1 March 2022

Flutter Entertainment plc - 2021 Preliminary Results

Recreational customers driving revenue growth; FanDuel on track for 2023 profitability in US

Flutter Entertainment plc (the "Group") announces preliminary results for year ended 31 December 2021.

	Reported[1]			Adjusted pro forma[2,3]			
	FY 2021 £m	FY 2020 £m	YoY %	**FY 2021 £m**	FY 2020 £m	YoY %	CC[4] YoY %
Average monthly players[5] ('000s)				**7,619**	6,174	*+23%*	
Group Revenue	**6,036**	4,414	*+37%*	**6,036**	5,264	*+15%*	*+17%*
Group EBITDA[6]	**723**	772	*-6%*	**1,001**	1,231	*-19%*	*-18%*
Group EBITDA excluding US				**1,244**	1,401	*-11%*	*-10%*
(Loss)/Profit before tax	**(288)**	1		**620**	813	*-24%*	*-22%*
(Loss)/Earnings per share (pence)	**(236.5p)**	29.3p		**252.7p**	496.6p	-49%	
Net Debt at period end[7]	**2,647**	2,814	*-6%*				

Operational Highlights: *all commentary on a pro forma basis*

- **Group:** Recreational customers driving revenue growth, +23% to 7.6m average monthly players[5] ('AMPs')
- **US**: FanDuel maintains #1 position due to product leadership; 40% Q4 online sportsbook market share[8]
  - Revenue growth of +113% to £1.4bn ($1.9bn); nearly 50% more than nearest competitor
  - FanDuel sportsbook and gaming business delivered positive contribution in 2021 of $14m
  - Faster adoption rates of sports betting driving states contribution positive after 12 to 24 months[9]
  - Remain on track to deliver positive EBITDA in 2023[10]
- **UK & Ireland:** Maintained leadership position with 29% share[11] despite challenging 4th quarter; Significant progress made on safer gambling initiatives and 'Affordability Triple Step' approach
- **Australia:** Excellent 2021 performance; +7 percentage point increase in online market share to 50% since 2019[11]
- **International:** PokerStars stabilised at lower profit levels with reduced regulatory risk; clear strategy for growth in select markets leveraging local and global scale, bolstered by announcement of Sisal acquisition
- **Sustainability:** launch of 'Positive Impact Plan' builds on significant progress already made
  - Global sustainability principles combined with local strategies support Flutter's corporate goals
  - Clear targets across key focus areas; customers (Play Well), colleagues (Work Better), communities (Do More)
  - New Play Well target to have 75% of all Flutter customers using safer gambling tools by 2030[12]

Financial Highlights:

- Reported revenue grew 37% benefiting from May 2020 combination with The Stars Group ("TSG") with EBITDA 6% lower reflecting increased US investment and regulatory impacts in International
- Reported loss before tax of £288m after £543m charge for non-cash amortisation from acquired intangibles
- On a pro forma basis, revenue growth of 17% with Adjusted EBITDA of £1,001m, 18% lower than 2020
- Group ex-US Adjusted EBITDA 10% lower with strong top line growth and operating leverage in Australia more than offset by (i) challenging Covid comparatives, (ii) International regulatory changes (iii) UK & Ireland safer gambling changes and (iv) customer friendly sports results in UK and Ireland
- Net debt of £2,647m at 31 December 2021 (2020: £2,814m) at a leverage ratio of 2.6 times[7] (2020: 2.3 times), or 2.1 times excluding US losses

Outlook:

- Trading in the first 7 weeks of 2022 has been in line with expectations with Group revenue up 2% year on year, reflecting strong comparatives which benefited from very favourable sports results
- Assuming a normal run of sports results, we expect revenue growth to accelerate as 2022 progresses, reflecting phasing of sports margin comparables and safer gambling measures taken in 2021
- In Russia and Ukraine, we are continuing to monitor the situation closely. Since completion of our merger with TSG, Flutter has materially reduced its exposure to the Russian online market. In 2021, Russia accounted for £41m in contribution. In addition, Ukraine represented contribution of £19m

Peter Jackson, Chief Executive, commented:

"2021 was another strong year for the Group as we made good progress against our strategic objectives and grew our recreational customer base to over 7.6m customers. Yesterday we launched our new sustainability strategy, our 'Positive Impact Plan', which will see Flutter set a positive agenda for future change. Through this strategy we will build on the significant progress already made in areas such as safer gambling and measure our performance against defined goals to demonstrate how we are responsible leaders in our industry.

In the US, we delivered over $1.9bn in revenue, leveraging our differentiated product proposition to remain the number one sportsbook in the market with a 40% share. Despite our scale we retain a challenger mindset; this year we launched a number of new features to our market-leading same game parlay product, maintaining our competitive advantage in sports. I'm also pleased to see the progress on our path towards profitability; FanDuel sportsbook and gaming business delivered positive contribution in 2021 for the first time, a significant milestone for the brand.

In the UK and Ireland, we stepped up our safer gambling efforts and increased protections for our customers ahead of anticipated regulatory change. We also welcomed Tombola, the UK's leading recreational bingo brand, to the Group in early January. In Australia, Sportsbet delivered another strong performance demonstrating once again the benefits of securing a gold medal position in our key markets.

In International, investments made since acquiring PokerStars have put it on a more sustainable footing and while this has resulted in reduced profitability, the necessary foundations for future growth are now in place. Notwithstanding regulatory changes in Germany, Netherlands and elsewhere, we saw good momentum across key markets such as Brazil, Canada and Georgia. In addition, the announcement of our acquisition of Sisal will further enhance both the quality and shape of our International division.

Overall, I am pleased with the progress we have made during 2021 and believe Flutter is exceptionally well positioned for future growth."

Notes:

[1] Reported represents the IFRS reported statutory numbers. Where amounts have been normalised for separately disclosed items they are noted as Adjusted.

[2] "Adjusted" measures exclude items that are separately disclosed as they are: (i) not part of the usual business activity of the Group (ii) items that are volatile in nature and (iii) purchase price accounting amortisation of acquired intangibles (non-cash). Therefore, they have been reported as "separately disclosed items (SDIs)" (see note 6 to the financial statements).

[3] Flutter's combination with TSG completed on 5 May 2020. Pro forma numbers show the Group's financials with TSG included for a full 12-month period in 2020. Junglee, acquired in January 2021 and Singular acquired in September 2021, have not been included on a pro forma basis. See Appendix 2 for a reconciliation of pro forma results to statutory results.

[4] Constant currency ("cc") growth is calculated by retranslating the non-sterling denominated component of 2020 at 2021 exchange rates (see Appendix 4). Growth rates in the commentary are in local or constant currency.

[5] Average Monthly Players represent the average number of players who have placed and/or wagered a stake and/or contributed to rake or tournament fees during the month in the reporting period. AMP numbers do not include Junglee in 2020 or 2021 to allow for better comparability of underlying player growth for International and Group.

[6] EBITDA is defined as profit for the period before depreciation, amortisation, impairment, gain on disposal, financial income, financial expense and taxation and is a non-GAAP measure.

[7] Net debt is the principal amount of borrowings plus associated accrued interest, minus cash & cash equivalents plus/minus carrying value of debt related derivatives. Leverage is calculated using pro forma Adjusted EBITDA for the appropriate 12-month period.

[8] Online sportsbook market share is the GGR market share of FanDuel and FOX Bet for Q4 2021 in the states in which FanDuel was live based on published gaming regulator reports in those states. During Q4 2021 FanDuel was live in 12 states; Arizona (AZ), Colorado (CO), Connecticut (CT), Illinois (IL), Indiana (IN), Iowa (IA), Michigan (MI), New Jersey (NJ), Pennsylvania (PA), Tennessee (TN), Virginia (VA) and West Virginia (WV). During 2021 FOX Bet was live in 4 states; CO, NJ, MI and PA. Market share does not include Arizona for December as the data has yet to be released.

[9] Contribution is gross profit less sales and marketing expense. This guidance excludes high tax states, such as New York.

[10] 2023 profit projection is based on current timing expectations of regulatory developments and new state launches in 2022 and 2023.

[11] Total NGR online market share in the UK and Ireland based on internal estimates. Total NGR online market share of Sportsbet based on competitor reporting and internal estimates.

[12] Global Play Well goal measured as the % of active online customers who use a safer gambling (Play Well) tool in the specified reporting period. Active players are defined as any players who have placed and/or wagered a stake and/or contributed to rake or tournament fees during the month in the reporting period. A safer gambling tool is any tool that a customer has used (or Flutter has applied to a customer) in the reporting period that helps to promote safer gambling. For the purposes of the 2021 measure Adjarabet and Junglee have been excluded. We will look to align with AMP reporting and work on expanding to include further brands as appropriate as we evolve our Play Well strategy.

The person responsible for arranging release of this Announcement on behalf of Flutter is Edward Traynor, Company Secretary of Flutter.

Analyst briefing:

The Group will host a presentation for institutional investors and analysts this morning at 9:00am (GMT). The presentation will be webcast live on the Group's corporate website (www.flutter.com/investors) and a conference call facility will also be available. To dial into the conference call, participants need to register here where they will be provided with the dial in details to access the call.

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Business review [1,2,3,4,5]

2021 was a year of strong progress for Flutter. The Group delivered pro forma revenue growth of 17% driven by an increase in our recreational player base of 23%, with reported revenue increasing 37%. Flutter delivered Adjusted EBITDA of just over £1bn. This represents a reduction of 18% year on year (reported EBITDA reduced 6%). Excellent growth and operating leverage in Australia was more than offset by a combination of factors including (i) increased investment in US customer acquisition as we expanded our footprint to 4 new states, (ii) challenging Covid comparatives, (iii) the impact of regulatory changes in our International markets and safer gambling changes within our UK & Ireland business and (iv) a material swing in sports results, particularly in the UK & Ireland.

We delivered on our key strategic objectives: In the US we continued to lead, with FanDuel remaining the clear market leader in online sportsbook, delivering a 40% share of the market in Q4[6]. The benefits of our superior product offering and scale are driving our US business towards profitability, with FanDuel's sportsbook and gaming business delivering positive contribution in 2021 for the first time. In our core markets of UK and Ireland and Australia, we retained our gold medal positions and in Q4, we bolstered our offering with the announcement of the acquisition of Tombola, the market leading bingo operator. In International, we have stabilised our poker market share, made good progress in key markets of focus and strengthened our international footprint with the acquisition of both Junglee in India and the announced acquisition of Sisal in Italy.

We made meaningful progress in improving the sustainability of our earnings. During 2021 we introduced enhanced safer gambling measures across the Group, continuing to re-shape our UK customer base in particular, with the proportion of revenue from higher value cohorts reduced by more than 50% since 2019. The significant investment we have made in PokerStars over the last two years to better position it for future growth is showing encouraging signs of progress. Our continued focus on investment in regulated markets meant that over 91% of Group revenue was generated in regulated markets during Q4 2021.

Refreshed four pillar strategy

The scale and geographic footprint of Flutter has been transformed since we set out our original strategy in 2018. We have increased profitability in our core markets (UK, Ireland and Australia), significantly expanded our international footprint with the addition of Adjarabet, PokerStars and Junglee, added podium positions in additional international markets and grown the FanDuel business to become the market leader in the US today.

We are now refreshing our strategy, including establishing more clearly defined sustainability goals. This refreshed strategy is designed to help us defend our number one positions in existing markets and to ensure that we continue to capitalise on future potential opportunities. Our revised four pillars are to:

1. **Grow gold medal positions in core markets** by maintaining focus on growing our recreational customer base, continuing to extend our product and brand leadership positions and leveraging our local scale to drive efficiency

2. **Invest to win in the US** by solidifying FanDuel's leadership position as the #1 sportsbook in the US, improving our iGaming proposition to establish a clear podium position and continuing to exploit the flywheel to maintain leadership

3. **Build on our network and invest for leadership across international markets** by continuing to revitalise the PokerStars business, scaling our casino offering through cross-sell and direct acquisition, building a lead in sports betting through our multi-brand portfolio and buying businesses with podium positions in attractive markets which Flutter can further develop

4. **Take early positions to realise future potential in future spaces** by continuing to nurture an innovative mindset, identifying adjacent opportunities to reinforce and future-proof our business and taking early positions to broaden our customer base. We are already doing this with our PokerStars Virtual Reality immersive digital poker and casino experience, the best iGaming experience available in virtual reality

The key enablers of our strategy are (i) sustainability (ii) speed (iii) customer insight and data (iv) product and technology and (v) scale. While each is crucial to delivering our goals and objectives, we particularly recognise the importance of being a responsible global leader in the sector, placing sustainability at the heart of what we do through the launch of our new sustainability strategy, our Positive Impact Plan.

Flutter's new sustainability strategy, our Positive Impact Plan

Yesterday we launched Flutter's new sustainability strategy, our Positive Impact Plan. Built on Flutter's responsible business foundations, the Positive Impact Plan brings together the significant progress made globally across our three key focus areas; our customers, colleagues and communities, creating a consistent global approach that supports our overall corporate strategy. This ensures that our divisions get greater access to the insight, skills and capabilities of the wider Group while also being empowered to innovate and respond effectively to their local contexts and deliver local initiatives that have the maximum impact.

The Positive Impact Plan focuses on three areas of sustainability for the future, with clear targets set to:

- Help customers **play well**: by 2030 75% of our online customers will use a safer gambling tool (reaching 50% by 2026)[7]
- Empower colleagues to **work better**: by 2030 our teams will be representative of the places in which we live and work
- Work with communities to **do more**: by 2030 we will improve the lives of 10 million people

Further information in relation to our Positive Impact Plan is available here.

Safer gambling progress in 2021 and launch of the Flutter "Play Well" strategy

During 2021 we further enhanced our safer gambling measures across the Group, investing over £45m in advertising, research, people and training. In the UK and Ireland we introduced several new measures such as a £10 staking limit trial across all our online slots games and brands and a ban on credit card deposits in Ireland. We also continued to iterate our "Triple Step" approach to affordability:

- **New customers:** are now subject to tailored monitoring in the initial period post registration, with thresholds dependent on age. SBG introduced mandatory deposit limits in January 2021 for younger customers with this set to be rolled out for all under 25s across our other brands this year.
- **Ongoing monitoring:** we made various enhancements to our proprietary technology, in use for a number of years, to track and monitor customer behaviour. We issued approximately 5.3m automated communications to customers encouraging safer gambling awareness and positive play during 2021. Enhanced financial vulnerability checks were rolled out on a trial basis to a proportion of our customers since Q4 2021. A range of spend checks and limits are also applied across all brands with thresholds based on age.
- **Backstops:** annual thresholds are being put in place across all brands to ensure that customers are protected where our new customer and/or ongoing monitoring controls do not trigger an engagement. These ensure that at a particular level of spend, customer activity is reviewed with support provided where required.

In Australia we launched our "Take a sec before you bet" campaign in July, encouraging customers to put deposit limits in place and we continue to utilise our proprietary technology to monitor customer behaviour and engage with our customers where we believe interaction is warranted. In the US, FanDuel partnered with the American Gaming Association and announced its partnership with Craig Carton in promoting positive play in the growing US market.

Play Well strategy

Extending our leadership in safer gambling, our new Play Well strategy builds on the progress we have made in recent years within each of our divisions, bringing it together in an overarching set of universal principles and guidelines. With a presence across a multitude of regulatory environments and cultures, we know there is no "one-size-fits-all" solution to promoting safer gambling. Instead there are universal principles we can employ across our divisions, leveraging global scale, capability and expertise to provide players with the tools, information and support they need to Play Well.

In 2022, we are introducing locally tailored Play Well metrics, directly linked to colleague bonuses for each of our divisions. These metrics have been developed on a divisional basis to ensure that each business is focused on the initiatives that will support and promote their local safer gambling strategies, taking into account individual markets and contexts, whilst being consistent with our global Play Well principles.

In addition to division specific targets, we have also set ourselves an ambitious Group goal to have 75% of our online customers using safer gambling tools by 2030, with over 50% doing so within five years. (2021: 34.7%)[7]

2021 review

US

In the US, our business has significantly expanded in scale during 2021, as we leveraged the 'flywheel effect' to accelerate growth. With revenue of $1.9bn, 47% more than our next nearest online competitor, our advantage is compounding, providing us with the additional firepower required to continue to invest heavily in both product and customer acquisition. Since launching our first online sportsbook in the summer of 2018, we have now acquired over 3.9 million sports betting and gaming customers. At our 2021 interim earnings announcement we outlined the key drivers of our success in the US and during the second half we made further enhancements across a number of these areas.

Product

We continued to innovate on product by expanding the breadth of our proprietary and market leading Same Game Parlay™ ("SGP") product. We now provide players with the ability to (i) combine SGPs on multiple different games into a single bet, (ii) place a SGP in-play on certain sports, and (iii) place a SGP on college football. We have now completed development of in-house pricing for college basketball, increasing the proportion of our handle that is priced in-house to 80%. The combination of better pricing accuracy and a greater proportion of handle coming from higher margin parlay products means that we generated 340 basis points more in gross margin than our competitors during Q4 (Q2: 300 basis points higher).

In gaming we are increasingly focused on improving our overall customer proposition to establish a clear podium position. Following a period of significant focus on sports we have scaled up our gaming team by adding nearly 100 colleagues, including the addition of gaming experts from around the Group. We continued to make incremental product improvements by enhancing how we communicate with and reward casino players, while also making gaming more accessible for sportsbook players.

The FanDuel brand

The FanDuel brand continues to resonate strongly with sports bettors. We have the leading share of voice in the market, with a focus on ensuring high levels of brand visibility throughout the year, not just during seasonal peaks. We have recently added and/or extended several key partnerships, including the NFL, NBA and with Pat MacAfee, locking in important assets for multiple years. We invested over $1bn in promotions, sales and marketing across our US business in 2021.

These competitive advantages have enabled us to consolidate our combined overall leadership position in the US online market, a market which has grown by over 120% since Q4 2020:

- Our sports-betting share in Q4 was 40%[6]
- Our online gaming share in Q4 was 20%[6]
- Our overall online market share in Q4 was 31%[6]

This leading revenue share is moving FanDuel closer to a position of profitability. In 2021 FanDuel became the first large scale online brand to generate a positive in-year contribution from sports betting and gaming in the US. FanDuel generated contribution of £9m ($14m) in 2021, with the positive contribution from more mature states (such as New Jersey, Pennsylvania, Indiana and Illinois) more than offsetting the material investment in large states newly launched in 2021 (Michigan, Virginia, Arizona and Connecticut).

Encouragingly as we expand into further new states, we are seeing faster adoption rates for online sports betting. This results in bigger initial losses in the early months post a state launch as we acquire more customers. However, when combined with better retention rates and our product mix advantages, we now expect new states to generate positive contribution after 12 to 24 months post launch, in contrast to the 18 to 30 month guidance we provided in 2019. Such guidance excludes a higher tax state such as New York.

Based on our current expectations relating to the timing of new state regulation in 2022 and 2023, we remain confident that our US business will be EBITDA profitable in 2023. The timing of regulatory developments and new state launches can be difficult to predict and any variance to our expectations across these two years could affect the timing of profitability being reached, particularly if an unexpected large state such as California launches in 2023.

Our online sportsbook is currently available in 14 states following successful launches in New York and Louisiana in early 2022. In New York, we have already acquired over 400,000 new sports betting customers since launch.

UK & Ireland

In 2021 we maintained our leadership position of the UK and Ireland online markets with a 29%[8] market share (2020: 29%), driven by a focus on recreational customer growth. Our total AMPs increased by 25%, resulting in online revenue growth of 3%. The relative lower rate of revenue growth reflected several key factors including challenging Covid comparatives, adverse sports results and a general slowdown in the UK online market, particularly in Q4.

Despite a more challenging environment we continued to innovate on product. During the year we leveraged Group technology, pricing and risk management capabilities to launch *"Popular Betbuilder"* on our Paddy Power sportsbook. On the gaming side we saw good retention driven by the launch of Sky Vegas live, the roll out of PokerStars gaming content across both Paddy Power and Sky Vegas brands (via the Group Gaming Network) and the continued benefit from our daily prize mechanics across all three brands.

An unprecedented run of customer-friendly sports results in 2021 cost the division £232m in revenue year-on-year (before adjusting for recycling), £149m of which was in Q4 alone. In addition, relaxation of Covid-related restrictions led to customers spending a greater proportion of leisure time on other activities. A combination of the factors above resulted in us observing materially lower levels of customer recycling (than we have seen historically) during the fourth quarter.

Safer gambling improvements in 2021, together with the other changes implemented in recent years, have resulted in our player base becoming more recreational. For example, since H2 2019, we have reduced revenue coming from higher value bands by more than 55%. While it is challenging to quantify exactly what the cost of new safer gambling measures have been (because we cannot be definitive on how all player behaviour has changed in response), our best estimate is that the total revenue impact in 2021 alone was in excess of £90m. While we recognise that the improvements we have made, and continue to make, will impact near term growth, they will better position the business longer-term. As we assess the outlook for longer term customer economics, we are also reviewing the cost base of the business to ensure that it is appropriate going forward.

The UK Government's review of the Gambling Act is ongoing and we are hopeful that we will get improved visibility on the future shape of the industry in Q2 in the form of the government's White Paper publication. While this document should provide some clarity on the shape of future changes, we believe that the impacts will ultimately be phased over the coming years. In Ireland, the legislative process to establish a gambling regulatory authority has commenced which we welcome.

Australia

Sportsbet delivered another excellent performance, clearly displaying the benefits that can be derived from attaining significant local scale. In 2021, Sportsbet had over one million AMPs, an increase of 60% on 2019. This has resulted in a 7 percentage point increase in online market share in this period, to 50% in 2021[8].

We continue to win in our key battlegrounds of product, value and marketing. In Q4, we launched 'Bet returns for SGM' which combines the great customer experience of our personalised generosity offering with our market leading Same Game Multi product. This followed our highly successful "Bet with Mates" product which launched in H1.

In H2, over 60% of the Australian population experienced the reintroduction of Covid related restrictions (which had been removed for most of H1). As trading conditions normalise in 2022, we will continue to invest in offering outstanding value for money to retain leisure spend from migrated players. As outlined at our September investor day (here), the medium-term outlook for Sportsbet remains compelling; with growth likely to be driven by the growing financial maturity of our existing player base as well as the continued conversion of non-betting sports fans and retail gamers. Sportsbet continues to provide a template for what can be achieved in other International markets as we look to leverage the Group's scale.

International

As expected, the easing of Covid restrictions during 2021 resulted in a reduction in revenues in our International division, with the normalisation of customer engagement following elevated levels in 2020. In addition, the pro-active compliance measures we introduced following the TSG merger and the adverse changes to regulation in both Germany and the Netherlands created headwinds for the business. Positively, underlying growth in key markets of focus such as Brazil, Canada and Georgia during 2021 has been encouraging.

At the time of the TSG merger we identified various improvements required to position the business for future success and to correct for historic underinvestment in certain key areas. While much of this investment was foreseen, a number of unexpected headwinds have materially impacted revenues (e.g. adverse FX movements, Dutch regulation, and alignment of PokerStars' standards of compliance with those of Flutter). As such, the last two years has seen a significant reshaping of the International division. We have materially reduced the division's risk profile, albeit at a lower level of profitability. We have developed a clear growth strategy with an emphasis on key geographical markets, supplemented by the acquisition of Junglee and the recently announced acquisition of Sisal.

We significantly increased investment in order to revitalise PokerStars and have rebased the business, delivering:

- A stabilised poker market share via an improved customer proposition and the launch of our new PokerStars reward scheme in October, which resonated well with customers. Stabilising our poker customer base is crucial for cross-sell into casino.
- An improved product mix through investment in direct casino acquisition with the launch of our "Epic Downtime" PokerStars Casino campaign. We continued to broaden our gaming content, leveraging our three Flutter in-house gaming studios. Over 45% of Q4 PokerStars' gaming revenues came from casino products (Q4 2019: 35%).
- An improved regulatory profile with 63% of International revenues generated in regulated markets in Q4 2021 compared with 48% in H1 2019. We believe that reducing exposure to higher risk jurisdictions, even if that means delivering lower levels of profitability in the short-term, is the right approach to put the business on a more stable footing for future growth.

While the investment required to rebuild capabilities and brand strength has been extensive, our strategy is showing progress. On an organic basis, stripping out the adverse impacts of regulatory changes, the International division has delivered compound annual double digit revenue growth since 2019. Progress in our key markets has been as follows:

- **Italy:** recently announced acquisition of the Italian omni-channel operator Sisal, owner of Italy's number one online brand, which will propel Flutter into a leadership position in Italy
- **Georgia and Armenia:** market leadership positions in both countries due to Adjarabet's exceptional performance, with EBITDA almost doubling year-on-year
- **Canada:** PokerStars brand strength evident with high brand awareness as the market moves toward regulation
- **Brazil:** Betfair drove triple digit AMP growth following our step up in marketing investment in H1
- **India:** added podium position via Junglee which has performed well, with AMPs in Q4 doubling year-on-year amid a more positive regulatory outlook

As we look to the future, we will focus on building leading positions in focussed markets organically or through acquisition where we find businesses with strategic moats around them. These markets of focus vary in terms of maturity but over the next five years we expect them to have an addressable market size of approximately £26bn. Given Flutter's scale and superior capabilities, we believe the International division is in an excellent position to capitalise on the opportunities across these markets.

Capital structure and balance sheet update[9]

At 31 December 2021, the Group had gross debt of £3,599m[10] and a net debt position of £2,647m, representing a leverage ratio of 2.6 times. The Group's capital structure has evolved during the period due to:

- A refinancing of Group debt in mid-July, which significantly reduced the effective cost of debt and increased available liquidity
- The sale of Oddschecker Global Media on 31 August for an enterprise value of £135m
- Acquisition of Junglee and Singular

Post period end, the Group completed the acquisition of Tombola based on an enterprise value of £402m (10 January 2022). In December, the Group announced the acquisition of Sisal, Italy's leading online gaming operator for a consideration of £1.6bn. The transaction is expected to complete in Q2 2022 once all necessary regulatory approvals have been received.

These acquisitions will result in an increased leverage ratio in the near term. However, the Group continues to generate significant free cash flow which will help it to de-lever quickly. The Group remains committed to its medium-term leverage target of 1-2 times and the Board will review the Group's dividend policy once leverage returns to these levels.

Other updates

As previously disclosed, the Group is in a legal arbitration process with FOX Corporation with respect to its option to acquire an 18.6% stake in FanDuel and related issues. Despite this, both sides have continued active discussions to determine whether an agreement can be reached. While those discussions have been productive and have advanced materially, it remains unclear at this time as to whether agreement can be concluded. As a result, the arbitration is proceeding in parallel with a hearing date now set for 20 June 2022. Should the parties not reach agreement in the interim, this hearing will proceed and we expect will result in a binding decision by the arbitrator in Q3 2022. The Group continues to vigorously defend its position.

Operating and financial review[1-5,9-12]

Pro forma review

Group

Unaudited Adjusted Pro forma	**FY 2021 £m**	FY 2020 £m	Change %	CC Change %
Average monthly players ('000s)	**7,619**	6,174	*+23%*	
Sports revenue	**3,774**	3,000	*+26%*	*+27%*
Gaming revenue	**2,262**	2,264	*—%*	*+4%*
Total revenue	**6,036**	5,264	*+15%*	*+17%*
Cost of sales	**(2,262)**	(1,782)	*+27%*	*+29%*
Cost of sales as a % of net revenue	***37.5%***	*33.8%*	*+360bps*	*+350bps*
Gross profit	**3,774**	3,483	*+8%*	*+11%*
Sales and marketing	**(1,508)**	(1,130)	*+33%*	*+38%*
Contribution	**2,266**	2,353	*-4%*	*-2%*
Other operating costs	**(1,164)**	(1,000)	*+16%*	*+19%*
Corporate costs	**(101)**	(121)	*-17%*	*-13%*
Adjusted EBITDA[1,2]	**1,001**	1,231	*-19%*	*-18%*
Adjusted EBITDA margin %	***16.6%***	*23.4%*	*-680bps*	*-700bps*
Depreciation and amortisation	**(255)**	(241)	*+6%*	*+7%*
Adjusted[1] operating profit	**746**	990	*-25%*	*-24%*
Adjusted[1] basic earnings per share	**252.7p**	496.6p	*-49%*	
Net debt at period end	**2,647**	2,814	*-6%*	

Note: Flutter's combination with TSG completed on 5 May 2020. The pro forma financials include TSG for a full 12-month period in both 2020 and 2021. Junglee, acquired in January 2021 and Singular acquired in September, have been included on a reported basis due to materiality. A full analysis of the Group's reported performance can be found at pages 18-19. A reconciliation of the Group's pro forma performance to the Group's consolidated income statement is included at Appendix 2.

In 2021 pro forma revenue grew 17% to £6.0bn driven by AMP growth of 23% to 7.6m. This player growth was driven by the expansion of our recreational base in the UK and Ireland, and Australia, along with the regulation of sports betting and gaming in further US states.

Sports revenue increased 27% to £3.8bn, with expansion into four additional US states and continued strong momentum in Australia. Sports net revenue margin declined 100 basis points year-on-year due to less favourable sports results in the UK and Ireland. Gaming revenue increased 4%, with growth in the US partly offset by tougher comparatives in our International division as a result of the elevated levels of player engagement during the lockdown period of Q2 2020.

Cost of sales as a percentage of net revenue increased by 350 basis points to 37.5% with a greater proportion of revenue coming from the US where direct costs are higher. Additionally, the increase in regulated revenue also led to higher gaming taxes.

Sales and marketing costs grew by 38%, mainly reflecting a doubling of US investment to support significant new customer acquisition. US expansion is also the key driver of the year-on-year increase in other operating costs. For Group ex-US, other operating costs increased by just 2%. Corporate costs remain tightly controlled, benefiting from the realisation of £19m in merger related synergies.

In total, merger related cost synergies of £113m were delivered in 2021, ahead of the £90m expected in-year due a faster realisation in most divisions. We remain on track to deliver synergies of £170m by 2023.

Adjusted EBITDA was £1.0bn with the US investment-led loss increasing by £81m to £243m. For Group ex-US, adjusted EBITDA was 10% lower as strong top line growth and operating leverage in Australia was more than offset by the various factors referenced above that impacted our International and UK & Ireland divisions.

The Adjusted effective tax rate for the Group was 26.8% (2020: 13.2%) driven by the geographic mix of profits during the year as US losses increased where no deferred tax benefit was recognised, and the proportion of profits in higher tax jurisdictions such as Australia also increased. Excluding the US, the Adjusted effective tax rate was 18.5% (2020: 10.4%)

Adjusted basic EPS reduced from 497p to 253p reflecting the increased tax charge in the current period and a higher share count in 2021. Our acquisition of the additional stake in FanDuel in December 2020 was mainly settled via the issuance of shares directly to Fastball and through an equity raise.

Net debt as at 31 December 2021 of £2,647m was 6% lower than the prior year despite the free cash flow generated by the operating activities of the Group being used to pay expenses such as the settlement of a historic legal case with the Commonwealth of Kentucky and the purchase of shares for FanDuel incentive schemes.

A full analysis of the Group's reported performance can be found at pages 18-19.

UK & Ireland

Unaudited Adjusted Pro forma	UK & Ireland Total			*UK & Ireland Online*			*UK & Ireland Retail*		
	FY 2021 £m	FY 2020 £m	Change %	***FY 2021 £m***	*FY 2020 £m*	*Change %*	***FY 2021 £m***	*FY 2020 £m*	*Change %*
Average monthly players ('000s)				**3,153**	2,532	*+25%*			
Sportsbook stakes	**11,376**	9,400	*+21%*	**10,473**	8,401	*+25%*	**904**	998	*-9%*
Sportsbook net revenue margin	***9.9%***	*12.0%*	*-210bps*	***9.7%***	*11.7%*	*-200bps*	***12.6%***	*14.3%*	*-170bps*
Sports revenue	**1,282**	1,286	*—%*	**1,168**	1,143	*+2%*	**114**	143	*-20%*
Gaming revenue	**781**	743	*+5%*	**721**	686	*+5%*	**60**	57	*+5%*
Total revenue	**2,063**	2,029	*+2%*	**1,889**	1,829	*+3%*	**174**	200	*-13%*
Cost of sales	**(621)**	(577)	*+8%*	**(581)**	(534)	*+9%*	**(40)**	(44)	*-9%*
Cost of sales as a % of net revenue	***30.1%***	*28.5%*	*+170bps*	***30.8%***	*29.2%*	*+160bps*	***22.9%***	*21.8%*	*+100bps*
Gross profit	**1,442**	1,451	*-1%*	**1,308**	1,295	*+1%*	**134**	156	*-14%*
Sales and marketing	**(391)**	(375)	*+4%*	**(384)**	(369)	*+4%*	**(6)**	(6)	*-2%*
Contribution	**1,051**	1,077	*-2%*	**923**	927	*—%*	**128**	150	*-15%*
Other operating costs	**(435)**	(446)	*-2%*	**(298)**	(298)	*—%*	**(138)**	(148)	*-7%*
Adjusted EBITDA[1,2]	**616**	630	*-2%*	**626**	629	*—%*	**(10)**	2	*-647%*
Adjusted EBITDA margin	***29.9%***	*31.1%*	*-120bps*	***33.1%***	*34.4%*	*-130bps*	***(5.6%)***	*0.9%*	*-650bps*
Depreciation and amortisation	**(126)**	(119)	*+6%*	**(85)**	(77)	*+11%*	**(41)**	(43)	*-4%*
Adjusted[1] operating profit	**490**	511	*-4%*	**541**	552	*-2%*	**(50)**	(41)	*+23%*

The UK & Ireland division operates Paddy Power, Betfair and Sky Betting & Gaming brands online, as well as retail operations in the UK and Ireland.

UK & Ireland Online

Performance during 2021 was driven by several factors:

- Good AMP volumes, especially in gaming, albeit with a reduction in customer engagement levels (during Q4 in particular) versus the elevated levels seen in prior Covid affected periods
- A higher volume of sporting events compared with the prior year which contributed to 25% growth in staking
- Net revenue margin 10 basis points below expected margin (2020: 270 basis points favourable) resulted in an adverse 280 basis point sports results impact. This equates to a £232m year-on-year impact in revenue before adjusting for customer recycling (Q4: £149m)
- A lower level of recycling compared with historic trends
- New safer gambling measures which impacted revenue by £93m, £37m of which related to Q4[13]

AMP growth of 25% translated into a revenue increase of just 3% due to the significant swing in sports results year-on-year. Given the complexity of Covid comparatives, a year-on-two-year comparison provides a cleaner view of growth, with compound annual revenue and AMP growth of +12% and +13% respectively since 2019. Adjusting for safer gambling impacts in 2021 and the impact of adverse sports results, the equivalent revenue CAGR would be 15%.

Sports revenue increased by 2%, with staking growth of 25% offset by net revenue margins which were 200 basis points lower year-on-year at 9.7% due to adverse sports results. Increased penetration of higher margin *"Betbuilder"* products and enhancements to our pricing and risk management capabilities both helped to structurally increase our expected margin, helping to partly mitigate the adverse sports results.

Online gaming revenue grew by 5% during the year reflecting good customer engagement across our brands, with AMPs up 22% despite the market slowing in Q4. AMP growth exceeded revenue growth, demonstrating how the changes to safer gambling measures are reducing average revenue per user ("ARPU"), as well as the increased recreational nature of the customer base.

Cost of sales as a percentage of revenue increased by 160 basis points to 30.8% reflecting increased streaming costs and a higher effective tax rate due to increased promotional spend during the year.

Sales and marketing increased by 4% reflecting increased investment ahead of the European football championships and increased spend on safer gambling campaigns which was partly offset by synergy benefits realised during the year. Sales and marketing as a percentage of revenue increased in H2 although absolute spend was down due to the sports results impact on top line.

Other operating costs were flat year-on-year. We experienced some inflationary pressures in employee pay and made incremental investment in safer gambling capabilities and research, education and training (RET) funding. These were offset by the sale of Oddschecker at the end of August, resulting in a reduction in associated operating costs.

Online EBITDA was flat year-on-year at £626m.

UK & Ireland Retail

Retail revenue declined by 13% in 2021, reflecting the impact of Covid related shop closures and social distancing restrictions that were in place during the year. Both estates remained shut throughout Q1, with our UK shops re-opening in April and our Irish shops re-opening in May.

Revenue in the second half of the year was approximately 85% of 2019 levels, with a stronger performance in the UK than in Ireland. In the UK we have been pleased with footfall. Revenue performance in H2 was in line with that of 2019, benefiting in particular from a strong gaming performance, with gaming revenues 13% higher than 2019. In Ireland by contrast, revenue in H2 remained at just 67% of 2019 levels, with performance reflecting a higher level of societal caution in relation to Covid.

Other operating costs declined by 7% to £138m, despite the Group continuing to fund all staff costs without accessing offered government supports.

The business incurred a £10m Adjusted EBITDA loss for the year, with EBITDA of £29m in H2.

Australia[4]

Unaudited Adjusted Pro forma	FY 2021 £m	FY 2020 £m	Change %	CC Change A$
Average monthly players (‘000s)	**1,008**	794	*+27%*	
Sportsbook stakes	**11,702**	9,713	*+20%*	*+20%*
Sportsbook net revenue margin	***11.1%***	*11.1%*	*—bps*	*—bps*
Total revenue	**1,294**	1,075	*+20%*	*+20%*
Cost of sales	**(636)**	(520)	*+22%*	*+22%*
Cost of sales as a % of net revenue	***49.2%***	*48.4%*	*+80bps*	*+80bps*
Gross profit	**658**	555	*+18%*	*+18%*
Sales and marketing	**(119)**	(129)	*-8%*	*-9%*
Contribution	**539**	426	*+26%*	*+26%*
Other operating costs	**(102)**	(108)	*-5%*	*-6%*
Adjusted EBITDA[1,2]	**437**	318	*+37%*	*+37%*
Adjusted EBITDA margin	***33.7%***	*29.6%*	*+420bps*	*+420bps*
Depreciation and amortisation	**(26)**	(30)	*-16%*	*-17%*
Adjusted[1] operating profit	**411**	288	*+43%*	*+42%*

Australia encompassed Sportsbet, which offers online sports betting, in 2021 following the migration to a single brand in September 2020.

Sportsbet grew Adjusted EBITDA by 37% in 2021 to £437m delivering another excellent performance. Our Australian division’s scale has been transformed over the last two years with compound annual Adjusted EBITDA growth of 64% since 2019. This has been driven by:

- Compound growth of 38% in revenue and 27% in customers to over one million AMPs. Our market leading product and value propositions have resonated strongly with both existing players and those that migrated from retail during Covid
- Realisation of over £50m in synergy benefits from the merger with TSG which, when combined with our efficient operating model, reduced operating costs as a % of revenue by 15 percentage points to 17.1% in 2021

In 2021, Sportsbet delivered player growth of 27% which drove a 20% increase in both sportsbook stakes and revenue. Strong retention of the players that migrated online during 2020 and further benefit from Covid related restrictions re-introduced in the second half of 2021 were key contributors to this growth.

Sportsbook net revenue margin was in line with the prior year at 11.1%, with both periods benefitting from circa 60 basis points of favourable sports results above expectations. In 2021, improvements to our structural margin from changes in bet mix were offset by an increase in personalised generosity to attract and retain players.

Sales and marketing declined by 9%, or 280 basis points as a percentage of revenue, benefitting from synergies associated with operating a single brand in Australia from September 2020. In absolute terms, spend has remained near pre-merger levels for the combined brands, reflecting continued significant investment in the Sportsbet brand to maintain its market leading position. Other operating costs declined by 6% due to merger related synergies.

These cost efficiencies continue to deliver excellent operating leverage, with Adjusted EBITDA as a % of revenue increasing 420 basis points to 33.7%.

***International*[4]**

Unaudited Adjusted Pro forma	**FY 2021 £m**	FY 2020 £m	Change %	CC Change %
Average monthly players ('000s)	**1,901**	1,938	*-2%*	
Sportsbook stakes	**1,592**	1,368	*+16%*	*+21%*
Sportsbook net revenue margin	***8.7%***	*8.5%*	*+20bps*	*+20bps*
Sports revenue	**220**	180	*+22%*	*+26%*
Gaming revenue	**1,068**	1,285	*-17%*	*-13%*
Total revenue	**1,288**	1,465	*-12%*	*-8%*
Cost of sales	**(392)**	(365)	*+7%*	*+12%*
Cost of sales as a % of net revenue	***30.4%***	*24.9%*	*+550bps*	*+530bps*
Gross profit	**897**	1,100	*-19%*	*-14%*
Sales and marketing	**(335)**	(279)	*+20%*	*+27%*
Contribution	**562**	822	*-32%*	*-28%*
Other operating costs	**(270)**	(248)	*+9%*	*+9%*
Adjusted EBITDA[1,2]	**292**	574	*-49%*	*-46%*
Adjusted EBITDA margin	***22.7%***	*39.2%*	*-1,650bps*	*-1,580bps*
Depreciation and amortisation	**(52)**	(50)	*+4%*	*+6%*
Adjusted[1] operating profit	**240**	524	*-54%*	*-51%*

International includes PokerStars, Adjarabet, Betfair and Junglee brands which offer online poker, casino, sports betting, rummy and daily fantasy products. Excludes PokerStars US business and Betfair UK and Ireland operations.

Our International division delivered revenues of £1.3bn, 8% lower than the prior year (H1 -11%, H2 -4%). AMPs were down 2% year-on-year (Q3: -2%, Q4: flat) with Adjusted EBITDA of £292m. Several key factors contributed to these results:

- Challenging prior year comparatives as a result of the extended Covid related lockdowns; we previously disclosed that the revenue uplift in H1 2020 was estimated to be £205m with a benefit in H1 2021 of approximately £50m
- Compliance changes introduced following the merger with TSG continued to impact year-on-year growth in the first half of the year (guided annualised contribution impact of £65m)
- German and Dutch regulatory changes which we previously indicated would reduce contribution by £85m in 2021 (guided annualised contribution impact of £140m)
- An improved revenue mix with a greater proportion coming from regulated markets and casino products - both have higher associated direct costs
- Increased investment across both Betfair and PokerStars to improve the customer proposition and increase brand awareness
- The addition of Junglee to the division, currently in investment phase, which generated an EBITDA loss of £3m and added 4 percentage points to revenue growth.

Excluding the impact of Covid and the regulatory headwinds referenced above, revenue would have increased by 14%

Gaming revenue was 13% lower for the year. In H2 it declined by 5% (casino: +15%, poker: -25%) with casino and poker growth being impacted by 10 and 8 percentage points respectively from regulatory changes. Q4 was the first quarter to reflect all previously guided regulatory headwinds, with the division delivering £258m in Q4 gaming revenue.

Underlying casino growth of 25% in H2 was driven by (i) an increased emphasis on direct casino acquisition (e.g. the PokerStars *"I'm in"* campaign launched in the UK) (ii) further improvements to our proprietary casino content (iii) a strong performance in our key markets and (iv) the addition of Junglee to the portfolio which added approximately 9 percentage points to casino growth.

The underlying decline of 17% in poker during H2 reflected a reduction in engagement from customers acquired during the lockdown spike of Q2 2020 as well as investment in the PokerStars reward scheme which had an approximate 2 percentage point impact on growth and regulatory impacts outlined above.

Sports revenue of £220m increased by 26% (H1: +62%, H2: flat) benefiting from an increase in sports fixtures year-on-year, particularly in H1 2021. Improvements made to our pricing and risk management capabilities continued to benefit our expected sportsbook margins in H2 which was partially offset by an adverse year-on-year swing in sports results leading to an increase of 20 basis points in net revenue margin.

Cost of sales in H2 increased by 390bps to 31.6% due to (i) the introduction of gaming taxes in Germany from 1 July, (ii) an increased proportion of revenues coming from regulated markets and (iii) a change in product mix, with casino products incurring a higher associated revenue share cost and tax rate.

Sales and marketing increased by 27% during 2021, reflecting the period of underinvestment in H1 2020. The year-on-year increase is attributable to: (i) Betfair spend in LATAM, primarily Brazil (ii) the addition of Junglee, (iii) marketing spend to revitalise the PokerStars brand and (iv) investment in direct casino acquisition. Spend in H2 was flat year-on-year.

Other operating costs increased by 9% in 2021. Similar to sales and marketing, this increase reflected a period of underinvestment in H1 2020. The year-on-year increase primarily related to growth in headcount as we invested to stabilise and improve our capabilities across product, technology and customer operations. In H2 other operating costs (excluding Junglee) were broadly flat versus the first half.

***US*[4]**

Unaudited Adjusted Pro forma	FY 2021 £m	FY 2020 £m	Change %	CC Change US$
Average monthly players ('000s)	**1,557**	910	*+71%*	
Sportsbook stakes	**11,284**	4,411	*+156%*	*+167%*
Sportsbook net revenue margin	***6.3%***	*4.6%*	*+170bps*	*+170bps*
Sports revenue	**978**	458	*+113%*	*+126%*
Gaming revenue	**413**	237	*+74%*	*+87%*
Total revenue	**1,391**	695	*+100%*	*+113%*
Cost of sales	**(614)**	(319)	*+92%*	*+104%*
Cost of sales as a % of net revenue	***44.1%***	*46.0%*	*-190bps*	*-190bps*
Gross profit	**778**	376	*+107%*	*+121%*
Sales and marketing	**(663)**	(348)	*+91%*	*+102%*
Contribution	**115**	28	*+310%*	*+383%*
Other operating costs	**(357)**	(198)	*+81%*	*+92%*
Adjusted EBITDA[1,2]	**(243)**	(170)	*+43%*	*+50%*
Adjusted EBITDA margin	***(17.5%)***	*(24.4%)*	*+700bps*	*+730bps*
Depreciation and amortisation	**(47)**	(37)	*+26%*	*+35%*
Adjusted[1] operating profit	**(289)**	(207)	*+40%*	*+47%*

The US division includes FanDuel, FOX Bet, TVG, PokerStars and Stardust brands, offering regulated real money and free-to-play sports betting, casino, poker, daily fantasy sports and online racing wagering products to customers across various states in the US

Revenue grew by 113% to £1.4bn ($1.9bn) in 2021, with 94% attributable to FanDuel Group. Strong player acquisition and retention saw player volumes increase by 71% to 1.6m, with just under two million AMPs in Q4.

Sports revenue grew by 126%, with a 266% increase in sportsbook and 11% growth in TVG/daily fantasy sports combined. The substantial year-on-year growth in sportsbook was due to:

- **Player growth:** Sportsbook AMPs were 180% higher in 2021
- **Ongoing growth from more mature states:** Continued strong growth from the four pre-2020 states where revenue more than doubled
- **New states:** A full year benefit from the four states that opened during 2020 and the addition of four new states in 2021 (Michigan, Virginia, Arizona and Connecticut)
- **Structural growth in expected margin:** Sportsbook net revenue margin increased by 170 basis points to 6.3% with 130 basis points from expansion of our expected margin. This structural margin improvement is due to a higher share of stakes coming from our market-leading parlay products. Favourable sports results added 50 basis points to margin year-on-year (or 130 basis points to our expected margin of 5.0% in 2021)

Gaming revenue grew by 87% to £413m ($568m) driven by a 136% increase in AMPs. We launched in three new casino states in 2021 (Michigan, West Virginia and Connecticut), bringing our casino footprint to 5 US states.

Cost of sales as a percentage of net revenue declined 190 basis points due to (i) a reduction in the percentage of gross revenue (which is the tax base in most states) spent on customer promotions (ii) migration of our sports betting business to the Group's proprietary betting platform during 2021 and (iii) a higher proportion of revenue coming from lower tax states.

Sales and marketing doubled year-on-year to £663m as we continued to invest materially to acquire and retain customers although sales and marketing as a percentage of revenue declined by 270 basis points. This is due to continued investment discipline to maximise returns, and the greater maturity of the business. While marketing investment in pre-2021 states continued to increase, it declined as a proportion of revenue. Other operating costs also declined by 270 basis points as a percentage of revenue. This was despite significant expansion of our product and technology headcount as well as ongoing expenses associated with efforts to pass sports betting legislation in additional states.

The US division made an Adjusted EBITDA loss of £243m ($333m).

Statutory review[11]

Group

£m	FY 2021 £m	FY 2020 £m	Change %
Sports revenue	**3,774**	2,725	*+38%*
Gaming revenue	**2,262**	1,688	*+34%*
Total revenue	**6,036**	4,414	*+37%*
Cost of sales	**(2,310)**	(1,542)	*+50%*
Cost of sales as a % of net revenue	***38.3%***	*34.9%*	*+340bps*
Gross profit	**3,727**	2,872	*+30%*
Operating costs	**(3,003)**	(2,101)	*+43%*
EBITDA	**723**	772	*-6%*
EBITDA margin %	***12.0%***	*17.5%*	*-550bps*
Amortisation of acquisition related intangibles	**(543)**	(432)	*+26%*
Depreciation and amortisation	**(254)**	(213)	*+19%*
Impairment	**—**	(23)	*—%*
Gain on disposal	**12**	—	*—%*
Operating (loss)/profit	**(63)**	104	*-160%*
Net finance expense	**(226)**	(102)	*+121%*
(Loss)/profit before tax	**(288)**	1	
Taxation	**(124)**	(36)	*+245%*
Loss after tax	**(412)**	(35)	
Basic earnings/ (loss) per share	**(236.5p)**	29.3p	
Diluted earnings per share	**(236.5p)**	28.5p	
Net current liabilities	(112)	(521)	
Net assets/ (liabilities)	**10,288**	10,996	
Net cash from operating activities	**686**	998	*-31%*

Note: Flutter's combination with TSG completed on 5 May 2020. Reported financials include TSG included for 241 days post completion in 2020 and for the full year 2021. Junglee, acquired in January 2021 and Singular acquired in September, have been included in 2021 from the date of completion. A full analysis of the Group's pro forma performance can be found at pages 10-17. A reconciliation of the Group's pro forma performance to the Group's consolidated income statement is included at Appendix 2.

In 2021 reported revenue grew 37% year-on-year when compared to 2020. The primary driver of the strong year-on-year growth in 2021 was the completion of Flutter's acquisition of TSG on 5 May 2020. The prior year comparatives above include the results of TSG from the date of completion with the results for 2021 consolidated for the full year. Further expansion of our market leading US online business to 12 states in 2021 from 8 in 2020, strong growth in Australia and a normalised sporting calendar following widespread cancellations in 2020 also contributed to the year-on-year performance.

Sports revenue increased by 38% to £3.8bn, benefitting from (i) the impact of the acquisition of TSG during the prior year, (ii) Covid related sports fixture cancellations in the prior year, (iii) our US expansion into four additional states and (iv) continued strong momentum in Australia in 2021. Gaming revenue increased 34%, reflecting (i) the addition of the PokerStars and Sky Vegas businesses in May 2020 and (ii) good organic gaming growth in our FanDuel, Adjarabet, Paddy Power and Betfair businesses partly offset by challenging Covid related comparatives.

Cost of sales as a percentage of net revenue increased by 340 basis points to 38.3% with a higher proportion of revenue now coming from the US where direct costs are higher. A changing product/geographical revenue mix in International also contributed to this increase.

Operating costs increased 43% driven by growth in sales and marketing costs and investment in operations, mainly reflecting the impact of the TSG acquisition, the settlement of the historic legal case regarding Kentucky and a doubling of US investment to support significant new customer acquisition.

Reported EBITDA reduced by 6% to £723m driven by the increase in costs outlined above, regulatory changes impacting the UK & Ireland and International divisions as well as further expansion in the US where increased investment losses were incurred when compared with the prior year.

The Group incurred a loss after tax of £412m reflecting (i) an increase in depreciation and amortisation due to the acquisition of TSG in the prior year (ii) increased financing costs of £226m which also reflect the cost of refinancing part of the Group's debt during 2021 and (iii) an increased tax charge of £124m incorporating a deferred tax charge in respect of the UK's main corporate tax rate change from 19% to 25% applicable from 1 April 2023. See Note 6 of the financial statements for more details.

When combined with the increased US losses, the Group had a basic loss per share of 236.5p in 2021 compared to basic earnings per share of 29.3p in 2020.

Net current liabilities reduced from £521m at 31 December 2020 to £112m at 31 December 2021 mainly due to increased cash balances following the refinancing of borrowings in July 2021 which increased general liquidity overall. As in previous years, the Group operates regularly in a net current liability position due to the Group's operating model whereby it receives payments for nearly all revenues in advance with material cost items paid in arrears.

Net assets reduced in the year from £11.0bn to £10.3bn due to a reported loss after tax of £412m as outlined above, the foreign currency translation impact of goodwill and intangible assets and the purchase of shares by the Employee Benefit Trust to settle US employee incentive schemes.

Net cash from operating activities reduced from £998m to £686m driven by the settlement of the Kentucky proceedings of £234m including associated legal costs. Other factors included a lower working capital increase compared to the prior year partially offset by the growth in the business due to the TSG acquisition.

A full analysis of the Group's pro forma performance (as though TSG was part of the Group for both periods in full) can be found at pages 10-17.

Separately disclosed items

	FY 2021 £m	FY 2020 £m
Amortisation of acquisition related intangible assets	**(543)**	(432)
Kentucky settlement and associated legal costs	**(163)**	—
Transaction fees and associated costs	**(22)**	(33)
Restructuring and integration initiatives	**(45)**	(96)
Germany and Greece tax expense	**(47)**	—
Disposal of Oddschecker Global Media	**12**	—
Impairment	**—**	(23)
VAT refund	**—**	11
Operating profit impact of separately disclosed items	**(809)**	(573)
Financial income	**—**	79
Financial expense	**(100)**	(71)
Profit before tax impact of separately disclosed items	**(909)**	(565)
Tax credit on separately disclosed items	**43**	58
Total separately disclosed items	**(866)**	(507)

Separately disclosed items do not relate to business as usual activity of the Group, items that are volatile in nature or non-cash purchase price accounting amortisation and therefore are excluded from Adjusted profits.

Amortisation of acquisition related intangible assets increased to £543m mainly due to the May 2020 combination with TSG, resulting in a full twelve month charge in 2021.

The Kentucky costs relate to the full and final settlement of a historic case taken by the Commonwealth of Kentucky against certain subsidiaries of TSG for $300m, with $100m already provided for, along with associated legal fees (£163m).

Restructuring and integration costs primarily relate to the integration with TSG.

The Greece and German tax expense relates to historic cases in both countries. The German tax assessment related to the Betfair Exchange which operated in Germany until November 2012. The assessment is a multiple of the German revenue generated by the Exchange but the German Federal Tax Court dismissed the Group's appeal in September 2021. The Greek tax authorities case against Paddy Power relates to a period when it was operating under an interim licence between 2012-14. Whilst the Group will continue to appeal these verdicts in both Germany and Greece, once-off expenses of £34m and £13m respectively (including interest and penalties) has been recognised.

Financial expense relates to repayment of the Group's Senior Notes in 2021 and additional fees from other repayment and refinancing activities associated with the Group's debt. The Senior Notes related expense includes settlement of the embedded derivative asset arising from the redemption option on the Senior Notes and the premium payable on repayment.

The tax credit of £43m has arisen primarily on recognition of a deferred tax asset on an internal transfer of intangibles of £68m, acquisition related intangible amortisation of £59m and the tax effect of other separately identifiable items of £20m, offset by a tax rate change on acquisition related intangible assets as result of the increase in the UK's main corporation tax rate from 19% to 25% from 1 April 2023 of £104m as outlined in Note 6 to the financial statements.

Cash flow and financial position

Pro forma	**FY 2021 £m**	FY 2020 £m
Adjusted EBITDA	**1,001**	1,231
Capex	**(308)**	(252)
Working capital	**119**	310
Corporation tax	**(138)**	(93)
Lease liabilities paid	**(48)**	(46)
Adjusted free cash flow	**625**	1,151
Cash flow from separately disclosed items	**(61)**	(120)
Free cash flow	**563**	1,031
Interest cost	**(140)**	(177)
Other borrowing costs	**(57)**	(24)
Settlement of swaps	**(68)**	(36)
Amounts paid in respect of Kentucky settlement	**(234)**	—
Purchase of shares by the Employee Benefit Trust ("EBT")	**(181)**	—
Acquisitions and disposals	**73**	—
Other	**(13)**	22
Proceeds from equity raise	**—**	1,921
Acquisition of further interest in FanDuel	**—**	(1,546)
Cash transferred in acquisitions/ disposals	**4**	—
Net (decrease)/increase in cash	**(53)**	1,192
Net debt[9] at start of year	**(2,814)**	(3,827)
Foreign currency exchange translation	**(5)**	(20)
Change in fair value of hedging derivatives	**225**	(159)
Net debt[9] as at 31 December	**(2,647)**	(2,814)

The Group had Adjusted free cash flow of £625m in 2021, down from £1,151m in the prior year. The movement reflects (i) lower Adjusted EBITDA in 2021, (ii) a more favourable working capital movement in the prior year due to significant growth in the business which partially unwound in 2021, and (iii) increased Capex primarily to fund expansion into more US states.

Capital expenditure of £308m, reflects continued US investment as we expand into more US states. 2021 includes the upfront fee of (£22m) $25m for New York market access. We continue to materially invest in our online products across all regions.

Corporate tax payments were higher than the prior period due to the change in the geographic mix of profits during the year.

Working capital in the current year benefitted from the continued growth of our US business. The large working capital increase in 2020 was due to the enhanced scale of the Group and the timing of some gaming tax and product fee payments. This increase partially unwound in 2021.

Cash flow from SDIs of £61m principally relates to restructuring and integration costs in relation to the combination with TSG.

Interest costs were £37m lower than in 2020 on a pro forma basis due to the (i) repayment of debt following the Group's equity raise in May 2020 and (ii) reduction in the weighted average cost of debt following the May 2020 debt repayment and further refinancing of debt in July 2021.

During the period the Group incurred cash costs of £234m in relation to the settlement with the Commonwealth of Kentucky for a historic legal case with subsidiaries of TSG and includes associated legal fees.

The Employee Benefit Trust purchased £181m in Flutter shares to settle US employee incentive schemes that were put in place at the time of the original FanDuel acquisition to incentivise value creation in FanDuel.

The acquisitions and disposal relate to the acquisition of Junglee Games and Singular along with the disposal of Oddschecker during the period.

As at 31 December 2021, the Group had net debt of £2,647m, excluding customer balances, representing a leverage ratio of 2.6x times[9]. The Group continues to hedge the impact of currency fluctuations on its leverage ratio through cross currency swap agreements. Changes in the fair value of these hedging derivatives are reflected in net debt.

Current trading/outlook

In the first 7 weeks to 20 February, Group revenue was in line with our expectations. Total Group revenue increased 2% year on year, reflecting strong comparatives in the first 7 weeks of 2021, which benefited from very favourable sports results.

Across H1 2021 the Group also benefited from favourable sports results, with group gross win margin 120 basis points above expected levels. In contrast, H2 margins were in line with expectations. As a result, we expect that Flutter’s revenue growth in 2022 will accelerate as the year progresses, assuming expected sports results. This trend will also reflect the phasing of safer gambling measures introduced in 2021.

In Russia and Ukraine, we are continuing to monitor the situation closely. Since completion of our merger with TSG, Flutter has materially reduced its exposure to the Russian online market. In 2021, Russia accounted for £41m in contribution. In addition, Ukraine represented contribution of £19m.

1 "Adjusted" measures exclude items that are separately disclosed as they are: (i) not part of the usual business activity of the Group (ii) items that are volatile in nature and (iii) purchase price accounting amortisation of acquired intangibles (non-cash). Therefore, they have been reported as "separately disclosed items (SDIs)" (see note 6 to the financial statements).

2 EBITDA is defined as profit for the period before depreciation, amortisation, impairment, gain on disposal, financial income, financial expense and taxation and is a non-GAAP measure. This measure is used internally to evaluate performance, to establish strategic goals and to allocate resources. The directors also consider the measure to be commonly reported and widely used by investors as an indicator of operating performance and ability to incur and service debt, and as a valuation metric. It is a non-GAAP financial measure and is not prepared in accordance with IFRS and, as not uniformly defined terms, it may not be comparable with measures used by other companies to the extent they do not follow the same methodology used by the Group. Non-GAAP measures should not be viewed in isolation, nor considered as a substitute for measures reported in accordance with IFRS. All of the adjustments shown have been taken from the financial statements.

3 Flutter's combination with TSG completed on 5 May 2020. Pro forma numbers show the Group's financials with TSG included for a full 12-month period in 2020. Junglee, acquired in January 2021 and Singular acquired in September 2021, have not been included on a pro forma basis. See Appendix 2 for a reconciliation of pro forma results to statutory results.

4 Growth rates in the commentary are in local or constant currency[12] except reported numbers which are in nominal currency.

5 Average Monthly Players represent the average number of players who have placed and/or wagered a stake and/or contributed to rake or tournament fees during the month in the reporting period. AMP numbers do not include Junglee in 2020 or 2021 to allow for better comparability of underlying player growth for International and Group.

6 Online sportsbook market share is the GGR market share of FanDuel and FOX Bet for Q4 2021 in the states in which FanDuel was live based on published gaming regulator reports in those states. During Q4 2021 FanDuel was live in 12 states; Arizona (AZ), Colorado (CO), Connecticut (CT), Illinois (IL), Indiana (IN), Iowa (IA), Michigan (MI), New Jersey (NJ), Pennsylvania (PA), Tennessee (TN), Virginia (VA) and West Virginia (WV). During 2021 FOX Bet was live in 4 states; CO, NJ, MI and PA. Market share does not include Arizona for December as the data has yet to be released. Online gaming market share reflects the combined CT, MI, NJ, PA and WV market share of our gaming brands.

7 Global Play Well goal measured as the % of active online customers who use a safer gambling (Play Well) tool in the specified reporting period. Active players are defined as any players who have placed and/or wagered a stake and/or contributed to rake or tournament fees during the month in the reporting period. A safer gambling tool is any tool that a customer has used (or Flutter has applied to a customer) in the reporting period that helps to promote safer gambling. For the purposes of the 2021 measure Adjarabet and Junglee have been excluded. We will look to align with AMP reporting and work on expanding to include further brands as appropriate as we evolve our Play Well strategy.

8 Total NGR online market share in the UK and Ireland based on internal estimates. Total NGR online market share of Sportsbet based on competitor reporting and internal estimates.

9 Net debt is the principal amount of borrowings plus associated accrued interest, minus cash & cash equivalents plus/minus carrying value of debt related derivatives. Leverage is calculated using pro forma Adjusted EBITDA for the appropriate 12-month period. The leverage ratio is calculated using pro forma Adjusted EBITDA for the 12-month period to 31 December 2021.

10 Includes the gross value of derivatives.

11 Reported figures represent the IFRS reported statutory numbers. Where amounts have been normalised for SDIs they are labelled as Adjusted.

12 Constant currency ("cc") growth is calculated by retranslating the non-sterling denominated component of 2020 at 2021 exchange rates (see Appendix 4). Growth rates in the commentary are in local or constant currency.

13 Quantified safer gambling impacts are an approximate measure of the revenue estimated to have been lost due to changes in safer gambling measures during 2021.Due to the complexity of disaggregating from volatility in net win margins, Covid related behaviour and the wider market environment this amount does not yet include the effect of the changes on customer behaviour.

Appendix 1: Divisional Key Performance Indicators FY 2021

Unaudited pro forma[1]

	UK & Ireland			Australia			International			US			Group		
	FY	FY	CC[2] %	**FY**	FY	CC[2] %	**FY**	FY	CC[2] %	**FY**	FY	CC[2] %	**FY**	FY	CC[2] %
£m	**2021**	2020	Change	**2021**	2020	Change	**2021**	2020	Change	**2021**	2020	Change	**2021**	2020	Change
Average monthly players[3] (000's)	**3,153**	2,532	+25%	**1,008**	794	+27%	**1,901**	1,938	-2%	**1,557**	910	+71%	**7,619**	6,174	+23%
Sportsbook stakes	**11,376**	9,400	+22%	**11,702**	9,713	+20%	**1,592**	1,368	+21%	**11,284**	4,411	+167%	**35,954**	24,892	+46%
Sportsbook net revenue margin	***9.9%***	*12.0%*	*-210bps*	***11.1%***	*11.1%*	*—bps*	***8.7%***	*8.5%*	*+20bps*	***6.3%***	*4.6%*	*+170bps*	***9.1%***	*10.1%*	*-100bps*
Sports revenue	**1,282**	1,286	0%	**1,294**	1,075	+20%	**220**	180	+26%	**978**	458	+126%	**3,774**	3,000	+27%
Gaming revenue	**781**	743	+5%	**0**	0	0%	**1,068**	1,285	-13%	**413**	237	+87%	**2,262**	2,264	+4%
Total revenue	**2,063**	2,029	+2%	**1,294**	1,075	+20%	**1,288**	1,465	-8%	**1,391**	695	+113%	**6,036**	5,264	+17%
Cost of Sales	**(621)**	(577)	+8%	**(636)**	(520)	+22%	**(392)**	(365)	+12%	**(614)**	(319)	+104%	**(2,262)**	(1,782)	+29%
Cost of sales as % of net revenue	***30.1%***	*28.5%*	*+170bps*	***49.2%***	*48.4%*	*+80bps*	***30.4%***	*24.9%*	*+530bps*	***44.1%***	*46.0%*	*-190bps*	***37.5%***	*33.8%*	*+350bps*
Gross Profit	**1,442**	1,451	0%	**658**	555	+18%	**897**	1,100	-14%	**778**	376	+121%	**3,774**	3,483	+11%
Sales & marketing	**(391)**	(375)	+5%	**(119)**	(129)	-9%	**(335)**	(279)	+27%	**(663)**	(348)	+102%	**(1,508)**	(1,130)	+38%
Contribution	**1,051**	1,077	-2%	**539**	426	+26%	**562**	822	-28%	**115**	28	+383%	**2,266**	2,353	-2%
Other operating costs	**(435)**	(446)	-1%	**(102)**	(108)	-6%	**(270)**	(248)	+9%	**(357)**	(198)	+92%	**(1,164)**	(1,000)	+19%
Corporate costs													**(101)**	(121)	-13%
Adjusted EBITDA	**616**	630	-3%	**437**	318	+37%	**292**	574	-46%	**(243)**	(170)	+50%	**1,001**	1,231	-18%
Adjusted EBITDA margin	***29.9%***	*31.1%*	*-160bps*	***33.7%***	*29.6%*	*+420bps*	***22.7%***	*39.2%*	*-1,580bps*	***(17.5%)***	*(24.4%)*	*+730bps*	***16.6%***	*23.4%*	*-700bps*
Depreciation & amortisation	**(126)**	(119)	+6%	**(26)**	(30)	-17%	**(52)**	(50)	+6%	**(47)**	(37)	+35%	**(255)**	(241)	+7%
Adjusted operating profit/(loss)	**490**	511	-5%	**411**	288	+42%	**240**	524	-51%	**(289)**	(207)	+47%	**746**	990	-24%

1 Flutter's combination with TSG completed on 5 May 2020. Pro forma numbers show the Group's financials with TSG included for a full 12-month period in 2020. Junglee, acquired in January 2021 and Singular acquired in September 2021, have not been included on a pro forma basis. See Appendix 2 for a reconciliation of pro forma results to statutory results.

2 Constant currency ("cc") growth is calculated by retranslating the non-sterling denominated component of 2020 at 2021 exchange rates (see Appendix 4). Growth rates in the commentary are in local or constant currency.

3 Average Monthly Players represent the average number of players who have placed and/or wagered a stake and/or contributed to rake or tournament fees during the month in the reporting period. AMP numbers do not include Junglee in 2020 or 2021 to allow for better comparability of underlying player growth for International and Group.

Appendix 2: Reconciliation of pro forma results to statutory results

The merger of Flutter and TSG completed on 5 May 2020, with the merger accounted for as an acquisition of TSG by Flutter on that date. The statutory results reflect this accounting treatment. Pro forma results for the Group are prepared as if Flutter and TSG had always been merged and are included in these preliminary results, as they best represent the Group's underlying performance. The difference between the statutory and pro forma results is inclusion of the results of TSG in the period prior to completion as per the table below. Junglee, which was acquired in January 2021 and Singular acquired in September, have been included in reported figures but not on a pro forma basis due to materiality.

	Pro forma adjusted results		**TSG results pre-merger completion***		**Separately disclosed items**		**Statutory results**	
£m	**FY 2021**	**FY 2020**	**FY 2021**	**FY 2020**	**FY 2021**	**FY 2020**	**FY 2021**	**FY 2020**
Sports revenue	**3,774**	3,000		275			**3,774**	2,725
Gaming revenue	**2,262**	2,264		592		16	**2,262**	1,688
Total revenue	**6,036**	5,264	—	866	—	16	**6,036**	4,414
Cost of sales	**(2,262)**	(1,782)		(243)	**(47)**	(3)	**(2,310)**	(1,542)
Cost of sales as a % of net revenue	***37.5%***	*33.8%*					***38.3%***	*34.9%*
Gross profit	**3,774**	3,483	—	624	**(47)**	13	**3,727**	2,872
Sales and marketing	**(1,508)**	(1,130)		(139)			**(1,508)**	(991)
Contribution	**2,266**	2,353	—	484	**(47)**	13	**2,219**	1,881
Other operating costs	**(1,164)**	(1,000)		(113)	**(163)**		**(1,328)**	(887)
Corporate costs	**(101)**	(121)		(29)	**(67)**	(131)	**(168)**	(222)
EBITDA	**1,001**	1,231	—	342	**(278)**	(118)	**723**	772
EBITDA margin	***16.6%***	*23.4%*					***12.0%***	*17.5%*
Depreciation and amortisation	**(255)**	(241)		(28)	**(531)**	(455)	**(786)**	(668)
Operating profit	**746**	990	—	314	**(809)**	(573)	**(63)**	104
Net finance expense	**(126)**	(177)		(67)	**(100)**	7	**(226)**	(102)
Profit/ (loss) Before Tax	**620**	813	—	247	**(909)**	(565)	**(288)**	1

The following table reconciles pro forma Adjusted revenue and EBITDA by division to revenue from external customers (before VAT refund for FY 2020) and Adjusted EBITDA as disclosed in the Financial Statements (Note 5).

	Pro forma adjusted results		**TSG results pre-merger completion***		**Statutory results**	
£m	**FY 2021**	**FY 2020**	**FY 2021**	**FY 2020**	**FY 2021**	**FY 2020**
Revenue by division						
UK & Ireland	**2,063**	2,029	—	290	**2,063**	1,739
Australia	**1,294**	1,075	—	87	**1,294**	989
International	**1,288**	1,465	—	468	**1,288**	997
US	**1,391**	695	—	22	**1,391**	673
Adjusted EBITDA by division						
UK & Ireland	**616**	630	—	118	**616**	513
Australia	**437**	318	—	11	**437**	307
International	**292**	574	—	264	**292**	310
US	**(243)**	(170)	—	(22)	**(243)**	(148)
Corporate costs	**(101)**	(121)	—	(30)	**(101)**	(92)

* Note the adjustments to reflect the exclusion of TSG results prior to the merger also include any transactions that are now deemed to be intercompany as a result of the merger.

Appendix 3: Reconciliation of pro forma to statutory earnings per share

The merger of Flutter and TSG completed on 5 May 2020, with the merger accounted for as an acquisition of TSG by Flutter on that date. The statutory results reflect this accounting treatment. Pro forma results for the Group are prepared as if Flutter and TSG had always been merged. The difference between the statutory and pro forma results is the inclusion of the results of TSG in the period prior to completion as per the table below. The calculation of earnings per share also requires an adjustment to the assumed number of shares outstanding in the period as set out in the table below.

	Pro forma adjusted results		TSG results pre-merger completion[1,2]		Separately disclosed items[3]		Statutory results	
£m	FY 2021	FY 2020	FY 2021	FY 2020	FY 2021	FY 2020	FY 2021	FY 2020
Profit for EPS calculation	444	756		(234)	(860)	(484)	(416)	38
Weighted average number of shares ('000s)	175,780	152,163		(22,605)			175,780	129,558
Adjusted basic EPS (pence)	253	497					(237)	29

1 TSG pre-acquisition profit of £234m is comprised of £314m operating profit, £67m interest expense and £13m taxation charge.

2 Assumes the issuance of 65,316,588 Flutter ordinary shares as consideration of the acquisition of The Stars Group on 5 May 2020 occurred on 1 January 2020, and the issuance of 819,230 Flutter ordinary shares as consideration for the acquisition of the remaining 20% of the outstanding share capital of TSG Australia on 13 May 2020 occurred on 1 January 2020.

3 See note 6 of the financial statements.

Appendix 4: Reconciliation of pro forma growth rates to pro forma constant currency growth rates

Constant currency ("cc") growth is calculated by retranslating non-sterling denominated component of FY 2020 at FY 2021 exchange rates as per the table below.

£m	FY 2021	FY 2020	% Change	FY 2020 FX impact	FY 2020 CC	CC % Change
Sports revenue	**3,774**	3,000	+26%	(31)	2,969	+27%
Gaming revenue	**2,262**	2,264	0%	(78)	2,186	+4%
Total revenue	**6,036**	5,264	+15%	(109)	5,155	+17%
Cost of sales	**(2,262)**	(1,782)	+27%	32	(1,749)	+29%
Cost of sales as a % of net revenue	***37.5%***	*33.8%*	*+360bps*		*33.9%*	*+350bps*
Gross profit	**3,774**	3,483	+8%	(77)	3,406	+11%
Sales and marketing	**(1,508)**	(1,130)	+33%	35	(1,095)	+38%
Contribution	**2,266**	2,353	-4%	(42)	2,311	-2%
Other operating costs	**(1,164)**	(1,000)	+16%	21	(979)	+19%
Corporate costs	**(101)**	(121)	-17%	5	(116)	-13%
Adjusted EBITDA	**1,001**	1,231	-19%	(16)	1,215	-18%
Adjusted EBITDA margin	***16.6%***	*23.4%*	*-680bps*		*23.6%*	*-700bps*
Depreciation and amortisation	**(255)**	(241)	+6%	4	(238)	+7%
Adjusted operating profit	**746**	990	-25%	(12)	978	-24%
Revenue by division						
UK & Ireland	**2,063**	2,029	+2%	(6)	2,022	+2%
Australia	**1,294**	1,075	+20%	5	1,081	+20%
International	**1,288**	1,465	-12%	(67)	1,398	-8%
US	**1,391**	695	+100%	(41)	654	+113%
Adjusted EBITDA by division						
UK & Ireland	**616**	630	-2%	6	636	-3%
Australia	**437**	318	+37%	1	320	+37%
International	**292**	574	-49%	(36)	537	-46%
US	**(243)**	(170)	+43%	8	(162)	+50%
Corporate costs	**(101)**	(121)	-17%	5	(116)	-13%

Appendix 5: Reconciliation of pro forma cash flow to reported statutory cash flow

In the operating and financial review the cash flow has been presented on a pro forma net cash basis. The merger of Flutter and TSG completed on 5 May 2020, with the merger accounted for as an acquisition of TSG by Flutter on that date. The statutory cash flow reflects this treatment while the pro forma cash flow is prepared as if Flutter and TSG had always been merged. The difference between the net cash basis and the reported cash flow is the inclusion of borrowings to determine a net cash position.

	Pro forma cash flow		**TSG results pre-merger completion**		**Adjustment to include borrowings**		**Statutory cash flow**	
£m	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Adjusted EBITDA[1]	**1,001**	1,231		342			**1,001**	889
Capex[2]	**(308)**	(252)		(33)			**(308)**	(219)
Working capital[3]	**119**	310		(8)			**119**	318
Corporation tax	**(138)**	(93)		(3)			**(138)**	(89)
Lease liabilities paid	**(48)**	(46)		(5)			**(48)**	(41)
Adjusted free cash flow	**625**	1,151	**—**	293	**—**	—	**625**	858
Cash flow from separately disclosed items[4]	**(61)**	(120)					**(61)**	(120)
Free cash flow	**563**	1,031	**—**	293	**—**	—	**563**	738
Interest cost[5]	**(140)**	(177)		(64)			**(140)**	(113)
Other borrowing costs[5]	**(57)**	(24)					**(57)**	(24)
Settlement of swaps	**(68)**	(36)					**(68)**	(36)
Amounts paid in respect of Kentucky settlement	**(234)**	—					**(234)**	—
Purchase of shares by the EBT	**(181)**	—					**(181)**	—
Acquisitions and disposals[6]	**73**	—					**73**	—
Other[7]	**(13)**	22		6			**(13)**	16
Proceeds from equity raises	**—**	1,921					**—**	1,921
Acquisition of further interest in FanDuel	**—**	(1,546)					**—**	(1,546)
Net amounts repaid on borrowings[8]					**416**	(923)	**416**	(923)
Cash acquired in business combinations[6]	**4**	—				445	**4**	445
Net increase / (decrease) in cash	**(53)**	1,192	**—**	235	**416**	(478)	**363**	479
Net (debt)/cash at start of year[9]	**(2,814)**	(3,827)	**(3,328)**	(3,563)	**89**	372	**603**	108
Foreign currency exchange translation	**(5)**	(20)			**(10)**	37	**(15)**	17
Change in fair value of hedging derivatives	**225**	(159)			**(225)**	159	**—**	—
Net debt as at 31 December[9]	**(2,647)**	(2,814)	**(3,328)**	(3,328)	**271**	89	**952**	603

1 Adjusted EBITDA includes the following line items in the statutory cash flow: Profit for the period, separately disclosed items, tax expense, financial income, financial expense and depreciation and amortisation.

2 Capex includes purchase of property, plant and equipment, purchase of intangible assets, capitalised internal development expenditure, lease incentive received and payment of contingent deferred consideration.

3 Working capital includes (increase)/decrease in trade and other receivables, increase in trade, other payables and provisions, employee equity-settled share-based payments expense before separately disclosed items, loss / (gain) on disposal of assets and investments and foreign currency exchange loss/(gain).

4 Cash flow from separately disclosed items relates to transaction fees, along with restructuring and integration costs.

5 Interest and other borrowing costs includes interest paid, interest received and fees in respect of borrowing facilities.

6 The combination of acquisition and disposals of (£73m) and cash acquired in business combinations (£4m) reconciles to the statutory cash flow amounts for disposal of assets (£127m) offset by purchase of a business net of cash acquired.

7 Other includes proceeds from the issue of shares on exercise of employee options, dividends paid to non-controlling interest, release of cash from restricted cash, lease interest paid and other.

8 Net amounts repaid on borrowings includes repayment of USD First Lien Term Loan B, full settlement of the Senior Notes and additional debt drawn down on GBP First Lien Term Loan A and USD First Lien Term Loan B.

9 Net debt comprises principal outstanding balance of borrowings, accrued interest on those borrowings, cash and cash equivalents and derivatives held for hedging debt instruments.

Designated Foreign Issuer Status

In connection with its acquisition of The Stars Group Inc. on 5 May, 2020, the Company became a "reporting issuer" under applicable securities laws in each of the provinces and territories of Canada. The Company also qualifies as a "designated foreign issuer", as such term is defined in National Instrument 71-102 – Continuous Disclosure and Other Exemptions Relating to Foreign Issuers of the Canadian Securities Administrators. As such, the Company is not subject to the same ongoing reporting requirements as most other reporting issuers in Canada. Generally, the Company will be in compliance with Canadian ongoing reporting and disclosure requirements if it complies with the requirements of the UK Financial Conduct Authority in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000 (United Kingdom), as amended from time to time, and the applicable laws of England and Wales (the "UK Rules") and files any documents required to be filed or furnished pursuant to the UK Rules on its profile on the System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com maintained by the Canadian Securities Administrators.

Condensed Consolidated Income Statement

For the year ended 31 December 2021

	Note	2021 £m	2020 £m
Continuing operations			
Revenue	5	**6,036.2**	4,413.9
Cost of sales		**(2,309.5)**	(1,541.7)
Gross profit		**3,726.7**	2,872.2
Operating costs excluding depreciation, amortisation, impairment and gain on disposal		**(3,003.4)**	(2,100.6)
EBITDA[1]		**723.3**	771.6
Amortisation of acquisition-related intangible assets		**(543.3)**	(432.3)
Depreciation and amortisation of other assets		**(254.4)**	(213.2)
Impairment		**—**	(22.6)
Gain on disposal		**11.9**	—
Operating (loss) / profit		**(62.5)**	103.5
Financial income	7	**3.2**	79.9
Financial expense	7	**(229.1)**	(182.3)
(Loss) / profit before tax		**(288.4)**	1.1
Tax expense	8	**(123.5)**	(35.8)
(Loss) /profit for the year		**(411.9)**	(34.7)
Attributable to:			
Equity holders of the Company		**(415.8)**	37.9
Non-controlling interest		**3.9**	(72.6)
		(411.9)	(34.7)
Earnings per share			
Basic	9	**(£2.365)**	£0.293
Diluted	9	**(£2.365)**	£0.285

1 EBITDA is defined as profit for the period before depreciation, amortisation, impairment, gain on disposal, financial income, financial expense and tax expense / credit. It is considered by the Directors to be a key measure of the Group's financial performance.

Notes 1 to 22 form an integral part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Other Comprehensive Income

For the year ended 31 December 2021

	2021 £m	2020 £m
Loss for the year	**(411.9)**	(34.7)
Other comprehensive (loss) / income:		
Items that are or may be reclassified subsequently to profit or loss:		
Effective portion of changes in fair value of cash flow hedges	**61.4**	(280.4)
Fair value of cash flow hedges transferred to the income statement	**(28.4)**	267.8
Foreign exchange gain on net investment hedges, net of tax[1]	**68.2**	19.6
Foreign exchange (loss) / gain on translation of the net assets of foreign currency denominated entities	**(309.6)**	41.9
Debt instruments at FVOCI	**(1.3)**	(0.4)
Other comprehensive (loss) / income	**(209.7)**	48.5
Total comprehensive (loss) / income for the year	**(621.6)**	13.8
Attributable to:		
Equity holders of the Company	**(627.9)**	93.8
Non-controlling interest	**6.3**	(80.0)
Total comprehensive (loss) / income for the year	**(621.6)**	13.8

1 Foreign exchange gain on net investment hedges is presented including an income tax charge of £17.2m (2020: £5.1m) which relates to the tax effect on foreign exchange activities with respect to the Group's hedging activities. A corresponding tax credit of £16.7m (2020: £5.1m) in relation to the same is recognised in the Condensed Consolidated Income Statement such that there is a £0.5m net impact on the Consolidated Statement of Financial Position, reflecting excess FX gain in OCI not offset by current year or prior year losses.

Notes 1 to 22 form an integral part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Financial Position

As at 31 December 2021

	Note	31 December 2021 £m	31 December 2020 £m
Assets			
Property, plant and equipment		**451.4**	361.9
Intangible assets		**4,875.6**	5,527.8
Goodwill	10	**9,346.8**	9,516.7
Deferred tax assets		**8.2**	7.4
Non-current tax receivable		**21.5**	15.3
Investments	12	**5.5**	3.0
Derivative financial assets	17	**68.0**	16.9
Financial assets - restricted cash	13	**7.4**	6.9
Other receivables	12	**29.3**	75.2
Total non-current assets		**14,813.7**	15,531.1
Trade and other receivables	12	**203.9**	139.5
Financial assets - restricted cash	13	**677.6**	587.9
Cash and cash equivalents	13	**951.7**	603.4
Current investments at FVOCI - customer deposits	13	**83.0**	82.8
Current tax receivable		**45.6**	47.5
Total current assets		**1,961.8**	1,461.1
Total assets		**16,775.5**	16,992.2
Equity			
Issued share capital and share premium		**477.6**	2,481.7
Merger reserve	18	**—**	7,982.9
Treasury shares	18	**—**	(40.7)
Shares held by Employee Benefit Trust	18	**(4.0)**	(5.8)
Cash flow hedge reserve	18	**22.7**	(10.3)
Other reserves		**(61.7)**	152.3
Retained earnings		**9,816.3**	405.0
Total equity attributable to equity holders of the Parent		**10,250.9**	10,965.1
Non-controlling interest		**37.5**	30.8
Total equity		**10,288.4**	10,995.9
Liabilities			
Trade and other payables	14	**1,096.4**	1,033.0
Customer balances		**721.0**	643.4
Derivative financial liabilities	17	**74.0**	150.9
Provisions	15	**71.3**	14.3
Current tax payable		**42.3**	41.0
Lease liability		**47.0**	48.3
Borrowings	16	**22.1**	50.8
Total current liabilities		**2,074.1**	1,981.7
Trade and other payables	14	**19.8**	14.6
Derivative financial liabilities	17	**55.1**	102.3
Provisions	15	**47.8**	145.0
Deferred tax liabilities		**498.0**	500.9
Non-current tax payable		**25.2**	18.0
Lease liability		**217.4**	145.7
Borrowings	16	**3,549.7**	3,088.1
Total non-current liabilities		**4,413.0**	4,014.6
Total liabilities		**6,487.1**	5,996.3
Total equity and liabilities		**16,775.5**	16,992.2

Notes 1 to 22 form an integral part of these condensed consolidated financial statements.

On behalf of the Board

Peter Jackson
Chief Executive Officer

Jonathan Hill
Chief Financial Officer

28 February 2022

Condensed Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	Note	2021 £m	2020 £m
Cash flows from operating activities			
Loss for the year		**(411.9)**	(34.7)
Tax expense		**123.5**	35.8
Financial income		**(3.2)**	(79.9)
Financial expense		**229.1**	182.3
Amortisation of acquisition related intangible assets		**543.3**	432.3
Depreciation and amortisation of other assets		**254.4**	213.2
Impairment		**—**	22.6
Gain on disposal		**(11.9)**	(0.2)
Separately disclosed items included within EBITDA		**277.7**	117.6
Employee equity-settled share-based payments expense		**79.1**	52.1
Foreign currency exchange loss / (gain)		**15.7**	(31.6)
Cash from operations before changes in working capital		**1,095.8**	909.5
(Increase) / decrease in trade and other receivables		**(40.5)**	18.1
Increase in trade, other payables and provisions		**64.0**	280.1
Cash generated from operating activities		**1,119.3**	1,207.7
Taxes paid		**(138.5)**	(89.4)
Cash generated from operations, net of taxes paid		**980.8**	1,118.3
Transaction fees, restructuring and integration costs paid	6	**(61.2)**	(119.9)
Amounts paid in respect of Kentucky litigation	15	**(234.1)**	—
Net cash from operating activities		**685.5**	998.4
Cash flows from investing activities:			
Purchase of property, plant and equipment		**(89.3)**	(59.3)
Purchase of intangible assets		**(62.4)**	(53.2)
Capitalised internal development expenditure		**(142.3)**	(99.6)
Purchase of businesses net of cash acquired	11	**(50.7)**	445.2
Payment of contingent deferred consideration	11	**(21.6)**	(7.2)
Proceeds from disposal of assets		**—**	12.5
Net proceeds from disposal of subsidiary	11	**127.1**	—
Interest received		**1.5**	1.3
Change in restricted cash		**(0.4)**	(4.8)
Other		**(0.8)**	—
Net cash (used in) / from investing activities		**(238.9)**	234.9
Cash flows from financing activities:			
Proceeds from the issuance of new shares in respect of equity placement	18	**—**	1,920.8
Proceeds from the issue of shares on exercise of employee options	18	**13.2**	34.3
Acquisition of further interest in subsidiary		**—**	(1,546.0)
Dividend paid to non-controlling interest	18	**(16.7)**	(15.2)
Payment of lease liabilities		**(47.9)**	(45.7)
Payment of lease interest		**(8.4)**	(5.7)
Lease incentive received		**7.3**	—
Proceeds from borrowings	16	**1,167.7**	950.0
Net amounts drawn down previous GBP Revolving Credit Facility		**—**	(117.2)
Repayment of borrowings	16	**(751.2)**	(1,756.0)
Interest paid		**(141.9)**	(114.1)
Settlement of derivatives		**(67.9)**	(35.6)
Financing fees paid in respect of borrowing facilities		**(56.7)**	(24.4)
Ordinary shares of the Company acquired by the Employee Benefit Trust	18	**(180.7)**	—
Net cash used in financing activities		**(83.2)**	(754.8)
Net increase in cash and cash equivalents		**363.4**	478.5
Cash and cash equivalents at start of year		**603.4**	108.1
Foreign currency exchange (loss) / gain on cash and cash equivalents		**(15.1)**	16.8
Cash and cash equivalents at end of year	13	**951.7**	603.4

Notes 1 to 22 form an integral part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Number of ordinary shares in issue	Issued share capital and share premium	Merger reserve	Treasury shares	Shares held by Employee Benefit Trust	Cash flow hedge reserve	Fair value reserve[1]	Foreign exchange translation reserve[1]	Other reserves[1]	Share-based payment reserve[1]	Retained earnings	Total equity attributable to shareholders of the Company	Non-controlling interest	Total equity
	m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Balance at 1 January 2021	*177.0*	2,481.7	7,982.9	(40.7)	(5.8)	(10.3)	(0.4)	49.6	2.3	100.8	405.0	10,965.1	30.8	10,995.9
Total comprehensive income / (loss) for the year														
Loss for the year	—	—	—	—	—	—	—	—	—	—	(415.8)	(415.8)	3.9	(411.9)
Foreign exchange translation including net investment hedges	—	—	—	—	—	—	—	(226.6)	—	—	—	(226.6)	2.4	(224.2)
Effective portion of changes in fair value of cash flow hedges	—	—	—	—	—	61.4	—	—	—	—	—	61.4	—	61.4
Fair value of cash flow hedges transferred to the income statement	—	—	—	—	—	(28.4)	—	—	—	—	—	(28.4)	—	(28.4)
Financial assets at FVOCI	—	—	—	—	—	—	(1.3)	—	—	—	—	(1.3)	—	(1.3)
Tax on foreign exchange hedging	—	—	—	—	—	—	—	(17.2)	—	—	—	(17.2)	—	(17.2)
Total comprehensive income / (loss) for the year	—	—	—	—	—	33.0	(1.3)	(243.8)	—	—	(415.8)	(627.9)	6.3	(621.6)
Transactions with owners of the Company, recognised directly in equity														
Shares issued on exercise of employee share options (Note 18)	*0.6*	13.2	—	—	—	—	—	—	—	—	—	13.2	—	13.2
Cancellation of Treasury shares	*(2.0)*	(0.2)	—	40.7	—	—	—	—	0.2	—	(40.7)	—	—	—
Merger reserve capitalisation (Note 18)	—	7,982.9	(7,982.9)	—	—	—	—	—	—	—	—	—	—	—
Reduction of capital (Note 18)	—	(10,000.0)	—	—	—	—	—	—	—	—	10,000.0	—	—	—
Business combinations (Note 11)	—	—	—	—	—	—	—	—	—	—	—	—	17.1	17.1
Ordinary shares of the Company acquired by the Employee Benefit Trust (Note 18)	—	—	—	—	(180.7)	—	—	—	—	—	—	(180.7)	—	(180.7)
Equity-settled transactions – expense recorded in the income statement	—	—	—	—	—	—	—	—	—	80.5	—	80.5	—	80.5
Equity-settled transactions – vesting	—	—	—	—	182.5	—	—	—	—	—	(182.5)	—	—	—
Tax on share-based payments	—	—	—	—	—	—	—	—	—	—	0.7	0.7	—	0.7
Exercise of share options	—	—	—	—	—	—	—	—	—	(49.6)	49.6	—	—	—
Dividend paid to non-controlling interest (Note 18)	—	—	—	—	—	—	—	—	—	—	—	—	(16.7)	(16.7)
Total contributions by and distributions to owners of the Company	*(1.4)*	(2,004.1)	(7,982.9)	40.7	1.8	—	—	—	0.2	30.9	9,827.1	(86.3)	0.4	(85.9)
Balance at 31 December 2021	*175.6*	477.6	—	—	(4.0)	22.7	(1.7)	(194.2)	2.5	131.7	9,816.3	10,250.9	37.5	10,288.4

[1] Included in other reserves in the Statement of Financial Position.

Notes 1 to 22 form an integral part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

	Number of ordinary shares in issue	Issued share capital and share premium	Merger reserve	Treasury shares	Shares held by Employee Benefit Trust	Cash flow hedge reserve	Fair value reserve	Foreign exchange translation reserve	Other reserves	Share-based payment reserve	Retained earnings	Total equity attributable to shareholders of the Company	Non-controlling interest	Total equity
	m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Balance at 1 January 2020	*80.3*	428.3	—	(40.7)	(6.1)	2.3	—	(21.5)	2.3	80.6	3,539.5	3,984.7	204.9	4,189.6
Total comprehensive income / (loss) for the year														
Loss for the year	—	—	—	—	—	—	—	—	—	—	37.9	37.9	(72.6)	(34.7)
Foreign exchange translation including	—	—	—	—	—	—	—	74.0	—	—	—	74.0	(7.4)	66.6
Tax on foreign exchange hedging	—	—	—	—	—	—	—	(5.1)	—	—	—	(5.1)	—	(5.1)
Effective portion of changes in fair value of cash flow hedges	—	—	—	—	—	(280.4)	—	—	—	—	—	(280.4)	—	(280.4)
Fair value of cash flow hedges transferred to the income statement	—	—	—	—	—	267.8	—	—	—	—	—	267.8	—	267.8
Financial assets at FVOCI	—	—	—	—	—	—	(0.4)	—	—	—	—	(0.4)	—	(0.4)
Total comprehensive income / (loss) for the year	—	—	—	—	—	(12.6)	(0.4)	68.9	—	—	37.9	93.8	(80.0)	13.8
Transactions with owners of the Company, recognised directly in equity														
Shares issued on equity placement (net of issuance costs) (Note 18)	*16.1*	1,933.2	—	—	—	—	—	—	—	—	(12.4)	1,920.8	—	1,920.8
Shares issued on exercise of employee share options (Note 18)	*1.5*	34.3	—	—	—	—	—	—	—	—	—	34.3	—	34.3
Shares issued as consideration for the acquisition of TSG (Note 11)	*65.3*	5.1	6,189.5	—	—	—	—	—	—	—	—	6,194.6	—	6,194.6
Issue of replacement options (Note 11)	—	—	—	—	—	—	—	—	—	58.0	—	58.0	—	58.0
Shares issued as consideration for acquisition of TSG Australia (Note 11)	*0.8*	79.7	—	—	—	—	—	—	—	—	—	79.7	—	79.7
Present value of FanDuel put liability with Fastball up to termination of option	—	—	—	—	—	—	—	—	(846.0)	—	—	(846.0)	—	(846.0)
Unwind of put option on termination of option	—	—	—	—	—	—	—	—	846.0	—	—	846.0	—	846.0
Acquisition of non-controlling interest in FanDuel Group (Note 11)	*11.7*	1.0	1,793.4	—	—	—	—	2.2	—	—	(3,263.7)	(1,467.1)	(78.9)	(1,546.0)
Deal fees on acquisition of FanDuel	—	—	—	—	—	—	—	—	—	—	(9.3)	(9.3)	—	(9.3)
Equity-settled transactions – expense recorded in income statement	—	—	—	—	—	—	—	—	—	70.2	—	70.2	—	70.2
Equity-settled transactions – vesting	—	—	—	—	0.3	—	—	—	—	(0.3)	—	—	—	—
Tax on share-based payments	—	—	—	—	—	—	—	—	—	—	5.4	5.4	—	5.4
Exercise of share awards	—	—	—	—	—	—	—	—	—	(107.7)	107.7	—	—	—
Dividend paid to non-controlling interest	—	—	—	—	—	—	—	—	—	—	—	—	(15.2)	(15.2)
Dividends to shareholders	*1.3*	0.1	—	—	—	—	—	—	—	—	(0.1)	—	—	—
Total contributions by and distributions to owners of the Company	*96.7*	2,053.4	7,982.9	—	0.3	—	—	2.2	—	20.2	(3,172.4)	6,886.6	(94.1)	6,792.5
Balance at 31 December 2020	*177.0*	2,481.7	7,982.9	(40.7)	(5.8)	(10.3)	(0.4)	49.6	2.3	100.8	405.0	10,965.1	30.8	10,995.9

Notes to the Consolidated Financial Statements

1. General information

Flutter Entertainment plc (the "Company") and its subsidiaries (together referred to as the "Group") is a global sports betting and gaming group, whose headquarters are in Dublin, Ireland. As a result of internal restructuring and integration initiatives in 2021, the Group transitioned from the five segment operating model reported in 2020 into a four segment operating model. In 2021, the Group's four reportable segments are (i) UK and Ireland ("UK&I"), which includes Sky Betting & Gaming and Paddy Power (both online and retail) and Betfair's operations in the UK and Ireland (ii) Australia, comprising Sportsbet, the market leader in the fast-growing Australian online betting market; (iii) International which includes online poker, gaming, betting, rummy and daily fantasy sport product offerings under the PokerStars, Betfair International, Adjarabet and Junglee games brands; and (iv) US, which includes sports betting, daily fantasy sports, poker and gaming services under the FanDuel, TVG, FOX Bet, Stardust and PokerStars brands.

On 5 May 2020, the Company completed an all-share Combination with TSG (the "Combination") through an acquisition of all of the issued and outstanding share capital of TSG by the Company. The results of TSG prior to completion of the Combination are not included in these consolidated financial statements. See Note 11 for further information on the Combination.

The Company is a public limited company incorporated and domiciled in the Republic of Ireland and has its primary listing on the London Stock Exchange under the symbol FLTR and a secondary listing on the Irish Stock Exchange under the symbol FLTR.IR.

The financial information presented herein does not comprise full statutory financial statements and therefore does not include all of the information required for full annual financial statements. Full statutory financial statements for the year ended 31 December 2021, prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union ("EU") together with an unqualified audit report thereon under section 391 of the Companies Act 2014, will be annexed to the annual return and filed with the Registrar of Companies.

The consolidated financial statements of the Group for the year ended 31 December 2021 comprise the financial statements of the Company and its subsidiary undertakings and were approved for issue by the Board of Directors on 28 February 2022.

2. Recent accounting pronouncements

Adoption of new accounting standards

The IASB issued the following standards, policies, interpretations and amendments which were effective for the Group for the first time in the year ended 31 December 2021;

- Amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 16: Interest Rate Benchmark Reform Phase 2; and
- Amendment to IFRS 16: Covid-19 Related Rent Concessions.

The adoption of the new standards and interpretations did not have a significant impact on the Group's consolidated financial statements.

Adopted IFRS not yet applied

The following IFRSs have been issued but have not been applied in these financial statements. Their adoption is not expected to have a material effect on the Group's consolidated financial statements, other than IBOR reform which is disclosed in more detail below:

- Amendments to IAS 37: Onerous contracts - Cost of Fulfilling a Contract (Effective date 1 January 2022);
- Amendments to IAS 16: Property, Plant and Equipment: Proceeds before Intended Use (effective 1 January 2022);
- Amendments to IFRS 1, IFRS 9 and IAS 41: Annual Improvements to IFRS Standards 2018–2020 (effective 1 January 2022);
- Amendments to IFRS 3: Reference to the Conceptual Framework (effective 1 January 2022);
- Amendments to IAS 1: Classification of Liabilities as Current or Non -current (effective 1 January 2023);
- IFRS 17 Insurance Contracts and amendments to Insurance Contracts (effective date 1 January 2023);
- IAS 1 and IFRS Practice Statement 2; Disclosure of Accounting Policies; (effective date 1 January 2023);
- Amendments to IAS 8; Definition of Accounting Estimates (effective date 1 January 2023);
- Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective date 1 January 2023); and
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective date to be confirmed).

2. Recent accounting pronouncements *(continued)*

IBOR reform

The Company has considered the impact of interest rate benchmark reform ("IBOR reform") on its loan accounting and hedge accounting. The Company has adopted the Interest Rate Benchmark Reform – Phase 2 Amendments to IFRS 9, IAS 39 and IFRS 7 issued in August 2020 ("Phase 2 relief"). Adopting these amendments provides temporary relief from applying specific loan accounting and hedge accounting requirements for hedging relationships directly affected by IBOR reform.

For loan accounting, the reliefs have the effect that the Company can update its effective interest rate for the change to the new risk-free rate without recognising an immediate gain or loss. For hedge accounting, the reliefs have the effect that IBOR reform should not generally cause hedge accounting to cease and updates to hedge documentation relating to IBOR reform will not result in a de-designation event for existing hedge relationships. However, any hedge ineffectiveness should continue to be recorded in the income statement. Qualifying for the reliefs is contingent on the Company's transition, i.e. the new risk-free rate plus credit adjustment spread, being economically equivalent to the previous LIBOR basis.

On 5 March 2021, the UK's Financial Conduct Authority ("FCA") formally announced the cessation of all GBP London Interbank Offered Rate ("LIBOR") benchmark settings currently published by ICE Benchmark Administration ("IBA") immediately after 31 December 2021. In response, the Company has entered into agreements with its lenders to amend the benchmark rate referenced in the Term Loan A agreement from GBP LIBOR to GBP SONIA for any interest periods commencing on or after 1 January 2022.

The Group's USD First Lien Term Loan B, and certain of its cross-currency interest rate swaps are indexed to USD-LIBOR, and its EUR First Lien Term Loan B is indexed to EURIBOR. See Notes 16 and 17 for details of the borrowings and hedging derivatives notional amounts. The Group is monitoring and evaluating the related risks, which include interest payments on its borrowings, and amounts received on certain of its cross-currency interest rate swaps. These risks arise in connection with transitioning contracts to an alternative rate, including any resulting value transfer that may occur. Additional risk exists as the method of transitioning to an alternative reference rate may be challenging and requires agreement with the respective counterparty about how to make the transition.

The table below indicates the nominal amount and carrying amount of financial instruments that will be affected by IBOR reform which are yet to transition to alternative benchmark rates. The Company has adopted the Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7 issued in September 2019 ("Phase 1 relief") in relation to its derivatives in hedge relationships. Adopting these amendments provides temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by IBOR reform.

Current Benchmark Rate	Non-Derivative Financial Liability Nominal Amount	Derivative Instruments Nominal Amount
USD Libor	$2,931m	$2,931m
EURIBOR	€507m	—

The reliefs have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness continue should be recorded in the income statement. Furthermore, the amendments set out triggers for when the reliefs will end, which include the uncertainty arising from interest rate benchmark reform no longer being present.

As illustrated above, the Company has a significant exposure to changes in the USD IBOR benchmark. At 31 December 2021 the Company has term loan of USD $2,931m and cross-currency interest rate swaps with a notional amount of USD $2,931m, which are indexed to USD LIBOR. The cross-currency interest rate swaps are designated in a cash flow hedge relationship hedging the USD LIBOR term loan. In assessing whether the hedges are expected to be highly effective on a forward-looking basis, the Company has assumed that the USD LIBOR interest rate on which the cash flows of its interest rate swaps and its hedged floating rate loans are based are not altered by IBOR reform.

The Company anticipates that USD LIBOR will transition to SOFR and has considered an IBOR transition plan. The transition project will include changes to systems, processes, risk and valuation models, as well as managing related tax and accounting implications. The Company currently anticipates that the areas of greatest change will be amendments to the contractual terms of its LIBOR referenced floating-rate swaps and updating its hedge designation. None of the group's cross currency interest rate swaps have interest rate reset dates which occur after 30th June 2023, the date on which USD LIBOR is expected to be discontinued. The Group expects the EURIBOR will continue to exist as a benchmark rate for the foreseeable future.

The Group will continue to apply the amendments to IFRS 9/IAS 39 until the uncertainty arising from the interest rate benchmark reforms with respect to the timing and the amount of the underlying cash flows that the Group is exposed to ends. The Group has assumed that this uncertainty will not end until the Group's contracts that reference IBORs are amended to specify the date on which the interest rate benchmark will be replaced, the cash flows of the alternative benchmark rate and the relevant spread adjustment.

3. Basis of preparation and summary of significant accounting policies

The condensed consolidated financial statements are prepared on the historical cost basis except for derivative financial instruments (which include betting transactions), equity securities, certain financial assets which have been designated as FVTPL, FVOCI, contingent deferred consideration and share-based payments, all of which are stated at fair value (grant date fair value in the case of share-based payments). The consolidated financial statements are presented in pounds sterling and are rounded to the nearest 0.1 million.

Further to IAS Regulation (EC1606/2002, 'Accounting standards adopted for use in the EU'), EU law requires that the annual consolidated financial statements of the Group be prepared in accordance with International Financial Reporting Standards ("IFRS") adopted by the European Union ("EU"). These consolidated financial statements have been prepared on the basis of IFRS adopted by the EU and effective for accounting periods ending on or after 1 January 2021.

The accounting policies applied in the preparation of these consolidated financial statements have been applied consistently during the year and prior year, except as noted above and in Note 2 'Recent accounting pronouncements'.

Going concern

The Group reported EBITDA of £723.3m and a loss after tax of £411.9m for the year ended 31 December 2021. This includes £797.7m of non-cash depreciation and amortisation charged against profit in the year. The net cash generated from operating activities during the year ended 31 December 2021 was £685.5m. The balance sheet at 31 December 2021 reported a net current liability position of £112.3m. During 2021, the Group's various lenders consented to waive any Default or Event of Default that may have arisen by virtue of the Kentucky judgement, including any enforcement steps or actions taken by the Commonwealth of Kentucky prior to settlement. During the 12 months ended 31 December 2021, the Group is in compliance with all covenants related to its lending arrangements.

The Directors have considered the available financial resources which include, at 31 December 2021, £951.7m of cash and cash equivalents and a £482.0m Revolving Credit Facility with undrawn capacity of £467.0m. Whilst there are certain loan repayments due within the next 12 months of £22.1m, the Group's lending facilities primarily fall due in 2026 as set out in more detail in Note 16. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully.

The Group's forecasts to the year ending 31 December 2022 and beyond indicate that it will continue to have significant financial resources, continue to settle its debts as they fall due and operate well within its banking covenants as outlined in Note 16 for at least a period of 12 months from the date of these consolidated financial statements. 12 months from the date of these consolidated financial statements was selected as the going concern period as it represents the period in which the Group has prepared detailed forecasts for the majority of the period and it also reduces the degree of judgement and estimation uncertainty involved in both the forecasts and the downside scenarios.

When preparing the forecasts, the Group has included the cash outflows associated with the post balance sheet acquisition as detailed in Note 22. Various downside scenarios over and above those already included in the base case model on the potential impact of further reductions to cash flows due to changes in the legal, regulatory and licencing landscape and the Group's cyber and IT resilience have been considered in respect of these forecasts. The impact of these items involves significant judgement and estimation uncertainty.

In the event that it were necessary to draw down additional debt funding, the Directors have a reasonable expectation that this could be achieved within the confines of its existing debt facilities and financial covenant requirements.

Having given regard to the above, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for a period of at least 12 months from the date of approval of these consolidated financial statements, and therefore they continue to adopt the going concern basis in its consolidated financial statements.

Basis of consolidation

The Group's financial statements consolidate the financial statements of the Company and its subsidiary undertakings based on accounts made up to the end of the financial year. A subsidiary is an entity controlled by the Company. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions are eliminated on consolidation except to the extent that unrealised losses provide evidence of impairment.

4. Judgements and estimates

The preparation of Consolidated Financial Statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future years affected.

Judgements

In preparing these Consolidated Financial Statements, the significant judgements in applying the Group's accounting policies and the key sources of estimation uncertainty were consistent with those that applied to the Consolidated Financial Statements as at and for the year ended 31 December 2020 and are detailed below:

Kentucky proceedings

In 2010, prior to the combination with The Stars Group ("TSG"), the Commonwealth of Kentucky filed legal proceedings against various operators including certain companies that later became subsidiaries of TSG. The suit sought recovery of alleged losses incurred by Kentucky residents playing real-money poker on the PokerStars platform during a period between 2006 and 2011. The gross gaming revenues that TSG generated in Kentucky on the PokerStars platform during the relevant period were approximately US$18m. In 2015, a Kentucky trial court judge entered judgement against two TSG Isle of Man subsidiaries, Stars Interactive Holdings (IOM) Ltd ("SIHL") and Rational Entertainment Enterprises Ltd ("REEL") and awarded damages to the Commonwealth of Kentucky of approximately US$870m plus post-judgement interest.

In February 2016, in order to stay enforcement of the judgement while the matter was appealed, SIHL and REEL posted supersedeas bonds to the value of US$100m, on which the stay was conditioned. In 2018, the ruling against SIHL and REEL was vacated in its entirety by the Kentucky Court of Appeals.

Following an appeal by the Commonwealth of Kentucky, on 17 December 2020, the Kentucky Supreme Court reinstated the full 2015 award of damages, including post-judgement interest, which combined amounted to approximately $1.3bn, against SIHL and REEL. The interest on the judgement continued to accrue at approximately $250,000 per day due to the application of compound interest.

The two judgement debtors, SIHL and REEL, were Isle of Man incorporated companies, with no assets in the US. The Group took the view, based on the views of legal counsel and advisers that the judgement was unenforceable in the Isle of Man under both statute and public policy, being for multiple damages and penal in nature. The Group undertook a detailed review of what other steps Kentucky might seek to take to enforce the judgement, including against the assets of other Group companies in the US and formed the opinion that Kentucky had limited ability to enforce the full judgement. Based on the opinion of legal counsel and advisers as to the likely pay-out outcomes, the Group recognised a provision of $100m (£73.3m) as part of TSG combination fair value acquisition accounting in respect of this litigation, which reflects the value of the supersedes bond which was in place since February 2016. No liability was previously recognised by either TSG or Flutter prior to this judgement.

A rehearing petition was filed before the Kentucky Supreme Court on 6 January 2021 and was subsequently denied on 25 March 2021. In May 2021, following an April 2021 order by the Kentucky trial court, the $100m (£71.1m) bonds were paid to the Commonwealth of Kentucky, in line with the provision outstanding at 31 December 2020. The Group also considered the potential operational and reputational consequence of resisting enforcement of the judgement, e.g. any impact on the Group's ability to secure permits and licences in US states where its betting and gaming activities require State permissions.

On 21 September 2021, following mediation between the parties, the Group agreed to pay an additional $200m (£145.2m) to Kentucky. In return, Kentucky released SIHL, REEL and, inter alia, all Flutter entities from any claims relating to the matters in issue in the Kentucky proceedings, and the proceedings were consequently dismissed with prejudice. The Group strongly believes that this agreement and the certainty of outcome provided is in the best interests of the Group's shareholders.#

Valuation of tax assets and liabilities

Whilst we maintain good communication with key tax authorities, given the global nature of our business and the complex international tax landscape, there remain areas of tax uncertainty and therefore there is a level of uncertainty with regards to the measurement of our tax assets and liabilities. Uncertainties have been measured using the best estimate of the likely outcome. This assessment relies on estimates and assumptions and may involve a series of judgements about future events.

Where uncertain tax treatments exist, the Group assesses whether it is probable that a tax authority will accept the uncertain tax treatment applied or proposed to be applied in its tax filings. The Group assesses each uncertain tax treatment as to whether it should be considered independently or whether some tax treatments should be considered collectively based on what the Group believes provides a better estimate of the resolution of the uncertainty. The Group considers whether it is probable that the relevant authority will accept each uncertain tax treatment, or group of uncertain tax treatments, assuming that the taxation authority will have full knowledge of all relevant information when doing so. The key judgements are in relation to intercompany transactions including the internally generated intangible asset transfer referred to in Note 6 .

4. Judgements and estimates *(continued)*

New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax assets and liabilities; such changes to tax assets and liabilities will impact the income tax in the period in which such a determination is made. Management uses in-house tax experts, professional firms and previous experience when assessing tax risks and the Group believes that the position for all tax assets and liabilities at 31 December 2021 is adequate based on its assessment of the range of factors outlined above but given the inherent uncertainty, it is possible that resolution of tax uncertainties may differ from the amounts provided for.

FOX Corporation

As announced on 2 October 2019, in order to achieve economic alignment of Flutter's and TSG's strategic third party relationships across their respective US businesses, concurrent with the Combination with TSG, the Group entered into an arrangement with FOX, pursuant to which FSG Services, a wholly-owned subsidiary of FOX, had an option to acquire an 18.6% equity interest in FanDuel Group at its market value in July 2021. Under the terms of the agreement an arbitration mechanism was put in place in the event of a disagreement between the two parties relating to the option.

In April 2021, FOX filed an arbitration claim against the Group with respect to its option to acquire an 18.6% equity interest in FanDuel for the same price that the Group paid for the acquisition of 37.2% of FanDuel from Fastball Holdings LLC in December 2020, representing an $11.2 billion valuation for FanDuel. In the Group's opinion this valuation would be materially favourable for FOX compared to the fair market valuation as of July 2021. An arbitrator has been appointed and the Group intends to vigorously defend its position. A ruling in the arbitration is not expected before Quarter 2, 2022.

The fair value of the call option as at 31 December 2021 is required to reflect the value that a market participant would have paid for such an option, with that strike price, reflecting the conditions that would have existed at 31 December 2021. Given the market assessment of comparable US assets, it is management's view that there has been no increase in the market value of FanDuel since July 2021, which represents the valuation date of the option, and therefore it is determined that the value of the option is out of the money for FOX and the derivative has close to nominal value at 31 December 2021.

Estimates

Determining the fair value of some assets and liabilities requires estimation of the effects of uncertain future events on those assets and liabilities at the end of the reporting year. The following discussion sets forth key sources of estimation uncertainty at the end of the reporting year that management believes have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

<u>Measurement of the recoverable amounts of cash generating units containing goodwill, indefinite life licences and intangible assets</u>

The Group reviews the carrying value of goodwill for impairment annually (or more frequently if there are indications that the value of goodwill may be impaired) by comparing the carrying values of these cash generating units with their recoverable amounts (being the higher of value in use and fair value less costs to sell). The impairment review is performed on a "value-in-use" basis, which requires estimation of future net operating cash flows, the time period over which they will occur, an appropriate discount rate and an appropriate growth rate. Certain of these estimates and assumptions are subjective in nature.

The impact of Covid-19 on the performance of the Group and its individual business units for the year ended 31 December 2021 is set out in the Operating and Financial Review.

The retail cash generating units ("CGUs") in the year were impacted by the temporary suspension of the activities of its shops, depending on local restrictions and social distancing rules during 2021. Based on the significant headroom that existed in the 31 December 2021 impairment test and customer activity levels since the shops have reopened as well as opportunities to make further market share gains as competitors reduce the size of their respective estates, the Group is satisfied that no impairment has arisen during the year ended 31 December 2021.

5. Operating segments

Reportable business segment information

As a result of internal restructuring and integration initiatives, in 2021 the Group transitioned from the five segment operating model reported in 2020 to a four segment operating model. In 2021, the Group's four reportable segments are:

- UK & Ireland;
- Australia;
- International; and
- US

During the year, the Group determined that it is the Chief Executive Officer and Chief Financial Officer jointly rather than the Board of Directors who are performing the function of Chief Operating Decision Maker. The reportable segments reflect the Group's current operating model, following internal restructuring and integration initiatives undertaken by the Group following the Combination with TSG, and the way financial information is reviewed by the Group's Chief Operating Decision Maker (the Chief Executive Officer and Chief Financial Officer jointly, ("CODM")). The Group has restated the operating segment information for the year ended 31 December 2020 to conform with the current year presentation.

UK & Ireland

The UK & Ireland ("UK&I") segment is comprised of the operations of Sky Betting & Gaming, and Paddy Power and Betfair in the UK and Ireland. Revenues are earned from sports betting (sportsbook and the exchange sports betting product) and gaming services (games, casino, bingo and poker), as well as from Oddschecker (odds comparison website) until the disposal of Oddschecker in August 2021 (see Note 6 and Note 11). Services are provided primarily via the internet but also through licensed bookmaking shop estates.

Australia

The Australia segment is comprised of the operations of the Sportsbet brand and in 2020 included the former BetEasy brand which was integrated into Sportsbet in the second half of 2020, and earns its revenues from sports betting services provided to Australian customers using primarily the internet.

International

The International segment is comprised of PokerStars, Betfair International, Adjarabet and Junglee Games. The International segment earns most of its revenues from poker, casino, rummy and sports betting through various brands and mainly via the internet.

US

The US segment is comprised of the FanDuel, TVG, FOX Bet, Stardust and PokerStars brands' operations in the U.S and earns its revenues from sports betting, daily fantasy sports and gaming services (casino and poker) provided to US customers, using primarily the internet, with a proportion of US sports betting services also provided through a small number of retail outlets.

Corporate

Corporate administrative costs (Board, Finance, Legal, Internal Audit, HR, Property and other central functions) cannot be readily allocated to individual operating segments and are not used by the CODM for making operating and resource allocation decisions. These are shown in the reconciliation of reportable segments to Group totals.

The Group does not allocate income tax expense or financing income and expenses to reportable segments. Treasury management is centralised for the UK&I, Australia, International and US segments.

Assets and liabilities information is reported internally in total and not by reportable segment and, accordingly, no information is provided in this note on assets and liabilities split by reportable segment.

Seasonality

The Group's sportsbook revenue is driven by a combination of the timing of sporting and other events and the Group's results derived from those events. The Covid-19 pandemic which caused some postponement and cancellation of sporting events across the world has skewed results for the year and the comparative year. Gaming and other revenue is not as dependent on the sporting calendar.

5. Operating segments *(continued)*

Reportable business segment information for the year ended 31 December 2021:

	UK&I £m	Australia £m	International £m	US £m	Corporate £m	Total £m
Revenue from external customers	**2,062.9**	**1,293.5**	**1,288.4**	**1,391.4**	**—**	**6,036.2**
Cost of sales before separately disclosed items	**(621.2)**	**(635.8)**	**(391.6)**	**(613.6)**	**—**	**(2,262.2)**
Gross profit before separately disclosed items	**1,441.7**	**657.7**	**896.8**	**777.8**	**—**	**3,774.0**
Operating costs excluding depreciation and amortisation before separately disclosed items	**(825.8)**	**(221.2)**	**(604.6)**	**(1,020.7)**	**(100.7)**	**(2,773.0)**
Adjusted EBITDA[1] before separately disclosed items	**615.9**	**436.5**	**292.2**	**(242.9)**	**(100.7)**	**1,001.0**
Depreciation and amortisation before separately disclosed items	**(125.7)**	**(25.6)**	**(51.8)**	**(46.5)**	**(4.8)**	**(254.4)**
Loss on disposal before separately disclosed items	**—**	**—**	**—**	**—**	**(0.3)**	**(0.3)**
Reportable segment profit / (loss) before separately disclosed items	**490.2**	**410.9**	**240.4**	**(289.4)**	**(105.8)**	**746.3**
Germany and Greece tax expense	**—**	**—**	**(47.3)**	**—**	**—**	**(47.3)**
Kentucky settlement and associated legal costs	**—**	**—**	**(163.1)**	**—**	**—**	**(163.1)**
Gain on disposal	**12.2**	**—**	**—**	**—**	**—**	**12.2**
Amortisation of acquisition-related intangible assets	**(225.9)**	**(20.9)**	**(276.4)**	**(20.1)**	**—**	**(543.3)**
Reportable segment profit / (loss) after amortisation of acquisition-related intangibles	**276.5**	**390.0**	**(246.4)**	**(309.5)**	**(105.8)**	**4.8**
Transaction fees and associated costs[2]						**(22.1)**
Restructuring and integration costs[2]						**(45.2)**
Operating loss						**(62.5)**

5. Operating segments *(continued)*

Reportable business segment information for the year ended 31 December 2020[3]:

Restated[3]	UK&I £m	Australia £m	International £m	US £m	Corporate £m	Total £m
Revenue from external customers before VAT refund	1,738.9	988.8	997.4	672.9	—	4,398.0
Cost of sales before separately disclosed items	(499.1)	(468.7)	(269.0)	(302.2)	—	(1,539.0)
Gross profit before separately disclosed items	1,239.8	520.1	728.4	370.7	—	2,859.0
Operating costs excluding depreciation and amortisation before separately disclosed items	(727.3)	(213.2)	(418.7)	(519.0)	(91.6)	(1,969.8)
Adjusted EBITDA[1]	512.5	306.9	309.7	(148.3)	(91.6)	889.2
Depreciation and amortisation before separately disclosed items	(111.1)	(28.2)	(34.5)	(34.8)	(4.6)	(213.2)
Reportable segment profit / (loss) before separately disclosed items	401.4	278.7	275.2	(183.1)	(96.2)	676.0
Amortisation of acquisition-related intangible assets (Note 6)	(168.7)	(18.7)	(216.2)	(28.7)	—	(432.3)
Impairment	(12.1)	(2.0)	(4.4)	—	(4.1)	(22.6)
VAT refund (Note 6)	11.2	—	—	—	—	11.2
Reportable segment profit / (loss) after amortisation of acquisition-related intangibles and VAT refund	231.8	258.0	54.6	(211.8)	(100.3)	232.3
Transaction fees and associated costs[2]						(32.7)
Restructuring and integration costs[2]						(96.1)
Operating profit						103.5

1 Adjusted EBITDA which is a non-GAAP measure in the above segment note is defined as profit for the year before separately disclosed items, depreciation, amortisation, impairment, gain on disposal, financial income, financial expense and tax expense / credit. It is considered by the Directors to be a key measure of the Group's financial performance.

2 The Group does not allocate transaction fees and restructuring and integration costs to reportable segments.

3 Reportable segment split was restated to conform with current year presentation.

Reconciliation of reportable segment information to Group totals:

	2021			2020		
	Before separately disclosed items £m	**Separately disclosed items £m**	**Total £m**	Before separately disclosed items £m	Separately disclosed items £m	Total £m
Gross profit	**3,774.0**	**(47.3)**	**3,726.7**	2,859.0	13.2	2,872.2
Operating costs excluding depreciation, amortisation, impairment and gain on disposal	**(2,773.0)**	**(230.4)**	**(3,003.4)**	(1,969.8)	(130.8)	(2,100.6)
EBITDA[1]	**1,001.0**	**(277.7)**	**723.3**	889.2	(117.6)	771.6
Depreciation and amortisation	**(254.4)**	**(543.3)**	**(797.7)**	(213.2)	(432.3)	(645.5)
(Loss) / gain on disposal and impairment	**(0.3)**	**12.2**	**11.9**	—	(22.6)	(22.6)
Operating (loss) / profit	**746.3**	**(808.8)**	**(62.5)**	676.0	(572.5)	103.5
Net finance costs	**(126.0)**	**(99.9)**	**(225.9)**	(109.8)	7.4	(102.4)
(Loss) / profit before tax	**620.3**	**(908.7)**	**(288.4)**	566.2	(565.1)	1.1
Tax expense	**(166.3)**	**42.8**	**(123.5)**	(94.2)	58.4	(35.8)
(Loss) /profit for the year	**454.0**	**(865.9)**	**(411.9)**	472.0	(506.7)	(34.7)

1 EBITDA is defined as profit for the year before depreciation, amortisation, impairment, gain on disposal, financial income, financial expense and tax expense / credit. It is considered by the Directors to be a key measure of the Group's financial performance.

See Note 6 for further detail on separately disclosed items.

5. Operating segments *(continued)*

Disaggregation of revenue under IFRS 15:

Group revenue disaggregated by product line for the year ended 31 December 2021:

	UK&I £m	Australia £m	International £m	US £m	Total £m
Sports revenue[1]	**1,281.8**	**1,293.5**	**220.2**	**978.3**	**3,773.8**
Gaming revenue[2]	**781.1**	**—**	**1,068.2**	**413.1**	**2,262.4**
Total Group revenue	**2,062.9**	**1,293.5**	**1,288.4**	**1,391.4**	**6,036.2**

Group revenue disaggregated by product line for the year ended 31 December 2020[3]:

	UK&I £m	Australia £m	International £m	US £m	Total £m
Sports revenue[1]	1,117.6	988.8	162.1	457.0	2,725.5
Gaming revenue[2]	637.2	—	835.3	215.9	1,688.4
Total Group revenue	1,754.8	988.8	997.4	672.9	4,413.9

1 Sports revenue comprises sportsbook, exchange sports betting, daily fantasy sports and pari-mutuel betting.

2 Gaming revenue includes Games, Poker, Casino, Rummy and Bingo and in 2020 in UK&I includes the VAT refund (see Note 6).

3 Reportable segment split was restated to conform with current year presentation.

Geographical information

Group revenue disaggregated by geographical market for the year ended 31 December 2021:

	UK&I £m	Australia £m	International £m	US £m	Total £m
UK	**1,860.1**	**—**	**73.7**	**—**	**1,933.8**
Ireland	**194.1**	**—**	**6.4**	**—**	**200.5**
EU (excl. Ireland)[1]	**—**	**—**	**656.4**	**—**	**656.4**
Australia	**—**	**1,293.5**	**—**	**—**	**1,293.5**
US	**—**	**—**	**—**	**1,391.4**	**1,391.4**
Rest of World[2]	**8.7**	**—**	**551.9**	**—**	**560.6**
Total Group revenue	**2,062.9**	**1,293.5**	**1,288.4**	**1,391.4**	**6,036.2**

1 The EU (excl. Ireland) category includes multiple countries, that individually represent less than 4% of total Group revenue.

2 The Rest of World category includes multiple countries, that individually represent less than 2% of total Group revenue

Group revenue disaggregated by geographical market for the year ended 31 December 2020:

Restated[2]	UK&I £m	Australia £m	International £m	US £m	Total £m
UK	1,544.9	—	66.7	—	1,611.6
Ireland	209.9	—	7.4	—	217.3
EU (excl. Ireland)[1]	—	—	578.6	—	578.6
Australia	—	988.8	—	—	988.8
US	—	—	—	672.9	672.9
Rest of World[2]	—	—	344.7	—	344.7
Total Group revenue	1,754.8	988.8	997.4	672.9	4,413.9

1 The EU (excl. Ireland) category includes multiple countries that individually represent less than 4% of total Group revenue.

2 The Rest of World category includes multiple countries that individually represent less than 2% of total Group revenue.

3 Reportable segment split was restated to conform with current year presentation.

Revenues are attributable to geographical location on the basis of the customers location.

5. Operating segments *(continued)*

Non-current assets

Non-current assets (property, plant and equipment, intangible assets and goodwill) by geographical area are as follows:

	31 December 2021 £m	31 December 2020 £m
UK	**8,492.3**	8,882.6
Ireland	**159.9**	154.9
Australia	**645.6**	696.4
US	**868.5**	856.1
Rest of World[1]	**4,507.5**	4,816.4
Total	**14,673.8**	15,406.4

1 Relates mainly to goodwill and fair value adjustments on acquisition intangibles such as brand and customer relationships pertaining to PokerStars worldwide operations (reported within the International segment) not otherwise allocated to any specific country or region.

6. Separately disclosed items

The separately disclosed items noted in Note 5 above are comprised as follows:

	2021 £m	2020 £m
Germany and Greece tax expense	**(47.3)**	—
Transaction fees and associated costs	**(22.1)**	(32.7)
Restructuring and integration costs	**(45.2)**	(96.1)
Kentucky settlement and associated legal costs	**(163.1)**	—
VAT refund	**—**	11.2
EBITDA	**(277.7)**	(117.6)
Amortisation of acquisition-related intangible assets	**(543.3)**	(432.3)
Disposal of Oddschecker Global Media	**12.2**	—
Impairment	**—**	(22.6)
Operating profit impact of separately disclosed items	**(808.8)**	(572.5)
Financial income	**—**	78.5
Financial expense	**(99.9)**	(71.1)
Profit before tax impact of separately disclosed items	**(908.7)**	(565.1)
Tax credit on separately disclosed items	**42.8**	58.4
Total separately disclosed items	**(865.9)**	(506.7)
Attributable to:		
Equity holders of the Company	**(860.0)**	(483.8)
Non-controlling interest	**(5.9)**	(22.9)
	(865.9)	(506.7)

Amortisation of acquisition-related intangible assets

Non-cash amortisation of £543.3m has been incurred in the period (year ended 31 December 2020: £432.3m) as a result of intangible assets separately identified under IFRS 3 as a result of the merger with Betfair in 2016, the acquisitions of FanDuel Limited in 2018 and Adjarabet in 2019, the Combination with TSG in 2020 and the acquisitions of Junglee and Singular in 2021.

6. Separately disclosed items *(continued)*

Kentucky settlement and associated legal costs

On 22 September 2021, the Group announced that the legal dispute between Flutter and the Commonwealth of Kentucky had been settled in full. The Group agreed to pay a further $200m (£145.2m) to Kentucky in addition to the $100m (£71.1m) previously forfeited to the Commonwealth as part of the supersedeas bond in the case in line with the provision outstanding at 31 December 2020. In return, Kentucky released Stars Interactive Holdings (IOM) Ltd, Rational Entertainment Enterprises Ltd and, inter alia, all Flutter entities from any claims relating to the matters in issue in the Kentucky proceedings, and the proceedings were consequently dismissed with prejudice. As a result of this settlement, costs of £163.1m (including associated legal costs of £17.9m) were incurred during the year ended 31 December 2021. See Note 4 for further details.#

Transaction fees and associated costs

During the year ended 31 December 2021, £22.1m of costs were incurred relating to various acquisitions, the FOX option (see Note 4) and also as announced in May 2021, the potential US listing of a small stake of FanDuel. During the year ended 31 December 2020, £32.7m of costs were incurred primarily relating to the Combination with TSG. The costs were included as separately disclosed items as they have not been incurred in the ordinary course of business.

Restructuring and integration costs

During the year ended 31 December 2021 costs of £45.2m (year ended 31 December 2020: £96.1m) relating to incremental, one-off costs, were incurred by the Group as a result of significant restructuring and integration initiatives following the Combination with TSG.

Germany and Greece tax expense

Germany

In 2012 Betfair was issued with a German tax assessment relating to the Betfair Exchange, which operated in Germany until November 2012. The assessment deemed that a tax liability of approximately €30.6m was payable. This represented a multiple of the revenues generated by the Exchange during the assessment period.

The Group paid the €30.6m German tax assessment in 2019, with the late payment interest of approximately €10m to be paid when assessed.

In September 2021 the German Federal Tax Court dismissed the Group's appeal of the tax assessment. Whilst the Group has lodged a formal complaint to the Federal Constitutional Court, it has decided to recognise the amount of the German tax assessment including the late payment interest. This has resulted in an expense of €40.6m (£34.5m) being recorded in the year in relation to the principal amount of tax and late payment interest.

Greece

In 2019, the Group was issued with a Greek tax assessment for financial years 2012, 2013 and 2014, relating to paddypower.com's Greek interim licence. This assessment concluded that the Group is liable to pay €15.0m in taxes including penalties and interest. This is substantially higher (by multiples) than the total cumulative revenues ever generated by paddypower.com in Greece. Pending the outcome of its appeal, in 2019 the Group paid the total Greek tax assessment (including the penalties and interest) of €15.0m.

In June 2021, the Athens Administrative Court of Appeal dismissed the Group's judicial recourses. While the Group has further appealed to the Greek Supreme Administrative Court, based on the nature of the decision received and the points of law which can be appealed, and in line with legal and tax advice it has received, it has decided to recognise the amount of the Greek assessment, of €15.0m (£12.8m) as an expense in profit or loss during the year ended 31 December 2021.

The Group considers these cost as one-off costs and not as part of ongoing operations in the current year.

Disposal of Oddschecker Global Media

On 31 August 2021 the Group sold all of the shares of Oddschecker Global Media ("OGM"), a fully owned subsidiary of the Group, to Bruin Capital, in exchange for £127.1m in cash (proceeds of £141.3m net of £14.2m cash already on the balance sheet) and recorded a gain on the disposal of £12.2m (see also Note 11). There is potential for the Group to receive further consideration of up to £20m pending future events. However, it is currently not probable that further amounts will be received and therefore no contingent asset has been recorded. Prior to the disposal, the non-current assets were measured at the lower of their carrying amount and fair value less costs sell. No impairments were recognised. The assets and liabilities of OGM were included within the UK&I segment up to the date of sale.

Impairment

During the year ended 31 December 2020, the Group recognised impairments of £22.6m. £12.1m of this relates to the impairment of Northern Ireland retail indefinite life licences. The remaining £10.5m is mainly as a result of various restructuring and integration decisions resulting from the TSG Combination with £4.4m relating to capitalised development expenditure and £6.1m relating to various property assets. No such impairments were recognised in the year ended 31 December 2021.

6. Separately disclosed items *(continued)*

VAT refund

In May 2020, HMRC confirmed it would not appeal the ruling of the Upper Tier Tribunal in the cases of Rank Group Plc and Done Brothers (Cash Betting) Ltd (trading as Betfred) that VAT was incorrectly applied to revenues earned from certain gaming machines prior to 2013. The Group submitted protective claims for the period and requested repayment from HMRC. In December 2020, the Group received the refund from the HMRC and recognised income net of the associated third-party costs expected to be incurred as a result of the refund. The refund of VAT due from HMRC of £15.9m has been booked as revenue with associated third-party costs of £2.7m and £2.0m recorded in the year ended 31 December 2020 in cost of sales and operating expenses respectively.

Financial income

During the year ended 31 December 2020, a gain on remeasurement of embedded derivatives of £78.5m was recorded. These gains were included as separately disclosed items due to their volatile nature and/or non-recurring nature.

Financial expense

During the year ended 31 December 2021, on repayment of the Senior Notes in 2021, the Group recorded a charge of £78.8m relating to the Senior Notes settlement. In conjunction with the repayment and refinancing, the Group incurred an additional £16.8m of fees that were not subject to capitalisation and £4.3m of fees relating to debt covenant amendments as a result of the Kentucky litigation. These charges were included as separately disclosed items due to their non-recurring nature. See also Note 7.

In the year ended 31 December 2020, a loss on remeasurement of the HRTV contingent consideration of £22.2m, an FX loss on financial instrument of £12.9m, a loss of £31.0m relating to accelerated debt repayments and £5.0m relating to the expensing of one-off financing related fees not eligible for capitalisation were incurred. These losses were included as separately disclosed items due to their volatility and/or non-recurring nature. See also Note 7.

Presentation within the Consolidated income Statement

The Germany and Greece tax expense is included in the Consolidated Income Statement within cost of sales. Transaction fees and associated costs, the Kentucky settlement and associated legal costs and restructuring and integration costs are included in the Consolidated Income Statement within operating costs excluding depreciation, amortisation, impairment and gain on disposal.

Tax credit on separately disclosed items

The tax credit of £42.8m has arisen primarily in respect of a deferred tax credit of £67.7m in relation to deferred tax asset recognition on consolidation following an internal transfer of intangible assets, £59.2m in respect of the amortisation of acquisition-related intangibles and £20.0m in respect of the tax effect of other separately identifiable items.

The above is offset by an increase of £104.1m in the deferred tax liability on separately identifiable acquisition-related intangible assets as result of the increase in the UK's main corporation tax rate from 19% to 25% from 1 April 2023 as outlined in more detail in Note 8.

7. Financial income and expense

Recognised in profit or loss

	2021 £m	2020 £m
Financial income:		
Gain on remeasurement of embedded derivative (see Note 6 and Note 16)	—	78.5
Movement in fair value of investment	**1.7**	—
On financial assets at amortised cost:		
Interest income	**1.5**	1.4
Total	**3.2**	79.9
Financial expense:		
Settlement of Senior Notes (see Note 6)	**78.8**	—
Change in fair value of contingent consideration (see Note 6)	**3.3**	22.2
Foreign exchange loss on financing instruments associated with financing activities (Note 6)	**1.2**	12.9
Financing related fees not eligible for capitalisation (see Note 6 and Note 16)	**21.1**	5.0
Accelerated accretion on debt repayments (see Note 6)	—	31.0
Movement in the fair value of investments	—	1.5
On financial liabilities at amortised cost:		
Interest on borrowings, bank guarantees and bank facilities	**106.0**	95.6
Interest on lease liabilities	**8.5**	5.7
Other interest	**10.2**	8.4
Total	**229.1**	182.3

Recognised in other comprehensive income / (loss):

	2021 £m	2020 £m
Recognised in other comprehensive income / (loss):		
Effective portion of changes in fair value of cash flow hedges	**61.4**	(280.4)
Fair value of cash flow hedges transferred to income statement	**(28.4)**	267.8
Net change in fair value of cash flow hedge reserve	**33.0**	(12.6)
Debt instruments at FVOCI	**(1.3)**	(0.4)
Foreign exchange gain on net investment hedges	**85.4**	24.7
Foreign exchange (loss) / gain on translation of the net assets of foreign currency denominated entities	**(309.6)**	41.9
Total	**(192.5)**	53.6

A charge of £2.5m was recorded in the income statement in respect of ineffective cash flow hedges in the year ended 31 December 2021 (2020: gain of £0.2m).

8. Tax expense

	2021 £m	2020 £m
Recognised in profit or loss:		
Current tax charge	**127.3**	82.6
Prior year under / (over) provision	**1.0**	(1.8)
Total current tax	**128.3**	80.8
Deferred tax credit	**(6.2)**	(45.8)
Prior year under provision	**1.4**	0.8
Decrease in net deferred tax liability	**(4.8)**	(45.0)
Total tax expense in income statement	**123.5**	35.8

8. Tax expense *(continued)*

The difference between the total tax expense shown above and the amount calculated by applying the standard rate of corporation tax to the profit before tax is as follows:

	2021 £m	2020 £m
(Loss) / profit before tax	**(288.4)**	1.1
Tax on Group profit before tax at the standard Irish corporation tax rate of 12.5%	**(36.1)**	0.1
Depreciation on non-qualifying property, plant and equipment	**(5.4)**	(4.7)
Effect of different statutory tax rates in overseas jurisdictions	**5.5**	2.1
Non-deductible expenses	**26.8**	5.9
Non-taxable income	**(4.0)**	(7.3)
Effect of changes in statutory tax rates	**104.4**	1.2
Movement on deferred tax balances not recognised	**29.9**	39.5
Under / (over) provision in prior year	**2.4**	(1.0)
Total Tax Expense	**123.5**	35.8

The Group’s adjusted effective tax rate before separately disclosed items for the period was 26.8% (year ended 31 December 2020: 16.6%), which compares to the standard Irish tax rate of 12.5%. A total tax credit on separately disclosed items of £42.8m was recorded during the year ended 31 December 2021 (year ended 31 December 2020: £58.4m) (see Note 6).

The Group’s consolidated effective tax rate on profits including separately disclosed items for 2021 is (42.8)% (2020: 3,254.5%). The separately disclosed items impacting the consolidated tax rate include the unwind of deferred tax liabilities recognised in respect of acquisition-related intangibles. The UK rate change has led to a £104.4m charge primarily in respect to the deferred tax liability on separately identifiable acquisition-related intangible assets.

The Group's adjusted effective tax rate is also materially impacted by the movement on deferred tax balances which remain unrecognised due to the doubt over the future recoverability of those assets, as well as the effect of expenses which are not deductible for tax purposes.

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

The future effective tax rate of the Group will be principally affected by the ongoing geographic mix of profits in accordance with the OECD guidelines in relation to Base Erosion and Profit Shifting. On 8 October 2021, 136 out of the 140 countries of the OECD Inclusive Framework on Base Erosion and Profit Shifting (“IF”) have politically committed to potentially fundamental changes to the international corporate tax system. This includes a proposed introduction of a global minimum corporate tax rate set at 15% from 1 January 2023. Whilst consultation is ongoing, a template of these rules has been published by the OECD on 20 December 2021. We will continue to monitor developments closely and we expect this to lead to an increase in tax from 2023 onwards.

9. Earnings per share

The Group presents basic and diluted earnings per share (“EPS”) data for its ordinary shares.

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. The weighted average number of shares has been adjusted for amounts held as treasury shares and amounts held by the Paddy Power Betfair plc Employee Benefit Trust (“EBT”).

Diluted EPS is determined by adjusting the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

Adjusted EPS is determined by adjusting the profit attributable to ordinary shareholders for the impact of separately disclosed items.

9. Earnings per share *(continued)*

The calculation of basic, diluted and adjusted EPS is as follows:

	2021	2020
Numerator in respect of basic and diluted earnings per share (£m):		
(Loss) / profit attributable to equity holders of the Company	**(415.8)**	37.9
Numerator in respect of adjusted earnings per share (£m):		
(Loss) / profit attributable to equity holders of the Company	**(415.8)**	37.9
Separately disclosed items (Note 6)	**860.0**	483.8
Profit for adjusted earnings per share calculation	**444.2**	521.7
Weighted average number of ordinary shares in issue during the period (in '000s)[1]	**175,780**	129,558
Basic earnings per share	**(£2.365)**	£0.293
Adjusted basic earnings per share	**£2.527**	£4.027
Adjustments to derive denominator in respect of diluted earnings per share (in '000s):		
Weighted average number of ordinary shares in issue during the period	**175,780**	129,558
Dilutive effect of share options and awards on issue	**—**	3,291
Adjusted weighted average number of ordinary shares in issue during the period[1]	**175,780**	132,849
Diluted earnings per share	**(£2.365)**	£0.285

1 Where any potential ordinary shares would have the effect of decreasing a loss per share, they have not been treated as dilutive. The number of options excluded from the diluted weighted average number of ordinary shares calculation due to their effect being anti-dilutive is 2,289,170 (2020: 345,673).

The average market value of the Company's shares of £137.61 (31 December 2020: £108.80) was used to calculate the dilutive effect of share options based on the market value for the period that the options were outstanding.

10. Goodwill

Following the Combination with the Stars Group in 2020, the Group reorganised its business into four divisions, reporting against these divisions from 2021. As part of this process the Group reviewed the historical assessment of cash generating units ("CGUs") and the allocation of goodwill. The legacy Sky Betting & Gaming CGU has been renamed 'UK&I Online', and has been allocated goodwill relating to the UK&I business under the relative value approach from the legacy PPB Online CGU. The legacy PokerStars CGU has been renamed to "International", and has been allocated goodwill relating to the International business based on the relative values of the PPB Online CGU to the extent that the goodwill was not already separately identifiable. All other CGUs were unchanged.

The opening goodwill balance has been restated for comparable purposes. The following CGUs, being the lowest level of asset for which there are separately identifiable cash flows, have the following carrying amounts of goodwill:

	UK&I Online	UK Retail	Irish Retail	International	Australia	US	Total
	£m	£m	£m	£m	£m	£m	£m
Balance at 1 January 2021	**5,845.5**	**18.9**	**20.7**	**2,560.9**	**507.7**	**563.0**	**9,516.7**
Arising on acquisitions during the period (Note 11)	**—**	**—**	**—**	**58.5**	**—**	**—**	**58.5**
Disposals (Note 11)	**(78.0)**	**—**	**—**	**—**	**—**	**—**	**(78.0)**
Foreign currency translation adjustment	**(0.6)**	**—**	**—**	**(129.1)**	**(25.3)**	**4.6**	**(150.4)**
Balance at 31 December 2021	**5,766.9**	**18.9**	**20.7**	**2,490.3**	**482.4**	**567.6**	**9,346.8**

The Group reviews the carrying value of goodwill for impairment annually (or more frequently if there are indications that the value of goodwill may be impaired) by comparing the carrying values of these CGUs with their recoverable amounts (being the higher of value in use and fair value less costs to sell).

As a consequence of Covid-19, the retail CGUs were impacted by the temporary suspension of the activities of shops in 2021 for a period. Based on the significant headroom that existed in the 31 December 2021 impairment test, the performance of the shops and customer activity levels since the shops have reopened and further easing of social distancing requirements, as well as opportunities to make further market share gains as competitors reduce the size of their respective estates, the Group is satisfied that no impairment has arisen during the year ended 31 December 2021.

The UK&I Online segment goodwill amount arose from the acquisition of the Sky Betting and Gaming business as part of the TSG acquisition in 2020 (see Note 11), the acquisition of CT Networks Limited ("Cayetano"), a games developer based in the Isle of Man and Bulgaria, in 2011 and the acquisition of the Betfair online business (excluding operations outside of Ireland and the UK) as part of the all-share merger with Betfair Group plc in 2016.

10. Goodwill *(continued)*

Goodwill in UK Retail arose from the acquisition of two London bookmaking businesses in 2004, the acquisition of a retail bookmaking company in Northern Ireland in 2008 and the acquisition of a number of retail bookmaking shop properties since 2010.

Goodwill in Irish Retail arose from the amalgamation of three bookmaking businesses to form Paddy Power plc in 1988 and the acquisition of a number of retail bookmaking shop properties since 2007.

The International goodwill amount arose from the acquisition of the PokerStars business as part of the TSG acquisition in 2020, the acquisition of the Betfair online business (excluding the operations of Ireland, the UK, and the US) acquired as part of the all-share merger with Betfair Group plc in 2016, the acquisition of an initial 51% controlling stake in Adjarabet, the market leader in online betting and gaming in the regulated Georgian market, in February 2019 and the acquisitions in 2021 of a 57.3% controlling stake in Junglee Games, an Indian online rummy operator and Singular, a B2B operator which offers a flexible, modular sports betting and gaming technology platform (see Note 11).

The Australia segment goodwill amount arose from the acquisition of an initial 51% interest in Sportsbet Pty Limited ("Sportsbet"), the subsequent acquisition of International All Sports Limited ("IAS") by Sportsbet, both in 2009, and goodwill arising from BetEasy through the 2020 combination with TSG (see Note 11).

The US segment goodwill amount arose from the acquisition of the US business acquired as part of the all-share merger with Betfair Group plc in 2016, the acquisition of FanDuel Limited a market leading operator in the daily fantasy sports market in the United States, in 2018 and goodwill arising on Fox Bet through the combination with TSG in 2020 (see Note 11).

Impairment tests for cash generating units containing goodwill and indefinite life intangible assets

In accordance with accounting requirements, the Group performs an annual impairment test of its CGUs. The most recent test was performed at 31 December 2021.

For the purpose of impairment testing, the Group's CGUs include amounts in respect of goodwill and indefinite life intangible assets, comprising licences acquired as part of the purchase of the D McGranaghan Limited business in 2008 and a shop acquisition in 2011 and brands acquired as part of the purchase of Sportsbet and IAS in 2009.

Based on the reviews as described above, with the exception of a £12.1m impairment in 2020 of the Northern Ireland retail indefinite life licences, USD35.3m (£26.5m) in 2018 of the US DFS business acquired in 2017 and the IAS brand impairment of AUD6.9m initially provided for in 2011, no impairment has arisen.

11. Business combinations and disposals

***Year ended* 31 December 2021**

Acquisition of Singular

On 10 September 2021, the Group completed the acquisition of a 100% stake in Singular, an European sports betting and gaming technology platform which is already fully integrated with our Adjarabet business and will provide us with greater optionality as we enter new markets. The purchase comprised of an initial cash payment of €16.5m (£14.1m) with a further €20.1m (£17.2m) payable subject to the business meeting strategic milestones in the future, recorded as contingent consideration and €1.0m (£0.8m) included within deferred consideration.

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

	Provisional fair values as at 10 September 2021 £m
Assets	
Property, plant and equipment	0.2
Intangible assets	4.3
Total non-current assets	**4.5**
Trade and other receivables	0.9
Cash and cash equivalents	0.5
Total current assets	**1.4**
Total assets	**5.9**
Liabilities	
Trade and other payables	0.9
Total current liabilities	**0.9**
Deferred tax liabilities	0.2
Total non-current liabilities	**0.2**
Total liabilities	**1.1**
Net assets acquired	**4.8**
Goodwill	27.3
Consideration	**32.1**
The consideration is analysed as:	
Consideration satisfied by cash	14.1
Contingent consideration	17.2
Deferred consideration	0.8
Consideration	**32.1**

Included within the intangible assets were £4.3m of separately identifiable intangibles comprising technology and customer relations acquired as part of the acquisition, with the additional effect of a deferred tax liability of £0.2m thereon. These intangible assets are being amortised over their useful economic lives of up to five years. The book value equated to the fair value on the remaining assets as all amounts are expected to be received.

The main factors leading to the recognition of goodwill (none of which is deductible for tax purposes) is growth by combining the Group's significant operating experience in other markets with the local market knowledge and skills of the management team in Singular. The goodwill has been allocated to the existing International CGU and it has been deemed that a separate CGU is not appropriate.

If the acquisition had occurred on 1 January 2021, Singular's contribution to revenue and net profit after tax for the year ended 31 December 2021 would have been insignificant in terms of third party revenue and £0.1m respectively. Since the date of acquisition to 31 December 2021, Singular has contributed insignificant third party revenue and a £0.2m profit after tax to the results of the Group.

Acquisition of Junglee Games

On 28 January 2021, the Group completed the acquisition of an initial 50.1% stake in Junglee Games ("Junglee"), an Indian online rummy operator, for US$67.3m (£49.3m), with US$63.5m (£46.5m) paid in cash and the remainder recorded as deferred consideration and paid subsequently in 2021. On the same date the Group entered into call and put options which would enable the Group to acquire an additional 7.2% stake in Junglee in exchange for cash consideration. In June 2021, these options were exercised and the Group acquired the additional 7.2% stake in Junglee in exchange for cash consideration of US$7.5m (£5.5m) with US$7.0m (£5.1m) paid in cash and the remainder recorded as deferred consideration and paid subsequently in 2021. This has been accounted under the anticipated acquisition method, with the combined 57.3% recognised as acquired from 28 January 2021.

11. Business combinations and disposals *(continued)*

Junglee is a top three player in the legal Indian online rummy market. Based on its December 2020 run-rate, Junglee would generate annualised gross revenue of c£50m in a full year. The Group sees good potential to further develop Junglee's product offering, including its recently launched daily fantasy sports product, leveraging the Group's capabilities in this area. The Group has put in place arrangements, consisting of call and put options that could see its ownership in the business increase to 100% in 2025. The call and put options consideration can be settled, at the Group's election, in cash or shares. As a consequence of both the call and put options being only exercisable at fair value being the future EBITDA and revenue multiple, which are considered to be two key inputs into valuing the option, it was determined that the fair value of the call and put options was not material and was close to nominal value.

Included within the intangible assets were £42.9m of separately identifiable intangibles comprising brand, technology and customer relations acquired as part of the acquisition, with the additional effect of a deferred tax liability of £10.8m thereon. These intangible assets are being amortised over their useful economic lives of up to 10 years. The book value equated to the fair value on the remaining assets and liabilities as all amounts are expected to be received.

The main factors leading to the recognition of goodwill (none of which is deductible for tax purposes) is growth by combining the Group's significant operating experience in other markets with the local market knowledge and skills of the management team in Junglee, driving revenue synergies over time. The goodwill has been allocated to the existing International CGU and it has been deemed that a separate CGU is not appropriate.

Since the date of acquisition to 31 December 2021, Junglee has contributed £50m of revenue and £7.4m of a net loss after tax to the results of the consolidated Group.

If the acquisition had occurred on 1 January 2021, Junglee's contribution to revenue and net loss after tax for the year ended 31 December 2021 would have been £53m and £6.6m respectively.

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

	Fair values as at 28 January 2021 £m
Assets	
Property, plant and equipment	0.2
Intangible assets	42.9
Total non-current assets	**43.1**
Trade and other receivables	3.8
Cash and cash equivalents	17.7
Total current assets	**21.5**
Total assets	**64.6**
Liabilities	
Trade and other payables	13.1
Total current liabilities	**13.1**
Deferred tax liabilities	10.8
Total non-current liabilities	**10.8**
Total liabilities	**23.9**
Net assets acquired	**40.7**
Goodwill	31.2
Non-controlling interest measured at the proportionate interest method	(17.1)
Consideration	**54.8**
The consideration is analysed as:	
Consideration satisfied by cash	46.5
Put option satisfied by cash	5.1
Deferred consideration	2.8
Put option deferred consideration	0.4
Consideration	**54.8**

11. Business combinations and disposals *(continued)*

Year ended 31 December 2020

Acquisition of The Stars Group Inc.

On 5 May 2020, Flutter completed an all-share Combination with The Stars Group Inc. (the “Combination”) resulting in existing Flutter shareholders owning 54.64% and The Stars Group Inc. shareholders owning 45.36% of Flutter (the “Company”, together with its subsidiaries, the “Group”), on a fully diluted basis (excluding any out of the money options). Post-Combination, the Company is the ultimate parent of The Stars Group Inc. (“TSG”).

Under the terms of the Combination, holders of TSG shares received 0.2253 ordinary shares with nominal value of €0.09 each in the Company (“ordinary shares”) in exchange for each outstanding TSG share (the ”Exchange Ratio”). Accordingly, the Company issued a total of 65,316,588 ordinary shares in exchange for 289,909,400 shares in TSG. The fair value of the ordinary shares issued was £94.84 per share at this date.

In addition: (i) each TSG Option outstanding at 5 May 2020, under the TSG Share Plans was exchanged for an option to purchase such number of New Flutter Shares calculated in accordance with the Exchange Ratio; and (ii) each TSG restricted share unit (“RSU”), TSG performance share unit (“PSU”) and TSG deferred share unit (“DSU”) outstanding at the Effective Time under the TSG Equity Plan was amended so as to substitute for the TSG Shares, subject to such equity awards, a number of Flutter Shares calculated in accordance with the Exchange Ratio but subject to any adjustment required to that award by the TSG Equity Plan or grant documentation as a result of the Plan of Arrangement.

TSG is a global leader in the online and mobile gaming and interactive entertainment industries, entertaining millions of customers across its online real- and play-money poker, gaming and betting product offerings. TSG offers these products directly or indirectly under several ultimately owned or licensed gaming and related consumer businesses and brands. TSG is one of the world’s most licensed online gaming operators with its subsidiaries collectively holding licences or approvals in 22 jurisdictions throughout the world, including in Europe, Australia and the Americas.

The main drivers for the Combination were to accelerate delivery against each of the components of Flutter’s four-pillar strategy; create a highly diversified business from a geographic, product and brand perspective with an enhanced global platform; deliver significant value for shareholders through the realisation of material cost synergies such as procurement synergies, removal of duplicate corporate and administrative costs and utilisation of scale to create efficiencies; reinforce a robust financial profile which will facilitate strategic flexibility as well as generate sustainable long-term shareholder returns; and maintain a leading role in the promotion of responsible gambling through an enlarged global footprint.

Included within the intangible assets were £5,316.4m of separately identifiable intangibles comprising brands, customer relations and technology acquired as part of the Combination, with the additional effect of a deferred tax liability of £527m thereon. These intangible assets are being amortised over their useful economic lives of up to 20 years. Receivables acquired amounted to £114.6m. The book value equated to the fair value as all amounts are expected to be received. The main factors leading to the recognition of goodwill (none of which is deductible for tax purposes) is growth by combining business activities, a strong workforce, leveraging existing products and synergy savings of the merged operations. The goodwill associated with the PokerStars and Sky Betting & Gaming businesses has been included in the International and UK&I CGUs, respectively. The goodwill associated with the Australia and US businesses has been allocated to the respective existing Australia and US CGUs and it has been deemed that separate CGUs are not appropriate.

11. Business combinations and disposals *(continued)*

Details of the fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill were finalised during the period and no change to the figures reported as at 31 December 2020 were identified. They are outlined as follows:

	Fair values as at 5 May 2020 £m
Assets	
Property, plant and equipment	105.5
Intangible assets	5,316.4
Deferred tax asset	8.3
Non-current tax receivable	19.1
Derivative financial assets	79.2
Investments	4.0
Other receivables	26.2
Financial assets – restricted cash	8.9
Total non-current assets	5,567.6
Trade and other receivables	88.4
Current tax receivable	28.7
Financial assets – restricted cash	292.4
Current investments – customer deposits	89.7
Cash and cash equivalents	445.2
Total current assets	944.4
Total assets	6,512.0
Liabilities	
Trade and other payables	498.8
Customer balances	376.7
Derivative financial liabilities	10.0
Provisions	1.4
Current tax payable	15.1
Lease liabilities	16.4
Borrowings	59.7
Total current liabilities	978.1
Trade and other payables	3.1
Derivative financial liabilities	56.9
Provisions	149.1
Non-current tax payable	22.3
Deferred tax liabilities	487.5
Lease liabilities	26.1
Borrowings	3,873.9
Total non-current liabilities	4,618.9
Total liabilities	5,597.0
Net assets acquired	915.0
Goodwill	5,337.6
Consideration	6,252.6

Consideration satisfied by:	
Issue of 65,316,588 Flutter Entertainment plc ordinary shares	6,194.6
Issue of replacement share options and awards	58.0
Consideration	6,252.6

11. Business combinations and disposals *(continued)*

Acquisition of additional shares of TSG Australia Pty Ltd

On 13 May 2020, the Group exercised its option to acquire the remaining 20% of the outstanding share capital of TSG Australia Pty Ltd ("TSG Australia"), bringing the Group's holding in TSG Australia to 100%, up from the previous 80%. The acquisition was satisfied by the issuance of 819,230 new ordinary shares of the Company, settling a liability of A$151.4m (£79.7m).

Acquisition of additional shares of FanDuel

On 30 December 2020, the Group acquired an additional 37.2% of the outstanding shares of FanDuel in exchange for £3.340bn, satisfied by a cash payment of US$2.088bn (£1.546bn) and the issuance of 11,747,205 new ordinary shares of the Company (£1,794.4m). The acquisition brings the Group's holding in FanDuel to 95%, up from the previous controlling interest of 57.8%. As FanDuel's results and financial position had been previously consolidated into the Group, the excess of the purchase price over the carrying value of the non-controlling interest acquired was recognised directly within equity in retained earnings. The initial goodwill and non-controlling interest were recorded initially using the proportionate interest method and a transfer from non-controlling interest to retained earnings and foreign currency translation reserve has been made.

As outlined previously, as a result of the acquisition of FanDuel Limited in 2018, call and put options were put in place for the Group to acquire a further 37.2% of FanDuel at prevailing market valuations three and five years after the July 2018 acquisition. The Group had the discretion as to whether these options are settled by the issuance of Flutter Entertainment plc shares or via cash. These options terminated on the acquisition of 37.2% additional FanDuel shares on 30 December 2020.

The put and call agreement stated that the number of shares to be issued as consideration for the settlement of the put/call could not exceed 10% of the Flutter Entertainment plc shares in issue with any excess paid in cash. Due to the growth in value of FanDuel to 30 December 2020, this resulted in the Group recognising a liability of £846m which was derecognised on 30 December 2020 as part of the above acquisition.

Disposal of Oddschecker Global Media

On 31 August 2021 the Group sold all of the shares of Oddschecker Global Media ("OGM"), a fully owned subsidiary of the Group, to Bruin Capital, in exchange for £127.1m in cash (proceeds of £141.3m net of £14.2m cash already on the balance sheet) and recorded a gain on the disposal of £12.2m (see also Note 6). There is potential for the Group to receive further consideration of up to £20m pending future events. However, it is currently not probable that further amounts will be received and therefore no contingent asset has been recorded. Prior to the sale, the non-current assets were measured at the lower of their carrying amount and fair value less costs sell. No impairments were recognised. The assets and liabilities of OGM were included within the UK&I segment up to the date of sale.

The net assets disposed and the gain on disposal recognised by the Group were as follows:

	31 August 2021 £m
Property, plant and equipment	**0.8**
Intangible assets	**48.1**
Goodwill	**78.0**
Trade and other receivables	**2.1**
Cash and cash equivalents	**14.2**
Total assets	**143.2**
Accounts payable and other liabilities	**(7.3)**
Deferred taxes	**(11.6)**
Total liabilities	**(18.9)**
Net assets disposed	**124.3**
Disposal costs	**(4.8)**
Proceeds	**141.3**
Gain on disposal	**12.2**

11. Business combinations and disposals *(continued)*

Cash (outflows) / inflows from business combinations:

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Cash consideration paid for acquisitions in the period	**(63.4)**	—
Cash consideration paid for put option exercised in the period	**(5.5)**	—
Cash acquired from acquisitions in the period	**18.2**	445.2
Cash consideration – acquisitions in previous periods	**(21.6)**	(7.2)
As presented in the statement of cash flows:		
Purchase of businesses net of cash acquired	**(50.7)**	445.2
Payment of contingent deferred consideration	**(21.6)**	(7.2)

During the year the Group settled in cash, deferred consideration liabilities of £21.6m in relation to Betfair's historical acquisition of HRTV, a horseracing television network based in the US.

12. Investments and trade and other receivables

Non-current assets

	31 December 2021 £m	31 December 2020 £m
Investments – FVTPL	**5.5**	3.0

Investments relate to a small number of individually immaterial equity investments in various companies.

	31 December 2021 £m	31 December 2020 £m
Other receivables		
Other receivables	**11.8**	13.0
Prepayments	**13.8**	16.7
Deferred financing costs on Revolving Credit Facility (see Note 16)	**3.7**	4.6
Amounts paid in respect of legacy German and Greek tax assessments	**—**	40.9
Total	**29.3**	75.2

Other receivables

Other receivables are comprised primarily of deposits for licences and property.

Deferred financing costs on Revolving Credit Facility

In May 2020, the Group entered into a new Revolving Credit Facility agreement as part of its financing agreements. The Group incurred £5.3m of transaction costs and fees relating to the Revolving Credit Facility, which have been capitalised and included within non-current receivables, net of accretion of £3.7m (2020: £4.6m), on the Consolidated Statement of Financial Position and are recorded as financial expense over the term of the Revolving Credit Facility agreement using the effective interest rate method. As at 31 December 2021, no loan amount was drawn under the Revolving Credit Facility (31 December 2020: nil).

Amounts paid in respect of legacy German and Greek tax assessments

Germany

In 2012 Betfair was issued with a German tax assessment relating to the Betfair Exchange, which operated in Germany until November 2012. The assessment deemed that a tax liability of approximately €30.6m is payable. This represents a multiple of the revenues generated by the Exchange during the assessment period.

The Group paid the €30.6m German tax assessment in 2019, with the late payment interest of approximately €10m to be paid when assessed.

In September 2021 the German Federal Tax Court dismissed the Group's appeal of the tax assessment. Whilst the Group has lodged a formal complaint to the Federal Constitutional Court, it has decided to recognise the amount of the German tax assessment. This has resulted in an expense of €40.6m (£34.5m) being recorded in the year in relation to the principal amount of tax and late payment interest.

12. Investments and trade and other receivables *(continued)*

Greece

In 2019, the Group was issued with a Greek tax assessment for financial years 2012, 2013 and 2014, relating to paddypower.com's Greek interim licence. This assessment concluded that the Group is liable to pay €15.0m in taxes including penalties and interest. This is substantially higher (by multiples) than the total cumulative revenues ever generated by paddypower.com in Greece. Pending the outcome of its appeal, in 2019 the Group paid the total Greek tax assessment (including the penalties and interest) of €15.0m.

In June 2021, the Athens Administrative Court of Appeal dismissed the Group's judicial recourses. While the Group has further appealed to the Greek Supreme Administrative Court, based on the nature of the decision received and the points of law which can be appealed, and in line with legal and tax advice it has received, it has decided to recognise the amount of the Greek assessment, of €15.0m (£12.8m) as an expense in the income statement during the year ended 31 December 2021. No notifications have as yet been received for later years and so no provision has been made for potential further assessments.

Current assets

	31 December 2021	31 December 2020
	£m	£m
Trade and other receivables		
Trade receivables	**39.5**	11.9
Other receivables	**34.4**	28.5
Value-added tax and goods and services tax	**5.1**	2.2
Prepayments	**124.9**	96.9
Total	**203.9**	139.5

13. Current investments, financial assets - restricted cash and cash equivalents

	31 December 2021	31 December 2020
	£m	£m
Non-current:		
Financial assets – restricted cash	**7.4**	6.9
Current:		
Investments at FVOCI - customer deposits	**83.0**	82.8
Financial assets - restricted cash	**677.6**	587.9
Cash and cash equivalents	**951.7**	603.4
Total	**1,719.7**	1,281.0

Financial assets

Non-current financial assets – restricted cash include:

- amounts required to be held as to guarantee third party letter of credit facilities.

Current financial assets – restricted cash include:

- customer funds balances securing player funds held by the Group. These customer funds are matched by liabilities of equal value; and
- amounts required to be held as to guarantee third party letter of credit facilities.

The effective interest rate on bank deposits at 31 December 2021 was 0.3% (31 December 2020: 0.1%); these deposits have an average original maturity date of one day (2020: one day). The bank deposits also have an average maturity date of one day from 31 December 2021 (2020: one day). The Directors believe that all short-term bank deposits can be withdrawn without significant penalty.

Investments – customer deposits

Investments relate to customer deposits, and are held in accounts segregated from investments held for operational purposes. Investments held in relation to customer deposits are liquid investments in short duration corporate and government bonds and are classified as current assets consistent with the current classification of customer deposits to which the investments relate. Management's investment strategy for the portfolio results in the majority of the bonds being held to maturity. Bonds are classified as FVOCI.

13. Current investments, financial assets - restricted cash and cash equivalents

Amounts held in trust

As at 31 December 2021, £355.6m (31 December 2020: £379.3m) was held in trust in The Sporting Exchange (Clients) Limited on behalf of the Group's customers and is equal to the amounts deposited into customer accounts. Neither cash and cash equivalents nor restricted cash include these balances on the basis that they are held on trust for customers and do not belong to and are not at the disposal of the Group.

Currency details

Investments - customer deposits, financial assets - restricted cash and cash and cash equivalents are analysed by currency as follows:

	31 December 2021	31 December 2020
	£m	£m
GBP	**708.7**	289.9
EUR	**165.0**	283.8
AUD	**238.2**	158.0
USD	**570.8**	506.5
Other	**37.0**	42.8
Total	**1,719.7**	1,281.0

14. Trade and other payables

Current liabilities

	31 December 2021	31 December 2020
	£m	£m
Trade and other payables		
Trade payables	**74.2**	79.7
PAYE and social security	**19.7**	14.8
Value-added tax and goods and services tax	**30.7**	10.7
Betting duty, data rights, and product and racefield fees	**190.0**	208.0
Employee benefits	**156.1**	136.4
Contingent deferred consideration - business combinations	**21.0**	25.3
Accruals and other liabilities	**604.7**	558.1
Total	**1,096.4**	1,033.0

Non-current liabilities

	31 December 2021	31 December 2020
	£m	£m
Trade and other payables		
Employee benefits	**2.1**	1.1
Contingent deferred consideration - business combinations	**16.9**	12.8
Accruals and other payables	**0.8**	0.7
Total	**19.8**	14.6

Contingent deferred consideration – business combinations

The Group's deferred consideration liabilities amounted to £37.9m at 31 December 2021 (31 December 2020 - £38.1m) and relate to the following:

- £15.4m contingent and deferred consideration relating to Betfair's historical acquisition of HRTV, a horse racing television network based in the United States;
- £4.7m deferred consideration in respect of Diamond Game Enterprises, assumed as part of the Combination with TSG; and
- £17.8m relating to the acquisition of Singular in 2021 (see also Note 11).

15. Provisions

Provisions balances at 31 December 2021 and 31 December 2020 and movements during the year ended 31 December 2021 are outlined below:

	Employee benefits (long service leave)	Onerous contracts	Gaming tax	Kentucky	Other legal	Other	Total
	£m	£m	£m	£m	£m	£m	£m
Balance at 31 December 2020	**3.0**	**16.0**	**10.5**	**73.3**	**56.0**	**0.5**	**159.3**
Additional provisions recognised	**0.8**	**4.8**	**12.3**	**—**	**17.3**	**7.0**	**42.2**
Amounts used during the year	**(0.1)**	**(6.6)**	**(0.4)**	**(71.1)**	**(0.6)**	**—**	**(78.8)**
Foreign currency translation	**(0.2)**	**(0.5)**	**—**	**(2.2)**	**(0.7)**	**—**	**(3.6)**
Balance at 31 December 2021	**3.5**	**13.7**	**22.4**	**—**	**72.0**	**7.5**	**119.1**
Presented in:							
Balance at 31 December 2020:							
Current	1.6	9.9	2.7	—	—	0.1	14.3
Non-current	1.4	6.1	7.8	73.3	56.0	0.4	145.0
Total	3.0	16.0	10.5	73.3	56.0	0.5	159.3
Balance at 31 December 2021:							
Current	**2.2**	**6.6**	**22.4**	**—**	**34.5**	**5.6**	**71.3**
Non-current	**1.3**	**7.1**	**—**	**—**	**37.5**	**1.9**	**47.8**
Total	**3.5**	**13.7**	**22.4**	**—**	**72.0**	**7.5**	**119.1**

Employee benefits (long service leave)

The timing and amount of long service leave cash outflows are primarily dependent on when staff employed at the reporting date avail of their entitlement to leave and their expected salaries at that time. As of 31 December 2021 and 31 December 2020, it was expected that cash outflows would occur primarily within the following five years.

Onerous contracts

The onerous contracts provision at 31 December 2021 relates to various marketing and minimum guarantee contracts where the cost of fulfilling these contracts exceeds the expected economic benefits to be received from them.

Gaming tax

These are gaming tax provisions relating to amounts provided for taxes in certain jurisdictions where the interpretation of tax legislation is uncertain. When the Group disagrees with the application of unclear tax legislation, for example when it is applied retrospectively and / or results in a one-off disproportionate tax equivalent to many times the profit derived by the Group from its historic activities in that jurisdiction, the Group continues to challenge these interpretations.

Whilst the maximum potential obligation for all ongoing cases could be greater than the recognised provision, and the outcomes may not be known for some time, a liability has been recorded for the Directors' best estimate of the cash outflows that will ultimately be required in respect of each claim. Management has not provided a sensitivity for this provision as the range is not considered to be material. Management notes this is a key estimate; however, it is not a key judgement that will have a material impact in the coming year.

Kentucky proceedings

On 22 September 2021, the Group announced that the legal dispute between Flutter and the Commonwealth of Kentucky had been settled in full. The Group agreed to pay an additional $200m (£145.2m) to Kentucky in addition to the $100m (£71.1m) previously forfeited to the Commonwealth as part of the supersedeas bond in the case in line with the provision outstanding at 31 December 2020. In return, Kentucky released Stars Interactive Holdings (IOM) Ltd, Rational Entertainment Enterprises Ltd and, inter alia, all Flutter entities from any claims relating to the matters in issue in the Kentucky proceedings, and the proceedings were consequently dismissed with prejudice. See Note 4 and Note 6 for further details.#

Other legal

Other legal provisions generally consist of payments for various future legal settlements where, based on all available information, management believes it is probable that there will be a future outflow.

These provisions comprise a number of different legal cases, the majority of which are immaterial. The most significant relates to the foreign payments contingent liabilities outlined in more detail in Note 20. Further disclosure in respect of these provisions has not been provided as such information would be expected to be prejudicial to the Group's position in such matters.

15. Provisions *(continued)*

Whilst the maximum potential obligation for all ongoing cases could be greater than the recognised provision, and the outcomes may not be known for some time, a liability has been recorded for the Directors' best estimate of the cash outflows that will ultimately be required in respect of each claim. Management has not provided a sensitivity for this provision as the range is not considered to be material. Management notes this is a key estimate; however, it is not a key judgement that will have a material impact in the coming year.

Other

Other provisions primarily comprise a number of different regulatory provisions.

16. Borrowings

The following is a summary of borrowings, including accrued interest, outstanding as at 31 December 2021 and 31 December 2020:

	31 December 2021			31 December 2020	
	Contractual interest rate	**Principal outstanding balance in currency of borrowing**	**Carrying amount (including accrued interest)[1]**	Principal outstanding balance in currency of borrowing	Carrying amount (including accrued interest)
	%	**Local currency (m)**	**£m**	Local currency (m)	£m
GBP First Lien Term Loan A	1.92	£1,017.9	1,009.6	£950.0	940.4
USD First Lien Term Loan B	2.38	$2,931.0	2,142.6	$1,456.3	1,042.9
EUR First Lien Term Loan B	2.50	€507.2	419.6	€507.2	449.1
Senior Notes[2]	7.00	—	—	$1,000.0	706.5
Total borrowings			3,571.8		3,138.9
Presented in:					
Current portion			**22.1**		50.8
Non-current portion			**3,549.7**		3,088.1
Total borrowings			**3,571.8**		3,138.9

1 The carrying amounts at 31 December 2021 includes accrued interest of £0.4m (31 December 2020: £24.6m) presented within the current portion of borrowings above.

2 The carrying amounts at 31 December 2020 include an asset of £98.0m relating to the embedded derivatives on the Senior Notes which were subsequently settled on repayment in July 2021. See below in this note for further detail.

During the year ended 31 December 2021, the Group incurred the following interest on its then outstanding borrowings:

	Effective interest rate[1]	**Interest[2]**	**Interest accretion[3]**	**Total interest**
	%	**£m**	**£m**	**£m**
GBP First Lien Term Loan A	2.21	17.4	2.3	19.7
USD First Lien Term Loan B	2.88	45.8	5.3	51.1
EUR First Lien Term Loan B	2.93	14.2	1.3	15.5
Senior Notes	5.70	28.1	(46.8)	(18.7)
Total		**105.5**	**(37.9)**	**67.6**

1 The effective interest rate calculation excludes the impact of the Swap Agreements (as defined below).

2 In addition to the amount included above, the Group incurred £2.2m of interest expense relating to commitment, utilisation, and fronting fees associated with its Revolving Credit Facility and made payments of £4.4m to the lenders as a result of covenant amendments charged to the profit and loss.

3 Included within interest accretion is a gain of £42.9m following the settlement of the Senior Notes during the year.

16. Borrowings *(continued)*

The Group's change in borrowings during the year ended 31 December 2021 was as follows:

	Balance at 1 Jan 2021	New debt	Principal payments	Adjustments to amortised costs[1]	Interest accretion[2]	Embedded derivative settlement	FX translation	Balance at 31 Dec 2021
	£m	£m	£m	£m	£m	£m	£m	£m
GBP First Lien Term Loan A	939.5	67.9	—	(0.5)	2.3	—	—	1,009.2
USD First Lien Term Loan B	1,042.9	1,099.8	(18.0)	(5.4)	5.3	—	18.0	2,142.6
EUR First Lien Term Loan B	449.1	—	—	(2.2)	1.3	—	(28.6)	419.6
Senior Notes	682.8	—	(733.2)	—	(46.8)	96.1	1.1	—
Total	3,114.3	1,167.7	(751.2)	(8.1)	(37.9)	96.1	(9.5)	3,571.4
Accrued interest	24.6							0.4
Total borrowings	**3,138.9**							**3,571.8**

[1] Adjustments to amortised costs include transaction costs and fees incurred in respect of the refinancing and additional debt drawdown noted below.

[2] Interest accretion represents interest expense calculated at the effective interest rate less interest expense calculated at the contractual interest rate and is recorded in financial expenses in the consolidated income statement.

As at 31 December 2021, the contractual principal repayments of the Group's outstanding borrowings, excluding accrued interest, amount to the following:

	< 1 year	1-2 years	2-3 years	3-4 years	4-5 years
	£m	£m	£m	£m	£m
GBP First Lien Term Loan A	—	—	—	1,017.9	—
USD First Lien Term Loan B	21.7	21.7	21.7	21.7	2,080.7
EUR First Lien Term Loan B	—	—	—	—	425.9
	21.7	**21.7**	**21.7**	**1,039.6**	**2,506.6**

Revolving Credit Facility, First Lien Term Loans and Senior Notes

Each of the Group's facilities are discussed below.

TLA Agreement - GBP First Lien Term Loan A

In May 2020, the Group, along with its subsidiaries PPB Financing Unlimited Company and PPB Treasury Unlimited Company as borrowers, entered into a Term Loan A and Revolving Credit Facility Agreement (the "TLA Agreement") comprising a term loan and revolving credit facility totalling £1.4bn. In November 2021, an additional lender was added to the facility increasing the overall TLA Agreement by £100m bringing the total to £1.5bn. Subsequently in November 2021, the Group completed an additional drawdown of £68m under the TLA agreement and its existing terms. The TLA Agreement described above provides a term loan facility in an aggregate amount of £1,017.9m (2020: £950m) priced at GBP-LIBOR plus 1.75% (the "GBP First Lien Term Loan A"), with a maturity date of 5 May 2025 and a GBP-LIBOR floor of 0%. On 5 March 2021, the UK's Financial Conduct Authority ("FCA") formally announced the cessation of all GBP London Interbank Offered Rate ("LIBOR") benchmark settings currently published by ICE Benchmark Administration ("IBA") immediately after 31 December 2021. In response, the Company has entered into agreements with its lenders to amend the benchmark rate referenced in the Term Loan A agreement from GBP LIBOR to GBP SONIA for interest periods commencing on or after January 2022. There is no amortisation on the GBP First Lien Term Loan A and the principal is due at maturity. The Group incurred £11.9m of transaction costs and fees on the initial and subsequent drawdowns which have been capitalised against the principal of the debt and are recorded as financial expense over the term of the debt using the effective interest rate method.

TLA Agreement – Revolving Credit Facility

The TLA Agreement described above provides a multi-currency revolving loan facility in an aggregate amount of £482.0m (2020: £450.0m) (the "Revolving Credit Facility"). Maturing on 5 May 2025, the Revolving Credit Facility includes a margin of 1.75% over GBP-LIBOR for borrowings with a 0% interest rate floor as well as a utilisation fee ranging from 0.1% to 0.4% based on the proportion of drawings to the total commitment. The commitment fee on the Revolving Credit Facility is 35% of the margin and is payable in respect of available but undrawn borrowings. The Revolving Credit Facility is available for general corporate purposes including the refinancing of existing borrowings. The Group incurred £5.3m of transaction costs and fees in 2020 which have been capitalised and are recorded as financial expense over the life of the facility using the straight-line method. These capitalised costs have been included within non-current receivables on the consolidated statement of financial position. As at 31 December 2021 no loan amounts were drawn under the Revolving Credit Facility. The Group has an undrawn capacity of £467m (2020: £377m) on the Revolving Credit Facility with £15m (2020: £73m) of capacity reserved for the issuance of Group guarantees as of 31 December 2021.

16. Borrowings *(continued)*

The terms of the TLA Agreement limit the Group's ability to, among other things: (i) incur additional debt (ii) grant additional liens on their assets and equity (iii) distribute equity interests and/or distribute any assets to third parties (iv) make certain loans or investments (including acquisitions) (v) consolidate, merge, sell or otherwise dispose of all or substantially all assets (vi) pay dividends on or make distributions in respect of capital stock or make restricted payments, and (vii) modify the terms of certain debt or organisational documents, in each case subject to certain permitted exceptions.

Borrowings under the TLA Agreement are subject to the satisfaction of customary conditions, including the absence of a default and compliance with certain representations and warranties. The TLA Agreement requires, subject to a testing threshold, that the Company comply on a bi-annual basis with a maximum net total leverage ratio of 5.1 to 1.0. On 29 June 2021, Lenders under the TLA consented to waive any Default or Event of Default that may have arisen by virtue of the Kentucky judgement, including any enforcement steps or actions taken by the Commonwealth of Kentucky prior to settlement. During the 12 months ended 31 December 2021, the Group is in compliance with all covenants related to its TLA Agreement.

First Lien Term Loan B's

The Group holds a USD term loan with an outstanding principal balance of $2,931.0m (2020: $1,456.3m) priced at USD-LIBOR plus 2.25% (2020: 3.50%) (the "USD First Lien Term Loan B") and an EUR first lien term loan with an outstanding principal balance of €507.2m (2020: €507.2m) priced at EURIBOR plus 2.5% (2020: 3.75%) (the "EUR First Lien Term Loan B" and, together with the USD First Lien Term Loan, the "First Lien Term Loan B"), each with a maturity date of 21 July 2026 and a LIBOR and EURIBOR floor, as applicable, of 0%. The USD First Lien Term Loan requires scheduled quarterly principal payments in amounts equal to 0.25% of the initial aggregate principal amount of the USD First Lien Term Loan B of $2,938m (2020: $3,575m), with the balance due at maturity. There is no amortisation on the EUR First Lien Term Loan B and the principal is due at maturity.

In July 2021 the Group completed a debt re-financing transaction that reduced the effective cost of debt and provided it with additional liquidity, enhancing the financial flexibility of the Group. The key components of the transaction that occurred were as follows:

- A repricing and upsizing of the Group's existing First Lien Term Loan B facility by $1.5bn (£1.1bn);
- An extension to the maturity date of the First Lien Term Loan B facility by one year to July 2026;
- The USD First Lien Term Loan B component of the facility is repriced at LIBOR plus 2.25% and a 0% floor; and
- The EUR First Lien Term Loan B component of the facility is repriced at EURIBOR plus 2.50% and a 0% floor.

The resultant pricing equates to 1.25% below existing margins across both USD First Lien Term Loan B and EUR First Lien Term Loan B. The re-finance was accounted for as a re-estimation of cash flows. The Term Loan B arrangement facilitated a repricing of the fixed component of the interest rate spread along with existing terms that provide the opportunity of prepayment without significant penalty, and the Group applied the policy of revising the original effective interest rate of the financial contract based on the new terms, to reflect changes in cash flow for calculation of the gain or loss of nil. £7.5m of transaction costs and fees relating to the repricing incurred form part of the market interest rate and were capitalised as part of the transaction and are recorded as financial expense over the term of the debt using the effective interest rate method with a further £16.8m transaction costs charged to the profit and loss included within financial expense for fees not subject to capitalisation.

The First Lien Term Loan B are governed by the "Syndicated Facility Agreement". The Syndicated Facility Agreement limits Stars Group Holdings B.V. and Flutter Financing B.V, as borrowers, and its subsidiaries' ability to, among other things, (i) incur additional debt (ii) grant additional liens on their assets and equity (iii) distribute equity interests and/or distribute any assets to third parties (iv) make certain loans or investments (including acquisitions), (v) consolidate, merge, sell or otherwise dispose of all or substantially all assets (vi) pay dividends on or make distributions in respect of capital stock or make restricted payments (vii) enter into certain transactions with affiliates (viii) change lines of business and (ix) modify the terms of certain debt or organisational documents, in each case subject to certain permitted exceptions. The agreement also provides for customary mandatory prepayments, including a customary excess cash flow sweep if certain conditions are met.

On 20 April 2021, the Lenders of the First Lien Term Loan B consented to waive any Default or Event of Default that may have arisen by virtue of the Kentucky judgement, including any enforcement steps or actions taken by the Commonwealth of Kentucky. During the year ended 31 December 2021, the Group is in compliance with all covenants related to its First Lien Term Loan B.

Senior Notes

As part of the drawdown of additional TLB USD above and the wider refinance the Group undertook the redemption of all of the 7% Senior Notes due in 2026 on 21 July 2021 as governed by the Indenture which were issued by Stars Group Holdings B.V. and Stars Group (US) Co-Borrower, LLC (the "Issuers"), on 10 July 2018 at par in an aggregate principal amount of US$1bn. The Group previously recognised an embedded derivative that required bifurcation from the carrying value of the Senior Notes with a fair value of £96.1m which was subsequently settled on the date of repayment and included within separately disclosed items. As part of the Indenture settlement, the Group made a premium payment of $35m (£25.7m) which has been included within settlement of Senior Notes (see Note 6).

16. **Borrowings *(continued)***

Prior to the repayment, on 16 April 2021, the holders of the Senior Notes consented to waive certain events of potential default under the Indenture governing the Senior Notes that may have arisen as a result of the Kentucky litigation or the Kentucky litigation related events. Through the date of repayment the Group was in compliance with all covenants related to its Senior Notes.

Reconciliation to Statement of Cash Flows:

Reconciliation of movements in borrowings to the Statement of Cash Flows:

	2021 £m	2020 £m
Financing activities:		
Proceeds from borrowings	**1,167.7**	1,080.0
Repayment of borrowings	**(751.2)**	(2,003.2)
Interest paid	**(141.9)**	(114.1)

17. Derivatives

Derivatives and hedge accounting

The Group uses derivative financial instruments for risk management and risk mitigation purposes. As such, any change in cash flows associated with derivative instruments are expected to be offset by changes in cash flows related to the hedged item. The Group's derivatives are discussed below.

Swap agreements

The Group has executed cross-currency interest rate swaps which swap the profile of the USD First Lien Term Loan B in its entirety into EUR and GBP. In 2021 as part of the refinance, the Group amended the terms of the existing trades to reflect the repriced TLB USD and executed new cross-currency interest rate swaps on the additional drawn-down debt in line with the hedging policy to cover exposure to foreign currencies. From an accounting and risk management perspective, these hedging instruments consist of: (i) USD-EUR amortising cross-currency interest rate swap agreements (the "EUR Cross-Currency Interest Rate Swaps") with a remaining notional amount of €1.49bn (31 December 2020: €397m), which fix the USD to EUR exchange rate at 1.173 and fix the euro interest payments at an average interest rate of 1.7% (31 December 2020: 3.6%) and (ii) USD-GBP amortising cross-currency interest rate swap agreements (the "GBP Cross-Currency Interest Rate Swaps") with a remaining notional amount of £750m (31 December 2020: £756m), which fix the EUR to GBP exchange rate at 0.889 and fix the GBP interest payments at an average interest rate of 2.5% (31 December 2020: 5.4%). The EUR Cross-Currency Interest Rate Swaps and GBP Cross-Currency Interest Rate Swaps are in hedging relationships with and have a profile that amortises in line with the USD First Lien Term Loan B. The EUR Cross-Currency Interest Rate Swaps and GBP Cross-Currency Interest Rate Swaps have a maturity date of July 2023.

The Group previously held USD-EUR cross-currency interest rate swap agreements (the "Cross-Currency Swaps - Notes" and, collectively with the EUR Cross-Currency Interest Rate Swaps, the GBP Cross-Currency Interest Rate Swaps, and the Interest Rate Swap, the "Swap Agreements") with a total notional amount of €927.1m at 31 December 2020, which fixed the USD to EUR exchange rate at 1.079 and fixed the euro interest payments at an average interest rate of 6.16%. The cross-currency interest rate swaps were in a hedging relationship with and had an interest payment profile aligned with the Senior Notes. These swaps matured in July 2021 concurrent with the repayment of the Senior Notes as part of the debt refinancing. The Group paid £67.9m for the settlement and maturity of these cross-currency interest rate swaps.

Embedded derivatives

As a result of the repayment of the Senior Notes on 21 July 2021, the embedded derivative arising from the redemption option on the Senior Notes was settled (31 December 2020: asset of £98.0m).

Sports betting open positions

Amounts received from customers on sportsbook events that have not occurred by the balance sheet date are derivative financial instruments and have been designated by the Group on initial recognition as financial liabilities at fair value through profit or loss.

The fair value of open sports bets at 31 December 2021 and 31 December 2020 has been calculated using the latest available prices on relevant sporting events. The carrying amount of the liabilities is not significantly different from the amount that the Group is expected to pay out at maturity of the financial instruments. Sports bets are non-interest bearing. There is no interest rate or credit risk associated with open sports bets.

It is primarily based on expectations as to the results of sporting and other events on which bets are placed. Changes in those expectations and ultimately the actual results when the events occur will result in changes in fair value. There are no reasonably probable changes to assumptions and inputs that would lead to material changes in the fair value methodology, although final value will be determined by future sporting results.

17. Derivatives *(continued)*

The following table summarises the fair value of derivatives as at 31 December 2021 and 31 December 2020:

	31 December 2021		31 December 2020	
	Assets	**Liabilities**	Assets	Liabilities
	£m	**£m**	£m	£m
Derivatives held for hedging				
Derivatives designated as cash flow hedges:				
Cross-currency interest rate swaps - current	**—**	**—**	—	(86.6)
Cross-currency interest rate swaps – non-current	**31.7**	**(54.6)**	—	(101.8)
Total derivatives designated as cash flow hedges	**31.7**	**(54.6)**	—	(188.4)
Derivatives designated as net investment hedges:				
Cross-currency interest rate swaps – current	**—**	**—**	—	(14.8)
Cross-currency interest rate swaps - non-current	**36.3**	**—**	16.9	—
Total derivatives designated as net investment hedges	**36.3**	**—**	16.9	(14.8)
Total derivatives held for hedging	**68.0**	**(54.6)**	16.9	(203.2)
Derivatives held for risk management and other purposes not designated as hedges				
Sports betting open positions - current	**—**	**(74.0)**	—	(49.5)
Sports betting open positions – non-current	**—**	**(0.5)**	—	(0.5)
Total derivatives held for risk management and other purposes not designated as hedges	**—**	**(74.5)**	—	(50.0)
Derivatives included within borrowings				
Embedded derivatives	**—**	—	98.0	—

Hedge accounting

Cash flow hedge accounting

In accordance with the Group's risk management strategy and Group Treasury Policy, the Group executed the Swap Agreements to mitigate the risk of fluctuation of coupon and principal cash flows due to changes in foreign currency and interest rates related to the USD First Lien Term Loan B and foreign currency cash flow risk related to the Senior Notes.

The Group assesses hedge effectiveness by comparing the changes in fair value of a hypothetical derivative reflecting the terms of the debt instrument issued due to movements in the applicable foreign currency exchange rate and benchmark interest rate with the changes in fair value of the cross-currency interest rate swaps and cross-currency swaps used to hedge the exposure, as applicable. The Group uses the hypothetical derivative method to determine the changes in fair value of the hedged item. The Group has identified, and to the extent possible, mitigated, the following possible sources of ineffectiveness in its cash flow hedge relationships:

1. the use of derivatives as a protection against currency and interest rate risk creates an exposure to the derivative counterparty's credit risk which is not offset by the hedged item. This risk is minimised by entering into derivatives with counterparties with strong investment grade credit ratings;
2. differences in the timing of settlement of the hedging instrument and hedged item; and
3. the designation of off-market hedging instruments.

Certain of the EUR Cross-Currency Interest Rate Swaps in combination with the GBP Cross-Currency Interest Rate Swaps are designated in cash flow hedge relationships to hedge the foreign exchange risk and interest rate risk on the USD First Lien Term Loan B bearing a minimum floating interest rate of 2.25% (USD three-month LIBOR plus a 2.25% margin, with a LIBOR floor of 0%). The remaining EUR Cross-Currency Interest Rate Swaps have been bifurcated for hedge accounting purposes with the GBP portion of the exposure designated in a cash flow hedge relationship and the EUR exposure designated in a net investment hedge relationship.

As at 31 December 2021, £12.1m (2020: £5.7m) of accumulated other comprehensive income is included in the cash flow hedging reserve (see Note 18) related to de-designated cash flow hedges and is reclassified to the consolidated income statement as the hedged cash flows impact income/(loss).

17. Derivatives *(continued)*

Net investment hedge accounting

In accordance with the Group's risk management strategy, as noted above the Group designates certain EUR cross-currency interest rate swap contracts in net investment hedging relationships to mitigate the risk of changes in foreign currency rates with respect to the translation of assets and liabilities of subsidiaries with foreign functional currencies.

The Group assesses hedge effectiveness by comparing the changes in fair value of the net assets designated, due to movements in the foreign currency rate with the changes in fair value of the hedging instruments used to hedge the exposure. The Group uses the hypothetical derivative method to determine the changes in fair value of the hedged item. The only source of ineffectiveness is the effect of the counterparty and the Group's own credit risk on the fair value of the derivative, which is not reflected in the fair value of the hypothetical derivative.

The Group has also designated the carrying amount of the EUR First Lien Term Loan as a hedge of the spot foreign exchange risk of its net investment in its EUR functional subsidiaries. The Group assesses hedge effectiveness using the forward rate method by comparing the currency and the carrying amount of the EUR First Lien Term Loan B with the currency and the net assets of its EUR functional subsidiaries.

As at 31 December 2021, £61.4m (2020: £11.5m loss) of accumulated other comprehensive income is included in the foreign exchange translation reserve (see Note 18) related to de-designated net investment hedges and is reclassified to the consolidated income statement upon disposal of the net investment in the applicable foreign subsidiaries.

18. Share capital and reserves

Share capital

The total authorised share capital of the Company comprises 300,000,000 ordinary shares of €0.09 each (2020: 300,000,000 ordinary shares of €0.09 each). All issued share capital is fully paid. The holders of ordinary shares are entitled to vote at general meetings of the Company on a one vote per share held basis. Ordinary shareholders are also entitled to receive dividends as may be declared by the Company from time to time.

Transactions during the year ended 31 December 2021:

- A total of 558,275 ordinary shares were issued as a result of the exercise of employee share options, giving rise to share capital and share premium of £13.2m;
- On 25 August 2021, the Company announced it had cancelled 1,965,600 ordinary shares of €0.09 each previously held by it as treasury shares.
- In accordance with the authority conferred by shareholders pursuant to resolution 10 at Flutter's Annual General Meeting ("AGM") held on Thursday, 29 April 2021, the Board on 10 September 2021 confirmed that it had completed the capitalisation of £7,982.9m, being the entirety of the amounts standing to the credit of Flutter's merger reserve account at 31 December 2020. In accordance with the provisions of sections 84 and 85 of the Companies Act 2014 and the authority conferred by resolution 11 as approved by shareholders at the AGM, the Board applied to the Irish High Court to reduce the Company's capital by the amount of £10,000m standing to the credit of Flutter's share premium account following completion of the capitalisation. On 3 November 2021, the Irish High Court approved the reorganisation of the Company's capital by the reduction of £10,000m standing to the credit of Flutter's share premium account, and the transfer of such sum to the Company's distributable reserves account. This resulted in the transfer of £10,000m from share premium to retained earnings.

Transactions during the year ended 31 December 2020:

- In May 2020, 1,312,260 new ordinary shares were issued as consideration for the 2019 final dividend;
- On 5 May 2020, the Company issued a total of 65,316,588 ordinary shares in exchange for 289,909,400 shares of TSG in respect of the all-share Combination with TSG resulting in Flutter Entertainment plc shareholders owning 54.64% and the TSG shareholders owning 45.36% of Flutter, on a fully diluted basis (excluding any out of the money options). Under the terms of the Combination, holders of TSG shares received 0.2253 ordinary shares with nominal value of €0.09 each in the Company ("ordinary shares") in exchange for each outstanding TSG share (the "Exchange Ratio"). Post Combination, the Company is the ultimate parent of The Stars Group Inc. This gave rise to a merger reserve under section 72 of the Companies Act 2014 of £6,189.5m (see also Note 11);
- On 13 May 2020, 819,230 new Flutter ordinary shares were issued as consideration for the acquisition of the remaining 20% interest of TSG Australia Pty Ltd by Flutter. The value of shares issued amounted to AUD$151.4m (£79.7m) (see also Note 11);
- On 29 May 2020, the Company issued 8,045,995 new ordinary shares at a price of 10,100 pence per share in respect of an equity placement announced on 28 May 2020, raising gross proceeds of £812.6m giving rise to share capital of £0.7m and a share premium of £811.9m. The proceeds raised net of issuance costs amounted to £806.3m with the issuance costs of £6.3m recognised in retained earnings. The Placing Shares represent approximately 5.5% of the Company's issued share capital immediately prior to the Placing (excluding treasury shares). The Placing Price represents a discount of approximately 4.7% to the closing price on 28 May 2020

18. Share capital and reserves *(continued)*

- On 4 December 2020, the Company issued a total of 8,004,503 ordinary shares at a price of 14,000 pence per share in respect of an equity placement announced on 3 December 2020, raising proceeds of £1,120.6m giving rise to share capital of £0.7m and a share premium of £1,119.9m. The proceeds raised net of issuance costs amounted to £1,114.6m with the issuance costs of £6.1m recognised in retained earnings. The Placing Shares represent approximately 5.2% of the Company's issued share capital immediately prior to the Placing (excluding treasury shares). The Placing Price represents a discount of approximately 2.1% to the closing price on 3 December 2020;
- On 30 December 2020, 11,747,205 new Flutter ordinary shares were issued as partial consideration for the acquisition of an additional 37.2% of the outstanding share of FanDuel, bringing the Group's holding in FanDuel to 95%, up from the previous controlling interest of 57.8%. The value of shares issued amounted to £1.0m in share capital and gives rise to £1,793.4m of a merger reserve under Section 72 of the Companies Act 2014 (see also Note 11); and
- A total of 1,492,430 ordinary shares were issued as a result of the exercise of employee share options, giving rise to share capital and share premium of £34.3m.

Equity reserves

Equity reserves at 31 December 2021 and 31 December 2020 include the following classes of reserves:

Merger reserve

At 31 December 2020, the Company held a merger reserve under section 72 of the Companies Act 2014 of £7,982.9m which represented the premium over the par value of shares issued as consideration for the Combination with TSG and as partial consideration for the acquisition of a further 37.2% of FanDuel Group. In accordance with the authority conferred by shareholders pursuant to resolution 10 at Flutter's Annual General Meeting held on Thursday, 29 April 2021, the Board on 10 September 2021 confirmed that it had completed the capitalisation of £7,982.9m, being the entirety of the amounts standing to the credit of Flutter's merger reserve account at 31 December 2020. This resulted in the transfer of £7,982.9m from merger reserve to share premium.

Treasury shares

At 31 December 2020, a total of 1,965,600 ordinary shares were held in treasury. All rights (including voting rights and the right to receive dividends) in the shares held in treasury were suspended until such time as the shares were reissued. The Group's distributable reserves were restricted by the value of the treasury shares, which amounted to £40.7m at 31 December 2020. The cost of treasury shares held by the Company at 31 December 2020 was £4.2m, with a further £36.5m of shares being held by the Company's subsidiaries.

On 25 August 2021, the Company announced it cancelled all its 1,965,600 ordinary shares of €0.09 each previously held by it as treasury shares which resulted in the transfer of £40.7m from treasury shares to retained earnings, other reserves and share capital.

Shares held by Employee Benefit Trust

At 31 December 2021, the Paddy Power Betfair plc Employee Benefit Trust ("EBT") held 33,158 (31 December 2020: 67,320) of the Company's own shares, which were acquired at a total cumulative cost of £4.0m (31 December 2020: £5.8m), in respect of potential future awards relating to the Group's employee share plans. The purchase of 1,337,894 shares at a cost of £180.7m during the year ended 31 December 2021 related to the settlement of share awards to FanDuel employees in 2021. The Company's distributable reserves at 31 December 2021 are restricted by this cost amount. During the year ended 31 December 2021, 1,372,056 shares with an original cost of £182.5m were transferred from the EBT to the beneficiaries of the EBT (year ended 31 December 2021: 3,077 shares with an original cost of £0.3m).

Cash flow hedge reserve

The cash flow hedge reserve represents the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that had not yet occurred at that date.

Foreign exchange translation reserve

The foreign exchange translation reserve at 31 December 2021 amounted to a debit balance of £194.2m (31 December 2020: credit balance of £49.6m) and arose from the retranslation of the Group's net investment in primarily EUR, AUD and USD functional currency companies. The movement in the foreign exchange translation reserve for the year ended 31 December 2021, reflects mainly the weakening of EUR and AUD against GBP in the period.

Other reserves

Other reserves comprise undenominated capital. Undenominated capital at 31 December 2021 of £2.5m (31 December 2020 of £2.3m) relates to the nominal value of shares in the Company acquired by the Company of £2.3m (31 December 2020: £2.1m) and subsequently cancelled, and an amount of £0.2m (31 December 2020: £0.2m) which arose on the redenomination of the ordinary share capital of the Company at the time of conversion from Irish pounds to euro.

18. Share capital and reserves *(continued)*

Share-based payment reserve

During the year ended 31 December 2021, an amount of £80.5m was expensed in the Consolidated Income Statement with respect to share based payments (year ended 31 December 2020: £70.2m), an amount of £49.6m (year ended 31 December 2020: £107.7m) in respect of share options exercised during the year was transferred from the share-based payment reserve to retained earnings.

An amount of £0.2m of deferred tax relating primarily to the Group's share-based payments was debited to retained earnings in the year ended 31 December 2021 (year ended 31 December 2020: charge of £1.0m). An amount of £0.9m of current tax relating to the Group's share-based payments was credited to retained earnings in the year ended 31 December 2021 (year ended 31 December 2020: credit of £6.4m).

Non-controlling interest

During the year ended 31 December 2021, the Group paid dividends totalling £16.7m to the non-controlling interest in Adjarabet (year ended 31 December 2020: £15.2m). Also as a result of the acquisition of an initial 50.1% stake in Junglee Games during the year, £17.1m was recorded in respect of the non-controlling interest.

19. Dividends paid on ordinary shares

Due to the impact of Covid-19, the Board paid the 2019 final dividend in May 2020 through the issuance of ordinary shares rather than by cash. This resulted in the Group issuing 1,312,260 Flutter ordinary shares of €0.09 each.

The Board's capital management policy for the Group remains to target a leverage ratio of 1.0x to 2.0x over the medium term. The Board will continue to monitor the financial performance of the Group, it's anticipated deleveraging and balance sheet position, and will decide when it is an appropriate time to reinstate a dividend.

As a result, the Board did not recommend an interim dividend for 2021 (2020: nil) or a final dividend for the year ended 31 December 2021 (2020: nil).

20. Commitments and contingencies

Guarantees

The Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within the Group. The Company considers these to be insurance arrangements and accounts for them as such. The Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

The Group has uncommitted working capital overdraft facilities of £16.2m (2020: £16.6m) with Allied Irish Banks p.l.c. These facilities are secured by a Letter of Guarantee from Flutter Entertainment plc.

The Group has bank guarantees: (i) in favour of certain gaming regulatory authorities to guarantee the payment of player funds, player prizes, and certain taxes and fees due by a number of Group companies; and (ii) in respect of certain third-party rental and other property commitments, merchant facilities and third party letter of credit facilities. The maximum amount of the guarantees at 31 December 2021 was £44.4m (2020: £74.8m). No claims had been made against the guarantees as of 31 December 2021 (2020: £Nil). The guarantees are secured by counter indemnities from Flutter Entertainment plc and certain of its subsidiary companies. The value of cash deposits over which the guaranteeing banks hold security was £17.5m at 31 December 2021 (2020: £12.9m).

As mentioned in Note 16, borrowings under the TLA Agreement and Syndicated Facility Agreement are guaranteed by the Company and certain of its operating subsidiaries.

Contingent liabilities

The Group operates in an uncertain marketplace where many governments are either introducing or contemplating new regulatory or fiscal arrangements.

The Board monitors legal and regulatory developments and their potential impact on the business, however, given the lack of a harmonised regulatory environment, the value and timing of any obligations in this regard are subject to a high degree of uncertainty and cannot always be reliably predicted.

As outlined in more detail in Note 12, in June 2021, the Athens Administrative Court of Appeal dismissed the Group's judicial recourses. While the Group has appealed to the Greek Supreme Administrative Court, based on the nature of the decision received and the points of law which can be appealed, and in line with legal and tax advice it has received, it has decided to recognise the amount of the Greek assessment for the years 2012, 2013 and 2014 of €15.0m (£12.8m) as an expense in the income statement during the year ended 31 December 2021. No notifications have as yet been received for later years and so no provision has been made for potential further assessments.

20. Commitments and contingencies *(continued)*

Prior to the Combination, the Board of TSG became aware of the possibility of improper foreign payments by TSG or its subsidiaries in certain jurisdictions outside of Canada and the United States relating to its historical B2B business (which was never profitable and effectively ceased operations in 2014). When this matter arose, TSG contacted the relevant authorities in the United States and Canada with respect to these matters and, following the Combination, the Group continues to co-operate with the United States and Canada governmental authorities in respect of all inquiries relating to such payments. Based on its review of these matters to date, the Board of Flutter has not identified issues that it believes would have a significant adverse effect on the Group's financial position or business operations.

Capital commitments

Capital expenditure contracted for at the statement of financial position date but not yet incurred was as follows:

	31 December 2021	31 December 2020
	£m	£m
Property, plant and equipment	**1.3**	14.3
Intangible assets	**1.6**	1.0
Total	**2.9**	15.3

21. Related parties

There were no material transactions with related parties during the year ended 31 December 2021 or the year ended 31 December 2020.

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

22. Events after the reporting date

Acquisition of Tombola

On 18 November 2021, the Group announced that it had reached agreement to acquire 100% of Tombola , one of the UK market's leading online bingo operators, for an enterprise value of £402m subject to merger control clearance by the UK Competition and Markets Authority. The transaction completed on 10 January 2022.

Tombola is a successful bingo-led gaming company with an emphasis on providing a low staking bingo proposition to a highly engaged customer base. In its financial year ended April 2021, Tombola generated pro forma revenue of £164m and EBITDA of £38.5m. The acquisition-date fair value accounting had not been completed as at 28 February 2022.

Acquisition of Sisal

On 23 December 2021, the Group announced the acquisition of Sisal, Italy's leading online gaming operator, from CVC Capital Partners Fund VI for a consideration of €1.913bn/£1.62bn. This acquisition fully aligns with the Group's strategy of investing to build leadership positions in regulated markets globally. Sisal expects to report revenue (after deduction of gaming duties) in 2021 of £590m (€694m). It expects to report consolidated EBITDA of £211m (€248m), 90% of which will come from its Italian operations (online 59%, retail 31%).

The total consideration for Sisal is payable in cash and in full on completion of the transaction. This amount includes full repayment of all Sisal's debt upon completion. The transaction will be financed by way of additional Flutter debt facilities, agreed with Barclays Bank PLC. The transaction is conditional on merger control clearance and customary gaming and foreign investment consents. Subject to these approvals, it is expected that the transaction will complete in Quarter 2 2022.