in the balance sheet represents the fair value of scheme assets less the value of the defined benefit obligations.

4 Summary of significant accounting policies (continued)

4.1 Critical accounting estimates and judgements (continued)

In accounting for the Group's defined benefit pension plans, it is necessary for management to make a number of estimates and assumptions each year. These include the discount rates, inflation rates and life expectancy. In making these estimates and assumptions, management considers advice provided by external advisers, such as actuaries. Where actual experience differs to these estimates, actuarial gains and losses are recognised directly in other comprehensive income. Although the Group anticipates that plan surpluses will be utilised during the life of the plans to address member benefits, the Group recognises its pension surplus in full on the basis that it does not consider there to be substantive restrictions on the return of residual plan assets in the event of a winding up of the plans after all member obligations have been met.

The Group's contributions to defined contribution schemes are charged to the consolidated income statement in the period to which the contributions relate.

Business combinations

For business combinations, the Group estimates the fair value of the consideration transferred, which can include assumptions about the future business performance of the business acquired and an appropriate discount rate to determine the fair value of any contingent consideration. Judgement is also applied in determining whether any future payments should be classified as contingent consideration or as remuneration for future services.

The Group then estimates the fair value of assets acquired and liabilities assumed in the business combination, including any separately identifiable intangible assets. These estimates also require inputs and assumptions including future earnings, customer attrition rates and discount rates. The Group engages external experts to support the valuation process where appropriate. IFRS 3 'Business Combinations' allows the Group to recognise provisional fair values if the initial accounting for the business combination is incomplete. Judgement is applied as to whether changes should be applied at the acquisition date or as post-acquisition changes.

The fair value of contingent consideration recognised in business combinations is reassessed at each reporting date, using updated inputs and assumptions based on the latest financial forecasts for the relevant business. Fair value movements and the unwinding of the discount is recognised within operating expenses.

4.2 Other accounting policies

Impairment

An impairment review is performed for indefinite life assets on at least an annual basis. For all other non-current assets an impairment review is performed where there are indicators of impairment. This requires an estimation of the recoverable amount which is the higher of an asset's fair value less costs to sell and its value in use. Estimating a value in use amount requires management to make an estimate of the expected future cash flows from each cash generating unit and to discount cash flows by a suitable discount rate in order to calculate the present value of those cash flows. Estimating an asset's fair value less costs to sell is determined using future cashflow and profit projections as well as industry observed multiples and publicly observed share prices for similar gambling companies.

Within UK and European Retail the cash generating units are generally an individual Licenced Betting Office (LBO) and therefore, impairment is first assessed at this level for licences, right of use assets and property, plant and equipment, with any impairment arising booked first to licences and then to property, plant and equipment.

Pension and other post-employment benefit obligations

There is a significant degree of estimation involved in predicting the ultimate benefits payable under defined benefit pension arrangements. The pension scheme liabilities are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. The group's defined benefit pension schemes both have a net asset position when measured on an IAS 19 basis. Judgement is applied, based on legal, actuarial, and accounting guidance in IFRIC 14, regarding the amounts of net pension asset that is recognised in the consolidated balance sheet.

Financial liabilities

Financial liabilities comprise trade and other payables, interest bearing loans and borrowings, contingent consideration, ante-post bets, guarantees and derivative financial instruments. On initial recognition, financial liabilities are measured at fair value net of transaction costs where they are not categorised as financial liabilities at fair value through profit or loss. Financial liabilities at fair value through profit or loss include contingent consideration, derivative financial instruments, ante-post bets and guarantees.

Trade and other payables are held at amortised cost and include amounts due to clients representing customer deposits and winnings, which is matched by an equal and opposite amount within cash and cash equivalents.

Financial liabilities at fair value through profit or loss are measured initially at fair value, with transaction costs taken directly to the consolidated income statement. Subsequently, the fair values are remeasured and gains and losses from changes therein are recognised in the consolidated income statement.

4 Summary of significant accounting policies (continued)

4.2 Other accounting policies (continued)

All interest bearing loans and borrowings are initially recognised at fair value net of issue costs associated with the borrowing. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method.

The Group has provided financial guarantees to third parties in respect of lease obligations of certain of the Group's former subsidiaries within the disposed hotels division. Financial guarantee contracts are classified as financial liabilities and are measured at fair value by estimating the probability of the guarantees being called upon and the related cash outflows from the Group.

Derecognition of financial assets and liabilities

Financial assets are derecognised when the right to receive cash flows from the assets has expired or when the Group has transferred its contractual right to receive the cash flows from the financial assets or has assumed an obligation to pay the received cash flows in full without material delay to a third party, and either:

- substantially all the risks and rewards of ownership have been transferred; or
- substantially all the risks and rewards have neither been retained nor transferred but control is not retained.

Financial liabilities are derecognised when the obligation is discharged, cancelled or expires.

Derivative financial instruments

The Group uses derivative financial instruments, such as cross currency swaps, foreign exchange swaps and interest rate swaps, to hedge risks associated with interest rate and foreign currency fluctuations. Derivative financial instruments are recognised initially and subsequently at fair value. The gains or losses on remeasurement are taken to the consolidated income statement.

Derivative financial instruments are classified as assets where their fair value is positive, or as liabilities where their fair value is negative. Derivative assets and liabilities arising from different transactions are only offset if the transactions are with the same counterparty, a legal right of offset exists and the parties intend to settle the cash flows on a net basis.

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.

Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to present value where the effect is material using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance expense.

Foreign currency translation

The presentational currency of GVC Holdings PLC and the functional currencies of its UK subsidiaries are Pounds Sterling (£).

Transactions in foreign currencies are initially recorded in Pounds Sterling at the foreign currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the foreign currency rate of exchange ruling at the balance sheet date.

All foreign currency translation differences are taken to the consolidated income statement. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined.

Other than Sterling the main functional currencies of subsidiaries are the Euro (€), the US Dollar ($) and the Australian Dollar (A$). At the reporting date, the assets and liabilities of non-sterling subsidiaries are translated into Pounds Sterling (£) at the rate of exchange ruling at the balance sheet date and their income statements are translated at the average exchange rates for the year. The post-tax exchange differences arising on the retranslation are taken directly to other comprehensive income.

On disposal of a foreign entity, the deferred cumulative retranslation differences previously recognised in equity relating to that particular foreign entity are recognised in the consolidated income statement as part of the profit or loss on disposal.

The following exchange rates were used in 2019 and 2018:

	2019		2018	
Currency	Average	Year end	Average	Year end
Euro (€)	1.137	1.182	1.130	1.113
US Dollar ($)	1.272	1.327	1.333	1.268
Australian Dollar (A$)	1.831	1.887	1.781	1.810

4 Summary of significant accounting policies (continued)

4.2 Other accounting policies (continued)

Leases

Leases, other than those with a lease period of less than one year where the original cost of the asset acquired would be a negligible amount, are capitalised at the inception at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

ROU assets are included within tangible fixed assets at cost and depreciated over their estimated useful lives, which equates to the lives of the leases, after taking into account anticipated residual values. Operating lease rental income is recognised on a straight-line basis over the life of the lease.

ROU assets which are sub-leased to customers are classified as finance leases if the lease agreements transfer substantially all the risks and rewards of usage to the lessee. All other sub-leases are classified as operating leases. When assets are subject to finance leases, the present value of the sub-lease is recognised as a receivable, net of allowances for expected credit losses and the related ROU asset is de-recognised. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance lease income. Finance lease income is recognised in interest income over the term of the lease using the net investment method (before tax) so as to give a constant rate of return on the net investment in the leases.

Revenue

The Group reports the gains and losses on all betting and gaming activities as revenue, which is measured at the fair value of the consideration received or receivable from customers less free bets, promotions, bonuses and other fair value adjustments. Revenue is net of VAT/GST. The Group considers revenue to be out of the scope of IFRS 15 Revenue, and accounts for revenue within the scope of IFRS 9 Financial Instruments.

For licensed betting offices (LBO's), on course betting, core telephone betting, mobile betting, Digital businesses (including sportsbook, betting exchange, casino, games, other number bets), revenue represents gains and losses, being the amounts staked and fees received, less total payouts recognised on the settlement of the event. Open betting positions are carried at fair value and gains and losses arising on these positions are recognised in revenue.

Revenue from the online poker business reflects the net income (rake) earned from poker games completed by the year end.

In the case of the greyhound stadia, revenue represents income arising from the operation of the greyhound stadia in the year, including sales of refreshments, net of VAT.

Finance expense and income

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

Share-based payment transactions

Certain employees (including directors) of the Group receive remuneration in the form of equity settled share-based payment transactions, whereby employees render services in exchange for shares or rights over shares (equity settled transactions).

The cost of equity settled transactions is measured by reference to the fair value at the date on which they are granted. In valuing equity settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of GVC Holdings PLC (market conditions).

The cost of equity settled transactions is recognised in the consolidated income statement, with a corresponding credit in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (vesting date). The cumulative expense recognised for equity settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the number of awards that, in the opinion of the directors of the Group at that date, based on the best available estimate of the number of equity instruments, will ultimately vest.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share as shown in note 10.

5 Segment information

The Group's operating segments are based on the reports reviewed by the Executive management team (which is collectively considered to be the Chief Operating Decision Maker (CODM)) to make strategic decisions, and allocate resources.

IFRS 8 requires segment information to be presented on the same basis as that used by the CODM for assessing performance and allocating resources, and the Group's operating segments are now aggregated into the five reportable segments as detailed below:

- Online: comprises betting and gaming activities from online and mobile operations. Sports Brands include bwin, Coral, Crystalbet, Eurobet, Ladbrokes and Sportingbet; Gaming Brands include CasinoClub, Foxy Bingo, Gala, Gioco Digitale, partypoker and PartyCasino;
- UK Retail: comprises betting activities in the shop estate in Great Britain, Northern Ireland and Jersey;
- European Retail: comprises all retail activities connected with the Republic of Ireland, Belgium, Italy and Spanish JV (pre disposal) shop estates;
- Corporate: includes costs associated with Group functions including Group executive, legal, Group finance, tax and treasury; and
- Other segments: includes activities primarily related to telephone betting, Stadia, Betdaq, Intertrader and on course pitches.

The Executive management team of the Group has chosen to assess the performance of operating segments based on the measures of net revenue, EBITDAR, EBITDA, and operating profit with finance costs and taxation considered for the Group as a whole. See the financial results and the use of non-GAAP measures section for further considerations of the use of non-GAAP measures. Transfer prices between operating segments are on an arm's-length basis in a manner similar to transactions with third parties.

The segment results for the year ended 31 December were as follows:

2019	Online	UK Retail	European Retail	All other segments	Corporate	Elimination of internal revenue	Total Group
	£m	£m	£m	£m	£m	£m	£m
NGR	2,170.7	1,127.8	289.8	70.4	-	(3.6)	3,655.1
VAT/GST	(54.6)	-	-	-	-	-	(54.6)
Revenue	2,116.1	1,127.8	289.8	70.4	-	(3.6)	3,600.5
Gross Profit	1,367.8	817.7	143.6	49.1	-	-	2,378.2
Contribution[1]	887.2	812.6	138.0	45.4	-	-	1,883.2
Operating costs excluding marketing costs	(352.2)	(585.1)	(70.8)	(46.0)	(46.4)	-	(1,100.5)
Underlying EBITDAR before separately disclosed items	535.0	227.5	67.2	(0.6)	(46.4)	-	782.7
Rental costs	(1.1)	(19.6)	(0.8)	(0.1)	-	-	(21.6)
Underlying EBITDA before separately disclosed items	533.9	207.9	66.4	(0.7)	(46.4)	-	761.1
Share based payments	(5.5)	(1.0)	(0.3)	(0.1)	(5.8)	-	(12.7)
Depreciation and Amortisation	(116.0)	(72.7)	(29.0)	(1.1)	(0.4)	-	(219.2)
Share of joint ventures and associates	0.8	-	1.0	1.5	(12.5)	-	(9.2)
Operating profit/(loss) before separately disclosed items	413.2	134.2	38.1	(0.4)	(65.1)	-	520.0
Separately disclosed items (note 6)	(574.7)	0.8	(22.1)	(2.6)	(97.3)	-	(695.9)
Group operating profit/(loss)	(161.5)	135.0	16.0	(3.0)	(162.4)	-	(175.9)
Net finance income							1.7
Loss before tax							(174.2)
Income tax							33.5
Loss for the year							**(140.7)**

5 Segment information (continued)

2018	Online	UK Retail	European Retail	All other segments	Corporate	Elimination of internal revenue	Total Group
	£m	£m	£m	£m	£m	£m	£m
NGR	1,712.7	1,014.9	211.7	43.8	-	(3.6)	2,979.5
VAT/GST	(44.3)	-	-	-	-	-	(44.3)
Revenue	1,668.4	1,014.9	211.7	43.8	-	(3.6)	2,935.2
Gross Profit	1,134.9	725.7	109.9	33.7	-	-	2,004.2
Contribution[1]	742.8	723.1	103.4	29.5	-	-	1,598.8
Operating costs excluding marketing/ rental costs	(289.3)	(463.7)	(47.7)	(27.2)	(47.2)	-	(875.1)
Underlying EBITDAR before separately disclosed items	453.5	259.4	55.7	2.3	(47.2)	-	723.7
Rental costs	(10.1)	(66.0)	(6.6)	-	(0.2)	-	(82.9)
Underlying EBITDA before separately disclosed items	443.4	193.4	49.1	2.3	(47.4)	-	640.8
Share based payments	(2.4)	(0.1)	(0.1)	-	(8.1)	-	(10.7)
Depreciation and Amortisation	(70.7)	(32.4)	(14.0)	(0.4)	(0.2)	-	(117.7)
Share of joint ventures and associates	0.8	-	2.7	4.9	-	-	8.4
Operating profit/(loss) before separately disclosed items	371.1	160.9	37.7	6.8	(55.7)	-	520.8
Separately disclosed items (note 6)	(503.5)	(50.5)	(7.0)	-	107.5	-	(453.5)
Group operating (loss)/profit	(132.4)	110.4	30.7	6.8	51.8		67.3
Net finance expenses							(86.2)
Loss before tax							(18.9)
Income tax							(37.5)
Loss for the year							**(56.4)**

Geographical information

Revenue by destination and non-current assets on a geographical basis for the Group, are as follows:

	2019		2018	
	Revenue	Non-current assets[2]	Revenue	Non-current assets[2]
	£m	£m	£m	£m
United Kingdom	1,954.1	3,325.2	1,572.4	3,292.3
Rest of the world	1,646.4	2,546.3	1,362.8	3,104.4
Total	**3,600.5**	**5,871.5**	**2,935.2**	**6,396.7**

1. Contribution represents gross profit less marketing costs and is a key performance metric used by the Group, particularly in Online
2. Non-current assets excluding other financial assets, deferred tax assets and retirement benefit assets

6 Separately disclosed items

	2019 £m	2018 £m
Amortisation of acquired intangibles[1]	376.2	322.5
Impairment loss[2]	245.0	41.3
Integration costs[3]	44.9	14.5
Triennial restructuring costs[4]	8.7	2.3
Corporate transaction costs[5]	3.1	64.4
Tax litigation/ one-off legislative impacts[6]	(11.6)	186.8
Legal and onerous contract provisions[7]	3.4	9.2
Movement in fair value of contingent consideration[8]	44.4	(192.5)
Issue costs write off[9]	14.1	-
Profit on disposal of joint ventures and property, plant and equipment[10]	(19.0)	-
Other one-off items	0.8	5.0
Total before tax	710.0	453.5
Tax on separately disclosed items[11]	(79.9)	(19.3)
Separately disclosed items for the year	630.1	434.2

1. Amortisation charges in relation to acquired intangible assets primarily arising from the acquisitions of Ladbrokes Coral Group plc and Bwin.
2. During the current year, the Group recorded a non-cash impairment charge of £245.0m against the Online division, £243.9m in goodwill and £1.1m in PP&E. The charge has arisen in the Group's Australian CGU and follows the impact of unforeseen POCT in certain states/regions (e.g. New Zealand, Tasmania etc.), unexpected increases in product fees and lower pass through to customers in mitigation of PoC than originally anticipated at the time of the Ladbrokes Coral and Neds acquisitions. Whilst the Australian business continues to grow NGR and outperform its market with 2019 revenue growth of 22% (on a proforma & constant currency basis), the cost headwinds faced have reduced the value in use of the business resulting in the impairment charge. Following the impact of these items which were felt throughout 2019, the Australian business is now anticipating a more stable 2020 and current performance is in line with internal expectations. (2018: comprised a charge of £41.3m which had arisen in UK Retail following the decision to bring forward the implementation of the £2 limit on B2 machine stakes from 1 October 2019 to 1 April 2019.) See notes 11 and 12 for further details.
3. Costs associated with the integration of the Ladbrokes Coral Group and GVC businesses, including redundancy costs arising following the merger in (2018: £14.5m)
4. Costs associated with the shop closure program including redundancy, consultation costs and other costs directly associated with the triennial response strategy, but excluding property related costs which are included in 7. below.
5. The Group incurred £3.1m of corporate transaction costs in relation to acquisitions and US licensing. In the prior year £64.4m of corporate transaction costs were incurred primarily in relation to the acquisition of Ladbrokes Coral Group plc and other smaller acquisitions.
6. Represents a £21.2m net release against the Greek tax provisions created in 2018 (see note 17) partially offset by a £5.8m cost for historic Austrian duty and £3.8m for a new UK income tax charge effective from April 2019, from which we expect to be exempt from April 2020 once the new UK / Gibraltar double taxation agreement enters into force.
7. Legal and onerous contract provisions include onerous contracts that have arisen as a result of the closure of shops and other legal and tax provisions outside the ordinary course of business.
8. Costs associated with movements in the fair value of contingent consideration on acquisition activity from previous years. The movement in fair value of contingent consideration in 2018 primarily related to the change in market value of the CVR since the date of acquisition of Ladbrokes Coral Group plc, partially offset by movements in the fair value of contingent consideration on other M&A activity from previous years.
9. Issue costs written off on the refinancing of the €1,125m loan during the second half of the year.
10. Relates to a £14.7m profit on the sale of joint ventures, and £4.3m profit on disposal of property, plant and equipment.
11. The tax credit on separately disclosed items of £79.9m (2018: £19.3million) represents 11.3% (2018: 4.3%) of the separately disclosed items incurred of £710.0m (2018: £453.5m). This is lower than the expected tax credit of 19.0% (2018: 19.0%) as goodwill impairment charges, certain corporate transaction costs and elements of integration costs and the Greek tax provision are non-deductible for tax purposes, and following a re-assessment of the recoverability of certain deferred tax assets at the year end.

The items above reflect incomes and expenditures which are either exceptional in nature or size or are associated with the amortisation of acquired intangibles and so they have been disclosed separately. The Directors believe that each of these items warrants separate disclosure as they are outside of the underlying trade of the Group and are not expected to persist beyond the short term (excluding the amortisation of acquired intangibles).

7 Finance expense and income

	2019 £m	2018 £m
Bank loans and overdrafts	(71.5)	(63.9)
Interest on lease liabilities	(17.0)	-
Issue costs write off (note 6)	(14.1)	-
Total finance expense	(102.6)	(63.9)
Interest receivable	2.4	1.1
Gains arising on financial derivatives	17.6	58.3
Gains/(losses) arising on foreign exchange on debt instruments	84.3	(81.7)
Net finance income/(expense)	1.7	(86.2)

8 Income tax income/expense

The total tax credit was £33.5m (2018: charge of £37.5m). Excluding the tax credit on separately disclosed items, the total expense was £46.4m (2018: £56.8m).

Deferred tax assets are considered recognisable based on the ability of future offset against deferred tax liabilities of the same taxable entity or against future taxable profits.

As at 31 December 2019, the Group had £1,437.5m (2018: £1,530.8m) of gross unrecognised deferred tax assets, consisting of £nil of accelerated capital allowances (2018: £34.5m), £255.2m of capital losses (2018: £258.8m), £1,129.7m of trading losses (2018: £1,237.5m) and £52.6m of deferred interest relief (£nil). These assets have not been recognised as they are not expected to be utilised in the foreseeable future.

There are no significant unrecognised taxable temporary differences associated with investments in subsidiaries.

The Group has a number of historical unresolved UK tax matters, in respect of which all amounts are fully provided, and all taxes have been paid. Whilst certain of these matters may be resolved within the next twelve months, it is unknown whether the resolution will be in the Group's favour.

The standard rate of UK corporation tax throughout the period was 19.0%. A reduction to the standard rate of corporation tax to 17.0%, effective from 1 April 2020, was substantively enacted on 6 September 2017.

The deferred tax assets and liabilities are measured at the tax rates of the respective territories which are expected to apply to the year in which the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Deferred tax on retirement benefit assets is provided at 35.0%, which is the rate applicable to refunds.

9 Dividends

Pence per share	2019 pence	2018 pence	2019 Shares in issue number	2018 Shares in issue number
Prior year final dividend paid	16.0	15.2	581.9	303.7
Interim dividend paid	17.6	16.0	581.9	578.8

A proposed second interim dividend of 17.6 pence (2018: 16.0 pence) per share, amounting to £102.5m (2018: £93.1m) in respect of the year ended 31 December 2019 was proposed by the directors on 5 March 2020. The estimated total amount payable in respect of the final dividend is based on the expected number of shares in issue on 5 March 2020. The 2019 interim dividend of 17.6 pence per share (£102.4m) was paid on 20 September 2019.

The dividends represented above are exclusive of dividends paid out of non-controlling interests of £8.1m (2018: £1.4m) and dividend credits on share options of £nil (2018: £2.5m).

10 Earnings per share

Basic earnings per share has been calculated by dividing the loss for the year attributable to shareholders of the Company of £153.7m (2018: £62.5m) by the weighted average number of shares in issue during the year of 582.0m (2018: 513.6m).

At 31 December 2019, there were 582.3m €0.01 ordinary shares in issue.

Given the loss for the year (2018: loss), the Group recognised a basic loss per share rather than a basic earnings per share. As such, the dilutive effects have not been considered in calculating the diluted loss per share.

The calculation of adjusted earnings per share before separately disclosed items, and for the removal of foreign exchange volatility arising on financial instruments has also been disclosed as it provides a better understanding of the underlying performance of the Group. Separately disclosed items are defined in note 4 and disclosed in note 6.

Total earnings per share

Weighted average number of shares (millions)	2019	2018
Shares for basic earnings per share	582.0	513.6
Potentially dilutive share options and contingently issuable shares	7.3	4.5
Shares for diluted earnings per share	589.3	518.1

Total profit	2019 £m	2018 £m
Loss attributable to shareholders	(153.7)	(62.5)
Gain arising from financial instruments	(17.6)	(58.3)
(Gain)/loss arising from foreign exchange debt instruments	(84.3)	81.7
Associated tax charge on gains arising from financial instruments and foreign exchange debt instruments	4.1	-
Separately disclosed items net of tax (note 6)	630.1	434.2
Adjusted profit attributable to shareholders	378.6	395.1

	Standard earnings per share		Adjusted earnings per share	
Earnings per share (pence)	2019	2018	2019	2018
Basic earnings per share				
From (loss)/profit for the period	(26.4)	(12.2)	65.1	76.9
Diluted earnings per share				
From (loss)/profit for the period	(26.4)	(12.2)	64.2	76.3

All numbers presented above are based on continuing activities.

11 Goodwill and intangible assets

	Goodwill	Licences	Software	Customer relationships	Consulting & magazine	Trade-marks & brand names	Total
	£m	£m	£m	£m	£m	£m	£m
Cost							
At 1 January 2018	1,002.0	-	266.5	197.2	4.4	173.5	1,643.6
Exchange adjustment	31.6	-	3.3	7.6	-	8.1	50.6
Additions	-	-	99.2	-	-	-	99.2
Additions from business combinations (restated)	2,324.4	15.9	151.3	751.5	-	1,773.5	5,016.6
Disposals	-	(0.1)	(5.4)	-	-	-	(5.5)
At 31 December 2018 (restated)	3,358.0	15.8	514.9	956.3	4.4	1,955.1	6,804.5
Exchange adjustment	(115.6)	-	(4.4)	(20.4)	-	(29.4)	(169.8)
Additions	-	-	114.4	-	-	-	114.4
Disposals	(3.6)	(0.1)	(29.0)	-	(4.4)	-	(37.1)
At 31 December 2019	3,238.8	15.7	595.9	935.9	-	1,925.7	6,712.0
Accumulated amortisation and impairment							
At 1 January 2018	29.6	-	143.2	78.6	4.4	26.8	282.6
Exchange adjustment	0.3	-	2.5	2.6	-	0.5	5.9
Amortisation charge	-	0.9	121.8	231.1	-	33.6	387.4
Impairment charge	-	4.5	0.6	-	-	-	5.1
Disposals	-	(0.1)	(5.4)	-	-	-	(5.5)
At 31 December 2018	29.9	5.3	262.7	312.3	4.4	60.9	675.5
Exchange adjustment	(1.4)	-	(0.6)	(12.7)	-	(5.0)	(19.7)
Amortisation charge		1.1	146.1	293.6	-	40.5	481.3
Impairment charge	243.9	-	-	-	-	-	243.9
Disposals	-	(0.1)	(28.9)	-	(4.4)	-	(33.4)
At 31 December 2019	272.4	6.3	379.3	593.2	-	96.4	1,347.6
Net book value							
At 31 December 2018	3,328.1	10.5	252.2	644.0	-	1,894.2	6,129.0
At 31 December 2019	2,966.4	9.4	216.6	342.7	-	1,829.3	5,364.4

At 31 December 2019, the Group had not entered into contractual commitments for the acquisition of any intangible assets (2018: £nil).

Included within trade-marks & brand names are £1,398.4m (2018: £1,398.4m) of intangible assets considered to have indefinite lives. These UK Ladbrokes and Coral brands are considered to have indefinite durability that can be demonstrated and their value can be readily measured. The brands operate in longstanding and profitable market sectors. The Group has a strong position in the market and there are barriers to entry due to the requirement to demonstrate that the applicant is a fit and proper person with the “know-how” required to run such operations.

Goodwill reflects the value by which consideration exceeds the fair value of net assets acquired as part of a business combination including the deferred tax liability arising on acquisitions.

Licences comprise the cost of acquired betting shop licences.

Software relates to the cost of acquired software, through purchase or business combination, and the capitalisation of internally developed and externally acquired software.

Customer relationships, trade-marks and brand names relate to the fair value of customer lists, trade-marks and brand names acquired as part of business combinations, primarily relating to the Bwin and Ladbrokes Coral Group plc businesses.

Refer to notes 6 and 12 for details of the impairment charge.

12 Impairment testing of goodwill and indefinite life intangible assets

An impairment loss is recognised for any amount by which an asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Within UK and European Retail, the cash generating units (CGU's) are generally an individual Licenced Betting Office (LBO) and therefore, impairment is first assessed at this level for licences (intangibles) and property, plant and equipment, with any impairment arising booked first to licences and then to property, plant and equipment. Since goodwill and brand names have not been historically allocated to individual LBOs, a secondary assessment is then made to compare the carrying value of the segment against the recoverable amount with any additional impairment then taken against goodwill.

For Online the CGU is the relevant geographical location or business unit, for example Australia, European digital (defined as websites hosted by proprietary platforms based in European constituent countries), Digital (defined as websites hosted by GVC proprietry platforms) etc. and any impairments are made firstly to goodwill, next to any capitalised intangible asset and then finally to property, plant and equipment.

The expected cash flows generated by the assets are discounted using appropriate discount rates that reflect the time value of money and risks associated with the group of assets.

For both tangible and intangible assets, the future cash flows are based on the forecasts and budgets of the CGU or business discounted to reflect the time value of money. The key assumptions within the UK and European Retail budgets are OTC wagers (customer visits and spend per visit), the average number of machines per shop, gross win per shop per week, salary increases, the potential impact of the stakes restriction on Fixed Odds Betting Terminals (FOBT) resulting from the review by the Department for Digital, Culture, Media and Sport (DCMS) and the fixed costs of the LBOs. The key assumptions within the budgets for Online are the number of active customers, net revenue per head, win percentage, marketing spend, revenue shares and operating costs.

The value in use calculations use cash flows based on detailed, board approved, financial budgets prepared by management covering a three-year period. These forecasts have been extrapolated over years 4 to 8 representing a declining growth curve from year 3 until the long term forecast growth rate is reached. The growth rates used from years 4-8 range from 0.0% to 16.0%. From year 9 onwards long term growth rates used are between 0.0% and 3.0% (2018: between 0.0% and 3.0%) and are based on the long term GDP growth rate of the countries in which the relevant CGUs operate or the relevant outlook for the business. A 0.0% growth rate has been used for the UK Retail operating segment due to the ongoing uncertainty surrounding the outlook after the triennial implementation. An 8 year horizon is considered appropriate based on the Group's history of underlying profit as well as ensuring there is an appropriate decline to long term growth rates from those growth rates currently observed in our key markets.

The discount rate calculation is based on the specific circumstances with reference to the WACC and risk factors expected in the industry in which the Group operates.

The pre-tax discount rates used and the associated carrying value of goodwill by CGU is as follows:

Goodwill	2019 %	2018 %	2019 £m	2018 £m
Digital	9.3	9.5	2,045.1	2,105.1
UK Retail	9.3	9.5	76.4	76.4
Australia	10.9	11.3	326.5	601.5
European Retail	8.8 - 10.8	8.9 - 11.1	154.0	163.4
European Digital	10.1 - 10.8	10.5 - 11.1	334.3	354.6
All other segments	9.3	9.5	30.1	31.4
			2,966.4	3,332.4

It is not practical or material to disclose the carrying value of individual licences by LBO.

Impairment recognised during the year

Impairments of intangible assets and property, plant and equipment are recognised as separately disclosed items.

During the current year, the Group recorded a non-cash impairment charge of £245.0m against the Online division, £243.9m in goodwill and £1.1m in PP&E. The charge has arisen in the Group's Australian CGU and follows the impact of unforeseen Point of Consumption tax (POCT) in certain states/regions (e.g. New Zealand, Tasmania etc.), unexpected increases in product fees and lower pass through to customers in mitigation of POCT than originally anticipated at the time of the Ladbrokes Coral and Neds acquisitions. Whilst the Australian business continues to grow NGR and outperform its market with 2019 revenue growth of 22% (on a proforma & constant currency basis), the cost headwinds faced have reduced the value in use of the business resulting in the impairment charge. Following the impact of these items which were felt throughout 2019, the Australian business is now anticipating a more stable 2020 and current performance is in line with internal expectations.

12 Impairment testing of goodwill and indefinite life intangible assets (continued)

Whilst the impairment charge has reduced the value at which the legacy Ladbrokes Coral businesses are carried, the Directors note that the headroom on the IAS 36 impairment reviews of the other legacy Ladbrokes Coral CGUs has increased significantly, with the aggregate value in use, including Australia, greater than it was in 2018.

Sensitivity analysis

A 2pp decline in the growth rate applied to the cashflows (with other assumptions remaining constant) would result in an additional impairment of £68.6m within the Australian CGU with no impact to the other CGUs.

A 5% decrease in all cash flows used in the discounted cash flow model for the value in use calculation (with other assumptions remaining constant) would result in an additional impairment of £28.9m within the Australian CGU with no impact to the other CGUs.

A 0.5pp increase in discount rates used in the discounted cash flow model for the value in use calculation (with all other assumptions remaining constant) would result in an additional impairment of £50.9m within the Australian CGU with no impact to the other CGUs.

No other reasonable change in assumptions to the CGUs would cause any additional impairment.

13 Property, plant and equipment

	Land and buildings £m	Plant and equipment £m	Fixtures and fittings £m	Right-of-use assets £m	Total £m
Cost					
At 1 January 2018	4.6	4.7	54.9	-	64.2
Exchange adjustment	0.5	0.4	2.2	-	3.1
Additions	9.5	4.6	81.4	-	95.5
Additions from business combinations	20.2	53.2	100.8	-	174.2
Disposals	(4.0)	(0.9)	(31.1)	-	(36.0)
At 31 December 2018	30.8	62.0	208.2	-	301.0
Arising on transition to IFRS16 (note 3)	-	-	-	391.9	391.9
Exchange adjustment	(1.4)	(0.3)	(8.3)	(1.8)	(11.8)
Additions	14.5	17.0	62.2	54.8	148.5
Disposals	(14.3)	(0.1)	(24.6)	(5.1)	(44.1)
At 31 December 2019	29.6	78.6	237.5	439.8	785.5
Accumulated depreciation					
At 1 January 2018	1.2	4.2	44.4	-	49.8
Exchange adjustment	0.3	0.2	1.4	-	1.9
Depreciation charge	12.7	2.9	37.2	-	52.8
Disposals	(4.3)	(1.2)	(29.8)	-	(35.3)
Impairment charge	11.4	0.8	24.0	-	36.2
At 31 December 2018	21.3	6.9	77.2	-	105.4
Arising on transition to IFRS16 (note 3)	-	-	-	136.7	136.7
Exchange adjustment	(1.0)	(0.2)	(2.2)	(0.3)	(3.7)
Depreciation charge	12.2	9.1	39.9	52.9	114.1
Impairment	-	-	-	1.1	1.1
Disposals	(11.3)	(0.1)	(24.6)	-	(36.0)
At 31 December 2019	21.2	15.7	90.3	190.4	317.6
Net book value					
At 31 December 2018	9.5	55.1	131.0	-	195.6
At 31 December 2019	8.4	62.9	147.2	249.4	467.9

At 31 December 2019, the Group had not entered into contractual commitments for the acquisition of any property, plant and equipment (2018: £nil).

Included within property, plant and equipment are assets held under finance leases with a cost of £18.1m (2018: £nil) and a carrying value of £16.4m (2018: £nil). Included within fixtures, fittings and equipment are assets in the course of construction, which are not being depreciated, of £42.7m (2018: £38.4m) relating predominantly to the new EPOS system in UK Retail. Of the £5.1m disposals of ROU assets, £4.2m relate to a shortening of the lease term and therefore there has been a corresponding release of the IFRS16 lease liabilities.

Analysis of Right-Of-Use assets:

	Land and buildings £m	Plant and equipment £m	Fixtures and fittings £m	Total £m
Net book value				
At 31 December 2018	-	-	-	-
Arising on transition to IFRS16	251.6	3.6	-	255.2
At 31 December 2019	245.0	4.4	-	249.4
Depreciation charge				
Year ended 31 December 2019	50.6	2.3	-	52.9

An impairment charge of £1.1m (2018: £36.2m) has been made against property, plant and equipment in the year. Please see notes 6 and 12 for further details.

14 Provisions

	Property Provisions [1]	Restructuring Provision [2]	Litigation and regulation provisions [3]	Total
	£m	£m	£m	£m
At 1 January 2018	2.9	-	3.3	6.2
Acquired through business combinations	70.7	2.7	30.1	103.5
Provided	14.4	9.8	119.4	143.6
Utilised	(11.5)	(9.6)	(7.2)	(28.3)
Released	(8.6)	-	-	(8.6)
Discount unwind	0.6	-	-	0.6
Exchange adjustment	0.1	-	-	0.1
At 31 December 2018	68.6	2.9	145.6	217.1
Effect of transition to IFRS16 (note 3)	(51.7)	-	-	(51.7)
Provided	9.4	18.9	-	28.3
Utilised	(9.2)	(12.7)	(53.3)	(75.2)
Released	(2.2)	-	(24.6)	(26.8)
Reclassification	(1.9)	-	1.9	-
Exchange adjustment	-	-	(2.2)	(2.2)
At 31 December 2019	13.0	9.1	67.4	89.5

1. The Group is party to a number of leasehold property contracts. Provision has been made against the unavoidable non-rent costs on those leases where the property is now vacant. Provisions have been based on management's best estimate of the minimum future cash flows to settle the Group's obligations, taking into account the risks associated with each obligation, discounted at a risk-free interest rate. The periods of vacant property commitments range from 1 to 16 years (2018: 1 to 17 years).As a result of the implementation of IFRS 16 the rental elements of certain property provisions are now included within lease liabilities.
2. Restructuring provisions relate to redundancy costs provided in association with merger and acquisition activities
3. Other provisions include legal, insurance and regulatory provisions associated with certain claims and taxes of which £49.3m relates to Greek tax. See note 17 for further details.

Of the total provisions at 31 December 2019, £73.0m (2018: £160.5m) is current and £16.5m (2018: £56.6m) is non-current.

15 Net debt

The components of the Group's net debt are as follows:

	2019 £m	2018 £m
Current assets		
Cash and short-term deposits	390.1	421.9
Current liabilities		
Interest bearing loans and borrowings	(31.5)	(14.3)
Non-current liabilities		
Interest bearing loans and borrowings	(2,084.5)	(2,221.1)
Accounting net debt	**(1,725.9)**	(1,813.5)
Cash held on behalf of customers	(335.4)	(312.5)
Fair value swaps held against debt instruments (derivative financial assets)	47.4	43.3
Balances held with brokers	129.1	93.6
Balances held with payment service providers	78.5	89.9
Short term investments	-	2.6
Adjusted net debt	(1,806.3)	(1,896.6)
Lease liabilities	(363.5)	-
Net debt including lease liabilities	(2,169.8)	(1,896.6)

Of the lease liabilities included, £347.1m have arisen as a result of the adoption of IFRS 16.

Cash held on behalf of customers represents the outstanding balance due to customers in respect of their online gaming wallets.

16 Note to the statement of cash flows

Reconciliation of (loss)/profit to net cash inflow from operating activities:

	2019 £m	2018 £m
(Loss)/profit before tax and net finance expense including discontinued operations	(175.9)	67.3
Adjustments for:		
Impairment	245.0	41.3
Profit on disposal	(19.0)	-
Depreciation of property, plant and equipment	114.1	52.8
Amortisation of intangible assets	481.3	387.4
Share based payments charge	12.7	6.3
Decrease in short term investments	2.6	-
Decrease/(increase) in other financial assets	2.8	(1.0)
Decrease/(increase) in trade and other receivables	(92.0)	(80.0)
Decrease in other financial liabilities	(30.5)	(1.9)
(Decrease)/increase in trade and other payables	29.5	16.5
(Decrease)/increase in provisions	(73.7)	106.8
Non-cash movements relating to pensions	(3.0)	0.7
Share of results from joint venture and associate	9.2	(8.2)
Other non-cash items	40.6	(192.5)
Cash generated by operations	543.7	395.5

17 Commitments and contingencies

Greek tax

In the year ended 31 December 2018, the Group recognised a charge of £186.8m in the Income Statement within non-trading items for potential Greek tax liabilities for the years 2010 to 2017. Of the charge recognised, €51.4m (£46.1m) related to 2010/11 for which the Group received an assessment of €186.8m in 2017.

2010/11

The Group's appeal against the original assessment in respect of 2010 and 2011 was heard before the Administrative Court of Appeal in Athens on 13 January 2020. Whilst we do not expect to hear the verdict until mid 2020, the Directors remain confident that the Court will find that the original assessment was out of all proportion to the size of the Group's Greek business at the time.

By 31 December 2019 the Group had paid all bar €8m of the 2010/2011 Assessment with the last payment made in January 2020. As at 31 December 2019, the total payments made in respect of the Assessment exceed our best estimate of the liability for these years by £116m, and accordingly this is recorded as a receivable in the Group's balance sheet (2018: £41.4m). In the event of a successful appeal, recovery of the debtor will be through either a repayment or an ability to offset future tax liabilities.

2012-2017

The enquiries from the Greek tax authorities into the subsequent years continued throughout 2019. By 31 December 2019 the Group had filed amended returns in respect of 2012-2017. The audits for 2012-2014 have been completed and all resultant liabilities settled. Based on the experience of the settlements reached so far, the Group has reassessed the provision carried against 2015-2017 and now holds a provision of £49.3m against these years (2018: £119.4m).

The statutory window in Greece for the tax authorities to conclude their audit work is generally six years from the end of the relevant tax year. As such, the conclusions of the tax audits and any associated tax payments remains uncertain.

UK VAT claims

The Group has submitted refund claims in respect of VAT paid on certain gaming machines in UK Retail prior to February 2013, the success of which is reliant on the outcome of court proceedings involving two other operators. The latest hearing before the Upper Tribunal (the UK's second-tier tax court) took place in January 2020 and we are awaiting the verdict, which could be appealed further. It is possible that the cases may take several years to be finally determined.

If the UK tax courts ultimately find in favour of the other operators (and therefore also GVC), the Group expects to receive a refund of approximately £200m. Given the inherent uncertainty surrounding a claim of this nature, no receivable has been recognised at 31 December 2019.

Austrian betting and gaming taxes

Since the acquisition of bwin.party in 2016, the Group has fully provided for, but not fully paid, betting and gaming taxes on Austrian revenues as a result of ongoing litigation over the Austrian authority's right to charge taxes on overseas companies. As at 31 December 2019, the amount accrued by the Group amounts to €91m. The litigation is expected to be resolved during 2020.

18 Related party disclosures

Other than its associates and joint venture, the related parties of the Group are the executive directors, non-executive directors and members of the Executive Committee of the Group.

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its associates and joint venture and other related parties are disclosed below.

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

	2019 £m	2018 £m
Equity investment		
– Joint venture[1]	-	44.4
– Associates[2]	-	20.2
Loans		
– Movement in loan balance with joint venture partner	(1.8)	1.8
Dividends received		
– Associates[3]	1.2	9.4
Sundry expenditure		
– Associates[4]	82.3	79.6

1. Equity investment in Roar Digital, LLC.
2. Equity investment in Asia Gaming Technologies Limited, Sports Information services (Holdings) Limited and bwin eK Neugersdorf
3. Dividend received from Sports Information Services (Holdings) Limited
4. Payments in the normal course of business made to Sports Information Services (Holdings) Limited and bwin eK Neugersdorf

Details of related party outstanding balances

	2019 £m	2018 £m
Loan balances outstanding		
– Joint venture	-	1.8
Other amounts outstanding		
– Associates	0.3	0.2
– Joint venture	-	0.3

Terms and conditions of transactions with related parties

Sales to, and purchases from, related parties are made at market prices and in the ordinary course of business. Outstanding balances at 31 December 2019 are unsecured and settlement occurs in cash. For the year ended 31 December 2019, the Group has not raised any provision (2018: £nil) for doubtful debts relating to amounts owed by related parties as the payment history has been good. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Transactions with directors and key management personnel of the Group

Lee Feldman received dividends during the year of £0.1m (2018: £0.2m) in respect of his beneficial interest in the Ordinary Share capital of the Group. Lee Feldman is the Managing Partner of Twin Lakes Capital, a private equity firm based in New York.

Kenneth Alexander received dividends during the year of £0.4m (2018: £0.3m).

Compensation of key management personnel of the Group

The remuneration of key management personnel is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures. Key management personnel comprise executive directors, non-executive directors and members of the executive management team. Further information about the remuneration of individual directors is provided in the directors' remuneration report.

	2019 £m	2018 £m
Short-term employee benefits	12.7	11.8
Share-based payments	5.5	20.8
Total compensation paid to key management personnel	18.2	32.6

REPORT OF KPMG LLP TO GVC HOLDINGS PLC ("THE COMPANY") IN RELATION TO THE COMPANY'S PRELIMINARY ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

The UK Listing Rules require that we, as independent auditor, agree to the publication of the Company's preliminary announcement of results for the year ended 31 December 2019 which comprises the Chief Executive's Review, Business Review, Chief Financial Officer's Review, Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows, and the related notes, including the summary of significant accounting policies in note 4.

At your request we have provided this report to set out the procedures performed by us to agree to the publication, the status of the audit report on the statutory financial statements, and the key audit matters addressed in that audit report in respect of the consolidated financial statements of the group.

Our audit of the statutory financial statements is complete and we have issued an unmodified audit opinion

The annual report and statutory financial statements of GVC Holdings PLC for the year ended 31 December 2019 were approved by the board on 5 March 2020.

Our audit of those financial statements is complete and we signed our auditor's report on 5 March 2020. Our opinion in that report is not modified and does not include a material uncertainty related to going concern, or emphasis of matter, paragraph.

This report is in addition to, should not be regarded as a substitute for, our auditor's report on the statutory financial statements, which has been released to the Company and will be available when the Company publishes its annual report.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, 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.

Key audit matters were addressed, and our findings are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters. The overall materiality applied in the audit of the consolidated financial statements as a whole was £20million.

In our auditor's report on the statutory financial statements of the Company, we reported on the key audit matters in respect of the consolidated financial statements of the group described in decreasing order of audit significance below. No additional work in relation to key audit matters has been undertaken for the purpose of this report.

Revenue recognition from online operations (2019: £2,116.1 million, 2018: £1,668.4 million)

Refer to note 4.2 (accounting policies) and note 5 (financial disclosures).

The risk (Data capture and processing error or fraud – Revenue from online operations): risk vs 2018 ◄► - The Group has a number of income streams across its online operations, and the accuracy and completeness of the amounts recognised from these income streams is largely dependent on the effectiveness of the operational and anti-fraud controls in place.

Revenue streams for many of the Group's products are computed on highly complex IT systems, with a number of different bases for calculating revenue. In particular, there is a risk the Group's inhouse developed IT systems, which aim to correctly calculate revenues and appropriate wins and losses, as applicable, may not be configured correctly from the outset such that commissions or winning and losing bets are calculated incorrectly.

In addition, the Group's divisions are dependent on their core finance processes and controls to accurately report and reconcile revenue transactions, and there is a risk that the customer-facing and financial information systems may not interface correctly and that unauthorised changes may be made, which may result in the misstatement of revenue.

Our response – Our procedures included:

Control operation: We utilised our own IT specialists to assess the general IT controls ("GITCs") related to access to programs and data, program change and development and computer operations by:

- Evaluating account set-up and termination of users, password restrictions, access reviews, users with superuser access, program change and development process controls, and tested whether any unauthorised changes had been made to the system. We assessed the overall IT environment, including relevant security policies and procedures, IT organisational structure, IT strategy and reporting, disaster recovery and back-up testing;
- Testing the configuration of the betting engine (Platform) that processes player activity and cash movements;
- Testing the data flow in the online betting environment (when hosted inhouse) by observing bets placed from the customer-facing systems and tracing the transactions to the platform (betting engine), and then from the data warehouse (storage) to the financial information systems (accounting records) to assess whether the information is passed appropriately from one system to another; and
- Where systems are hosted by third parties, we obtained an understanding of the nature of the services being provided. We performed audit procedures to assess whether the third party services were operating as intended. Where GITCs were not operating effectively over inhouse systems handling the transfer of data, we tested the operating effectiveness of compensating manual controls reconciling the accounting records to the third party systems.

Data comparisons: Where GITCs over inhouse managed systems handling the transfer of data were not designed and implemented effectively, we compared the amounts of revenue in the accounting records against the amounts reported in the platform (source data) for each month and by label and fully reconciled the information between systems.

Tests of details (tracing and vouching): We assessed the appropriateness of revenue recognised by:

- Tracing a sample of betting transactions through the online betting systems or to third party systems (when outsourced), and assessing that they are appropriately recorded within the financial information systems at the transaction level;
- Vouching a sample of betting transactions recognised in the period from the accounting records back to source data and reperforming the outcome of the transaction against the client's result. Where the IT controls of the online betting environment were not designed or implemented effectively, we increased our substantive testing due to the results of our controls testing, as applicable;
- Assessing the appropriateness of cash transferred between the payment service providers to corporate cash by reconciling the total revenue amounts reported by key IT systems to the amount transferred from the payment service provider to corporate cash and testing a sample of these settlements by agreeing the amounts to the relevant bank information; and
- Testing a sample of items comprising the customer liability balance and agreed the amounts recorded to the individual customer wallet at the end of the financial period.
- Obtaining external confirmation of client funds held in the PSPs and reconciling the obtained bank balance confirmation to the customers' betting accounts.

Assessing transparency: We also considered the adequacy of the Group's disclosures in respect of revenue.

Our findings – Our testing identified weaknesses in the design of IT General Controls for some of the Group's IT systems; whilst some steps had been taken in the year to remediate weaknesses identified in the prior years the remediations were not in place for all of 2019. As a result we concluded that we could not rely on IT General Controls for some of the Group's IT systems and expanded the extent of our detailed testing as appropriate. In some instances it was not possible to gain the evidence required to rely on certain IT systems and in response to this for the Online revenue streams affected we performed additional substantive testing to reconcile all revenue data recorded in the general ledger to the transactions in the betting engine or to third party data. This additional testing identified no errors in the recording of revenue transactions for the Online businesses (2018: no errors identified).

Goodwill, intangible assets and PPE impairment assessment (2019 carrying value: £5,821.7 million, 2018 carrying value: £6,324.6 million; 2019 impairment charge: £245.0 million, 2018 impairment charge: £41.3 million)

Refer to note 4.1 (accounting policy) and note 12,13 and 14 (financial disclosures).

The risk – (Forecast based valuation – Recoverability of goodwill, intangible assets and PPE): risk vs 2018 ▲- The carrying amount of goodwill, intangible assets and PPE is significant and the recoverable amount is at risk of irrecoverability due to the potential impact on the business of changes in gaming taxation and regulation. The estimated recoverable amount is subjective due to the inherent uncertainty involved in forecasting and discounting future cash flows.

The Group has recognised an impairment loss of £245 million on the goodwill on the Australian CGU as a result of changes in the market resulting in significant changes in forecast cash flows. As a result, the carrying amount of goodwill and intangible assets associated with the Australian CGU is particularly sensitive to changes in key assumptions.

The effect of these matters is that, as part of our risk assessment, we determined that the value in use of goodwill and intangible assets associated with the Australian CGU has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. The financial statements (note 12) disclose the sensitivity estimated by the Group.

Our response – Our procedures included:

Our sector experience: We evaluated assumptions used, in particular those relating to forecast revenue growth and profit margins through enquiries with the divisional managers and those responsible for preparing and delivering the forecasts.

Benchmarking assumptions: We compared the Group's assumptions in relation to key inputs such as, projected economic growth and, with the assistance of our own valuation specialist, comparing the discount rate to historical information and externally derived data.

Historical comparison: We evaluated the adequacy of the budgets and forecasts used in the value in use calculation by assessing the historical accuracy of the Group's previous budgets.

Sensitivity analysis: We performed sensitivity analysis on the key assumptions noted above**.**

Comparing valuations: We compared the net asset value of the Group with the market capitalisation of the Group and assessed whether any difference is an indicator of impairment with reference to why that difference has arisen.

Assessing transparency: We assessed whether the Group's disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflect the risks inherent in the calculation of the value in use of goodwill and trade-marks and brand name intangibles.

Our findings – As a result of our risk assessment and procedures described above we identified that the Australian CGU was the only CGU with a carrying amount subject to a high degree of estimation uncertainty. We found the estimates of the carrying amount of goodwill, intangible assets and PPE across all CGUs, and in particular in relation to the Australian CGU, to be balanced (2018: balanced) and the related disclosure to be balanced (2018: light).

Gaming taxes in immature markets (2019 provision: £49.3 million, 2018 provision: £119.0 million; 2019 prepayment: £116.0 million, 2018 prepayment: £40.5 million)

Refer to note 4.2 (accounting policy) and note 5 (financial disclosures).

The risk (Subjective judgement) – Gaming tax provisions and prepayments): risk vs 2018▼ – The business operates in a number of jurisdictions which have different gaming tax and duty regimes. For some markets in which the Group now operates or operated in the past, the tax regulations dealing specifically with online gaming businesses might not yet be formed, are unclear or continue to evolve. Changes in gaming tax and duty regimes can be announced suddenly and applied retrospectively and in these instances the Directors are required to exercise a level of judgement surrounding the interpretation and application of the tax laws which may differ from that of relevant tax authorities. The amounts involved are potentially significant, and determining the amount, if any, to be provided as a liability, is inherently subjective.

This leaves the Group exposed to risk of failure to appropriately record provisions for gaming taxes and duty as the bases of tax assessments can be subjective.

Our response – Our procedures included:

Enquiry of regulators: We requested and obtained circularisations from the gaming regulators from the key jurisdictions in which the Group operates to confirm whether the Group was up to date with its filing requirements and payment of gambling duties.

Benchmarking assumptions: We compared the Group's assessment of the level of exposure arising from changes in gaming tax legislation to third party evidence, such as the relevant tax authorities' public announcements. We assessed the potential impact on the Group in light of the degree of uncertainty and level of gaming revenue in each country to confirm that the only country identified with a significant exposure subject to a high degree of judgement was Greece.

Tests of details: We reviewed the Group's calculation of gaming tax and duty costs in the period and provisions and prepayments at the period end and assessed whether the relevant calculations had been performed accurately using the appropriate tax/duty rates. In particular we verified that provisions for Greek gaming taxes in relation to years remaining open to audit were calculated on a consistent basis to tax assessments for years already agreed with the Greek Tax authorities.

Assessing the credentials of third party tax experts: We assessed the competence and objectivity of third party experts engaged by the Group to advise on the legal position of any claims received by tax authorities; for the year ended 31 December 2019 this was in relation to legal advice given in relation to litigation with respect to Greek gaming taxes for the years 2010 and 2011.

Our tax expertise: Using our own indirect tax specialists in Greece, we determined whether advice received from third party experts is reasonable given the correspondence with the tax authorities and interpretation of the relevant legislation. We also used our own indirect tax specialists in Greece to assess whether management representations, regarding the basis of Greek gaming tax assessments for years where gaming tax audits are now closed, are consistent with confirmations received from the Greek Tax authorities.

Assessing transparency: We considered the appropriateness of the judgements taken and adequacy of the Group's disclosures in respect of key tax exposures, notably in relation to the judgement over the ongoing Greek gaming tax litigation for 2010 and 2011 and the recoverability of the related prepayments for amounts paid to the Greek tax authorities.

Our findings – In determining the treatment of gaming taxes there is room for judgement and we found that within that, the Group's judgement was balanced (2018: balanced).

In particular, with respect to the accounting for Greek gaming tax we note that the outcome could vary significantly in the future depending on the outcome of the ongoing litigation for the years 2010 and 2011. Our testing did not identify any indicators of management bias in the judgements over Greek gaming tax. We found that the disclosure regarding Greek gaming taxes were light (2018: light).

Disclosure of separately disclosed items (2019: £630.1 million, 2018: £434.2 million)

Refer to note 4.1 (accounting policy) and note 6 (financial disclosures).

The risk (Disclosure quality) – Disclosure of separately disclosed items: risk vs 2018 ◄► –There is a risk that items are classified as separately disclosed on an inconsistent basis (both within the period and between periods), are not disclosed in accordance with the Group's accounting policy on separately disclosed items and that a clear and accurate explanation of the reasons for separate disclosure items is not given in order to manipulate the presentation of performance of the business.

Our response – Our procedures included:

Tests of details: We reviewed the Group's calculations of separately disclosed items within the financial statements to assess the accuracy of the disclosures and:

- Challenged the Group's classification of separately disclosed items and assessed whether they were outside the normal course of business in accordance with the Group's accounting policy and that presentation was on a consistent basis with prior periods; and
- Agreed separately disclosed items to appropriate documentation and assessed whether they had been captured accurately.

Assessing transparency: We assessed whether the basis for separate disclosure was clearly and accurately described and consistently applied and together with reconciliations to the IFRS measures, shown with sufficient prominence in the annual report.

Our findings – We consider that there is proportionate disclosure (2018: proportionate) of the separately disclosed items and the items included as separately disclosed are balanced (2018: balanced) to allow shareholders to understand the performance of the Group. Our testing identified no errors in the adjustments made to calculate amounts disclosed as separately disclosed items (2018: no errors).

Procedures performed to agree to the preliminary announcement of annual results

In order to agree to the publication of the preliminary announcement, we conducted procedures having regard to the Financial Reporting Council's Bulletin: *The auditors' association with preliminary announcements made in accordance with the requirements of the UK Listing Rules*. Our work included considering whether:

- the financial information included in the preliminary announcement has been accurately extracted from the audited statutory financial statements, and that it reflects the presentation adopted in the audited statutory financial statements;
- based on our statutory financial statements audit work, the financial information included in the preliminary announcement is materially misstated;
- the information included in the preliminary announcement (including the management commentary) is materially consistent with the content of the annual report;
- based on our statutory financial statements audit work, the assessment of the Company's position and prospects in the preliminary announcement is fair, balanced and understandable; and
- the preliminary announcement includes the disclosures required under the UK Listing Rules.

Directors' responsibilities

The preliminary announcement is the responsibility of, and has been approved by, the directors. The directors are responsible for: preparing, presenting and publishing the preliminary announcement in accordance with the Listing Rules of the UK FCA; ensuring that its content is consistent with the information included in the annual report and audited statutory financial statements; and, as required under the UK Corporate Governance Code, for ensuring that the assessment of the Company's position and prospects in the preliminary announcement is fair, balanced and understandable.

Our responsibility

Our responsibility under the Listing Rules is to agree to the publication of the preliminary announcement based on our work. In addition, under the terms of our engagement our responsibility is to report to the Company setting out the procedures performed by us to agree to the publication, the status of the audit report on the statutory financial statements, and the key audit matters addressed in that audit report.

We do not express an audit opinion on the preliminary announcement.

We are not required to agree to the publication of the 2018 Full year Results presentation.

This report is made solely to the Company in accordance with the terms of our engagement. Our work has been undertaken so that we might state to the Company those matters we have agreed to state to it in this 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 Company for our work, for this report, or for the conclusions we have reached.

This report is not the auditor's report on the Company's statutory financial statements. It relates only to the matters specified and does not extend to the Company's statutory financial statements taken as a whole.

Michael J Harper
for and on behalf of KPMG LLP
Chartered Accountants and Recognised Auditors
15 Canada Square
London
E14 5GL

5 March 2020