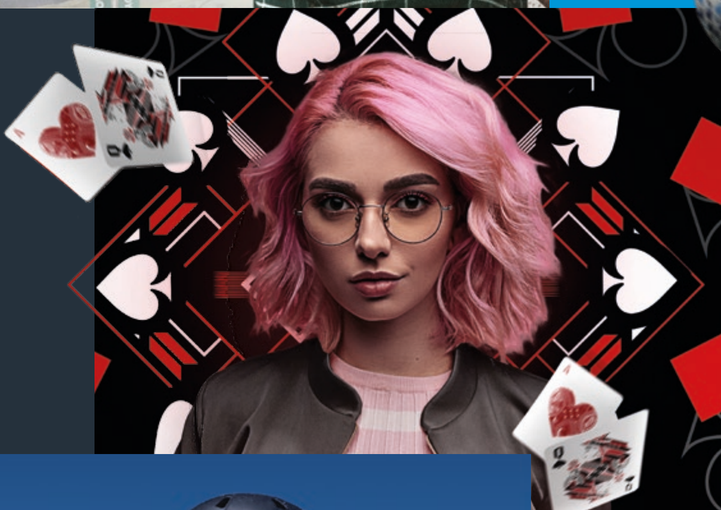
Changing the game

Flutter Entertainment plc
Annual Report & Accounts 2020



Flutter
Entertainment plc

Changing the game

2020 was a momentous year for Flutter as we completed our merger with The Stars Group, while navigating our response to Covid from a customer protection, colleague well being and business perspective.

Whilst recent events added significant complexity to almost every part of our enlarged Group, we'd like to recognise the hard work, resilience and commitment of all colleagues over the last year.

We remain focused on maintaining momentum in the Group whilst bringing the business together and continue to be excited about the opportunities that lie ahead.

Peter Jackson
Chief Executive Officer

Gary McGann
Chairman

Lift the page to reveal our range of brands

As a Group, we operate some of the world's most **innovative, diverse** and **distinctive** sports betting and gaming brands.

9

Global brands

100+

International markets

14m

Customers worldwide

We believe in bringing entertainment to life for our customers in a safe, responsible and sustainable way.

Customers

Our leading brands provide entertaining and engaging products in a fun and safe environment to 14 million customers globally.

14m

Active customers

Markets

We are committed to making a positive contribution in the 100+ markets in which we operate globally.

100+

International markets

Colleagues

We have more than 14,000 colleagues across five continents.

14,000+

Colleagues

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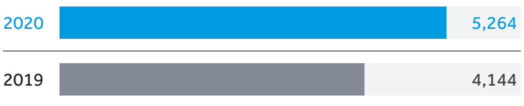
2020 highlights*

2020 was a truly transformational year for Flutter as we attained unparalleled scale and diversification following completion of The Stars Group ("TSG") merger. We increased our exposure to the fast-growing US market by accelerating our buy-out of the minority shareholders in FanDuel and we reinforced the Group's balance sheet, positioning the Group well for future investment opportunities across our divisions.

Net revenue (£m)

+28%



Adjusted operating profit (£m)

+18%

Adjusted EBITDA (£m)

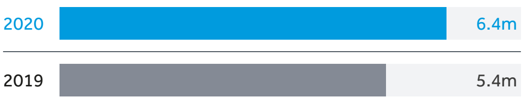
+16%

Adjusted EPS (pence)

+19%

Average monthly players

+19%



Leverage ratio (net debt / adjusted EBITDA)

2.3x

* All metrics presented are on a constant currency and pro forma basis. All metrics presented are also on an adjusted basis before for adjusting separately disclosed items.

sky betting & gaming

sky bet · sky bingo · sky lotto · sky vegas · sky casino · sky poker

The UK's leading mobile-led betting and gaming operator

Our unique investment case

Market opportunity

The global betting and gaming market generated c.£345bn of gross gaming revenue ("GGR") in 2019, with just 13% occurring online. As such the online sector has a long runway of growth ahead of it with compound annual growth expected to be c.10% over the five years to 2024. While there are many exciting market opportunities to pursue, the rapidly regulating US market is arguably the most attractive for the Group and we have already established a leadership position in that market.

Read more in our Market Review on **pages 20 and 21**

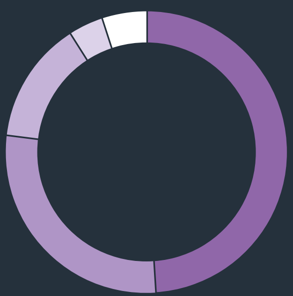
Global betting and gaming market in 2019

£345bn

Current online share

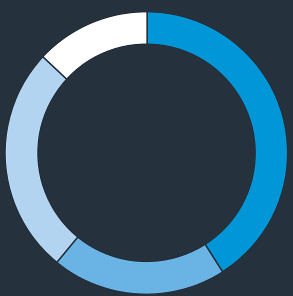
£46bn

Revenue by product*



- Sports betting: **49%**
- Gaming: **28%**
- Poker: **14%**
- Retail: **4%**
- Other: **5%**

Revenue by geography*



- UK&I: **41%**
- Australia: **20%**
- International: **26%**
- US: **13%**

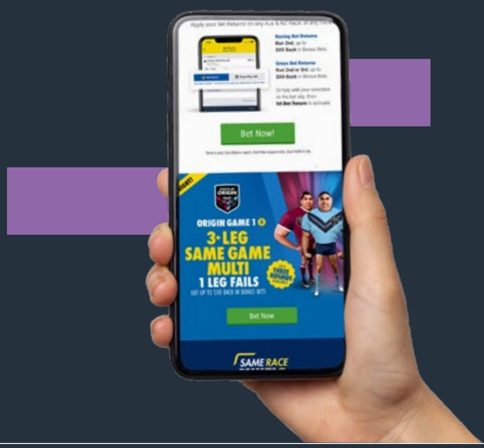
* Based on Group pro forma net revenue for the year ended 31 December 2020. Flutter's combination with TSG completed on 5 May 2020. The pro forma numbers presented include TSG revenue for a full 12-month period.

Diversified product and geographic offering

The Covid pandemic has highlighted the resilience of our business model. Customer activity migrated from sports to gaming when sporting events were cancelled and performance was strong in regions where racing content was available, e.g. Australia. The diverse offering also helps to partially mitigate the potential impact of local regulatory change on the overall Group.

Scale

Flutter is the global leader in online gaming. The online sector enjoys significant economies of scale through shared products and technology, which also enables continued investment in product innovation.



14%

Total shareholder returns
5 year CAGR

Track record of substantial financial return

Flutter has a long track record of robust financial performance with a compound annual growth rate ("CAGR") in total shareholder returns of 14% for the five years to 31 December 2020.

Read more in our Operating and Financial Review **on pages 42 to 55**

This is enabled by:

1. A strong portfolio of brands

Our market leading brands in both mature and rapidly growing markets enable us to acquire, retain and engage customers in a unique way.

Read more on our brand on **pages 6 and 7**

2. Market leading products

Our proprietary technology, risk and trading capabilities and market leading products provide strategic advantages over our competitors. They drive high levels of cross sell, improving value per customer.

Read more on our product on **page 25**

3. People

Our collegues are central to our success and we are always working to attract , develop and motivate the best talent in the industry.

Read more on our people on **pages 39 and 40**

4. Our commitment to Safer Gambling

Safer Gambling is at the heart of our business and we are committed to using technology to ensure the highest level of protection for our customers as they engage with our products.

Read more on our Safer Gambling on **pages 26 to 29**

Brands & reporting divisions

Flutter is the holding company for our range of international brands and operations, including Sky Betting & Gaming, Paddy Power, Sportsbet, PokerStars, Betfair, Adjarabet, FanDuel, FOX Bet and TVG.

Our vision is to be the global leader in online sports betting and gaming. We believe in bringing entertainment to life for our customers in a safe, responsible and sustainable way.

After last year's successful merger, we reorganised the business into the four divisions below. We will be reporting against these divisions from 2021 and refer to these divisions throughout this report. For the financial year 2020, we will be reporting against our old divisions (as outlined on the next page), in line with how the Board analysed the business in 2020.

UK&I

We operate some of the most popular sports betting and gaming brands in the UK&I market. Sky Betting & Gaming, Paddy Power and Betfair offer market leading innovation to millions of customers every week.

Although the brands mostly operate online, this division also includes 625 Paddy Power betting shops in the UK and Ireland.

Read more on page 20

Australia

The Sportsbet brand is the market leader in online sports betting across Australia. Sportsbet combines innovative, easy to use products and high levels of targeted promotional generosity to form a leading customer proposition. We are well known for our dynamic marketing campaigns around national sports events.

Read more on page 20

International

Flutter International operates in a number of territories around the world, led by its flagship brand, PokerStars, the world's largest online poker site. The division also includes PokerStars Casino, PokerStars Sports, Betfair International, Adjarabet and Junglee Games.

Flutter International operates under licence in 19 territories across the globe and has customers in over 100 countries.

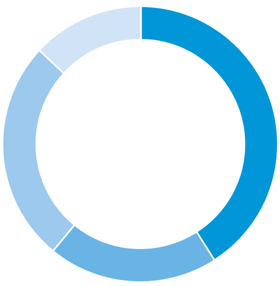
Read more on page 21

US

Our US division consists of FanDuel, FOX Bet, TVG, PokerStars and Betfair US. The division has a diverse product offering of online and retail sportsbooks, online gaming, poker, advanced deposit wagering on horse racing and TV broadcasting. FanDuel is the market leading online sportsbook and casino operator in the rapidly expanding US market and is well positioned to continue to take advantage of this opportunity.

Read more on page 21

Global footprint*



- UK&I: 41%
- Australia: 20%
- International: 26%
- US: 13%

14m
Active customers

£25bn
Sportsbook stakes

100+
International markets

£5.3bn
Total pro forma net revenue

* Based on Group pro forma net revenue for the year ended 31 December 2020. Flutter's combination with TSG completed on 5 May 2020. The pro forma numbers presented include TSG revenue for a full 12-month period.

Our offices:

For 2020 we have reported against our legacy divisions, as follows:

- **PPB** (Online & Retail)
- **Sky Betting & Gaming**
- **PokerStars**
- **Australia**
- **US**

Chair's statement

Gary McGann
Chair

Transformational strategic growth

Dear Shareholder

2020 has been a very different year from many perspectives. Looking at it through a societal lens we have experienced this once-in-a-hundred-year pandemic that has significantly impacted us all. Our thoughts and sympathies go to all who have been affected directly or indirectly by Covid. We also acknowledge with sincere appreciation all frontline workers in roles that have been critical to healthcare and other essential services.

In response to this pandemic, our first priority has been to protect the wellbeing of our colleagues and customers. We put measures in place early to support colleagues as they grappled with the challenges of working from home and I want to take this opportunity to thank them for their great tenacity, commitment and resilience in these challenging times.

As a leader in the sector, we have been keenly aware of our responsibility to ensure we are doing all that we can to protect the welfare of our customers. We have redoubled our focus and efforts in the area of Safer Gambling through the use of enhanced technology, policies, processes and procedures and we are making great progress in improving the protections we have in place.

Strategy

By any standard, 2020 was a year of transformation for Flutter. Notwithstanding Covid, we completed the game-changing merger with The Stars Group ("TSG") thereby forming the largest online sports betting and gaming business in the world. Late in the year, we acquired the Fastball shareholding in our US business FanDuel, bringing our shareholding in this US market leader up to 95%.

In response to the Covid pandemic, we recognised early on that this was likely to lead to structural changes within the sector, most notably through an acceleration in the migration of player activity from retail to online. To ensure that we had adequate capital to invest in this opportunity, we raised £812.6m by way of a share placement in May 2020.

Pre-Covid, we restructured a proportion of our debt, taking advantage of attractive debt markets at that time which helped to reduce our cost of capital. We remain optimistic that further progress can be made on this front over time.

In December, we funded the buyout of the 37.2% Fastball minority stake in FanDuel through a combination of direct equity issuance, an equity placing and cash on our balance sheet. The acquisition received the overwhelming support of our shareholders at the related EGM in December 2020.

During the year we also saw the successful licensing of our business in new US states and finished the year offering online sportsbook in 8 states and online gaming in 2 states. Our performance in both new and existing states has been very strong and we finished the year as the clear market leader in the US.

Meanwhile the integration of TSG and Flutter continues apace. We have restructured the business into 4 divisions (UK & Ireland, Australia, International and US) and the Group will report on this basis from 2021. Given the breadth and scale of our activities globally, we have invested to ensure that our lean corporate functions are adequately resourced to support the Group as it executes on its strategy.

In response to this pandemic, our emphasis has been to safeguard, to the maximum possible extent, our colleagues while delivering the best possible experience for our customers.

As well as the significant strategic progress made in 2020, our business also continues to perform well and deliver strong momentum in its day-to-day activities.

As a result, we have seen pro forma revenues grow by 28% year on year to £5,264m and adjusted[1] EBITDA[2] of £1,401m (excluding the US and separately disclosed items). Our investment phase loss of £170m in the US masks our very strong performance in that market as we build the embedded value of our business there, which has given us market leadership in both sports betting and gaming.

Since the start of 2021, our International division has completed the acquisition of an initial 50.1% stake in Junglee, a top three player in India's online rummy market. The business also has a developing Daily Fantasy Sport business. Flutter has an option to acquire the remainder of the equity in due course. This acquisition represents another exciting development for the Group and gives us a clear podium position in a very large and fast-growing market.

ESG and Safer Gambling

Environmental, social and governance ("ESG") are increasingly important attributes for societal and business sustainability and are a key focus of the investing community at all levels. The increased messaging by major fund managers and related organisations points to the need to demonstrate serious commitment to ESG, not just through words and related actions, but also by way of clarity on the current status, and statements of the targeted improvements, aligned to appropriate metrics and timelines.

The enlarged Group has initiatives underway to appropriately address the issue of climate and how Flutter will contribute appropriately to achieve the widely held objective of a net carbon neutral society by 2050. By virtue of the work currently underway, the Group will be able to specify its status, roadmap and appropriate metrics in future Annual Reports.

Within the context of sustainability, Flutter's focus is particularly on Safer Gambling . Operating our business in a successful and sustainable manner focuses us on ensuring that our products and services entertain the vast majority of people who engage with us. It also requires us to have very clear and appropriate policies and procedures supported to the maximum possible extent by technology in order for us to identify and intervene appropriately with vulnerable or at-risk customers.

1 The "adjusted" measures exclude separately disclosed items that are not part of the usual business activity and are also excluded when internally evaluating performance and have been therefore reported as "separately disclosed items" (Note 6 and pages 167 and 168 to the Consolidated Financial Statements).

2 EBITDA is a non GAAP measure and is calculated as earnings before interest, tax, depreciation, amortisation and impairment expense.

Colleagues in our Hammersmith office gather for product testing at an employee race-day, prior to social distancing measures being introduced

Chair's statement continued

During 2020 we estimate that our share of total online revenue in the UK was approximately

28%

ESG and Safer Gambling continued

In that context we have continued to advance our efforts on all fronts and appointed a very experienced new Chief Legal Officer and Group Commercial Director, Pádraig Ó'Ríordáin.

As one of his key responsibilities Pádraig is heading up our initiatives to enhance our approach to risk evaluation, compliance and mitigation. To that end, and following the divisionalisation of the organisational structure, he has increased the number, size, capability and empowerment of the roles at both divisional and Group level, to optimise best practices across the new wider Group.

Furthermore, through the significant commitment of Flutter's CEO together with a key number of his CEO counterparts, the industry is also moving in a more aligned manner in this critical area with the help of the Betting and Gaming Council in the UK.

The progress and success of any such strategy are dependent on a strong organisational commitment to the subject with the tone being clearly set from the top. The continuing support, focus and challenge from the Board Risk Committee is another key endorsement of the criticality of this area.

Read more on Sustainability on **pages 35 to 41**

Board changes

During the second half of 2020, Non-Executive Directors Rafi Ashkenazi and Ian Dyson stood down from the Board.

Ian Dyson was our longest serving Director, having been SID and Chair of the Nomination Committee. Ian had served in a number of roles in both Betfair and Flutter. Given his extensive experience, he agreed to remain on the Board until the end of 2020 to assist and advise us through Covid, the merger and related capital markets activity. We are indebted to Ian for his very substantial contribution to the success of Flutter during his tenure.

Once the merger was completed, Rafi Ashkenazi was anxious to engage in other activities, being satisfied that the merged entity was in good hands. As CEO of TSG, Rafi was a significant contributor to the substantial progress of TSG over recent years. We wish Rafi well in his future ventures.

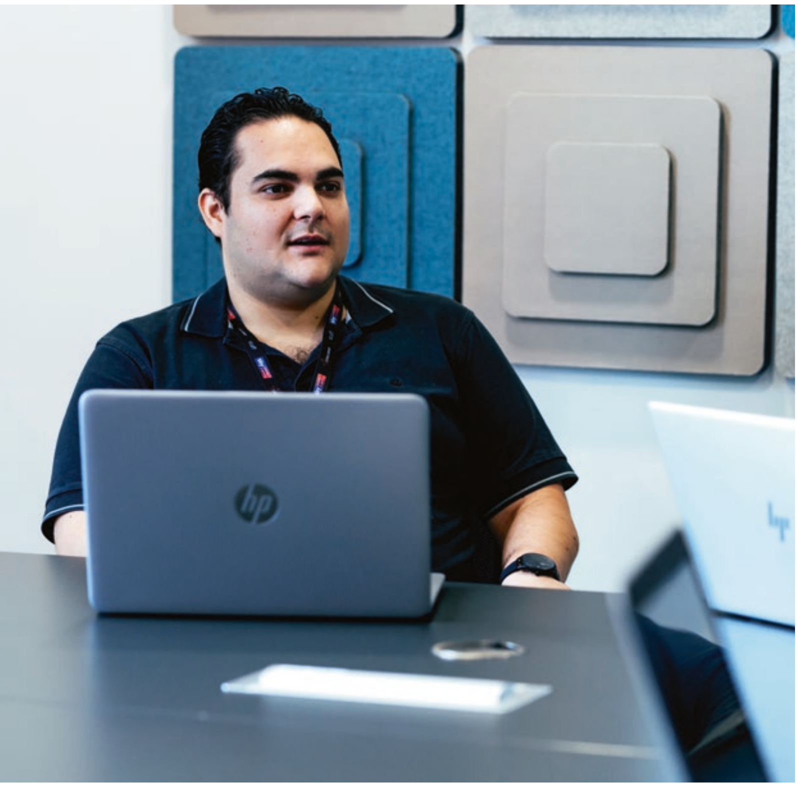
In order to bring the two boards together both TSG and Flutter had to reduce the number of Directors going forward for re-election. In the case of the legacy Flutter Board, both Emer Timmons and Jan Bolz stepped down from the Board at the AGM in May 2020. These two talented people delivered well-honed skillsets to the Flutter Board deliberations and assisted it on its dynamic journey during their tenure. This included the very early pioneering decision to enter the US after the repeal of PASPA by acquiring a majority stake in FanDuel.

Operating our business in a successful and sustainable manner focuses us on ensuring that our products and services entertain the vast majority of people who engage with us.

In thinking about the Flutter Board composition after the merger, and having regard to the scale, geographic breadth, direction of travel of the business, and the need for tenure-based rotation and enhanced gender balance on the Board, we mapped out a refreshment programme for implementation over a number of years. In this regard, we commenced a search to appoint two new Non-Executive Directors with complementary skills and experience to broaden the Board's capabilities.

I am pleased to announce that Nancy Dubuc and Holly Koeppel will be joining the Board effective from conclusion of the AGM on 29 April 2021 and 13 May 2021 respectively.

Nancy has been CEO of a leading independent North American headquartered, international media group, Vice Media, since 2018. She held senior management positions in A&E Television Networks between 1999 and 2018. Prior to this, Nancy previously held various roles in the media and technology industry.



Nancy is highly regarded in her sector and brings a wealth of experience to Flutter in the media and entertainment sectors.

Holly is currently Non-Executive Director of British American Tobacco plc, Arch Resources Inc. and AES Corporation. She is a Non-Executive Director of Vesuvius plc until 12 May 2021. Prior to this, she was the Managing Partner of the Gateway Infrastructure Fund, and previously was CFO of American Electric Power. Holly brings extensive experience of regulated consumer-facing businesses in the US and international markets, as well as experience of operating in the UK listed companies environment.

We look forward to Nancy's and Holly's involvement, which will significantly add to the diversity of thought and perspective on the Flutter Board.

This increasing diversity at Board level helps to underpin the clear commitment the Group is making to progress the diversity of its talent pool at all levels of the organisation and I look forward to being able to report even more progress in the Group in the years to come.

Dave Gadhia and Peter Rigby will not be seeking re-election to the Board at the Annual General Meeting.

As Executive Chair of TSG, Dave led the challenging turnaround and subsequent strong growth of the business. He was critical in seeing the opportunity for the merger with Flutter, while ensuring that his shareholders were appropriately represented and rewarded. He leaves a strong and enduring legacy. Peter has been a stalwart of the Betfair, Paddy Power and legacy Flutter boards during his seven years tenure as Director. He has made significant contributions to Flutter's progress through his astute Chairing of the Risk Committee and subsequently the Remuneration Committee.

I want to thank both Dave and Peter for their considerable commitment and good counsel and wish them health, happiness and success for the future. As 2021 unfolds with Covid still looming larger than expected over all aspects of life at a global level, but with progress on vaccinations and virus suppression efforts advancing, I wish all our customers, colleagues, shareholders and wider stakeholder group good health and safety as we work our way through the societal and economic consequences resulting from this pandemic.

Gary McGann
Chair
1 March 2021

Chief Executive Officer's Review

Peter Jackson
Chief Executive Officer

Forward momentum

Business Review[1-4]

2020 was a transformational year for Flutter as we attained unparalleled scale and diversification following the completion of the TSG merger. We increased our exposure to the fast-growing US market by accelerating our buy-out of the minority shareholders in FanDuel at a compelling valuation and we ensured our balance sheet is well capitalised, positioning the Group well for future investment opportunities.

Protecting both our colleagues and customers through Covid, as well as supporting our communities, were key priorities throughout the year. We mobilised quickly in March to support the well-being of our employees, without availing of government support schemes, and we enhanced our Safer Gambling measures in response to lockdowns and the evolving preferences of our customers.

Safeguarding business momentum was a key priority as we commenced our integration work with TSG and we achieved this with a 19% increase in monthly players[5] and revenue growth of 28%. This growth reflected excellent operational performance as well as two key structural tailwinds benefitting our sector, namely the migration of traditional retail spend to online and a shift in leisure spending patterns towards more home-based activities.

Within our online business we benefitted from enhanced product and geographic diversification, something that was particularly evident following the widespread cancellation of sports during the second quarter, when we saw commensurate growth in our gaming and poker franchises. As sports resumed, we saw strong levels of engagement across our sports betting businesses, with customer growth of 32% in Q4 as we exited 2020.

Overall the Group delivered an excellent financial performance. On a pro forma basis revenue grew by 28% to £5.3bn. Adjusted EBITDA increased by 16% to £1.2bn as profitability in our core online businesses helped to fund the marketing and platform investments we are making in our US and International divisions.

Flutter Group strategy

The TSG merger and the minority buy-out of FanDuel have significantly accelerated progress against our four-pillar strategy:

Pillar 1 – To maximise profitable growth in our core markets (UK & Ireland, Australia)

Pillar 2 – To grow our business in the rest of the world

Pillar 3 – To attain podium positions in international regulated markets

Pillar 4 – To grow our leadership position in the US

Read more on our strategy on **page 17**

In our core markets, we have significantly expanded the scale of our operations and identified a clear path to running the combined businesses more efficiently. The recreational nature of our brands in these markets positions us well to capitalise on regulatory developments in the future.

The strategy within our International division to attain global scale and diversification was greatly accelerated by the merger, adding new podium positions and many more top ten markets. Given this significant expansion, we have now sharpened our investment focus within PokerStars, identified key target markets and tailored plans for our brands and product. We set out the core elements of this plan below.

Having attained a leadership position in the US, our strategy now is to continue to grow it through further investment and leveraging the strong set of assets that we have.

Ultimately, we believe that the online gaming sector is similar to other large digital markets, whereby the largest player achieves superior economics through operational leverage, creating a virtuous circle for future investment in product, marketing and generosity, which in turn drives further growth.

Integration

Against the challenging backdrop of Covid , a key objective in 2020 was to maintain momentum across the Group, both before and after our merger with TSG. This included protecting the pipeline of innovative new products within our divisions and continuing to prioritise growth in the business over near-term cost synergies. Whilst maintaining performance, we have nevertheless made significant integration progress since our merger in May and have reorganised the Group into a new four divisional structure which we will report against from Q1 2021.

While our primary focus will continue to be delivery of this growth-oriented strategy, we also see material opportunities to drive cost efficiency across the Group. Following additional work, we have increased our estimate of annualised cost synergies from £140m to £170m. The additional savings mainly come from Australia following our decision to move rapidly to a single brand. Further detail on synergy guidance is provided in the operating and financial review

Safer Gambling

During 2020 we continued to prioritise Safer Gambling initiatives across the Group. We improved our operational capabilities, expanded our Safer Gambling teams and stepped up investment in technology. We upgraded the predictive models we use in UK & Ireland, Australia and PokerStars to monitor and track more customer behaviours while in the US, we enhanced our cross-product Safer Gambling capabilities through the migration of our customers onto our proprietary account and wallet. Education is key and in tandem with ensuring the Safer Gambling teams have the resources required to make our customers aware of our Safer Gambling tools available to them, we also committed to spend 20% of our UK TV and radio marketing budget on Safer Gambling messaging.

Through these initiatives we have significantly improved our ability to effectively identify and interact with customers who may be at risk.

> **“Safer Gambling is critical to building a sustainable global business and we are determined to lead the industry in implementing the highest standards of customer protection across our markets.**

For example, we more than doubled the number of customers we checked in with via a Safer Gambling interaction in the UK, Ireland and Australia in 2020. In PPB 33% of those customers then went on to use a Safer Gambling tool. In SBG approximately 40% of revenue came from customers who have a deposit limit in place. This ensures our continued focus on growing a sustainable and recreational customer base.

Effective regulation is key to ensuring sustainability and we intend to be at the forefront of change. For example in Ireland, we recently introduced a credit card ban, a whistle to whistle advertising ban and increased our funding to improve customer protections in that market. In the UK, the Gambling Act Review has commenced, and we are actively engaging with all key stakeholders during the consultation period. Ian Proctor, Executive Chairman of Flutter UK & Ireland, has been instrumental in coordinating a major project to review our Safer Gambling initiatives. We have allocated substantial internal resources to providing robust and transparent responses to the request for evidence where we are advocating a customer specific and proportionate approach to affordability. We remain hopeful that a regulatory framework will be put in place that will better protect customers while recognising people’s freedom to spend their disposable income as they choose.

Responding to the Covid crisis

The pandemic has affected every aspect of our lives, and its impact will be long lasting. During the crisis, the health and well being of our colleagues and customers has been our number one priority, and I’m exceptionally proud of the way that our people have responded to the challenges everyone has faced. Here are some of the ways in which we have been supporting colleagues, customers and communities during the Covid crisis:

- In March, we mobilised quickly to deploy a “work from home first” policy, which remains in place today across much of our global operations.
- All colleagues have been paid in full throughout the crisis but we have not taken government subsidies to support this, saving the UK Treasury approximately £14.1 million in furlough payments and £11.5 million in Ireland.
- The £4.79m of business rates relief our Paddy Power retail estate benefitted from was used to create a Covid recovery fund for community sport through an extension of our Cash4Clubs programme in partnership with Made By Sport.
- Our colleagues were encouraged to take time to volunteer their services, especially those with specialist training in areas where local governments were seeking support.
- We increased our community investment commitment by £2.5m, with both existing and new charity partners, all working to help our communities during the pandemic.
- In the UK, Paddy Power signed up to the “Jabs Army” campaign and offered our retail premises to aid the vaccine rollout.
- In the US, FOX Bet and PokerStars partnered with Americares, a disaster relief organisation, to deliver protective supplies to front line health workers.
- Our retail estates in the UK and Ireland donated their supplies of hand sanitisers to the NHS and HSE respectively in the early days of the crisis and elsewhere we have supported food donation schemes, including Frontline Foods in the US and Meals for the NHS in the UK.
- We expanded our Safer Gambling teams across the business, upgraded our predictive modelling capabilities and increased our customer interactions.
- We dedicated 20% of our UK & Ireland TV advertising budgets to Safer Gambling messages, which remains in place today.

Chief Executive Officer's Review continued

UK & Ireland

In the UK and Ireland, our three brands will 'complement and compete'. We are sharing the best of our technology and insights across brands while allowing for differentiated marketing approaches. The 2020 performance of Paddy Power and Sky Betting & Gaming, where average monthly customers grew 36% and 12% in H2 respectively, clearly demonstrated how two recreational brands can compete effectively side-by-side while Betfair's unique offering continues to appeal to more value conscious customers.

The migration of retail customers to online is playing to our strengths. The mass market appeal of our brands, coupled with the quality of our product offering, is seeing us capture a higher share of migrated spend. We estimate that during H2, of regular UK high street bettors that migrated online, over 40% chose one of our brands as their main online account. This despite the fact that our brands only account for 5% of betting shops in the UK.

During 2020, we estimate that our share of total online revenue in the UK[6] was approximately 28%, with a 42% share of sports and a 19% share of gaming (2019 total share: 27%). We are encouraged by the increased engagement we are seeing amongst recreational customers in particular; we estimate that over 55% of all online sports bettors engaged with our brands during Q4. This was up eight percentage points on the comparable period in 2019 and illustrates why we believe we are well positioned ahead of prospective regulatory change.

Australia

The Australian online market enjoyed similar structural changes to the UK and Irish markets during 2020. With retail closed for prolonged periods and racing continuing behind closed doors, average monthly players increased by 26% across our business. We estimate that our share of the online market[6] increased from 43% in 2019 to 46% in 2020.

This strong performance was delivered while completing the integration of Sportsbet and BetEasy. We made the decision to move to a single brand quickly and completed the brand migration ahead of the 2020 Spring Carnival. The migration of BetEasy customers across to the Sportsbet platform was seamless with players accounting for more than 90% of BetEasy revenues in the 12 months pre-migration going on to bet with Sportsbet. To support the migration, we provided incremental product improvements on the Sportsbet platform, such as tokenised generosity to ensure continuity of key product features already enjoyed by BetEasy customers. By doing so, we reduced the risk of customer attrition, while also enhancing the product offering to Sportsbet customers.

International

In International (comprising PokerStars, Betfair International and Adjarabet), we have established a new leadership team that combines the experience of senior members of PPB with the considerable gaming expertise of the TSG team. We outlined at our interim results that we would be implementing changes in order to align compliance standards and markets with Flutter policies and in addition, a new strategy has been developed that places multi-year investment across product, technology and marketing at the heart of our plans to grow the business. The key aspects of the strategy are as follows:

- **Brand strategy:** As the PokerStars brand has the largest customer base and strongest brand awareness within our international markets, it will be our lead brand. We will continue to promote Betfair in select markets such as Italy, Spain, Romania and Latin America where it enjoys strong consideration amongst sports bettors.
- **Technology:** This will include addressing some technology challenges facing the business to create stable and modern platforms for future growth.
- **Reassert PokerStars' leadership in poker:** While PokerStars remains the global leader in poker, its share of the online poker market has reduced in recent years. While desktop is, and will remain, an important channel for many online poker players, improving the customer experience on mobile is also essential. We launched a new PokerStars app in Q3, replacing the existing app originally developed in 2011. We have also significantly increased marketing and customer generosity to promote the brand and product.
- **Invest in direct casino acquisition:** PokerStars has one of the best casino offerings in the market with over 1,500 titles, of which 100 are proprietary to Flutter. In 2020 alone, we launched over 500 new titles on the platform. PokerStars has traditionally relied on cross-sell from poker to grow the casino business. In H2, we commenced direct casino investment and while it is early days, we saw the number of customers acquired directly to casino treble in 2020.
- **Create simple, intuitive cross-sell capabilities:** Multi-product customers deliver better unit economics than single product players. In the near-term, our focus will continue to be on poker and casino cross-sell with increasing emphasis on sports once product improvements have been delivered during 2022.
- **Pursue bolt-on opportunities in new growth markets:** We will look to add to our portfolio of International businesses. The success of Adjarabet has highlighted the benefits of acquiring local brand leaders to which we can bring additional expertise. One recent example is our investment in Junglee Games, a fast-growing online rummy and daily fantasy sports ("DFS") operator in India. We acquired an initial 50.1% stake in January 2021 for £48m and we look forward to helping it to grow further in the coming years. Put and call options have been put in place that will enable us to acquire 100% of the business in 2025.

US

In the US we have continued to make huge progress. Following our recent launches in Michigan and Virginia, the FanDuel sportsbook is now live online in 10 states, reaching one third of the US population. Through very strong execution, we have reinforced our leadership position, delivering Q4 market shares of 40% in online sports betting and 20% in iGaming[7].

As we assess the US opportunity, we now expect the addressable market to exceed our previous estimates while the profitability we are now seeing from early customer cohorts is reinforcing our positive view with respect to the long-term potential for our business.

Total addressable market ("TAM"): We now expect the TAM for our US brands to exceed £14bn ($20bn) in 2025, a material upgrade to our previous estimate, primarily due to:

- An increase in our estimated value of sportsbook and gaming driven by the spending patterns we are seeing in the early states in which we have gone live (e.g. New Jersey, Pennsylvania and Michigan).
- An increase in the number of states that we expect to regulate sports betting and gaming; we now expect online sports betting to be available to 65% of the US adult population by 2025 while gaming is expected to be accessible to 16% (previously 50% and 11% respectively).

Not all states will have reached their mature value by 2025 and so we expect the value of the market to continue to grow thereafter.

Customer economics: In the US, our 2020 Adjusted EBITDA loss of £170m reflected our ongoing investment in customer acquisition in both new and existing states. This headline investment however masked the strong underlying sportsbook and gaming contribution generated from customers acquired in 2018 and 2019 in New Jersey, Pennsylvania and Indiana:

- Contribution from these early cohorts was £70m ($91m) in 2020. Contribution is the revenue we report after deducting cost of sales and marketing costs and is before accounting for fixed costs which can be spread over the expanding number of states as they launch. This positive contribution was driven by our proven ability to retain customers due to our superior product offering. On average, retention rates in the US after 12 months have been 1.8 times those of our UK brands.
- This positive contribution more than funded our ongoing investment in customer acquisition in these states where we continued to grow strongly, more than doubling our customer base during the year. The advantage our DFS platform gives us in acquiring customers efficiently at scale persists.
- Excluding 2020 state launches, combined contribution from all customers in NJ, PA, WV and IN was positive during the year with £39m ($51m) generated in New Jersey (versus previous guidance of £31m ($40m)).

This positive contribution, combined with the profitability of our TVG racing and FanDuel daily fantasy sports businesses (both of which continue to perform well), is providing us with an ongoing source of funding to invest in our US expansion.

Operational update: In 2020 we made further progress in increasing the reliability and scalability of our US technology platforms. We moved FanDuel on to our own proprietary account and wallet, making player cross-sell journeys smoother and thereby improving our customer acquisition funnel. We also began to migrate our sports betting platform across to the Group's Global Betting Platform on a state by state basis, giving FanDuel access to a wider range of Flutter platform features. We expect to complete this migration by the start of the next NFL season.

FanDuel continues to lead the market when it comes to product. We have the widest breadth of betting markets available in the US. Our experienced global in-house trading team of over 650 people continues to innovate, helping us deliver product advantages such as Same Game Parlays™ and engaging customer experiences such as our "Spread the Love" campaigns, both of which have proven to be very popular with customers.

We are also continuing to refine our state launch "playbook" as we expand into new states. As an example, even before we went live in Michigan and Virginia in January 2021, we had a significant number of registered sportsbook and gaming customers. During Super Bowl LV week, we acquired over 350,000 new sportsbook and gaming customers, exceeding our customer acquisition for all of 2019. Our 2021 customer acquisition year to date is already close to 90% of that achieved in all of 2020. This leaves us with a business today of unparalleled scale with a market leading online sportsbook and gaming market share[7] of 31% and revenue of more than 1.4 times our nearest competitor. Our US revenue currently exceed our next two nearest competitors combined.

Finally the early acquisition of FanDuel minorities in December, at a significant discount to fair market value, has simplified our US business. In consultation with our media partner FOX, we are now better placed to assess the optimal structure for our US operations going forward.

Capital structure and balance sheet update[8]

The Group's capital structure has evolved significantly during the period. The main drivers of change were:

- Debt re-financing in March, with well-priced facilities totalling £1.4bn secured.
- Combination with TSG in May increasing the Group's leverage to 3.2 times.
- Equity placing of £0.8bn in May to provide strategic flexibility for additional investment opportunities.
- Accelerated acquisition of Fastball's 37.2% stake in FanDuel for £3.3bn in December, of which 87% was financed via equity (including a £1.1bn placing).

The net result was that the Group concluded 2020 with net debt of £2.8bn, equating to pro forma leverage of 2.3 times, materially down from 3.2 times at the time of merger completion. The Group remains committed to its medium-term leverage target of 1-2 times and once achieved, the Board will review its dividend policy.

Kentucky legal proceedings

On 17 December 2020, the Kentucky Supreme Court reinstated a 2015 £621m ($870m) trial court judgement against TSG with compounding interest of 12% per annum. As previously disclosed, the gross gaming revenues that TSG generated in Kentucky during the relevant period were approximately £13m ($18m). Flutter has since petitioned the Kentucky Supreme Court for a rehearing. Flutter is confident that any amount it ultimately becomes liable to pay will be a limited proportion of the reinstated judgement. Further detail is available in Note 20 to the financial statements.

Peter Jackson
Chief Executive Officer
1 March 2021

Footnotes

1 The "Adjusted" measures exclude separately disclosed items, that are not part of the usual business activity of the Group and have been therefore reported as "separately disclosed items" (see Note 6 to the consolidated financial statements).

2 EBITDA is profit before interest, tax, depreciation and amortisation expenses and is a non-GAAP measure. The Group uses EBITDA, Adjusted EBITDA and Adjusted operating profit to comment on its financial performance. These measures are used internally to evaluate performance, to establish strategic goals and to allocate resources. The directors also consider that these are 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. These are non-GAAP financial measures and are not prepared in accordance with IFRS and, as not uniformly defined terms, these 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 consolidated financial statements.

3 Flutter's combination with TSG completed on May 5 2020. The pro forma numbers presented show the Group's financials with TSG included for a full 12-month period in both 2019 and 2020. The pro forma numbers include a 12-month contribution from Adjarabet in 2019 (completion date: Feb 1 2019). See Appendix 4 to the Operating and Financial Review for a reconciliation of pro forma results to statutory results.

4 Growth rates in the commentary are in local or constant currency[9] except reported numbers which are in nominal currency.

5 Monthly Players are the total number of players who have placed and/or wagered a stake and/or contributed to rake or tournament fees during the month. The average number of monthly players are taken to derive the measure per reporting period.

6 Total market share of Flutter brands in UK and Australia based on internal estimates.

7 Online sportsbook market share is the GGR market share of FanDuel and FOX Bet for Q4 in the states in which FanDuel was live using published gaming regulator reports in those states. During Q4 FanDuel was live in 8 states; Colorado (CO), Indiana (IN), Iowa (IA), Illinois (IL), New Jersey (NJ), Pennsylvania (PA), Tennessee (TN) and West Virginia (WV). During Q4 FOX Bet was live in 3 states; Colorado (CO), New Jersey (NJ) and Pennsylvania (PA). Online gaming market share reflects the combined NJ and PA market share of the FanDuel, FOX Bet, PokerStars and Betfair brands during Q4. Total online share refers to our share of both sportsbook and gaming markets combined as defined above.

8 The leverage ratio is calculated using pro forma Adjusted EBITDA for the 12-month period to 31 December 2020.

9 Constant currency ("cc") growth throughout this section is calculated by retranslating the non-sterling denominated component of FY 2019 at FY 2020 exchange rates (see Appendix 5 to the Operating and Financial Review).


POKERSTARS

Our clear strategic pillars

Flutter has a clear 4 pillar strategy to capitalise on the sector's opportunities

Maximise profitable growth in core markets	Grow business in rest of world / Attain podium positions in international markets	Grow US leadership position
UK&I and Australia	**International**	**US**
• Leverage distinct brand assets • Grow market share sustainability • Utilise scale and global resources to deliver efficiency	• Increase diversificatation and access to additional growth markets • Achieve local scale in growth markets through organic and inorganic investment • Invest in tailored customer propositions	• Leverage product portfolio advantage • Achieve scale in key states • Create long-term value through investment • Leverage Flutter expertise

Growing a more diversified and sustainable business

During 2020, Flutter made significant progress against each of the 4 pillars of its strategy through the merger with The Stars Group and the accelerated acquisition of its additional stake in the FanDuel business:

Accelerated delivery of Group strategy in 2020

UK&I and Australia	International	US
• Vastly increased scale in UK&I and Australia • Materially benefitting from online migration • Clear path to generate efficiencies • Well positioned for regulatory change	• TSG transaction provided additional podiums • Significantly enhanced scale and diversification through larger customer base and broader product mix • International strategy defined • Investing for future growth across people, brand technology and product • Pursue bolt-on opportunities in growth markets	• Ownership of US market leader increased through FanDuel buyout • Path to profitability evident in early customer cohorts • Attained significant scale

Significantly enhanced scale in all our markets fuelling our future growth

Enabled by:

People | Product | Brands | Safer Gambling

Measuring our progress

We track the following key financial and non-financial performance indicators ("KPIs"). These KPIs help inform decision making, assist effective goal setting and allow us to assess our progress against the Flutter Group strategy.

Financial indicators[1]

Net revenue

+28%

2020	5,264
2019	4,144

Definition: Net revenue refers to the total amount staked or wagered by customers after deducting amounts paid out to customers, free bets and promotional credits and VAT.

Why we measure it: This measures Flutter's ability to effectively and sustainably build brand equity and grow market share in key markets across the Group's product and geographic portfolio.

Performance: Net revenue increased by 28% in 2020 reflecting strong customer growth as well as the expansion of Flutter's US footprint into 4 new states.

Adjusted free cash flow

£1,197m

2020	1,197
2019	295

Definition: Adjusted free cash flow ("FCF") refers to net cash flows from operating activities of the Group after capital expenditure and working capital movements and before deduction of the cash element of separately disclosed items ("SDIs").

Why we measure it: This measures the Groups' ability to generate cash, which we can then use to fund future investment in the business, both organic and acquisitive and to fund potential dividends to our shareholders.

Performance: FCF increased to £1,197m on a pro forma basis in 2020 reflecting the benefit of our merger with TSG during the year and the strong underlying performance of our divisions globally.

Adjusted EBITDA

+16%

2020	1,231
2019	1,089

Definition: Adjusted EBITDA refers to total earnings before interest, tax, depreciation and amortisation generated from our operations, before deducting SDIs.

Why we measure it: This measures the profitability of our business driven by our investment choices and our ability to effectively manage costs and leverage scale.

Performance: Adjusted EBITDA increased by 16% with profitability in our core online businesses helping to fund additional strategic investment in our US and PokerStars divisions.

Leverage ratio

2.3x

2020	2.3
2019	3.5

Definition: Leverage ratio is calculated as net debt divided by trailing 12-month pro forma adjusted EBITDA. Net debt comprises the principal outstanding balance of borrowings, accrued interest on those borrowings and derivatives held for hedging debt instruments less cash and cash equivalents.

Why we measure it: The Board has set a medium-term leverage ratio target of 1-2 times which we believe is appropriate for a Group operating in our sector.

Performance: The Group's pro forma leverage ratio materially reduced to 2.3 times, from 3.5 times at the end of 2019.

Total shareholder return

66.6%

2020	66.6
2019	48.7

Definition: Total shareholder return ("TSR") refers to the total return accruing to shareholders during the year. This will reflect the total share price return as well as any cash returns, including, for example, ordinary dividends, special dividends and share buy-back programmes.

Why we measure it: This measures the effectiveness with which Flutter achieves long-term value for our shareholders in line with Group strategy. Relative TSR is also used as the sole performance measure for the Executive Directors' Long Term Incentive Plan.

Performance: TSR was 66.6% in 2020, reflecting the ongoing strong financial performance of the Group and the progress made across all 4 pillars of the Group's strategy.

Average monthly players

+19%

2020	6.4m
2019	5.4m

Definition: Average monthly players ("AMPs") is the total number of players who have placed and/or wagered a stake and/or contributed to rake or tournament fees during the month. The average monthly players are taken to derive the measure for the reporting period.

Why we measure it: This measures changes in the size of Flutter's customer database which is a key driver of long-term growth, particularly in markets which remain in investment mode.

Performance: AMPs grew 19% in 2020 reflecting an increase in recreational customers due to excellent operational performance, a migration of retail customers online and a shift in leisure spending patterns to home-based activities.

Non-Financial indicators

Colleague engagement

81%

2020	81
2019	77

Definition: Colleague engagement is measured as a weighted average of the various regular employee engagement survey scores across the Group which include metrics for employee satisfaction and well-being.

Why we measure it: Colleague engagement is a key enabler of our strategy and performance and is at the centre of everything we do in the Flutter Group.

Performance: Colleague engagement was 81% across the Flutter Group in 2020 reflecting increases in employee engagement scores across all divisions. See more in our people section on pages 39 and 40.

Technology availability

99.73%

2020	99.73
2019	99.72

Definition: Technology availability is the proportion of time during the year when our technology platforms were fully available to our customers.

Why we measure it: This measures the reliability, scalability and flexibility of our technology platforms which are key drivers of our ability to continuously innovate and provide best-in-class products to our millions of customers.

Performance: Technology availability continued to be high with our platforms providing a secure and stable service to our customers for 99.73% of 2020.

1 All metrics are included on a constant currency basis and are pro forma, with the exception of TSR and 2019 FCF which are standalone Flutter reported measures. All metrics are also included on an adjusted basis, before adjusting for separately disclosed items.

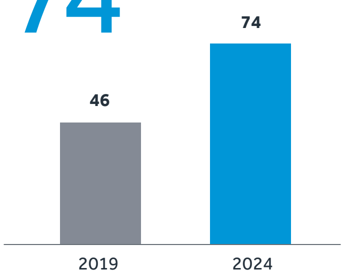
Our markets

Global growth opportunity

The global betting and gaming market was estimated to be worth c.£345bn of GGR in 2019, with just 13%, or £46bn, of this activity taking place online. We believe the online sector has a long runway of growth ahead of it with each one percentage point of offline to online migration contributing circa £3bn to online growth. Online compound annual growth is expected to be circa 10% in the five years to 2024.

Online gambling GGR (£bn)

74

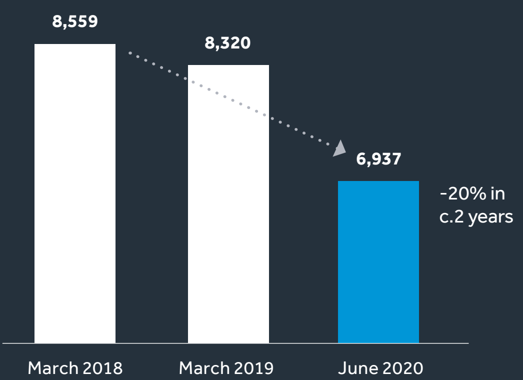


UK and Ireland

The UK and Ireland represents the largest market for the Group with combined GGR of circa £9bn in 2019. Online penetration is relatively high with approximately 60% of revenue (or circa £5.5bn) being generated online. Migration to online continues with the UK retail betting market experiencing a circa 20% decline in shop numbers since 2018. Our recreational brands (Sky Bet and Paddy Power) are well positioned to capture this migration, with our research showing that retail operators only retain 40-50% of their customers when they migrate online. The online market benefited further in 2020 from the closure of retail shops during the Covid pandemic. In the UK and Ireland annual medium-term growth in the online space is expected to be circa 4% (from 2022-24), with that growth to come mainly from the recreational segment of the market.

Flutter has a circa 28% share of the UK online sports and gaming market in 2020 through is UK & Ireland facing brands of Sky Betting & Gaming, Paddy Power and Betfair. Paddy Power has 625 retail units across the UK and Ireland.

UK shop closures accelerate



Australia

The Australian sports betting market is fully regulated and was worth an estimated £5bn in 2019, with online accounting for 69% of the market. The market has seen a material shift to online in 2020 due to Covid-related restrictions in retail. Pre-2020, the online market had been growing at approximately 10% per annum with future growth rates somewhat dependant on the volumes of migrated retail customers remaining online. Online gaming products such as casino and poker are not currently permitted in Australia.

Flutter had an estimated 46% share of the online market during 2020. Sportsbet has enjoyed multi-year market share gains through the structural shift in betting patterns that saw growth in both non-racing sports and fixed odds sports betting. These shifts in player demand have played to Sportsbet's strengths given its strong fixed odds product offering across multiple sports.

Australian online market growth

10%

per annum

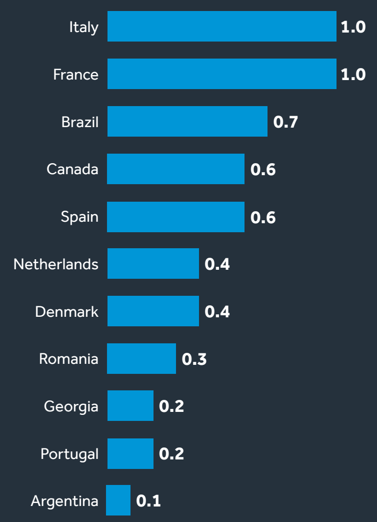
Sources: Regulus Partners, H2GC, UK Gambling Commission, Eilers and Krejcik, internal analysis.

International

The International division operates in over 100 different markets globally, including a combination of fully regulated and grey markets. This provides the division with addressable markets in excess of £10bn, many of which have strong underlying growth prospects, e.g. Latin America and Eastern Europe. The Group will also look to compete in markets where we have a strong position in one product vertical and can cross-sell our existing customer base a broader product set, e.g. Italy.

The International division has podium positions in a number of these markets, including Spain, Italy, Germany, Georgia, Canada and Portugal, combined with a top 10 position in many more. These have mainly been achieved through our PokerStars brand, which will be the main brand for the International division. We will continue to promote Betfair in select markets such as Italy, Spain, Romania and Latin America where it enjoys strong consideration amongst sports bettors.

International markets, online GGR (£bn)



US

The ongoing regulation of online sports betting and gaming in the US represents the single biggest market opportunity for Flutter. Since the repeal of the PASPA in May 2018, the pace with which states have legislated online sports betting, and, in some cases online gaming, has exceeded the Group's initial expectations.

Flutter expects the TAM for its products in the US to be over $20 billion by 2025. The Group expects that online sports betting will be available to approximately 65% of the US population, equating to a TAM of over $12 billion, and online gaming will be available to 16% of the US population, an equivalent TAM of over $5 billion. The remaining TAM will consist of daily fantasy sports, online racing and retail.

There is further upside potential to bring TAM to over $34 billion as states continue to grow beyond 2025, particularly if California and Florida regulate our products and we expand into Canada.

In 2020 our brands had a combined online revenue market share of 40% in sports betting and 20% in gaming.

US TAM in 2025

$20+bn

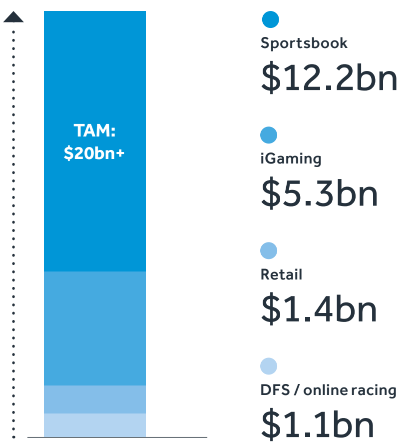
Total sportsbook states (2021)

10

Total gaming states (2021)

3

US market opportunity is significant



Product availability by state	% of US population	Sportsbook	Gaming
New Jersey	3%	✓	✓
West Virginia	1%	✓	2021
Pennsylvania	4%	✓	✓
Indiana	2%	✓	—
Colorado	2%	✓	—
Illinois	4%	✓	—
Iowa	1%	✓	—
Tennessee	2%	✓	—
Michigan	3%	✓ (2021)	✓ (2021)
Virginia	3%	✓ (2021)	—

How we generate revenue

Sports betting	Gaming	Peer to Peer
Traditional bookmaking where we make a margin from bets placed by customers on the outcome of events	Games of chance such as online casino, bingo and machine gaming terminals. The games involve customers betting "against the house" and we generate a margin	We make a commission from products where customers play/bet against each other. This includes Poker, Betfair Exchange, DFS and TVG pooled wagering
Higher volatility	Medium volatility	Lower volatility

Free to play

Customers enter competitions at nil cost to win prizes, e.g. Sky Super 6.
Some of these customers play real money products over time.

Gross gaming revenue

Less: **Customer promotions**

Net revenue

Less: **Cost of sales**

= **Gross profit**

Less: **Marketing costs**

= **Contribution**

Less: **Other operating costs**

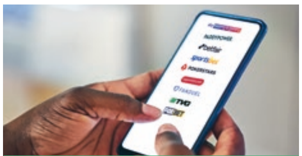
= **EBITDA**

How we enable value creation

Flutter operates a divisional management and operating structure across its markets. Each division has a talented and empowered management team, which is responsible for maintaining the momentum and growth in its respective markets.

Exceptional talent

Our enlarged Group brings together a hugely talented and experienced team, with over 14,000 colleagues across five continents.

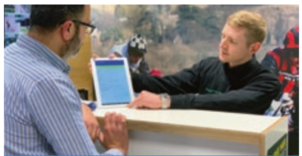


Leading brands

Flutter boasts a portfolio of leading brands that resonate with customers across the world. Our combination with TSG in 2020 further enhanced the strength of our portfolio.

Proprietary product development

Our in-house technology and product development teams create market leading products for poker, casino and sports betting that we share between all the brands in the Group.



Safer Gambling

Safer Gambling is fundamental to our business and at the heart of everything we do. Doing the right thing by our customers is central to building a sustainable business for the future.

The value we create

Taxes

£1.2bn[1]

Adjusted basic earnings per share

402.7p

Sport and community contributions

£3.6m

Sports levies

£335m[2]

1 Figure includes betting and gaming taxes, VAT, Corporation Tax and other taxes in 2020 on a pro forma basis.

2 2020 levies on a pro forma basis

Our enablers

Exceptional talent

Flutter is a truly global sports betting and gaming business that has the power to lead and shape the sector for the future.

We now have more than 14,000 colleagues from 75 different nationalities speaking 62 languages spread across five continents.

We actively embrace diverse sets of perspectives and are firm believers that each employee can make a huge difference. Together we can solve any challenges we face and embrace opportunities.

Read more on our people on **pages 39 and 40**

14,000+
colleagues

Glassdoor's Best Places to Work 2021

2021 BEST PLACES TO WORK

Sky Betting & Gaming has ranked #11 on Glassdoor's Best Places to Work in the UK 2021. The ranking reflects the quantity, quality and consistency of our Glassdoor reviews from both current and previous colleagues from a judging period of October 2019 – October 2020.

This award is testament to our dedicated approach to our people, who really are at the centre of everything we do.

62
languages

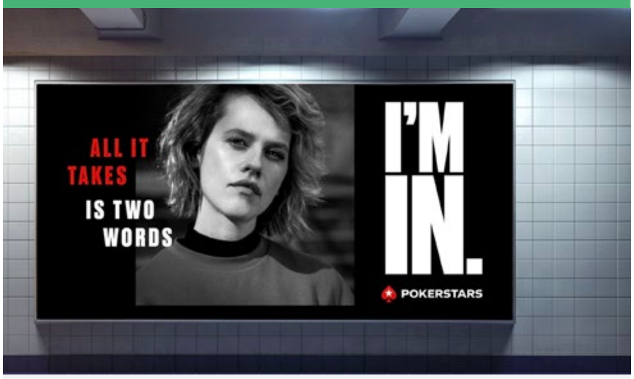
75
nationalities

Leading brands

Flutter's portfolio includes some of the world's most innovative, diverse and distinctive sports betting and gaming brands.

We operate a multi-brand strategy across our four divisions, each with a separate Brand and Marketing team creating a clear connection with our customers. This strategy proved successful with all our brands growing market share across our key regions during the year.

I'M IN

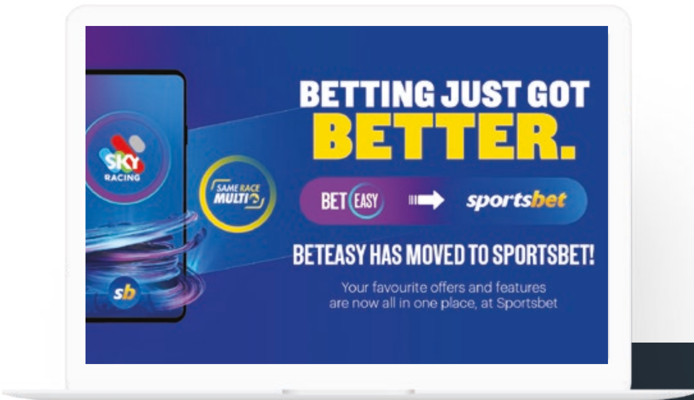


PokerStars announced its arrival as a multi-vertical masterbrand by launching its new creative platform, I'M IN, in a wide-reaching, fully integrated campaign in the autumn. Shown across multiple markets including France, Germany and the UK, the work showcased a more thrilling and entertainment-centred vision for the brand, one which invites players into our community to participate in poker, casino or sports betting. With much more to follow including exciting product development, rich content ads and engaging brand ambassadors, PokerStars asks only one question: Are you in?

Proprietary product development

Flutter has a long heritage in creating proprietary products for our customers using cutting-edge technology.

Whether it's poker, casino or sports betting, our innovative Engineering and Product Development teams work together to create market-leading experiences for customers across all our brands. Our in-house Product Development teams are supported by over 4,000 technologists distributed in centres across Europe, North America and Australia.



4,000+
technologists within product development teams

Safer Gambling

Safer Gambling is fundamental to every element of the Group's strategy and a critical factor in our business model. We believe it is critical to building a sustainable global business.

Over the years, the brands that constitute Flutter today have built success predicated on building positive relationships with our customers and doing the right thing by them. We understand that for a small minority of customers, gambling can stop being fun and they can be at risk of harm. Whilst local regulatory requirements and societal context may vary, all divisions in our newly merged business share the same vision and commitment to Safer Gambling, and we strive to deliver safe and enjoyable environments for our customers to play, in all the markets in which we operate. We are committed to continually improving our strategy, systems, and support mechanisms. Consistent with recent changes in the industry, we have adopted the term "Safer Gambling" in place of "Responsible Gambling". We believe this change in language appropriately puts the emphasis on the customer taking responsibility for moderating their own gambling and places more onus on operators to consider their own practices and responsibilities in protecting customers from harm.

We have also invested in significantly growing our Safer Gambling teams across the Group with the creation of a new team in the US and additional resources being added in UK&I, Australia, International and the Group function.

We continue to drive all our Safer Gambling initiatives under the four Safer Gambling strategy pillars.

1.

We build our business on customers having fun and harmful play has no place.

We believe that providing the right tools at the right time to our customers can help them play in a controlled manner and prevent harm. Across our divisions we have created and implemented numerous tools for enhanced customer protection, ranging from deposit limits to self-exclusion protocols, and we try to make usage of these tools as seamless and intuitive as possible. During 2020, around 40% of Sky Betting & Gaming's revenue came from customers with a deposit limit in place, demonstrating our continued focus on growing a sustainable and recreational customer base. FanDuel invested in the design and creation of an account and wallet system, which merged Safer Gambling functionality for the sportsbook, casino and DFS businesses, allowing FanDuel to apply Safer Gambling tools across platforms seamlessly for customers.

We also invested in improving predictive modelling and identification capabilities across many of our divisions. Sportsbet's predictive model was refined, increasing the number of predictive features to 600 to enable greater accuracy in the earlier identification of customers who may be at risk.

Significant investment in predictive modelling in the UK & Ireland

We have increased our investment in our Customer Activity Awareness Programme ("CAAP"), Paddy Power and Betfair's predictive modelling tool. We increased the number of features to determine the risk rating from 114 to 276 variables, including information on previous customer interaction, improved self-exclusion data and a more robust infrastructure which facilitates easier future refinements to the system. Reactive reports were also enhanced to better identify and interact with customers spending prolonged periods of time onsite and extended periods overnight.

40%

Sky Betting & Gaming revenue from customers with deposit limits in place

2.

We educate our customers about safe play.

Given the turbulent year and the change in lifestyle for many due to the Covid pandemic we took additional measures to protect our customers across our markets and increase awareness of our Safer Gambling tools. Our marketing teams delivered campaigns promoting Safer Gambling and usage of our tools.

PokerStars created a suite of Safer Gambling executions along with the new brand campaign, "I'M IN". The executions were embedded into the original brand brief to ensure a seamless connection with the consumer for maximum impact.

In the UK&I, we actively participated in the industry creation of the 10 pledge plan, which set out the standards expected of Betting and Gaming Council ("BGC") members during the pandemic. We continue to allocate 20% of our UK TV and radio marketing budget to the promotion of Safer Gambling tools in this market. We also participated in the joint UK and Ireland Safer Gambling Week. Despite the retail network being closed down due to Covid restrictions, the campaign achieved significant coverage and increased visits to the website throughout the week.

In addition to the comprehensive range of tools we provide, we also recognise the value of effective personal interventions with customers. During 2020 we more than doubled the number of customers we checked in with via a Safer Gambling interaction in the UK, Ireland and Australia. In PPB, 33% of those customers went on to use a Safer Gambling tool.

20%

of our UK TV and radio marketing budget allocated to the promotion of Safer Gambling tools

Increasing Sportsbet's Safer Gambling interactions

Sportsbet undertook a dedicated Safer Gambling campaign for all customers at the start of the pandemic, providing education and promotion of Safer Gambling tools. Customer-facing staff were given additional guidance on referring financially vulnerable customers to a specialist Safer Gambling team. The team vigilantly monitored problem gambling markers versus pre-Covid metrics. There was no increment in the prevalence of problem gambling.

PokerStars implemented additional measures across International markets

PokerStars launched a customer awareness drive across a number of international markets, providing educational content and regularly promoting Safer Gambling tools in-product and via social media channels and traditional mailers. It also invested in additional awareness and training for customer-facing colleagues with respect to potential changes in behaviour and related special handling considerations.

Safer Gambling continued

Age gating on digital media

In the UK, Flutter participated extensively in crafting the new Digital Code alongside other members of the BGC. This led to the creation of a new requirement obliging operators to age gate paid-for campaigns on social media platforms at 25+. The same measure also enabled the BGC to allow a social media platform to utilise 18+ if it passed a series of due diligence steps. The Digital Code came into effect on 1 October 2020.

AGE GATING 18+

3.

We have to talk, share and work with others to keep innovating in Safer Gambling.

We are actively involved in trade associations in all our regulated markets. They play an integral part in driving industry progress, and supporting the development of constructive self-regulation that enhances customer protection. Flutter contributed to industry consultations in markets including Spain and the UK on a variety of topics. The BGC set up working groups to tackle specific challenges and many of the recommendations were accepted and incorporated into UK licensing requirements, including the new Digital Code.

In the UK market the Gambling Act Review commenced in December. Flutter is very supportive and views this process as a positive opportunity to bring regulation up to date with the realities of the industry today, and, in particular, to take account of the significant changes in technologies. We believe an evidence-based, balanced review will be beneficial to the industry and our customers. We have allocated substantial internal resources to providing robust, transparent and constructive responses to the request for evidence.

Jdigital
ASOCIACIÓN ESPAÑOLA DE JUEGO DIGITAL

CANADIAN GAMING ASSOCIATION

RGC
RESPONSIBLE GAMBLING COUNCIL

LOGiCO

NCPG
National Council on Problem Gambling
PLATINUM MEMBER 2021

Asociația Organizatorilor de Jocuri de Noroc la Distanța

BGC
Betting & Gaming Council
CHAMPIONING INDUSTRY STANDARDS

4.

We invest in always getting better at tackling the problem.

We constantly strive to improve and refine our knowledge of how best to tackle the issue of problem gambling, and work with a variety of partners across our markets to gain new insights and continually develop our expertise and tools. We are exploring alternative identification methodologies to see if they can enhance our current systems including AI through our CAAP programme and a partnership with Mindway AI to build a 'digital expert' to more quickly identify problem gambling behaviours.

Sportsbet continued to participate in research undertaken by the University of Sydney's Brain and Mind Institute to explore more effective messaging for customers regarding Safer Gambling and consumer protection tools.

We remain committed to research, treatment and education across our markets. In the UK we donated 0.67% of our gross gambling yield ("GGY") to the research, education and treatment of problem gambling, a six -fold increase on the previous year, and we have committed to achieving a 1% contribution in 2023, in line with a pledge from the largest operators to collectively contribute £100m over four years. We are also supporting the UK's Betting and Gaming Council initiative to provide industry funding of £10m to educate young people on the potential harms of problem gambling through Gamble Aware and YGAM.

Accreditation: We continue to seek external validation of our strategy, policies and procedures. In the UK both Sky Betting & Gaming and Paddy Power received an Advanced Level 2 accreditation from GamCare. PokerStars currently retains RG Check accreditation. RG Check was developed by the Responsible Gambling Council in Canada in consultation with policy makers, gambling providers, players and people who have experienced gambling harm. The RG Check accreditation process helps gambling operators evaluate, monitor and manage key aspects of their Safer Gambling strategy.

Funding for YGAM youth outreach programme

The BGC members are providing £10m to support an independently created and evidence led programme of education, training and support for 11-19-year olds in England, Wales and Northern Ireland.

The programme is the largest of its kind and will equip young people with the skills and resilience to make decisions about their participation in gambling in the future.

Delivered by YGAM and GamCare, the youth outreach programme will run for four years from April 2020.

In January 2021, the charities reported that they had already surpassed their year one targets for training practitioners and reaching young people.

Together with the industry we have pledged £100m to research, education and training by 2023.

£100m

Engaging with our stakeholders

The 2018 UK Corporate Governance Code (the '2018 UK Code') reinforced the importance of the Board understanding the views of the Company's key stakeholders. This section is intended to provide information on how stakeholders' interests have been considered in board discussions and decision-making processes in accordance with the 2018 UK Code.

While the 2018 UK Code makes specific reference to section 172 of the United Kingdom's Companies Act 2006, Flutter is incorporated in Ireland and subject to the requirements of the Companies Act 2014 of Ireland rather than the 2006 UK legislation. Nonetheless, the Board has had regard to the matters set out in its decision-making as described in this section of the Annual Report.

Our stakeholders:

- **Colleagues**
- **Shareholders and investors**
- **Sports and communities**
- **Customers**
- **Suppliers**
- **Government and regulators**

Colleagues

Why this stakeholder is important

Our colleagues are central to the success of the Group, and their health and well-being has been a priority during the Covid pandemic. This has been a particular focus for us given the longevity of working from home measures in place since March 2020. We strive to ensure our colleagues are looked after, valued and feel that they can bring their whole selves to work. These attributes are vital to ensure that colleagues are motivated and engaged, that the Company continues to be a great place to work and that key talent remains within the business.

How we engage

- Regular Town Halls are held across the Group throughout the year, both at a Group and Divisional level and by the leadership within individual teams. We recognise that it is vital to keep colleagues engaged and to communicate clearly and transparently in relation to all issues that may affect them or which be of interest. Regular updates on trading and performance, initiatives such as wellbeing, diversity and inclusion, and general updates in relation to the various business functions are rolled out across the Group.
- We regularly use social network sites, email and Divisional intranet sites to deliver key messages to colleagues, and encourage the use of these platforms for colleagues engagement and to foster our community culture.
- Throughout the year, we held a number of colleagues surveys to gather feedback from across the Group, including a State of the Nation to understand the impact of the merger and integration on colleagues, as well as various functional and wellbeing surveys.
- The Employee Voice Forum, comprised of three designated Non-Executive Directors is the Board's mechanism for workforce engagement.

2020 Outcomes

- Various health and safety measures put in place to protect our colleagues from Covid, including conducting risk assessments and dedicating significant time and resources to ensure our people were equipped to work from home in as seamless manner as possible.
- Additional well-being initiatives rolled out to support colleagues working from home including for example, virtual fitness classes, activity challenges, encouraging Zoom-free afternoons, engaging external speakers.
- Given that we could not be together for most of 2020, to ensure that we retained the sense of connection and belonging, increased the number of townhalls across the Group.
- Increase in participation in colleague engagement surveys.
- Four Employee Voice Forum meetings held in 2020.
- We did not avail of any government supports or furlough schemes, instead we continued to pay all our colleagues in full during national lock downs.
- A Gift of Shares equivalent to £1,000 was granted to all employees across the Group.

Further links

Further details on the Employee Voice Forum is set out on page 80.

Read more on A Gift of Shares for all colleagues in the Remuneration Report on page 105.

Shareholders and investors

Why this stakeholder is important

We are committed to maintaining constructive dialogue with shareholders and ensuring that we have a deep understanding of their views. Our shareholders are key to enabling us to deliver our core strategy and grow the business in a sustainable way.

How we engage

- Meetings between the Chair and our larger investors on corporate governance topics, including remuneration, talent retention and succession planning at both Board and Executive Committee level, risk management with a particular focus on Safer Gambling.
- Making all Directors available to meet institutional investors on request.
- The Executive Directors presenting to, and meeting with, our largest shareholders, as well as sell-side analysts following the full and half-year results and trading updates.
- Executive Directors attending investor conferences and road shows.
- Our Investor Relations team engaging with institutional shareholders throughout the year, including in relation to the merger of TSG and acquisition of FanDuel.
- Updating the Board on shareholder engagement and analyst commentary. In 2020, the Board also received presentations from corporate brokers on investor perceptions and generally in relation to capital markets.
- Communicating with private individual shareholders via the Company Secretary's office.
- EGM held in April 2020 in relation to the merger with TSG, an AGM in May, and a further EGM in December in relation to the FanDuel acquisition.

2020 Outcomes

- Understanding of the financial position, performance, business perspectives, risk.
- Understanding of management of Safer Gambling and ESG practices.
- Rationale for merger with TSG, and progress of integration.
- Rationale for acquisition of 37.2% of FanDuel.
- Engagement with shareholders provided an understanding of the rationale for a negative vote against the resolution to allot shares at our 2020 AGM.

Further links

Current substantial shareholders are set out on page 125.

Read more on our AGM and EGMs held during 2020 on page 81.

Read more on Safer Gambling on pages 26 to 29.

Further details on the Group, our business and key financial dates can be found on our corporate website www.flutter.com/investors.

Stakeholder engagement continued

Sports and communities

Why this stakeholder is important

We strive to be a good neighbour in the communities in which we live and work. Our communities are a source of future talent and local suppliers, and sports clubs provide valuable health and well-being facilities for our communities. Equally, we want to give back to our communities, be a considerate neighbour, and a source of future employment and opportunities.

How we engage

- Engaging with communities to understand issues of importance to them and supporting various charitable initiatives in our communities on an ongoing basis.
- Volunteering by colleagues of their services in specialist areas, which has been particularly prevalent throughout the pandemic.
- Supporting sports clubs through donations, to develop grassroots, enhance facilities and make them accessible and inclusive for all our community to enjoy.

2020 Outcomes

- We supported various community causes throughout the pandemic including showcasing brand support for Government measures, supporting organisations in providing personal protective equipment and meals for frontline workers.
- We held regular dialogues with sporting bodies, where sporting events were held behind closed doors.
- We supported local communities and national organisations through charitable donations; among others £165,000 was distributed in 2020 through Cash4Clubs initiative in the UK, donations were made to the bushfire relief effort in Australia.
- We partnered with Made By Sport and will be donating business rates relief the Group benefited from in 2020 to thousands of grassroots sports clubs with each club receiving £2,021.
- With racecourses closed for the majority of 2020 we contributed £84m to support horseracing in the UK & Ireland.

Further links

Read more on our Sports and Communities initiatives on pages 37 to 38.

Customers

Why this stakeholder is important

Our customers are core to our business; without them we would not exist. As an international business, we have customers across the globe, each and every one of whom is extremely important and valued by us as a business.

How we engage

- We engage with our customers on a daily basis on each of our betting and gaming platforms online and in our stores and retail premises and via our customer service channels.
- We also engage with customers via feedback channels, and engage in research and obtain insights into customer thoughts and experiences, which allow us to comprehensively understand our customer needs.
- Through regular communication and advertising, we engage with our customers on various topics but notably in relation to Safer Gambling, which is at the very core of our business. We are a global sports betting, gaming and entertainment business and we want our customers to have fun, but in a safe manner where harmful play has no place.
- We educate our customers in relation to Safer Gambling and provide a range of tools to identify when a customer may be at risk of harm and intervene accordingly.

2020 Outcomes

- Health and safety measures put in place to protect our customers in response to Covid.
- Customer engagement through social media, brand websites, focus groups, our retail shops and Paddy Power TV, customer feedback, complaints and customer service centres, as well as marketing and advertising.
- The voluntary removal of all TV and radio gaming advertising during the Covid lockdown and a commitment to devote 20% of UK TV and radio advertising to Safer Gambling messaging.

Further links

Read more on Safer Gambling on pages 26 and 29.

Suppliers

Why this stakeholder is important

As a business with global third party relationships and high standards of corporate integrity, it is imperative that we protect our business reputation and secure ongoing compliance with international regulatory standards of conduct by ensuring that third parties we contract, acquire, partner, engage or otherwise have a relationship with do not pose a reputational or criminal related risk.

Our Procurement Policy includes a commitment to sustainable procurement, and mitigation against the risk of modern slavery, anti-bribery and corruption, and data protection/privacy breaches across our supply chain.

How we engage

- We engaged extensively with our critical suppliers during Covid and a result of Brexit, to ensure continuity of our business and product offerings.
- We also undertook regular business and quality reviews for ongoing relationship and performance management.

2020 Outcomes

- We delivered a critical supplier heatmap and established processes to provide ongoing liaison with key suppliers, and ensured suppliers were paid on time.
- We established dedicated work streams to plan and mitigate potential exposure across key areas, including critical suppliers.

Further links

Read more on Understanding and managing our principal risks on pages 57 to 64.

Government and regulators

Why this stakeholder is important

As an international business, Governments and regulators are key stakeholders for the business for various reasons including regulation and taxation among others. We are subject to oversight by regulators in many countries in which we operate; in addition to licensing requirements, we have various regulatory obligations in relation to financial crime, data privacy, health and safety and Safer Gambling among others. Engagement with Government and regulators and compliance with our regulatory obligations is key to the growth and sustainability of our business in the longer term.

How we engage

- Communications with various gambling regulators via consultations or direct engagement.
- Engagement with financial regulators and tax authorities as relevant to the business.
- Submission of all relevant reports and filings to regulators.
- Engaging in various Government issued consultations.
- Various Board member and Executive meetings with regulators throughout the year.

2020 Outcomes

- Throughout the year, we had substantive communications with regulators. Any significant engagements or communications are reported to the Risk Committee in line with its responsibilities.
- We engaged with financial regulators and tax authorities as relevant. Any significant engagements or communications are reported to the Audit Committee in line with its responsibilities.
- Proactive engagement with governments and regulators across key countries in which we operate.

Further links

Risk Committee Report on pages 100 to 103

Audit Committee Report on pages 92 to 99

FANDUEL

THE PREMIER ONLINE GAMING COMPANY IN THE UNITED STATES AND OPERATOR OF AMERICA'S #1 SPORTSBOOK

Our approach to sustainability

Our global sustainability strategy continues to evolve as our business has rapidly transformed. Safer Gambling is the most fundamental element of that strategy and we provide further details of the key principles of our approach on pages 26 to 29

Environment

Read more on **page 36**

Covid community support

Read more on **page 37**

Supporting sport

Read more on **page 38**

Charitable donations

Read more on **page 38**

Our people

Read more on **pages 39 and 40**

Business integrity

Read more on **page 41**

Environment

As a truly global business, minimising the impact of our climate footprint is an important consideration for us. We have implemented a range of initiatives in recent years as part of our commitment to reduce our impacts, but we know there is more that we must do.

In 2020 we focused our efforts on ensuring the environmental efficiency of our corporate real estate, particularly during the refurbishment of our Dublin, Bulgaria and London offices, and throughout the construction of our new Leeds base.

The office has been built to the WELL building standard, which aims to make the working environment healthier for colleagues, and also achieved a BREEAM Excellent rating upon completion.

In 2020 we enhanced our data collection processes against last year and as a result we have been able to publish a more comprehensive data set, particularly in reporting our indirect Scope 3 emissions. We also offset all our 2019 carbon emissions by funding a biogas project in Vietnam. This Gold Standard certified project enabled families to use animal and human waste to generate clean, sustainable energy and ultimately turned a problem of waste in to a solution.

In 2021, we will be setting out a clear and robust environmental strategy, including the targets by which our progress will be measured. Working with international climate change specialists, EcoAct, the plan will involve a detailed audit of our material impacts and a way forward that reflects our growing business.

Type of emissions

	Activity	Emissions tCO_2 equivalent 2020	Emissions tCO_2 2019 equivalent restated[1]
Direct (Scope 1)	Gas (kwh)	368.1	860.2
	Petrol used in Company vehicles (litres)	52.2	—
	Diesel used in Company vehicles (litres)	40.1	14.3
	Other fuels (litres)	—	—
	Refrigerants (kgs)	23.0	793.8
	Subtotal	483.4	1,668.3
Indirect energy (Scope 2)	Purchased electricity (kWh)	10,152.3	11,795.3
Indirect other (Scope 3)	Water (m^3)	89.7	—
	Waste (tonnes)	185.7	—
	Grey fleet (km)	4.0	—
	Flights (mixed units)	2,727.5	12,350.8
	Hotels (mixed units)	156.1	—
	Train USD (spend)	9.5	—
	Taxi (mixed units)	47.9	—
	WTT and T&D (kWh)	2,662.8	—
	Subtotal	5,883.3	12,351.3
Total gross emissions (tCO_2e)		16,519.0	25,814.4

1 As a result of improved data collection processes in 2020, we identified a discrepancy with our 2019 reported consumption data and therefore have restated our emissions for that year in the table above.

Covid community support

2020 shifted priorities not only for us as a business but for society as a whole, and so we quickly adapted our CSR activity to help support those most vulnerable in our communities around the world. Across all our divisions, we looked at what meaningful contributions we could make in our local markets, whilst also taking every necessary step to protect the physical and mental wellbeing of our colleagues and customers.

Our community investment commitment increased by £2.5m, which was donated to both existing and new charity partners, all working to help our communities during the pandemic.

We also donated the full £4.79m of business rates relief our Paddy Power retail estate benefitted from in England to fund community sport through the creation of a Covid recovery fund, spearheaded by Cash4Clubs in partnership with Made By Sport. The fund will provide grants of £2021 aimed at the smallest organisations playing the biggest role in helping communities back on their feet once the pandemic allows grassroots activities to resume.

Our community investment commitment increased by

£2.5m

Stars CALL for Action – Powered By PokerStars

In May, PokerStars held an online charity invitational poker tournament and donated $1m to charity. More than 90 stars from music, film, sports and TV united to take part in a tournament to raise relief funds during the global pandemic.

The tournament was broadcast live on Twitch, Facebook and YouTube with presenters and celebrity players turning on their cameras as they took their seats on the virtual felt.

Paddy Power ambassador, Peter Crouch, champions social distancing guidance

Paddy Power made use of its unique brand to reiterate official government guidance in the UK & Ireland on social distancing during the first lockdown, creating engaging communications featuring ex-England player and Paddy Power ambassador, Peter Crouch.

FanDuel Group partnered with "Frontline Foods" in the US and "Meals for the NHS" in Edinburgh and Glasgow, two grassroots organisations that raise money within the community to pay local restaurants to prepare meals for the heroes responding to the Covid crisis.

PokerStars and FOX Bet partnered with Americares, a disaster relief organisation, to deliver protective supplies – masks, gowns, gloves and disinfectants – as well as leading support groups and skill-building workshops for health workers in Covid hot spots. In the U.S. alone, Americares delivered 34 tonnes of protective supplies to health facilities in 40 states. A PokerStars and FOX Bet co-branded landing page was created on the Americares website where donations were matched dollar for dollar up to $100,000.

Supporting sport

Across the Group, our divisions continued to support a wide range of causes that focus on grassroots sport, health and education, whilst galvanising our staff and customers to make a difference. Here are a few of the highlights:

Cash4Clubs

For the twelfth year Cash4Clubs provided grants to support grassroots sports clubs in the UK, Ireland and Spain. In 2020 £165,000 was donated to 124 clubs in UK & Ireland alone with an increased grant available of £5,000 for those clubs particularly impacted by Covid.

The Hotham

In 2020, Sportsbet continued a long and proud history of supporting local sport and racing clubs, through its partnership with the Ballarat Turf Club. The event, known as The Hotham, draws on the slowest horses in Australia to compete. With so much disruption to sport in 2020 due to the global pandemic the campaign theme was "Backing the Battler". Sportsbet contributed a total of AUS$150,000 in prize money and matched winnings for local clubs with each horse linked to a local sporting club.

Volunteering

Our colleagues were encouraged to take time to volunteer their services – especially those with specialist training in areas where local governments were seeking support, such as medical and military. In addition, when shops closed in lockdown both our UK and Irish retail estates donated their supply of hand sanitiser to the NHS and HSE respectively.

As part of the nation's efforts to administer vaccinations in the UK we are playing our part to get the world back to normal as soon as possible. We are encouraging all UK based staff to volunteer, as well as offering our shops nationwide as vaccination sites.

Charitable donations

Right To Play has been PokerStars' Global Charity Partner since 2014, bringing together both staff and customers to help raise over $2m. Right To Play uses sport and play to help protect, educate and empower children to rise above adversity. It reaches over 2.3 million children every year in some of the world's poorest countries. In 2020, PokerStars donated over £220,000, which included funds raised via a virtual "Global Play Day" for colleagues, which attracted over 400 participants.

Sky Betting & Gaming worked with Macmillan Cancer Support and raised over £45,000 in 2020. Activities included virtual fundraising events during lockdown, which saw colleagues participate in physical challenges including 'miles for Macmillan' and a Leeds to Lisbon walk.

In early 2020, Sportsbet donated $500,000 to the Australian bushfire relief effort. Later in the year Sportsbet partnered with a small and impactful not-for-profit organisation called Orange Sky - the world's first free mobile laundry service for people experiencing homelessness in the Northern Territory.

$500,000

Sportsbet's donation to the bushfire relief effort

Missing People

Paddy Power supported the Missing Fans Campaign in conjunction with the charity Missing People to help raise awareness of the number of missing adults in the UK. During a home game 1,190 silhouettes of missing people were installed by Paddy Power to make use of the televised empty football stand at Motherwell FC. To support this, the brand also donated £25,000 and placed posters in shops to help the search for local missing people.

Strategic report

Our people

Our global success relies on our hugely talented and experienced team, with over 14,000 colleagues across five continents. We actively embrace the diverse perspectives which are inherent in such a global business and believe that every colleague can make a significant impact on the Group's future success.

Inclusion and Diversity

As we welcome many new colleagues to the Flutter Group, our Inclusion & Diversity ("I&D") ambitions remain a key focus for us. We want to be bold and ambitious, reflecting the world in which we live and from where we draw our customers and talent.

From a Group perspective we are committed to ensuring we create and maintain a strong culture for Flutter. We know that I&D is a key strategic priority to help us drive our business growth and ensuring that we have an agenda to demonstrate our ongoing commitment is vital.

In 2020, despite somewhat limited recruitment activity and fewer vacant roles to move the dial significantly in this area, we continued to develop and support our I&D efforts. Our "Female High Potential Talent" programmes across the Group continued to facilitate accelerated career development, and we shared our best practices by hosting panels and forums in which female leaders shared their career experiences and insights with colleagues. In Australia, our Divisional CEO continues to champion diversity through the Australian Human Rights Commission's "Male Champions of Change" programme, which aims to use collective influence and commitment to elevate women's leadership in business.

Together with our actions, it is important that we continuously measure and monitor our progress to ensure we are holding ourselves to account. We have been pleased to see that colleague engagement scores have increased in all divisions across the Group. Going forward, it is our ambition to develop one metric to measure colleague engagement for the whole Group.

We held a successful global diversity awareness month in October, involving a programme of events aimed at raising awareness of mental health, celebrating Black History and encouraging inclusion. We hosted a remote seminar with Dr Maki Mandela on the fight against injustice, which became the most widely attended event in Flutter history with more than 1,700 colleagues tuning in live.

1,700+

colleagues tuned into the Dr Mandela webinar

Our people continued

In terms of external recognition, Sky Betting & Gaming was awarded third place in the "All In Diversity Project", an industry -wide initiative to drive forward inclusion. This accolade is something we aim to build upon across the Group.

To date, our I&D actions across the Group have focused on increasing the number of female leaders. We will go further in 2021 following the appointment of a dedicated Group I&D Director, with significant experience in people engagement within consumer brand industries. We believe this is a pivotal role in our journey to changing the landscape for Flutter. It will enable us to create an organisation where people can comfortably bring all of themselves to work, present the best version of themselves to the people they work with and feel a strong sense of belonging. The new role will shape the Group I&D strategy to promote a broader diversity focus in 2021.

Skills and engagement

Throughout the pandemic our priority has been, and continues to be, the health and wellbeing of our colleagues and our customers around the world, with significant investments made in colleague engagement and wellbeing during lockdown.

Despite the external challenges, we were able to strengthen our internal capability and provide new opportunities and experiences to our colleagues, including job swings into other roles and offering part-paid sabbaticals. We utilised our online learning platforms to provide relevant resources to people managers as they learned to adapt, as well as building content to develop colleagues' skill sets.

We increased the frequency of all Group Town Halls to provide the most current and accurate Covid information, while encouraging our divisions to also increase their local team communications.

We view our colleague engagement as a two-way process. Through regular updates, sharing business performance and promoting the great work happening across the Group, we encourage our people to share in our success. In turn, our colleagues are invited to participate in regular engagement surveys, and we are pleased to have seen an uplift over the past 12 months. Employee engagement, measured as a weighted average of the various employee engagement surveys conducted across the Group during the year, was 81%, up from 77% in 2019.

Our places of work

In what was an extraordinary year, we responded quickly to mobilise colleagues and become a fully remote working operation. We ensured all colleagues had the equipment they needed to effectively and comfortably work from home.

Particular care was taken with the reopening of our shops in the UK and Ireland following respective lockdowns, to ensure colleagues and customers understood new health and safety protocols and felt safe in our retail environments.

We appreciated that many governments offered subsidy schemes to help businesses falling on difficult times. However, we recognised as a newly combined Group that together we did not need to utilise any of the these schemes.

All divisions are now focused on creating their return to office and future of work plans. These plans will include expectations and guidance on how colleagues can split time across the office and home to balance work and life, underpinned by the awareness that one size does not fit all.

Our "People Promise"

We continue to work on our "People Promise", so that it is clear to all what it means to work at Flutter. Sharing in the Group's success is central to this promise, which is why we granted a Gift of Shares of £1,000 to all full-time colleagues and £600 to all part-time colleagues at the end of 2020. This award recognised the exceptional talent of our people, who are fundamental to our business and continued future success, and their collective efforts during an exceptionally challenging year.

£1,000

A Gift of Shares equivalent to all full-time colleagues in 2020

Business integrity

Group Code of Ethics

Building a culture where we operate responsibly, honestly, fairly, and in accordance with the law throughout each of our divisions is essential to our business. Our Code of Ethics requires all employees across the Group to act with integrity and to treat everyone with whom they come into contact with mutual dignity and respect. It outlines the Group's policies on areas such as anti-bribery and corruption, whistleblowing and modern slavery. We also have in place procedures, management systems and internal controls to prevent bribery and corruption occurring.

Code of Ethics mandatory training

To ensure this Code is embedded in everything we do, all corporate employees will be required to undertake regular, detailed mandatory e-learning training covering a range of areas, including Safer Gambling ; anti-money laundering/ countering the financing of terrorism; betting integrity; anti-bribery and corruption; and information security. All of our employees who interact with customers are also rigorously trained in how to monitor and recognise behaviour that could indicate someone being potentially at risk of gambling-related harm and intervene where appropriate.

Whistleblowing

The formalised Whistleblowing Policy and procedure are in place to encourage employees to raise issues regarding possible improprieties in matters of financial reporting or other matters on a confidential basis. The Audit Committee monitored the effectiveness and was advised of notifications made to the Whistleblowing Policy during 2020.

Anti-bribery and corruption

The Group is committed to conducting its business openly, fairly and honestly in the jurisdictions in which it operates and in accordance with all applicable laws including the anti-bribery laws. As part of this commitment, the Group has a zero-tolerance approach towards bribery, corruption and facilitation payments throughout its global operations.

We have in place policies, procedures, training, management systems and internal controls across Flutter to prevent bribery and corruption occurring, including requiring risk-based due diligence to be carried out on individuals and companies which will perform services for or on behalf of Flutter. These obligations are set out in our Code of Ethics and anti-bribery and corruption policies which all employees are required to adhere to. This also includes guidance on receiving and offering gifts and hospitality, internal gifts, political donations and contributions and charitable donations.

Equal opportunities

We are committed to equal opportunities and diversity in our workplace and will not tolerate harassment, discrimination, victimisation or bullying. We recruit, employ and promote employees based on their qualifications and abilities. Our Equal Opportunities Policy states our commitment to a policy of equality of opportunity and treatment in our employment practices.

We do not discriminate on any grounds, including gender, sexual orientation, marital or civil partner status, gender reassignment, race, religion or belief, colour, nationality, ethnic or national origin, disability or age, pregnancy, trade union membership, or part-time or fixed-term status and take appropriate steps to accommodate the requirements of an individual's religion, culture and domestic responsibilities.

Modern Slavery Statement

We understand that modern slavery is a global threat that imposes an intolerable burden on those affected by it. As a global operator, Flutter is committed to preventing slavery and human trafficking in all areas of our business and we expect the same commitment from our employees, contractors, suppliers and business partners.

In 2020, we focused efforts on further developing our policies on modern slavery, and on developing the tools to more effectively screen our suppliers for any instances of forced labour and human trafficking. We remain determined to expand and deepen the screening to account for the global nature of our supply chain and will continue to be proactive in monitoring our business for breaches.

Our Modern Slavery Statement can be found in full at: **www.flutter.com.**

Human rights

We are committed to upholding the United Nations' Universal Declaration of Human Rights. We are proud to support human rights through our policies which require employees to behave ethically and to respect the human rights of our employees and other stakeholders in the business.

Health and safety

The Group recognises the importance of health and safety. We are committed to ensuring the wellbeing and safety of our employees and customers in all our corporate offices and retail betting shops, and continue to ensure that our policies and procedures comply with relevant local safety, health and welfare at work legislation, as appropriate.

We have created a Global Health and Safety Framework that will ensure one consistent approach to health and safety management within the worldwide organisation. Key to this is the creation and delivery of a Three Year Strategic Roadmap, which has resulted in the development of global policies, standards and procedures which will drive compliance within the brands, regions and countries where we operate and ultimately an improved safety culture across our operations.

Utilising our iLearn online training platform and through focused campaigns, we are providing our teams with the tools, understanding and capability to carry out their activities and roles safely and in compliance with both legislative and industry standards.

Operating and financial review

Jonathan Hill
Chief Financial Officer

Scale and diversification driving profitability

Operating and Financial Review[1-13]

Group

	Reported			Pro forma			
	FY 2020 £m	FY 2019 £m	Change %	FY 2020 £m	FY 2019 £m	Change %	CC Change %
Sports revenue	**2,725**	1,667	+64%	**3,000**	2,400	+25%	+25%
Gaming revenue	**1,673**	473	+253%	**2,264**	1,743	+30%	+32%
Total revenue	**4,398**[8]	2,140	+106%	**5,264**	4,144	+27%	+28%
Cost of sales	**(1,539)**	(650)	+137%	**(1,782)**	(1,198)	+49%	+49%
Cost of sales as a % of net revenue	***35.0%***	*30.4%*	*+460bps*	***33.8%***	*28.9%*	*+490bps*	*+480bps*
Gross profit	**2,859**	1,490	+92%	**3,483**	2,946	+18%	+20%
Sales and marketing	**(991)**	(465)	+113%	**(1,130)**	(840)	+34%	+36%
Contribution	**1,868**	1,025	+82%	**2,353**	2,105	+12%	+13%
Other operating costs	**(884)**	(544)	+62%	**(997)**	(880)	+13%	+13%
Corporate costs	**(95)**	(55)	+73%	**(125)**	(137)	-9%	-9%
Adjusted EBITDA[1,2]	**889**	425	+109%	**1,231**	1,089	+13%	+16%
Adjusted EBITDA margin %	***20.2%***	*19.9%*	*+30bps*	***23.4%***	*26.3%*	*-290bps*	*-240bps*
Depreciation and amortisation	**(213)**	(145)	+47%	**(241)**	(220)	+10%	+10%
Adjusted[1] operating profit	**676**	281	+141%	**990**	869	+14%	+18%
Adjusted net interest expense	**(110)**	(14)	+673%				
Separately disclosed items	**(565)**	(131)	+332%				
Profit before tax	**1**	136	-99%				
Adjusted[1] earnings per share	**402.7p**	298.4p	+35%	**496.6p**	415.7p	+19%	
Basic earnings per share	**29.3p**	180.2p	-84%				
Dividends per share	**0.0p**	200p					
Net debt at period end	**2,814**	265					

Note: Flutter's combination with TSG completed on 5 May 2020. Reported 2020 numbers reflect a full 12-month contribution from Flutter and a 241-day contribution from TSG. The pro forma numbers presented show the Group's financials with TSG included for a full 12-month period in both 2019 and 2020. The pro forma numbers include a 12-month contribution from Adjarabet in 2019.

"

Total revenue increased 28% to £5,264m with Adjusted EBITDA increasing by 16% to £1,231m. Performance was strong throughout 2020 with revenue growth of 22% in H1, accelerating to 34% in H2

Reported

Revenue grew by 106% in 2020 to £4,398m reflecting the combination with TSG on 5 May 2020. Adjusted EBITDA grew by 109% to £889m.

Profit before tax was £1m (2019: £136m) after separately disclosed items totalling £565m (2019: £131m). The growth in SDIs was primarily driven by an increase in the amortisation of acquired intangibles from £113m to £432m associated with the combination with TSG and deal costs associated with the TSG merger and the initial delivery of synergies. Adjusted net interest expense reflects the significant increase in debt from the point of the combination with TSG.

Basic earnings per share were 29.3 pence primarily due to non-cash merger related accounting. No dividend is proposed for 2020 (2019: 200 pence per share).

Pro forma[3]

Total revenue increased 28% to £5,264m with Adjusted EBITDA increasing by 16% to £1,231m. Performance was strong throughout 2020 with revenue growth of 22% in H1, accelerating to 34% in H2. Within the revenue mix, sports and gaming grew 25% and 32% respectively.

Performance in sports reflected a year of two halves with growth of 8% in H1 and 40% in H2. The first half was adversely impacted by Covid-related sports cancellations and temporary closures of retail. This was particularly pronounced during the second quarter.

Sportsbook staking declined 13% in H1 with growth in Australia and the US partially offsetting declines in UK and Ireland. Sports revenue still grew 8% in H1 as net revenue margins increased 280bps year on year. This increase reflected a material benefit from bookmaker friendly sports results in all divisions as well as an uplift from changing customer preferences which saw players wager more on higher margin sports and bet types.

During H2 the return of global sports, a condensed sporting calendar and the launch of 3 new US states all contributed to 40% sports revenue growth. Stakes grew 45% year on year driven by the continued migration of customers from retail to online as access to retail betting across Ireland, the UK and Australia was adversely affected by Covid. Net revenue margins remained flat year on year in the second half, with the benefit of favourable sports results and structural margin improvements in the Group ex-US offsetting increased promotional investment in US customer acquisition.

Combined gaming revenue increased by 32% in 2020; 40% in H1 and 25% in H2. The excellent growth reflected a substantial influx of recreational customers, in particular during the first global lockdown. Poker and casino both benefitted from this customer growth.

Cost of sales as a percentage of revenue increased by 480 basis points due to the higher proportion of revenues generated in Australia and the US during the year, where taxes, product fees and markets access costs lead to a higher cost of sales.

Other operating costs increased 13% year on year primarily reflecting our expanded presence in the US and increased investment in PokerStars during the second half of the year. Corporate costs reduced by 9% due to merger related synergies.

Adjusted EBITDA grew 16% with strong operating leverage in SBG and Australia helping to fund marketing and platform investment in PokerStars and the US.

As we flagged at the time of the merger announcement, there are certain costs (such as share based payments and recurring professional/legal fees) that TSG historically treated as SDIs, but Flutter considers "business as usual" operating costs. Flutter now treats all of these costs as operating costs. Had Flutter's accounting treatment been applied to TSG's 2019 reported earnings, TSG's full year Adjusted EBITDA would have been £663m versus its previously reported figure of £724m, a reduction of £61m. A full reconciliation of previously reported financials to presented pro forma financials can be found in Appendix 3.

The pro forma effective tax rate for the Group was 13.2% in 2020 (2019: 10.4%) primarily driven by the geographic mix of profits during the year and the increase in US losses not recognised for deferred tax purposes. Excluding the US, the pro forma effective tax rate was 10.4% in 2020.

Adjusted earnings per share increased by 19% to 496.6p in 2020 reflecting the strong performance of the Group.

Operating and financial review continued

PPB

Pro forma	PPB Total FY 2020 £m	PPB Total FY 2019 £m	PPB Total Change %	PPB Online FY 2020 £m	PPB Online FY 2019 £m	PPB Online Change %	PPB Retail FY 2020 £m	PPB Retail FY 2019 £m	PPB Retail Change %
Sportsbook stakes	**5,847**	6,983	-16%	**4,848**	5,189	-7%	**998**	1,793	-44%
Sportsbook net revenue margin	***10.5%***	*9.3%*	*+120bps*	***9.7%***	*8.1%*	*+160bps*	***14.3%***	*12.8%*	*+150bps*
Sports revenue	**813**	896	-9%	**670**	667	+1%	**143**	230	-38%
Gaming revenue	**481**	427	+13%	**424**	344	+23%	**57**	82	-30%
Total revenue	**1,294**	1,323	-2%	**1,094**	1,011	+8%	**200**	312	-36%
Cost of sales	**(382)**	(355)	+8%	**(339)**	(285)	+19%	**(44)**	(70)	-38%
Cost of sales as a % of net revenue	***29.5%***	*26.8%*	*+270bps*	***30.9%***	*28.2%*	*+280bps*	***21.8%***	*22.4%*	*-60bps*
Gross profit	**912**	968	-6%	**756**	726	+4%	**156**	242	-35%
Sales and marketing	**(287)**	(248)	+16%	**(281)**	(241)	+16%	**(6)**	(7)	-11%
Contribution	**625**	720	-13%	**475**	485	-2%	**150**	235	-36%
Other operating costs	**(354)**	(330)	+7%	**(206)**	(172)	+20%	**(148)**	(159)	-7%
Adjusted EBITDA[1,2]	**271**	390	-31%	**269**	314	-14%	**2**	76	-98%
Adjusted EBITDA margin	***20.9%***	*29.5%*	*-850bps*	***24.6%***	*31.0%*	*-640bps*	***0.9%***	*24.5%*	*-2,360bps*
Depreciation and amortisation	**(94)**	(93)	+1%	**(52)**	(50)	+4%	**(43)**	(43)	-1%
Adjusted[1] operating profit	**176**	297	-41%	**217**	263	-18%	**(41)**	33	-223%

PPB Online	Q1	Q2	Q3	Q4	FY 20
Average monthly players '000s	1,358	1,107	1,457	1,719	**1,410**
Average Monthly players[5] YoY%	+1%	-25%	+22%	+34%	**+6%**

PPB operates Paddy Power, Betfair and Adjarabet brands online, as well as retail operations in the UK and Ireland.

Adjusted EBITDA for PPB declined 31% in 2020 to £271m. The Covid pandemic resulted in shop closures for much of 2020 while PPB online was negatively impacted by the cancellation of sports. This was most pronounced on the betting exchange where we offered 18% fewer markets than during 2019.

PPB Online

Revenue increased by 8% to £1,094m, driven by 6% growth in average monthly players to 1.4m. A revenue decline of 8% in H1 was more than offset by 24% growth in H2, benefitting from excellent growth in average monthly players through the second half of the year.

Total sports revenue (sportsbook and exchange) grew 1%. Sportsbook revenue increased 12%. While sportsbook staking was down 7% (declining 32% in H1 with growth of 20% in H2), net revenue margins increased 160 basis points year on year to 9.7%. Favourable sports results drove most of this uplift, accounting for approximately 140 basis points of the increase. Exchange and B2B revenue declined by 19% in 2020, but in H2 the exchange grew 3% as the sporting calendar normalised and US election markets generated good levels of customer interest.

Gaming revenue grew 23%, with quarterly growth rates improving sequentially as the year progressed (Q1: +9%, Q4: +29%). This improvement reflected continued investment in new customer propositions such as 'Paddy's Wonder Wheel' and 'Betfair's Prize Pinball', both of which proved popular with customers.

Cost of sales as a percentage of revenue increased by 280 basis points to 30.9% in 2020. The strong performance of gaming which attracts higher direct costs, an additional quarter of higher remote gaming duty rate (introduced April 1 2019) and extra online costs to support a shortfall in racing funding all contributed to this increase.

Sales and marketing grew 16% with incremental spend upon the return of sports in H2 and investment to support the launch of our improved gaming product, resulting in strong customer growth. The increase in other operating costs of 20% also reflected the investment in this improved product, combined with further expansion of our Safer Gambling programmes.

PPB Retail

Adjusted EBITDA was £2m in 2020 (2019: £76m). This reflected the disruption across our retail estates due to Covid restrictions, with our shops closed on average for 38% of 2020. This led to a 36% decline in revenue. In the period post-March when shops were open, underlying performance was reasonably strong notwithstanding the disrupted nature of trading and social distancing measures in place.

Revenue declined 28% in our UK estate, where our shops were closed 36% of the year. In Ireland revenue declined 46%, with shops closed 40% of the time. The better performance in the UK can be attributed to competitor shop closures, more favourable sports results and a strong performance from gaming when available.

Operating costs declined 7% in 2020. We paid, and continue to pay, our staff when shops are closed, without availing of any government support schemes to do so.

While retail has been highly disrupted in 2020, we continue to see a great opportunity for our well-invested estate within the portfolio of Group assets.

SBG[7]

Pro forma	FY 2020 £m	FY 2019 £m	Change %
Sportsbook stakes	**4,173**	4,578	-9%
Sportsbook net revenue margin	***13.6%***	*9.1%*	*+450bps*
Sports revenue	**590**	442	+34%
Gaming revenue	**385**	295	+31%
Total revenue	**975**	736	+32%
Cost of sales	**(278)**	(203)	+37%
Cost of sales as a % of net revenue	***28.5%***	*27.6%*	*+90bps*
Gross profit	**697**	533	+31%
Sales and marketing	**(160)**	(156)	+3%
Contribution	**537**	377	+43%
Other operating costs	**(146)**	(124)	+18%
Adjusted EBITDA[1,2]	**391**	253	+55%
Adjusted EBITDA margin	***40.1%***	*34.4%*	*+570bps*
Depreciation and amortisation	**(28)**	(22)	+28%
Adjusted[1] operating profit	**364**	232	+57%

SBG	Q1	Q2	Q3	Q4	FY 20
Average monthly players '000s	1,621	1,297	1,574	1,766	**1,564**
Average monthly players[5] YoY%	+4%	-17%	+12%	+12%	**+3%**

SBG includes SkyBet sportsbook and Sky Gaming's various casino brands. It also includes Oddschecker.

SBG grew Adjusted EBITDA by 55% to £391m driven by a combination of 32% revenue growth and cost control, particularly in marketing, where costs only increased 3%.

Sports revenue advanced 34% with a 450 basis point increase in net revenue margin to 13.6%. The increased margin reflected two factors:

- favourable sports results with the actual margin 330 basis points higher than expected across both football and racing; and
- an increase in Sky Bet's expected margin of 120 basis points, with horse racing the main driver due to the change in mix of racing during Q2 cancellations and ongoing refinement of our pricing strategy.

Full year sportsbook stakes declined 9% with H1 staking 30% lower year on year with a subsequent 13% increase in H2. The irregular sporting calendar and sustained period of favourable sports results both influenced half yearly staking trends. We believe that H2 growth is more reflective of the underlying trend in the business, with record levels of customer engagement since the start of the 2020/2021 football season.

Sales and marketing costs increased 3% during 2020 to £160m, with marketing spend decreasing as a percentage of net revenue by around 500 basis points to 16.4%. This reflected the fact that revenues were boosted by positive sports results and the cancellation of some marketing spend during sports' hiatus in H1.

While other operating costs increased 18% as we invested to support the expansion of the business, we benefitted from material operating leverage on revenue growth of 32%. The efficiencies in marketing and other operating costs has resulted in Adjusted EBITDA margin of 40.1% for 2020, a 570 basis point improvement on 2019.

Operating and financial review continued

Australia[4,7]

Pro forma	FY 2020 £m	FY 2019 £m	Change %	CC Change A$%
Sportsbook stakes	**9,713**	6,751	+44%	+46%
Sportsbook net revenue margin	***11.1%***	*10.1%*	*+100bps*	*+100bps*
Revenue	**1,075**	681	+58%	+59%
Cost of sales	**(520)**	(299)	+74%	+76%
Cost of sales as a % of net revenue	***48.4%***	*43.9%*	*+450bps*	*+450bps*
Gross profit	**555**	382	+45%	+47%
Sales and marketing	**(129)**	(124)	+4%	+5%
Contribution	**426**	258	+65%	+66%
Other operating costs	**(108)**	(96)	+12%	+14%
Adjusted EBITDA[1,2]	**318**	161	+97%	+98%
Adjusted EBITDA margin	***29.6%***	*23.7%*	*+590bps*	*+570bps*
Depreciation and amortisation	**(30)**	(30)	+1%	+2%
Adjusted[1] operating profit	**288**	131	+119%	+119%

Australia	Q1	Q2	Q3	Q4	FY 20
Average monthly players '000s	581	611	876	1,109	**794**
Average monthly players[5] YoY%	+9%	-2%	+39%	+53%	**+26%**

Australia encompassed Sportsbet and BetEasy online brands, migrating to a single brand, Sportsbet, in September 2020.

Revenue grew by 59% in 2020 to £1,075m with excellent operating leverage resulting in Adjusted EBITDA growth of 98%.

Strong top line growth was driven by the addition of over 675,000 new players as Sportsbet benefited from a significant channel shift of retail customers to online. Momentum in customer growth accelerated as the year progressed. A condensed calendar of marquee sporting events such as the Spring Racing Carnival and State of Origin series saw average monthly players grow by 46% in H2 to more than 1.1m by Q4.

Staking increased by 46% to £9.7bn despite net revenue margins increasing 100 basis points year on year with several factors driving this growth:

- generosity increased by 150 basis points, helping to stimulate acquisition and staking growth, particularly in H2 when staking was up 71% compared to the prior year;
- favourable results added 80 basis points to net revenue margin;
- the temporary increase in racing's share of revenue led to a structural margin benefit; and
- customers continued to move towards higher margin products such as "Same Game Multis" with over 50% of Australian customers placing a bet of this type during 2020.

Sports revenue increased by 13% to £64m, benefiting from favourable sports results across the year. Costs of sales as a percentage of revenue increased by 450 basis points primarily driven by the higher portion of revenues coming from racing (which incur higher product fees) as well as the impact of an increase in tax and product fee rates in 2020).

Sales and marketing increased by £10m reflecting additional investment in customer retention, partly offset by synergies of £5m as we moved to a single brand ahead of Spring Carnival. Other operating costs increased 14% reflecting ongoing investment in our technology platforms to increase capacity, with Sportsbet accepting double the volume of bets in 2020 compared with 2019. Operating cost synergies were delivered towards the end of 2020 and had limited impact on the 2020 cost base. Adjusted EBITDA almost doubled to £318m reflecting excellent momentum and operating leverage.

PokerStars[4,7]

Pro forma	FY 2020 £m	FY 2019 £m	Change %	CC Change %
Sportsbook stakes	748	755	-1%	+1%
Sportsbook net revenue margin	*8.5%*	*7.5%*	*+100bps*	*+100bps*
Sports revenue	64	57	+12%	+13%
Gaming revenue	1,161	961	+21%	+24%
Total revenue	1,225	1,018	+20%	+23%
Cost of sales	(282)	(217)	+30%	+29%
Cost of sales as a % of net revenue	*23.0%*	*21.3%*	*+170bps*	*+100bps*
Gross profit	943	801	+18%	+22%
Sales and marketing	(206)	(144)	+43%	+46%
Contribution	737	657	+12%	+16%
Other operating costs	(191)	(154)	+24%	+21%
Adjusted EBITDA[1,2]	545	503	+8%	+15%
Adjusted EBITDA margin	*44.5%*	*49.4%*	*-490bps*	*-340bps*
Depreciation and amortisation	(47)	(42)	+13%	+14%
Adjusted[1] operating profit	498	461	+8%	+15%

PokerStars	Q1	Q2	Q3	Q4	FY 20
Average monthly players '000s	1,469	1,981	1,501	1,558	**1,627**
Average monthly players[5] YoY%	+5%	+57%	+25%	+26%	**+28%**

PokerStars includes PokerStars, PokerStars Casino, PokerStars Sports and Full Tilt brands which collectively offer online poker, casino and sports betting products. Excludes PokerStars US business.

PokerStars grew revenue by 23% to £1,225m in 2020 with EBITDA growth of 15% to £545m. This performance was driven by 28% growth in average monthly players. Player engagement with the brand initially increased in Q2 following the introduction of lockdown restrictions in many jurisdictions and was supplemented by our increased investment in customer retention and marketing in H2. For example, in H2 promotional generosity as a percentage of gross revenue increased to 28%, double the rate in 2019.

Gaming revenue increased by 24% year on year, with casino and poker growing 37% and 17% respectively:

- In H1, gaming revenue grew 43% (Poker +38%, Casino +51%) driven by elevated player volumes as customers sought alternative forms of home entertainment during Covid restrictions.
- During H2, underlying customer activity on Poker was encouraging, as we increased player generosity and marketing spend, driving greater customer engagement. Around 30% of players acquired / reactivated in Q2 continued to play in Q4. Net revenue declined 6% in H2 as a result of the compliance measures taken to improve the sustainability of the business.
- Casino continued its strong performance with revenue up 24% in H2, benefitting from cross-sell and direct casino customer volumes. The quality of the PokerStars casino proposition and increased investment in generosity has resulted in strong month on month customer retention rates.

Sports revenue increased by 13% to £64m, benefitting from favourable sports results across the year. Cost of sales as a percentage of revenue grew one percentage point to 23.0% due to the higher direct costs associated with casino games which accounted for a larger proportion of revenue in 2020.

Sales and marketing costs increased 46% to £206m, with H2 marking a significant step-change in investment behind the brand to address historic underinvestment. H2 marketing spend was £43m higher than H1 and £55m above H2 2019. This investment supported the new 'I'm in' brand campaign and the direct acquisition of casino customers.

Other operating costs increased 21% as we commenced the programme to improve PokerStars technology and operating capabilities. This multi-year investment includes additional technology resources, with headcount exiting 2020 20% higher than the start of the year and technology infrastructure improvements to address the foundational capabilities required to stabilise the business.

Operating and financial review continued

US[4,7]

Pro forma	FY 2020 £m	FY 2019 £m	Change %	CC Change US$%
Sportsbook stakes	**4,411**	2,396	+84%	+86%
Sportsbook net revenue margin	***4.6%***	*4.3%*	*+30bps*	*+30bps*
Sports revenue	**458**	325	+41%	+42%
Gaming revenue	**237**	61	+288%	+292%
Total revenue	**695**	386	+80%	+81%
Cost of sales	**(319)**	(124)	+157%	+160%
Cost of sales as a % of net revenue	***46.0%***	*32.2%*	*+1,380bps*	*+1,390bps*
Gross profit	**376**	262	+43%	+44%
Sales and marketing	**(348)**	(168)	+107%	+110%
Contribution	**28**	94	-70%	-71%
Other operating costs	**(198)**	(175)	+13%	+14%
Adjusted EBITDA[1,2]	**(170)**	(82)	+108%	+115%
Adjusted EBITDA margin	***-24.4%***	*-21.1%*	*-330bps*	*-380bps*
Depreciation and amortisation	**(37)**	(29)	+28%	+30%
Adjusted[1] operating profit	**(207)**	(110)	+87%	+92%

US	Q1	Q2	Q3	Q4	FY20
Average monthly players '000s	765	455	1,176	1,490	**972**
Average Monthly players[5] YoY%	+57%	+18%	+111%	+55%	**+62%**

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

Revenue grew by 81% to £695m reflecting the diversified product portfolio offered in the US, as well as additional state openings. During the year we launched the FanDuel online sportsbook in 4 additional states (Colorado, Illinois, Iowa and Tennessee) and online gaming in Pennsylvania in January. FOX Bet also added Colorado.

Sports revenue increased by 42% reflecting sportsbook growth of 101% and combined daily fantasy sports and racing growth of 15%. The profile of revenue growth for each product varied significantly quarter to quarter due to sports cancellations. The increased prominence of US horse racing led our TVG business to generate record customer volumes during the year with average monthly players growing 60% over 2019. Conversely daily fantasy was materially impacted by the reduced number of sports events during the year.

Sportsbook staking grew 86%, with the return of sport and new state launches driving growth in H2 of 124% year on year. Net revenue margin increased by 30 basis points reflecting structural increases arising from risk and trading improvements and a greater demand for higher margin products such as parlays as well as bookmaker friendly results. These margin benefits helped to offset the significant level of investment we made in generosity during the year as we continued to focus on new customer acquisition in both new and existing states.

Gaming revenue grew 292% to £237m with the launch in Pennsylvania in January augmented by a shift in wallet share from sports to poker and casino in H1 as the sporting calendar was disrupted. Launch of the FanDuel proprietary account and wallet in July boosted cross-sell performance in H2 through an improved customer journey. The launch of live casino in November in Pennsylvania has also proven popular with customers.

Cost of sales increased as a percentage of revenue by 1,390 basis points due to the increase in the proportion of revenue generated by our higher cost of sales sportsbook and gaming businesses.

Marketing more than doubled to £348m, increasing as a percentage of revenue to 50%. This reflects three factors: (i) new state launches, (ii) the continued strong customer acquisition in existing states and (iii) additional investment to re-engage customers following the return of sport.

Other operating costs increased 14% year on year but reduced as a percentage of revenue as we leverage our scale to increase efficiency. The increase of £22m was primarily driven by investment in our technology and teams to support the migration to our proprietary platforms as well as new state launches.

The US business generated an EBITDA loss of £170m, in line with previous guidance.

Synergies

We now expect our combination with TSG to yield £170m in annualised cost synergies for the Group versus guidance of £140m upon announcement of the transaction. The additional savings arise primarily from the move to a single brand in Australia. The synergy figure is net of re-investments in certain parts of the business. For example, we have reallocated certain technology teams from duplicate systems work to support PokerStars technology improvements and Group functions required strengthening to support a Group of our scale.

£m	FY 2020	FY 2021	FY 2022	FY 2023
Synergy by year	25	90	140	170

In addition to the above cost synergies, we also expect to achieve £20m in Capex synergies annually. This saving will be achieved by leveraging Flutter's proprietary Global Betting Platform for the provision of sports betting across the Group and lower infrastructure costs in Australia.

We have also taken steps to realise finance cost synergies through refinancing the Group debt. This has already seen the weighted average cash cost of our debt decrease to 4.18% in December from 4.90% on a pro forma basis in March 2020. The step down in the make-whole costs in July 2021 for the $1bn Senior Unsecured Notes is an opportunity to refinance and reduce our debt cost further. Additionally, the Term Loan B is currently priced above the level we would expect for a credit of the quality of Flutter and we will look to refinance this debt, considering prevailing credit market conditions and our expectations around our credit rating.

Cash flow and financial position

Pro forma	FY 2020 £m
Adjusted EBITDA	**1,231**
Capex	(252)
Working capital	310
Corporation tax	(93)
Adjusted free cash flow	**1,197**
Cash flow from separately disclosed items	(120)
Free cash flow	**1,077**
Interest cost	(177)
Other borrowing costs	(24)
Settlement of swaps	(36)
Lease liabilities paid and other	(23)
Net increase in cash before equity raise & FanDuel consideration	**817**
Proceeds from equity raise	1,921
Acquisition of further interest in FanDuel	(1,546)
Net increase in cash	**1,192**
Net debt at start of year	**(3,827)**
Foreign currency exchange translation	(20)
Change in fair value of hedging derivatives	(159)
Net debt at 31 December 2020	**(2,814)**

The net increase in cash of £1,192m during the period primarily relates to strong free cash flow of £1,077m.

Capital expenditure of £252m, reflects the on-going investment in Group-wide product and technology development, as well as expansion into the US.

Working capital continues to be positively affected by enhanced scale and the strong financial performance of the Group, particularly in Q4. Creditors have increased significantly, principally in relation to direct costs where point of consumption taxes and product fees are generally paid one quarter after revenue is generated. The overall working capital benefit in 2020 is expected to partially unwind in 2021.

Cash flow from SDIs principally relates to deal fees and integration costs in relation to the combination with TSG.

Interest costs were £48m lower than 2019 on a pro forma basis from the repayment of debt following the Group's equity raise in May and the reduction in weighted average cost of debt following agreement of more favourable financing terms post completion.

As discussed earlier, the Group's financial structure has evolved significantly during 2020. The increase in debt following the combination with TSG was partly offset by an equity raise of £0.8bn in May. A further equity raise in December of £1.1bn was used to partly fund the additional interest acquired in FanDuel.

The Group has cross currency swap agreements, as part of its strategy to hedge the impact of currency fluctuations on its leverage ratio. Changes in the fair value of these hedging derivatives are reflected in net debt.

As at 31 December 2020, the Group had net debt of £2,814m, excluding customer balances, representing a leverage ratio of 2.3 times.

Operating and financial review continued

Separately disclosed items

	FY 2020 £m	FY 2019 £m
Amortisation of acquisition related intangible assets	(432)	(113)
Acquisition fees and associated costs	(33)	(18)
Restructuring and integration costs	(96)	—
Impairment	(23)	—
VAT refund	11	—
Operating profit impact of separately disclosed items	(573)	(131)
Financial Income	79	—
Financial Expense	(71)	—
Profit before tax impact of separately disclosed items	(565)	(131)
Tax credit on separately disclosed items	58	19
Total separately disclosed items	(507)	(112)

Separately disclosed items do not relate to business as usual activity of the Group and therefore are excluded from adjusted profits.

During 2020 the primary driver of these costs was the combination with TSG.

The uplift in amortisation of intangibles to £432m was due to the 2020 combination with TSG, with ongoing amortisation related to the acquisition of Betfair in 2016, the combination of the Group's US assets with FanDuel in 2018 and the 2019 acquisition of Adjarabet.

The Group also incurred transaction fees and associated costs of £33m in connection with the TSG combination and the acquisition of the Group's additional 37.2% stake in FanDuel in December 2020. This does not include any professional fees incurred by TSG prior to the date of the combination.

Restructuring and integration costs primarily relate to the delivery of integration and synergies associated with the TSG combination.

During the year, the Group recognised impairments of £23m relating to certain property assets, retail licenses and capitalised development expenditure incurred by the TSG business.

The Group received a VAT refund in respect of a historical VAT overpayment in relation to retail gaming machines in the UK.

Financial income and expense items reflect gains and/or losses in respect of the Group's debt financing, principally related to embedded derivatives, accelerated accretion on debt payments and foreign exchange. The expense line also includes additional contingent consideration payable for HRTV, now part of TVG, of £22m.

For further details in relation to separately disclosed items, see Note 6 of the consolidated financial statements.

Current trading/Outlook

2021 has seen a continuation of the strong momentum enjoyed by the Group. Growth in player volumes remains encouraging across all divisions, while sports results have also been favourable relative to expectations, particularly in the UK and Ireland. These factors have resulted in an increase in Group revenue of 36% in the first 7 weeks of the year (to Feb 21) versus the comparable period in 2020.

Covid restrictions continue to impact our retail business in the UK and Ireland. The latest Government guidelines suggest that our UK shops may re-open in mid-April while it looks like it could be May at the earliest before we are able to reopen our Irish shops. For each month that our UK estate is shut, we anticipate an EBITDA loss of £5m while in Ireland, the monthly loss is expected to be £4m.

In Germany, there are proposals to introduce a 5.3% turnover tax on online poker and slots from July 1st this year. While the tax is yet to be ratified, if it does come into force we believe it would effectively make the German online gaming market commercially unviable for regulated operators, with the taxes being equivalent to significantly greater than 100% of gross revenue. The financial impact of such a change would depend on how it is implemented and what, if anything, we could to do to mitigate the charge, but our initial estimate is that the contribution impact could be between £15m and £25m in 2021 if it comes into effect on July 1.

Overall, we are very pleased with the momentum in our business as we continue to build our recreational player base globally and look forward to the future with confidence.

Footnotes

1 The "Adjusted" measures exclude separately disclosed items, that are not part of the usual business activity of the Group and have been therefore reported as "separately disclosed items" (see Note 6 to the consolidated financial statements).

2 EBITDA is profit before interest, tax, depreciation and amortisation expenses and is a non-GAAP measure. The Group uses EBITDA, Adjusted EBITDA and Adjusted operating profit to comment on its financial performance. These measures are used internally to evaluate performance, to establish strategic goals and to allocate resources. The directors also consider that these are 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. These are non-GAAP financial measures and are not prepared in accordance with IFRS and, as not uniformly defined terms, these 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 consolidated financial statements.

3 Flutter's combination with TSG completed on May 5 2020. The pro forma numbers presented show the Group's financials with TSG included for a full 12-month period in both 2019 and 2020. The pro forma numbers include a 12-month contribution from Adjarabet in 2019 (completion date: Feb 1 2019). See Appendix 4 for a reconciliation of pro forma results to statutory results.

4 Growth rates in the commentary are in local or constant currency[10] except reported numbers which are in nominal currency.

5 Monthly Players are the total number of players who have placed and/or wagered a stake and/or contributed to rake or tournament fees during the month. The average number of monthly players are taken to derive the measure per reporting period.

6 The leverage ratio is calculated using pro forma Adjusted EBITDA for the 12-month period to 31 December 2020.

7 A full reconciliation of previously reported financials to presented pro forma financials can be found in Appendix 3.

8 Reported revenue and cost of sales exclude SDIs which relate to a £15.9m refund of VAT from the HMRC, based on the historic incorrect application of VAT to UK gaming machines.

9 Reported represents the IFRS reported statutory numbers. Where amounts have been normalised for SDIs they are labelled as Adjusted.

10 Constant currency ("cc") growth throughout this section is calculated by retranslating the non-sterling denominated component of FY 2019 at FY 2020 exchange rates (see Appendix 5).

11 The 2019 earnings per share figures have been restated to incorporate the 1,312,260 new Flutter ordinary shares that were issued in May 2020 as payment of the 2019 final dividend. The weighted average number of shares in issue during the period was adjusted to include these bonus shares as if they were issued 1 January 2019.

12 Net debt at 31 December 2020 is the principal amount of borrowings plus associated accrued interest, minus cash & cash equivalents plus/minus carrying value of debt related derivatives. This comprised the principal amount of borrowings plus associated accrued interest of £3,231m plus debt related derivatives of £186m less gross cash of £603m at 31 December 2020 (see Appendix 6).

13 Differences due to rounding unless otherwise stated.

Appendix 1: Divisional Key Performance Indicators FY20

	PPB[3]			SBG			PokerStars				Australia				US				Group			
Pro forma basis[1] £m	FY 2020	FY 2019	% Change	FY 2020	FY 2019	% Change	FY 2020	FY 2019	% Change	CC[2] % Change	FY 2020	FY 2019	% Change	A$ % Change	FY 2020	FY 2019	% Change	US$ % Change	FY 2020	FY 2019	% Change	CC[2] % Change
Sportsbook stakes	**5,847**	6,983	-16%	**4,173**	4,578	-9%	**748**	755	-1%	1%	**9,713**	6,751	+44%	+46%	**4,411**	2,396	+84%	+86%	**24,892**	21,463	+16%	+17%
Sportsbook net revenue margin	***10.5%***	*9.3%*	*+120bps*	***13.6%***	*9.1%*	*+450bps*	***8.5%***	*7.5%*	*+100bps*	*+100bps*	***11.1%***	*10.1%*	*+100bps*	*+100bps*	***4.6%***	*4.3%*	*+30bps*	*+30bps*	***10.1%***	*8.9%*	*+120bps*	*+120bps*
Sports revenue	**813**	896	-9%	**590**	442	+34%	**64**	57	+12%	+13%	**1,075**	681	+58%	+59%	**458**	325	+41%	+42%	**3,000**	2,400	+25%	+25%
Gaming revenue	**481**	427	+13%	**385**	295	+31%	**1,161**	961	+21%	+24%	**—**	—	—	—	**237**	61	+288%	+292%	**2,264**	1,743	+30%	+32%
Total revenue	**1,294**	1,323	-2%	**975**	736	+32%	**1,225**	1,018	+20%	+23%	**1,075**	681	+58%	+59%	**695**	386	+80%	+81%	**5,264**	4,144	+27%	+28%
Cost of sales	**(382)**	(355)	+8%	**(278)**	(203)	+37%	**(282)**	(217)	+30%	+29%	**(520)**	(299)	+74%	+76%	**(319)**	(124)	+157%	+160%	**(1,782)**	(1,198)	+49%	+49%
Cost of sales as % of net revenue	***29.5%***	*26.8%*	*+270bps*	***28.5%***	*27.6%*	*+90bps*	***23.0%***	*21.3%*	*+170bps*	*+100bps*	***48.4%***	*43.9%*	*+450bps*	*+450bps*	***46.0%***	*32.2%*	*+1,380bps*	*+1,390bps*	***33.8%***	*28.9%*	*+490bps*	*+480bps*
Gross Profit	**912**	968	-6%	**697**	533	+31%	**943**	801	+18%	+22%	**555**	382	+45%	+47%	**376**	262	+43%	+44%	**3,483**	2,946	+18%	+20%
Sales and marketing	**(287)**	(248)	+16%	**(160)**	(156)	+3%	**(206)**	(144)	+43%	+46%	**(129)**	(124)	+4%	+5%	**(348)**	(168)	+107%	+110%	**(1,130)**	(840)	+34%	+36%
Contribution	**625**	720	-13%	**537**	377	+43%	**737**	657	+12%	+16%	**426**	258	+65%	+66%	**28**	94	-70%	-71%	**2,353**	2,105	+12%	+13%
Other operating costs	**(354)**	(330)	+7%	**(146)**	(124)	+18%	**(191)**	(154)	+24%	+21%	**(108)**	(96)	+12%	+14%	**(198)**	(175)	+13%	+14%	**(997)**	(880)	+13%	+13%
Corporate costs																			**(125)**	(137)	-9%	-9%
Adjusted EBITDA	**271**	390	-31%	**391**	253	+55%	**545**	503	+8%	+15%	**318**	161	+97%	+98%	**(170)**	(82)	+108%	+115%	**1,231**	1,089	+13%	+16%
Adjusted EBITDA margin	***20.9%***	*29.5%*	*-850bps*	***40.1%***	*34.4%*	*+570bps*	***44.5%***	*49.4%*	*-490bps*	*-340bps*	***29.6%***	*23.7%*	*+590bps*	*+570bps*	***-24.4%***	*-21.1%*	*-330bps*	*-380bps*	***23.4%***	*26.3%*	*-290bps*	*-240bps*
Depreciation and amortisation	**(94)**	(93)	+1%	**(28)**	(22)	+28%	**(47)**	(42)	+13%	+14%	**(30)**	(30)	+1%	+2%	**(37)**	(29)	+28%	+30%	**(241)**	(220)	+10%	+10%
Adjusted operating profit/(loss)	**176**	297	-41%	**364**	232	+57%	**498**	461	+8%	+15%	**288**	131	+119%	+119%	**(207)**	(110)	+87%	+92%	**990**	869	+14%	+18%

1 Flutter's combination with TSG completed on May 5 2020. The pro forma numbers presented show Group financials with TSG included for a full 12-month period in both 2019 and 2020. The pro forma numbers include a 12-month contribution from Adjarabet in 2019 (completion date: Feb 1 2019).

2 Constant currency ("cc") growth is calculated by retranslating non-sterling denominated component of FY 2019 at FY 2020 exchange rates (see Appendix 5).

3 For split of PPB between Online and Retail, please see the KPIs section of our investor relations website.

Appendix 2: Divisional Key Performance Indicators FY20 – Average Monthly Players

Monthly Players are the total number of players who have placed and/or wagered a stake and/or contributed to rake or tournament fees during the month. The average number of monthly players are taken to derive the measure per reporting period.

Average Monthly Players (in thousands)

	PPB			SBG			PokerStars			Australia			US			Group		
Pro forma basis[1]	2020	2019	% Change	2020	2019	% Change	2020	2019	% Change	2020	2019	% Change	2020	2019	% Change	2020	2019	% Change
Full year	**1,410**	1,327	+6%	**1,564**	1,525	+3%	**1,627**	1,275	+28%	**794**	629	+26%	**972**	598	+62%	6,367	5,354	+19%
H1	**1,232**	1,411	-13%	**1,459**	1,557	-6%	**1,725**	1,328	+30%	**596**	580	+3%	**610**	437	+40%	**5,622**	5,314	+6%
H2	**1,588**	1,243	+28%	**1,670**	1,493	+12%	**1,530**	1,221	+25%	**992**	678	+46%	**1,333**	760	+75%	**7,113**	5,395	+32%
Q1	**1,358**	1,350	+1%	**1,621**	1,560	+4%	**1,469**	1,396	+5%	**581**	535	+9%	**765**	488	+57%	**5,793**	5,327	+9%
Q2	**1,107**	1,472	-25%	**1,297**	1,554	-17%	**1,981**	1,261	+57%	**611**	626	-2%	**455**	387	+18%	**5,451**	5,301	+3%
Q3	**1,457**	1,198	+22%	**1,574**	1,409	+12%	**1,501**	1,204	+25%	**876**	632	+39%	**1,176**	557	+111%	**6,584**	5,001	+32%
Q4	**1,719**	1,287	+34%	**1,766**	1,577	+12%	**1,558**	1,239	+26%	**1,109**	724	+53%	**1,490**	962	+55%	**7,642**	5,788	+32%

1 Flutter's combination with TSG completed on May 5 2020. The pro forma monthly player data presented show Group players with TSG included for a full 12-month period in both 2019 and 2020. The pro forma data includes a 12-month contribution from Adjarabet in 2019 (completion date: Feb 1 2019).

Operating and financial review continued

Appendix 3: Reconciliation of previously reported TSG results to Flutter pro forma results

Financial Year 2019, unaudited

	TSG Reported (US$m)	Adjustments (US$m) 1	2	3	Per Flutter policies (US$m)	Legacy TSG pro forma (£m)	Legacy Flutter pro forma* (£m)	Total Flutter pro forma (£m)
							PPB*	
Total revenue							1,323	1,323
Cost of sales						N/A	(355)	(355)
Gross profit							968	968
Total operating costs							(578)	(578)
Adjusted EBITDA							**390**	**390**
UK							**SBG**	
Total revenue	947	—	(8)	—	939	736		736
Cost of sales	(292)	—	32	—	(260)	(203)	N/A	(203)
Gross profit	655	—	24	—	679	533		533
Total operating costs	(330)	—	(24)	(2)	(357)	(280)		(280)
Adjusted EBITDA	**325**	**—**	**—**	**(2)**	**322**	**253**		**253**
International							**PokerStars**	
Total revenue	1,312	(12)	—	—	1,300	1,018		1,018
Cost of sales	(297)	12	7	—	(278)	(217)	N/A	(217)
Gross profit	1,015	(0)	7	—	1,022	801		801
Total operating costs	(410)	37	(7)	(0)	(382)	(298)		(298)
Adjusted EBITDA	**605**	**37**	**—**	**(0)**	**641**	**503**		**503**
Australia							**Australia**	
Total revenue	274	—	25	—	300	235	446	681
Cost of sales	(104)	—	(45)	—	(150)	(117)	(182)	(299)
Gross profit	170	—	(20)	—	150	118	264	382
Total operating costs	(126)	—	20	(1)	(107)	(84)	(137)	(221)
Adjusted EBITDA	**44**	**—**	**—**	**(1)**	**43**	**34**	**127**	**161**
US							**US**	
Total revenue		12	—	—	12	10	376	386
Cost of sales	N/A	(12)	2	—	(11)	(8)	(116)	(124)
Gross profit		0	2	—	2	1	261	262
Total operating costs		(38)	(2)	(19)	(59)	(47)	(297)	(343)
Adjusted EBITDA		**(38)**	**—**	**(19)**	**(57)**	**(45)**	**(36)**	**(82)**
Corporate							**Corporate costs**	
Total revenue	(5)	—	5	—	—	—	—	—
Cost of sales	—	—	—	—	—	—	—	—
Gross profit	(5)	—	5	—	—	—	—	—
Total operating costs	(48)	2	(5)	(55)	(106)	(82)	(55)	(137)
Adjusted EBITDA	**(53)**	**2**	**—**	**(55)**	**(106)**	**(82)**	**(55)**	**(137)**
Group							**Group**	
Total revenue	2,528	—	23	—	2,551	1,999	2,145	4,144
Cost of sales	(693)	—	(5)	—	(698)	(546)	(652)	(1,198)
Gross profit	1,835	—	18	—	1,854	1,453	1,493	2,946
Total operating costs	(914)	—	(18)	(77)	(1,010)	(790)	(1,067)	(1,857)
Adjusted EBITDA	**921**	**—**	**—**	**(77)**	**844**	**663**	**426**	**1,089**

Adjustments:

1. **TSG US financials:** These were previously reported within TSG International and 'Corporate', they have now moved to Flutter's US division. This increases the profitability of International and increases the loss in the US. The net EBITDA impact of this change is nil.
2. **Accounting treatment adjustments:** reclassifications with nil net impact on Adjusted EBITDA at a Group level,
   Revenue recognition: The most material change here is in Australia where TSG reported revenue excluding Goods and Services Tax ("GST"). Flutter includes GST within revenue with a corresponding deduction in the cost of sales line.
   UK Intercompany transactions: Certain costs and revenues that had been removed at a consolidated Group level, via the corporate cost centre, are now consolidated within SBG per Flutter policies. Separately TSG previously recorded an 'Other income' line in each of its divisions, which has been reallocated to sports or gaming as appropriate. This is not visible in the table above.
   Expense allocation: Reallocation of expenses between cost of sales and operating expenses, principally relating to treatment of affiliates, licensing, streaming, and other costs.
3. **Accounting treatment adjustments – separately disclosed items:**
   Applying Flutter accounting policies in relation to separately disclosed items results in certain items previously added back to Adjusted EBITDA within TSG now being reported as ongoing expenses. These include share-based payments, non-recurring professional/legal fees and certain other costs. The application of Flutter policy to TSG 2019 reported earnings would have been -$77m at the EBITDA line in FY20.

* Note PPB 2019 results are pro forma for Adjarabet, acquired in February 2019 as well as combining the legacy PPB Online and retail divisions.

Appendix 4: 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, as they best represent the Group's underlying performance. The 2019 pro forma numbers also include a 12-month contribution from Adjarabet in 2019, completed on 1st Feb 2019. The difference between the Statutory results and pro forma results is the results of TSG and Adjarabet in the period prior to completion as per the table below. Adjusted EBITDA and revenue are reconciled by division below to Note 5 of the consolidated financial statements.

	Pro forma results		TSG & Adjarabet results pre-merger completion*		Statutory results (adjusted)	
£m	FY 2020	FY 2019	FY 2020	FY 2019	FY 2020	FY 2019
Sports revenue	3,000	2,400	275	734	2,725	1,667
Gaming revenue	2,264	1,743	592	1,270	1,673	473
Total revenue	5,264	4,144	866	2,004	4,398	2,140
Cost of sales	(1,782)	(1,198)	(243)	(548)	(1,539)	(650)
Cost of sales as a % of net revenue	33.8%	28.9%	28.0%	27.3%	35.0%	30.4%
Gross profit	3,483	2,946	624	1,456	2,859	1,490
Sales and marketing	(1,130)	(840)	(139)	(375)	(991)	(465)
Contribution	2,353	2,105	484	1,081	1,868	1,025
Other operating costs	(997)	(880)	(113)	(335)	(884)	(544)
Corporate costs	(125)	(137)	(29)	(82)	(95)	(55)
Adjusted EBITDA	1,231	1,089	342	663	889	425
Adjusted EBITDA margin	23.4%	26.3%	39.5%	33.1%	20.2%	19.9%
Depreciation and amortisation	(241)	(220)	(28)	(75)	(213)	(145)
Adjusted operating profit	990	869	314	588	676	281
Revenue by division						
PPB	1,294	1,323	—	5	1,294	1,318
SBG	975	736	290	736	685	—
PokerStars	1,225	1,018	468	1,018	757	—
Australia	1,075	681	87	235	989	446
US	695	386	22	10	673	376
Adjusted EBITDA by division						
PPB	271	390	—	1	271	389
SBG	391	253	117	253	274	—
PokerStars	545	503	264	503	281	—
Australia	318	161	11	34	307	127
US	(170)	(82)	(22)	(45)	(148)	(36)
Corporate costs	(125)	(137)	(29)	(82)	(95)	(55)

* 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.

Operating and financial review continued

Appendix 5: 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 2019 at FY 2020 exchange rates as per the table below.

£m, pro forma	FY 2020	FY 2019	% Change	FY 2019 FX impact	FY 2019 CC	CC % Change
Sports revenue	**3,000**	2,400	+25%	(6)	2,394	+25%
Gaming revenue	**2,264**	1,743	+30%	(33)	1,710	+32%
Total revenue	**5,264**	4,144	+27%	(39)	4,105	+28%
Cost of sales	**(1,782)**	(1,198)	+49%	4	(1,194)	+49%
Cost of sales as a % of net revenue	***33.8%***	*28.9%*	*+490bps*	—	*29.1%*	*+480bps*
Gross profit	**3,483**	2,946	+18%	(35)	2,911	+20%
Sales and marketing	**(1,130)**	(840)	+34%	8	(833)	+36%
Contribution	**2,353**	2,105	+12%	(28)	2,078	+13%
Other operating costs	**(997)**	(880)	+13%	(2)	(881)	+13%
Corporate costs	**(125)**	(137)	-9%	—	(137)	-9%
Adjusted EBITDA	**1,231**	1,089	+13%	(29)	1,060	+16%
Adjusted EBITDA margin	***23.4%***	*26.3%*	*-290bps*	—	*25.8%*	*-240bps*
Depreciation and amortisation	**(241)**	(220)	+10%	1	(219)	+10%
Adjusted operating profit	**990**	869	+14%	(28)	840	+18%
Revenue by division						
PPB	**1,294**	1,323	-2%	(5)	1,318	-2%
SBG	**975**	736	+32%	—	736	+32%
PokerStars	**1,225**	1,018	+20%	(26)	992	+23%
Australia	**1,075**	681	+58%	(6)	674	+59%
US	**695**	386	+80%	(3)	383	+81%
Adjusted EBITDA by division						
PPB	**271**	390	-31%	(4)	386	-30%
SBG	**391**	253	+55%	—	253	+55%
PokerStars	**545**	503	+8%	(28)	475	+15%
Australia	**318**	161	+97%	(0)	161	+98%
US	**(170)**	(82)	+108%	3	(79)	+115%
Corporate costs	**(125)**	(137)	-9%	—	(137)	-9%

Appendix 6: 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.

£m	Pro forma cash flow FY 2020	TSG results pre-merger completion FY 2020	Adjustment to include borrowings	Statutory cash flow FY 2020
Adjusted EBITDA	1,231	342		889
Capex	(252)	(33)		(219)
Working capital	310	(8)		318
Corporation tax	(93)	(3)		(89)
Adjusted free cash flow	1,197	298		899
Cash flow from separately disclosed items (SDI)	(120)	—		(120)
Free cash flow	1,077	298		779
Interest cost	(177)	(64)		(113)
Other borrowing costs	(24)	—		(24)
Settlement of swaps	(36)	—		(36)
Lease liabilities paid and other	(23)	1		(24)
Net increase in cash before equity raise & FanDuel consideration	817	235		582
Proceeds from equity raise	1,921	—		1,921
Acquisition of further interest in FanDuel	(1,546)	—		(1,546)
Net amounts drawn down/(repaid) on borrowings	—	—	(923)	(923)
Cash acquired in TSG	—	—	445	445
Net increase/(decrease) in cash	1,192	235	(478)	479
Net (debt)/cash at start of year	(3,827)	(3,563)	372	108
Foreign currency exchange translation	(20)	—	37	(17)
Change in fair value of hedging derivatives	(159)	—	159	—
Net debt at 31 December 2020	(2,814)	(3,328)	89	603

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

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

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

4 Cash flow from separately disclosed items relates to costs incurred as a result of the Combination with TSG net of the historic VAT refund in respect of an historic claim in relation to retail gaming machines in the UK.

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

6 Lease liabilities paid and other include payment of lease liabilities and lease interest, proceeds from the issue of shares on exercise of employee, dividends paid to non-controlling interest, release of cash from restricted cash and proceeds from the disposal of assets.

7 Net amounts repaid on borrowings include proceeds from GBP First Lien Term Loan A, net amounts drawn down previous GBP revolving credit facility, repayment of USD and EUR First Lien Term Loan B and old GBP Term Loan facility and amounts repaid on overdraft facility.

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

sportsbet

BRINGING EXCITEMENT TO LIFE

Understanding and managing our principal risks

Risk-informed decisions lie at the heart of our ability to continue evolving the business and preparing for the future. Robust risk management drives better performance and commercial outcomes, protects our people and our brands, and supports our desire to grow a sustainable and resilient business.

On completion of the combination in May 2020, following the appointment of the new Chief Legal Officer and Group Commercial Director and the reorganisation of the Group into the four new divisions, the Chief Legal and Group Commercial Director function was established representing a significant step change in our approach to risk, regulation and compliance and a material investment by the Group. A maturity assessment was completed focusing on the risk capabilities of the newly formed Group and its divisions. The outputs of the assessment resulted in a re-design of risk governance structures across the Group and our methodology and risk reporting processes to ensure we have a robust framework that is scalable, effective and agile for the enlarged Group. The key objective of this re-design was to ensure that risk management is used as a key enabler to achieve our strategic objectives, that it is aligned across each of our divisions and that it provides for agile decision making and reporting. An Executive Risk Committee was also established with responsibility for monitoring, assessing and challenging material risks and opportunities for the Group.

As part of the re-design, each division has also appointed a dedicated Chief Risk Officer (or equivalent), with responsibility for implementing the Group risk framework by embedding the three lines of defence, risk informed decision making and creating an aggregated view of their risk profiles in line with Group risk appetite and strategy. The Chief Risk Officers are appointed to the Executive Committees of their respective divisions and are closely aligned to and collaborate with the Chief Legal Officer and Group Commercial Director function. Each of the Divisions has also established Divisional Risk Committees to assess, monitor and report on key risks for its business, and in turn report upwards, or escalate, to the newly formed Executive Risk Committee, and existing Board Risk Committee, in line with risk appetite.

> **Robust risk management drives better performance and commercial outcomes, protects our people and our brands, and supports our desire to grow a sustainable and resilient business.**

Risks continued

The revised risk governance structures are detailed below:

Board

The Board has overall responsibility for overseeing the Group's internal control and risk management processes, ensuring appropriate and robust systems of internal control and risk management are in place to identify, manage and mitigate the risks to the overall viability of the Group.

Audit Committee

The Audit Committee has responsibility for ensuring the integrity of the Group's financial reporting and internal control and risk management system, as well as reviewing the work of the Internal Audit function and considering the reports presented by the external auditor. On an annual basis, the Audit Committee performs an effectiveness review of the risk framework.

Risk Committee

The Risk Committee has responsibility for ensuring our first and second line functions are performing their roles in managing risk across the Divisions and Group. In addition, it is responsible for monitoring and providing challenge on the principal and emerging risks facing the Group. The Board Risk Committee receives regular updates on risk management strategies, mitigation and action plans.

Executive Risk Committee New

In late 2020 as part of the review of the risk governance structures, an Executive Risk Committee was formed. This Committee is chaired by the Chief Legal Officer and Group Commercial Director and comprises senior Group and divisional management. The Committee has responsibility for identifying, assessing, monitoring and challenging material risks and taking advantage of opportunities for the Group.

Divisional Risk Committee New

As part of the risk governance review, the divisions have established their own Risk Committees, which are chaired by the local Chief Risk Officer, or equivalent. The main objectives of these Committees are to ensure proper alignment of risk with the strategy, performance and sustainability objectives of the division and the implementation of the risk framework, as well as monitoring and evaluating the management of all of its significant risks.

Covid resilience

We continue to closely monitor and mitigate for the implications of Covid on our business, people and international locations. We continue to leverage cross-functional capabilities and teams to understand the risks and impacts to the business that Covid poses, as well as its subsequent impacts to our workforce and our travel working arrangements.

Brexit resilience

Throughout the Brexit negotiations in 2020, the Group planned for the worst-case scenario being a "no deal" and its potential implications and uncertainties for the Group. With the negotiations completing in December, we continue to monitor for the risks and the implications of Brexit, and the outcomes of the deal on our people and our business. We leverage internal and external expertise to mitigate the risks and impacts on the business.

Three Lines of Defence Model at Flutter Group

First line
Executive Management and Operational teams within the Divisions with responsibility for:

- Risk ownership; know their businesses, know their processes and hence know their risks
- Decision making driven by risk/reward trade-offs
- Establishing and developing the divisional risk and control environment
- Manage risk events and decisions within appetite
- Identify and quantify risk

Second line
Divisional Advisory and Oversight functions with responsibility for:

- Providing guidance and subject matter expertise to first line teams
- Working collaboratively and early in business propositions and projects
- Maintaining of Divisional Policy and internal control frameworks
- Reporting risk exposure, control quality and emerging risks

Group functions including the Chief Legal Officer and Group Commercial Director, Group Technology, Group Finance and Group People reinforce and complement the divisional second lines, and provide further advisory and oversight capabilities.

Third line
Group Internal Audit team with responsibility for:

- Providing independent challenge and assurance that risk is appropriately managed
- Systematic evaluation and monitoring of controls including internal control framework and operational effectiveness of controls
- Identifying efficiencies and process improvement opportunities

Given the dynamic nature of risk and the agility of our business, the enhanced framework operates as a business process at all levels of the Group. Integration with strategy and performance, in addition to ongoing risk management processes, will ensure robust and effective risk management to support in maximising the performance of our brands, Divisions and the Group as a whole.

1. Identify risks
A robust methodology is used to identify principal and emerging risks across the Group.

2. Assess and quantify risks
Analyse risks and controls and evaluate the commercial, strategic, regulatory and other impacts and the likelihood of occurrence.

3. Develop action plans to manage and mitigate risk
Risk owners assess effectiveness and adequacy of controls. If additional controls are required, these are identified and responsibilities assigned.

4. Monitor and reassess risk post mitigation and report
Management is responsible for monitoring controls and progress of actions to manage principal risks and is supported through the Group's Internal Audit programme which evaluates the design and effectiveness of controls.

5. Continuous review
The risk management process is continuous; principal and emerging risks are reported to both the Board Risk and Audit Committees, and more regularly through the new Executive Committee and Committees being established at divisional level.

Enhancing our risk framework for 2021

Risk governance
Further embedding and building upon the enhanced risk governance structures within the Divisions and at Group level to ensure efficient reporting, escalation and communication lines.

Risk accountabilities
Divisional Chief Risk Officers, or equivalent, will continue to build out their new functions and risk capabilities to reinforce our risk governance structures and reporting.

Risk methodology
Whilst the enhanced risk framework and methodology are being embedded in the divisions, the integration with our revised culture and values will be considered.

Identifying, managing and mitigating our principal risks

Identifying our principal risks

The principal risks and uncertainties which are considered to have a material impact on the Group's future performance and strategic objectives are set out on the following pages. These were identified through risk assessments of the Group functions and each of the Group's Divisions at a point in time and will continue to be monitored on an ongoing basis. Both external and internal risk factors in the current and medium-term time periods have been taken into consideration.

This is not intended to be an exhaustive and extensive analysis of all risks which may affect the Group. Additional risks and uncertainties currently deemed to be less material, or not presently known to Management, may also have an adverse effect on the performance and strategic objectives of the Group.

Changes to Legal, Regulatory and Licensing landscape

Link to strategy: 1 2 3 4

Principal risk/ uncertainty	Why we need to manage this	How we manage and mitigate the risk	Residual Impact/ Likelihood
Risk category: • Legal regulation and licensing • Change • Competition and commercial • Financial **Change in risk:** • Increase	The risks relating to the multiple, constantly changing and complex regulatory environments in which the Group operates, both in terms of multiple jurisdictions and evolving landscapes, can make it commercially challenging for the Group to operate, or restrict its ability to grow.	• The Group has dedicated internal and external Legal, Regulatory and Compliance teams covering all regions with responsibility for working with and advising Divisions on any upcoming regulatory changes and working with the business to set appropriate policies, processes and controls to adapt and ensure compliance. • For material changes to regulations and legislations (e.g. the UK Gambling Act Review), dedicated project teams are established to ensure a robust approach to consultation processes. • For material markets, the Group invests significantly in external counsel advice to conduct ongoing monitoring and to guide and support strategic decision-making and planning associated with these markets. • The Group invests continuously in the flexibility of our technology, which is key for entering or remaining in markets and allows for adaptability as market conditions change. • The Group and its Divisions have dedicated Corporate Affairs teams and hold membership of associations and industry groups working with regulators and governments to influence and drive proportionate, transparent and reasonable regulation in all markets.	**Impact:** **Likelihood:**

Cyber Resilience and Protection of Data

Link to strategy: 1 2 3 4

Principal risk/ uncertainty	Why we need to manage this	How we manage and mitigate the risk	Residual Impact/ Likelihood
Risk category: • Cyber security • Data Protection • Financial • Legal, Regulation and Licensing **Change in risk:** • Increase	A resilient IT environment is critical to the protection of customer data and other sensitive assets as well as the provision of critical services during a cyber-attack. With the enlarged Flutter Group this also increases the impact and likelihood of potential cyber-attack vectors and data breaches.	• The Group continues to invest significantly in cyber security resources and technologies and works with a variety of external security specialists to ensure security arrangements and systems are up to date in line with the current threat landscape following leading practice. • Post-merger, the Group has established a suite of objectives and key results ("OKRs") to mitigate global technology risks with allocated accountability and improvement plans. • The Divisions have a number of data protection policies in place in order to protect the privacy rights of individuals in accordance with the relevant local data protection and privacy legislation, including GDPR, which are monitored by the Legal and Data Protection teams to ensure business awareness and compliance with relevant laws and best practice. • Annual information security and data protection training is mandatory for employees, as well as conducting regular training and awareness sessions for key parts of the business which handle customer and staff personal information.	**Impact:** **Likelihood:**

Key:

Impact: Impact on the business if the risk materialises.

Likelihood: Likelihood of occurrence of the risk in the next three years after taking into account mitigation activities by the business.

- High
- Medium
- Low

Link to strategy:

1. Maximise profitable growth in core markets
2. Grow business in rest of world
3. Attain podium positions in international markets
4. Maintain and grow US leadership position

Transformation

Link to strategy: 1 2 3

Principal risk/ uncertainty	Why we need to manage this	How we manage and mitigate the risk	Residual Impact/ Likelihood
Risk category: • Strategic • Transformation • New Markets **Change in risk:** • New	The Group is undergoing significant transformation across the organisation including its structures, business operations, culture and technology which present both opportunities and risks.	• Post-merger, the Group set up a Transformation Management Office ("TMO") with dedicated transformation programme leads, for each Accountable Executive, to represent and progress the relevant transformation work, organisation restructuring and technology projects to meet the needs of the enlarged Group. • The Group has dedicated and experienced internal resources, complemented with external advisors in place to manage projects and programmes associated with transformation, with direct reporting lines to the Group's Executive Committee and Board. • The Group has robust structures and processes in place to manage and deliver synergy targets as committed to investors as part of the merger. • The Group has put in place dedicated project teams and workstreams to define the new Flutter culture and talent strategy following the merger.	**Impact:** Medium **Likelihood:** Low

US Strategy

Link to strategy: 4

Principal risk/ uncertainty	Why we need to manage this	How we manage and mitigate the risk	Residual Impact/ Likelihood
Risk category: • Strategic • Competition and Commercial • Financial **Change in risk:** • No change	The successful execution of the growth strategy for the US business across its brands and partnerships is critical. Ensuring the Group continues to allocate resources and capital appropriately is key to remaining competitive and pursuing our US growth opportunities.	• The Group continues to secure and maintain strong commercial relationships with our market access partners and strategic media partners to secure access to new markets and continued growth. • We continue to invest in the FanDuel and FOX Bet brands to acquire further market share and maintain leading market awareness. • In addition, the Group also has dedicated external advisers and resources to support with the assessment of the US competitive landscape to take appropriate actions. • We continue to further develop its existing technology stack to facilitate the complex regulatory requirements of various state regulators. • Our dedicated US Legal and Compliance teams work closely with the business teams to monitor ongoing compliance across multiple jurisdictions to continuously improve our processes and controls to ensure compliance with our federal and state obligations.	**Impact:** Medium **Likelihood:** Medium

Risks continued

Key:

Impact: Impact on the business if the risk materialises.

Likelihood: Likelihood of occurrence of the risk in the next three years after taking into account mitigation activities by the business.

- High
- Medium
- Low

Link to strategy:

1. Maximise profitable growth in core markets
2. Grow business in rest of world
3. Attain podium positions in international markets
4. Maintain and grow US leadership position

People

Link to strategy: 1 2 3 4

Principal risk/ uncertainty	Why we need to manage this	How we manage and mitigate the risk	Residual Impact/ Likelihood
Risk category: • People • Strategic **Change in risk:** • No change	The attraction and retention of key senior management and Executive level employees during a significant period of change across the Group to meet the needs of the newly restructured organisation is critical to achieving our strategic objectives.	• Dedicated workstreams have been put in place by the Group CPO function to align processes to identify talent acquisition partners to support internal teams to build a pipeline and attract the best talent for the Group going forward. • Through the Nomination and Remuneration Committee, the Board reviews key positions (namely the Executive Directors and senior management), succession plans and the remuneration and incentives in place across the Group. • The Remuneration Committee also reviews the structure in place for wider workforce with the objective to incentivise and retain talent to support the delivery of the Group's long-term strategy. • Post-merger, surveys have been conducted to understand the values and behaviours which are important to employees Group wide. Focus groups have been established to assess the Group culture narrative with Executive Leadership to support the culture, values and behaviours of Flutter. • The Group and Divisional CPO functions continue to drive health and well-being initiatives as part of the Group's response to Covid to ensure our people are supported.	**Impact:** Medium **Likelihood:** Low

Ongoing Compliance of Legal, Regulatory and Licensing landscape

Link to strategy: 1 2 3 4

Principal risk/ uncertainty	Why we need to manage this	How we manage and mitigate the risk	Residual Impact/ Likelihood
Risk category: • Legal Regulation and Licensing • Financial **Change in risk:** • No Change	The interpretation and ongoing compliance with complex and multiple regulatory and legislative requirements, applicable to the Group's activities in the markets in which it operates is critical to the sustainability and reputation of our business.	• For the jurisdictions in which we hold a licence, dedicated Divisional Compliance teams work closely with the business teams to monitor ongoing compliance and continuously enhance our processes and controls to ensure compliance with regulatory frameworks and licence requirements. • Annual compliance training, including Anti-Bribery and Corruption, Data Protection and Anti-Money Laundering is mandatory for all staff, as well as conducting regular training and awareness sessions for key parts of the business that are potentially at a higher risk of encountering scenarios presenting a heightened compliance risk of to the Group. • We have in place a number of Group-led overarching policies and compliance programmes in order to govern processes across Divisions and thereby ensuring compliance with applicable laws and regulations. • Management provides legal and regulatory updates through established governance forums at both Divisional and Group level Committees such as the Board Audit Committee and the Board Risk Committee on the application of various laws and regulations by the relevant jurisdiction to ensure that they are appropriately understood and managed.	**Impact:** Medium **Likelihood:** Medium

Key:

Impact: Impact on the business if the risk materialises.

Likelihood: Likelihood of occurrence of the risk in the next three years after taking into account mitigation activities by the business.

- High
- Medium
- Low

Link to strategy:

1. Maximise profitable growth in core markets
2. Grow business in rest of world
3. Attain podium positions in international markets
4. Maintain and grow US leadership position

Safer Gambling

Link to strategy: 1 2 3 4

Principal risk/ uncertainty	Why we need to manage this	How we manage and mitigate the risk	Residual Impact/ Likelihood
Risk category: • Customer • Safer Gambling • Strategic • Financial **Change in risk:** • No change	Safer Gambling underpins every element of the Group's strategy. We want to demonstrate consistency and global alignment with our Safer Gambling strategy to protect our customers who are at risk of the potential negative effects of gambling and to ensure we grow our business sustainably.	• Group Safer Gambling strategy is embedded into our businesses from how we identify and interact with at-risk customers through to how we communicate to a broad group of stakeholders and how we encourage Safer Gambling tool usage. During the Covid lockdown the Group proactively adapted existing Safer Gambling monitoring to ensure the protection of at-risk customers. • Post-merger, a Group strategic view has also been taken to ensure we take the best policies and processes available across the newly enlarged Group and enhance the strategic approach to Safer Gambling accordingly. • A leading range of tools are provided on all our brand sites to support customers in managing their spend and play, and the Group and its brands are continually working to improve and enhance our tools and site content to enable us to identify and interact with at-risk customers. • The Group works closely with leading external third parties to facilitate internal teams to enhance our capabilities on the identification of problem gambling through the use of artificial intelligence. • The Group continues to invest significantly in improvements for tackling the problem through donations to research, treatment, education initiatives, as well as through driving collaboration across the industry with other operators, charities and regulatory bodies.	**Impact:** Medium **Likelihood:** Medium

Third Parties and Key Suppliers

Link to strategy: 1 2 3 4

Principal risk/ uncertainty	Why we need to manage this	How we manage and mitigate the risk	Residual Impact/ Likelihood
Risk category: • Third Parties and Key Suppliers • Competition and Commercial • Strategic **Change in risk:** • No Change	Across our Divisions and Group we place significant reliance upon critical suppliers in technology, marketing, sports content and media which are fundamental to our business and product offerings. The effective management of critical third-party relationships, performance and regulatory expectations are key to the Group's strategic objectives.	• Strategic and critical suppliers are subject to regular business and quality reviews with dedicated resources for ongoing relationship and performance management. • The Group's Procurement function has developed and maintains a Critical Supplier Heatmap and established processes to provide ongoing liaison with key suppliers to respond to challenges posed by Covid and ensure continuity of critical services. • In light of Brexit, the Group has established dedicated work streams to plan and mitigate potential exposure across key areas which includes critical suppliers and supply chains to ensure continuity of critical services. • Where possible, the Group limits reliance on a single supplier to reduce potential single point of failure.	**Impact:** Medium **Likelihood:** Medium

Risks continued

Key:

Impact: Impact on the business if the risk materialises.

Likelihood: Likelihood of occurrence of the risk in the next three years after taking into account mitigation activities by the business.

- High
- Medium
- Low

Link to strategy:

1. Maximise profitable growth in core markets
2. Grow business in rest of world
3. Attain podium positions in international markets
4. Maintain and grow US leadership position

IT Resilience

Link to strategy: 1 2 3 4

Principal risk/ uncertainty	Why we need to manage this	How we manage and mitigate the risk	Residual Impact/ Likelihood
Risk category: • Disaster Recovery • Business Interruption • Financial **Change in risk:** • No Change	Our business operations and products have a critical dependency on our in-house technology and its ability to recover in timely manner from severe disruption, or from cyber related incidents with minimal impact on our customers.	• The Group continues to invest in our proprietary technology and resources to improve IT resilience, eliminate single points of failure and to drive better performance. • Post-merger, the Group has established a standard scale to aid comparison of the IT Disaster Recovery resilience levels in each Division and to ensure adequate improvement plans are developed and tracked to mitigate any material risks. • We have dedicated resources to develop, enhance and test our Disaster Recovery capability for our key products across all our brands of the Group. • Globally, we have key metrics on critical systems and platforms which are regularly monitored and reported to identify any potential emerging issues on our brands or customer facing technologies. • Defined formal incident management process are in place for identifying, escalating and resolving issues and a post-incident process to ensure we continuously improve our proprietary technology stack and incident response processes.	**Impact:** High **Likelihood:** Medium

Tax

Link to strategy: 1 2 3

Principal risk/ uncertainty	Why we need to manage this	How we manage and mitigate the risk	Residual Impact/ Likelihood
Risk category: • Tax • Financial • Legal and Regulatory • Strategic **Change in risk:** • No change	Given the global nature of our business and the changing tax landscape in relation to our industry, we adopt a balanced approach in delivering value through commercially aligned tax planning, efficient structuring of commercial activities and M&A, alongside proactive management of tax risk areas.	• The Group has dedicated internal and external Legal, Compliance and Tax teams for all regions with responsibility for working with and advising Divisions on any upcoming changes and working with the business to set appropriate policies, processes and controls to adapt and ensure compliance. • The Group holds memberships in industry groups working with regulators and governments in relation to influencing and driving proportionate and reasonable regulation and tax regimes. • The Group closely monitors changes in tax regulations in the markets which we operate in allowing the Group to assess, works in collaboration with Tax authorities to adapt and take necessary actions where appropriate, and we also periodically scan for emerging threats and uncertainties on the horizon. • The Group has dedicated qualified tax teams to manage its tax affairs for all regions with responsibility for advising senior leadership teams and business units to set appropriate policies, operating guidelines and controls. • In addition, the Group uses external tax and legal advisors for complex tax matters and to advise on significant uncertainties where necessary.	**Impact:** Medium **Likelihood:** Medium

Corporate governance

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Introduction to Governance

The Company is subject to the principles and provisions of the 2018 UK Corporate Governance Code (the "Code"). For the year ended 31 December 2020, the Company fully complied with the provisions set out in the Code as detailed on page 67. A summary of the system of governance adopted by the Company is set out on pages 67 to 123.

1. Leadership and company purpose

Read more on **pages 76 to 79**

The Board is responsible for leading the strategic direction of the business to promote long-term sustainable success.

This includes effective engagement with our stakeholders and colleagues. Through our designated Non-Executive Directors, our Employee Voice Forum supports the Board's workforce engagement.

Our Code of Ethics and associated policies ensure our colleagues can meet our expected values and behaviours.

2. Division of responsibilities

Read more on **pages 82 and 83**

We have clearly defined roles of the Chair and Chief Executive Officer. The Board operates effectively with an appropriate balance of independent Non-Executive Directors. No Director dominates the decision-making process.

3. Board composition, succession and evaluation

Read more on **pages 84 to 87**

We have clear processes when considering appointments to the Board to ensure we have an appropriate balance of skills, experience and broad diversity. We undertake a robust annual evaluation of the Board's performance and have in place appropriate Board succession plans.

Our Nomination Committee supports the Board in overseeing the recruitment and selection of Non-Executive Directors, and the annual Board evaluation process, and makes recommendations to the Board on the composition of the Board and its Committees.

4. Audit, risk and internal controls

Read more on **pages 92 to 103**

Our Audit Committee has oversight of our internal controls which safeguard the integrity of the financial statements and maintain effective systems of internal controls.

Our Risk Committee ensures that our risk and control environment is appropriately managed to protect our reputation and in particular, addresses ESG, Safer Gambling, betting integrity and AML.

5. Remuneration

Read more on **pages 104 to 122**

Our Remuneration Committee ensures the Company's remuneration arrangements in respect of its directors and our colleagues across the business are designed to support the strategy and promote long-term sustainable success by appropriately incentivising the relevant performance.

Compliance with the Code

Our approach to governance

Flutter is committed to the highest standards of corporate governance and we regularly review our governance structures and arrangements to ensure that they meet best practice requirements. The Board has responsibility for the leadership, strategic direction and long-term success of the Group. The Board is also responsible for the stewardship, establishing the Group's purpose, values and strategy and satisfying itself that these are aligned to the culture of the organisation.

As part of our decision-making process, due regard is given to the interests of all of the Group's stakeholders with the goal of achieving long-term sustainable success for the business. The Board, its Committees and management, working together, and using our governance principles, provide a clear and robust framework within which decisions are made.

The primary (premium) listing of Flutter Entertainment plc is on the London Stock Exchange, with the listing on Euronext Dublin characterised as secondary. For this reason, Flutter Entertainment plc is not subject to the same ongoing listing requirements as would apply to an Irish company with a primary listing on Euronext Dublin. For further information, shareholders should consult their financial adviser.

Notwithstanding its secondary listing on Euronext Dublin, the Company voluntarily adopts the provisions of the Irish Corporate Governance Annex (the "Irish Annex") in addition to the requirements of the Code.

Statement of compliance for 2020

This report sets out the operations and activities undertaken by the Board and its committees in compliance with the Code and the Irish Annex throughout 2020. On behalf of the Board, I am pleased to confirm that we have fully complied with both the Code and the Irish Annex for the year ended 31 December 2020.

The UK Code is available from the Financial Reporting Council's website **www.frc.org.uk**

The Irish Annex is available from Euronext Dublin's website **www.euronext.com**

Gary McGann
Chair
1 March 2021

Introduction to governance

Good corporate governance is essential to ensure our business is managed effectively for the benefit of all our stakeholders. Our governance framework provides clear lines of accountability and responsibility. It also supports the appropriate sharing of information, ensures appropriate oversight on strategic matters and facilitates an effective and transparent decision-making process.

Our governance arrangements support the development and delivery of strategy by:

- ensuring accountability and responsibility;
- facilitating sharing of an appropriate level of information to inform decisions;
- establishing engagement programmes with key stakeholders;
- maintaining a sound system of risk oversight and robust internal controls;
- providing independent insight and knowledge from Non-Executive Directors; and
- facilitating monitoring of business performance.

The Board maintains a formal schedule of matters which are reserved for its approval. These matters include decisions relating to the Group's strategy, capital structure, financing, major acquisitions or disposals, the risk appetite and the authorisation of capital expenditure above the delegated authority limits. The matters reserved for the Board are reviewed annually and available on:
www.flutter.com/investors/corporate-governance

Read a summary of matters reserved for the Board on **page 83**

Read more on our governance framework on **page 76**

Highlights

Board meetings in the year

2020 has been a transformative year for Flutter. We completed the combination with The Stars Group, Inc. ("TSG") in May and completed the acquisition of 37.2% of FanDuel Group Parent LLC ("FanDuel") in December. Both of these strategic transactions, in addition to the impact of the Covid pandemic on our business, required additional Board meetings throughout the year outside of scheduled meetings.

Read Board meeting attendance record on **page 83**

Board inductions

Following completion of the combination with TSG in May, all TSG board members joining the combined Board received a comprehensive induction on the Flutter business, as well as individual governance inductions and relevant committee inductions. In order to understand the TSG business, the legacy Flutter Board also received inductions on the PokerStars and SBG businesses. In total, 15 Board members received inductions throughout the year.

Read more on Board inductions on **page 85**

11
Board meetings in 2020

15
Board inductions delivered in 2020

Board of Directors

Committee membership key:

- A Audit
- N Nomination
- Re Remuneration
- Ri Risk
- Committee Chair

Non-Executive Directors' skills

Regulation and regulatory environment

Finance

Consumer services/retail

Gambling/gaming

Cyber security/technology

Marketing/branding

FTSE 100 or equivalent Board experience

Business transformation

M&A and Capital Markets

International experience (US, AU, EU)

Gary McGann (IR)

Chair – Independent on appointment

(age 70)

Appointed to this position
1 July 2015*

N Re

Key strengths and experience

- Extensive board experience in both the private and public sector
- Significant number of years' experience in senior finance, operations, market-facing and general management roles

Gary was, until September 2020, Chair of Aryzta AG, and previously a Non-Executive Director of Green Reit plc and Non-Executive Director of Smurfit Kappa Group, plc having been Group Chief Executive of Smurfit Kappa Group prior to this and having previously held a number of senior roles including President and Group Chief Operations Officer. Prior to this, he was Chief Executive of Gilbeys of Ireland and Aer Lingus Group. Gary holds BA and MSc Management degrees and is a qualified accountant (FCCA).

Other current appointments
None.

* Became a Non-Executive Director: November 2014.

Peter Jackson (UK)

Chief Executive Officer

(age 45)

Appointed to this position
8 January 2018*

Key strengths and experience

- Extensive experience in leading consumer businesses with international reach within a highly regulated industry
- Technology and digital consumer sector expertise

Prior to becoming Chief Executive Officer, Peter was Chief Executive Officer of Worldpay UK, an operating division of Worldpay Group plc. He was formerly Chief Executive Officer of Travelex Group. He then joined Banco Santander as Head of Global Innovation and a Director of Santander UK Group Holdings plc. Peter's previous experience includes senior positions at Lloyds and Halifax Bank of Scotland, as well as time at McKinsey & Company. He holds an MEng degree.

Other current appointments
None.

* Non-Executive Director of Betfair Group plc: April 2013 and Paddy Power Betfair plc: February 2016.

Jonathan Hill (UK/IR)

Chief Financial Officer

(age 52)

Appointed to this position
22 October 2018

Key strengths and experience

- Significant financial and operational experience across various industry sectors and at listed companies
- Strong knowledge in strategic planning and development of large corporate projects

Jonathan was previously the Group Chief Financial Officer at Saga plc. Prior to that, he held various senior roles within TUI Travel plc and Centrica plc and was the Group Finance Director at Bovis Homes Group plc. He is a qualified chartered accountant and spent his early career at Price Waterhouse in London.

Other current appointments

None.

Zillah Byng-Thorne (UK)

Independent Non-Executive Director

(age 46)

Appointed to this position
2 February 2016*

A Ri

Key strengths and experience

- A number of years' financial and operational experience
- Strong insight into retail trends, consumer behaviour, brands and the digital and technology sector having led a consumer-facing digital business

Zillah was appointed Chief Executive of Future plc in April 2014, having previously served as Chief Financial Officer and Company Secretary. Prior to this, she was Chief Financial Officer of Trader Media Group, Fitness First Group Ltd and Thresher Group. She is a chartered management accountant and a qualified treasurer, and holds an MA in Management Studies and an MSc in Behavioural Change.

Other current appointments

Chief Executive of Future plc and Non-Executive Director and Chair of Audit and Risk Committee of Goco Group plc.

* Non-Executive Director of Betfair Group plc: September 2013.

Divyesh (Dave) Gadhia (CA)

Non-Executive Director and Deputy Chair

(age 58)

Appointed to this position
5 May 2020*

N Ri

Key strengths and experience

- Extensive board and senior management experience
- Vast knowledge of the gambling and consumer products industries

Dave was previously the Executive Chairman of The Stars Group Inc. Prior to that, he served as a director of a number of other private and public companies, including as the Chief Executive Officer and Executive Vice Chairman of Gateway Casinos & Entertainment Limited and as a director of the Canadian Gaming Association. He holds a business degree and is an FCPA, FCA and a member of the Institute of Corporate Directors.

Other current appointments

None.

* Executive Chair of The Stars Group. Inc May 2018 and Non-Executive Director in May 2010.

Michael Cawley (IR)

Independent Non-Executive Director

(age 66)

Appointed to this position
17 July 2013

A Ri

Key strengths and experience

- Significant experience in senior finance, leadership and operational roles
- Extensive regulated industry experience

Michael is Chair of Hostelworld plc, and Non-Executive Director of Kingspan plc. He is also Non-Executive Director of Ryanair plc, having previously held a number of senior positions including Deputy Chief Executive Officer, Chief Operating Officer, Chief Financial Officer and Commercial Director. Prior to that, Michael was Group Finance Director of Gowan Group Limited. He is also Chair of Linked P2P Limited, Meadowbrook Heights Unlimited, and Prepaid Power Limited.

He is a qualified chartered accountant and holds a Bachelor degree in Commerce.

Other current appointments

Chair of Hostelworld Group plc and Non-Executive Director of Kingspan Group plc and Ryanair Holdings plc.

Governance

Board of Directors continued

Committee membership key: A Audit N Nomination Re Remuneration Ri Risk ■ Committee Chair

Nancy Cruickshank (UK)

Independent Non-Executive Director

(age 50)

Appointed to this position

15 May 2019

A Ri

Key strengths and experience

- Extensive digital and entrepreneurial expertise
- A wealth of Non-Executive Director experience

Nancy is a serial entrepreneur, digital leader and Non-Executive Director. She presently leads the Business Transformation programme at Carlsberg group. Her last start-up, My Showcase, was named by the Sunday Times as one of the 15 fastest-growing start-ups in the UK in 2016. The business was acquired by Miroma Group in February 2018.

Nancy worked in the digital industry for over 20 years, including launching Condé Nast online in 1996, overseeing Telegraph Media Group's Digital business and developing the Fashion & Beauty market leader, Handbag.com between 2001-2006, leading to a successful sale to Hearst Corporation in 2006.

Other current appointments

Non-Executive Director at Bango plc and Allegro.EU.SA.

Andrew Higginson (UK)

Senior Independent Director

(age 63)

Appointed to this position

2 October 2019

N (Committee Chair) Re

Key strengths and experience

- A wealth of Executive and Non-Executive Board-level experience
- Commercial, retail and leadership expertise

Andrew served as an Executive Director at Tesco plc, having spent 15 years on the Main Board, first as Finance and Strategy Director, and latterly as Chief Executive of their Retailing Services business. His early career was with Unilever, Guinness, Laura Ashley and the Burton group. He was previously the Chair of Poundland Group plc and N Brown plc, Senior Independent Director of Sky plc and a Non-Executive Director of the Rugby Football Union.

Other current appointments

Chair of Wm Morrison Supermarkets plc and Evergreen Garden Care Limited.

Richard Flint (UK)

Non-Executive Director

(age 48)

Appointed to this position

5 May 2020

Ri

Key strengths and experience

- Significant senior management and operational experience across the global gambling industry
- Extensive non-executive board level experience

Richard formerly served as Executive Chair of Sky Betting & Gaming, until October 2019, having previously held the position of Chief Executive Officer for 10 years. Prior to this, Richard held positions as Channel Director at FT.com and Product Director of the original flutter.com, which merged with Betfair in 2001. Richard worked as a consultant at McKinsey & Company from 1997 to 1999.

Richard has a degree in Engineering, Economics and Management and a Master's in public policy.

Other current appointments

Chair of the Board of online petfood company Butternut Box and Non-Executive Director on the Board of Welcome to Yorkshire.

Alfred F. Hurley, Jr (US)

Independent Non-Executive Director

(age 66)

Appointed to this position

5 May 2020*

N Re

Key strengths and experience

- Extensive board experience in both private and public sector
- Strong financial services, corporate governance and risk management experience

Prior to the combination between Flutter and TSG, Alfred was Lead Director and Chair of its Compensation Committee. Before that, he was Vice Chair and Chief Risk Officer of Emigrant Bank and Emigrant Bancorp, and previously the Chief Executive Officer of M. Safra & Co. Alfred spent most of his career at Merrill Lynch where he was both an investment banker and held various management positions including senior vice president of Merrill Lynch & Co.

Other current appointments

Chair of Nomination and Governance and Compensation Committees of New Mountain Finance Corporation.

*Non-Executive Director of The Stars Group, Inc. June 2016

David Lazzarato (CA)

Independent Non-Executive Director

(age 65)

Appointed to this position

5 May 2020*

A Ri

Key strengths and experience

- Significant public and private sector board experience
- Extensive experience in senior leadership, financial and operational roles

David served as a board member and Chair of the Audit Committee of TSG prior to its combination with Flutter. Prior to this, he chaired the audit committees of Yellow Pages Limited and LED Roadway Lighting. He also previously served as Senior Vice President of Finance at Bell Canada, Chief Executive Officer of Craig Wireless Systems, Executive Vice President and Chief Financial Officer of Alliance Atlantis Communications Inc., Executive Vice President and Chief Financial Officer of Allstream Inc. (formerly, AT&T Canada Inc.) and Chief Corporate Officer of MTS Allstream Inc.

David holds a bachelor of commerce degree, is a Chartered Accountant, and received his ICD.D certification from the Institute of Corporate Directors.

Other current appointments

None.

* Non-Executive Director of The Stars Group, Inc. June 2016

Mary Turner (CA)

Independent Non-Executive Director

(age 67)

Appointed to this position

5 May 2020*

A Re

Key strengths and experience

- Significant experience in financial services, payments, customer service, credit risk management, enterprise risk management, operations, finance and information technology
- A wealth of non-executive board level experience

Mary most recently served as a board member of TSG, where she chaired the Corporate Governance and Nominating Committee. Prior to that, she served as the President and Chief Executive Officer and as a board member of Canadian Tire Bank, a subsidiary of Canadian Tire Corporation. Before joining Canadian Tire, Mary was a partner at Deloitte & Touche (now Deloitte LLP). She has previously served on several boards, including Mackenzie financial Corporation, a subsidiary of IGM Financial Inc.

She holds an honours B.Sc and is a Chartered Accountant.

Other current appointments

None.

*Non-Executive Director of The Stars Group, Inc. June 2017

Peter Rigby (UK)

Independent Non-Executive Director

(age 65)

Appointed to this position

2 February 2016*

Re N

Key strengths and experience

- Significant experience in operations management, brands, and mergers and acquisitions
- A number of years' experience in senior finance roles and leading a highly digitalised business

Peter was previously Chief Executive and, prior to that, Finance Director, of Informa plc from 1983 to 2013. Prior to this, he held the role of Finance Director for Stonehart Publications. He holds a BA in Economics and is a qualified accountant.

Other current appointments

None.

* Non-Executive Director of Betfair Group plc: April 2014.

Read more on our Board skills and diversity on **pages 89 to 91**

Chair's introduction

In setting the tone for our culture, values and behaviour, the Board keeps the Group's stakeholders at the heart of our decision-making, and we remain focussed on delivery of the long-term sustainable success of the Group.

Gary McGann
Chair

Commitment to good governance

The Board remains strongly committed to good governance. This report sets out our progress in governance areas including work undertaken this year to support Directors, in particular new Board members, to engage in Board meetings, and initiatives implemented to enhance our risk governance framework to support embedding of risk culture throughout the combined Group.

Following the completion of the combination with TSG on 5 May 2020, Jan Bolz and Emer Timmons stepped down from the Board, and Rafi Ashkenazi, Dave Gadhia, David Lazzarato, Richard Flint, Alfred Hurley, and Mary Turner joined the Board as Non-Executive Directors. In addition, Dave Gadhia was appointed as Deputy Chair. A review of the skills and competencies of the enlarged Board, and the composition of all Committees was undertaken, which resulted in a number of rotations amongst existing Committee members. This is in line with the Board's commitment to regular refreshment of Board Committee composition and to ensure adequate skills and experience on each Committee. Dave Gadhia and Peter Rigby will not seek re-election at the 2021 AGM and will step down from the Board at the conclusion of that meeting. Nancy Dubuc will join the Board following the conclusion of the AGM on 29 April 2021 and Holly Koeppel will join the Board on 13 May 2021. The Board will continue to keep the composition of the Board and its Committees under regular review in light of these Board changes.

Read more on Directors' biographies on **pages 68 to 71**

In response to travel restrictions imposed due to the Covid pandemic, since March 2020, the Board has conducted its meetings, and those of its Committees, remotely through video calls.

Despite the challenge this presented, particularly in the context of new Board members who have not yet had the opportunity to meet in person, the Board continued to foster a highly effective Board culture. The Board is satisfied that the integrity of our governance structure has been maintained during this period.

The Board welcomes the establishment of an Executive Risk Committee as well as Divisional Risk Committees across the Group, which will further enhance the Risk governance framework in place across the business. This, together with the additional resources deployed to manage risk across the Divisions will ensure appropriate structures are in place to further support the embedding of a risk culture and awareness across the Group.

Read more on enhancements to our Risk Management Framework on **page 103**

Culture

The Code emphasises the importance of culture within organisations and the Board recognises its role in monitoring, assessing and promoting a healthy culture throughout the business. The Board is responsible for setting cultural values and standards and it does this through its leadership of the Group, its own behaviours, and through the establishment and review of underpinning policies and codes of conduct which set the expectations of how the Group should operate. It monitors the cultural dynamics of the Group through site visits, social engagement, colleague

Good corporate governance is key to promoting long-term sustainable success

surveys and the designated Non-Executive Directors for workforce engagement at the Employee Voice Forum. The Covid pandemic impeded much of this in 2020, but the Board look forward to face-to-face engagement with colleagues when travel permits.

The combination with TSG has provided us with an opportunity to leverage best practice policies and practices from each of the businesses. The Board had a number of opportunities to consider cultural metrics, particularly in relation to its business as usual reporting on employees, customers and risk, but the merger has enabled us to undertake a more holistic review of the Company's culture through our employee engagement surveys, which will support further development of a cultural dashboard as the basis to assess and monitor culture in future years.

Read more on **pages 78 and 79**

Strategy

The strategic priorities of the group have served well through 2020. The Board continues to review the strategy but believes these priorities will promote the Group's long-term sustainable success, our customers' interest, create value for shareholders and take account of our other stakeholders, underpinned by a robust Safer Gambling strategy.

Stakeholder engagement

The Board has always had regard to wider stakeholders interests beyond those of our shareholders. One important cohort is our employees and while it was not possible to meet with them in 2020 through visiting our international operations due to travel restrictions imposed as a result of the Covid pandemic, the Board's designated Non-Executive Directors continued to facilitate workforce engagement through the Employee Voice Forum.

Read more on workforce engagement on **page 80**

Committee Chairs also spend time outside of formal meetings conducting more widespread discussions with a broad range of our stakeholders. Both Peter Rigby (as Chair of the Remuneration Committee) and I held meetings with investors on general governance and remuneration matters during the year and details of these are discussed within this report.

At our AGM on 14 May 2020, although Resolution 9, authority to allot shares, was passed with the necessary majority, 26.26% of votes received were against. Resolution 9 was proposed in accordance with routine practice for listed companies, and as mentioned in our Notice of AGM, the authority sought by the Company was in line with the guidance issued by the Investment Association's Share Capital Management Guidelines. The Board has further consulted with shareholders and understand that certain overseas institutional investors have a policy of not supporting this authority for Directors to issue shares. In line with the requirements of the UK Corporate Governance Code, an AGM update statement was issued in November 2020.

Under Irish law, our Directors must have specific authority from shareholders to allot shares. Our senior management and Board rely on having the flexibility to quickly take advantage of strategic opportunities, including potential acquisitions and other capital-intensive opportunities.

The Board's role in shaping strategy

The following strategic matters were considered by the Board at the following meetings:

February

- The Board welcomed the UK Gambling Commission (the "UKGC") to its Board meeting, and shared key insights into the Group's Safer Gambling strategy, industry initiatives, and received an update on key workstreams with the UKGC.

May

- This was the first meeting of the newly combined Board following completion of the combination with TSG and provided an overview of the Group's cyber security strategy and the Board's role in cyber security risk management.

July

- The Board received an update on the progress of integration following the combination with TSG in May 2020. This included transformation programmes to realise value from the merger and identify opportunities for growth in each division.

Board strategy days September

- On day 1, the Board received a presentation on the International Division strategy and received briefings on capital markets and the changing media landscape in the US from external speakers.
- On day 2, the Board received individual presentations on the US, Australia and UK&I strategies from the newly confirmed Divisional CEO's.
- During both days, the Board had the opportunity to provide feedback, challenge proposals and share insights.

October

The Board approved a number of US media partnerships and also engaged in comprehensive discussions on the options available to accelerate the acquisition of 37.2% of FanDuel in advance of recommending the proposal for shareholder approval.

From time to time, certain of these opportunities may require the Company to issue new shares. While the Board does not have any current intention to exercise its authority to allot shares, if this authority is not renewed, we would be required to obtain shareholder approval prior to issuing any shares in connection with new strategic opportunities which may arise. The Board believes that this would put the Company at a disadvantage as compared to our peers in competing for acquisitions and similar strategic opportunities and may limit our ability to pursue transactions that we consider to be in the best interests of our shareholders. As a result, the Board still considers the flexibility afforded by this authority to be in the best interests of the Company and shareholders.

Gary McGann
Chair
1 March 2021

Board activities

During 2020, the Board held 11 meetings and key activities considered by the Board are set out below:

Strategic and operational matters

- Through the Chief Executive Officer, received updates on operational, business and strategic matters, including Safer Gambling as well as competitor analysis.
- Dedicated strategy sessions held to consider the Group's strategic opportunities and challenges and as a result, the strategy for the Group, as set out on page 17, was approved by the Board.
- Various presentations on regional and functional updates and developments received from Executive Committee members and other members of senior management incorporating actions, progress and risks in relation to the strategic priorities.
- Oversaw the combination with TSG and was provided with updates on progress in relation to integration and transformation programmes.
- Approved the accelerated acquisition of 37.2% of FanDuel and engaged in detailed discussions on options available for this transaction. Continued to monitor other opportunities for mergers and acquisitions as part of strategic growth opportunities.
- Considered the various changes in regulation and regulatory headwinds across our markets and the impact on our business and options available for mitigation.
- Was updated on material communications with regulators and other regulatory and legislative bodies.

Finance and investor relations

- Through the Chief Financial Officer, the Board was regularly updated on financial performance.
- Consideration of the 2021 budget.
- Reviewed and approved the results announcements and trading updates.
- Was updated on investor views, shareholder relations, analysts' reports and media updates, share register movements and share price performance, and engagement with investors.
- Reviewed and approved the going concern and viability statements.
- Reviewed the Group's financing and capital structure, approved the Dividend Policy and the proposal to pay the final dividend for 2019 by way of a bonus issue of shares. In the context of uncertainty around Covid and its impact on sporting events, approved the suspension of dividend payments for the financial year 2020 (see Note 13 to the Company Financial Statements on page 230).
- Considered the Annual review of the Group's tax strategy and its publication on our website.

Key Board meetings during the year

February

- Presentation from The Stars Group and update on M&A activity
- Meeting with UK Gambling Commission
- Approval of Dividend Policy, Preliminary Results Announcement
- Approval of 2019 Annual Report and Financial Statements
- Update on Investor Governance meetings
- Review of external Board Evaluation

July

- Approval of Board Diversity Policy
- Update on merger integration
- Legal, Regulatory and Compliance update
- Received reports from Board Committees and Employee Voice Forum
- Review of Group Structure and governance changes post-merger

October

- Q3 Forecast 2020 and Investor Relations update
- Received external presentation on US market
- Review of FanDuel Acquisition proposal
- Approval of contracts and authorised signatory policy
- Non-Executive Directors only session, without Executive Directors
- Board Cyber security training workshop

Governance, risk and regulatory obligations

- Reviewed developments in corporate governance, legal and regulatory updates, and considered enhancements to current practices to meet the Company's obligations.
- Undertook a fair, balanced and understandable review of the 2019 Annual Report and Accounts.
- Received updates on our internal control and risk management systems through reports from the Audit Committee and Risk Committee Chairs.
- Agreed the process and actions from the Board and Committee effectiveness evaluation.
- The Group Chair and Remuneration Committee Chair engaged with investors on governance and remuneration matters and feedback on voting in relation to AGM 2020 matters.
- Reviewed and approved the Matters Reserved for the Board and each Committee's Terms of Reference.
- Discussed the composition of the Board and its Committees, including succession planning and approved changes to the composition of all Board Committees.
- Approved the Group's updated Modern Slavery Statement and other Group-wide policies.

People and culture

- Was updated on employee proposition, engagement, succession planning, talent management and diversity, particularly at senior management level.
- Appointed three designated Non-Executive Directors for workforce engagement who received quarterly updates from workforce representatives on relevant workforce matters in their region through the Employee Voice Forum, as well as other employee updates from Group Chief People Officer.
- Updated on employee remuneration structure.
- Received updates on cultural integration workstreams following the combination with TSG and changes to organisational design.
- Monitored progress on diversity and inclusion across the Group.
- Considered updates on people management through Covid, including increased focus of management initiatives to support the well being of our colleagues.

December

- Approval of 2021 Budget
- Approval of Annual Assurance Statements for UK Gambling Commission
- Approval of revised Securities Dealing Code and Market Abuse documentation
- Approval of Compliance Policy and statement
- Approval of Matters Reserved for the Board and Board Committee Terms of Reference
- Approval of Modern Slavery Statement
- Update on Brexit

2021 future focus

The Board's objectives for 2021 is to undertake a full strategy review one year post merger, and to continue to focus on oversight of continued evaluation of integration of those business. The Board will continue to prioritise Safer Gambling , including responding to the UK Gambling Act Review, and wider ESG matters relevant to our businesses. The Board will continue to support the Executive Directors with the execution of our strategy, to focus on the attraction and retention of talented staff, succession planning increasing the diversity of the organisation and enhancing our governance practices. The Board remain aware and informed of cyber risks and mitigation and ensure that we continue to have regard to the interests of all of our stakeholders.

The Board looks forward to updating our shareholders on the progress of its objectives at our AGM, which will be held on 29 April 2021 at 11.00 am.

Leadership and purpose

Board

Chief Executive Officer

Executive Committee
Day-to-day management of the business and operations. Execution of the strategy is delegated to the Chief Executive Officer and the Executive Committee.

Nomination committee

Considers the structure, size and composition of the Board and its Committees and advises on succession planning for the Board and the Executive Committee and ensuring the Board retains an appropriate mix of skills, experience, knowledge and diversity.

Read more on **pages 88 to 91**

Audit committee

Provides governance and oversight over the integrity of the Group's financial reporting and the Group's internal controls and risk management systems, and also monitors the performance of internal and external audit.

Read more on **pages 92 to 99**

Risk committee

Reviews the reputational impact of the Group's activities and how these are being managed, the Group's Safer Gambling strategy objectives and performance, the Group's ESG strategy and objectives, and our risk management activities for assurance that these are appropriate and in line with the risk appetite of the Group.

Read more on **pages 100 to 103**

Remuneration committee

Reviews all aspects of Executive remuneration, reviewing trends across the industry and setting the Directors' Remuneration Policy, which is designed to incentivise and retain talent to support the delivery of the Group's long-term strategy. It also sets the remuneration of the Chair, the Executive Committee and the Company Secretary and reviews the structure in place for wider workforce remuneration.

Read more on **pages 104 to 122**

Market Disclosure committee

Responsible for overseeing the disclosure of information by the Company to meet its obligations under the EU Market Abuse Regulation and the Central Bank of Ireland's laws and regulations and the Financial Conduct Authority's Listing Rules and Disclosure Guidance and Transparency Rules.

Each Committee Chair formally reports to the Board following their meetings and makes any recommendations to the Board in line with their Terms of Reference. Papers and minutes for all Board Committee meetings are circulated to all Board members other than Directors who may be deemed to have a potential conflict of interest.

An effective Board

The Board's role is to be effective in securing the long-term sustainable success of the Group by ensuring delivery of an appropriate strategy. Maintaining the highest standards of governance is integral to this, together with ensuring the Board takes decisions that create sustainable long-term value for the mutual benefit of our shareholders, customers, employees and communities.

The operation of our Board is supported by the collective experience of the Directors and the diverse skills and experience they possess. This enables the Board to reach decisions in a focused and balanced way, supported by independent thought and constructive debate. Trust and mutual respect are the cornerstones of relationships between our Directors, with a Board dynamic that supports open and honest conversations to ensure decisions are taken for the benefit of Flutter in full consideration of the impact on all stakeholders.

The procedures of the Board are clearly documented in the Articles of Association and the matters requiring approval by the Board are set out in a schedule of Matters Reserved for the Board. The Board reviewed and approved the Matters Reserved in May 2020, following completion of the combination of TSG, and again in December 2020. These documents are available on https://www.flutter.com/investors/corporate-governance.

Read a summary of the matters reserved for the Board on **page 83**

There is a clear division of responsibilities between the roles of the Chair and CEO. To allow these responsibilities to be discharged effectively, the Chair and CEO maintain regular dialogue outside the Boardroom, to ensure adequate engagement and effective flow of information.

The Non-Executive Directors have direct access to senior management at all times. Informal as well as formal contact with the wider business is encouraged in order to develop a deeper understanding of Flutter's operations, and requests by Non-Executive Directors' for further information are welcomed. This broadens the Non-Executive Directors' sources of information and enables them to consider the wider impact of any Board decisions on stakeholders more broadly. The effectiveness of the Board is reviewed at least annually and conducted according to the guidance set out in the Code and the FRC Guidance on Board Effectiveness.

Read more on Board evaluation on **page 87**

Responsibility to all of our stakeholders for the approval and delivery of the Group's strategy and for creating and overseeing the framework to support its delivery resides with the Board. The Board holds two dedicated strategy days with the Executive Committee to help review the strategic direction of the Company for the short, medium and long term. Responsibility for the initial development and ultimate implementation of the Group's strategy and overall commercial objectives, following Board approval, resides with the Chief Executive Officer who is supported by the Executive Committee.

11 Board meetings were held in 2020. At each meeting, standing agenda items included updates by the Chair, the Chief Executive Officer, the Chief Financial Officer and the Company Secretary. Each Committee Chair also provided an update on their respective Committee meetings and copies of each Committee's minutes (to the extent that they contained no items which would be a potential conflict for other Directors) were circulated to the Board. In addition, during the year the Non-Executive Directors met on a number of occasions without the presence of Executive Directors.

Board and Committee members are provided with papers in a timely manner in advance of each meeting on a secure electronic portal. Each Director ensures they have reviewed papers in advance of the meeting. Exceptionally, if a Director is unable to attend, comments are provided to the Chair or the relevant Committee Chair beforehand. If any Director has unresolved concerns about the Group or a proposed action, these are recorded in the minutes of the meeting. There were no such occasions in 2020.

Time commitment

On appointment, Directors are advised of, and required to make, the necessary time commitment to discharge their responsibilities effectively. No precise timings are given as this will vary from year to year depending on activities. The Chair keeps under continual review the time each Non-Executive Director has dedicated to the Group and his own time commitment is kept under review by himself in conjunction with the Nomination Committee. This is also considered as part of the Board evaluation process. The majority of Directors are experienced board directors of public companies and all have an understanding of the time and intellectual commitment that is necessary to fulfil their commitments to the Group.

Zillah Byng-Thorne has both an Executive and a Non-Executive Director position in addition to her being a Non-Executive Director with the Group. Michael Cawley holds a number of Non-Executive directorships. The Chair and the Board consider that both Zillah and Michael provide sufficient time to discharge their responsibilities. Like all our Committee Chairs, Zillah and Michael spend an appropriate amount of time outside of meetings preparing and meeting with key internal stakeholders. The Board held an increased number of scheduled and unscheduled meetings during 2020 due to strategic matters as well as Covid. It is noteworthy that both Zillah and Michael have 100% attendance records for Board and Committee meetings for 2020.

For any Director who hasn't previously been a director of a public company, time expectations are highlighted on appointment. The Board recognises the Code's guidance and investors' expectations that Directors give sufficient time to discharge their responsibilities. Attendance at Board and Committee meetings is a priority. In addition to the formal scheduled meetings, there is significant other engagement by Directors. This includes private individual meetings with the Chair, the Chief Executive Officer and other Directors, as necessary.

As part of enhancing business knowledge and insight, Non-Executive Directors, in particular Committee Chairs, had meetings with other members of senior management throughout 2020. While site visits are actively encouraged, these were not possible during 2020 due to travel restrictions imposed in response to the Covid pandemic.

In respect of all Directors, the Chair is satisfied that their other duties and time commitments do not conflict with those as Directors of the Group and their involvement and commitment is more than sufficient to meet their Board obligations and responsibilities.

Executive Directors may hold one external non-executive directorship (but not a chairmanship) of a large public listed company (or its equivalent) but must obtain prior consent before accepting such a position. Executive Directors may retain the fees from any such directorship where practical. This is considered helpful to broaden and deepen their skills, knowledge and experience. At present, neither the Chief Executive officer nor the Chief Financial Officer hold any external directorships.

Culture focus in 2021

During 2020, the Board had a number of opportunities to consider cultural indicators and metrics particularly in relation to reporting on employees, customer matters and risk. While such reporting provides the Board with a good opportunity to monitor the culture of the business, management is working to improve the presentation of information to better facilitate the Board's monitoring and assessment of culture.

Defining culture

A healthy corporate culture is one in which Flutter has a purpose, values and strategy understood by the Company's stakeholders, where compliance, ethics and integrity are embedded, and an operating environment that is inclusive, diverse and engaging. Together, these aspects encourage employees to make positive differences for stakeholders, in which values guide decisions and actions and in which attitudes and behaviours are consistent with high standards of conduct and doing the right thing. 2020 has been a transformational year, the new combined Group has a significant international footprint, with a number of distinct and unique cultures and different vision and values. During 2021, we will define the overarching Group culture under which our brands sit, bringing to life what it means to our Brands and what it means to our Group functions at Flutter. This will be supported by the re-launch of our vision and values.

Guiding culture

Alignment within the definition of a healthy culture which we believe is guided by our values, attitudes and behaviours will support the Board in its oversight of how culture exists and is viewed by employees. The culture is underpinned by:

- our Values;
- attitudes; as summarised through Group policies; and
- behaviours as explained in the Code of Ethics.

Our culture pillars are communicated through culture-related programmes and initiatives such as targeted communications, mandatory compliance training and employee engagement surveys, the output of which is reported back to the Board by executives and the Employee Voice Forum.

Promoting culture

The role of the Board in relation to purpose, vision, strategy, which underpins our long-term goals and stakeholder engagement is key in supporting a healthy culture across the Group, as is reinforcing the agreed cultural tone through:

- the substance of the decisions it takes;
- the way in which those decisions are taken; and
- the visibility, transparency and communication of those decisions.

Monitoring culture

To understand more fully how culture manifests in employee beliefs and actions, the Board monitors development of tools to allow culture to be assessed, in part, on objective evidence. In working towards this, further enhancements have been made within the annual employee engagement survey. All of the above supports the objective of identifying shortcomings and taking corrective action should it be required; the Board recognises that this will continue to be an evolving area.

Values and culture

Engaging with a broad range of stakeholders

Stakeholder engagement

The Board recognises the value of maintaining close relationships with its stakeholders, understanding their views and the importance of these relationships in delivering our strategy. The Group's key stakeholders and their differing perspectives are taken into account as part of Board and Committee discussions. Throughout this Annual Report, we have provided information on some of the initiatives and approaches undertaken in relation to stakeholder engagement during 2020.

Workforce engagement

The Board gains an understanding of the views of our employees and the culture of the organisation through visits to our offices, one-to-one meetings with colleagues, Board presentations and feedback from the Executive Directors. While site visits were not possible during 2020 due to the Covid pandemic, the Board and its Committees received updates on the workforce throughout 2020. In particular, updates on initiatives for our teams to manage through Covid which were constantly refreshed and continuous updates on integration work streams were considered by the Board throughout the year.

The Board has in place an Employee Voice Forum, and has appointed three Non-Executive Directors designated for workforce engagement. The Employee Voice Forum is a mechanism for the designated Non-Executive Directors to monitor workforce engagement, to meet and hear from representatives from each of the Group's divisions on key employee matters, and to understand the views of colleagues. The Employee Voice Forum enhances the Board's awareness of employee matters, and contributes towards improving its ability to have regard to employee interests when making Board decisions.

The Employee Voice Forum held four meetings in 2020. Key considerations for the designated Non-Executive Directors included employee engagement updates from US and UK&I Retail, Global mobility, communication and integration related to the combination between Flutter and TSG and Diversity & Inclusion.

During 2021, the designated Non-Executive Directors will consider the future remit and operating model of the Employee Voice Forum to ensure they ensure have an understanding of key employee matters.

Employee Voice Forum

Peter Rigby

"As Chair of the Remuneration Committee, I was delighted to support the Gift of Shares granted to all our people in November 2020 in recognition of their commitment and hard work during the Covid pandemic and completion and integration of the merger."

As a member of the Employee Voice Forum and designated Non-Executive Director, I am keen to understand the views of employees on Reward and the Remuneration Policy set by the Board. Ensuring we have a well-structured Reward framework is critical to attracting and retaining key employees across the Group.

Richard Flint

"I have been interested to hear how colleagues across the combined Group worked together to collaborate and create relationships. This is particularly relevant for our Safer Gambling strategy."

As a member of the Risk Committee, which has oversight of the Group's Safer Gambling strategy, I have been interested in learning how our colleagues have worked with each other, shared knowledge and insights and collaborated on Safer Gambling initiatives.

Mary Turner

"Ensuring we have a diverse employee base is critical to our success. I have listened to feedback on our inclusion and diversity programmes and I will continue to promote inclusion and diversity during Board deliberations."

As well as receiving updates on whistleblowing during Audit Committee meetings and the culture of employees reporting incidences of suspected fraud, I am encouraged by the Board's and management's plans to further progress diversity and inclusion in 2021.

Investor engagement activities

January
- Governance and Remuneration meetings with investors

February
- 2019 Preliminary Results
- Analysts and investor presentation

March
- Significant investor engagement following onset of Covid-related sports restrictions
- Investor roadshow following results presentation in London, Dublin, Edinburgh and New York

April
- Q1 2020 trading update
- Extraordinary General Meeting all share combination between Flutter and TSG

May
- Annual General Meeting
- Investor Relations engaged with shareholders in connection with the equity placing of 8,045,995 new Ordinary shares which raised gross proceeds of £812.6m

July
- The Chair of the Remuneration Committee engaged with shareholders on proposed Executive Director remuneration

August
- The Chair of the Remuneration Committee engaged with shareholders on the impact of the merger on in-flight incentive plans
- 2020 Half-Year Results
- Virtual investor roadshow following results release

November
- Q3 2020 trading updates
- Engagement with shareholders on AGM voting
- Attendance at multiple US-facing conferences

December
- Equity placing of 8,004,503 new ordinary shares which raised gross proceeds of £1.1bn.
- Extraordinary General Meeting in connection with approximately 37.2% of FanDuel Parent Group LLC

Shareholder engagement

The Chair is responsible for ensuring that appropriate channels of communication are established between the Board and shareholders, and all Directors are aware of any issues or concerns of major shareholders raised during dialogue with shareholders. The Chair and Company Secretary holds governance meetings at least annually with major shareholders. Executive Directors attend investor presentations and results presentations, and the Board receives relevant feedback from investor relations reports and broker updates throughout the year. The Company Secretary engages with proxy advisors in advance of any shareholders meetings. In addition, throughout the year, the Chair of the Remuneration Committee led a process whereby major shareholders were consulted on proposed Executive Director remuneration following the combination with TSG. A summary of stakeholder engagement activities is set out above.

Annual General Meeting (AGM)

The 2020 AGM was held on 14 May 2020. Unfortunately, due to the Covid pandemic, Flutter was required to follow public health guidance, which at the time of the meeting, prohibited public gatherings and non-essential travel. However, facilities were available to shareholders to submit questions in advance of the meeting and to cast their votes electronically or by post. In line with the UK Code requirements, the Company issued the Notice of the AGM, together with an explanation of the items of business contained in a Circular to shareholders, in excess of 20 working days' notice of the AGM. Following completion of the all share combination with TSG on 5 May 2020, TSG shares were exchanged for Flutter shares. Due to the timing of the completion, and the time it normally takes for shares to settle in North America, TSG shareholders were not able to vote on the resolutions proposed at this meeting. As a result, this has impacted on voting turnout, which was 38.82% (2019: 61.95%).

All resolutions at the 2020 AGM were passed, however, Resolution 9, authority to allot share received 73.74% votes in favour. Resolution 9, authority to allot was proposed in accordance with routine practice for listed companies, and the authority sought by the Company was in line with the guidance issued by the Investment Association's Share Capital Management Guidelines. Following the AGM, the Board consulted and engaged with relevant shareholders to understand the reasons behind their votes against this resolution. Through this engagement, the Board understand that certain overseas institutional investors have a policy of not supporting this authority for Directors to issue shares.

Under Irish law, our Directors must have specific authority from shareholders to allot shares. Our senior management and Board rely on having the flexibility to quickly take advantage of strategic opportunities, including potential acquisitions and other capital-intensive opportunities. From time to time, certain of these opportunities may require the Company to issue new shares. While the Board does not have any current intention to exercise its authority to allot shares, if this authority is not renewed, we would be required to obtain shareholder approval prior to issuing any shares in connection with new strategic opportunities which may arise. The Board believes that this would put the Company at a disadvantage to our peers in competing for acquisitions and similar strategic opportunities and may limit our ability to pursue transactions that we consider to be in the best interests of our shareholders. As a result, the Board still considers the flexibility afforded by this authority to be in the best interests of the Company and shareholders and released an RNS six months after the AGM providing an update on views received from shareholders in accordance with the Code. The Board will continue to engage with shareholders on the authority to allot shares for future AGMs.

The 2021 AGM will be held on 29 April 2021. A letter from the Chair and Notice convening the AGM, with separate resolutions proposed for each item of business, will be sent to shareholders and will be made available at: www.flutter.com/investors/shareholders-centre/agm.

Extraordinary General Meetings (EGMs)

An EGM was held on 21 April 2020 in connection with the all share combination between Flutter and TSG. This meeting was also held under constrained circumstances due to public health restrictions in Ireland as a result of Covid and facilities were made available to shareholders to submit questions in advance of the meeting and to cast their votes electronically or by post. All resolutions were passed with an average of 99.55% votes in favour for the resolutions and voting turnout was 62.66%.

A further EGM was held on 29 December 2020 in connection with the acquisition of approximately 37.2% of FanDuel Group Parent LLC. This meeting was also held under constrained circumstances due to Covid and facilities were extended to enable shareholders to listen live to proceedings of the EGM. Shareholders were also able to submit questions in advance of the meeting and to cast their votes electronically. The resolution was passed with 99.99% votes in favour of the resolution and voting turnout was 73.24%.

Division of responsibilities

Non-Executive Directors

Responsibilities

Bring a strong external perspective, advice and judgement to the Board, acting independently and constructively challenging decisions. Bring varied industry and professional backgrounds, experience, skills and expertise aligned to the needs of the Group's business and long-term strategic objectives.

Gary McGann, Chair

Role

- Responsible for the leadership and effectiveness of the Board, including overseeing corporate governance matters and ensuring the evaluation of the Board, its Committees and the Directors is undertaken.
- With the Board, ensures that the Group's culture is aligned with its purpose, values and strategy.
- Agrees and manages the Board's agenda, ensuring that Directors receive timely, accurate and clear information on the Group's business, they are fully informed of relevant matters, and that there is sufficient time allocated to discussion of important matters, and thereby promoting effective and constructive debate and supporting a sound decision-making process.

Responsibilities

- Oversees the Board's consideration of the Group's strategy and the major issues facing the Group.
- Ensures adequate time is available for discussion and consideration of the Group's principal risks and their mitigation.
- Ensures there is effective stakeholder engagement and the Board is kept aware of their views, in particular those of shareholders and employees.

Andrew Higginson, Senior Independent Director

Role

- Available to liaise with shareholders in exceptional circumstances when they have concerns that have not been addressed by the Chair, the Chief Executive Officer or the Chief Financial Officer.

Responsibilities

- Leads the annual performance review of the Chair and assists the Chair with the annual Board evaluation.
- Provides advice and support to the Chair and serves as an intermediary for other Directors if necessary.

Peter Jackson, Chief Executive Officer

Role

- Overall responsibility for the Group's performance and the delivery of the Group's strategy in consultation and supported by the Board.
- Builds and leads an effective Executive Committee and oversees the Group's business operations and management of its risks.

Responsibilities

- Ensures appropriate consideration is given to the Group's responsibilities to all stakeholders, including its shareholders, customers and employees.

Jonathan Hill, Chief Financial Officer

Role

- Manages the Group's financial affairs, including the Finance, Tax, Treasury, Investor Relations, and Property and Procurement functions, as well as communication with capital markets.

Responsibilities

- Supports the Chief Executive Officer in the implementation and achievement of the Group's strategic objectives.

Edward Traynor, Company Secretary

Role

- Ensures a good flow of timely information within the Board and its Committees and between senior management and the Non-Executive Directors.
- Advises the Board on legal and governance matters and ensures compliance with Board procedures.
- Arranges new Director inductions, Board ongoing training and assists with continuous education as required.

Responsibilities

- With the Chair and the Senior Independent Director, reviews the governance processes, including the Board and Committee evaluation, in terms of being fit for purpose and the consideration of any improvements to be made.
- Supports the activities of the Board Committees.
- The Company Secretary is also General Counsel and oversees the Group Legal team.

Summary of matters reserved for the Board

- Setting the long-term strategic goals and overall business and commercial strategy
- Ensuring our purpose and values are aligned to the Group's culture
- Managing of risks impacting our reputation and setting the Group's risk appetite
- Approval of budgets, major capital projects, contracts and corporate actions, including mergers, acquisitions and divestments
- Overseeing of financial reporting and internal controls, and approval of financial reports and announcements
- Ensuring compliance with statutory and regulatory requirements, including corporate governance and listing rule requirements
- Approving appointments to the Board and ensuring sufficient succession plans are in place, including having regard to the Board diversity policy
- Determine the remuneration framework for Executives having regard to wider workforce remuneration arrangements
- Overseeing of environmental, social and governance matters including approval of the Group's priorities, plans and targets in respect of ESG and a review of performance in conjunction with the Risk Committee

2020 Board meetings attendance

	Meetings[1] attended/ eligible to attend	% of meetings attended
Gary McGann	11/11	100%
Peter Jackson	11/11	100%
Jonathan Hill	11/11	100%
Rafi Ashkenazi[2]	2/3	66.6%
Jan Bolz[3]	3/3	100%
Zillah Byng-Thorne	11/11	100%
Michael Cawley	11/11	100%
Nancy Cruickshank	10/11	90.9%
Ian Dyson[4]	10/11	90.9%
Dave Gadhia[5]	8/8	100%
Richard Flint[5]	8/8	100%
Andrew Higginson	11/11	100%
Alfred Hurley[5]	7/8	87.5%
David Lazzarato[5]	8/8	100%
Peter Rigby	11/11	100%
Emer Timmons[3]	3/3	100%
Mary Turner[5]	8/8	100%

1 Comprises scheduled and unscheduled meetings.
2 Appointed on 5 May 2020; stepped down from the Board on 27 August 2020
3 Resigned with effect from 5 May 2020
4 Resigned with effect from 31 December 2020
5 Appointed on 5 May 2020

In addition to the formal Board meetings held throughout the year, the Chair held a number of meetings with the Non-Executive Directors without the presence of Executive Directors. These meetings provide an opportunity to discuss business performance, execution of strategy and performance of the Executive Directors. In addition, the Senior Independent Director held a meeting without the presence of the Chair to discuss his performance.

Read more on the Board performance evaluation process on **page 87**

Independence

The Board is committed to ensuring that it continues to comprise a majority of Independent Non-Executive Directors who objectively challenge management. The Nomination Committee has carried out its annual assessment of independence of each of the Non-Executive Directors, taking into account the circumstances set out in the Code, namely whether the Directors are independent in character and judgement and free from relationships or circumstances which are likely to affect, or could appear to affect, the Directors' judgement.

Ian Dyson held the position of Non-Executive Director on Flutter and its legacy Boards for over 10 years.

Dave Gadhia was appointed to the TSG Board in May 2010 and held the position of Executive Chair of TSG from May 2018 to date of completion of the combination with Flutter.

Until October 2018, Richard Flint held the position of Executive Chair of Sky Betting & Gaming. Richard also has in place a consultancy agreement for the provision of consultancy services. The fee for these consultancy services is £250,000 per annum. Further details are set out in Note 31 to the Financial Statements.

The Board has determined that for these reasons Ian Dyson, Dave Gadhia and Richard Flint did not meet the independence criteria as set out in the Code for the year-ended 31 December 2020. The Board is satisfied that all other Non-Executive Directors remain independent for the purposes of the Code.

The Board considers all Directors are independent in character and judgement and exercise independence of thought.

Read more on Directors' biographies on **pages 68 to 71**

Conflicts of interest

The Board has formal procedures in place for managing conflicts of interest, which include an annual confirmation to this effect by all Directors. Directors are required to give advance notice of any actual or potential conflicts of interest to the Company Secretary and the Board should it arise. In the case of a conflict, the relevant Director would be excluded from the meeting on discussions related to the conflict and vote in respect of any matters in which they have an interest. These are formally considered on an annual basis by the Board alongside any other appointments held by Directors.

Prior to accepting any external appointments, Directors must discuss the time commitment and their ability to continue to effectively contribute to the Board with the Chair, who will consider any additional commitments, prior to reporting to all Board members.

Composition, succession and evaluation

Ensuring the Board has the skills and experience to support strategy, and is appropriately balanced and is diverse remains a priority for the Board.

Board composition

We aim to have a Board that is well balanced and has the appropriate skills, knowledge, experience and diversity for the current and future needs of the business. Whilst the tenure of individual Directors is taken into account, we are keen to strike a balance between continuity and succession for the Board as a whole. Longer-serving Directors bring valuable experience and working in conjunction with newer appointees, it is believed that the Board has an appropriate balance, is diverse and continues to operate effectively.

On completion of the combination with TSG, on 5 May 2020, Jan Bolz and Emer Timmons resigned from the Board, and Rafi Ashkenazi, Richard Flint, Dave Gadhia, Alfred Hurley, David Lazzarato and Mary Turner were appointed to the Board as Non-Executive Directors. Dave Gadhia was also appointed Deputy Chair.

Rafi Ashkenazi resigned from the Board on 27 August 2020, having joined TSG in January 2013 and served as Chief Executive Officer from March 2016 to completion of the combination with Flutter. Ian Dyson resigned from the Board on 31 December 2020, having joined the Betfair plc board in February 2010.

We consider the current size and composition of the Board, including the number of Non-Executive Directors, to be within a range which is appropriate for the Group, given its size and complexity following completion of the combination with TSG.

Dave Gadhia and Peter Rigby will not seek re-election at the 2021 AGM and will step down from the Board at the conclusion of the AGM on 29 April 2021.

Nancy Dubuc will join the Board with effect from conclusion of the AGM on 29 April 2021. Holly Koeppel will join the Board on 13 May 2021.

An effective Board requires the right mix of skills and experience. The Board maintains a matrix of key skills and experience identified by the Board as particularly valuable to the effective oversight of the Company which continues to grow in size, scale and breadth and the execution of our strategy. Board composition is kept under constant review with regards to the skills and experience relevant to the Board as a whole. The Board also consider tenure, independence, and has taken into account the recommendations of the Hampton-Alexander Review on female representation and the Parker Review on ethnic diversity. A summary of the process followed for the assessment of Director independence is set out on page 83 and an overview of key skills and experience relevant to the Board is set out on pages 68 to 71.

Read more on Directors biographies on **pages 68 to 71**

Read more on Board diversity on **pages 89 to 91**

Ongoing training and development and advice

The Chair and Company Secretary keep under review the knowledge of each Director, their understanding of the Group, key risks and uncertainties, and the evolving regulatory environment within which the Group operates, to fulfil their roles on the Board and its Committees. All Directors are encouraged to request further information and any support they consider necessary to fulfil their role. As part of ongoing development, legal and regulatory updates are provided as necessary to the Board and each Committee by internal and external advisers. We recognise that our Directors have a diverse range of experience, and we accordingly encourage them to attend external seminars in areas of remuneration, ESG, cyber and Covid and briefings that will assist them individually, particularly in the case of Committee Chairs. Additional knowledge is also gained through updates and briefings covering relevant areas for the business and the Group.

The aim of ongoing training and development is to continually refresh and expand the Board's knowledge and skills. In doing so, Directors can contribute to discussions on technical and regulatory matters more effectively.

Throughout 2020, the Board received training and development briefings on Directors' duties and responsibilities, listing rules and market abuse, capital markets, the US market landscape, and Cyber Security training workshops. Diversity and inclusion and cyber security are amongst those on the agenda for 2021.

Each Director may obtain independent professional advice at the Company's expense in the furtherance of their duties as a Director. Each Committee is supported by the Company Secretary and his Deputy. In addition, each Committee seeks independent professional advice as required.

Read more on Board Cyber Security training on **page 102**

Induction and Development

Along with the addition of six new Directors to the Board, the combination with TSG resulted in the bringing together TSG's and Flutter's existing betting and gaming businesses into a single Group, combining new business and geographies, with differing strategies and cultures. As a result, intensive induction sessions on the combined business were held for the entire Board in June 2020 as summarised below.

Induction to Flutter businesses	Introduction to The Stars Group businesses

Introductions to the Executive team

The Directors received an introduction to key Executive leaders across the Group, including their roles and background.

Australia/Sportsbet business

Overview of Australia market and business performance
- Sportsbet strategy
- People, leadership and values
- Covid response
- Strategic initiatives and key in-flight projects
- Risks and opportunities
- Interactive examples of brand and marketing activities
- Update on the migration of BetEasy into Sportsbet business
- Safer Gambling

Sky Betting & Gaming

- Sky Betting & Gaming history and business overview
- Leadership, vision and strategy
- Key financials
- People and culture
- Social responsibility
- Sustainable competitive advantages
- Customer tribe
- Covid response
- Safer Gambling

Europe/Paddy Power Betfair business

- Background to Paddy Power, Betfair and Adjarabet brands and shared capabilities of the brands
- Overview of PPB including its leadership team
- Business performance and strategy
- People and culture
- Customer metrics and proposition
- Covid response, risks and opportunities
- Safer Gambling initiatives

PokerStars

- History and business summary
- PokerStars players
- Recent trading trends
- Strategic priorities
- Setting a platform for future growth
- Safer Gambling
- Covid response

US/FanDuel

- Overview of the US market
- Business performance and strategic priorities
- Legislative and regulatory landscape
- Brand awareness and market share
- Key business risks
- Market access agreements
- US media landscape
- Proprietary technology stack
- Safer Gambling programme
- Covid response

FOX Bet

- Overview of the US market
- Main drivers of performance
- Legal and regulatory environment
- Overview of FOX Bet, brand awareness and market share
- Business performance
- Key initiatives
- Safer Gambling
- Marketing
- Covid response

Functional Group Updates

Group Legal, Risk and Regulatory

- Overview of newly created Chief Legal Officer and Group Commercial Director function, comprising legal and company secretarial, regulatory (including Safer Gambling), compliance, reputation and integrity
- Transformation programme overview, targets and KPIs and implementation plans
- Initial priority projects
- Divisional risk model
- Safer Gambling stock take and Group strategy framework

Group Technology

- Product development
- Support provided to functions
- Technology footprint
- Global operating model
- Cross Divisional technology projects
- Technology transformation programme
- Cyber Security

HR/People

- HR operating model
- People strategy
- Leadership
- Performance and engagement
- Diversity and culture
- Talent attraction and retention

Governance, Remuneration and Audit

Governance inductions delivered by the Company Secretary and his Deputy were held with each new Director. Our external remuneration consultants, PwC, delivered Remuneration inductions to new members of the Remuneration Committee. The Head of Internal Audit also held induction sessions with new members of the Audit Committee.

Composition, succession and evaluation continued

Election/re-election of Directors

As part of the recommendation to shareholders for the election/annual re-election of individual Directors, the skills and experience each Director brings, as well as their time commitment, tenure and independence, are considered by the Nomination Committee. The performance review and evaluation also feed into this process.

Following the review by and recommendation of the Nomination Committee, the Board recommends the re-election of all current Directors to shareholders at our upcoming 2021 AGM other than Dave Gadhia and Peter Rigby who are retiring and will not put themselves forward for re-election at the 2021 AGM.

Director induction and development

On joining the Board, all new Directors undertake an induction programme. The primary purpose of the induction programme is to familiarise new Directors with the Group's operations and business, the regulatory environment, our stakeholders, as well as Directors' duties and our governance practices. Non-Executive Directors are encouraged to visit our international offices to gain a first-hand understanding of the culture. While there is an overall induction programme in place, this is tailored to take into account a Director's previous experience, their responsibilities and specific Committee responsibilities. This is then discussed with the Director themselves.

Effectiveness of the Board

In accordance with the Code and the FRC Guidance on Board Effectiveness, the Board undertakes an annual evaluation of the performance of the Board and its Committees to access their effectiveness. Lead by the Chair and supported by the Senior Independent Director, the performance evaluation considers the balance of skills, experience and independence of the Board having regard to the Board Diversity Policy.

The annual performance evaluation is externally facilitated every three years. The 2019 performance evaluation was externally facilitated by Russell Reynolds Associates. An update on progress of the actions arising from this review is set out below.

Board and Committee evaluation

In addition to the formal performance evaluation process set out below, the Chair kept under review the performance of all Non-Executive Directors, having individual meetings and providing feedback as appropriate.

The performance evaluation to assess the performance of the Board, its Committee and Directors for 2020 was carried out internally and the process is set out below. The internal evaluation considered:

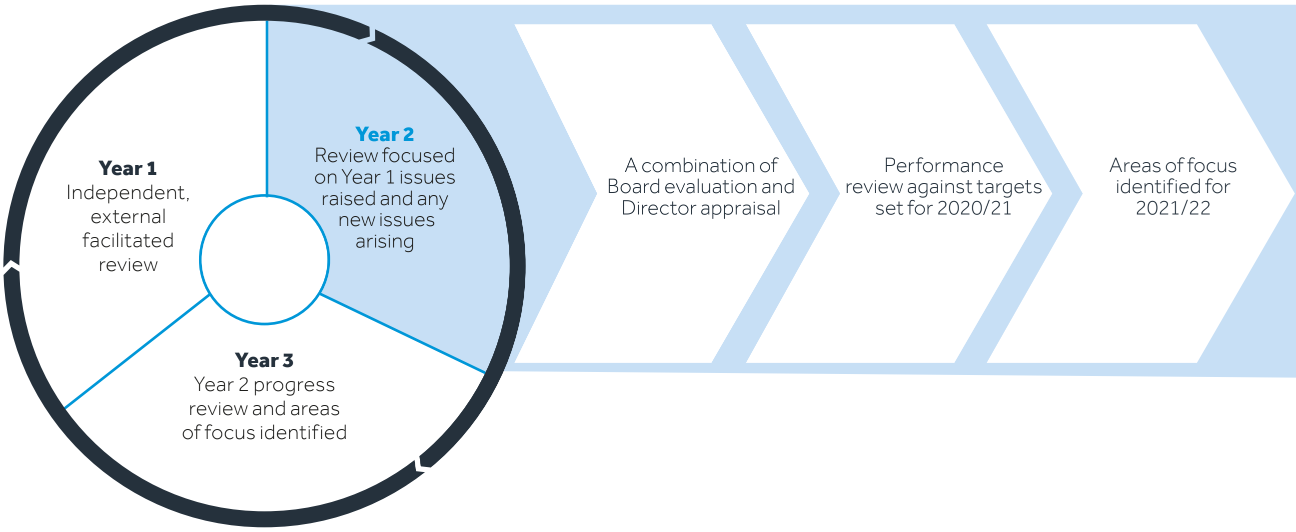
- the composition, performance and cohesion of the Board and its Committees, reflecting the current and future business model, the strategy of the Group, and risk oversight;
- an assessment of the individual competence of each member of the Board of Directors;
- an assessment of the roles and responsibilities and evidence of the strengths of the Board and its Committees;
- an evaluation of the Board's approach to leading the development of the culture and values across the Group;
- identification of any areas inhibiting the Board and its Committees from being fully effective; and
- the quality of materials presented and operation of Board meetings.

During a Board meeting held on 24 February 2021, the Chair presented a report on the outcome of the 2020 performance evaluation which summarised the feedback and highlighted key themes for consideration by the Board. This was discussed with the Chair of the Board and Senior Independent Director prior to being presented to the Board.

Actions were discussed and agreed with the Board and progress against these will be monitored by the Nomination Committee and the Company Secretary during 2021.

2019 evaluation actions	Progress
Board composition and succession planning: Taking into account the appropriate Board composition and size, to focus on sufficient succession plans being in place to ensure the smooth transition for regular Board refreshment, also ensuring an appropriate balance of skills and experience based on strategy-led definition of required competencies, diversity and board leadership roles.	The Composition of the Board and its Committees was reviewed in May, following which changes to Board Committees were approved. Board succession plans were considered by the Nomination Committee during 2020, and that Committee keeps under regular review the composition of the Board and its Committees, taking into account planned rotations.
Executive succession planning: To review succession plans to ensure they are appropriate to support development of a diverse pipeline of Executives across the Group.	Executive succession plans were considered by the Nomination Committee during the year, and these will continue to be monitored during 2021.
Risk management, especially Safer Gambling and other ESG matters: To continue to focus on oversight of Safer Gambling strategy across the Group, including its broader industry engagement, its risk to the reputation and business model, and also to focus on other areas of ESG.	There has been a broad spectrum of Board presentations both from within the business and by external advisers and experts, focusing on ongoing business awareness of our industry and the broader environment, including Safer Gambling and ESG Strategies.
Maintaining/rebuilding a strong culture after the new Board has been appointed: To continue to foster a highly effective Board culture while taking account of changes to Board composition.	While travel restrictions have prevented physical meetings, the new Board continues to integrate and continues to work on building a dynamic Board culture.
Oversight of merger integration and talent management: To utilise insights and learnings from previous mergers to ensure successful integration of the proposed merging companies.	The Board received presentations throughout the year on the progress of integration, including a particular focus on people, culture structure and talent management.

Board evaluation cycle process



2020 Board evaluation process	Results and conclusions	Focus areas
Questionnaires		
The questionnaires issued to each Director focussed on (i) Board Dynamics, Behaviours and Culture; (ii) Board leadership, Composition and Succession planning; (iii) Understanding the Business, Strategic Alignment and Risk Oversight; and (iv) Board Governance.	Overall, it was concluded that the Board functions well with strong engagement, allowing adequate time to discuss areas within their remit.	Review content and depth of reporting to the Board to ensure there is no duplication in information being presented and that sufficient level of information is provided to inform decision making.
One-to-One interviews		
One-to-one interviews were held with the Senior Independent Director and each Director and the Company Secretary. These sessions focussed on the outcome of the questionnaires and enabled further feedback on individual contribution and collective performance of the Board.	The merging of the Flutter and TSG Boards during Covid, has resulted in Board members not having met in person and all meetings taking place virtually. Despite this, there is a strong cohesive relationship between Directors and debate is appropriate. Board members are considered to be making an effective contribution to their roles, bringing relevant knowledge, diversity of perspective, and an ability and willingness to challenge.	The strategy review to include a one-year post-merger review and progress of integration and delivery of synergies.
Board Committees		
Committee Chair's keep under review the performance of their Committees. Individual Committee effectiveness was incorporated into the questionnaire and provided to each Committee Chair.	Each of the Committees were effective with strong engagement, allowing adequate time to discuss areas within their remit.	Include NED only session as a standing agenda item at each Board Committee meeting in addition to Board meetings to support the Committees on key matters to be addressed during meetings.
Chief Executive Officer		
The Chair provided feedback to the Chief Executive Officer on his performance having discussed with the other Directors.	The CEO had an outstanding year, strategically, operationally and financially.	To continue to manage the growing Group both in size and complexity and to deliver the integration and synergies associated with the merger and acquisition completed in 2020.
Executive Directors		
The Chief Executive Officer provided feedback to the Chief Financial Officer on his performance having also discussed with the other Directors.	The Chief Financial Officer also had an outstanding year having delivered strong financial results.	Continue to drive synergies associated with the merger across the Group.
Chair		
The Senior Independent Director meets with the Non-Executive Directors without the Chair, and also receives feedback from the Executive Directors on the performance of the Chair.	During a year of significant change on the Board, the Chair has brought together the enlarged Board and has facilitated a positive and supportive culture of openness. The Chair continues to perform very effectively, both in respect of Board matters and in relation to other aspects of his role as Chair, taking into account the benefit for all stakeholders, including shareholders.	Continue to lead Board dynamics and culture while meetings take place virtually, ensure sufficient time during meetings for discussion and debate, and facilitate more frequent NED only sessions.

Nomination Committee report

Andrew Higginson
Nomination Committee Chair

Highlights

- Oversee changes in composition to the Board as a result of the combination with TSG
- Monitored the progress of ongoing Board succession plans
- Oversee the external board evaluation process and implementation of action plan
- Considered succession plans for senior management
- Recommended extending the Board Apprentice Programme in further promoting high performing females at Board level
- Approved the Board Diversity Policy 2020

Key focus for next year

- Further progress on broad Board diversity
- Support progress on diversity and inclusion agenda across the business and ensure progress is made and continues to be embedded within our culture
- Continue to review and enhance Succession Planning at both Board and senior management level
- Continued implementation of the recommendations arising from the 2020 internal Board performance evaluation

"The Committee supports the Board in ensuring effective governance structures are in place, that the Board and its Committees have an appropriate balance of skills and experience, and oversees implementation of the Board Diversity Policy.

2020 meeting attendance

Committee members[1]	Date appointed	Attended/ eligible to attend
Andrew Higginson (Chair)[2]	Feb 2020	2/2
Ian Dyson[3]	Feb 2016	3/3
Michael Cawley[4]	Mar 2018	1/1
Nancy Cruickshank[5]	May 2019	1/1
Dave Gadhia[5]	May 2020	2/2
Alfred Hurley[5]	May 2020	2/2
Gary McGann	Jul 2015	3/3
Peter Rigby[5]	May 2020	2/2
Emer Timmons[6]	Aug 2018	1/1

1. Except Ian Dyson and Dave Gadhia, all members are Independent Non-Executive Directors and the Chair of the Board was independent on appointment to that role.
2. Appointed as a member of the Nomination Committee on 26 February 2020 and appointed as Chair of the Nomination Committee with effect from 14 May 2020. Prior to this, Ian Dyson was Chair of the Nomination Committee.
3. Resigned with effect from 31 December 2020.
4. Following review of Committee composition as a result of the combination with TSG, rotated off the Committee on 22 May 2020.
5. Appointed Committee member on 22 May 2020.
6. Resigned with effect from 5 May 2020.

Key responsibilities

The Committee considers the structure, size and composition of the Board and its Committees, advising on succession planning and making appropriate recommendations to ensure the Board retains an appropriate mix of skills, experience, knowledge and diversity, in line with the current and future needs of the Board.

Read the Nomination Committee Terms of Reference www.flutter.com/investors/corporate-governance.

Read Directors' biographies on **pages 68 to 71**

Key Committee meetings

February
- Review of external Board and Committee evaluation findings
- Review of Board Diversity Report
- Independence and Election/ Re-Election of Directors
- Review of Board Committee composition

July
- Approved the updated Board Diversity Policy 2020
- Approved the extension to the Board Apprentice Programme
- Reviewed Board Succession Planning and Committee Composition
- Approved Governance matters

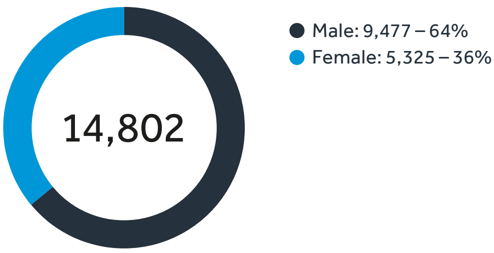
December
- Considered the process for the 2020 Board and Committee Effectiveness review
- Review of Board and Committee Succession plans
- Review of Executive Director Succession plans
- Received updates on Board and Organisational diversity progress

Inclusion and diversity

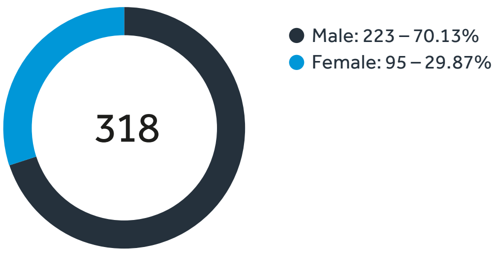
We are committed to building a workforce which is representative of the communities we serve, in all aspects of diversity. Our inclusion and diversity initiatives are set out in Our People section on pages 39 and 40.

The Board Diversity Policy sets out the approach to diversity on the Board of Directors. We aim to have a Board that is well-balanced and has the appropriate skills, knowledge, experience and diversity for the needs of the business. The Board Diversity Policy incorporates the requirements of the Code, together with the recommendations of the Hampton-Alexander Review on gender diversity and the Parker Review of ethnicity for FTSE 100 companies. Diversity is considered in the broadest sense including age, gender, nationality, independence, professional background, social and ethnic backgrounds, business and geographic experience, as well as cognitive and personal strengths. These differences are considered in determining the optimum composition of the Board, and when possible, should be appropriately balanced.

All employees*



Senior management*



Senior managers are defined in legislation as including both persons responsible for planning directly or controlling the activities of the Company (or strategically part of the Company); and any other directors of undertakings including in the consolidated accounts. For reporting purposes, as at 31 December 2020, there were 70 Group subsidiary entity board directors, comprising 8 female and 62 male.

* As at 31 December 2020.

Objectives of the Board Diversity Policy

The Nomination Committee reviews all measurable objectives for achieving diversity on the Board and recommends them for Board adoption. At any given time, the Board may pursue one or more aspects of its diversity policy and measure progress accordingly.

The Board is committed to improving diversity on the Board and aspires to meet the recommendation of the Hampton-Alexander Review of 33% female representation on the Board. It is recognised that there may be periods of change on the Board when this number may be smaller while the Board is refreshed. However, it is the Board's longer-term intention to at least maintain this balance.

The Board supports the recommendations set out in the Parker Review on ethnic diversity and is committed to improving its representation of diverse social and ethnic backgrounds. The Board aims to have at least one Director from an ethnic minority on the Board.

Implementation of Board Diversity Policy during 2020

All appointments to the Board are based on merit, in the context of the balance and mix of appropriate skills and experience the Board as a whole requires in order to be effective.

Diversity is a key criterion for consideration as part of the Board renewal process, and the Nomination Committee takes into account the following criteria when considering Non-Executive Director roles:

- skills, knowledge and experience in areas relevant to the operation of the Board, including professional background and international experience and having regard to Board skills gaps;
- diversity in all aspects, including age, nationality, gender, social and ethnic backgrounds, cognitive and personal strengths; and
- the need for an appropriately sized Board.

During the process of ongoing Board renewal, each or a combination of these criteria can take priority.

As part of the annual performance evaluation of the effectiveness of the Board, its Committees and individual Directors, the Nomination Committee will also consider the balance of skills, experience, independence and knowledge on the Board and the current and future diversity representation of the Board.

Nomination Committee report continued

Board Apprentice Programme: Enhancing female Board experience

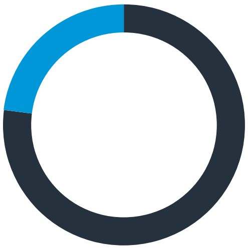
In July 2019, the Board approved our Flutter Board Apprentice Programme, and appointed Jessica Norell, Retail Director, GB as a Board Apprentice to our Risk Committee. The initial term of the Board apprentice was for 12-months, however, in July 2020, the Committee extended this term to 31 December 2020.

The Board Apprentice programme is a development opportunity intended to recognise a high performing female in a key leadership role across the Group, and with a strong performance track record and potential and provide them with Board-level experience. It provides an insight into the operation of a FTSE 100 Board Committee, as well as the opportunity to meet and interact with other senior leaders, Non-Executive Directors, and provide detailed insights into Flutter's Group risk and reputation strategic agenda, which are key priorities for the Board.

Jessica attended all Risk Committee meetings, received all meeting materials, and had the opportunity to fully participate in Risk Committee meetings. One-to-one meetings were held with the Risk Committee Chair, the Group Chair, the Company Secretary and senior managers within the Group Risk function to share insights and provide further context on the priorities of the Committee as well as the operation and practical workings of a Board-level Committee. In addition, Jessica had the opportunity to meet with other members of the Committee to ask questions and seek feedback to further maximise this development opportunity.

At the end of the Board Apprentice Programme, the Company Secretary held a feedback session with Jessica to reflect on her experience and support further enhancements to the 2021 Board Apprentice Programme.

Gender
(Executive and Non-Executive Directors)



- Male: 76.92% – 10
- Female: 23.08% – 3

Length of tenure
(Non-Executive Directors)*

- 0 to 3 years – 3
- 3 to 6 years – 3
- 6 to 9 years – 4
- Over 9 years – 1

Balance of independence

- Independent Non-Executive Directors* – 9
- Non-Independent Non-Executive Directors – 2
- Executive Directors – 2

* Including Chair.

Read more on independence on **page 83**

Implementation of Board Diversity Policy during 2020 continued

The Nomination Committee and the Company intends to only engage with search firms which are accredited under the Enhanced Voluntary Code of Conduct for Executive Search Firms in Board appointments. The recruitment and selection process for Non-Executive Directors requires longlists of potential candidates comprise at least 50% female candidates and the inclusion of other diversity candidates.

2020 Board diversity progress

As at 31 December 2020, we achieved our target of having at least one Director from an ethnic minority on the Board, and 23.08% of our Directors were female. While we did not meet our female representation target of 33% as at year-end, we are pleased to report this will increase to 38.46% following the resignations of Dave Gadhia and Peter Rigby who will not seek re-election at the 2021 AGM, and the appointment of Nancy Dubuc at the conclusion of the AGM on 29 April 2021 and appointment of Holly Koeppel on 13 May 2021 as outlined in further detail on page 91.

Russell Reynolds Associates, the external search agency used during the recruitment process for the appointments of Nancy Dubuc and Holly Koeppel was accredited under the Enhanced Voluntary Code of Conduct for Executive Search Firms.

During 2020, the recruitment process for Non-Executive Directors considered candidates from a wide pool of experience and both long-lists and short-lists of potential candidates comprised wholly (100%) of female candidates in order to further enhance our female representation on the Board.

2021 Board diversity priorities

The Board is committed to having a diverse Board and to ensuring an open and fair recruitment and selection process for all Board appointments. The Board has retained its target of 33% female representation on the Board and it intends to maintain our ethnic representation on the Board for the year ended 31 December 2021.

Recognising the benefits of wider experience, consideration of Non-Executive Director candidates from various backgrounds has been taken into account when considering Non-Executive Director appointments.

The recruitment and selection process for Non-Executive Directors ensures that longlists of potential candidates comprise at least 50% female candidates.

During 2021, the Nomination Committee and the Board will continue to review our Board Diversity Policy and its implementation to ensure it continues to promote an inclusive and diverse Board and will also include board exposure to advances in best practice in this area to help re-set our diversity ambitions.

Read more on Upcoming Board appointment below

Read Directors' biographies on **pages 68 to 71**

Succession planning

The Board's succession plan is reviewed formally once a year and addresses Board size, Committee structure and composition, skills on the Board, tenure, independence, diversity including gender and ethnicity, Board roles, and succession plans for key Board and Committee positions. In addition to our regular review of Non-Executive Director succession plans, the Committee also reviewed the succession plans of key senior leaders to ensure sufficient strength of pipeline of future leaders.

Succession plans include contingency plans in the event of an unexpected departure, medium-term plans for orderly replacement of current Board members and long-term plans linking strategy with the skills needed on the Board in the future.

Skills and experience

For balanced and effective decision-making, it is important the Board has a broad range of skills and experience. The Committee maintains a skills matrix of the Board to identify areas for enhancement and allows for the mapping of the Board's skills as a whole against the evolving needs of the business, and ensures that any future search for Non-Executive Directors is focussed. This assists in defining the attributes required as part of the search for new Non-Executive Directors.

Read more on our skills matrix on **page 68**

Effectiveness of the Committee

The operation, performance and effectiveness of the Committee is monitored by me throughout the year, and was also specifically reviewed as part of the internal Board and Committee evaluation process. I am pleased to confirm that it was considered that the Committee was operating effectively and focusing on the key areas within its remit.

Read more on our Board evaluation on **page 87**

Andrew Higginson
Nomination Committee Chair
1 March 2021

Governance

Upcoming Board appointments

During 2020, the Committee has focussed on Board Diversity and Board succession planning. Taking into account Board tenure and planned rotations, the Committee considered the future needs of Board composition and placed an emphasis on female representation on the Board.

Due to its knowledge of Flutter and its expertise and strength in similar appointments, executive search agents, Russell Reynolds Associates, were used to identify candidates during the course of 2020. Russell Reynolds Associates were also engaged to facilitate the 2019 external evaluation of the Board, its Committees and Directors. Russell Reynolds Associates have no other connection with the Company or any of its individual Directors.

While the Board's Diversity Policy requires the long-list of candidates to include 50% female candidates, the recruitment process for both Nancy Dubuc and Holly Koeppel comprised wholly of female candidates due to the Board's focus on increasing female representation.

The Committee reviewed a long-list of candidates as part of an international search for Board renewal that contained a diverse range of individuals across numerous sectors and held several meetings before this was reduced to a short-list.

The Nomination Committee and other Non-Executive Directors met and interviewed the short-listed candidates.

Before making the final decisions, the Committee reviewed the process it had followed and believes that recruitment and selection processes used in both appointments had been thorough and structured, broad and diverse and produced a high-quality pool of candidates to recommend to the Board. In both instances, the Committee decided unanimously that Nancy Dubuc and Holly Koeppel be appointed to the Board as Non-Executive Directors, which was endorsed by the Board and announced on 25 February 2021.

Nancy brings a wealth of experience in the media and entertainment sectors to Flutter.

Holly has extensive experience of regulated consumer facing businesses in the US and international markets.

Following the announcement on 25 February 2021 that Dave Gadhia and Peter Rigby will step down from the Board as Non-Executive Directors following the AGM on 29 April 2021, and following the appointments of Nancy Dubuc and Holly Koeppel on 29 April and 13 May 2021 respectively, female representation on the Board will increase to 38.46%.

Audit Committee report

Michael Cawley
Audit Committee Chair

Highlights

- Reviewed the significant financial judgements made during the year, most notably, new significant financial judgements arising from the combination with TSG
- Conducted a review of the 2020 Annual Report and Financial Statements to confirm that it was fair, balanced and capable of being understood by shareholders
- Conducted a review of our external auditors and proposed the reappointment of KPMG for the year ending 31 December 2021
- Re-based and approved the Group's 2020 Internal Audit plan following the combination with TSG
- Monitored the embedding of the changes made to the Group Internal Audit function during 2020, most notably the merging of the Flutter and TSG Internal Audit functions
- Approved the updated Group Treasury Policy
- Oversight of the Internal Controls team, a second line function with responsibility for financial controls

Key focus for next year

- Continue to provide oversight of integration of financial reporting systems across the Group
- Support the delivery of a comprehensive internal audit programme
- Provide continued monitoring of the closure of management actions
- Monitor changes in regulatory reporting requirements
- Commence preparations for the external audit tender in readiness for 2022

The audit committee provides oversight of the financial reporting and disclosure process, ensuring quality of our audit process and integrity of our system of internal controls.

2020 meeting attendance

Committee members[1]	Date appointed	Attended/ eligible to attend[2]
Michael Cawley (Chair)	Jul 2014 (Member: Jul 2013)	8/8
Jan Bolz[3]	Oct 2017	3/3
Zillah Byng-Thorne	Feb 2016	8/8
Nancy Cruickshank[4]	May 2020	5/5
Ian Dyson	Feb 2016	3/3
David Lazzarato[4]	May 2020	5/5
Emer Timmons[3]	May 2017	3/3
Mary Turner[4]	May 2020	5/5

1 All members were Independent Non-Executive Directors while appointed to the Committee in 2020. Ian Dyson rotated off the Committee when he ceased to be an Independent Non-Executive Director within the meaning of the Code following his re-election at the 2020 AGM.
2 The Committee met with the Risk Committee for an annual joint Audit and Risk Committee meeting in December 2020.
3. Resigned with effect from 5 May 2020.
4 Appointed Committee member with effect from 22 May 2020.

Key responsibilities

The main responsibilities and primary role of the Committee, as set out in its terms of reference (available at www.flutter.com) are to assist the Board in fulfilling its oversight responsibilities by monitoring the integrity of the financial statements of the Group and other financial information before publication, and reviewing significant financial reporting judgements contained in them. In addition, the Committee also reviews:

- the system of internal financial and operational controls on a continuing basis (the Group Risk Committee reviews the internal control and risk management systems); and
- the accounting and financial reporting processes, along with the roles and effectiveness of both the Group Internal Audit function and the external auditor.

Membership and operation of the Committee

The Committee met eight times in 2020, including the annual joint Audit and Risk Committee meeting in December. Meetings are generally scheduled around the financial reporting cycle to allow the Committee to discharge its duties in relation to the Financial Statements.

In addition to members of the Committee, regular attendees who attend meetings by invitation included the Chief Executive Officer, Chief Financial Officer, the Group Director of Internal Audit and the Group Director of Finance and Treasury. The external auditors, KPMG, also attend Committee meetings and have direct access to the Chair of the Committee. The Company Secretary, or his Deputy, acts as secretary to the Committee and provides support as required.

The Board is satisfied that Zillah Byng-Thorne, David Lazzarato, Mary Turner and I all have "recent and relevant financial experience" as required under the Code. All members of the Committee were Independent Non-Executive Directors during their appointment to the Committee with financial and commercial experience relevant to either the digital and/or consumer industry and the broader commercial environment within which we operate. Therefore, the Committee, the Nomination Committee and the Board are satisfied that the Committee, as a whole, has competence relevant to the sector in which the Group operates.

Read more on Directors' biographies on **pages 68 to 71**

To discharge its responsibilities effectively, the Committee has unrestricted access to the Group's external auditor, KPMG, and the Internal Audit function, with whom it meets throughout the year with, and without, management, as appropriate. These meetings ensure there are no restrictions on the scope of their audits, and allow discussion of any matter that the internal or external auditor might not wish to raise in the presence of management. The Committee may obtain, at the Group's expense, outside legal or other professional advice needed to perform its duties.

As Chair of the Committee, I report to the Board on the key outcomes from each meeting and on how the Committee has discharged its duties. The minutes of all Committee meetings are circulated to the Board for information.

Significant activities undertaken during the year

Significant financial judgements

Our review of the significant financial judgements made during the year and any key financial reporting issues are described on pages 95 and 96 of this report. In addition to routine consideration of potential fraud in revenue recognition and tax provisioning and legacy tax assessments in Germany and Greece, we also considered the acquisitions accounting for TSG incorporating the provisioning for Kentucky as a key reporting judgement.

Internal Audit

We continue to work closely with our internal audit function, and in particular, the Group Director of Internal Audit. During 2020, we continued to monitor and review the effectiveness of the Group's Internal Audit function. This has included consideration of the results of internal audits undertaken and challenges of management's responses to the findings, including updates on actions identified; approving any changes to the Internal Audit Plan for 2020 and approval of the Internal Audit Plan for 2021; and reviewed and approved amendments to the Internal Audit Charter.

Internal Controls over financial reporting

In December, we reviewed the work undertaken by the Group Internal Controls team. They presented their programme for '2nd line of defence' assurance work over the design adequacy and operational effectiveness of the financial controls designed to mitigate the risks of financial misstatement. We reviewed their plan, which involved the regular review and testing of a tailored suite of the internal controls inherited from TSG, and the planned roll out of a similar structure of financial controls across the heritage Flutter businesses.

Financial and business reporting

During the year, we monitored the integrity of the Financial Statements and the formal announcements relating to the Group's financial performance, and considered the report of the external auditor on the Financial Statements and the year-end audit. We assessed the Group's viability in line with the Code requirements and the appropriateness of the going concern basis and maintained oversight of compliance with relevant regulations for financial reporting and the Code.

Reporting and governance

On behalf of the Board, the Committee undertook a review of whether the Annual Reports and Financial Statements, taken as a whole, were fair, balanced and understandable and provide the necessary information to shareholders to assess the Group's position and performance, business model and strategy. Our review of the Annual Report and Financial Statements is described on page 94.

The Committee undertook a review of the Committee's Terms of Reference and schedule of proposed matters in both June and December.

Risk management and internal control

The Committee undertook an assessment of the appropriateness of the Group's overall risk management and internal control framework. Throughout the year, the Committee had oversight responsibility to ensure there is a robust process in place to monitor and evaluate the principal risks to which the Group is exposed, including those that would threaten its business model, future performance, solvency or liquidity.

The Committee reviewed the Group's whistleblowing arrangements by which employees may, in confidence, and if they wish, anonymously, raise concerns about possible improprieties in matters of financial reporting or other matters and any outputs there from. This responsibility was transferred to the Risk Committee for 2021. Further details on the Group's whistleblowing arrangements is set out on page 41. The Committee also reviewed the processes for detecting fraud, misconduct and control weaknesses and considering responses to any such occurrence.

Following these reviews, the Committee concluded that the Company's systems of risk management and internal control were effective and appropriate in the context of the Group.

Code of Ethics, Anti-bribery and Whistleblowing

Our Code of Ethics sets out the standard of conduct and behaviour expected of our employees throughout the organisation. We have in place policies, procedures, management systems and internal controls to prevent bribery and corruption occurring, including policies on whistleblowing, gifts and hospitality, and anti-bribery and corruption. The whistleblowing Policy encourages employees to raise issues regarding possible improprieties in matters of financial reporting or other matters on a confidential basis. This Committee monitored its effectiveness and was advised of notifications made. The Committee was satisfied that the whistleblowing process was working appropriately until the oversight of the Code of Ethics and whistleblowing Policy was transferred to the Risk Committee, effective 15 October 2020.

Audit Committee report continued

Fair, balanced and understandable

At the request of the Board, the Committee considered whether, in its opinion, the 2020 Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and whether they provide the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

How do we define 'fair, balanced and understandable'?

In justifying this statement, the Committee considered the robust process in place to create the Annual Report and Financial Statements, including:

- reviewed a draft of the whole Annual Report and Financial Statements at a meeting in advance of giving its final opinion and ahead of final approval by the Board. The Committee was provided with all relevant information, received briefings from management on how specific issues are managed and challenged management as required;
- received confirmation that each Committee had signed off on each of their respective Committee reports and reviewed other sections for which they have responsibility under their Terms of Reference;
- was provided with a confirmation by management that they were not aware of any material misstatements in the Financial Statements made intentionally to achieve a particular presentation; and
- was provided with findings from KPMG that it had found no material audit misstatements that would impact the unqualified audit opinion during the course of its work. The Committee confirms that it is satisfied that KPMG, as the external auditor, has fulfilled its responsibilities with diligence and professional scepticism. After reviewing the presentations and reporting from management and consulting where necessary with KPMG, the Committee is satisfied that the Annual Report and Financial Statements appropriately address the critical judgements and key estimates, both in respect of the amounts reported and the disclosures.

Is the report fair?

- Is the whole story presented and has any sensitive material been omitted that should have been included?
- Is the reporting on the business performance in the narrative reporting consistent with those used for the financial reporting in the financial statements?
- Are the key messages in the narrative reflected in the financial reporting?
- Are the KPIs disclosed at an appropriate level based on the financial reporting?

Is the report balanced?

- Is there a good level of consistency between the narrative reporting in the front and the financial reporting in the back of the report, and does the messaging presented within each remain consistent when one is read independently of the other?
- Is the Annual Report an appropriate document for shareholders?
- Are the statutory and adjusted measures explained clearly with appropriate prominence?
- Are the key judgements referred to in the narrative reporting and the significant issues reported in this Audit Committee Report consistent with the disclosures of key estimation uncertainties and critical judgements set out in the financial statements?
- How do the significant issues identified compare with the risks that KPMG plans to include in its report?

Is the report understandable?

- Is there a clear and understandable framework to the report?
- Are the important messages highlighted appropriately throughout the document?
- Is the layout clear with good linkage throughout in a manner that reflects the whole story?

Conclusion

Following its review, the Committee was of the opinion that the 2020 Annual Report and Financial Statements are representative of the year and present a fair, balanced and understandable overview, providing the necessary information for shareholders to assess the Group's position, performance, business model and strategy.

Key Committee meetings*

February
- Assessment of external auditor independence and recommendation for reappointment
- Review of Internal Controls and Risk Management Systems
- Consideration of fair, balanced and understandable
- Assessment of viability statements and going concern basis of preparation
- Recommendation of 2019 Annual Report and Financial Statements and Results announcement
- Review of external auditor effectiveness review
- Approval of Non-Audit Services

August
- Review and recommendation of approval of 2020 Interim Results
- Consideration of going concern basis of preparation
- Consideration of acquisition accounting as a key accounting judgement
- Approval of KPMG audit engagement letter

June
- Review of 2020 External Audit and Scope of work
- Approval of Finance and Control Integration Plan
- Approval of Internal Audit Charter
- Approval of Group Tax Strategy

October
- Review of Tax Risks update
- Received Treasury client funds update and approval of Treasury policy
- Received Whistleblowing update and approval of policy
- Review of 2020 Annual Report considerations

* Internal audit update and External Auditor update were standing agenda items at each Committee meeting

Financial reporting and significant financial issues

The role of the Committee in relation to financial reporting is to monitor the integrity of the Financial Statements at half year and at year end, as well as formal announcements relating to the Group's financial performance. The Committee has considered whether accounting standards are consistently applied across the Group and whether disclosures in the Financial Statements are appropriate and sufficient. Following discussions with management and KPMG, the Committee has determined that the key risks of misstatement of the Group's Financial Statements are in relation to the following:

Matter considered	Action
Acquisition Accounting As a result of the Group's all-share combination with TSG, it was necessary, in accordance with accounting rules, to perform a purchase price allocation exercise to fair value the assets and liabilities arising from the transaction and to consider the treatment of contingent liabilities. Acquisition accounting involves subjective judgement to arrive at fair values of assets and liabilities on the date of acquisition. Inappropriate assumptions may result in business combinations being accounted for incorrectly. The fair value exercise resulted in the identification of significant intangible assets and the recognition of material goodwill. The Group also as part of this exercise considered the measurement of the provision arising from legal proceedings that were originally brought by the Commonwealth of Kentucky in 2010 against certain subsidiaries of TSG prior to its combination with Flutter. On 17 December 2020, the Kentucky Supreme Court judgement reinstated an award of damages against TSG made in 2015 by a Kentucky trial court judge. That 2015 ruling had subsequently been vacated in its entirety by the Kentucky Court of Appeals in 2018. The outcome of the Kentucky Supreme Court ruling is that the $870 million judgement against TSG has been reinstated with compounding interest of 12% per annum. A rehearing petition was filed before the Kentucky Supreme Court on 6 January 2021 and the Group is awaiting a decision. Together with its legal advisers, Flutter strongly disputes the basis of this judgement and is currently reviewing its position. Flutter is confident that any amount it is ultimately liable to pay will be a limited proportion of the reinstated judgement. No liability was previously recognised by either TSG or Flutter prior to this judgement. Based on the opinion and views of legal counsel and advisers as to the likely payout outcomes, the Group has recognised a provision of US$100m as part of TSG combination fair value acquisition accounting in respect of this litigation which reflects the value of the supersedes bond in place since February 2016.	The Committee received regular updates on the integration of TSG and the impact on the presentation of the Group's results. Group Finance also presented the key judgements and fair value adjustments in respect of the identification and valuation of intangible assets and the treatment of contingent liabilities since completion of the combination with TSG. The Group also used external third party specialists in respect of the valuation of these intangibles assets. The Directors also received updates on the status of the Kentucky proceedings from the Chief Legal Officer and the Group Commerical Director and the Group have engaged legal advisers in the determination of the likely payout outcomes. KPMG reported to the Committee on results of its procedures which are designed to obtain sufficient appropriate audit evidence regarding the identification, potential recognition and disclosure of assets and liabilities arising from the combination with TSG. As a result of the above procedures, the Committee is satisfied that there are appropriate controls and processes in place to ensure consistency in the methodology, assumptions and data in respect of the acquisition accounting.

Audit Committee report continued

Matter considered	Action
Revenue recognition The Group has a number of income streams across its online and retail operations with a high prevalence of cash and card payment transactions. Effective operational and fraud-related controls from both an IT systems and financial control perspective assist in ensuring the accuracy and completeness of these income streams.	The Committee gained comfort over this area through discussion with the CFO and the Group Director of Finance and Treasury in relation to the operation of key financial controls such as cash and revenue reconciliations. The Joint Head's of Treasury and Client Funds presented to the Committee on treasury and banking controls in operation, which ensure the accuracy and integrity of funds held in the Group's bank accounts and client funds accounts. The Committee also gained an understanding of, and challenged, the work performed by KPMG, including its assessment of the key IT controls in operation in relation to the Group's IT systems. As a result of the above procedures, the Committee is satisfied that there are appropriate controls and processes in place across the Group to ensure the completeness and accuracy of reported income.
Tax provisioning and legacy tax assessment in Germany and Greece The Group operates in a heavily regulated industry across a number of jurisdictions in which regulation and compliance continue to evolve. Compliance with the laws and regulations in each jurisdiction could have a direct effect on material amounts reported and disclosed in the Group's Financial Statements and is therefore a key risk area considered by the Committee. This includes matters such as tax, where the application of international tax laws and their interaction within other legislation, requires judgement in order to identify and value provisions in relation to gaming and other taxes as applicable. The Group has two legacy tax assessments in Germany and Greece which it strongly disputes and is in the process of appealing. These amounts are not considered liabilities for the Group and no provision has been made for amounts assessed or potential further assessments. Pending the outcome of these appeals, the Group paid the Greek tax assessment (including the penalties and interest) of €15m and the €30.6m German tax assessment in 2019, with the late payment interest to be paid in due course. These amounts have been recorded as non-current receivables on the balance sheet.	The Directors keep abreast of all known or potential regulatory, tax or legal claims against the Group that may arise from the Group's operations. The Chief Legal Officer and Group Commercial Director reports to the Risk Committee on the processes in place to ensure compliance with laws and regulations in relation to gambling and gaming licences. The Committee Chair is a member of the Risk Committee and the Risk Committee Chair is a member of this Committee and she also provides an update to the entire Board on the discussions at the previous Risk Committee meeting with minutes circulated to all Directors. Accordingly, this Committee is kept fully appraised of any engagements with regulatory authorities. The Committee receives Internal Audit reports covering compliance with laws and regulations in an annual update from the Group Director of Tax with further updates on specific matters (including the legacy tax assessments in Germany and Greece) by him or the Chief Financial Officer as necessary. In addition, the Group engages legal and tax advisors on such matters. The combination of independent advice, our in-house expertise and the procedures and reporting by KPMG assisted in providing assurance to the Committee that the processes, assumptions and methodologies used by the Group in relation to taxation amounts reported and disclosed in the Group's Financial Statements are appropriate and that proper audit evidence has been obtained. The above procedures provided the Committee with assurance that sufficiently robust policies and procedures are in place to prevent and detect instances of non-compliance with laws and regulations that could have a material impact on the amounts reported in the Group's Financial Statements.

External Auditor

The Committee undertook a review and made a recommendation to the Board in relation to the continued appointment of KPMG as the external auditor and, as a Committee, approving KPMG's remuneration and terms of engagement for the 2020 financial year. During the year, the Committee reviewed and approved the External Audit Plan for 2020 presented by KPMG, including consideration of its key areas of risk and the audit approach applied by KPMG, the proposed areas of coverage of KPMG's audit and any changes thereto during the year. The Committee considered KPMG's updates during 2020 in relation to the External Audit Plan and related actions, and evaluated the performance of KPMG, including its independence and objectivity and monitored any non-audit services provided by KPMG. The Committee also reviewed the Group's Non-Audit Services Policy (the Non-Audit Policy) and, in advance, approved any non-audit services and related fees to be provided by KPMG during 2020.

Internal Audit

Internal Audit is an independent assurance function for the Group whose remit is to provide independent and objective assurance that the key risks to the Group are appropriately identified and managed and that key controls are operating as expected. It reports directly into the Committee. The Committee also annually approves the Internal Audit Charter.

The Group Director of Internal Audit attends and reports at every Committee meeting, has direct access to all Committee members, and the Committee Chair also met with the Group Director of Internal Audit outside of Committee meetings throughout 2020. The Committee approved the 2020 Internal Audit Plan in December 2019 and this was assessed by the Committee to ensure it provided adequate coverage across the Group and was risk-based in its approach.

Changes were made to this plan following the completion of the combination with TSG and based on emerging risks or changes in the business during the year; any changes are reviewed and agreed by the Committee.

Progress against the Internal Audit Plan was reported to the Committee throughout 2020 and is considered in detail at the half year and after the year end. The Committee also reviewed the specifics of audit findings and the progress of the business in addressing audit recommendations. Internal Audit regularly reported to the Committee on progress of the integration of the Internal Audit teams following the combination with TSG, risk profiles across the Divisions, methodology enhancements and on the overall risk management frameworks in the business.

Taking into consideration all of these, the Committee is satisfied as to the Internal Audit function's performance.

Risk management

In accordance with the Code, the Board is required to describe the principal risks to which the business is exposed, and the activities undertaken to mitigate against them. The Board must also confirm that it has carried out a robust assessment of the principal risks facing the Group, including those that would threaten the business model, future performance, solvency or liquidity of the business.

It is required to explain how it has assessed the prospects of the Group, over what period it has done so, why this period is considered appropriate and whether the Board has a reasonable expectation that the Group will be able to continue in operation and meet its liabilities if they fall due over the period of their assessment, drawing attention to any qualifications or assumptions as necessary. The Board has reported on these requirements on page 128.

This Committee and the Risk Committee together support the Board in relation to monitoring the adequacy and effectiveness of the risk management systems. During 2020, this Committee reviewed the output of the Internal Audit function as well as the management of financial risks. The Committee also reviewed the reports presented by the external auditor, KPMG, and reports from the recently established internal control function. The Risk Committee reviewed the work of the second line functions and ongoing operational risk management. To ensure that there is a full review of the risk management process as a whole, I am a member of the Risk Committee and the Chair of the Risk Committee is also a member of this Committee. We also have an annual joint meeting of the Audit and Risk Committee at which a review of the risk management process, as a whole, is undertaken, for its appropriateness and effectiveness in identifying the principal risks and reviewing how those risks are being managed and mitigated. The Committees also rely on the work of internal and external audit to ensure that appropriate measures are taken to address risks as they are identified or as their risk profile changes.

As part of the overall risk management framework, management maintains divisional risk registers. This Committee and the Risk Committee, together, at their annual joint meeting, formally consider these and the appropriateness of management's risk appetite.

Read more on understanding and managing our principal risks on **pages 57 to 64**

Read more in the Risk Committee Report on **pages 101 to 103**

External Auditor: KPMG

There are a number of areas which the Committee considers in relation to KPMG as the External Auditor – its performance, reappointment and length of service, independence and the provision of non-audit services, objectivity and remuneration.

Performance

In October, KPMG presented its audit plan and strategy to the Committee. This plan provided detail on the proposed audit approach and methodology, the materiality level intended to be used during the audit and highlighted the areas considered as having a higher risk due to the level of judgement involved and the potential impact of a misstatement on the Group Financial Statements. The areas of highest risk were considered to be acquisition accounting, including the treatment of contingent liabilities, revenue recognition and the German and Greek legacy gaming tax assessments. In addition, KPMG highlighted that, as required by Auditing Standards, management override of controls was also included as a significant audit risk. The Committee reviewed and appropriately challenged the conclusions reached by KPMG before agreeing its proposed Audit Plan's scope and approach.

The Committee provided appropriate challenge to the work performed, assumptions made and conclusions drawn, particularly in relation to the higher-risk areas identified above. The Committee meets privately with KPMG at least annually without any members of management or the Executive Directors being present.

Reappointment and length of service

The Committee is responsible for making recommendations on the appointment, reappointment and removal of the external auditor to the Board. It also keeps under review whether the external auditor is, and remains, objective and independent. KPMG Ireland was appointed as the Group's auditor in 2002. The audit was last tendered in 2011 for the year ended 31 December 2011. Post the merger with Betfair, KPMG LLP, the UK member firm of KPMG International, was the Group's auditors for the years ended 31 December 2016 and 2017. The Committee reviewed the performance and effectiveness of KPMG and concluded that it continues to provide an effective audit service and that there are no compelling reasons for change. The Committee is mindful of the requirements of the EU Directive on audit reform. Under the Directive's transitional arrangements, KPMG can continue to act as the Group's external auditor for the period up to 31 December 2023 at which point the Committee will need to recommend the appointment of a different audit firm. Having reviewed the effectiveness of KPMG, the Committee concluded that it was not in the best interests of the Group to undertake an external audit tender at this time, but we will continue to monitor the performance of KPMG and a tender will be undertaken when appropriate and, in any event, as required under the current legislation.

Accordingly, the Committee recommended the reappointment of KPMG to the Board (which was accepted) for the 2020 financial year. Cliona Mullen is the current lead audit partner and 2018 was her first year in this role. Cliona will rotate off as auditor partner at the conclusion of the 2020 audit, and Ryan McCarthy will be lead audit partner for the 2021 audit.

Audit Committee report continued

External audit process

Bespoke questionnaire prepared covering	Questionnaire completed by	Results of the questionnaire	Assessment
• Audit plan including risk assessment and timetable • Mindset and culture • Qualifications, expertise, character and resources • Dealing with key accounting and audit judgements, and how these are communicated • Quality and content of deliverables • Response to challenge by the Audit Committee • Relationship with Internal Audit	• Committee Chair • CFO • Group Director of Finance and Treasury • Director of Group Accounting and Reporting • Group Director of Internal Audit • Divisional Finance Leads • Director of Financial Controls • Group Tax Director • General Counsel and Company Secretary • Deputy Company Secretary	• Results of the questionnaire are collated centrally by the Group Finance and a summary of the findings were provided for the Committee to consider the overall effectiveness of the function and any action required.	• The output from the effectiveness questionnaire was shared with the Committee and KPMG. • Following the Committee's review of the output, the Committee confirmed that KPMG is effective as External Auditor to the Company and recommended to the Board their re-appointment as Auditor be proposed to shareholders at the 2021 AGM.

Auditor rotation timeline

2002
KPMG Ireland appointed

2011
Full competitive tender following which KPMG Ireland was reappointed

2020

2022/23
Competitive tender, unless specific circumstances require an earlier tender

Independence and the provision of non-audit services

The Committee is responsible for implementing appropriate safeguards where the external auditor also provides non-audit services to the Group. In recognition of the fact that the perceived independence and objectivity of the external auditor may be compromised where it receives fees for non-audit services, the Non-Audit Policy operated during 2020, formalising the process to be followed when considering whether to engage the external auditor for non-audit services. Any engagement of the external auditor for non-audit work must satisfy applicable rules and legislation, including Statutory Instrument SI 312 and the IAASA Ethical Standard for Auditors (Ireland).

KPMG is accordingly precluded from engaging in non-audit services that would compromise its independence, would violate any laws or regulations affecting its appointment as the external auditor, or would lead a reasonable third party to regard the objectives of the proposed non-audit service as being inconsistent with the external audit. The Non-Audit Policy specifically calls out services that the external auditor cannot provide to the Group. No approval is given by the Committee for the provision of prohibited services. Beyond this all engagements of KPMG are formally approved by the Committee in advance.

The Group's policy is that the total fees for non-audit services to the Group shall be limited to no more than 70% of the average of the fees paid for the last three consecutive years for audit-related services to KPMG Ireland and overseas offices. During 2020, KPMG Ireland were engaged to perform certain agreed upon procedures in relation to accounting work streams for the combination with TSG, providing observations to management on tax matters relating to the new operating models and half-year review. The Audit Committee specifically considered the impact of this on KPMG's independence as auditors and were satisfied that it was appropriate to engage KPMG, having taken into account the potential impact to the auditors' independence and the procedures put in place to reduce them to an acceptable level. During 2020, the Committee monitored the extent to which KPMG was engaged to provide non-audit services and considered and approved the engagement as required under the Non-Audit Policy. An analysis of the non-audit fees provided by KPMG during 2020 is set out in Note 9 to the Consolidated Financial Statements on page 170. For 2020, non-audit fees paid to KPMG amounted to 48% (2019: 38%) of audit-related fees paid to the Irish firm and overseas offices. This included certain services which overseas KPMG offices were providing to TSG prior to the merger and which were completed in the months following the transaction. Such services have now ceased.

The Committee is satisfied that the non-audit services provided and fees paid in relation to these do not impair KPMG's independence and objectivity and there are sufficient safeguards in place in respect of this.

Objectivity and hiring of former employees of the external auditor

In order to ensure the independence and objectivity of the external auditor, KPMG, any offer of employment to a former employee of the audit firm, within two years of the employee leaving the audit firm, must be pre-approved by the Committee where the offer is made in respect of a senior executive position. Key audit partners will not be offered employment by the Group within two years of undertaking any role on the audit. Other key team members will not be offered employment by the Group within six months of undertaking any role on the audit. Other employees of KPMG who accept employment by the Group must cease any activity on the Group's audit immediately when they tender their resignation to KPMG. In order to ensure objectivity, any partner previously involved in the audit of the Group's parent Company or its subsidiaries shall not be recruited in the Group Finance function.

The Committee is satisfied with the independence, objectivity and effectiveness of KPMG as the external auditor, and with the external audit process as a whole.

Effectiveness of the Committee

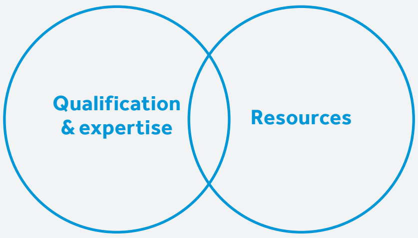
The operation, performance and effectiveness of the Committee is monitored by me throughout the year, and was also specifically reviewed as part of the internal evaluation process. All feedback received is used to improve the Committee's effectiveness. I am pleased to confirm that the Committee continues to operate effectively.

Read more on our skills matrix on **page 68**

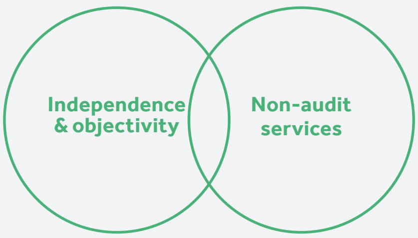
Read more on our Board evaluation on **page 87**

Michael Cawley
Audit Committee Chair
1 March 2021

External auditor effectiveness review



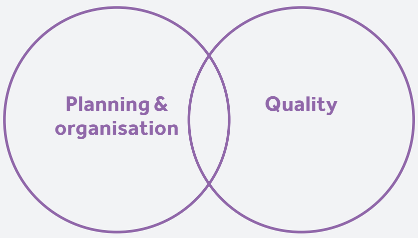
The Committee considered whether the external auditor had appropriate resources and expertise to conduct the audit, including the competence with which KPMG handled key accounting and audit judgements and the manner in which it communicated the same.



The Committee received comments from the CFO and management on the objectivity of the auditor.

Non-audit services provided by KPMG were reviewed and, as described on page 98, are not considered to have affected the auditor's independence.

The Committee was satisfied that KPMG complied with relevant ethical and professional guidance on the rotation of audit partners.



The Committee considered the effectiveness and organisation of the planning process for the audit, including progress against the agreed Audit Plan, communication of any changes to the plan in respect of matters such as emerging risks and post-audit evaluation.

The Committee was satisfied with the quality of reporting from the external auditor and their recommendations.

The Committee also took into account the outcome from an internal management review of its performance.

Risk Committee report

Zillah Byng-Thorne
Risk Committee Chair

Highlights

- Ongoing review of the management and impact of Covid risks
- Oversight of the Group's Safer Gambling strategy, progress in its execution and management during Covid
- Monitored Cyber Security threats and appointment of a Cyber Security Advisor to the Board
- Reviewed the three lines of defence, risk management framework, including review of Group's divisional risk registers and monitoring of Group risk appetite
- Monitored compliance activities, including AML, Anti-Bribery and Code of Ethics policies
- Reviewed and monitored bookmaking risks and trading limits
- Oversight of implementation of the Group's ESG strategy
- Oversight of emerging partners of the Exchange

Key focus for 2021

- ESG Strategy
- Safer Gambling strategy and the outcomes of the review of the UK Gambling Act
- Cyber security and data protection risks and mitigation
- Regulatory environment and licensing
- Key third party suppliers
- Oversight of strategic risks and risk appetite of material risks of the Group
- Promoting Safer Gambling standards in newly acquired businesses

"During 2020, the Committee focused on overseeing our Safer Gambling strategy, the management of material risks impacting our reputation, our response to Covid, as well as how we manage and mitigate cyber security threats.

2020 meeting attendance

Committee members[1]	Date appointed	Attended/ eligible to attend[2]
Zillah Byng-Thorne (Chair)	Jan 2018	6/6
Michael Cawley	Feb 2016	6/6
Nancy Cruickshank	May 2019	6/6
Richard Flint[3]	May 2020	5/5
Dave Gadhia[3]	May 2020	5/5
David Lazzarato[3]	May 2020	5/5
Gary McGann[4]	Jul 2015	1/1
Peter Rigby[4]	Feb 2016	1/1

1. All members are Non-Executive Directors.
2. The Committee also met with the Audit Committee members for an annual joint Audit and Risk Committee meeting.
3. Appointed Committee member on 22 May 2020.
4 Following review of Committee composition on merger, rotated off the Committee with effect from 22 May 2020.

Key activities undertaken in 2020

ESG matters

As part of its regular risk assessment, the Committee takes account of the significance of ESG matters to the business of the Group. The Committee was updated on the Group's objectives and strategy in respect of ESG and progress in the delivery of agreed actions. As detailed in the Strategic Report, our ESG addresses: Safer Gambling, inclusion and diversity, environment and climate, and community engagement and corporate social responsibility initiatives.

Read more on sustainability on **pages 35 to 41**

Safer Gambling

Safer Gambling is fundamental to every element of the Group's strategy and brand sustainability. The Board considers preventing gambling-related harm to be an essential part of behaving responsibly as a business and we have in place, and continue to enhance, wide-ranging policies and tools and support mechanisms to help our customers manage their gambling. The Group is actively engaging with the UK's Gambling Act Review, and Safer Gambling continues to be a high priority area of the Board.

In addition to Safer Gambling being a standing agenda item as part of the Chief Executive Officer's update at Board meetings, this Committee spends considerable time reviewing the strategic objectives and priorities for the Group and the progress being made in relation to agreed actions and work streams, as well as the monitoring of risks. Related presentations provide the opportunity to receive updates on the progress being made, for example on Safer Gambling operating controls and the continual improvements being made in relation to interactions with customers.

Read more on Risk Management through Covid below

Read more on Safer Gambling on **pages 26 to 29**

Compliance

The Committee regularly received updates in relation to the Group's ongoing compliance with its regulatory licences and legal obligations and considered the processes in place to manage and mitigate the risks related to relevant operational matters. These included anti-money laundering, anti-bribery, marketing compliance and data protection and privacy.

The Committee also reviewed formal reports from the Group Data Protection Officer and the Global Head of Financial Crime and Sports Integrity. The Committee is kept informed of substantive communications with regulators and management of such relationships. Together with the Audit Committee, this Committee was updated on the Group's Code of Ethics and related standards and policies, including those involving Whistleblowing and Anti-Bribery and Corruption, and how these are communicated to all employees, including mandatory training.

Our Code of Ethics sets out the standard of conduct and behaviour expected of our employees throughout the organisation. We have in place policies, procedures, management systems and internal controls to prevent bribery and corruption occurring, including policies on Whistleblowing and anti-bribery and corruption. The formalised Whistleblowing Policy and procedure encourages employees to raise issues regarding possible improprieties in matters of financial reporting or other matters on a confidential basis. As of October 2020, with the transfer of oversight of the Code of Ethics and Whistleblowing Policy from the Audit Committee, this Committee will continue to monitor its effectiveness and will be advised of notifications made.

Read more on the Group Code of Ethics **page 41**

Risk Management through Covid

The Covid pandemic has had a range of implications on risk management during 2020. The impact of Covid on the Group's principal and emerging risks and uncertainties has been reviewed in detail together with related mitigations.

Key and emerging risks

The Committee received an update from Group Risk and Internal Audit who jointly undertook a Group-wide review of the key medium-term risks which had been heightened as a result of the Covid pandemic to ensure mitigating actions and responses taken by management were appropriate. This included a review of the adequacy of key controls of significant process changes which were necessary to respond to Covid. The Committee also considered risks identified as heightened due to Covid, including Acquisitions and Integration, Safer Gambling and customer behaviours, AML, Commercial, Investor Relations, and Treasury and liquidity management. Due to the uncertainty and continued threat of new waves of Covid, the Committee kept under rigorous review key risks and how they were managed and mitigated by each Division, as well as identification of any potential gaps driven by emerging risks as a result of the pandemic.

Read more on our principal risks and uncertainties on **pages 57 to 64**

People strategy

The Committee provided oversight on the approach to People Strategy during the ongoing Covid pandemic. A Group-wide approach to wellbeing as employees continue to work from home has been endorsed by the Committee. In response to government advice on non-essential retail, many of our retail shops across the Group's global footprint were closed for periods throughout 2020. The Committee received regular updates on the significant work undertaken in retail shops to apply social distancing rules and implement health and well being measures for employees and customers in line with local government guidelines. Our offices have largely remained closed since March 2020, and our employees continue to work from home.

Read more on our people on **pages 39 and 40**

Safer Gambling during Covid

During 2020, the Committee received an update on Safer Gambling during the Covid pandemic. This included new measures implemented in the Customer Activity Awareness Programme ("CAAP") tool, which monitors customer behaviours to identify potential problem gambling, including the introduction of new controls as a result of the heightened risk around overnight play in gaming. The Committee also received an update on the 10 Betting and Gaming Council commitments, which included the Group's support to a ban on gaming advertising during pandemic lockdowns.

Read more on Safer Gambling on **pages 26 to 29**

Risk Committee report continued

Governance in Action

Cyber Security Toolkit for Boards

Cyber threats continue to be a feature of operating digital businesses and the Board is acutely aware of these risks. Therefore, time continued to be spent in 2020 discussing and monitoring cyber risks and security, and the progress in mitigating these risks and preventing any possible attacks or related material adverse incidents, including:

- approval of the Global Cyber Security Policy which sets out the set of cyber security requirements across the Group;
- regular review of access controls;
- review of security standards such as ISO27001: 2013, PCI and NIST held across the Group;
- approach to testing products and services in the same way that hackers would;
- defensive measures, procedures and teams in place to protect from malicious distributed denial of service (DDOS) attacks;
- processes in place to ensure security is built in to product development;
- tools and processes in place to ensure the Group is protected against insider threat including data leakage; and
- an emphasis on employee awareness, education and testing.

To further strengthen the Board's knowledge and expertise on cyber security, Templar Executives were appointed as cyber security advisors of the Board to provide a structured advisory programme over 18 months based on the UK National Cyber Security Centre ("NCSC") Cyber Security Toolkit for Boards.

The advisory programme is structured into three stages. The first stage completed in September included one-to-one discussions with each Board member to establish current levels of understanding of cyber security risks to the Group. The second stage includes four separate Board training sessions covering different aspects of cyber security and introducing elements of the NCSC toolkit. The Board has completed one session to date, with three additional sessions to be scheduled during the first half of 2021. The third stage will include one-to-one follow up sessions with selected Board members and will be scheduled to take place during 2021.

The Committee will monitor the effectiveness of the cyber security advisory programme throughout 2021.

Key Committee meetings

April

- Risk Management through Covid
- Customer Activity Awareness Programme roll-out and managing Safer Gambling during Covid
- Industry Engagements on Safer Gambling
- Management of Emerging Partners on the Exchange
- Risk Management
- Money Laundering Reporting Officer Report
- Data Protection Officer Report
- Approach to International Markets and Compliance

December

- Legal and Regulatory Updates, including Safer Gambling and UK Gambling Act Review
- Risk Management
- ESG Strategy
- Crisis Management Framework
- Disaster Recovery and Technology Operational Stability
- Annual Assurance Statements for the Gambling Commission
- Annual Governance Matters review

Bookmaking risks and trading limits

The Committee is responsible for reviewing and monitoring the performance of the Group's policies in respect of bookmaking risks. During 2020, the Committee received presentations from the Chief Trading Officer, as well as presentations from management, on the adequacy and effectiveness of the Group's Bookmaking and Risk Management functions. The Committee also reviewed the Group's Bookmaking risk and pay-out limits.

Risk management

This Committee, alongside the Audit Committee, supports the Board in monitoring the Group's risk management processes for their appropriateness and effectiveness in identifying the principal risks. As part of the overall risk management framework, management maintains individual divisional risk registers for each of Divisions. These detail the significant risks facing the business and consider the potential likelihood and impact of these risks materialising once the existence of controls and mitigating factors are considered.

The Committee reviews how our risks are being managed and mitigated and has oversight of key second line functions such as Risk Management, Compliance and Information Security. During 2020, the Committee met with, and received, detailed presentations from various key functions to assess the management of the main operational risks, including specific updates in relation to the International division, as well as updates on Cyber security related risks, commercial risks and strategic risks among others. The Audit Committee has oversight of the third line function.

Read more on the Audit Committee on **pages 92 to 99**

Risk Management Framework

The Committee welcomed the re-design during 2020 of the risk management framework in the business including the creation of the Chief Legal Officer and Group Commercial Director function. By combining each of the key areas of risk, regulatory, compliance and legal at Group level, this enabled the continued alignment of risk management across the newly enlarged Group in a manner which is both scalable and robust in effectively managing risk across the business. Coupled with the establishment of the Executive Risk Committee, chaired by the Chief Legal Officer and Group Commercial Director, these measures demonstrate the business' commitment to continually enhancing the approach to risk management across the enlarged Group.

In a further strengthening of the Company's risk framework, the re-design also saw the appointment of dedicated Chief Risk Officers (or equivalent) in each of the four divisions, each of whom are members of the Divisional Executive Committees. Allied to this is the establishment of Divisional Risk Committees, chaired by the Chief Risk Officer of each respective division, to assess, monitor and report on key risks for each of their businesses in line with the risk appetite for the Group.

Together, these changes in risk governance further support embedding of the three lines of defence model across the Group and enhance the Group risk management governance framework.

Read more on the Executive and Divisional Risk Committees on **page 58**

To ensure that there is a full review of the risk management process as a whole, I am a member of the Audit Committee and Michael Cawley (Audit Committee Chair) is a member of this Committee and updates are provided by each Committee Chair at the Board meeting. We also hold at least one joint meeting of the Audit and Risk Committees annually at which we specifically review the risk management process as a whole, for its appropriateness and effectiveness in identifying the principal risks and how those risks are being managed and mitigated, the Group's risk registers, and the appropriateness of management's risk appetite. This is then reported to the Board in order to assist with the Board's assessment and approval.

Read more in the Audit Committee Report on **pages 92 to 99**

Risk Tolerance

Given the operating environment and industry in which we operate, we continuously face risks and uncertainties. An overview of the Group's risk profile is set out in Understanding and Managing our Risks on pages 57 to 64. The Group's risk tolerance is set by the Board and is the level of risk we are willing to accept to achieve our strategic objectives.

Read more on strategy on **page 17**

Our overall risk tolerance is low and is contained in our Risk Appetite Statement. This tolerance, alongside our culture, informs how our staff respond to risk. Our Divisional risk teams, with support from Group Risk, continue to monitor potential risks or breaches of our risk tolerance and report to the Committee.

Board Apprentice Programme

In accordance with the Board Apprentice Programme, Jessica Norell, a high performing female in a senior leadership position, attended meetings of the Committee throughout the year for the term of her appointment as Board apprentice. We thank Jessica for all her contributions throughout the Board Apprentice Programme.

Read more on the Board's Apprentice Programme on **page 90**

Effectiveness of the Committee

This is monitored by me and was also specifically reviewed as part of the internal evaluation process. All feedback received is used to improve the Committee's effectiveness particularly as the scope and remit of the Committee evolves in a very dynamic market. I am pleased to confirm that the Committee continues to operate effectively.

Read more on our Board evaluation on **page 87**

Zillah Byng-Thorne
Risk Committee Chair
1 March 2021

Remuneration Committee Chair's Statement

Peter Rigby
Remuneration Committee Chair

Highlights

- Implemented the Remuneration Policy approved by shareholders at the 2020 AGM
- Agreed changes to the remuneration structure as a result of the merger, in particular to incentive plan performance measures
- Reviewed salary levels for Executive Directors following the merger
- Set the remuneration package for new Executive Committee members, and reviewed reward structures below Board level
- Oversight of Covid response to employee pay and wellbeing
- Reviewed and approved 2020 annual bonus outturn and 2018 Long Term Incentive Plan ("LTIP") vesting level

Key focus for next year

- Continue to keep abreast of changes in UK corporate governance and best practice
- Ensure that remuneration remains appropriate to attract and retain key talent
- Oversee below-Board reward structure to bring alignment across the newly merged Group, ensuring that the reward strategy remains agile and fit for purpose
- Continue ongoing engagement with shareholders

As an Irish-incorporated company, Flutter Entertainment plc is not subject to the UK's remuneration reporting requirements though it is subject to the Shareholder Rights Directive II. Our preference is for our remuneration policies, practices and reporting to reflect best practice corporate governance for a FTSE 100 company. Accordingly, since 2015 the Committee has complied with the reporting regulations on a voluntary basis.

"2020 has been a momentous year for Flutter.

2020 meeting attendance

Committee members[1]	Date appointed	Attended/ eligible to attend
Peter Rigby (Chair)	Jan 2018 (member: Feb 2016)	6/6
Jan Bolz[2]	Oct 2017	2/2
Ian Dyson[3]	Jan 2018	2/2
Andrew Higginson[4]	Feb 2020	4/4
Alfred Hurley[4]	May 2020	4/4
Gary McGann	Jul 2015	6/6
Emer Timmons[2]	Jan 2018	2/2
Mary Turner[4]	May 2020	4/4

1. All members are Independent Non-Executive Directors and the Chair of the Board was independent on appointment to that role.
2. Resigned with effect from 5 May 2020.
3. Following review of Committee composition on merger, rotated off the Committee on 14 May 2020. Ian also stepped down from the Board on 31 December 2020.
4. Appointed Committee member on 22 May 2020.

The Committee's Terms of Reference are reviewed annually and are available at: **www.flutter.com/investors**

Other attendees

The CEO, CFO, CPO, Reward Director, Head of Executive Compensation and PricewaterhouseCoopers ("PwC"), our remuneration advisers, attended some or all of the meetings by invitation, but are not members. The Deputy Company Secretary acts as secretary to the Committee and provides support to it.

How this report is structured

- This **Remuneration Committee Chair's Statement** on pages 104 to 108 provides context and background for the Committee's decisions in what was a challenging year, and summarises the Executive Directors' remuneration outcomes. A "Remuneration at a glance" page is included after this section.
- The **Annual Report on Remuneration** section, which runs from pages 110 to 118, details the remuneration arrangements and outcomes for the year under review, and how the Committee intends to implement the proposed Remuneration Policy in 2021.
- For clarity and to simplify reporting, the CFO's remuneration is reported in pound sterling, in line with the Group's reporting currency.
- A summary of the **Remuneration Policy**, which was approved by shareholders at the 2020 AGM, is shown on pages 119 to 122.

In a year in which the Covid pandemic and its impact upon society and the global economy took centre stage for most of the world, only a truly seismic and transformational event could have had a greater impact on Flutter. Yet our merger with TSG was exactly that, transforming our market presence and laying the foundations for strong future growth.

In this introduction, I set out how we have shaped remuneration decisions in light of both the merger and the Covid pandemic, and explain our plans for 2021.

The Covid context and how we have responded to it from an employee perspective

2020 was a difficult year for many people across the world. The global Covid pandemic and the resulting lockdowns in many countries posed many challenges for individuals, businesses and society more widely. I am extremely proud of the way that Flutter, and each and every one of our colleagues, dealt with the challenges posed by the pandemic. Across the business, there was a strong sense of coming together and rallying around in times of adversity. Whilst social distancing measures meant that our offices had to close for periods of the year, our technology infrastructure allowed us to mobilise quickly, to ensure that all of our non-retail staff were able to work effectively and efficiently from home, whilst remaining safe and secure.

I am also happy to report that, despite our UK and Irish retail estate having to close for significant periods of the year, and despite most professional sport also ceasing for substantial periods, we maintained payment of staff salaries across the business – including for our retail colleagues, despite the shop closures. We did this whilst not benefiting from any government support schemes. We note that, in the UK, we benefited from automatic business rates relief during the periods that our retail estate was closed although we made the decision to donate this money, in full, to charity; through the creation of a Covid recovery fund in partnership with Made By Sport: £2,021 will be donated to thousands of clubs.

In 2020, more than ever, it was important to ensure that our most important asset, our colleagues, were treated fairly, rewarded appropriately and listened to regularly. To this end, I am extremely proud to share some of the initiatives we took throughout the year:

- In response to the Covid pandemic, protecting the physical and mental wellbeing of our colleagues was our absolute priority. As such, we launched a number of mindfulness, resilience and online fitness initiatives to help our colleagues prioritise both their physical and mental health.
- Also of paramount importance was doing all that was possible to protect jobs and avoid redundancies. To this end, across large parts of the business, we introduced a job swing initiative, allowing employees whose jobs had been impacted by the pandemic to apply to be redeployed in different parts of the business for a short period of time, and gain new skills and experiences in the process.
- We recognised that throughout the periods of lockdown, many of our colleagues often had other priorities and responsibilities, perhaps as caregivers or parents who were homeschooling. We therefore offered colleagues in parts of our business the opportunity to take a "COVID50" sabbatical on 50% pay, to ensure that they were able to concentrate on these other important responsibilities fully and without worry.
- Against a challenging backdrop, as a business we performed exceptionally well, exceeding expectations in both sports and gaming, and our bonus pay-outs to all colleagues reflected this. Even in areas of the business, such as Retail, where the business landscape remained exceptionally challenging, we ensured that bonuses were paid, to reflect the hard work and commitment of our colleagues.
- Recognising our colleagues' hard work and commitment to the merger in the context of a global pandemic, we gave every colleague across the business "A Gift of Shares"; each of our employees were gifted the equivalent of £1,000 (or £600 for part-time staff) shares (or cash equivalent) in December, as a way of thanking them for their hard work and resilience throughout a very challenging year.
- As part of the Employee Voice Forum, I once again met with representatives from each division throughout the year to understand workforce engagement and views, in addition to receiving regular updates from each division. Whilst the circumstances did not allow me to meet colleagues in person during Board visits, the majority of which were held remotely, I look forward to resuming these in person as soon as it is safe to do so.

This is just a small example of the important actions we took during the year to ensure that, as a responsible employer, we prioritised the wellbeing of our staff and ensured that they were rewarded fairly and appropriately – and that their voices were heard.

The impact of the merger on Executive Director pay

The merger was transformative for Flutter for many reasons. Our market capitalisation increased by 170%, from £6.4bn to over £17bn upon completion, ranking us amongst the largest 25 companies in the FTSE. Total shareholder return ("TSR") performance over the year was just under 67%, whilst the number of our colleagues across the globe increased from c.9,000 to in excess of 14,000.

To maintain this strong financial position, including our anticipated deleveraging, the Board judged it prudent to pay the 2020 dividend in shares, a move which was discussed with and fully supported by our key shareholders.

The merger has also been important from a strategic perspective and will help us to accelerate delivery against all four pillars of our strategy. It has created a highly diversified business from a geographic, product and brand perspective with an enhanced global platform. We have quickly organised the structure of our business to be able to take full advantage of the opportunities that are ahead of us and stand well placed to continue to sustainably grow the business and continue to generate long-term shareholder returns in the coming years. At the same time, we will be able to maintain a leading role in the promotion of Safer Gambling through our enlarged global footprint.

Directors' remuneration report 2020 continued

Remuneration Committee Chair's Statement continued

The impact of the merger on Executive Director pay continued

In last year's report, I indicated our intention to reconsider both Executive Director salaries and the performance measures of in-flight incentive awards in the context of the merger. We undertook a review of both these elements of remuneration during the year and consulted with a number of our key shareholders who were supportive of both proposals. Details of the proposed changes are set out below.

In order to frame these changes, I would like to remind you of some of the important changes we made to our Remuneration Policy last year, which included re-weighting the short- and long-term incentives, decreasing the pension levels for incumbent Executive Directors to 5% of salary (which will take effect from 1 January 2023) and introducing post-departure shareholding requirements in line with the best practice guidelines.

Review of Executive Director salary levels

One of the first considerations for the new, post-merger Committee was if and how salary levels should be adjusted to ensure that they remained appropriate in the context of the increased size, market position and geographic scope of the business, which in turn increased the size and complexity of the Executive Directors' responsibilities. Similar considerations were made across the Company, where the salary (and total package) positioning of many below Board level roles was also reviewed following the merger and subsequent integration and reorganisation of the business.

In determining whether to make any changes to Executive Director salary levels, the Committee carefully considered the step-change in the size, scale and complexity of the Group and the consequent increase in demands for Executives, as well as the positive way in which the market had viewed the merger. The Committee also noted the wider financial environment in relation to Covid and, in particular, took into account the leadership displayed in relation to the pandemic, through the merger and the strategic transformation of the business, most of which had to be executed virtually. We therefore felt it important that we continue to ensure that management is fairly remunerated for its responsibilities. For this reason, we considered it right to proceed with the review of salaries.

Subsequent to the review and communication with our key shareholders, the following salary adjustments were made, effective 1 June 2020:

	Salary at 31 May 2020	Salary at 1 June 2020
CEO	£766,066	£900,000
CFO	€573,619	€674,000

Prior to making these salary adjustments, we consulted with a number of our largest shareholders. I was pleased that the majority of these indicated their firm support for the proposals, and none raised any specific concerns or objections.

Although benchmarking data is only one reference point used by the Committee when considering pay levels, it is noted that these changes resulted in a base salary and total remuneration positioning around median when compared to the benchmark comparator group.

Changes to in-flight incentive plans

Given the materiality of the merger and its impact on the Group's underlying financial metrics, which form the basis of our incentive plan measures, it was necessary to reconsider the targets of our 2020 annual bonus plan as well as the 2018 and 2019 LTIPs. The 2020 LTIP is based solely on a TSR measure and therefore did not require recalibration.

Our starting position was that, whilst some adjustment of targets was required to ensure that our plans remained effective and fair, adjustments should only be made to those elements where the merger necessitated making a change. As such, we considered it necessary to adjust the EBIT (excluding US) element of the 2020 annual bonus, and the EPS (excluding US) and Revenue (excluding US) elements of both the 2018 and 2019 LTIP awards. None of the other measures in our plans required adjustment.

In determining the proposed approaches to how performance is assessed for the impacted measures, the Committee was guided by the following principles:

Simplicity	Changes made to awards should avoid complexity and their rationale and operation should be straightforward to understand for both participants and shareholders.
Appropriately stretching targets	Targets should be appropriately calibrated such that maximum pay-outs and vesting levels are only achieved for very strong performance and significant value creation for shareholders.
Alignment with shareholder value	Ensure that performance measures drive continued alignment between participant and shareholder interests.
Alignment with strategic goals	Align the interests of participants with the strategic aims and goals of the post-merger Group.

The Committee is mindful of the importance of consulting with our key shareholders when making such decisions. As such, we engaged extensively with our largest shareholders about how we would propose to treat the in-flight incentives. We discussed these proposals both through written communications and via face-to-face meetings where this was possible. I was pleased that all of the shareholders with whom we consulted understood the necessity of these changes and that most were fully supportive of our proposals.

The table below sets out our proposed approach for each incentive plan. In the interests of creating clarity both internally and externally, the Committee retains discretion to adjust any formulaic outcome if it believes this is necessary to arrive at a vesting level which it considers to be appropriate in the context of the Company's overall performance.

Original measures	Approach taken	Detailed rationale
2020 Annual bonus • EBIT (excluding US) (65%) • Basket of US measures (25%) • Safer Gambling (10%)	No change were made to the performance measures or weightings. Targets for EBIT measure were uplifted to reflect the sum of the two pre-merger entities for the full year. Targets were set based on January 2020 budgets (i.e. they included the level of performance anticipated pre-Covid). The US-specific measures and Safer Gambling measures were unchanged as they were unaffected by the merger. Details of the targets and achievement against the targets are shown on page 112.	Retained simplicity by maintaining current measures. Ensured immediate alignment between participants, the new combined Group, and shareholders. The targets did not make allowance for the impact of Covid and were therefore extremely stretching, resulting in continued incentivisation for outperformance over the course of the 2020 financial year, following the merger. Note that there were limited anticipated synergies to be delivered in 2020 from the merger and therefore there was no need to adjust for these.
2018 LTIP • EPS (excluding US) (50%) • Revenue (excluding US) (25%) • US Value measure (25%)	Replaced EPS and Revenue measures with relative TSR over the full performance period. Retained the US value measure with its original targets. The resulting measures and weightings were: • Relative TSR (75%); and • US Value measure (25%). Relative TSR performance was measured against FTSE 31-130 (excluding housebuilders, real estate investment trusts and natural resources companies) to reflect FTSE positioning at the commencement of the performance period. This was in line with the 2019 LTIP peer group.	The original targets for EPS and Revenue measures were no longer relevant following the merger. Further, the Committee, with shareholder support, determined that EPS and Revenue were no longer the most appropriate metrics to assess Flutter's long-term incentive outcomes. Therefore, given the challenges of either assessing performance part-way through the performance period or re-setting targets for the combined entity, and given that they were no longer the preferred measures for the business, the Committee decided to replace them with relative TSR. This is consistent with the new Remuneration Policy, approved by shareholders in 2020, which provides for TSR to be the sole measure of long-term performance. The US Value metric was able to continue unadjusted given that it related to a specific part of the business, unaffected by the merger. The advantages of this approach are: • simplicity; • minimal change – except where required; • immediate alignment between participant and shareholder interests; and • appropriately stretching targets where awards only vest if significant value has been delivered to shareholders at the end of the performance period. The Committee considered alternative approaches for each LTIP (and particularly the 2018 LTIP – see below) but given the core challenges around interim assessment and re-setting targets in the current volatile environment, and the fact that these measures are no longer the Committee's preferred long-term measures for the Group, there was strong rationale for taking a standardised approach across both awards. This approach also ensured immediate alignment with the new combined entity and, critically, immediate alignment with shareholder interests.
2019 LTIP • EPS (excluding US) (25%) • Revenue (excluding US) (25%) • Relative TSR (25%) • US Value measure (25%)	Replaced EPS and Revenue measures with relative TSR over the full performance period (in effect expanding the weighting of the relative TSR measure). Retained the US value measure with its original targets. The resulting measures and weightings were: • Relative TSR (75%) • US Value measure (25%) Performance measured against FTSE 31-130 (excluding housebuilders, real estate investment trusts and natural resources companies), in line with original Relative TSR performance measure.	

As it was conscious that the plan was in its final year of performance assessment at the point of the merger, the Committee considered very carefully the approach for the 2018 LTIP. With that in mind, it looked at whether it would be appropriate to apply an interim performance assessment or reset EPS and Revenue targets for the newly combined entity. However, on reflection the Committee did not consider that such an approach would align with the principles that it had set itself, as outlined above. Specifically, the Committee was mindful that assessing performance up to the point of the merger against the pre-merger Flutter business, whilst technically possible, is not without its challenges given it would be splitting a financial year. It would also not provide alignment between participant and shareholder interests. In addition, by using a measure which covers the whole period (rather than splitting the performance period in two), the whole of the award is subject to performance and remains at risk up to the end of the performance period.

Directors' remuneration report 2020 continued

Remuneration Committee Chair's Statement continued

Changes to in-flight incentive plans continued

Taking all of these points into account, and following detailed consultation with our key shareholders, the Committee chose to adopt a consistent approach for the 2018 and 2019 LTIPs, which is also aligned with the 2020 LTIP. This helps drive simplicity but is also the most effective way of aligning the interests of participants with those of the newly combined entity and our shareholders. Details of the vesting of the 2018 LTIP are given below.

2020 performance outcomes

2020 was an exceptionally strong year for Flutter and we are proud of everything the executive team has achieved, not least the very significant value created for shareholders during the period. In the context of both a global pandemic and the challenges caused by a merger, we did not relent, exceeding both our own and investor expectations in both sports and gaming, and growing market share in our key regions while maintaining our commitment to Safer Gambling practices. This is reflected in our 2020 performance outcomes.

The 2020 annual bonus was based on Group EBIT (excluding US) (65%), US measures (25%) and Safer Gambling (10%) with stretching growth targets set for all three measures. As noted above, we uplifted the Group EBIT targets to reflect the sum of the pre-merger entities and made no adjustment for the impact of the Covid pandemic adding further stretch to the targets.

Notwithstanding these challenging targets and the tough operating environment, the Group EBIT (excluding US) measure was achieved in full, as was the US Value measure. The Safer Gambling measure was achieved in part, leading to an overall pay-out of 98.4% of the maximum opportunity (2019: 73.0%). As part of the new Remuneration Policy approved by shareholders last year, half of this will be deferred for a period of three and four years. Further details are set out on pages 119 to 122.

In the context of a year in which we successfully executed a transformational merger, achieved huge levels of growth and outstanding results against the backdrop of global societal and economic emergency, whilst the Committee recognises that there may be broader restraint, it considered the level of annual bonus pay-out to be appropriate. This is consistent with the approach taken with bonus outcomes for all colleagues throughout the Group.

The 2018 LTIP is due to vest in 2021. As set out above, 75% of this is based on relative TSR and 25% on US Value. The US Value element is due to be measured and vest later than normal, in July 2021, when it was anticipated that an external valuation of the US business would be available to us as part of the FanDuel deal and related put and call options. In December 2020, we announced we had reached early agreement to increase our stake in FanDuel.

The valuation of the business undertaken at this time indicates that the US Value element of the 2018 LTIP will vest in full and we have reflected this likely outcome in this report. Nonetheless, the Committee will follow a process of re-testing the performance measure in July, and the vesting date of this element will be unchanged. The relative TSR element of this plan has also exceeded the upper end of its performance range, and so the overall vesting of the 2018 LTIP is expected to be 100%.

Prior to approving this vesting level, the Committee took a step back and considered what had been achieved over the three-year performance period to objectively determine that full vesting was warranted. The Committee considered that:

- Flutter's TSR performance over the period was over three times higher than the median of our comparator group (80% versus 26%).
- The management team has worked exceptionally hard to build a larger and more diversified business, expanding our operations on a global scale and ensuring that these are run in a more sustainable way over the long-term; all whilst navigating the many challenges caused by the Covid pandemic. This was, of course, helped by the successful negotiation and completion of The Stars Group merger.
- The Company has executed remarkably well against its strategic aim of pursuing the US opportunity relentlessly; we now have 40% share of the US sports betting market and 20% share of the iGaming market, and have successfully increased our stake in FanDuel to 95% earlier than planned.
- This has all been achieved whilst prioritising Safer Gambling initiatives and improving our ability to identify and interest with customers who may be at risk.

Effectiveness of the Committee

The operation, performance and effectiveness of the Committee is monitored by me throughout the year, and also specifically reviewed as part of the internal evaluation process. All feedback received is used to improve the Committee's effectiveness. I am pleased to confirm that the Committee continues to operate effectively.

Read more on our Board evaluation on **page 87**

Looking ahead

I would like to welcome our new members, who have joined the Committee following the merger. I know that Andy Higginson, Mary Turner and Al Hurley will bring – and have already brought – a fresh new perspective to the Committee. I would also like to thank Jan Bolz, Ian Dyson and Emer Timmons for their invaluable service to the Committee over a number of years.

Over the coming year, we expect the economic landscape to continue to be uncertain; however, I am certain that the decisions that this Committee has made during the year will incentivise management to continue to deliver exceptional performance, executing against our strategy whilst continuing to place emphasis on Safer Gambling . I believe that the merger has given us an excellent platform from which to continue to grow and create value for our shareholders, whilst maintaining our focus on our customers and our colleagues. We look forward to receiving shareholders' support at the 2021 AGM.

Peter Rigby
Remuneration Committee Chair
1 March 2021

Performance and remuneration at a glance

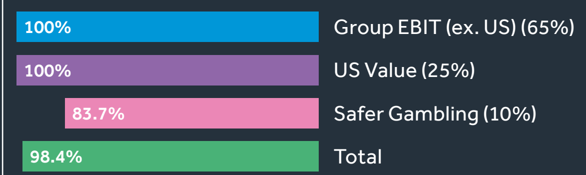
How have we performed?

2020 has been a strong performance year based on corporate, financial and employee metrics:

Total Shareholder Return	Net Revenue	Employee engagement
66.6%	+28%	81%

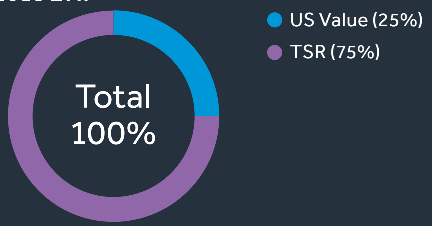
How has this translated into Executive Director pay?

2020 annual bonus outcome



Overall, the bonus outturn for the CEO is 280% of salary and for the CFO is 261% of salary. Half of this will be deferred under the DSIP.

2018 LTIP

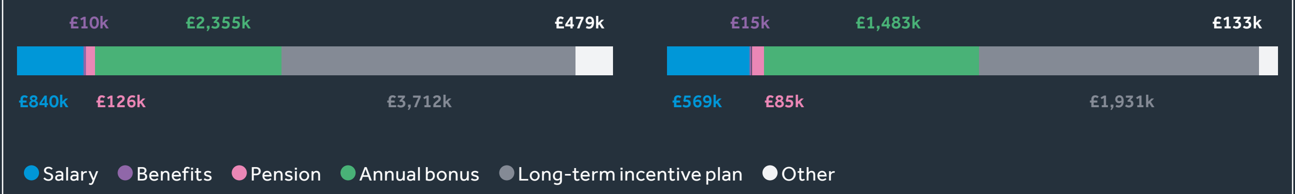


The 2018 LTIP is estimated to vest in full. As previously communicated to shareholders, the US Value element will vest in July 2021.

2020 single total remuneration figures

Peter Jackson, Chief Executive Officer

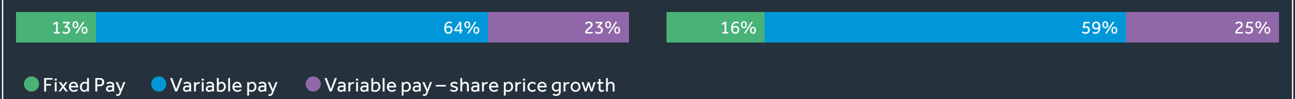
Jonathan Hill, Chief Financial Officer



Balance of fixed versus variable pay

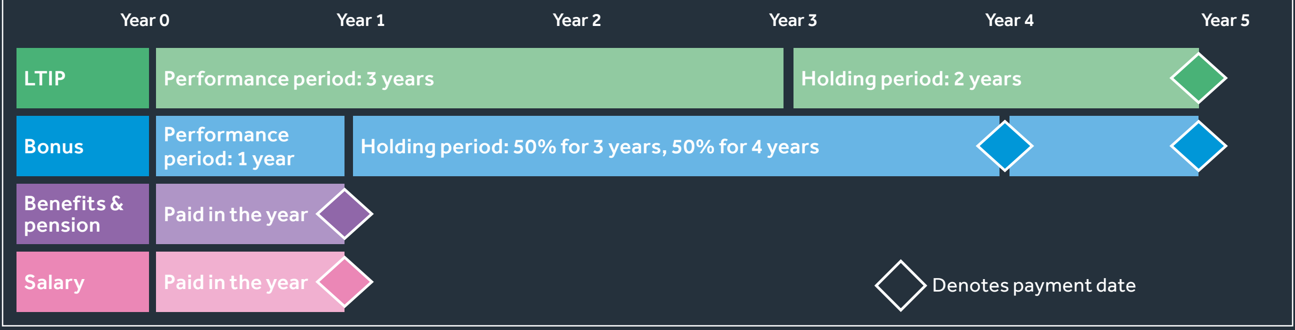
Peter Jackson, Chief Executive Officer

Jonathan Hill, Chief Financial Officer



How is Executive Director pay structured?

Structure of Executive Directors' pay



Directors' remuneration report 2020 continued

Annual Report on Remuneration

The Committee believes that the Remuneration Policy was operated as intended during 2020. This section provides details of remuneration outcomes for the financial year ended 31 December 2020 for Executive Directors and Non-Executive Directors who served during 2020, and how the approved Remuneration Policy will be implemented in 2021.

The Remuneration Committee's responsibilities

Set out below is a summary of the Committee's key responsibilities:

- setting the Remuneration Policy for the Executive Directors;
- reviewing the wider workforce remuneration and related policies, the alignment of incentives and rewards with culture and taking these into account when setting the policy for Executive Director remuneration;
- engaging with shareholders in respect of the Remuneration Policy for Executive Directors and its implementation as appropriate;
- supporting the Board in determining whether reward-related employee policies and practices are in line with the Group's culture, strategy and values;
- ensuring that the Remuneration Policy and reward decisions incentivise and retain talent, and support the delivery of our long-term strategy;
- considering the appropriateness of the Remuneration Policy when reviewed against the rest of the organisation;
- ensuring that the remuneration framework remains effective in attracting and retaining colleagues in our industry;
- determining the terms of employment for Executive Directors, members of the Executive Committee and the Group General Counsel and Company Secretary, including remuneration, recruitment and termination arrangements;
- approving the measures and targets for incentive plans for Executive Directors, the Executive Committee and the Group General Counsel and Company Secretary; and
- assessing the appropriateness of and achievement against performance targets relating to incentive plans.

The Directors' biographies of the current members of the Committee are given on **pages 68 to 71**

The Remuneration Committee's focus in 2020

Overall remuneration	• Reviewing and approving total remuneration of Executive Directors and members of the Executive Committee • Reviewing and approving the total remuneration packages of new Executive Committee members that joined in the year, and reviewing the leaver arrangements for Executive Committee members that left in the year
Annual bonus	• Determining and approving bonus outcomes in respect of 2019 performance • Reviewing and approving performance measures and targets for 2020 bonus • Reviewing forecasted 2020 bonus outcome • Reviewing, considering and approving the 2021 annual bonus structure and performance measures
Long-term incentives	• Reviewing the TSR performance measures and targets for the 2020 LTIP awards • Review of the TSR comparator group used in the LTIP • Reviewing the structure of below-Board long-term incentives and approving 2020 incentive plan grants for Executive Directors, the Executive Committee and Company Secretary • Approving overall quantum of awards for 2020 share incentives for all employees • Receiving updates on the performance of the long-term incentive in place across the Group
Governance	• Reviewing and approving the 2019 Directors' Remuneration Report • Preparing the 2020 Directors' Remuneration Report • Reviewing the annual Remuneration Committee calendar • Reviewing and updating the Committee's Terms of Reference • Assessing dilution from share plans against recommended limits and use of Employee Benefit Trust • Considering the implications of the proposed merger on remuneration arrangements • Reviewing the Flutter gender pay gap and CEO pay ratio disclosures • Approving the 2020 Sharesave grant, and receiving an update on A Gift of Shares Award
The merger and subsequent integration	• Reviewing a post-merger redundancy policy to apply across the Group • Reviewing Executive Director salaries and approving increases in the context of the merger • Reviewing the total package of Executive Committee members and adjusting, where appropriate, in the context of the merger and the new roles within it • Reviewing and agreeing upon the treatment of in-flight incentive plan awards in the context of the merger
Shareholder consultation	• Extensive engagement with shareholders on proposed changes to the changes to Executive Director salary levels and the proposed treatment of in-flight incentive plans

External advisers

PwC are the Committee's remuneration advisers. They were appointed by the Committee in 2017, following a competitive tender process. They provide independent commentary and advice, together with updates on legislative requirements, best practice and market practice to assist with its decision making.

PwC report directly to the Committee, and are signatory to, and abide by the Code of Conduct for Remuneration Consultants (which can be found at www.remunerationconsultantsgroup.com). The Committee undertakes due diligence periodically to ensure that the remuneration advisers remain independent of the Group and that the advice provided is impartial and objective. The Committee is satisfied that any conflicts are appropriately managed.

The fees paid to PwC in respect of work carried out for the Committee in 2020 totalled £212,500 and are based on an agreed fee for business-as-usual support (with additional work charged on a time and materials basis). PwC also advised and provided tax advice to the Group during 2020.

The Committee also seeks internal advice and support from the Chief People Officer, Reward Director, Head of Executive Compensation, Group General Counsel and Company Secretary and Deputy Company Secretary, as appropriate.

Shareholder voting at shareholder meetings

The following shows the results of the advisory votes on the Annual Statement and Annual Report on Remuneration and the Remuneration Policy at the 2020 AGM:

	For	Against	Total votes cast	Votes withheld
Annual Report on Remuneration (AGM 2020)	55,859,906 (99.30%)	392,940 (0.70%)	56,254,924	2,078
Remuneration Policy (AGM 2020)	53,240,152 (94.64%)	3,012,332 (5.36%)	56,254,924	2,440

Details of our engagement with shareholders over the relevant year are provided in each year's Annual Report and Accounts.

Read more on shareholder engagement on **page 81**

Single figure of total remuneration for Executive Directors (audited)

The table below sets out the single figures of total remuneration received by each Executive Director of the Company during the year ended 31 December 2020 and the prior year. Remuneration relates to the period during which each Executive Director was a member of the Board in this capacity. Please refer to notes below the table for full details of how the figures are calculated.

	Peter Jackson		Jonathan Hill[1]	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Salary[2]	840	737	569	484
Benefits[3]	10	7	15	68
Pension[4]	126	111	85	73
Fixed pay	976	855	669	625
Annual bonus	2,355	973	1,483	640
Long-term incentives[5]	3,712	n/a	1,931	n/a
Other[6]	479	272	133	83
Variable pay	6,547	1,245	3,547	723
Total	7,522	2,099	4,217	1,348

1. Values are converted from euros to pound sterling using the 12-month average exchange rate over the relevant financial year (2020: £1 = €1.1052; 2019: £1 = €1.1392).
2. Salary: represents the total amount earned for the relevant financial year. Peter Jackson's salary at the start of the year was £740,160. This was increased to £766,066 on 1 March 2020. A further increase to £900,000 was made on 1 June 2020. Jonathan Hill's salary at the start of the year was €554,221. This was increased to €573,619 on 1 March 2020. A further increase to €674,000 was made on 1 June 2020.
3. Benefits comprise private medical insurance, life assurance and income protection. For Jonathan Hill, this also includes relocation costs of £63,000 in 2019 and £3,000 in 2020.
4. Pension: the pension for both Executive Directors is the value of the cash paid to them in lieu of contributions. Neither of the Executive Directors has a prospective entitlement to a defined benefit pension.
5. Neither of the Executive Directors participated in the 2017 LTIP. As no LTIP shares vested in 2019, share price movement had no impact on the outcome and no discretion was exercised in this regard. For 2020, the Committee used its discretion to replace the EPS and Revenue elements of the 2018 LTIP with a Relative TSR measure. For Peter Jackson, £1.55m of this is attributable to share price growth, whilst for Jonathan Hill £984k of this is attributable to share price growth. Dividends are added at the time of vesting and will be included when this figure is updated in next year's report.
6. Other includes the value of the buy-out options. This is the third and final tranche of Peter Jackson's awards which vested on 3 December 2020, and the second and final tranche of Jonathan Hill's awards which vested on 22 October 2020.

Governance

Directors' remuneration report 2020 continued

Annual Report on Remuneration continued

2020 annual bonus (audited)

In line with the Remuneration Policy approved by shareholders in 2020, the maximum annual bonus opportunity for the CEO and CFO was 285% and 265% of salary respectively. Target bonus was two-thirds of the relevant maximum. The 2020 annual bonus was based on Group EBIT (excluding US business performance), US-specific measures and a Safer Gambling measure. The table below shows the outcome for each element relative to the target set:

		Performance targets[1]						Bonus outcome	
	Weighting	Threshold	Target	Maximum	Actual performance	Bonus outcome (% of element)	Bonus outcome (% of max)	Peter Jackson	Jonathan Hill
Group EBIT (excluding US)	65%	£951.2m	£1,001.3m	£1,051.3m	£1,196.8m	100.0%	65.0%		
US measures:	25%								
Net revenue from all verticals in existing 2019 states	12.5%	$553.2m	$582.4m	$611.6m	$769.3m	100.0%	12.5%		
EBITDA from all verticals in existing 2019 states	12.5%	-$63.6m	-$43.6m	-$23.6m	-$40.7m	100.0%	12.5%		
Safer Gambling: reduction in revenue from "at risk" customers[2]	10%	10% reduction	15% reduction	20% reduction	17.6% reduction	83.7%	8.4%		
Total							**98.4%**	**£2,354,633**	**£1,483,430[3]**

1. Awards pay out on a straight-line basis between the points shown.
2. This is defined as the reduction in revenue from customers identified by the CAAP model as "medium" or "high" risk as a percentage of the overall revenue of the PPB business. It was not possible to determine a measure which incorporates the full business for 2020, however work is underway across all Flutter divisions to determine an appropriate Safer Gambling metric for that division which can be tracked and measured in a robust way, with the intention that the whole group will be included in future years' bonus targets.
3. Converted from euros to pound sterling at the 12-month average exchange rate over the financial year of £1 = €1.1052.

The original targets were applied to the combined Group budget for 2020 set at the start of the year and therefore no adjustment was made for the impact of the Covid pandemic. In line with market practice and as with in previous years, the bonus targets have been adjusted for exchange rate movements over the period. In addition, the Committee agreed to adjust the US EBITDA outcome for the additional unbudgeted strategic investment in marketing spend in the US. Given that this investment was in the long-term interests of the business and considering the significant opportunity in the US, the Committee was mindful that it did not wish to disincentivise management from taking critical business decisions. Had this adjustment not been made, the overall vesting of the bonus would have been slightly reduced, at 94.6% of maximum.

Prior to approving the annual bonus outcomes, the Committee discussed whether or not the proposed outcome was considered to be fair and reasonable in the context of the Company's overall business performance over the year, as well as the current social and economic environment given the impact of Covid. The Committee decided that all employees – including Executive Directors – should receive a bonus which fully represented the exceptionally strong performance of the Company and their exceptional efforts over the year. Following the discussion, the Committee was satisfied that the outcomes were appropriate and fair.

In line with the Remuneration Policy that applied during the year, half of any bonus earned is deferred into shares under the DSIP, vesting 50% on the third anniversary of the grant and 50% on the fourth anniversary. A revenue underpin of a continuing 2% per annum growth will apply. Malus and clawback provisions apply to the annual bonus and DSIP both prior to vesting and for a period of two years post-vesting.

2018 LTIP (audited)

The 2018 LTIP is due to vest in March 2021 (July 2021 for the US Value element). The tables below sets out a summary of performance relative to the targets, and the outturn for each Executive Director. As noted in the Remuneration Committee Chair's statement, the Committee decided to replace EPS and Revenue measures with relative TSR over the full performance period, and retain the US Value measure (which was unaffected by the merger). The performance outcome for the US value measure has been estimated based on the valuation reached in December to increase our stake in FanDuel. The outcome will be retested in July 2021 when the award vests as originally communicated. As Jonathan Hill's LTIP award was granted to him in October 2018, at the time that he joined the Company, his award will vest in October 2021.

	Targets		Outcome		
Performance measure	Threshold	Maximum	Actual performance	% of maximum achieved	% of award eligible for vesting
US Value measure (25%)	15% growth ($920m)	45% growth ($1.16bn)	TBC[1]	100%[1]	100%
TSR relative to FTSE 31-130[2]	Growth in line with median (-1.7%)	Growth in line with upper quartile (25.8%)	80.4%	100%	100%
Total vesting (% of max)					**100%**

1. Currently expected to be significantly above the maximum 45% growth required, and we have theefore estimated the outcome to be 100%.
2. TSR relative to the FTSE 31-130 (excluding housebuilders, real estate investment trusts and natural resources companies).

Executive Director	Award type	Date of grant	Number of shares awarded	% of total award vesting	Number of shares vesting[1]	Value at vesting[2]
Peter Jackson	Nil-cost options	12/03/2018	27,261	100%	27,261	£3,712,458
Jonathan Hill	Nil-cost options	22/10/2018	14,181	100%	14,181	£1,931,197

1. Dividend equivalent shares will be added to reflect dividends accrued during the vesting period, as appropriate.
2. As the award vests after the publication of this report, the value is based on the average share price over three months to 31 December 2020 of £136.18. For Peter Jackson, £1.55m of this is attributable to share price growth, whilst for Jonathan Hill £984k of this is attributable to share price growth.

Incentive plan interests awarded in the year (audited)

On 3 March 2020, awards were granted to the Executive Directors under the DSIP. Following the ratification of the new Remuneration Policy at the 2020 AGM and the formation of the new Committee following the completion of the merger, LTIP awards were granted to the Committee on 30 June 2020. Details of these awards are set out in the following table:

	Type of interest in shares	Face value (%)	Face value (£)[1]	Number of shares	Vesting at threshold	Vesting date
Peter Jackson						
LTIP	Nil-cost options	180% of salary	£1,620,000	14,663	25%	30 June 2023[2]
DSIP	Nil-cost options	33.3% of net bonus	£324,404	3,911	n/a	50%: 3 March 2021 50%: 3 March 2022
Jonathan Hill						
LTIP	Nil-cost options	150% of salary	£917,581[3]	8,305	25%	30 June 2023[2]
DSIP	Nil-cost options	33.3% of net bonus	£206,035[3]	2,484	n/a	50%: 3 March 2021 50%: 3 March 2022

1. Three-day average share price prior to the date of grant, which was £82.93 for the DSIP and £110.48 for the LTIP.
2. A further two-year holding period applies following the vesting date. Additionally, the 2020 LTIP and 2020 DSIP are subject to the shareholding requirement for the purpose of the two-year post-employment holding period.
3. The value of the award was calculated using the three-day average exchange rate prior to the date of grant, which was £1 = €1.1790 for the DSIP and £1 = €1.1018 for the LTIP.

The LTIP awards will vest subject to the achievement of TSR performance, as per the vesting schedule below:

	Below threshold (nil vesting)	Threshold (25% vesting)[1]	Maximum (100% vesting)[1]
Relative TSR[2]	Below median growth	Growth in line with median	Growth in line with upper quartile

1. Awards vest on a straight-line basis between threshold and maximum.
2. TSR relative to the FTSE 100 (excluding housebuilders, real estate investment trusts and natural resources companies).

Directors' remuneration report 2020 continued

Annual Report on Remuneration continued

Single figure of total remuneration for Non-Executive Directors (audited)

The table below sets out the single figures of total remuneration received by each Non-Executive Director who served during the year ended 31 December 2020:

Non-Executive Director	Board Committee membership	Fees (£'000)[1] 2020	2019
Rafi Ashkenazi[2]	—	276	—
Jan Bolz[3]	Audit, Remuneration	28	79
Zillah Byng-Thorne	Audit , Risk (Chair)	100	97
Michael Cawley[4]	Audit (Chair), Nomination, Risk	104	101
Nancy Cruickshank[5]	Audit, Nomination, Risk	81	50
Ian Dyson[6]	Audit, Nomination (Chair), Remuneration	86	90
Richard Flint[7, 8]	Risk	303	—
Divyesh (Dave) Gadhia[8]	Nomination, Risk	53	—
Andrew Higginson[9]	Nomination (Chair), Remuneration	101	20
Alfred Hurley[8]	Nomination, Remuneration	53	—
David Lazzarato[8]	Audit, Risk	53	—
Gary McGann[10]	Nomination, Remuneration, Risk, Chair of the Board	407	395
Peter Rigby[10]	Nomination, Remuneration (Chair), Risk	97	80
Emer Timmons[3]	Nomination, Audit, Remuneration	28	79
Mary Turner[7]	Audit, Remuneration	53	—

1. Fees for Non-Executive Directors are pro-rated according to their appointment date or date of role change where appropriate. Fees are paid in euros, but have been shown here in pound sterling for consistency.
2. Rafi Ashkenazi was appointed to the Board on 5 May 2020 and resigned from the Board on 27 August 2020. In addition to Board fees, Rafi also had a consultancy agreement with Flutter to advise the Group following the merger, given his extensive knowledge of the business and market, and received additional fees in respect of this.
3. Jan Bolz and Emer Timmons resigned with effect 5 May 2020.
4. Michael Cawley was rotated off the Nomination Committee on 22 May 2020.
5. Nancy Cruickshank was appointed as a Non-Executive Director on 15 May 2019. Nancy was rotated off the Nomination Committee on 22 May 2020.
6. Following review of Committee composition on merger, Ian Dyson stepped down Senior Independent Director and as Chair of the Nomination Committee and member of the Audit and Remuneration Committees on 14 May 2020. Ian also stepped down from the Board on 31 December 2020.
7. Richard Flint has a consultancy agreement with Flutter to provide additional advice and guidance and received additional fees in respect of this.
8. Richard Flint, Dave Gadhia, Al Hurley, David Lazzarato and Mary Turner were appointed to the Board on 5 May 2020, and to their respective Board Committees on 22 May 2020.
9. Andrew Higginson was appointed a Non-Executive Director on 2 October 2019, and was appointed a member of the Nomination Committee and the Remuneration Committee on 26 February 2020. He was appointed Senior Independent Director and Chair of the Nomination Committee on 22 May 2020.
10. Gary McGann and Peter Rigby were rotated off the Risk Committee on 22 May 2020.

Implementation of Remuneration Policy for 2021

Salary

The Committee has approved the following total salaries for the Executive Directors, effective from 1 March 2021. These increases are in line with the internal salary review budgets for UK and Ireland employees.

	1 June 2020	1 March 2021	% increase
Peter Jackson	£900,000	£927,000	3.0%
Jonathan Hill[1]	€674,000	€694,220	3.0%
	£609,829	£628,124	

1. Converted from euros to pound sterling at the 12-month average exchange rate over the financial year of £1 = €1.1052.

Pension and benefits

The Executive Directors will receive a cash supplement in lieu of pension contribution of 15% of salary in 2021. They will also receive benefits in line with the Remuneration Policy. The pension contribution will reduce to 5% of salary with effect from 1 January 2023.

Jonathan Hill was entitled to a relocation allowance in previous years, however this has now ceased.

Annual bonus

The maximum annual bonus opportunity for the CEO and CFO in 2021 will remain at 285% of salary and 265% of salary respectively. As in previous years, the Committee has determined that performance targets will not be disclosed on a prospective basis for reasons of commercial sensitivity but will be disclosed retrospectively in next year's Annual Report on Remuneration. The performance measures for the 2021 bonus are as follows:

	Weighting
Group EBIT (excluding US)	65%
US-specific measure: Net Revenue from all verticals in existing states	25%
Safer Gambling: 50% based on the Flutter UK&I division transactional risk indicator ("TRI") score and 50% based on Sportsbet reduction of net revenue at risk	10%

Half of any bonus earned will be paid in cash, with the remaining half deferred into shares under the DSIP, vesting 50% after three years and 50% after four years from grant, subject to continued employment and a revenue underpin. Awards are eligible to receive dividend equivalents. Malus and clawback provisions apply to the annual bonus and DSIP both prior to vesting and for a period of two years post-vesting.

LTIP

The 2021 LTIP award grant levels will be in line with the Remuneration Policy, as set out below:

	Face value at date of award (£)	Face value at date of award (% of salary)
Peter Jackson	£1,668,600	180% of salary
Jonathan Hill	£942,186	150% of salary

The awards will vest based on Relative TSR performance. The proposed targets are the same as for 2020, and are set out in the table below:

	Below threshold (nil vesting)	Threshold (25% vesting)[1]	Maximum (100% vesting)[1]
Relative TSR[2]	Below median growth	Growth in line with median	Growth in line with upper quartile

1. Awards vest on a straight-line basis between the points shown.
2. TSR relative to the FTSE 100 (excluding housebuilders, real estate investment trusts and natural resources companies).

Save As You Earn ("SAYE")

Executive Directors are eligible to participate in the plan with the same terms as all other UK and Ireland employees if an invitation to enter a savings contract is offered during the year.

Chair and Non-Executive Director fees

The fees payable to the Chair of the Board and other Non-Executive Directors for 2021 are as follows. These fees were reviewed and adjusted following the completion of the merger, with minor changes taking effect from 1 June 2020.

	Previous fee	Current annual fee
Base fee		
Chair	€450,000	**€450,000**
Base Non-Executive Director fee	£65,000 or €90,000	**€90,000**
Additional fees		
Senior Independent Director	£10,000 or €11,625	**€15,000**
Audit Committee Chair	€25,000	**€25,000**
Remuneration Committee Chair	£15,000 or €20,000	**€25,000**
Nomination or Risk Committee Chair	£15,000 or €20,000	**€20,000**

Directors' remuneration report 2020 continued

Annual Report on Remuneration continued

Percentage change in Directors' remuneration compared with other employees

The table below shows the percentage change in the Executive Officers' remuneration from the prior year compared with the average percentage change in remuneration for all other employees. To provide a relevant comparison, the analysis includes only salaried corporate office UK employees and is based on a consistent set of employees. The Committee considers this to be the most appropriate comparator group.

	Percentage change in 2020 compared with 2019		
	Base salary/fee[1]	Taxable benefits	Annual bonus[2]
Peter Jackson	21.6%	39.4%	141.9%
Jonathan Hill	21.6%	-78.3%	131.9%
Zillah Byng-Thorne	-3%	—	—
Michael Cawley	0%	—	—
Nancy Cruickshank	59%	—	—
Ian Dyson	-7%	—	—
Richard Flint	—	—	—
Divyesh Gadhia	—	—	—
Andrew Higginson	397%	—	—
Alfred Hurley	—	—	—
David Lazzarato	—	—	—
Gary McGann	0%	—	—
Peter Rigby	18%	—	—
Mary Turner	—	—	—
Corporate office UK employees	10.8%	20.2%	56.3%[1]

The average remuneration of employees other than Executive Directors over the five most recent financial years is as follows: 2020: £58,450; 2019: £49,170; 2018: £47,275; 2017: £45,765; 2016: £42,770.

1. Some Non-Executive Directors previously chose to receive their fees in pound sterling while the amount was set in euros, As such, the figures are impacted by exchange rate changes. Following the merger, all Non-Executive Directors are paid in euros. Andy Higginson and Nancy Cruickshank joined the board during 2019 and the figures are therefore impacted.
2. Bonuses for the workforce for 2020 have not been concluded at the time of signing this report and therefore this is an indicative figure.

CEO pay ratio disclosure

The CEO pay ratios for our UK employees in respect of 2020 and 2019 are as follows:

FInancial year	Calculation method	CEO pay £'000	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2020	A	**7,522**	**340:1**	**198:1**	**114:1**
2019	A	2,099	107:1	89:1	54:1
2018	A	1,664	113:1	92:1	54:1

The total pay and benefits of each employee at the 25th, 50th and 75th percentile is as follows:

	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
Total pay and benefits	**£22,129**	**£37,938**	**£65,929**
Salary	**£18,434**	**£29,017**	**£49,863**

The pay and benefits of employees were calculated in line with the single total figure of remuneration methodology. We have used calculation method A (which is the most comprehensive). As such, we have used actual pay and benefits from 1 January to 31 December 2020 for any employee who was employed as at 1 October 2020. Joiners, leavers and part-time employees' earnings have been annualised on a full-time equivalent ("FTE") basis, excluding any payments of a one-off nature, with FTE calculations based on 40 hours per week. Those on unpaid leave for more than 30 days have been excluded from the analysis.

For annual bonus payments, bonuses calculated for the 2020 year and to be paid in 2021 were used. As all workforce bonuses have not been concluded at the time of signing this report, indicative figures have been used. Benefits included in the calculation are employer pension/or cash in lieu received and the benefit in kind/P11D value of any taxable benefits.

There has been a large year-on-year change in the CEO pay ratio, and this is largely due to the fact that the 2020 number includes the CEO's first LTIP vesting; the 2018 LTIP will vest in respect of the year. Due to his joining date, the CEO did not participate in the 2017 LTIP. It is expected that the ratio will depend materially on long-term incentive outcomes each year, and may fluctuate accordingly.

However, the numbers for the workforce have also changed significantly. Following the merger, our retail staff now make up a much smaller proportion of the total workforce. Pay structures between retail and head office employees are considerably different. When looking at the changes in pay on a like-for-like basis using the underlying data, the increases are considered to be appropriate.

Payments to former Directors (audited)

No payments were made to former Directors during the year in respect of past services or for loss of office.

Relative importance of spend on pay

The table below shows the percentage change in total employee pay expenditure and shareholder distributions (i.e. dividends and return of capital) from the financial year ended 31 December 2019 to the financial year ended 31 December 2020.

	2020 (£m)	2019 (£m)	% change
Dividends[1]	—	156	—
Share buybacks	—	87	—
Total shareholder distributions	—	243	—
Employee remuneration[2]	**857**	474	81%

1. Although we did not make any cash dividends in 2020, we did pay a full-year dividend in shares, the value of which was £104.2m.
2. The 2020 number is based on the full 12 month period for legacy Flutter employees, and 8 the month period between May and December for legacy The Stars Group employees.

Directors' shareholdings

We believe it is important that Executive Directors build up a significant holding in Flutter Entertainment plc shares, in order to align their interests with those of our shareholders. As such, the CEO and CFO are required to build and maintain holdings of 300% and 200% of salary respectively. Shareholding requirements may be met through both beneficially owned shares and vested but unexercised options net of notional tax. Those subject to continued employment or performance assessment are not included. Given that the Executive Directors were only appointed in 2018 and are yet to have an incentive plan vest, they are still building up their holdings.

In last year's Directors' Remuneration Report, we confirmed the introduction of post-employment holding periods, which apply to the 2020 LTIP and the 2021 DSIP (which are based on the 2020 annual bonus). As such, Executive Directors are required to hold the higher of their actual shareholding at the time of departure and the applicable shareholding requirement for two years post-departure.

The table below shows the shareholding of each Director against their respective shareholding requirement (where relevant) as at 31 December 2020 and there have been no changes to this from then until the date of this report.

	Beneficially owned[1]	Vested shares[2]	Share options subject to performance	Share options vested but unexercised	Share options subject to continued employment only	Shareholding requirement (% of salary)	Current shareholding (% of salary)[3]	Requirement met?
Peter Jackson[4]	7,561	—	79,907	9,514	7,829	300%	204%	No
Jonathan Hill[4]	1,728	—	42,847	2,060	2,770	200%	67%	No
Zillah Byng-Thorne	1,287	—	—	—	—	—	—	—
Michael Cawley	3,660	—	—	—	—	—	—	—
Nancy Cruickshank	—	—	—	—	—	—	—	—
Ian Dyson	3,215	—	—	—	—	—	—	—
Richard Flint	24,134	—	—	—	—	—	—	—
Divyesh Gadhia[4]	50,546	38,770	—	—	—	—	—	—
Andrew Higginson	0	—	—	—	—	—	—	—
Alfred Hurley[4]	2,960	14,078	—	—	—	—	—	—
David Lazzarato[4]	2,708	8,291	—	—	—	—	—	—
Gary McGann	3,314	—	—	—	—	—	—	—
Peter Rigby	128	—	—	—	—	—	—	—
Mary Turner[4]	4,269	7,096	—	—	—	—	—	—

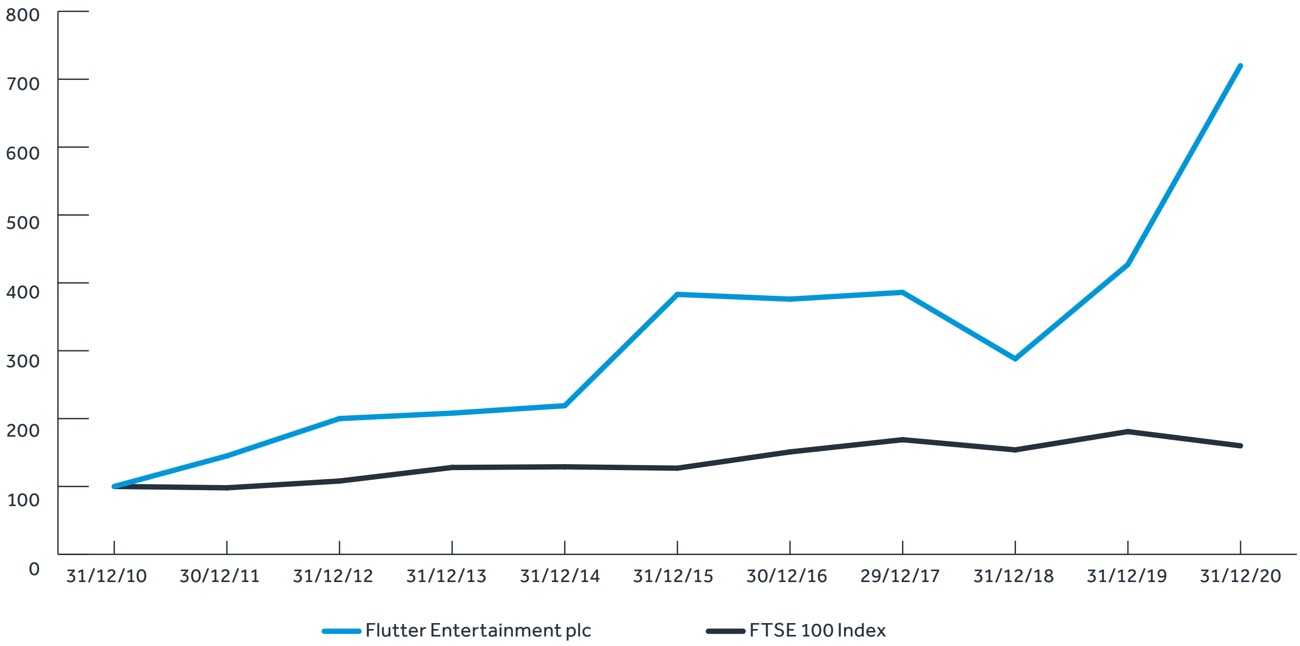
1. Includes shares held by the individual and those held by persons closely associated with them.
2. DSUs awarded in The Stars Group. These vested upon merger and were converted to Flutter shares.
3. Based on beneficially owned shares and vested but unexercised options net of notional tax, a share price of £151.10 and salaries as at 31 December 2020. For Jonathan Hill, values have been converted from euros to pound sterling at the 12-month average exchange rate over the financial year of £1 = €1.1052.
4. Neither of the Executive Directors exercised any share option awards during the year.

Directors' remuneration report 2020 continued

Annual Report on Remuneration continued

Pay for performance

The graph below shows the TSR performance (share price plus dividends paid) of Flutter Entertainment plc[1] compared with the performance of the FTSE 100 Index over the 10-year period to 31 December 2020, assuming a nominal £100 investment in Paddy Power plc[1] and the FTSE 100 Index at the start of the timeframe. This index has been selected because the Company believes that the FTSE 100 provides a relevant and appropriate broad market comparator index for the combined entity and includes companies of a similar size.



1. Paddy Power plc changed its name to Paddy Power Betfair plc on completion of the merger of Paddy Power plc and Betfair Group plc on 2 February 2016. In 2019, Paddy Power Betfair plc was renamed Flutter Entertainment plc.

Change in Chief Executive Officer's single total figure of remuneration

	2011	2012	2013	2014	2015	2016		2017	2018		2019	**2020**
	Patrick Kennedy	Patrick Kennedy	Patrick Kennedy	Patrick Kennedy	Andy McCue	Andy McCue	Breon Corcoran	Breon Corcoran	Breon Corcoran	Peter Jackson	Peter Jackson	**Peter Jackson**
CEO single figure of remuneration[1] (£'000)	5,775	6,534	6,752	6,450	2,701	2,109	1,557	3,233	295	1,664	2,099	**7,522**
Annual bonus outcome (% of maximum)	86%	62%	55%	67%	77%	0%[5]	67%	60%	0%[6]	49%	73%	**98%**
LTIP vesting[2] (% of maximum)	100%	100%	95%[3]	83%[4]	100%	100%	100%	100%	64%	n/a[7]	n/a[7]	**100%**

1. Remuneration is converted from euros to pounds sterling as appropriate, using the 12-month average exchange rate over the financial year. Patrick Kennedy and Andy McCue were paid in euros. Breon Corcoran was paid in pound sterling, as is Peter Jackson.
2. Before retesting – note, there is no provision for retesting in respect of LTIP awards made from 2013 onwards.
3. Retesting was applied to the unvested portion of the 2011 LTIP based on performance to 31 December 2014, and as a result an additional 4.9% of the award vested in March 2015.
4. Retesting was applied to the unvested portion of the 2012 LTIP based on performance to 31 December 2015, and as a result an additional 4.0% of the award vested in March 2016.
5. Andy McCue was not eligible for a bonus in 2016 in line with his payment for loss of office.
6. Breon Corcoran was not eligible for a bonus in 2018 in line with his payment for loss of office.
7. Peter Jackson has no LTIP vestings in these years.

This section provides a summary of the Remuneration Policy, which was approved by shareholders on Thursday, 14 May 2020 by an advisory, non-binding vote and will apply until the 2023 AGM at the latest. The full Policy can be found on our website at www.flutter.com/investor-relations/annual-reports.

Remuneration Policy

The Remuneration Policy was approved by shareholders last year. For ease of reference, the Remuneration Policy table and Our remuneration policy for the wider workforce sections have been reproduced in the summary below. The full Remuneration Policy can be found in last year's Report.

Remuneration Policy table

The table below sets out our Remuneration Policy for Executive Directors. It has been represented in full and unchanged from 2020:

Element	Purpose and link to strategy	Operation and performance measures	Maximum opportunity
Salary	To attract and retain high-calibre talent in the labour market in which the Executive Director is employed.	Generally reviewed annually but may be reviewed at other times of the year in exceptional circumstances. Salaries (inclusive of any Director fees) are set with reference to individual skills, experience, responsibilities, Company performance and performance in role. Independent benchmarking is conducted on a periodic basis against companies of a similar size and complexity, and those operating in the same or similar sectors, although this information is used only as part of a broader review.	Increases (as a percentage of salary) will generally be in line with salary inflation and consistent with those offered to the wider workforce. Higher increases may be appropriate in certain circumstances including, but not limited to: • where an individual changes role; • where there is a material change in the responsibilities or scope of the role; • where an individual is appointed on a below market salary with the expectation that this salary will increase with experience and performance; • where there is a need for retention; • where salaries, in the opinion of the Committee, have fallen materially below the relevant market rates; and • where the size of the Group increases in a material way. The Committee will review salaries if the proposed combination with The Stars Group completes. This may lead to increases awarded at rates higher than the wider workforce level, given that it would represent a significant change in the scale and complexity of the business and therefore the roles of the Executive Directors.
Benefits	To provide market competitive, cost effective benefits.	Employment-related benefits may include (but are not limited to) private medical insurance, life assurance, income protection, relocation, travel and accommodation assistance related to fulfilment of duties, tax equalisation and/or other related expenses as required. Where expenses are necessary for the ordinary conduct of business, the Company may meet the cost of tax on benefits.	The value of benefits may vary from year-to-year in line with variances in third-party supplier costs which are outside of the Company's control, business requirements and other changes made to wider workforce benefits.
Pension	To provide retirement benefits that are appropriately competitive within the relevant labour market.	The value of benefits may vary from year-to-year in line with variances in third-party supplier costs which are outside of the Company's control, business requirements and other changes made to wider workforce benefits.	Contribution of up to 15% of salary (or an equivalent cash payment in lieu) for current Executive Directors. These will reduce to the UK and Ireland wider workforce level from the start of 2023. For any new Executive Directors appointed during the term of this Policy, contributions will be set in line with the wider workforce level upon recruitment.

Directors' remuneration report 2020 continued

Remuneration Policy continued

Element	Purpose and link to strategy	Operation and performance measures	Maximum opportunity
Annual bonus and DSIP	To incentivise and reward the successful delivery of annual performance targets. The DSIP also provides a link to long-term value creation.	The Committee reviews the annual bonus prior to the start of each financial year to ensure that the opportunity, performance measures, targets and weightings are appropriate and in line with the business strategy at the time. Performance is determined by the Committee on an annual basis by reference to Group financial or strategic measures, or personal objectives, although the financial element will always account for at least 50% of the bonus in any year. The DSIP will be subject to a financial underpin; for 2020 this will be a revenue underpin but a different measure may be used in future years. Half of any annual bonus is paid in cash, with the remaining half deferred into shares under the DSIP. Any deferred element is released 50% after three years and 50% after four years from the date of grant. Malus and clawback provisions apply to the annual bonus and DSIP both prior to vesting and for a period of two years post-vesting, in the circumstances detailed on page 112. Dividends (or equivalent) accrue and are paid on DSIP awards that vest.	Threshold performance will result in an annual bonus pay-out of 25% of the maximum opportunity. For target performance, the annual bonus earned is two-thirds of the maximum opportunity. Maximum annual opportunity of 285% of total salary for the CEO and 265% of salary for other Executive Directors.
LTIP	To attract, retain and incentivise Executive Directors to deliver the Group's long-term strategy while providing strong alignment with shareholder interests.	Annual grant of shares or nil-cost options, vesting after a minimum of three years, subject to the achievement of performance conditions. The Committee reviews the performance measures, targets and weightings prior to the start of each cycle to ensure that they are appropriate. The measures and respective weightings may vary year-on-year to reflect strategic priorities, but at least 75% will always be based on financial measures (which can include TSR). Following vesting, awards are subject to a holding period of up to two years, such that the overall timeframe of the LTIP will be no less than five years. Directors may sell sufficient shares to satisfy the tax liability on exercise but must retain the net number of shares until the end of this two-year period. Malus and clawback provisions apply to the LTIP, which allow the Company to reduce or claw back awards during the holding period, in the circumstances detailed on page 113. Dividends (or equivalent) accrue and are paid on LTIP awards that vest.	The normal maximum opportunity is 180% of salary for the CEO and 150% of salary for other Executive Directors. Threshold performance will result in no more than 25% vesting.

Element	Purpose and link to strategy	Operation and performance measures	Maximum opportunity
SAYE	To facilitate share ownership and provide further alignment with shareholders.	The Company operates Save As You Earn share plans for all employees (in the UK this is an HMRC-approved and in Ireland this is an Irish Revenue-approved plan); the Executive Directors may participate in the plan on the same basis as other employees. Participants are invited to save up to the monthly limit over a three-year period and use these savings to buy shares in the Company at up to the maximum discount allowable in the relevant jurisdiction.	Maximum opportunity is in line with HMRC and Irish Revenue limits (currently £500 and €500 per month for UK and Irish employees respectively). Maximum opportunity for employees in other countries is the equivalent of €500 per month.
Shareholding guidelines	To create alignment between the interests of Executive Directors and shareholders.	Executive Directors must build up and maintain a holding of shares in the Company equivalent to a minimum of 300% of salary for the CEO and 200% of salary for other Executive Directors. Executive Directors must retain half of post-tax vested awards until the guidelines are met. Shareholding guidelines may be met through both beneficially owned shares and vested but unexercised options on a notional net of tax basis. Executives are required to hold the lower of their respective shareholding guideline and the actual shareholding immediately prior to departure for two years post-departure.	n/a

Directors' remuneration report 2020 continued

Remuneration Policy continued

Our remuneration policy for the wider workforce

Below Board level, employees receive a remuneration package that is reflective of their role and responsibilities, set by reference to internal relativities and external market data where applicable. Employees at the Executive level will typically have a greater emphasis on performance-related and long-term pay compared with those below this level. Details are given in the table below:

Element	Approach
Salary	Our approach to salary reviews is consistent across the Group, with consideration given to the level of responsibility, experience, individual performance and salary levels in comparable companies. Remuneration surveys are referenced, where appropriate, to establish market rates. Although increases may vary, Executive Director increases are aligned with the typical increases awarded across the Group under normal circumstances.
Pension and benefits	Benefits and pension arrangements are tailored to local market conditions for all of our employees across the Group.
Annual bonus	The majority of our employees are eligible to participate in an annual bonus plan, though award sizes vary by level. Performance measures are tailored to be suitable to the nature and responsibility of the role, and the geographic location, though the structure remains broadly consistent across the Group.
Share plans	Executive Directors are eligible to participate in the LTIP. Employees at Executive Committee and senior management level are also eligible to participate in share plans, which vest based on continued employment and, in some cases, are also subject to performance conditions. The timing of the vesting is dependent on geographic location. The majority of our workforce is also eligible to participate in the employee SAYE plan; the basis of participation varies depending on geographic location.
Shareholding guidelines	Shareholding guidelines are in place for Executive Directors and Executive Committee members.

Directors' Report

The Directors' Report for the year ended 31 December 2020 should be read in conjunction with the other sections of this Annual Report and Financial Statements. The following sections of this Annual Report and Financial Statements are incorporated into this Directors' Report by reference for the purposes of sections 325 and 1373 of the Companies Act 2014, Regulation 21 of SI 255/2006 European Communities (Takeover Bids Directive (2004/25/EC)) Regulations 2006 and SI 277/2007 Transparency (Directive 2004/109/EC) Regulations 2007, SI 360/2017 European Union (Disclosure of Non-Financial and Diversity Information by Certain Large Undertakings and Groups) Regulation 2017 and the Disclosure and Transparency Rules of the UK Financial Conduct Authority as applicable:

Statutory, regulatory and other information

Matter	Location
The Strategic Report, which includes a review of the development and performance of the Group, the external environment, key strategic aims, business model and certain financial and non-financial disclosure requirements arising from EU and Irish legislation	pages 2 to 64
The non-financial information statement	page 129 of this Directors' Report
Information on employees	pages 39 and 40
The Corporate Governance Report	pages 66 to 131
Information on the Company's diversity initiatives and Board Diversity Policy	pages 39 and 40 and 89 to 91
The Directors' Remuneration Report, which includes information on the annual bonus, the LTIP, share options, Directors' service contracts and Directors' remuneration.	pages 104 to 122
Details of the Audit Committee	pages 92 to 99
Details of share capital and reserves	Note 24 to the Consolidated Financial Statements on pages 196 to 197
Details of earnings per share	Note 11 to the Consolidated Financial Statements on page 172
Details of derivative financial instruments	Note 29 to the Consolidated Financial Statements on pages 209 and 210
The treasury policy and objectives of the Group	Note 27 to the Consolidated Financial Statements on pages 202 to 207

Principal activities

The Group is a global sports betting and gaming operator, whose headquarters are in Dublin, Ireland, employing over 14,000 people worldwide. During 2020, the Group operated across the following five divisions:

(i) **PPB:** including Paddy Power, Betfair and Adjarabet brands offering a diverse range of sportsbook, exchange and gaming services across the UK, Ireland, Europe and International territories. This division also includes 620+ Paddy Power betting shops in the UK and Ireland.

(ii) **SBG:** refers to the Sky Betting & Gaming business and includes both the Sky Bet sportsbook and Sky Vegas gaming products offering a leading proposition to a recreationally led customer base.

(iii) **Australia:** consisting of Sportsbet, the market-leading brand in the fast-growing Australian online betting market.

(iv) **PokerStars:** operating in multiple jurisdictions around the world and is the world's largest poker site and the home of live and online poker, PokerStars Casino and PokerStars Sports.

(v) **US:** FanDuel, FOX Bet, TVG and Betfair brands. The division has a diverse product offering of online and retail sportsbooks, daily fantasy sports, online gaming, poker, advanced deposit wagering on horse racing and TV broadcasting.

The Group has over 250 subsidiary undertakings, the principal ones as at 31 December 2020 are listed on pages 213 to 215.

2021 outlook

The 2021 outlook set out in the Operating and Financial Review on pages 42 to 55 is deemed to be incorporated in this part of the Directors' Report.

Directors' Report continued

Research and development

The Group performs research and development activities to ensure that it continues to be a recognised innovator in the betting and gaming industry. These activities support the introduction of new products, the creation of new betting markets, improved online customer experience and the development of better processes and systems. Continued research and development contributes to the Group's future growth and profitability. Further details of our research and development activities are set out in the Strategic Report on pages 2 to 64.

Results

The Group's operating profit for 2020 before separately disclosed items of £676m reflects an increase of 141% on the 2019 profit before separately disclosed items of £281m. Overall Group operating profit for 2020 amounted to £104m after separately disclosed items amounting to £573m. Further information is set out in Note 6 to the Consolidated Financial Statements on pages 167 and 168. Adjusted diluted earnings per share amounted to £3.93 compared with £2.97 in the previous year, an increase of 32%. The financial results for 2020 are set out in the Consolidated Income Statement on page 141. Total equity attributable to the Company's equity holders at 31 December 2020 amounted to £10,965.1m (2019: £3,984.7m).

Business review and key performance indicators

The Strategic Report on pages 2 to 64, which includes the Chair's Statement and the Chief Executive Officer's Review, contains a review of the performance and developments of the Group during the year, including the analysis of the key performance indicators.

Principal risks and uncertainties

Pursuant to Section 327(1)(b) of the Companies Act 2014 and Regulation 5(4)(c)(ii) of the Transparency (Directive 2004/109/EC) Regulations 2007, the principal risks and uncertainties facing the Group are set out on pages 57 to 64 and are deemed to be incorporated in this part of the Directors' Report.

Annual General Meeting (AGM) 2021

The Notice convening the AGM to be held on 29 April 2021 will be sent to shareholders together with this Annual Report and Accounts. The Notice contains full details of the resolutions that will be put to shareholders at the AGM. It is also available on our corporate website: www.flutter.com/investors/shareholder-centre/agm.

Changes to the Board of Directors

Following completion of the combination with TSG, Jan Bolz and Emer Timmons stepped down as Non-Executive Directors of the Company on 5 May 2020; and Divyesh ("Dave") Gadhia, Rafael ("Rafi") Ashkenazi, Richard Flint, Alfred F. Hurley Jr, David Lazzarato and Mary Turner were appointed as Non-Executive Directors of the Company with effect from the same date. Dave Gadhia was also appointed as Deputy Chair of the Board of Directors. Dave Gadhia, Rafi Ashkenazi, Richard Flint, Alfred F. Hurley, Jr, David Lazzarato and Mary Turner were each subsequently elected as Directors at the AGM of the Company held on 14 May 2020.

Rafi Ashkenazi stepped down as a Non-Executive Director of the Company on 27 August 2020 and Ian Dyson stepped down as a Non-Executive Director of the Company on 31 December 2020. Dave Gadhia and Peter Rigby will retire from the Board of Directors at the conclusion of the Annual General Meeting to be held on 29 April 2021. Nancy Dubuc will join the Board as a Non-Executive Director effective from conclusion of the AGM on 29 April 2021.

Holly Koeppel will join the Board as a Non-Executive Director effective from 13 May 2021.

In accordance with the provisions of the 2018 UK Corporate Governance Code (the "Code"), all Directors eligible for re-election should retire at each AGM and offer themselves for re-election. Accordingly, all Directors, except Dave Gadhia and Peter Rigby who are not seeking re-election, will retire and seek re-election at the AGM to be held on 29 April 2021. The Board believes that all Directors offering themselves for re-election continue to be effective and demonstrate commitment to the role. The names and biographies of our current Directors can be found on pages 68 to 71.

Directors' and officers' liability insurance

Throughout 2020, the Group had in place directors' and officers' liability insurance, which covered all Directors and officers.

Directors' and Company Secretary's shareholdings

The Company has established share ownership guidelines for Executive Directors to ensure that their interests are aligned with those of shareholders. For detailed information, see the Directors' Remuneration Report on pages 104 to 122.

As at 1 March 2021 (being the latest practicable date before publication of this Annual Report and Accounts), the current Directors and the Company Secretary held the same number of beneficial interests in shares as at 31 December 2020 as set out in the table below. These shareholdings include all beneficial interests and those held by persons closely associated with them. This does not include their share awards under the Company's share schemes. The interests of the Executive Directors in the Company's share schemes as at 31 December 2020 are set out on page 117. The Company Secretary has no interest in the Company's share schemes that require disclosure.

	Number of ordinary shares of €0.09 each	
	31 December 2020 (or date of resignation, if earlier)	31 December 2019 (or date of appointment to the Company if later)
Rafael (Rafi) Ashkenazi [1]	**198,663**	198,663
Jan Bolz [2]	**—**	—
Zillah Byng-Thorne	**1,287**	1,266
Michael Cawley	**3,660**	3,600
Nancy Cruickshank	**—**	—
Ian Dyson [3]	**3,215**	3,163
Divyesh (Dave) Gadhia [4]	**50,546**	79,684
Richard Flint [4]	**24,134**	23,941
Andrew Higginson	**—**	—
Alfred Hurley [4]	**2,960**	3,642
Jonathan Hill	**1,728**	1,700
Peter Jackson	**7,561**	7,437
David Lazzarato [4]	**2,708**	3,376
Gary McGann	**3,314**	3,260
Peter Rigby	**128**	126
Emer Timmons [2]	**—**	—
Mary Turner [4]	**4,269**	4,951

1 Appointed with effect from 5 May and resigned with effect from 27 August 2020
2 Resigned with effect from 5 May 2020
3 Resigned with effect from 31 December 2020
4 Appointed with effect from 5 May 2020

None of the Directors nor the Company Secretary had an interest in the shares of any subsidiary undertaking of the Company or in any significant contracts of the Group.

Remuneration report

The remuneration report required to be included in this Directors' Report pursuant to section 325(f) of the Companies Act 2014 is contained on pages 104 to 122 of this Annual Report and Financial Statements, which is incorporated into this Directors' Report.

Shares

Substantial shareholdings

As at 31 December 2020 and 1 March 2021 (being the latest practicable date before publication of this Annual Report and Accounts), the Company had been notified of the following details of interests of over 3% in the Company's ordinary share capital (excluding treasury shares):

Substantial Shareholdings	Notified holding 31 December 2020	Notified holding 1 March 2021	Notified % holding 1 March 2021
The Capital Group Companies, Inc.[1]	29,901,188	27,790,766	15.85%
Caledonia (Private) Investments Pty Limited	17,959,749	17,959,749	10.26%
Fastball Holdings LLC	11,747,205	11,747,205	6.71%
BlackRock Inc.	10,004,428	10,004,428	6.05%
Massachusetts Financial Services Company	5,611,128	5,611,128	3.89%

1 As notified by The Capital Group Companies, Inc ("CGC"), CGC is the parent company of Capital Research and Management Company ("CRMC") and Capital Bank & Trust Company ("CB&T"). Neither CGC nor any of its affiliates own shares of Flutter Entertainment plc for its own account. Rather, CGC have advised Flutter that the shares reported on the notification are provided by CGC to the Company are owned by accounts under the discretionary investment management of one or more of the investment management companies described above

Corporate governance

For the purposes of section 1373 of the Companies Act 2014 and Rule 7.2 of the Disclosure and Transparency Rules of the UK Financial Conduct Authority, the Corporate Governance Report on pages 66 to 131 is deemed to be incorporated into this Directors' Report and forms part of the corporate governance statement required by section 1373 of the Companies Act 2017 and Rule 7.2 of the Disclosure and Transparency Rules of the UK Financial Conduct Authority.

Share capital, rights and obligations

As at 31 December 2020, the Company's total issued share capital was 177,033,508, comprising (a) 175,067,908 ordinary shares in issue each with a nominal value of €0.09, all of which are of the same class and carry the same rights and obligations; and (b) 1,965,600 ordinary shares held as treasury shares either directly by the Company or through group companies or nominees. This represented 1.1% of the Company's total issued share capital (including treasury shares) as at 31 December 2020.

Accordingly, as at 1 March 2021 (being the latest practicable date before publication of this Annual Report and Accounts), the Company's total issued share capital was €15,936,387, comprising 177,070,974 ordinary shares.

Rights attaching to ordinary shares

Ordinary shares carry the right to the profits of the Company available for distribution and to the return of capital on the winding up of the Company. Ordinary shares carry the right to attend and speak at general meetings of the Company and each share has the right to one vote. With regard to the Company's ordinary shares:

(i) save as disclosed below under the paragraph entitled "Lock-up agreement with certain shareholders", there are no restrictions on their transfer;

(ii) no person holds shares carrying special rights with regard to the control of the Company;

(iii) there are no shares to which a Company share scheme relates carrying rights with regard to the control of the Company;

(iv) there are no restrictions on the voting rights attaching to the Company's shares; and

(v) there are no agreements between shareholders that are known to the Company that may result in restrictions on the transfer of securities or on voting rights.

Rights attaching to treasury shares

Ordinary shares held as treasury shares have no voting rights and no entitlement to dividends.

Lock-up agreement with certain shareholders

The purchase agreement entered into between the Company and Fastball Holdings LLC ("Fastball") on 3 December 2020 (the "Purchase Agreement") in relation to the acquisition of Fastball's entire 37.2% minority interest in FanDuel Group Parent LLC (the "FanDuel Acquisition") contains certain lock-up provisions which restrict Fastball's ability to distribute or transfer the 11,747,205 ordinary shares in the Company which Fastball received as partial consideration for the FanDuel Acquisition (the "Consideration Shares"). Under the terms of the Purchase Agreement, subject to limited exceptions, Fastball is restricted from distributing or transferring the Consideration Shares, save that:

(a) from and after 31 March 2021, Fastball will be permitted to distribute or sell up to 20% of the Consideration Shares;

(b) from and after 1 July 2021, Fastball will be permitted to distribute or sell up to 50% of the Consideration Shares (inclusive of any shares distributed or sold prior to 1 July 2021); and

(c) from and after 31 December 2021, Fastball will be permitted to distribute or sell up to 100% of the Consideration Shares.

Controlling shareholders

As far as known to the Directors, the Company is not directly or indirectly owned or controlled by another company or any government. Further information on the Company's share capital is set out in Note 24 to the Consolidated Financial Statements on pages 196 and 197.

Directors' Report continued

Authority to allot new shares

At the Company's AGM on 14 May 2020, shareholders authorised the Directors, by way of ordinary resolution, to allot new equity securities:

(a) up to a maximum aggregate value of €4,347,636 (representing 48,307,070 ordinary shares), being approximately 33.33% of the issued share capital of the Company (excluding treasury shares) following completion of its combination with TSG; and

(b) up to a maximum aggregate value of €8,695,273 (representing 96,614,140 ordinary shares), being approximately 66.66% of the issued share capital of the Company (excluding treasury shares) following completion of the combination with TSG, provided the allotment is made in connection with a rights issue or other pre-emptive issue in favour of holders of equity securities and less any amounts allotted pursuant to paragraph (a) above.

The authority conferred at the 2020 AGM will expire at the close of the Company's AGM in 2021 or the close of business on 13 August 2021 (whichever is earlier).

At the 2021 AGM, shareholders will be requested to renew this authority. Save for the allotment of shares in respect of the Group's employee share schemes, the Directors have no current intention to exercise this authority.

Disapplication of pre-emption rights

At the Company's AGM on 14 May 2020, shareholders authorised the Directors, by way of special resolution, to allot shares new equity securities:

(a) up to a maximum aggregate value of €652,145 (representing 7,246,060 ordinary shares), being approximately 5% of the issued share capital of the Company (excluding treasury shares) following completion of its combination with TSG; and

(b) up to an additional maximum aggregate value of €652,145 (representing 7,246,060 ordinary shares), being approximately 5% of the issued share capital of the Company (excluding treasury shares) following completion of its combination with TSG, provided the proceeds of any such allotment are to be used only for the purposes of financing (or re-financing) a transaction which the Directors determine to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Dis-applying Pre-emption Rights,

in each case, for cash without first being required to offer them to existing shareholders of the Company.

The authorities conferred at the 2020 AGM will expire at the close of the Company's AGM in 2021 or the close of business on 13 August 2021 (whichever is earlier).

At the 2021 AGM, shareholders will be requested to renew this authority. Save for the allotment of shares in respect of the Group's employee share schemes, the Directors have no current intention to exercise this authority.

Purchase of own shares

At the Company's AGM on 14 May 2020, shareholders authorised the Company and/or any of its subsidiaries, by way of special resolution, to make market purchases of a maximum of 14,492,121 of the Company's ordinary shares (being 10% of the issued share capital of the Company (excluding treasury shares) following completion of its combination with TSG) at certain minimum and maximum prices specified in the resolution).

The authority conferred at the 2020 AGM will expire at the close of the Company's AGM in 2021 or the close of business on 13 August 2021 (whichever is earlier).

At the 2021 AGM, shareholders will be requested to renew this authority. The Board of Directors will only exercise the power to purchase shares in the future at price levels at which it considers purchases to be in the best interests of the shareholders generally after taking account of the Group's overall financial position. The Directors have no current intention to exercise this authority.

Shareholder's meetings

The Company operates under the Companies Act 2014 of Ireland. Under the Companies Act 2014, the Company is required to hold a general meeting of shareholders each calendar year as its annual general meeting ("AGM"). Any other general meeting of shareholders held in that year is classified as an extraordinary general meeting ("EGM"). Not more than 15 months may elapse between the date of one AGM and the next. EGMs are convened when considered appropriate by the Board and may also be convened at the request of members holding not less than 5% of the issued share capital of the Company which carries voting rights. A shareholder or a group of shareholders holding at least 3% of the issued share capital of the Company which carries voting rights has the right to put an item on the agenda of an AGM, provided the shareholder exercises that right within the prescribed time period, or to table a draft resolution for an item on the agenda of a general meeting.

No business may be transacted at any general meeting unless a quorum is present at the time when the meeting proceeds to business. Under Flutter's Constitution, two persons entitled to vote upon the business to be transacted, present in person or by proxy or as a duly authorised representative of a corporate member, constitute a quorum. Only those shareholders registered on the Company's register of members at the prescribed record date, being a date specified by the Board in relation to the relevant general meeting, are entitled to attend and vote at a general meeting.

Notice of an AGM, the Form of Proxy and the Annual Report are sent to shareholders at least 20 working days before the AGM in line with the recommendations of the Code. The notice period for an EGM to consider any special resolution is 21 clear days. Subject to the approval of shareholders at the immediately preceding AGM, the Directors may also convene an EGM to consider any ordinary resolution on 14 clear days' notice. As a matter of policy, 14 clear days' notice will only be utilised to convene an EGM where the Directors believe that it is merited by the business of the meeting and the circumstances surrounding such business.

Shareholder's meetings continued

While the Company's Constitution provides that resolutions may be voted on by a show of hands or on a poll, Flutter's practice is that all resolutions are voted on a poll. After each resolution has been dealt with, details are given of the level of proxy votes cast on each resolution and the numbers for, against and withheld. On a poll, the votes of shareholders present and voting at the meeting are added to the proxy votes received in advance of the meeting and the total number of votes for, against and withheld for each resolution are announced following the conclusion of the meeting. Ordinary resolutions may be passed by a simple majority of votes cast in favour, while special resolutions require a 75% majority of votes cast in favour. Any shareholder who is entitled to attend, speak and vote at a general meeting is entitled to appoint one or more proxies to attend, speak and vote on his or her behalf. A proxy need not be a member of the Company.

The business of the Company is managed by the Directors who may do all such acts and things and exercise all the powers of the Company save for those powers required to be exercised by the Company in general meeting. Matters reserved to shareholders in general meetings include the election of Directors, the declaration of final dividends on the recommendation of the Directors, the fixing of the remuneration of the external auditor, amendments to the Constitution, measures to increase or reduce the ordinary share capital and the authority to issue shares.

Own shares held

During 2020, the Paddy Power Betfair plc Employee Benefit Trust ("EBT") transferred 3,077 (2019: 29,344) ordinary shares to employees under the Company's share schemes. At 31 December 2020, the EBT held 67,320 (2019: 70,397) ordinary shares in the Company, representing 0.038% (2019: 0.089%) of the total issued share capital of the Company (excluding treasury shares) as at that date. No shares were purchased into the EBT during the years ended 31 December 2020 or 31 December 2019. Further information is set out in Note 26 to the Consolidated Financial Statements on pages 197 to 201.

Outstanding options

767,889 (2019: 566,469) awards or grants over shares were made during 2020 that would be dilutive of the Company's issued share capital. We settle outstanding awards or grants under the Company's share schemes with shares purchased in the market and through issuing new shares. The Board continues to review this as appropriate. As at 31 December 2020, there were 1,842,762 (2019: 1,593,947) options outstanding.

Dividends

In light of the disruption caused by the Covid pandemic on sporting events, the combination with TSG and the ambition for the Group to de-lever following the completion of that combination, the Board considered it prudent to suspend the dividend for the financial year ending 31 December 2020. As previously communicated, 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 impact of Covid, the Group's anticipated deleveraging and balance sheet position, and will decide when it is appropriate time to reinstate a dividend.

As a result, the Board did not recommend an interim dividend for 2020 (2019: 0.67) or a final dividend for the year ended 31 December 2020 (2019:133p). On 27 March 2020, Flutter announced that the Final 2019 Dividend of 133p per ordinary share would be paid in the form of a bonus issue of new ordinary shares. Accordingly, following shareholder approval at the 2020 AGM, 1,312,260 new ordinary shares were admitted to the official lists and to trading on the main markets of the London Stock Exchange and Euronext Dublin on 22 May 2020.

Employees

The Group employed over 14,000 people as at 31 December 2020. The responsibility for formulating, implementing and ensuring adherence to employment policies and relevant legislation falls under the remit of our HR function. The Group fully supports the principle of equal opportunity for all employees and opposes all forms of discrimination and has policies to ensure that it meets its legal obligations. It is also the Group's policy to give full and fair consideration to the recruitment of disabled persons, and to provide such persons with the same training, career development and promotion opportunities as other employees. In the event of employees becoming disabled, every effort is made to ensure that their employment within the Group continues and that appropriate training is provided.

The Group believes in open and continuous communications as an important part of the employee engagement process. The Group has various internal communication channels for informing employees about financial results, such as town halls, internal social media platforms business development and other news concerning the Group and its people. Our Code of Ethics applies to all employees across the Group. As part of enabling our employees to participate in the Group's performance and align with shareholder value, employees are also able to join our all employee Save As You Earn scheme (subject to local jurisdictional requirements) (see Note 26 of the Consolidated Financial Statements on pages 197 to 201). In recognition of the contribution employees made to the success of the Group's performance during the year, in addition to the successful integration of the TSG business, the Board also approved the allotment of a Gift of Shares Award. Further details on the Gift of Shares Award are set out on page 105.

For further information on our people see pages 39 to 40, stakeholder engagement see pages 30 to 33 and our approach to workforce engagement see page 80.

Events after the reporting date

In January, 2021 Flutter acquired 50.1% of Junglee Games, a fast-growing online rummy and daily fantasy sports operator in India, for £48m. Details of events after the reporting period are set out in Note 33 on page 215 of the Consolidated Financial Statements.

Directors' Report continued

Other

Greenhouse gas emissions
Disclosures relating to the Group's greenhouse gas emissions are contained in the Sustainability section of the Strategic Report on page 36.

Political donations
No political donations were made by the Company during 2020 that require disclosure in accordance with the Electoral Acts 1997 to 2002 and the Electoral (Amendment) Political Funding Act 2012.

Audit Committee
The Company has established an Audit Committee, the details of which are set out on pages 92 to 99.

Articles of Association
The Company's Articles of Association may only be amended by way of a special resolution approved by the shareholders. They were last amended, effective as of 19 January 2021, by way of a special resolution passed at the EGM held on that date.

Significant agreements – change of control provisions
There are no significant agreements which contain provisions entitling other parties to exercise termination or other rights in the event of a change in control of the Company. The rules of certain Company share schemes include provisions which apply in the event of a takeover or reconstruction.

Contractual arrangements
The Group has contractual arrangements with numerous third parties in support of its business activities. In that context, disclosure in this Annual Report and Financial Statements of information about any of those third parties is not considered necessary for an understanding of the development, performance or position of the Group's businesses.

Related party transactions
Internal controls are in place to ensure that any related party transactions involving Directors or their connected persons are carried out on an arm's length basis and are disclosed in the Consolidated Financial Statements. Transactions with Directors and parties related to them have been disclosed in Note 31 to the Consolidated Financial Statements on page 212.

Funding and liquidity risk
Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity from available cash and borrowing facilities to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. With regard to available cash, the Group's treasury policy sets conservative credit rating and tenor-based limits for exposures to financial counterparties. The Group performs regular cash flow projections to ensure that it has sufficient headroom available from cash and borrowing facilities to meet expected obligations over the forecasted period.

On 11 March 2020, the Group, entered into a Term Loan A and Revolving Credit Facility Agreement (the "TLA Agreement"), contingent on the completion of TSG Combination. The TLA Agreement comprised a term loan and revolving credit facility totalling £1.3 billion. On 5 May 2020, the Group completed the TSG Combination, assumed TSG's existing indebtedness with an acquisition date fair value of approximately £3,934m and terminated TSG's then-existing revolving credit facility under which there were no drawings. In addition, on 5 May 2020, the Group repaid and terminated its pre-existing revolving credit facility and pre-existing £250m term loan, and entered an Incremental Facility Agreement was signed to increase borrowing capacity under the TLA agreement by £100 million to £1.4 billion, with all terms and conditions consistent with the TLA Agreement. The Group borrowed £950m under the GBP First Lien Term Loan A in two tranches: £525m on 5 May 2020 and an additional £425m on 11 June 2020. Also during the year, the Group repaid £1.5bn of the debt assumed as part of the TSG Combination. At 31 December 2020, total borrowings was £3.1bn. During the twelve months ended 31 December 2020, the Group complied with all covenants related to its borrowings under all facilities. Further details are set out in Note 22 of the Consolidated Financial Statements on pages 188 to 191.

Viability statement
In accordance with the Code, the Directors confirm that they have a reasonable expectation that the Group will continue to operate and meet its liabilities, as they fall due, for the next three years to December 2023. This three-year timeframe was selected as it corresponds with the Board's strategic planning horizon. The possible impact of future regulatory change and the pace of technological change, as well as the long-term impact of the Covid pandemic, limits the Directors' ability to reliably predict the longer term. This is based on long term plans prepared in 2020 with sensitivity analysis performed on key financial metrics such as enhanced regulation and ongoing litigation in the State of Kentucky. The Directors' assessment has been made with reference to the strong cash generation capabilities of the Group, its committed debt facilities and in particular its £450m committed revolving credit facility, which expires in May 2025, the Board's risk appetite and the principal risks and uncertainties and how they are managed, as detailed in pages 57 to 64.

The Directors also assessed the potential financial and operational impacts, in severe but plausible scenarios, of the principal risks and uncertainties and the likely degree of effectiveness of current and available mitigating actions.

Going concern, responsibilities and disclosure
The current activities of the Group and those factors likely to affect its future development, together with a description of its financial position, are described in the Strategic Report. Principal risks and uncertainties affecting the Group, and the steps taken to mitigate these risks are described in the Understanding and Managing our Principal Risks section of the Strategic Report on pages 57 to 64. Critical accounting estimates affecting the carrying values of assets and liabilities of the Group are discussed in Note 4 to the Consolidated Financial Statements.

The Group's forecasts for 2021 and beyond indicate that it will, have significant financial resources, continue to settle its debts as they fall due, and operate well within its banking covenants as outlined in Note 22 until December 2023. Various downside scenarios over and above those already included in the base case model on the potential impact of further reductions to cashflows due to ongoing litigation in the State of Kentucky (see Note 20), and enhanced regulation have also been considered in respect of these forecasts. 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 Company and the Group have adequate resources to continue in operational existence for three years (in line with the viability statement). In making this assessment, the Directors considered the going concern status for a period of at least 12 months from the date of signing this Annual Report and Financial Statements. For this reason, they continue to adopt the going concern basis in preparing the Financial Statements.

Risk Management and Internal Control

The Directors confirm that, in addition to the monitoring carried out by the Risk and Audit Committees under their respective terms of reference, they have reviewed the effectiveness of the Group's risk management and internal control systems as at the date of approval of the Financial Statements. This review had regard to all material controls, including financial, operation and compliance controls that could affect the Group's business. Further details are set out in page 93

Compliance policy statement

It is the policy of the Directors of the Company to comply with its relevant obligations (as defined in the Companies Act 2014). As required by section 225(2) of the Companies Act 2014, the Directors acknowledge that they are responsible for the Company's compliance with its relevant obligations. The Directors have drawn up a compliance policy statement (as defined in section 225(3)(a) of the Companies Act 2014) and arrangements and structures are in place that are, in the Directors' opinion, designed to secure material compliance with the Company's relevant obligations. The Directors confirm that these arrangements and structures were reviewed during the financial year. In discharging their responsibilities under section 225, the Directors relied on the advice both of persons employed by the Company and of persons retained by the Company under contracts for services, who they believe have the requisite knowledge and experience to advise the Company on compliance with its relevant obligations.

Non-financial reporting

In compliance with the requirements of the non-financial reporting regulations, which were set out in the Companies Act 2014 and SI 360/2017 European Union (Disclosure of Non-Financial and Diversity Information by Certain Large Undertakings and Groups) Regulation 2017, the table below sets out certain non-financial information to provide investors and other stakeholders with an understanding of the Group's development, performance, position and impact of its activity and where this information has been provided in this Annual Report and Financial Statements:

Non-Financial Reporting

Reporting requirement	Relevant policies and additional information	Location of information[1]	Page
Environmental and climate matters	Sustainability and environment	Sustainability	36
Social and employee matters	Code of Ethics; Global Health and Safety Framework	Safer Gambling Our People Business Integrity	26 to 29 and 39 to 41
Human rights	Code of Ethics; Modern Slavery Statement[2]	Our People Business Integrity	39 to 41
Anti-bribery and corruption	Code of Ethics; Anti-Bribery and Corruption Policy	Our People Business Integrity	39 to 41
Business model	—	Business model	22 to 29
Non-financial KPIs	—	Measuring our Progress	18 and 19
Principal risks	—	Understanding and managing our principal risks	57 to 64

1 The referenced sections are deemed to be incorporated within this Directors' Report.
2 Available on Flutter's website www.flutter.com

Auditors

KPMG, Chartered Accountants, were appointed statutory auditor on 18 May 2018 and have been reappointed annually since that date, and pursuant to section 383(2) of the Companies Act 2014 will continue in office. Prior to 18 May 2018, KPMG LLP, the UK member firm of KPMG International, were the auditor to Flutter Entertainment plc, having served as auditor for the two financial years ended 31 December 2017. KPMG in Ireland previously served as auditor to Paddy Power plc (subsequently renamed to Flutter Entertainment plc) for 14 uninterrupted financial years.

In accordance with section 381(1)(b) of the Companies Act 2014, a resolution authorising the Directors to fix the remuneration of the auditors will be proposed at the 2021 AGM.

Directors' Report continued

Disclosure of information to the external auditor

Each of the Directors who held office at the date of approval of this Directors' Report confirms that:

(i) so far as they are aware, there is no relevant audit information of which the external auditor is unaware; and

(ii) they have taken all steps that they ought to have taken as a Director to make them aware of any relevant audit information and to establish that the external auditor is aware of that information.

Books of account

The measures which the Directors have taken to ensure that adequate accounting records are kept with the requirements of sections 281 to 285 of the Companies Act 2014 are:

(i) the appointment of suitably qualified personnel;

(ii) the adoption of suitable policies for recording transactions, assets and liabilities; and

(iii) the appropriate use of computers and documentary systems.

The Group and Company accounting records are kept at the Company's headquarters at Belfield Office Park, Beech Hill Road, Clonskeagh, Dublin 4, Ireland.

Listing Rule 9.8.4C

In its Q3 2020 Trading Update, the Company published the following guidance in respect of the financial year ending 31 December 2020.

Outlook:

- Pro forma Group ex-US: 2020 EBITDA expected to be £1,275-1,350m driven by higher customer volumes across all divisions (previous guidance: £1,175-1,325m)
- In the US, increased investment in customer acquisition expected to lead to an pro forma EBITDA loss of £160m-180m (previous guidance: £140-160m)

The above statements represented a profit forecast for the purpose of LR 9.2.18 and replaced the Company's previous guidance as outlined in the statement. For the purposes of compliance with LR 9.8.4R (2), the Company confirms that 2020 EBITDA for the Group, excluding the US, was £1,401m, exceeding the top-end of the guidance previously issued by 4%. The 2020 pro forma EBITDA loss in the US was £170m, within the range previously indicated.

For the purposes of compliance with LR 9.8.4R (4) details of any long-term incentive schemes are included in the Directors' Remuneration Report on pages 104 to 122 and included by reference within this Directors' Report.

For the purposes of compliance with LR 9.8.4R(12) and (13) – Waivers of Dividend Disclosure – the Trustee of the Employee Benefit Trust has elected to waive dividends in respect of certain holdings of Flutter shares, details of which are set out on page 197 of the Financial Statements and are in included by reference within the Directors' Report.

For the purposes of compliance with LR 9.8.4R (7), details of allotments by Flutter of equity shares for cash otherwise than to the holders of the company's equity shares in proportion to their holdings of such equity shares which have not been specifically authorised by the company's shareholders during 2020 include:

(a) Settlement of acquisition of minority interest in TSG Australia Pty Ltd

On 13 May 2020, Flutter allotted 819,230 new ordinary shares to certain former shareholders of TSG Australia Pty Ltd in consideration for the acquisition by Flutter of the remaining minority interest of TSG Australia Pty Ltd and related matters, as further described in paragraph 5.1 of Part II(B) of the prospectus published by Flutter on 27 March 2020. The new ordinary shares, which rank pari passu in all respects with the Company's existing ordinary shares, including in respect of the right to receive all future dividends and other distributions declared, made or paid in respect of ordinary shares after the date of allotment, were deemed to be allotted for cash consideration on a non-pre-emptive basis under the Companies Act 2014 and are presented as share capital in the Financial Statements. The new ordinary shares represented approximately 0.57% of Flutter's issued share capital immediately prior to the allotment of the shares (excluding treasury shares).

The terms of issue of the new ordinary shares were set on 4 May 2020. The market price of the ordinary shares at close of business on that date was £94.84.

(b) May 2020 Placing

On 28 May 2020, in light of the Group's operating environment and likely longer-term changes to the sector landscape and to support the Group.

The Company launched non-pre-emptive placing of 8,045,995 new ordinary shares. The placing of new ordinary shares raised gross proceeds of £812.6m net proceeds of £806.3m and represented approximately 5.5% of the Company's issued share capital immediately prior to the placing (excluding treasury shares). The ordinary shares issued in the placing rank pari passu in all respects with the Company's existing ordinary shares, including in respect of the right to receive all future dividends and other distributions declared, made or paid in respect of ordinary shares after the date of the placing.

The placing price of the new ordinary shares was £101.00, representing a discount of approximately 4.7% to the closing price of Flutter's ordinary shares on 28 May 2020. The net proceeds of the placing were used to accelerate the Group's US strategy, reduce overall debt, including debt incurred in connection with the combination with TSG and for other corporate purposes.

Closing of the placing and admission of the new ordinary shares to the official lists and to trading on the main markets of the London Stock Exchange and Euronext Dublin took place on 2 June 2020. The new ordinary shares are presented as share capital in the Financial Statements.

(c) December 2020 Placing

In connection with the accelerated acquisition of approximately 37.2% of FanDuel announced on 3 December 2020, Flutter completed a placing of 8,004,503 new ordinary shares in the Company raising gross proceeds of approximately £1,120.6m, net proceeds of £1,114.6m and representing approximately 5.2% of the Company's issued share capital immediately prior to the placing (excluding treasury shares). The ordinary shares issued in the placing rank pari passu in all respects with the Company's existing ordinary shares, including in respect of the right to receive all future dividends and other distributions declared, made or paid in respect of ordinary shares after the date of the placing.

The placing was implemented by way of a cash box structure. However, 4,503 new ordinary shares (representing approximately 0.002% of the Company's issued share capital immediately prior to the placing (excluding treasury shares)) were issued directly for cash consideration in connection with the placing.

The placing price of the new ordinary shares was £140.00, representing a premium to the intra-day price at the time of launch of approximately 3.4% and discount of approximately 2.1% to the closing price on 3 December 2020.

Closing of the placing and admission of the new ordinary shares to the official lists and to trading on the main markets of the London Stock Exchange and Euronext Dublin took place on 8 December 2020. The net proceeds of the placing were used to fund a portion of the cash element of the consideration for the acquisition of Fastball's 37.2% minority interest in FanDuel. The new ordinary shares are presented as share capital in the Financial Statements. Further details are set out in Note 24 on page 196.

The Company had not issued any new ordinary shares for cash on a non-pre-emptive basis in the three years prior to the allotment and issue of ordinary shares disclosed above.

The remaining LR9.8.4R sections are not applicable.

On behalf of the Board of Directors

Peter Jackson
Chief Executive Officer
1 March 2021

Jonathan Hill
Chief Financial Officer
1 March 2021

Flutter Entertainment plc, Registered in Ireland

Company number 16956

Financial Statements

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Statement of Director's Responsibilities

In respect of the Annual Report and the Consolidated Financial Statements

The Directors are responsible for preparing the Annual Report and the Group and parent Company financial statements (the "Annual Report and Accounts") in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent Company financial statements for each financial year. Under that law, the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and applicable law including Article 4 of the IAS Regulation. The Directors have elected to prepare the parent Company financial statements in accordance with FRS 101 Reduced Disclosure Framework as applied in accordance with the provisions of the Companies Act 2014.

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the Group and parent Company and the Group's profit or loss for that year. In preparing each of the Group and parent Company financial statements, the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or Parent Company or to cease operations, or have no realistic alternative but to do so.

The Directors are also required by the Transparency (Directive 2004/109/EC) Regulations 2007 and the Transparency Rules of the Central Bank of Ireland to include a management report containing a fair review of the business and a description of the principal risks and uncertainties facing the Group.

The Directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the assets, liabilities, financial position and profit or loss of the Company and which enable them to ensure that the financial statements comply with the provision of the Companies Act 2014. The Directors are also responsible for taking all reasonable steps to ensure such records are kept by its subsidiaries which enable them to ensure that the financial statements of the Group comply with the provisions of the Companies Act 2014 including Article 4 of the IAS Regulation.

They are responsible for such internal controls as they determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have a general responsibility for safeguarding the assets of the Group, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are also responsible for preparing a Directors' Report that complies with the requirements of the Companies Act 2014.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group and Parent Company website (www.flutter.com). Legislation in the Republic of Ireland concerning the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement of the Directors in respect of the Annual Report

Each of the Directors, whose names and functions are listed on pages 68 to 71 of this annual report, confirm that, to the best of each person's knowledge and belief:

- the Group Financial Statements, prepared in accordance with IFRS as adopted by the European Union and the Parent Company Financial Statements prepared in accordance with FRS 101 Reduced Disclosure Framework give a true and fair view of the assets, liabilities and financial position of the Group and Parent Company at 31 December 2020 and of the profit or loss of the Group for the year then ended;
- the Directors' Report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and financial statements, taken as a whole, provides the information necessary to assess the Group's position and performance, business model and strategy, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

On behalf of the Board

Peter Jackson
Chief Executive Officer

Jonathan Hill
Chief Financial Officer

1 March 2021

Independent Auditor's Report

to the members of Flutter Entertainment plc

Report on the audit of the Financial Statements

Opinion

We have audited the Financial Statements of Flutter Entertainment plc (the "Company") and its consolidated undertakings (the "Group") for the year ended 31 December 2020 set out on pages 141 to 234 which comprise the Consolidated Income Statement, the Consolidated Statement of Other Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Cash Flows, the Consolidated Statement of Changes in Equity, the Company Statement of Financial Position, the Company Statement of Changes in Equity, and related notes, including the summary of significant accounting policies set out in Note 3 to the Group Financial Statements and Note 1 to the Company Financial Statements. The financial reporting framework that has been applied in the preparation of the Group Financial Statements is Irish Law, and International Financial Reporting Standards ("IFRS") as adopted by the European Union and, as regards the Company Financial Statements, Irish Law and FRS 101 Reduced Disclosure Framework issued in the United Kingdom by the Financial Reporting Council.

In our opinion:

- the Financial Statements give a true and fair view of the assets, liabilities and financial position of the Group and Company as at 31 December 2020 and of the Group's loss for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the Company Financial Statements have been properly prepared in accordance with FRS 101 Reduced Disclosure Framework issued by the UK's Financial Reporting Council; and
- the Group and Company Financial Statements have been properly prepared in accordance with the requirements of the Companies Act 2014 and, as regards the Group Financial Statements, Article 4 of the IAS Regulation.

Basis for opinion

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

We were reappointed as auditor to the Company by the Directors on 18 May 2018. The period of total uninterrupted engagement is the three financial years ended 31 December 2020. Prior to 18 May 2018, KPMG LLP, the UK member firm of KPMG International, was the auditor to the Company having served as auditor for the two financial years ended 31 December 2017. KPMG Ireland previously served as auditor to Paddy Power plc (subsequently renamed to Flutter Entertainment plc) for 14 uninterrupted financial years. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, ethical requirements in Ireland including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority ("IAASA") as applied to public interest entities. No non-audit services prohibited by that standard were provided.

Conclusions relating to going concern

In auditing the Financial Statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the Financial Statements is appropriate. Our evaluation of the Directors' assessment of the Group's and Company's ability to continue to adopt the going concern basis of accounting included considering the inherent risks to the Group's and Company's business model and analysing how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period.

The sensitivity we considered most likely to adversely affect the Group's and Company's available financial resources over this period was the availability of funding in the event of the settlement of ongoing litigation in the State of Kentucky. We considered various downside scenarios over the level of available financial resources indicated by the Group's financial forecasts. A key judgement in the downside scenarios is that there is a reasonable expectation that additional debt financing within the confines of the Group's existing debt facility agreements and financial covenant requirements could be raised, if required. No breach of covenants is indicated by the various downside scenarios. As such we assessed this risk to the assessment of the Group's and Company's ability to continue to adopt the going concern basis of accounting as being remote. There were no other risks identified that we considered were likely to have a material adverse effect on the Group's and Company's available financial resources over this period.

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

In relation to the Group and the Company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the Financial Statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Key audit matters: our assessment of risks of material misstatement

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

Acquisition accounting is a new key audit matter for the Group in the current year due to the acquisition of The Stars Group. The carrying value of the investments in subsidiary companies is a new key audit matter for the Company in the current year due to the acquisition of The Stars Group and the acquisition of an additional 37.2% interest in the FanDuel Group.

In arriving at our audit opinion above, the key audit matters, in decreasing order of audit significance, were as follows:

Acquisition accounting (Group key audit matter)

The Audit Committee Report: pages 92 to 99
Accounting policy: page 153
Note 15 to the Group Financial Statements: pages 178 to 181

The key audit matter	How the matter was addressed in our audit
On 5 May 2020, the Company completed an all share combination with The Stars Group based on a 54.64%/45.36% split in favour of the Company. This was treated as a business combination arrangement under the relevant accounting standard. The Group recognised £10.7bn of goodwill and intangible assets as part of the acquisition. Acquisition accounting involves subjective judgements to arrive at fair values of assets and liabilities on the date of acquisition. Inappropriate assumptions may result in business combinations being accounted for incorrectly. There is a significant risk in relation to the valuation of intangible assets which involves significant judgement by management. We determined that certain royalty rates, terminal growth rates, churn rates and discount rates gave rise to the significant risk. The significant risk also relates to the measurement of the provision arising from a legal case involving The Stars Group in the State of Kentucky, USA. On 17 December 2020, the Kentucky Supreme Court reinstated an award of damages against The Stars Group in relation to legal proceedings brought by the Commonwealth of Kentucky. Compounding interest would apply to the original 2015 judgement of $870m. Significant judgements were involved in determining the quantum of the Group's provision of £80m on acquisition and disclosures in respect of this matter.	Our procedures included, but were not limited to, the following: • We evaluated management's assessment as to the treatment of the transaction as a business combination through assessing the requirements in IFRS 3. • We obtained and documented our understanding of the acquisition accounting process and evaluated the design and implementation of key controls therein. • With the assistance of our valuation audit specialists, we considered the appropriateness of the valuation methods used by comparing the methods used to the methods most commonly used in valuing similar assets. • With the assistance of our valuation audit specialists, we compared the key royalty rates, terminal growth rates, churn rates and discount rates used in the valuation of the intangible assets to independent data when available and challenged management on these assumptions. • We tested the mathematical accuracy of the valuation models used for the intangible assets. • We inquired of internal and external legal counsel and inspected external counsel's advice to the Group which management used in its determination of the quantum of the Kentucky provision and we challenged management's assumptions in determining the provision. • We evaluated the completeness and adequacy of the disclosures in the Financial Statements surrounding the acquisition to ensure that they are in compliance with the relevant accounting standard. Based on evidence obtained, we found management's judgements, as set out in the description of the key audit matter, in the valuation of intangible assets and the Kentucky litigation provision and the associated disclosures to be appropriate.

Independent Auditor's Report continued

to the members of Flutter Entertainment plc

Key audit matters: our assessment of risks of material misstatement continued

Online revenue recognition (Group key audit matter)

The Audit Committee Report: pages 92 to 99
Accounting policy: pages 150 and 151
Note 5 to the Group Financial Statements: pages 164 to 167

The key audit matter	How the matter was addressed in our audit
The Group has a number of income streams across its online operations. These revenue streams are computed on highly complex IT systems, which process a high volume of low value transactions across a large variety of different sporting events and games wagered on. The accuracy and completeness of the Group's revenue recognition are highly dependent on the Group IT systems; particularly there is a significant risk that systems do not interface correctly from the customer-facing systems through to the financial information systems. The key audit matter is applicable for each of the following revenue streams: sportsbook, poker, gaming and exchange.	Our procedures in relation to the IT systems included, but were not limited to, the following: • With the assistance of our IT audit specialists we obtained and documented our understanding of key online revenue processes and specifically how transactions from each online revenue stream were initiated, processed and recorded from transaction initiation through to recording in the Financial Statements. • We evaluated the design and implementation of key controls, both automated and manual, in these processes. We also identified the key IT environments supporting these processes. • With the assistance of our IT audit specialists we tested key controls relevant to supporting our audit approach to online revenue. These included logical access controls, including user access management; user access recertification; appropriateness of privileged users from the perspective of user access management, change management and job scheduling; and user authentication. • As part of our IT change management procedures we tested controls over authorisation and testing of changes and developments to the systems and controls over job processing and scheduling (automated IT processing for interfaces and batch processing). • We tested the operating effectiveness of controls over customer account set-up, cash deposits and withdrawals from customer accounts. • We tested the operating effectiveness of controls over the capturing of initial bets, their allocation between different products and their processing through the system to recognition as revenue or in the appropriate customer account. In addition to our procedures over the IT systems, other procedures we performed which provided relevant evidence included, but were not limited to, the following: • We tested key interfaces between transaction recording systems and the General Ledger. • We traced a selection of sportsbook stakes, commission on exchange and poker and gaming transactions placed on live-betting environments from the customer-facing systems to the data centre and then from the data centre to the financial information systems to assess whether that information is passed appropriately from one system to another. • We tested a selection of sportsbook bets to verify the pay-out was correctly calculated based on the stake placed and odds offered on the individual bet. • We obtained a selection of external confirmation and/or third-party statements of the client funds held in the client trust and reconciled the bank balance confirmation/third-party statement to the customers' betting accounts. • We assessed the appropriateness of cash transferred from the client trust accounts to corporate cash by reconciling the total revenue amounts reported by key IT systems to the amounts transferred from the client funds to corporate cash. We tested a sample of these transfers by agreeing the amounts to the relevant bank information. • We recalculated commission for one customer and validated, for one customer, across the year that commission rates were charged as described in the terms and conditions for exchange transactions. • We recalculated premium charges for a sample of customers during the year, confirming such charges were applied as described in the terms and conditions for exchange transactions. • To identify unusual trends or activities in revenues, we considered reports issued by the Group's Internal Audit function during the year on revenue-related processes. We also considered the Group's reports which are designed to identify unusual trading activity. • We performed substantive analytical procedures over online revenue streams and tested the inclusion of income in the appropriate period. • We tested a selection of bets placed around year end for events which had occurred, ensuring the revenue was appropriately recorded in the correct period. We also tested a selection of open bets at year end ensuring the event had not yet occurred and ensured the bet was correctly recorded as an open bet at year end. Our testing identified no significant weaknesses in the design of IT general controls relating to interface of information from customer-facing systems to financial reporting systems. Through our additional testing we identified no errors in the recording of revenue transactions for the online businesses.

Tax provisioning – legacy gaming tax assessments in Germany and Greece (Group and Company key audit matter)

The Audit Committee Report: pages 92 to 99
Accounting policy: page 163
Note 16 to the Group Financial Statements: page 182

The key audit matter	How the matter was addressed in our audit
In prior years, the Group settled material tax assessments from tax authorities in Germany and Greece in respect of legacy periods but is appealing the matters. Management treats the amounts settled as fully recoverable on the basis that the Group will successfully appeal the assessments in both Germany and Greece and receive a refund of the amounts paid. This is a significant judgement. The judgement arises as the tax regulations in these countries dealing specifically with online gaming might not yet be formed, are unclear or continue to evolve, requiring the Directors to exercise a level of judgement surrounding the interpretation and application of local and international tax laws which are relevant to the tax assessments in Germany and Greece.	With the assistance of our in-house tax specialist, our procedures included, but were not limited to, the following: • We obtained and documented our understanding of the process for the recognition of provisions for potential settlements with tax authorities. • We evaluated the design and implementation and tested the operating effectiveness of the relevant controls therein. • For all significant gaming tax assessments, we challenged management on its treatment of the tax assessments. • We reviewed correspondence with the Group's external legal counsel and we obtained external legal confirmations from the German and Greek lawyers engaged by the Group. • We held discussions with the Group's external legal counsel on the tax assessments and the probability of success in the ongoing appeals process. • We assessed the adequacy of the Group's disclosures in respect of the gaming tax assessments in Germany and Greece. Based on evidence obtained, we found that the treatment of the tax provisions and associated disclosures was appropriate.

The Greek tax assessment was settled by the Parent Company and therefore this key audit matter is relevant to the audit of the Parent Company.

Carrying value of the investments in subsidiary companies (Company only key audit matter) – £16,409m (2019:£4,889m)

Accounting policy: page 220
Note 8 to the Company Financial Statements: page 228

The key audit matter	How the matter was addressed in our audit
The Company completed the acquisition of The Stars Group and the acquisition of a further 37.2% interest in FanDuel during 2020. The Company balance sheet includes a £16.4bn of investments in subsidiary companies, £11.5bn of which arose during 2020. The assessment of the recoverability of the investments does not involve significant judgements due to the significant value of the underlying businesses. However, we consider this a key audit matter due to the significance of the investments based on their magnitude to the Company.	Our procedures included, but were not limited to, the following: • We obtained and documented our understanding of the process around the recoverability of the carrying value of investments in subsidiary companies. • We evaluated management's assessment that the carrying value of the investments in subsidiaries were not impaired at year end. This was based on the market capitalisation both before and after the year end and on external broker reports. • We assessed the adequacy of disclosures in the Company's Financial Statements. Based on evidence obtained, we found that the market capitalisation of £26.4bn at year end significantly exceeded the carrying value of investments in subsidiaries of £16.4bn and that management's judgements were appropriate in assessing the carrying value.

Independent Auditor's Report continued

to the members of Flutter Entertainment plc

Our application of materiality and an overview of the scope of our audit

Materiality for the Group Financial Statements as a whole was set at £30m (2019: £12.5m), determined with reference to a benchmark of Group revenues, of which it represents 0.7% (2019: 0.6%). The significant increase in materiality primarily arose due to the combination with The Stars Group on 5 May 2020. We have used Group revenues as the benchmark to set our materiality for the current year which is consistent with the prior year. For 2020 and the prior year there has been a significant amount of volatility in the Group's profit before tax result due to losses in the Group's US segment arising from investment in the business, the amortisation charge on intangibles recognised through acquisitions and other transaction-related expenditure. As a result we believe Group revenues to be the most representative benchmark for the financial performance of the Group for 2020.

Materiality for the Company Financial Statements as a whole was set at £22.5m (2019: £9.4m), determined with reference to a benchmark of total assets and chosen to be lower than materiality for the Group Financial Statements as a whole. It represents 0.1% of total assets (2019: 0.1%).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £1.5m (2019: £625,000), in addition to other identified misstatements that warranted reporting on qualitative grounds.

In planning the audit, we applied materiality to determine that, of the Group's six reporting components, we would subject five to full scope audits for Group purposes.

In the prior year, of the Group's four reporting components, we subjected three to full scope audits for Group purposes. The two additional reporting components in the current year arose due to the acquisition of The Stars Group.

The components subject to full scope audits accounted for 97% of Group revenues (2019: 96%), 99% of Group net assets (2019: 99%) and 99% of Group profit before taxation (2019: 95%). The remaining 3% of total Group revenues and 1% of Group profit before tax are represented primarily by one component. For this residual component, we performed analysis at an aggregated Group level and reconfirmed our assessment that there were no significant risks of material misstatement within this component.

We applied materiality to assist us determine what risks were significant risks and the Group team instructed component auditors as to the significant areas to be covered by them, including the relevant risks detailed above and the information to be reported back.

The Group team approved the component materialities, which ranged from £3m to £15m, having regard to the mix of size and risk profile of the Group across the components.

The work on four of the five in-scope components was performed by component auditors in the UK, Isle of Man, Australia and the US and the remaining component, the audit of the Company, was performed by the Group team.

The Group team held videoconference meetings with the components to assess the audit risk and strategy. Further videoconference meetings were held throughout the audit and at the conclusion of their fieldwork to discuss the findings reported to the Group team. The Group team also attended the videoconference closing meetings for all components. The Group team also carried out a detailed review of the component audit workpapers, and we applied materiality to determine the scope and extent of the review.

Other information

The Directors are responsible for the preparation of the other information presented in the Annual Report together with the Financial Statements. The other information comprises the information included in the Strategic Report and Corporate Governance section including the Directors' Report. The Financial Statements and our Auditor's Report thereon do not comprise part of the other information. Our opinion on the Financial Statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our Financial Statements audit work, the information therein is materially misstated or inconsistent with the Financial Statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Based solely on our work on the other information undertaken during the course of the audit, we report that, in those parts of the Directors' Report specified for our consideration:

- we have not identified material misstatements in the Directors' Report;
- in our opinion, the information given in the Directors' Report is consistent with the Financial Statements; and
- in our opinion, the Directors' Report has been prepared in accordance with the Companies Act 2014.

Disclosures of principal risks and longer-term viability

Based on the knowledge we acquired during our Financial Statements audit, we have nothing material to add or draw attention to in relation to:

- the Understanding and Managing our Principal Risks disclosures describing these risks and explaining how they are being managed and mitigated;
- the Directors' confirmation within the Directors' Report that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity; and
- the Directors' explanation in the Directors' Report of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Other corporate governance disclosures

We are required to address the following items and report to you in the following circumstances:

- fair, balanced and understandable: if we have identified material inconsistencies between the knowledge we acquired during our Financial Statements audit and the Directors' statement that they consider that the Annual Report and Financial Statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy;
- Report of the Audit Committee: if the section of the Annual Report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee;
- statement of compliance with UK Corporate Governance Code: if the Directors' statement does not properly disclose a departure from provisions of the UK Corporate Governance Code specified by the Listing Rules of Euronext Dublin and the UK Listing Authority for our review; and
- statement relating to going concern: if the Directors' statement relating to going concern required under the Listing Rules of Euronext Dublin and the UK Listing Authority set out on page 128 is materially inconsistent with our audit knowledge.

We have nothing to report in these respects.

In addition as required by the Companies Act 2014, we report, in relation to information given in the Corporate Governance Statement on pages 66 to 131, that:

- based on the work undertaken for our audit, in our opinion, the description of the main features of internal control and risk management systems in relation to the financial reporting process is consistent with the Financial Statements and has been prepared in accordance with the Act;
- based on our knowledge and understanding of the Company and its environment obtained in the course of our audit, we have not identified any material misstatements in that information; and
- the Corporate Governance Statement contains the information required by the European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and groups) Regulations 2017.

We also report that, based on work undertaken for our audit, the information required by the Act is contained in the Corporate Governance Statement.

Directors' Remuneration Report

In addition to our audit of the Financial Statements, the Directors have engaged us to audit the information in the Directors' Remuneration Report that is described as having been audited, which the Directors have voluntarily decided to prepare as if the Company were required to comply with the requirements of Schedule 8 to The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008 No. 410) made under the UK Companies Act 2006.

In our opinion the part of the Directors' Remuneration Report which we were engaged to audit has been properly prepared in accordance with Schedule 8 to The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 made under the UK Companies Act 2006, as if those requirements were to apply to the Company.

Our opinions on other matters prescribed by the Companies Act 2014 are unmodified

We have obtained all the information and explanations which we consider necessary for the purpose of our audit.

In our opinion, the accounting records of the Company were sufficient to permit the Financial Statements to be readily and properly audited and the Financial Statements are in agreement with the accounting records.

We have nothing to report on other matters on which we are required to report by exception

The Companies Act 2014 requires us to report to you if, in our opinion:

- the disclosures of Directors' remuneration and transactions required by sections 305 to 312 of the Act are not made;
- the Company has not provided the information required by section 1110N in relation to its Remuneration Report for the financial year 31 December 2019; and
- the Company has not provided the information required by section 5(2) to (7) of the European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and groups) Regulations 2017 for the year ended 31 December 2019 as required by the European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and groups) (amendment) Regulations 2018.

We have nothing to report in this regard.

The Listing Rules of Euronext Dublin and the UK Listing Authority require us to review:

- the Directors' statement in relation to going concern and longer-term viability;
- the part of the Corporate Governance Statement on page 67 relating to the Company's compliance with the provisions of the UK Corporate Governance Code and the Irish Corporate Governance Annex specified for our review; and
- certain elements of disclosures in the report to shareholders by the Board of Directors' Remuneration Committee.

We have nothing to report in this regard.

Independent Auditor's Report continued

to the members of Flutter Entertainment plc

Respective responsibilities and restrictions on use

Directors' responsibilities

As explained more fully in their statement set out on page 133 the Directors are responsible for: the preparation of the Financial Statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Statements. The risk of not detecting a material misstatement resulting from fraud or other irregularities is higher than for one resulting from error, as they may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control and may involve any area of law and regulation and not just those directly affecting the Financial Statements.

A fuller description of our responsibilities is provided on IAASA's website at http://www.iaasa.ie/Publications/Auditing-standards/International-Standards-on-Auditing-for-use-in-Ire/Description-of-the-auditor-s-responsibilities-for.

The purpose of our audit work and to whom we owe our responsibilities

Our report is made solely to the Company's members, as a body, in accordance with Section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for our report, or for the opinions we have formed.

C. Mullen
for and on behalf of KPMG
Chartered Accountants, Statutory Audit Firm
1 Stokes Place
St. Stephen's Green
Dublin 2

1 March 2021

Consolidated Income Statement

Year ended 31 December 2020

	Note	Before separately disclosed items 2020 £m	Separately disclosed items (Note 6) 2020 £m	Total 2020 £m	Before separately disclosed items 2019 £m	Separately disclosed items (Note 6) 2019 £m	Total 2019 £m
Continuing operations							
Revenue	5	4,398.0	15.9	4,413.9	2,140.0	—	2,140.0
Cost of sales	5	(1,539.0)	(2.7)	(1,541.7)	(650.2)	—	(650.2)
Gross profit		2,859.0	13.2	2,872.2	1,489.8	—	1,489.8
Operating costs excluding depreciation, amortisation and impairment	5	(1,969.8)	(130.8)	(2,100.6)	(1,064.4)	(17.6)	(1,082.0)
EBITDA[1]		889.2	(117.6)	771.6	425.4	(17.6)	407.8
Depreciation and amortisation	5	(213.2)	(432.3)	(645.5)	(144.8)	(113.1)	(257.9)
Impairment	5	—	(22.6)	(22.6)	—	—	—
Operating profit		676.0	(572.5)	103.5	280.6	(130.7)	149.9
Financial income	8	1.4	78.5	79.9	1.0	—	1.0
Financial expense	8	(111.2)	(71.1)	(182.3)	(15.2)	—	(15.2)
Profit/(loss) before tax		566.2	(565.1)	1.1	266.4	(130.7)	135.7
Tax (expense)/credit	10	(94.2)	58.4	(35.8)	(42.4)	18.6	(23.8)
Profit/(loss) for the year		472.0	(506.7)	(34.7)	224.0	(112.1)	111.9
Attributable to:							
Equity holders of the Company		521.7	(483.8)	37.9	238.4	(94.4)	144.0
Non-controlling interest		(49.7)	(22.9)	(72.6)	(14.4)	(17.7)	(32.1)
		472.0	(506.7)	(34.7)	224.0	(112.1)	111.9
Earnings per share							*Restated*[2] (Note 11)
Basic	11			£0.293			£1.802
Diluted	11			£0.285			£1.793

1 EBITDA is defined as profit for the year before depreciation, amortisation and impairment, 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 2019 earnings per share figures have been restated to incorporate the 1,312,260 new Flutter ordinary shares that were issued in May 2020 as payment of the 2019 final dividend. The weighted average number of shares in issue during the period was adjusted to include these bonus shares as if they were issued 1 January 2019.

Notes 1 to 33 on pages 147 to 215 form an integral part of these consolidated financial statements.

Consolidated Statement of Other Comprehensive Income

Year ended 31 December 2020

	2020 £m	2019 £m
(Loss)/profit for the year	(34.7)	111.9
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	(280.4)	2.6
Fair value of foreign exchange cash flow hedges transferred to income statement	267.8	(0.3)
Foreign exchange gain/(loss) on translation of the net assets of foreign currency denominated entities, net of tax[1]	61.5	(33.1)
Financial assets at FVOCI	(0.4)	—
Other comprehensive income/(loss)	48.5	(30.8)
Total comprehensive income for the year	13.8	81.1
Attributable to:		
Equity holders of the Company	93.8	120.7
Non-controlling interest	(80.0)	(39.6)
	13.8	81.1

1 Foreign exchange gain on translation of the net assets of foreign currency denominated entities is presented net of an income tax charge of £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 £5.1m in relation to the same is recognised in the Consolidated Income Statement such that there is no overall impact on the Consolidated Statement of Financial Position.

Notes 1 to 33 on pages 147 to 215 form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2020

	Note	31 December 2020 £m	31 December 2019 £m
Assets			
Property, plant and equipment	12	361.9	298.2
Intangible assets	13	5,527.8	558.5
Goodwill	14	9,516.7	4,120.3
Deferred tax assets	18	7.4	11.9
Non-current tax receivable		15.3	—
Derivative financial assets	23	16.9	—
Investments	16	3.0	0.1
Other receivables	16	75.2	50.4
Financial assets – restricted cash	17	6.9	—
Total non-current assets		15,531.1	5,039.4
Trade and other receivables	16	139.5	64.6
Current tax receivable		47.5	—
Financial assets – restricted cash	17	587.9	189.1
Current investments – customer deposits	17	82.8	—
Cash and cash equivalents	17	603.4	108.1
Total current assets		1,461.1	361.8
Total assets		16,992.2	5,401.2
Equity			
Issued share capital and share premium		2,481.7	428.3
Merger reserve		7,982.9	—
Treasury shares	24	(40.7)	(40.7)
Shares held by employee benefit trust	24	(5.8)	(6.1)
Cash flow hedge reserve		(10.3)	2.3
Other reserves		152.3	61.4
Retained earnings		405.0	3,539.5
Equity attributable to owners of the parent		10,965.1	3,984.7
Non-controlling interest	15	30.8	204.9
Total equity		10,995.9	4,189.6
Liabilities			
Trade and other payables	19	1,033.0	369.6
Customer balances		643.4	179.2
Derivative financial liabilities	23	150.9	20.4
Provisions	20	14.3	2.9
Current tax payable		41.0	20.0
Lease liabilities	21	48.3	38.4
Borrowings	22	50.8	255.0
Total current liabilities		1,981.7	885.5
Trade and other payables	19	14.6	11.5
Derivative financial liabilities	23	102.3	0.7
Provisions	20	145.0	1.1
Deferred tax liabilities	18	500.9	65.0
Non-current tax payable		18.0	—
Lease liabilities	21	145.7	132.1
Borrowings	22	3,088.1	115.7
Total non-current liabilities		4,014.6	326.1
Total liabilities		5,996.3	1,211.6
Total equity and liabilities		16,992.2	5,401.2

Notes 1 to 33 on pages 147 to 215 form an integral part of these consolidated financial statements.

On behalf of the Board

Peter Jackson
Chief Executive Officer

Jonathan Hill
Chief Financial Officer

1 March 2021

Consolidated Statement of Cash Flows

Year ended 31 December 2020

	Note	2020 £m	2019 £m
Cash flows from operating activities			
Loss/(profit) for the year		(34.7)	111.9
Separately disclosed items	6	506.7	112.1
Tax expense before separately disclosed items		94.2	42.4
Financial income before separately disclosed items	8	(1.4)	(1.0)
Financial expense before separately disclosed items	8	111.2	15.2
Depreciation and amortisation before separately disclosed items	5	213.2	144.6
Employee equity-settled share-based payments expense before separately disclosed items	7	52.1	17.1
Foreign currency exchange (gain)/loss	9	(31.6)	1.5
(Gain)/loss on disposal of property, plant and equipment and intangible assets	9	(0.2)	0.2
Cash from operations before changes in working capital		909.5	444.0
Decrease in trade and other receivables		18.1	13.1
Increase in trade, other payables and provisions		280.1	56.1
Cash generated from operations		1,207.7	513.2
Tax paid		(89.4)	(41.3)
Net cash from operating activities before acquisition fees, restructuring costs and legacy tax assessments		1,118.3	471.9
Acquisition fees, restructuring and integration costs paid, net of VAT refund received		(119.9)	(12.9)
Amounts paid in respect of legacy Greek and German tax assessments		—	(39.6)
Net cash from operating activities		998.4	419.4
Purchase of property, plant and equipment		(59.3)	(44.0)
Purchase of intangible assets	13	(53.2)	(33.7)
Capitalised internal development expenditure	13	(99.6)	(53.1)
Proceeds from disposal of assets		12.5	—
Proceeds from disposal of investment		—	2.3
Purchase of businesses	15	—	(102.0)
Cash acquired from acquisitions	15	445.2	0.2
Payment of contingent deferred consideration	15	(7.2)	(4.8)
Interest received		1.3	0.9
Change in restricted cash	17	(4.8)	—
Net cash from / (used in) investing activities		234.9	(234.2)
Proceeds from the issue of shares in respect of equity placement (net of issuance costs)	24	1,920.8	—
Proceeds from the issue of new shares on exercise of employee stock options	24	34.3	3.6
Acquisition of further interest in subsidiary	15	(1,546.0)	—
Dividends paid to Non-controlling interest	24	(15.2)	—
Dividends paid	25	—	(156.2)
Payment of lease liabilities	21	(45.7)	(36.4)
Payment of lease interest	21	(5.7)	(5.0)
Proceeds from GBP First Lien Term Loan A and previous GBP Term Loan	22	950.0	250.0
Net amounts drawn down on Previous GBP Revolving Credit Facility	22	(117.2)	(167.2)
Repayment of USD and EUR First Lien Term Loan B and old GBP Term Loan Facility	22	(1,751.0)	—
Amounts repaid on overdraft facility	22	(5.0)	—
Interest paid		(114.1)	(7.1)
Settlement of derivatives	23	(35.6)	—
Financing fees in respect of borrowing facilities		(24.4)	(0.8)
Purchase of own shares including direct purchase costs	24	—	(86.8)
Net cash used in financing activities		(754.8)	(205.9)
Net increase / (decrease) in cash and cash equivalents		478.5	(20.7)
Cash and cash equivalents at start of year		108.1	123.7
Foreign currency exchange gain on cash and cash equivalents		16.8	0.1
Net Cash and cash equivalents at end of year	17	603.4	103.1
Bank Overdraft		—	5.0
Cash and cash equivalents at end of year	17	603.4	108.1

Non-cash transactions during the year included an all share Combination with The Stars Group Inc. For details see Note 15.

Notes 1 to 33 on pages 147 to 215 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

Year ended 31 December 2020

	Number of ordinary shares in issue millions #	Issued share capital and share premium £m	Merger reserve £m	Foreign exchange translation reserve £m	Cash flow hedge reserve £m	Financial assets at FVOCI £m	Other reserves £m	Treasury shares £m	Shares held by employee benefit trust £m	Share-based payment reserve £m	Retained earnings £m	Total equity attributable to shareholders of the Company £m	Non-controlling interest £m	Total equity £m
Balance at 1 January 2020	*80.3*	428.3	—	(21.5)	2.3	—	2.3	(40.7)	(6.1)	80.6	3,539.5	3,984.7	204.9	4,189.6
Total comprehensive income for the year:														
Profit/(loss) for the year	—	—	—	—	—	—	—	—	—	—	37.9	37.9	(72.6)	(34.7)
Foreign exchange translation (Note 8)	—	—	—	74.0	—	—	—	—	—	—	—	74.0	(7.4)	66.6
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)
Current taxes	—	—	—	(5.1)	—	—	—	—	—	—	—	(5.1)	—	(5.1)
Total comprehensive income /(loss)	—	—	—	68.9	(12.6)	(0.4)	—	—	—	—	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 24)	*16.1*	1,933.2	—	—	—	—	—	—	—	—	(12.4)	1,920.8	—	1,920.8
Shares issued as consideration for the combination with TSG (Note 24)	*65.3*	5.1	6,189.5	—	—	—	—	—	—	—	—	6,194.6	—	6,194.6
Acquisition of non-controlling interest in TSG Australia (Note 24)	*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 the option	—	—	—	—	—	—	846.0	—	—	—	—	846.0	—	846.0
Acquisition of non-controlling interest in FanDuel Group (Note 24)	*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)
Shares issued on exercise of share options	*1.5*	34.3	—	—	—	—	—	—	—	—	—	34.3	—	34.3
Exercise of share options (Note 24)	—	—	—	—	—	—	—	—	—	(107.7)	107.7	—	—	—
Equity-settled transactions – expense in income statement (Note 26)	—	—	—	—	—	—	—	—	—	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
Dividend paid to non-controlling interest	—	—	—	—	—	—	—	—	—	—	—	—	(15.2)	(15.2)
Dividends to shareholders (Note 25)	*1.3*	0.1	—	—	—	—	—	—	—	—	(0.1)	—	—	—
Issue of replacement options (Note 15)	—	—	—	—	—	—	—	—	—	58.0	—	58.0	—	58.0
Total contributions by and distributions to owners of the Company	*96.7*	2,053.4	7,982.9	2.2	—	—	—	—	0.3	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	(49.6)	(10.3)	(0.4)	2.3	(40.7)	(5.8)	100.8	405.0	10,965.1	30.8	10,995.9

Notes 1 to 33 on pages 147 to 215 form an integral part of these consolidated financial statements.

Financial statements

Consolidated Statement of Changes in Equity continued

Year ended 31 December 2019

	Number of ordinary shares in issue millions #	Issued share capital and share premium £m	Foreign exchange translation reserve £m	Cash flow hedge reserve £m	Other reserves £m	Treasury shares £m	Shares held by employee benefit trust £m	Share-based payment reserve £m	Retained earnings £m	Total equity attributable to shareholders of the Company £m	Non-controlling interest £m	Total equity £m
Balance at 1 January 2019	*81.4*	424.8	4.1	—	2.2	(40.7)	(8.6)	86.1	3,530.1	3,998.0	213.3	4,211.3
Total comprehensive income for the year:												
Profit for the year	—	—	—	—	—	—	—	—	144.0	144.0	(32.1)	111.9
Foreign exchange translation (Note 8)	—	—	(25.6)	—	—	—	—	—	—	(25.6)	(7.5)	(33.1)
Net change in fair value of cash flow hedge reserve	—	—	—	2.3	—	—	—	—	—	2.3	—	2.3
Total comprehensive income/(loss)	—	—	(25.6)	2.3	—	—	—	—	144.0	120.7	(39.6)	81.1
Transactions with owners of the Company, recognised directly in equity:												
Shares issued	*0.3*	3.6	—	—	—	—	—	—	—	3.6	—	3.6
Business combinations	—	—	—	—	—	—	—	—	—	—	31.2	31.2
Own shares acquired by the Group	*(1.4)*	(0.1)	—	—	0.1	—	—	—	—	—	—	—
Equity-settled transactions – expense recorded in income statement	—	—	—	—	—	—	—	17.1	—	17.1	—	17.1
Equity-settled transactions – vesting	—	—	—	—	—	—	2.5	(2.3)	(0.2)	—	—	—
Tax on share-based payments	—	—	—	—	—	—	—	—	1.5	1.5	—	1.5
Transfer to retained earnings on exercise of share options (Note 24)	—	—	—	—	—	—	—	(20.3)	20.3	—	—	—
Dividends to shareholders (Note 25)	—	—	—	—	—	—	—	—	(156.2)	(156.2)	—	(156.2)
Total contributions by and distributions to owners of the Company	*(1.1)*	3.5	—	—	0.1	—	2.5	(5.5)	(134.6)	(134.0)	31.2	(102.8)
Balance at 31 December 2019	*80.3*	428.3	(21.5)	2.3	2.3	(40.7)	(6.1)	80.6	3,539.5	3,984.7	204.9	4,189.6

Notes 1 to 33 on pages 147 to 215 form an integral part of these consolidated financial statements.

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. Following a combination with The Stars Group ("TSG") the Group operated during 2020 across five divisions; (i) PPB which included both the PPB online and retail product offerings, under the Paddy Power, Betfair and Adjarabet brands; (ii) PokerStars which included online poker, gaming and betting product offerings under the PokerStars, BetStars and Full Tilt brands; (iii) Sky Betting & Gaming which included betting and gaming product offering; (iv) Australia, consisting of Sportsbet, the market leader in the fast-growing Australian online betting market; and (v) the US, consisting of FanDuel, FOX Bet, TVG and Betfair online Casino.

During the year, 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. TSG is a provider of technology-based product offering in the global gaming and interactive entertainment industries, with millions of registered customers globally and a leader in online and mobile betting, poker and gaming-related offerings. TSG owns or licenses gaming and related consumer businesses and brands, including PokerStars, PokerStars Casino, BetStars, Full Tilt, FOX Bet, Sky Bet, Sky Vegas, Sky Casino, Sky Bingo, Sky Poker and Oddschecker. The results of TSG prior to completion of the Combination are not included in these consolidated financial statements. See Note 15 for further information on the Combination.

On 30 December 2020, the Group completed the acquisition of an additional 37.2% of its 57.8% owned subsidiary FanDuel, bringing the Group's holding in FanDuel to 95%. FanDuel's results and financial position had been previously consolidated into the Group. See Note 15 for further detail.

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 address of its registered office is set out on the inside back cover of this Annual Report.

The consolidated financial statements of the Group for the year ended 31 December 2020 comprise the financial statements of the Company and its subsidiary undertakings and were approved for issue by the Board of Directors on 1 March 2021.

2. Recent accounting pronouncements

Adoption of new accounting standards

The IASB have issued the following standards, policies, interpretations and amendments which were effective for the Group for the first time in the year ended 31 December 2020:

- Amendments to References to Conceptual Framework in IFRS Standards;
- Amendments to IFRS 3: Definition of a Business;
- Amendments to IAS 1 and IAS 8: Definition of Material;
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform; and
- Amendment to IFRS 16: Covid Related Rent Concessions.

The Group applied Amendments to IFRS 3: Definition of a Business to business combinations whose acquisition dates are after 1 January 2020 in assessing whether it had acquired a business or a group of assets. See also Note 15- Business combinations, for details on the Group's acquisitions during the year.

The Group applied the interest rate benchmark reform amendments retrospectively to hedging relationships that existed at 1 January 2020 or were designated thereafter and that are directly affected by interest rate benchmark reform. These amendments also apply to the gain or loss accumulated in the cash flow hedging reserve that existed at 1 January 2020. See also Note 27 for disclosures about risks and hedge accounting.

The adoption of the remaining 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 IFRS 9, IAS 39 and IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform – Phase 2 (effective date 1 January 2021);
- 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);
- Amendment 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 (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

In July 2017, the Financial Conduct Authority ("FCA"), which regulates LIBOR, announced it intends to stop compelling banks to submit rates for the calculation of LIBOR after 2021. As a result, the Federal Reserve Board and the Federal Reserve Bank of New York organised the Alternative Reference Rates Committee ("ARRC"), which identified the Secured Overnight Financing Rate as its preferred alternative rate for USD-LIBOR in derivatives and other financial contracts. Other benchmark rates including GBP-LIBOR and the EURIBOR are also impacted by this reform. The European Central Bank has identified the Euro Short Term Rate as its preferred alternative rate for EURIBOR in derivatives and other financial contracts. The GBP-LIBOR benchmark rate is expected to be replaced by SONIA at the end of 2021.

The Group is monitoring, evaluating and preparing for the implications of adopting the IBOR reform, which encompasses changes to systems, processes, risk and valuation models, as well as managing related tax and accounting implications. It currently anticipates that the areas of greatest change will be amendments to the contractual terms of its IBOR borrowing facilities and IBOR indexed interest rate swaps for risk free rates (RFRs) and updating hedge accounting designations.

In September 2019, the IASB issued amendments to IFRS 9, IAS 39, and IFRS 7 in order to provide relief in respect of the potential impacts to hedge accounting following the uncertainties arising from the impact of the Interbank offered rate ("IBOR") reform on the timing and amount of designated future cash flows. The amendments provide exceptions to the requirements of hedge accounting during this period of uncertainty with the impact being that existing and new hedge accounting designations will be unaffected by the above noted uncertainties. The Company has adopted the IASB amendments beginning 1 January 2020. Adopting these amendments allowed the Group to continue hedge accounting during the period of uncertainty arising from interest rate benchmark reforms. The relief provided by the amendments in the application hedge accounting are applied by the Group to the Swap Agreements (as defined below). For all other derivative instruments held by the Group, it does not apply hedge accounting.

In August 2020, the IASB issued Phase 2 relief of IBOR reform 'Interest Rate Benchmark Reform – Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16'. The amendments provide a practical expedient when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities to require the effective interest rate to be adjusted and reliefs from discontinuing hedge relationships. The Phase 2 Amendments are effective for annual periods beginning on or after 1 January 2021 and early application is permitted. Given that none of the derivatives (hedging instruments) or loans (hedged items) of the Group have been amended for IBOR reform during the period, the Group will not be early adopting the Phase 2 Amendments.

The Group is not able to predict when USD-LIBOR or EURIBOR will cease to be available or when there will be sufficient liquidity in the alternative markets. Any changes adopted by the FCA or other governing bodies in the method used for determining USD-LIBOR, GBP-LIBOR and EURIBOR may result in a sudden or prolonged increase or decrease in reported USD-LIBOR, GBP-LIBOR and EURIBOR. If that were to occur, the Group's interest payments could change. In addition, uncertainty about the extent and manner of future changes may result in interest rates and/or payments that are higher or lower than if USD-LIBOR, GBP-LIBOR and EURIBOR were to remain available in their current form.

The Group's GBP First Lien Term Loan A is indexed to GBP-LIBOR, its 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 22 and 23 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. The fair value of the financial instruments tied to USD-LIBOR, GBP-LIBOR and EURIBOR could also be impacted if USD-LIBOR, GBP-LIBOR and EURIBOR are limited or discontinued. 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.

If the Group's contracts are not transitioned to alternative reference rates and USD-LIBOR, GBP-LIBOR and EURIBOR are discontinued, the impact on our indexed financial instruments is likely to vary by contract. If USD-LIBOR, GBP-LIBOR and EURIBOR are discontinued or if the methods of calculating USD-LIBOR, GBP-LIBOR and EURIBOR change from their current form, interest rates on our current or future indebtedness may be adversely affected.

In October 2020, ISDA published its LIBOR Fallbacks Supplement and IBOR Fallbacks Protocol enabling market participants to incorporate standard fallback transition provisions to RFRs into their derivative trades. The Group is still in consultation as to whether it will adhere to the protocol. In December 2020, regulators signalled that they may extend LIBOR transition for certain USD LIBOR legacy contracts another 18 months from the end of 2021 to the middle of 2023. This could extend the time needed for the Group to transition its existing derivatives and loans to RFRs.

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 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 consolidated financial statements are prepared on the historical cost basis except for derivative financial instruments (which includes betting transactions), equity securities, certain financial assets which have been designated as 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 0.1m.

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 2020.

The Group has introduced new accounting policies or expanded existing policies as a result of the Combination. These policies do not impact the Group's reported revenue, operating profit, or amounts reported in the statement of financial position in 2019.

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 a loss after tax of £34.7m for the year. This includes a significant amount of non-cash related charges against profit. The net cash generated from operating activities during the year was £998.4m. The balance sheet at 31 December 2020 reported a net current liability position of £520.6m. The Directors have considered the available financial resources which, at 31 December 2020, included £603.4m of cash and cash equivalents and a £450m Revolving Credit Facility with undrawn capacity of £377m (see Note 22). Whilst there are certain loan repayments due within the next 12 months of £50.8m, the Group's lending facilities primarily fall due in 2025 and 2026 as set out in more detail in Note 22. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully. See 'Understanding and Managing our Principal risks' in this report for more detail including those related to Covid.

The Group's forecasts for 2021 and beyond indicate that it will, have significant financial resources, continue to settle its debts as they fall due and operate well within its banking covenants as outlined in Note 22 for at least a period of 12 months from the date of these financial statements. Various downside scenarios over and above those already included in the base case model on the potential impact of further reductions to cashflows due to ongoing litigation in the State of Kentucky (see Note 20), and enhanced regulation have also been considered in respect of these forecasts. 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 of accounting in preparation of its consolidated financial statements.

Basis of consolidation

A subsidiary is an entity controlled by the Group. 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. The Group's consolidated financial statements include the accounts of the Company and its subsidiary undertakings. 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.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. The non-controlling interests represent ownership interests entitling their holders to a proportionate share of net assets upon liquidation of the subsidiary, and may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the subsidiary's identifiable net assets or at the non-controlling interests' proportionate share of the fair value of the subsidiary's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Non-controlling interests are initially measured at fair value or at the non-controlling interests' proportionate share of the fair value of the subsidiary's identifiable net assets. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. "Total comprehensive income" is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Upon the loss of control of a subsidiary, the Group's profit or loss on disposal is calculated as the difference between (i) the fair value of the consideration received and of any investment retained in the former subsidiary and (ii) the previous carrying amount of the assets (including any goodwill) and liabilities of the subsidiary and any non-controlling interests.

Upon the Group's acquisition of further interest in a subsidiary, the non-controlling interest is reduced by the proportionate interest acquired, with the balance between the consideration paid and interest acquired being recognised in equity.

When a put option is held by a non-controlling interest in a subsidiary whereby that party can require the Group to acquire the non-controlling interest's shareholding in the subsidiary at a future date and the non-controlling interest retains present access to the results of the subsidiary, the Group applies the present access method of accounting to the arrangement, the existing shares held by the non-controlling interest are presented as a separate component of equity and the option is classified as a derivative and is recognised as a financial instrument on inception with fair value movements recognised through profit and loss.

3. Basis of preparation and summary of significant accounting policies continued

When the Group has a call option over the shares held by a non-controlling interest in a subsidiary whereby the Group can require the non-controlling interest to sell its shareholding in the subsidiary at a future date, the option is classified as a derivative and is recognised as a financial instrument on inception with fair value movements recognised through profit and loss.

When the settlement of a put option in cash cannot be wholly avoided, a financial liability is recognised at the present value of the amounts payable upon exercise of the option. On initial recognition, the corresponding debit relating to the financial liability is booked to equity attributable to the Company within the category Other reserves. Subsequent changes in the carrying amount of the financial liability that result from the remeasurement of the present value of the amount payable upon exercise of the non-controlling interest option are recognised in equity.

Revenue

The services provided by the Group comprise sports betting (sportsbook, the exchange sports betting product, daily fantasy sports products and pari-mutuel betting products), fixed odds games betting, online games and casino, peer-to-peer games including online poker and online bingo and business-to-business services. Revenue is stated exclusive of value-added tax ("VAT").

Revenue from contracts with customers is recognised when control of the Group's services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services. The Group has concluded that it is the principal in its revenue arrangements because it controls the services before transferring them to the customer.

Information about the nature and timing of the satisfaction of performance obligations pertaining to the Group's main sources of revenue are outlined below:

Sports revenue

The Group's sportsbook betting revenues are classified as derivative financial instruments, with the exception of:

- exchange sports betting product and pari-mutuel betting products on which commission income is earned,
- peer-to-peer games on which commission income and tournament fees are earned (including daily fantasy sports), and
- business-to-business services on which fees are earned.

Revenue from sportsbook betting activities represents the net gain or loss from betting activities in the period plus the gain or loss on the revaluation of open positions at period end and is stated net of the cost of customer promotions and bonuses incurred in the period. These derivatives are recognised initially at fair value and subsequently at fair value through profit or loss, within the revenue line as this represents the Group's principal activity. Customer promotions (including free bets) and bonuses are deducted from sportsbook betting revenue.

Revenue from the exchange sports betting product represents commission earned on betting activity and is recognised on the date the outcome for an event is settled.

Revenue from *pari-mutuel* betting products represents a percentage of stake and is recognised on settlement of the event, and is stated net of customer promotions and bonuses in the period.

Revenue from business-to-business services represents fees charged for the services provided in the period.

Revenue from conversion margins is the revenue earned on the processing of real-money deposits and cash outs in specified currencies. Revenue from customer cross-currency deposits and withdrawals is recognised when the transaction is complete at a point in time. Revenue is recognised with reference to the underlying arrangement and agreement with the players and represents a single performance obligation and is recorded within the applicable line of operations.

Revenue from daily fantasy sports products represents entry fees less prizes paid and player acquisition and retention incentives. Prizes are generally paid in cash or an entry fee into specific contests or tournaments.

The Group earns service fees from offering fantasy sports contests ("Contests") and fantasy sports tournaments ("Tournaments") to users. Contests are generally completed in a single day or up to one week. Tournaments are generally completed in one week or up to several months over two to three rounds. For Contests, revenue is recognised when the contest is settled. For Tournaments, revenue is recognised over the period of the tournament as each round is completed and there is no longer a service obligation to each user that participated in the tournament.

Gaming revenue

Revenue from fixed odds games and the online casinos represents net winnings ("customer drop"), being amounts staked net of customer winnings, and is stated net of customer promotions and bonuses incurred in the period.

Revenue from peer-to-peer games represents commission income ("rake") and tournament fees earned from games completed by the period end, and is stated net of the cost of customer promotions and bonuses incurred in the period.

3. Basis of preparation and summary of significant accounting policies continued

Play-money gaming revenue

Customers can participate in online poker tournaments and social casino games using play-money, or virtual currency. Customers can purchase additional play-money chips online to participate in the poker tournaments and social casino games. The revenue is recognised at a point in time when the customer has purchased such chips as control has been transferred to the customer and no further performance obligations exist. Once a customer has purchased such chips, they are non-refundable and non-cancellable.

Other

The Group sponsors certain live poker tours and events, uses its industry expertise to provide consultancy and support services to the casinos that operate the events, and has marketing arrangements for branded poker rooms at various locations around the world. The Group also provides customers with access to odds comparisons, tips and other information to assist with betting, and provides other media and advertising services, and limited content development services with revenue generated by way of affiliate commissions, revenue share arrangements and advertising income as applicable. Revenue is recognised upon satisfying the applicable performance obligations, at a point in time or over time as applicable.

Revenue from sponsorships represents advertising campaigns for customers who become a presenting sponsor at events. Customers are generally billed prior to the campaign launch and revenue is earned over the period of the event.

Cost of sales

Cost of sales includes direct costs associated with revenue generation activities and principally comprises betting and gaming taxes, software supplier costs, customer payment transaction fees, sporting levies and other data rights charges.

Research and development

Expenditure on research activities is recognised in the income statement as an expense in the period in which it is incurred. Expenditure on development activities is recognised in profit or loss as an expense in the period in which it is incurred, except in cases where necessary criteria for capitalisation are met. Such criteria include demonstrating the technical feasibility of the product and having sufficient certainty over future revenue or cost savings that will be generated from the product. The qualifying expenditure capitalised represents costs directly attributable to the development of the asset. This expenditure is capitalised from the date when it first meets the recognition criteria and until the date at which the asset is available for use. Capitalised development expenditure assets are amortised on a straight-line basis from the date they are available for use over their useful economic life.

The amortisation method and the life of the commercial production are assessed annually, and the assets are tested for impairment whenever an indication exists that an asset might be impaired.

Financial income

Interest income is recognised on an accruals basis by reference to the principal outstanding and the effective rate of interest. Financial income includes positive changes in the fair value of embedded derivatives, positive changes in the fair value of financial assets at fair value through profit or loss, foreign exchange gains on financing instruments associated with financing activities, ineffectiveness of cashflow hedges and positive changes in the fair value of deferred contingent consideration.

Financial expense

Financial expense comprises interest expense on borrowings (except in respect of borrowing costs relating to qualifying assets), lease interest, interest on guarantee contracts entered into with third parties, the unwinding of the discount on provisions and other non-current liabilities, financing related fees not eligible for capitalisation, foreign exchange losses on financing instruments associated with financing activities, negative changes in the fair value of embedded derivatives, negative changes in the fair value of embedded derivatives, negative changes in the fair value of financial assets at fair value through profit or loss, ineffectiveness of cash flow hedges and negative changes in the fair value of deferred contingent consideration.

Bank and credit card charges

Bank and credit card charges and fees that are considered integral to the operations of the Group's business are recognised in 'cost of sales' in the consolidated income statement. Bank charges and fees that are related to the Group's financing activities are recognised in 'financial expense' in the consolidated income statement.

Operating segment reporting

Operating segments are distinguishable components of the Group that have been established based on the internal reports regularly reviewed by the Group's Chief Operating Decision Maker (the Board of Directors, "CODM") in order to assess each segment's performance and to allocate resources to them. Geographical segments provide services within a particular economic environment that are subject to risks and rewards that are different from those components operating in alternative economic environments. Subsequent to the Combination, the Group has determined that its reportable segments are PPB, PokerStars, Sky Betting & Gaming, Australia and US. The reportable segments reflect the way financial information is reviewed by the Group's CODM.

Notes to the Consolidated Financial Statements continued

3. Basis of preparation and summary of significant accounting policies continued

The previous reportable segments of PPB Online and PPB Retail have been aggregated in the PPB segment due to the similar products, markets and regulatory environment that both segments operate in. The Group has restated the operating segment information for the year ended 31 December 2019 accordingly.

For further information on operating segments see Note 5.

Functional and presentation currency

IFRS requires entities to consider primary and secondary indicators when determining functional currency. Primary indicators are closely linked to the primary economic environment in which the entity operates and are given more weight. Secondary indicators provide supporting evidence to determine an entity's functional currency. Once the functional currency of an entity is determined, it should be used consistently, unless significant changes in economic factors, events and conditions indicate that the functional currency has changed.

A change in functional currency is accounted for prospectively from the date of the change by translating all items into the new functional currency using the exchange rate at the date of the change.

Based on an analysis of the primary and secondary indicators, the Company has determined its and its subsidiaries' functional currencies. The Company's functional currency is pound sterling.

The pounds sterling represents the primary currency for transactions and as such the Group has chosen to present its financial statements in pounds sterling. Items included in the financial statements of each of the Group's entities are measured using their respective functional currencies, which are primarily the pound sterling ("GBP"), euro ("EUR"), Australian dollar ("AUD") and US dollar ("USD").

Foreign currency transactions

Transactions in foreign currencies are translated at the relevant foreign exchange rate ruling at the date of the transaction. Non-monetary assets that are carried at historical cost are not subsequently retranslated. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to functional currencies at the foreign exchange rates ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

Gains and losses arising on the retranslation of cash and cash equivalent balances are included within 'operating costs excluding depreciation, amortisation and impairment' in the income statement rather than as financial income or expense, as the Directors consider that the gains or losses arising relate to operations, as the Group broadly matches its foreign currency denominated assets and liabilities to ensure that foreign exchange gains and losses are minimised. Gains and losses on retranslation of non-cash assets and liabilities are also dealt with as operating items. Gains and losses on foreign currency retranslation are separately analysed into their components in the statement of cash flows.

For a review of the Hedge Accounting policies adopted by the Group, see Hedging Activities below.

Foreign currency translation of foreign operations

To the extent that the Group's foreign operations are considered to have functional currencies which are different from the Group's presentation currency, the assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation and long term intra-group loans that are part of the net investment because repayment is not planned or foreseen, are translated to GBP at the foreign exchange rates ruling at the reporting date. The revenues and expenses of these foreign operations are translated to GBP at rates approximating the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on translation are recognised directly in the consolidated statement of other comprehensive income and presented in the foreign currency translation reserve within equity.

Income tax

Income tax in the income statement comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case it is recognised in other comprehensive income or directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date and any adjustment to the tax payable in respect of the previous year.

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 income tax filings. The Group assesses for each uncertain tax treatment whether it should be considered independently or whether some tax treatments should be considered together based on what the Group believes provides a better prediction 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 with the right to examine any amounts reported to it will examine those amounts and will have full knowledge of all relevant information when doing so.

3. Basis of preparation and summary of significant accounting policies continued

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to apply to temporary differences when they reverse, based on laws that have been enacted or substantively enacted at the reporting date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred tax assets and liabilities are offset to the extent that they relate to income taxes levied by the same taxation authority.

Business combinations

Acquisitions of subsidiaries are accounted for using the acquisition method. The value of acquisition is measured at the date of purchase and represents the aggregate of the fair values of assets given, liabilities incurred or assumed and any equity instruments issued by the Group in exchange for control of the acquiree and fair value of previously held equity interests. The identifiable assets and liabilities of the acquiree are recognised at their fair values at the date of acquisition.

Goodwill recognised subsequent to 1 January 2004, representing the excess of purchase consideration over the fair value of net identifiable assets acquired defined in accordance with IFRS 3 Business Combinations, is capitalised. Goodwill is initially recognised as an asset at cost and is thereafter measured at cost less any accumulated impairment losses. Goodwill is not amortised but is tested for impairment annually. Any impairment in the value of goodwill is recognised in the income statement in the period in which it arises. Goodwill is recognised only when control of the acquiree is initially achieved. Following the acquisition of control, no goodwill is recognised on subsequent purchases of equity interests in the acquiree and instead the difference between the cost of such acquisitions is recognised through retained earnings. An adjustment is also made to non-controlling interests and the foreign exchange translation reserve through retained earnings to reflect the reduced non-controlling interest. Costs relating to the acquisition of businesses that occurred since 1 January 2010 are expensed to the income statement when incurred. Costs related to the acquisition of non-controlling interests are recognised directly in retained earnings.

The interest of non-controlling shareholders in the acquiree is initially measured at the non-controlling shareholders percentage interest in the net fair value of the assets, liabilities and contingent liabilities recognised. Subsequently the non-controlling interests are allocated their share of results recognised in the income statement and the statement of comprehensive income.

Amounts payable in respect of deferred contingent consideration are recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration are recognised in the income statement within financial expense or income.

Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, and the costs of dismantling and removing items and restoring the sites on which they are located. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net in the income statement.

Depreciation is calculated to write-off the cost less estimated residual value of property, plant and equipment on a straight-line basis over their useful lives, as follows:

Land	Not depreciated
Buildings: Freehold	25 – 50 years
Buildings: Leasehold improvements	Unexpired term of the lease, except for leases with an initial term of ten or less years, which are depreciated over the unexpired term of the lease plus the renewal length of the lease if there is an unconditional right of renewal
Fixtures and fittings	3 – 10 years
Computer equipment	2 – 5 years
Motor vehicles	3 – 5 years
Right-of-use Asset	Shorter of term of lease and useful life of the asset, as defined under IFRS 16

3. Basis of preparation and summary of significant accounting policies continued

Assets in the process of construction are stated at cost less impairment losses. Depreciation of these assets begins when the assets are ready for their intended use.

The residual value of property, plant and equipment, if not insignificant, is reassessed annually.

Intangible assets

Intangible assets, principally comprising brands, customer relations, computer software and technology, development expenditure, licences and broadcasting and wagering rights are capitalised and amortised over their estimated useful economic lives on a straight-line basis, with the exception of customer relations which is amortised on a reducing balance basis.

Brands represent the fair value of brands and trade-mark assets acquired in business combinations.

Customer relations represent the fair value of customer relations acquired in business combinations.

Computer software and technology includes the costs incurred in acquiring and bringing specific software programs into use and the fair value of software and technology acquired in business combinations. Maintenance costs relating to computer software programs are expensed to the income statement when incurred.

Development expenditure represents internally generated costs incurred on development activities. These costs have been capitalised in accordance with the requirements of IAS 38 Intangible Assets.

Licences comprise the costs of acquiring retail bookmaking licences, the rents incurred in respect of the period prior to each shop opening for business (as the existence of a premises is a pre-requisite for obtaining such licences), licences for electronic point-of-sale ("EPOS") system software, and gambling licences including US market access payments across a number of jurisdictions globally.

Broadcasting and wagering rights represent assets acquired as part of the all-share merger with Betfair Group plc in 2016 (the "Merger") and in particular relates to the US segment.

The estimated useful economic lives of intangible assets, according to which amortisation is calculated, are as follows:

Brands	8 – 20 years
Customer relations	4 – 20 years reducing balance, based on estimated customer lifecycle
Computer software and technology	2 – 5 years
Development expenditure	3 – 5 years
Licences	2 – 20 years
Broadcasting and wagering rights	6 years

The licences intangible assets recognised on the acquisition of the D McGranaghan Limited business in 2008, the acquisition of an additional betting shop in Northern Ireland in 2011 and the brands intangible assets recognised on the acquisition of Sportsbet Pty Limited and International All Sports Limited ("IAS") in 2009, are considered indefinite life intangibles (see Note 13) and are therefore not amortised but rather are tested for impairment annually. For additional details regarding these assets and impairments in 2020, see Note 13.

Financial instruments

Financial Assets

Recognition and Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not measured at FVTPL (as defined below), transaction costs that are directly attributable to the acquisition of the financial asset. The Group classifies financial assets into one of the following measurement categories:

- Those to be measured subsequently at fair value through profit or loss ("FVTPL");
- Those to be measured subsequently through other comprehensive income ("FVOCI"); or
- Those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows. Except in very limited circumstances, the classification may not be changed subsequent to initial recognition. The Group only reclassifies debt instruments when its business model for managing those assets changes.

3. Basis of preparation and summary of significant accounting policies continued

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of that asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: debt instruments are measured at amortised cost if they are held within a business model with the objective of collecting the contractual cash flows and those cash flows solely represent payments of principal and interest. A gain or loss on a debt instrument that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the debt instrument is derecognised or impaired. Interest income from these debt instruments is recognised using the effective interest rate method. Cash, restricted cash and accounts receivable are classified as amortised cost.
- FVOCI: debt instruments are measured at FVOCI if they are held within a business model with the objective of either collecting the contractual cash flows or of selling the debt instrument, and those cash flows solely represent payments of principal and interest. Movements in the carrying amount are recorded in other comprehensive income, with impairment gains or losses, interest income and foreign exchange gains or losses recognised in profit or loss. When the debt instrument is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified to profit or loss. Bonds recorded within current investments are classified as FVOCI.
- FVTPL: debt instruments that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVOCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch. A gain or loss on a debt instrument that is subsequently measured at FVTPL and is not part of a hedging relationship is recognised in profit or loss and presented in the consolidated income statement.

Impairment of financial assets (including receivables)

The Group recognises loss allowances for expected credit losses ("ECLs") on financial assets measured at amortised cost. The Group measures loss allowances at an amount equal to lifetime ECLs, except for bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition which are measured at 12 month ECLs.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward looking information. The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full or the financial asset is significantly past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are a probability weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the third party;
- a breach of contract such as a default;
- the restructuring of a balance by the Group on terms that the Group would not consider otherwise; or
- it is probable that the third party will enter bankruptcy or other financial reorganisation.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. See Note 27 for further detail.

Notes to the Consolidated Financial Statements continued

3. Basis of preparation and summary of significant accounting policies continued

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Financial Liabilities

Recognition and measurement

Financial liabilities are classified, at initial recognition, as either financial liabilities at FVTPL or other financial liabilities.

- FVTPL: Financial liabilities are classified as FVTPL if they are held for trading or are designated as FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise or the financial liability is managed and its performance is evaluated on a fair value basis. Any gains or losses arising on re-measurement are recognised in the consolidated income statement. Derivative instruments and certain other level 3 liabilities (see Note 29) are classified as FVTPL.
- Other financial liabilities: Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. The effective interest method calculates the amortised cost of a financial liability and allocates interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability (or a shorter period where appropriate) to the net carrying amount on initial recognition. Long-term debt is classified within other financial liabilities and is measured at amortised cost.

Debt modifications

The Group may pursue amendments to its credit agreements based on, among other things, prevailing market conditions. Such amendments, when completed, are considered by the Group to be debt modifications.

The accounting treatment of debt modifications depends upon whether the modified terms are substantially different than the previous terms. The terms of an amended debt agreement are considered substantially different when either: (i) the discounted present value of the cash flows under the new terms, discounted using the original effective interest rate, are at least ten percent different from the discounted present value of the remaining cash flows of the original debt or (ii) management determines that other changes to the terms of the amended agreement, such as a change in the environment in which a floating interest rate is determined, are substantially different. If the modification is considered to be substantially different, the transaction is accounted for as an extinguishment of the original debt instrument, which is derecognised and replaced by the amended debt instrument, with any unamortised costs or fees incurred on the original debt instrument recognised as part of the gain or loss on extinguishment. If the modification is not considered to be substantially different, an adjustment to the carrying amount of the original debt instrument is recorded, which is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate with the difference recognised in financial expense in the consolidated income statement.

Transaction costs

Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities that are classified as FVTPL) are added to or deducted from, as applicable, the fair value of the financial instrument on initial recognition. These costs are expensed to financial expenses in the consolidated income statement over the term of the related interest-bearing financial asset or financial liability using the effective interest method. When a debt facility is retired by the Group, any remaining balance of related debt transaction costs is expensed to financial expenses in the period that the debt facility is retired. Transaction costs related to financial instruments at FVTPL are expensed when incurred.

Non-derivative financial instruments

Other non-derivative financial instruments comprise cash and cash equivalents, restricted cash, deposits, investments, trade and other receivables and trade and other payables.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

Cash and cash equivalents for the purpose of the statement of cash flows comprise cash and call deposits with an original maturity of three months or less and bank overdrafts, repayable on demand, that are integral to the Group cash management.

3. Basis of preparation and summary of significant accounting policies continued

Restricted cash represents cash held by the Group but which is ring fenced, or used as security for specific arrangements (such as cash held on the balance sheet in designated client fund accounts where certain jurisdictions require the Group to do so, or as collateral for a bank guarantee), and to which the Group has restricted access for a period of time. It includes funds held to cover monies owed to customers, as per the terms of our book making licences in various jurisdictions. Restricted cash is classified as amortised cost. Restricted cash balances are further classified as current or non-current depending on when the restriction first ends.

Neither cash and cash equivalents or restricted cash include certain customer funds deposited in a stakeholder account held by The Sporting Exchange (Clients) Limited, a wholly-owned subsidiary of the Group, 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.

Subsequent to initial recognition, cash and cash equivalents, financial assets – restricted cash, and trade and other payables are measured at amortised cost.

Trade and other receivables are stated at their nominal value as reduced by appropriate allowances for expected credit losses.

Investments are measured at fair value and changes therein, are recognised in the consolidated income statement unless the irrevocable option at initial recognition to present changes in fair value in Other Comprehensive Income ("OCI") is chosen. This designation is made on an instrument by instrument basis. Fair value is determined using a discounted cash flow which requires estimation of future net operating cash flows, the time period over which they will occur, an appropriate discount rate and discounts for lack of marketability and lack of control that pertains to the minority stake.

Financial assets are derecognised if the Group's contractual right to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all the risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e. the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Derivatives

As permitted by IFRS 9, the Group continues to apply the hedge accounting requirements of IAS 39 rather than the requirements of IFRS 9 and complies with the annual hedge accounting disclosures as required by IFRS 7.

The Group uses derivative instruments for risk management purposes and does not use derivative instruments for speculative trading purposes (except for derivatives with respect to the Group's Sportsbook line of operations, which are transactions within the scope of IFRS 9 but reported as revenue as discussed above). All derivatives are recorded at fair value in the consolidated statements of financial position. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. For derivatives not designated as hedging instruments, the re-measurement of those derivatives each period is recognised in the consolidated income statement.

Derivatives may be embedded in other financial liabilities and non-financial instruments (i.e. the host instrument). Embedded derivatives are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host instrument, the terms of the embedded derivative are the same as those of a stand-alone derivative and the combined instrument (i.e. the embedded derivative plus the host instrument) is not held-for-trading or designated at fair value. These embedded derivatives are measured at fair value with subsequent changes recognised in the consolidated income statement.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately under IFRS 9. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at FVTPL.

Sports betting open positions

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

Hedge accounting

The Group designates certain derivatives as either:

- hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges); or
- hedges of a net investment in a foreign operation (net investment hedges).

At inception of the hedge relationship, the Group formally documents how the hedging relationship meets the hedge accounting criteria. It also records the economic relationship between the hedged item and the hedging instrument, including the nature of the risk, the risk management objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship at inception and on an ongoing basis.

Notes to the Consolidated Financial Statements continued

3. Basis of preparation and summary of significant accounting policies continued

Cash flow hedges

The Group uses derivatives for cash flow hedges. The effective portion of the change in fair value of the hedging instrument is recorded in other comprehensive income and accumulated in the cash flow hedging reserve, while the ineffective portion is recognised immediately in the consolidated income statement. Gains and losses on cash flow hedges accumulated in other comprehensive income/(loss) are reclassified to the consolidated income statement in the same period the hedged item affects the consolidated income statement. If the forecast transaction is no longer expected to occur, the hedge no longer meets the criteria for hedge accounting, the hedging instrument expires or is sold, terminated or exercised, or the designation is revoked, the hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the amount accumulated in equity is reclassified to the consolidated income statement.

Net investment hedges

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging item relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated under the heading foreign exchange translation reserve. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated income statement. Gains and losses accumulated in other comprehensive income are reclassified to the consolidated income statement when the foreign operation is partially disposed of or sold.

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. Significant unobservable inputs and valuation adjustments are monitored on an on-going basis.

When measuring the fair value of an asset or liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in the different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Leases

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

The Group as a Lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement of the lease, and any initial costs. They are then subsequently measured at cost less accumulated depreciation and impairment losses. Right-of-use assets are depreciated over the shorter of the lease term and the useful life of the underlying asset, and are tested for impairment in accordance with IAS 36, Impairment of Assets ("IAS 36").

The lease liability is initially measured at the present value of the future lease payments, discounted by using the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate at the lease commencement date. The Group subsequently measures the lease liability by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

Interest on the lease liability is recognised in financial expenses within the income statement. The total amount of cash payments in relation to lease payments is separated into a principal portion and interest, presented within financing activities in the consolidated statement of cash flows.

3. Basis of preparation and summary of significant accounting policies continued

Lease payments included in the measurement of the lease liability include:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives;
- Variable lease payments that depend on an index or rate initially measured using the index or rate at the commencement date;
- Amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options or the term of extension options if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease if the lease includes an option to terminate the lease.

The Group remeasures the lease liability and makes a corresponding adjustment to the related right-of-use asset whenever:

- The lease term has changed or there is a change in the assessment of exercise of a purchase or an extension option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- The lease payments change due to changes in an index or rate or change in expected payment under a guaranteed residual value, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); or
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability or right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers such payments occurs.

As a practical expedient, IFRS 16 permits a lessee to account for any lease and associated non-lease components as a single arrangement instead of separating the non-lease components. The Group has applied this practical expedient.

For short-term leases (lease term of 12 months or less) and leases of low-value assets, such as personal computers and office furniture, the Group has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16.

The Group as a Lessor

The Group has a small number of properties that are sublet.

At inception of a contract, the Group determines whether each lease is a finance lease or an operating lease, by reference to the transfer of all risks and rewards in connection to ownership of the underlying asset. In the case of a finance lease, the Group applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease.

When the Group is an intermediate lessor the sub leases are classified with reference to the right of use asset arising from the head lease, not with reference to the underlying asset.

Under operating leases, the Group recognises the income generated by the lease on an accrual basis over the life of the contract.

Provisions

Provisions represent liabilities of the Group for which the amount or timing of payment is uncertain. A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is considered probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in provisions due to the passage of time is recognised within financial expense on the consolidated income statement.

Long service leave

The provision for long service leave (that arises under the provisions of Australian state legislation) is measured per the requirements of IAS 19 Employee Benefits. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on Australian government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived from a contract by the Group are less than the unavoidable costs of meeting its obligations under the terms of the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

Gaming tax

Gaming tax provisions relate 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.

Notes to the Consolidated Financial Statements continued

3. Basis of preparation and summary of significant accounting policies 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 have not provided a sensitivity for this provision as the range is not considered to be material.

Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives (such as certain licences and brands) or that are not yet available for use, the recoverable amount is estimated each year at the same time. The recoverable amount of an asset or cash generating unit ("CGU") is the higher of fair value less costs to sell or its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash generating unit", or "CGU"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination. The Group's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis. An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Employee benefits

Pensions

The Group operates a number of defined contribution schemes under which the Group pays fixed contributions to a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions are recognised as an expense in the income statement as the service is received. Prepaid contributions are recognised as an asset to the extent that a cash refund or reduction in future payments is available.

Long-term incentive bonus plans

The Group accounts for obligations relating to long term incentive bonus plans for employees at the present value of the benefit obligation at the reporting date. The service cost relating to such plans is allocated to the financial years over which service under the plan is rendered by the employee. The income statement expense represents the increase in the present value of the benefit obligation resulting from employee service in the current period, in addition to any associated finance costs where material.

Share-based payments

The Group operates equity-settled long term and medium term incentive plans for selected senior executives and other key management under which they are conditionally awarded shares or options over company shares which vest upon the achievement of predetermined targets and/or future service periods. The fair value is measured at the award or option grant date and is spread over the period during which the employees become unconditionally entitled to the shares or options with a corresponding increase in the share-based payment reserve in equity. The fair value of the shares conditionally granted is measured using the market price of the shares at the time of grant or in the case of shares with a non-market condition measured using either a binomial or Monte Carlo valuation model.

The Group also currently operates a deferred share incentive plan ("DSIP") whereby one-third of any annual incentive payment (determined under the Annual Cash Incentive Plan) may be paid in deferred shares. Any such deferred element granted under the DSIP will vest 50% after 1 year and 50% after 2 years from the grant date and will be fair valued using the same methodology as other long and medium term incentive plans. The two-thirds cash portion is measured on an undiscounted basis and expensed as the related service is provided. A liability is recognised for the amount expected to be paid under this cash portion if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The Group operates an equity-settled share save scheme ("SAYE") for employees under which employees acquire options over Company shares at a discounted price subject to the completion of a savings contract. The fair value of share options granted is recognised as an employee cost with a corresponding increase in the share-based payment reserve in equity.

3. Basis of preparation and summary of significant accounting policies continued

The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using a Black-Scholes model, taking into account the terms and conditions, other than non-market performance conditions, upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest.

For the FOX equity option which is treated as a contingent cash-settled share-based payment and is described in more detail in judgement and estimates below, Management have made certain judgments in the recognition and measurement of liabilities in relation to this commercial agreement and associated right of FOX Sports to acquire equity, including its judgement as to the probable method of settlement. The right has been valued using a discounted cash flow model and as it represents a contingently cash-settled share-based payment, will be recorded at fair value at each reporting period.

Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects within retained earnings.

Shares held by employee benefit trust

The costs of purchases of the Company's shares by the Employee Benefit Trust, which have been conditionally awarded to executives under the terms of the share award schemes, are shown separately as deductions from equity in the consolidated statement of financial position.

Repurchase of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognised as a deduction from equity. The repurchased shares are classified as treasury shares and are presented as a deduction from total equity. Transaction costs relating to the purchase by the Company of its own shares are recognised directly in retained earnings. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and any resulting surplus on the transaction is recognised in share premium.

Where the Company purchases its own shares and subsequently cancels those shares, the cost of the shares cancelled is written off directly to retained earnings. The nominal value of the shares cancelled is transferred from share capital to undenominated capital.

Dividends

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Company's shareholders, or, in the case of the interim dividend, when it has been approved by the Board of Directors and paid.

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. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which include awards under share award schemes and share options granted to employees.

Separately disclosed items

Separately disclosed items are those that in Management's judgement need to be disclosed by virtue of their size, incidence or if not part of the Group's normal trading activities. The separate reporting of these items helps provide a better understanding of the Group's underlying performance.

Such items may include the amortisation of acquisition related intangibles, significant restructuring and integration costs, material fees in respect of acquisitions, significant impairment of property, plant and equipment and intangible assets and also significant movement in the fair value of contingent consideration. Following the acquisition of TSG, and the significant change in the Group's debt and derivatives portfolio, the Group also considers items such as the gain/loss on embedded derivatives, the gain/loss on accelerated debt repayments, foreign exchange gain/losses on financial instruments associated with financing activities, and the write-off, and expensing of one-off fees that do not meet the criteria for capitalisation as items that should be separately disclosed.

In the majority of cases, it is the material impact that these items have on the financial statements that determines whether they should be separately disclosed. Materiality is determined by assessing whether disclosing such items separately would present a reader with a better understanding of the performance of the Group. If such items were deemed to be less than material, they would not be separately disclosed.

These items, usually due to their size and nature tend to be non-recurring items and would not arise on an annual basis. However, in other cases, items such as, for example, the amortisation of acquisition related intangibles and the remeasurement of Embedded Derivatives, may occur over several years but are disclosed separately due to their finite life and the significantly changing amortisation profile of the assets in question in the related years. Other items such as the foreign exchange gains/losses associated with financing activities would also arise on a regular basis and are disclosed separately due to their volatile nature.

Notes to the Consolidated Financial Statements continued

3. Basis of preparation and summary of significant accounting policies continued

The separate disclosure of such items helps the reader better understand underlying business performance.

The tax related impact of such items is also disclosed separately.

4. Judgements and estimates

The preparation of Annual 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 period in which the estimates are revised and in any future periods affected.

Judgements

In the course of preparing these consolidated financial statements, the significant judgements in applying the Group's accounting policies and the key sources of estimation uncertainty are detailed below:

Kentucky proceedings

Prior to the Combination, the Commonwealth of Kentucky filed legal proceedings in 2010 – 2011 against various operators including certain companies that later became subsidiaries of The Stars Group ("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 judgment 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 judgment interest. In 2018, this ruling was vacated in its entirety by the Kentucky Court of Appeals.

On 17 December 2020, the Kentucky Supreme Court reinstated the full 2015 award of damages, including post judgment interest, against SIHL and REEL. A rehearing petition was filed before the Kentucky Supreme Court on 6 January 2021 and the Group is awaiting a decision. Together with its legal advisers, Flutter strongly disputes the basis of this judgment and is currently reviewing its position. Flutter is confident that any amount it is ultimately liable to pay will be a limited proportion of the reinstated judgment. No liability was previously recognised by either TSG or Flutter prior to this judgment.

Based on the opinion and views of legal counsel and advisers as to the likely payout outcomes, the Group has recognised a provision of US$100m (£73m) as part of TSG combination fair value acquisition accounting in respect of this litigation, which reflects the value of the supersedes bond in place since February 2016. This assessment relies on estimates and assumptions and involves a series of judgments about future events.

Contingent liabilities

The Group reviews its legal proceedings following developments in the same at each balance sheet date, considering, among other things: the nature of the litigation, claim or assessment; the legal processes and potential level of damages in the jurisdiction in which the litigation, claim or assessment has been brought; the progress of the case (including progress after the date of the consolidated financial statements but before those statements are issued); the opinions or views of legal counsel and other advisors; experience of similar cases; and any decision of the Group's Management as to how it will respond to the litigation, claim or assessment. The Group assesses the probability of an outflow of resources to settle the alleged obligation as well as if the outflow can be reliably measured. If these conditions are not met, no provision will be recorded, and the relevant facts will be disclosed as a contingent liability. See Note 30 – Commitments and Contingencies for further detail.

FOX equity option

As part of the Combination, the Group acquired the following agreement in relation to TSG's US business.

On 8 May 2019, TSG and FOX Sports ("FOX Sports"), a unit of FOX Corporation, announced plans to launch FOX Bet, the first-of-its kind national media and sports wagering partnership in the United States and entered into a commercial agreement of up to 25 years. As part of the transaction, FOX Sports will receive certain brand license, integration and affiliate fees. In addition, during the term of the commercial agreement, TSG has agreed to a minimum annual advertising commitment on certain FOX media assets. Prior to the tenth anniversary of the commercial agreement, and subject to certain conditions and applicable gaming regulatory approvals, FOX Sports has the right to acquire up to a 50% equity stake in TSG's US business. In accordance with IFRS 2, Share-based payment based on the judgment of management, this right granted to FOX Sports is considered a contingently cash-settled share-based payment because FOX Sports, subject to receiving regulatory approvals and meeting certain other conditions, has discretion to exercise the right. During the year ended 31 December 2020, the Group recorded £6.6m to sales and marketing expense in relation to the commercial agreement and at 31 December 2020, the total fair value liability due was £4.0m.

Management has made certain judgments in the recognition and measurement of liabilities in relation to this commercial agreement and associated right of FOX Sports to acquire equity, including its judgement as to the probable method of settlement. The right has been valued using a discounted cash flow model and as it represents a contingent cash-settled share-based payment, will be recorded at fair value at each reporting period.

4. Judgements and estimates continued

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 period. The following discussion sets forth key sources of estimation uncertainty at the end of the reporting period 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.

Acquisition accounting and value of acquired assets and liabilities

The acquisition method of accounting is used to account for all business combinations. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Judgement and estimation are required in particular in the identification and valuation of separable intangible assets, future cashflows, appropriate discount rates and determining appropriate useful economic lives for these assets. The discount rates used ranged from 8.45% to 12.25% for the various segments and the terminal growth rates were between 1.75% and 2.75%. If the purchase consideration exceeds the fair value of the net assets acquired, then the difference is recognised as goodwill.

The Group has one year from the acquisition date to re-measure the fair values of the acquired assets and liabilities and the resulting goodwill if new information is obtained relating to conditions that existed at the acquisition date. Acquisition related costs are expensed as incurred. The business combinations entered into during the year are disclosed in Note 15.

Measurement of the recoverable amounts of cash generating units containing goodwill and indefinite life licences and brands intangible assets

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).

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 on the performance of the Group and its individual business units is set out in the business review section of the Annual report.

The retail CGUs were impacted significantly due to the temporary suspension of the activities of shops for a period leading to shorter term impacts such as social distancing as well as longer term uncertainty in respect of customer behaviours. Details of impairment in respect of Northern Ireland retail and its licences are provided in Note 13.

For the Group's various Online CGUs which generate income from sportsbook, the impact of Covid has not been as significant due to greater substitution possibilities and they also benefit from the ongoing retail to online migration. While no impairments have arisen in the Group's Online CGUs during the year ended 31 December 2020, there is economic uncertainty in the global economy due to the ongoing Covid global pandemic and this could be a potential future risk.

Valuation of tax provisions and liabilities and associated receivables

Taxation within the Group includes both Income Taxes and Gaming Taxes. Judgement and estimation are required to interpret international tax laws and the way these taxes interact within each jurisdiction, to identify and value provisions in relation to gaming and income taxes as applicable. The liabilities for uncertain tax positions reflected within current tax payable and provisions in the Consolidated Statement of Financial Position are comprised of a number of individually immaterial uncertain tax positions relating to the risks assessed in various jurisdictions by Management. 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.

New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact the income tax or gaming tax expense 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 accrual for all tax liabilities at 31 December 2020 is adequate and the tax receivables are recoverable for all uncertain tax positions based on its assessment of the range of factors outlined above. Further information in relation to the judgement relating to the disputed legacy German and Greek tax assessments is outlined in Note 16.

Valuation of Embedded Derivative on Senior Notes

The Senior Notes (as defined in Note 22) include certain embedded features allowing the Group to redeem the Senior Notes or allowing the holders to require a redemption of the Senior Notes. These features were bifurcated from the carrying value of the Senior Notes. Management used estimates, including an implied credit spread of 2.77% as at 31 December 2020 (5 May 2020 – 5.1%), in determining the fair value of the Embedded Derivative. The implied credit spread represents Management's estimate of the Group's creditworthiness as implied by the market value of the Senior Notes. During the year ended 31 December 2020 a gain of £78.5m was recorded through financial income in relation to the re-measurement of this Embedded Derivative.

Notes to the Consolidated Financial Statements continued

5. Operating segments

Reportable business segment information

Subsequent to the Combination, the Group's reportable segments during 2020 were as follows:

- PPB;
- PokerStars;
- Sky Betting & Gaming;
- Australia; and
- US

These reportable segments reflect the way financial information was reviewed by the Group's Chief Operating Decision Maker (the Board of Directors, "CODM") subsequent to the Combination during 2020. The Group has restated the operating segment information for the year ended 31 December 2019 accordingly.

As a result of internal restructuring and integration initiatives, the Group expects to move into a four-segment operating model in 2021:

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

Additional information in respect of these segments is included on page 6 of the Annual report.

The previous reportable segments of PPB Online and PPB Retail have been aggregated in the PPB segment due to the similar products, markets and regulatory environment that both segments operate in.

The PPB segment derives its revenues primarily from sports betting (sportsbook and the exchange sports betting product) and gaming (games, casino, bingo and poker) services for the Paddy Power and Betfair brands and some business-to-business ("B2B") services globally. Services are delivered through the internet and through licensed bookmaking shop estates in the UK and Ireland with a small proportion delivered through the public telephone system.

The PokerStars segment derives its revenues primarily from poker, gaming and sports betting for the PokerStars, BetStars, Full Tilt and their related brands mainly via the internet.

The Sky Betting & Gaming segment derives its revenues primarily from sportsbook and gaming (games, casino, bingo and poker) for Sky Bet and its related brands via the internet as well as from Oddschecker, the UK's leading odds comparison website.

The Australia segment comprising the Sportsbet and BetEasy brands earns its revenues from sports betting services provided to Australian customers using primarily the internet with a small proportion using the public telephone system.

The US segment comprising the FanDuel, TVG, Betfair, PokerStars and FOX Bet brands earns its revenues from sports betting, daily fantasy sports and gaming services 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 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 accounting policies in respect of operating segments reporting are the same as those described in the basis of preparation and summary of significant accounting policies set out in Note 3.

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.

5. Operating segments continued

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

	PPB £m	PokerStars £m	Sky Betting and Gaming £m	Australia £m	US £m	Corporate £m	Total £m
Revenue from external customers before VAT refund	1,293.9	757.0	685.4	988.8	672.9	—	4,398.0
Cost of sales	(382.2)	(186.2)	(199.7)	(468.7)	(302.2)	—	(1,539.0)
Gross profit	911.7	570.8	485.7	520.1	370.7	—	2,859.0
Operating costs excluding depreciation and amortisation	(640.9)	(289.7)	(211.8)	(213.2)	(519.0)	(95.2)	(1,969.8)
Adjusted EBITDA[1]	270.8	281.1	273.9	306.9	(148.3)	(95.2)	889.2
Depreciation and amortisation	(94.4)	(31.6)	(19.5)	(28.2)	(34.8)	(4.7)	(213.2)
Adjusted reportable segment profit/(loss) before separately disclosed items	176.4	249.5	254.4	278.7	(183.1)	(99.9)	676.0
Amortisation of acquisition related intangible assets (Note 6)	(51.2)	(206.2)	(127.5)	(18.7)	(28.7)	—	(432.3)
Impairment	(12.1)	(4.4)	—	(2.0)	—	(4.1)	(22.6)
VAT refund (Note 6)	11.2	—	—	—	—	—	11.2
Reportable segment profit/(loss) after amortisation of acquisition related intangibles, impairment and VAT refund	124.3	38.9	126.9	258.0	(211.8)	(104.0)	232.3
Acquisition fees and associated costs[2]							(32.7)
Restructuring and integration costs[2]							(96.1)
Operating profit							103.5

Reportable business segment information for the year ended 31 December 2019:

	PPB £m	PokerStars £m	Sky Betting and Gaming £m	Australia £m	US £m	Corporate £m	Total £m
Revenue from external customers	1,317.9	—	—	445.8	376.3	—	2,140.0
Cost of sales	(352.9)	—	—	(181.5)	(115.8)	—	(650.2)
Gross profit	965.0	—	—	264.3	260.5	—	1,489.8
Operating costs excluding depreciation and amortisation	(575.9)	—	—	(136.8)	(296.7)	(55.0)	(1,064.4)
Adjusted EBITDA[1]	389.1	—	—	127.5	(36.2)	(55.0)	425.4
Depreciation and amortisation	(92.9)	—	—	(23.8)	(23.8)	(4.3)	(144.8)
Adjusted reportable segment profit/(loss) before separately disclosed items	296.2	—	—	103.7	(60.0)	(59.3)	280.6
Amortisation of acquisition related intangible assets (Note 6)	(77.2)	—	—	—	(35.9)	—	(113.1)
Reportable segment profit/(loss) after amortisation of acquisition related intangibles	219.0	—	—	103.7	(95.9)	(59.3)	167.5
Acquisition fees and associated costs							(17.6)
Operating profit							149.9

1 Adjusted EBITDA which is a non-GAAP measure in the above segment note is defined as profit for the period before separately disclosed items, depreciation, amortisation and impairment, 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 acquisition fees and restructuring and integration costs to reportable segments.

Notes to the Consolidated Financial Statements continued

5. Operating segments continued

Reconciliation of reportable segments to Group totals:

	2020 £m	2019 £m
Revenue		
Total revenue from reportable segments, being total Group revenue before VAT refund	4,398.0	2,140.0
VAT refund	15.9	—
Total revenue from reportable segments, being total Group revenue	4,413.9	2,140.0
Profit and loss		
Operating profit	103.5	149.9
Unallocated amounts:		
Financial income	79.9	1.0
Financial expense	(182.3)	(15.2)
Profit before tax	1.1	135.7

Disaggregation of revenue under IFRS 15

Group revenue after the VAT refund (see Note 6) disaggregated by product line for the year ended 31 December 2020:

	PPB £m	PokerStars £m	Sky Betting and Gaming £m	Australia £m	US £m	Total £m
Sports revenue[1]	812.8	45.5	421.3	988.8	457.0	2,725.4
Gaming revenue[2]	497.0	711.5	264.1	—	215.9	1,688.5
Total Group revenue	1,309.8	757.0	685.4	988.8	672.9	4,413.9

Group revenue disaggregated by product line for the year ended 31 December 2019:

	PPB £m	PokerStars £m	Sky Betting and Gaming £m	Australia £m	US £m	Total £m
Sports revenue[1]	895.9	—	—	445.8	325.0	1,666.7
Gaming revenue[2]	422.0	—	—	—	51.3	473.3
Total Group revenue	1,317.9	—	—	445.8	376.3	2,140.0

1 Sports revenue comprises sportsbook, exchange sports betting, daily fantasy sports and pari-mutuel betting.
2 Gaming revenue includes Games, Poker, Casino and Bingo and in PPB includes the VAT refund (see Note 6).

Group revenues after the VAT refund (see Note 6) disaggregated by geographical segment for the year ended 31 December 2020:

	PPB £m	PokerStars £m	Sky Betting and Gaming £m	Australia £m	US £m	Total £m
UK	873.4	60.2	678.0	—	—	1,611.6
Australia	—	—	—	988.8	—	988.8
US	—	—	—	—	672.9	672.9
Ireland	202.5	7.4	7.4	—	—	217.3
Rest of World	233.9	689.4	—	—	—	923.3
Total Group revenue	1,309.8	757.0	685.4	988.8	672.9	4,413.9

Group revenues disaggregated by geographical segment for the year ended 31 December 2019:

	PPB £m	PokerStars £m	Sky Betting and Gaming £m	Australia £m	US £m	Total £m
UK	844.7	—	—	—	—	844.7
Australia	—	—	—	445.8	—	445.8
US	—	—	—	—	376.3	376.3
Ireland	236.6	—	—	—	—	236.6
Rest of World	236.6	—	—	—	—	236.6
Total Group revenue	1,317.9	—	—	445.8	376.3	2,140.0

Revenues are attributed to geographical location on the basis of the customer's location.

5. Operating segments continued

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

	31 December 2020 £m	31 December 2019 £m
UK	**8,882.6**	3,720.7
Ireland	**154.9**	157.3
Australia	**696.4**	108.9
US	**856.1**	805.0
Rest of World[1]	**4,816.4**	185.1
Total	**15,406.4**	4,977.0

1 Relates mainly to goodwill and fair value adjustments on acquisition intangibles relating to the PokerStars segment.

6. Separately disclosed items

	2020 £m	2019 £m
Amortisation of acquisition related intangible assets	**(432.3)**	(113.1)
Acquisition fees and associated costs	**(32.7)**	(17.6)
Restructuring and integration costs	**(96.1)**	—
Impairment	**(22.6)**	—
VAT refund	**11.2**	—
Operating profit impact of separately disclosed items	**(572.5)**	(130.7)
Financial Income	**78.5**	—
Financial Expense	**(71.1)**	—
Profit before tax impact of separately disclosed items	**(565.1)**	(130.7)
Tax credit on separately disclosed items	**58.4**	18.6
Total separately disclosed items	**(506.7)**	(112.1)
Attributable to:		
Equity holders of the Company	**(483.8)**	(94.4)
Non-controlling interest	**(22.9)**	(17.7)
	(506.7)	(112.1)

Amortisation of acquisition related intangible assets

Non-cash amortisation of £432.3m has been incurred in the period (2019: £113.1m) 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 and the Combination with TSG in 2020.

Acquisition fees and associated costs

Acquisition fees and associated costs of £32.7m relate to costs incurred in the period primarily as a result of the Combination. This does not include any professional fees incurred by TSG prior to the Combination.

Restructuring and integration costs

This relates to incremental, one-off costs of £96.1m which were incurred during the year ended 31 December 2020, as a result of significant restructuring and integration initiatives due to the Combination with TSG. No such costs were incurred in 2019. Restructuring and integration costs include share-based payments costs of £18.1m (see also Note 26).

Impairment

During the year, the Group recognised impairments of £22.6m. £12.1m of this relates to the impairment of Northern Ireland retail indefinite life licences described in more detail in Note 13. 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.

Notes to the Consolidated Financial Statements continued

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 it has recognised income, net of the associated third party costs 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 cost of sales and operating expenses respectively.

Financial income

As detailed in Note 8, this comprises the gain of £78.5m on the remeasurement of the Embedded Derivative.

Financial expense

As detailed in Note 8, this comprises the loss of £22.2m on the remeasurement of the HRTV contingent consideration (see Note 19), a loss of £31.0m relating to accelerated debt repayments, foreign exchange loss of £12.9m on financial instruments associated with financing activities, and £5.0m relating to non-recurring financing related fees not eligible for capitalisation.

Acquisition fees and associated costs and restructuring and integration costs are included in the Consolidated Income Statement within operating costs excluding depreciation, amortisation and impairment. Amortisation of acquisition related intangible assets is included within depreciation and amortisation.

7. Employee expenses and related information

Employee expenses excluding separately disclosed items (see Note 6) are:

	2020 £m	2019 £m
Wages and salaries	710.5	376.1
Social security costs	43.3	33.6
Defined contribution pension and life assurance costs	30.9	17.7
Share-based payment costs	52.1	17.1
Other staff costs	19.8	29.3
	856.6	473.8
The average number of persons employed by the Group (including Executive Directors), all of whom were involved in the provision of sports betting and gaming services, during the year was:	12,550	8,890

Details on the remuneration of Directors as per the requirement of the Companies Act 2014 are set out below.

	2020 £m	2019 £m
Emoluments	7.7	4.2
Pension costs	0.2	0.2
	7.9	4.4

The gain on the exercise of share options in 2020 by individuals who were Directors at any time during 2020 was £nil (2019: £nil). Further detail in respect of Directors remuneration is set out in the Directors' Remuneration Report on pages 104 to 122.

8. Financial income and expense

	2020 £m	2019 £m
Recognised in profit or loss:		
Financial income:		
Gain on remeasurement of embedded derivative (Note 6 and Note 29)	78.5	—
On financial assets at amortised cost		
Interest income	1.4	1.0
Total	79.9	1.0
Financial expense:		
Change in fair value of contingent consideration (Note 6)	22.2	—
Foreign exchange loss on financing instruments associated with financing activities[1] (Note 6)	12.9	—
Financing related fees not eligible for capitalisation (Note 6)	5.0	—
Accelerated accretion on debt repayments (Note 6 and Note 22)	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	95.6	8.0
Interest on lease liabilities	5.7	5.0
Other interest	8.4	2.2
Total	182.3	15.2

	2020 £m	2019 £m
Recognised in other comprehensive income/(loss):		
Effective portion of changes in fair value of cash flow hedges	(280.4)	2.6
Fair value of cash flow hedges transferred to income statement	267.8	(0.3)
Net change in fair value of cash flow hedge reserve	(12.6)	2.3
Foreign exchange gain/(loss) on translation of the net assets of foreign currency denominated entities	66.6	(33.1)
Financial assets at FVOCI	(0.4)	—
Total	53.6	(30.8)

1 A gain of £0.2m was recorded in the income statement in respect of ineffective cash flow hedges in 2020 (2019: £nil).

9. Statutory and other information

	2020 £m	2019 £m
Auditor's remuneration for audit and other assurance services	4.8	1.2
Depreciation of property, plant and equipment	101.8	79.2
Amortisation of intangible assets	457.3	144.6
Impairment of tangible and intangible assets	22.6	—
Amortisation of capitalised development costs	86.4	33.9
(Gain)/loss on disposal of property, plant and equipment and intangible assets	(0.2)	0.2
Foreign currency exchange (gain)/loss – monetary items	(31.6)	1.5
Operating lease rentals, principally premises	0.1	0.1
Research and development	99.6	53.1
Operating lease income (representing sub-lease income)	(0.9)	(1.2)

Notes to the Consolidated Financial Statements continued

9. Statutory and other information continued

Remuneration to Group external auditor (KPMG Ireland)

In accordance with the requirements of Regulation 120 of Statutory Instrument 220/2010, 'European Communities (Statutory Audits) (Directive 2006/43/EC) Regulations 2010', the auditor's remuneration figures presented below represent fees paid to KPMG Ireland only and are exclusive of value-added tax.

	2020 £m	2019 £m
Audit	1.6	0.4
Other assurance services – audit of subsidiaries	0.1	—
Other assurance services – miscellaneous	0.1	0.1
Other non-audit services	0.5	0.3
Total	2.3	0.8

Further analysis of the total fees paid to the Group external auditor, KPMG Ireland, worldwide for audit and non-audit services is presented below:

Analysis of total auditor's remuneration for audit and other assurance services

	2020 £m	2019 £m
Audit of Group (KPMG Ireland)	1.6	0.4
Audit of subsidiaries (KPMG Ireland)	0.1	—
Audit of subsidiaries (other KPMG offices)	3.0	0.7
Other assurance services – miscellaneous (KPMG Ireland and other KPMG offices)	0.1	0.1
Total	4.8	1.2

Analysis of amounts paid to the auditor in respect of non-audit services

	2020 £m	2019 £m
Tax advisory services (other KPMG offices)	0.1	—
Other non-audit services (KPMG Ireland and other KPMG offices)	2.0	0.3
Total	2.1	0.3

10. Tax expense

	2020 £m	2019 £m
Recognised in profit or loss:		
Current tax charge	82.6	47.7
Prior year over provision	(1.8)	(2.5)
Total current tax	80.8	45.2
Deferred tax credit	(45.8)	(20.5)
Prior year under/(over) provision	0.8	(0.9)
Decrease in net deferred tax liability (Note 18)	(45.0)	(21.4)
Total tax expense in income statement	35.8	23.8

10. 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:

	2020 £m	2019 £m
Profit before tax	1.1	135.7
Tax on Group profit before tax at the standard Irish corporation tax rate of 12.5%	0.1	17.0
Depreciation on non-qualifying property, plant and equipment	(4.7)	0.9
Effect of different statutory tax rates in overseas jurisdictions	2.1	(2.8)
Non-deductible expenses	5.9	4.1
Non-taxable income	(7.3)	(2.5)
Effect of changes in statutory tax rates	1.2	(0.1)
Movement on deferred tax balances not recognised	39.5	10.5
Over provision in prior tax year	(1.0)	(3.3)
Total tax expense	35.8	23.8

Total tax expense for 2020 includes a credit for separately disclosed items amounting to £58.4m (2019: £18.6m) (see Note 6).

Tax rates

The Group's consolidated effective tax rate on profits including separately disclosed items for 2020 is 3,254.5% (2019: 17.5%). The separately disclosed items impacting the consolidated tax rate include the unwind of deferred tax liabilities recognised in respect of acquisition related intangibles.

The Group's adjusted effective tax rate of 16.6% (2019: 15.9%) is materially impacted by the geographic mix of profits and reflects a combination of higher and lower headline rates of tax in the various jurisdictions in which the Group operates when compared with the Irish standard rate of corporation tax of 12.5%.

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 future effective tax rate of the Group is principally affected by the ongoing geographic mix of profits in accordance with the OECD guidelines in relation to Base Erosion and Profit Shifting.

Notes to the Consolidated Financial Statements continued

11. 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 year. The weighted average number of shares has been adjusted for amounts held as Treasury Shares and amounts held by the Group's 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.

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

	2020	Restated[1] 2019
Numerator in respect of basic and diluted earnings per share (£m):		
Profit attributable to equity holders of the Company	37.9	144.0
Numerator in respect of adjusted earnings per share (£m):		
Profit attributable to equity holders of the Company	37.9	144.0
Separately disclosed items (Note 6)	483.8	94.4
Profit for adjusted earnings per share calculation	521.7	238.4
Weighted average number of ordinary shares in issue during the year (in 000's)	129,558	79,901
Basic earnings per share	£0.293	£1.802
Adjusted basic earnings per share	£4.027	£2.984
Adjustments to derive denominator in respect of diluted earnings per share (in 000's):		
Weighted average number of ordinary shares in issue during the year	129,558	79,901
Dilutive effect of share options and awards on issue	3,291	426
Adjusted weighted average number of ordinary shares in issue during the year[1]	132,849	80,327
Diluted earnings per share	£0.285	£1.793
Adjusted diluted earnings per share	£3.927	£2.968

1 The 2019 earnings per share figures have been restated to incorporate the 1,312,260 new Flutter ordinary shares that were issued in May 2020 as payment of the 2019 final dividend. The weighted average number of shares in issue during the period was adjusted to include these bonus shares as if they were issued 1 January 2019.

The average market value of the Company's shares of £108.80 (2019: £68.25) was used to calculate the dilutive effect of share options based on the market value for the period that the options were outstanding.

The number of options excluded from the diluted weighted average number of ordinary shares calculation due to their effect being anti-dilutive is 345,673 (2019: 464,380).

12. Property, plant and equipment

	Land, buildings and leasehold improvements £m	Fixtures and fittings £m	Computer equipment £m	Right-of-use asset[1] £m	Total £m
Cost					
Balance at 1 January 2019	97.7	176.0	139.7	—	413.4
Recognition of right-of-use asset on initial application of IFRS 16	—	—	—	157.2	157.2
Adjusted balance at 1 January 2019	97.7	176.0	139.7	157.2	570.6
Additions	2.5	26.0	15.5	30.9	74.9
Remeasurement of lease term (Note 21)	—	—	—	19.0	19.0
Additions – business combinations	0.3	0.4	1.0	0.9	2.6
Disposals	(0.4)	(0.1)	—	(3.8)	(4.3)
Foreign currency translation adjustment	(0.6)	(0.2)	(2.2)	(1.8)	(4.8)
Balance at 31 December 2019	**99.5**	**202.1**	**154.0**	**202.4**	**658.0**
Additions	**3.2**	**20.6**	**30.6**	**19.6**	**74.0**
Remeasurement of lease term (Note 21)	**—**	**—**	**—**	**12.8**	**12.8**
Additions – business combinations	**14.0**	**19.9**	**31.6**	**40.0**	**105.5**
Disposals	**(20.3)**	**(7.1)**	**(10.1)**	**(9.8)**	**(47.3)**
Foreign currency translation adjustment	**3.9**	**1.0**	**1.3**	**0.5**	**6.7**
Balance at 31 December 2020	**100.3**	**236.5**	**207.4**	**265.5**	**809.7**
Depreciation and impairment					
Balance at 1 January 2019	50.5	123.4	109.1	—	283.0
Depreciation	5.3	13.0	24.2	36.7	79.2
Disposals	(0.2)	(0.1)	—	—	(0.3)
Foreign currency translation adjustment	0.1	(0.1)	(1.8)	(0.3)	(2.1)
Balance at 31 December 2019	**55.7**	**136.2**	**131.5**	**36.4**	**359.8**
Depreciation	**6.8**	**20.2**	**29.4**	**45.4**	**101.8**
Impairment charges	**3.6**	**2.5**	**—**	**—**	**6.1**
Disposals	**(7.8)**	**(7.1)**	**(10.1)**	**(1.1)**	**(26.1)**
Foreign currency translation adjustment	**3.8**	**0.8**	**1.2**	**0.4**	**6.2**
Balance at 31 December 2020	**62.1**	**152.6**	**152.0**	**81.1**	**447.8**
Net book value					
At 31 December 2019	43.8	65.9	22.5	166.0	298.2
At 31 December 2020	**38.2**	**83.9**	**55.4**	**184.4**	**361.9**

1 Materially all of this balance relates to buildings and leasehold improvements.

The net book value of land, buildings and leasehold improvements at 31 December 2020 includes £33.6m (2019: £39.5m) in respect of leasehold improvements.

The Directors do not consider the remaining useful lives of property, plant and equipment to be materially different from the period over which the assets are being depreciated.

13. Intangible assets

The movements during the prior year and current year in respect of intangible assets, which comprise computer software and technology, licences, development expenditure, brands, customer relations, and broadcasting and wagering rights, were as follows:

	Computer software and technology £m	Licences £m	Development expenditure £m	Brands £m	Customer relations £m	Broadcasting and wagering rights £m	Total £m
Cost							
Balance at 1 January 2019	241.5	73.5	82.5	469.6	290.3	33.1	1,190.5
Additions	30.6	13.9	—	—	—	—	44.5
Additions – internally developed	—	—	53.1	—	—	—	53.1
Additions – business combinations	1.2	—	—	46.3	28.1	—	75.6
Foreign currency translation adjustment	(3.6)	(2.6)	(2.5)	(8.4)	(3.6)	(1.2)	(21.9)
Balance at 31 December 2019	269.7	84.8	133.1	507.5	314.8	31.9	1,341.8
Additions	27.6	25.6	—	—	—	—	53.2
Additions – internally developed	—	—	99.6	—	—	—	99.6
Additions – business combinations	364.8	17.0	102.2	1,936.0	2,896.4	—	5,316.4
Foreign currency translation adjustment	4.2	(2.6)	6.8	23.3	46.7	(0.9)	77.5
Balance at 31 December 2020	666.3	124.8	341.7	2,466.8	3,257.9	31.0	6,888.5
Amortisation and impairment							
Balance at 1 January 2019	173.2	11.5	43.2	132.4	235.8	16.3	612.4
Amortisation	29.7	2.9	33.9	57.9	48.7	5.4	178.5
Foreign currency translation adjustment	(2.1)	(0.2)	(1.5)	(1.2)	(1.8)	(0.8)	(7.6)
Balance at 31 December 2019	200.8	14.2	75.6	189.1	282.7	20.9	783.3
Amortisation	77.7	5.5	86.4	122.5	246.2	5.4	543.7
Impairment charges	—	12.1	4.4	—	—	—	16.5
Foreign currency translation adjustment	3.3	(1.9)	6.2	7.3	2.9	(0.6)	17.2
Balance at 31 December 2020	281.8	29.9	172.6	318.9	531.8	25.7	1,360.7
Net book value							
At 31 December 2019	68.9	70.6	57.5	318.4	32.1	11.0	558.5
At 31 December 2020	384.5	94.9	169.1	2,147.9	2,726.1	5.3	5,527.8

Computer software and technology related intangible assets relate namely to innovations or technological advances including patented technology, trade secrets or databases and are amortised over their estimated useful life of 2-5 years.

Brand related intangible assets relate namely to trade names which arise from business combinations and are amortised over their estimated useful life of 8 to 20 years. Some brands are not being amortised due to indefinite useful lives and are instead tested for impairment as required.

Customer relationships related intangible assets relate namely to customer bases that generate recurring revenues which arise from business combinations and are amortised over their estimated useful life of 4 to 20 years.

The value of betting shop licences of £6.0m (2019: £18.1m) acquired as a result of the purchase of D McGranaghan Limited in 2008 and an additional betting shop in Northern Ireland in 2011 are not being amortised as the Directors consider these licences to have an indefinite life because:

- existing law in Northern Ireland restricts entry of new competitors;
- there exists a proven and future expected demand for bookmaking services and products; and
- the Group has a track record of renewing its betting permits and licences at minimal cost.

13. Intangible assets continued

The value of brand intangible assets recognised on application of fair value accounting to the purchase of Sportsbet and International All Sports Limited ("IAS") in 2009 amounting to £13.4m at 31 December 2020 (2019: £12.6m) are not being amortised as the Directors consider that the relevant brands have indefinite lives because:

- the Directors intend to utilise the brands in the businesses for the foreseeable future (with the exception of the IAS brand – see below); and
- substantial sums are invested annually in the form of marketing expenditure expensed through profit or loss to maintain and to enhance the value of these brands.

The Group reviews the carrying value of licences and brands for impairment annually (or more frequently if there are indications that the value of the licences and brands may be impaired) by comparing the carrying values of these assets with their recoverable amounts (being the higher of value in use and fair value less costs to sell). The potential impact of Covid was incorporated into the underlying assumptions used in the review.

In 2020, the Group reviewed the carrying value of the D McGranaghans licences (which forms part of the PPB operating segment) and determined on the basis of future cashflows, that an impairment charge of £12.1m was required against the value of the licences at 31 December 2020. A pre-tax discount rate of 10% and a terminal growth rate of 0% was used to determine the value in use.

In 2011, the Group reviewed the carrying value of the IAS brand of AUD6.9m and determined, on the basis of future plans, that an impairment provision was required against the value of that brand at 31 December 2011. A similar review was performed at 31 December 2019 and at 31 December 2020 (when the GBP equivalent value of the brand was £3.7m and £3.9m respectively) which indicated that there had been no changes in the circumstances that gave rise to the impairment provision and that continued provision was appropriate.

14. Goodwill

The following CGUs, being the lowest level of asset for which there are separately identifiable cash flows, have the following carrying amounts of goodwill:

	PPB Online £m	UK Retail £m	Irish Retail £m	PokerStars £m	Sky Betting & Gaming £m	Australia £m	US £m	Total £m
Balance at 1 January 2019	3,432.7	18.9	20.7	—	—	42.5	560.5	4,075.3
Arising on acquisitions during the year (Note 15)	69.6	—	—	—	—	—	—	69.6
Foreign currency translation adjustment	(5.9)	—	—	—	—	(1.4)	(17.3)	(24.6)
Balance at 31 December 2019	**3,496.4**	**18.9**	**20.7**	**—**	**—**	**41.1**	**543.2**	**4,120.3**
Arising on acquisitions during the year (Note 15)	**—**	**—**	**—**	**2,025.1**	**2,848.7**	**423.2**	**40.6**	**5,337.6**
Foreign currency translation adjustment	**(9.3)**	**—**	**—**	**45.5**	**—**	**43.4**	**(20.8)**	**58.8**
Balance at 31 December 2020	**3,487.1**	**18.9**	**20.7**	**2,070.6**	**2,848.7**	**507.7**	**563.0**	**9,516.7**

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). The impact of Covid on the performance of the Group and its individual business units was incorporated into the underlying assumptions used in the annual impairment assessment.

The following CGUs, being the lowest level of asset for which there are separately identifiable cash flows, have the following goodwill.

The PPB Online segment goodwill amount arose from the acquisition of CT Networks Limited ("Cayetano"), a games developer based in the Isle of Man and Bulgaria, in 2011, the acquisition of the Betfair online business (excluding operations in the US) acquired as part of the all-share merger with Betfair Group plc in 2016 and on 1 February 2019, the acquisition of an initial 51% controlling stake in Adjarabet, the market leader in online betting and gaming in the regulated Georgian market (see Note 15).

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.

14. Goodwill continued

The PokerStars and Sky Betting & Gaming goodwill amount arose from the combination with TSG in 2020 as part of the all-share merger (see Note 15).

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 15).

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 15).

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 2020.

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.

The impact of Covid on the performance of the Group and its individual business units is set out in the business review section of the Annual Report. The impact of Covid was also considered in the context of the goodwill impairment reviews especially in relation to its retail CGUs which were negatively impacted from the temporary suspension of the activities of shops for periods throughout the year to facilitate social distancing and continue to be negatively impacted in the first two months of 2021.

For the Group's various Online CGUs, which generate income from sportsbook the impact of Covid has not been as significant due to greater substitution possibilities and continuance of professional sports through the second half of the year, and they also benefit from the ongoing retail to online migration.

The details of the impairment reviews in respect of the CGUs as of 31 December 2020 are presented below:

PPB Online

The recoverable amount of the PPB Online operating segment underlying CGU was estimated based on value in use calculations. These calculations use cash flow projections based on actual operating results and financial budgets and forecasts approved by Management covering a three year period. Projections for a further two years are based on the assumptions underlying the Management approved projections and include an average projected growth rate of 4%. The terminal growth rate for the extrapolated period (following the initial five year period) is projected to be approximately 2.6% (2019: 2.6%) per annum and is based on a weighted average income growth rate of 2.6% (2019: 2.6%), which is based on experience and is consistent with Management's expectations for market development and growth in market share where applicable. The growth rate assumption is considered realistic by Management in light of the recent performance of the segment and the Group's targeted performance over the next three years. A pre-tax discount rate of 8.5% (2019: 8.5%), which reflects the specific risks and currency of the cash flows relating to the underlying business segments, has been used in discounting the projected cash flows. Management believe that any reasonably possible change in the key assumptions on which the PPB Online segment goodwill recoverable amount is based would not cause it's carrying amount to exceed it's recoverable amount.

UK Retail

The recoverable amount of the UK Retail underlying CGU was estimated based on value in use calculations. These calculations use cash flow projections based on actual operating results and financial budgets and forecasts approved by Management covering a three year period. The terminal growth rate for the extrapolated period (following the initial three year period) is projected to be approximately 0% (2019: 0%) per annum and is based on a weighted average income growth rate of 0% (2019: 0%), which is based on experience and is consistent with Management's expectations for market development and growth in market share where applicable. The growth rate assumption is considered realistic by Management in light of the recent performance of the CGU and the Group's targeted performance over the next three years. A pre-tax discount rate of 10.0% (2019: 10.1%), which reflects the specific risks and currency of the cash flows relating to the underlying business segments, has been used in discounting the projected cash flows. Covid remains a potential future risk to the carrying value of the CGU as restrictions on shops remain in place. Management believe that any reasonably possible change in the key assumptions on which the UK Retail CGU goodwill recoverable amounts are based would not cause their carrying amounts to exceed their recoverable amounts.

14. Goodwill continued

Irish Retail

The recoverable amount of the Irish Retail underlying CGU was estimated based on value in use calculations. These calculations use cash flow projections based on actual operating results and financial budgets and forecasts approved by Management covering a three year period. The terminal growth rate for the extrapolated period (following the initial three year period) is projected to be approximately 0% (2019: 0%) per annum and is based on a weighted average income growth rate of 0% (2019: 0%), which is based on experience and is consistent with Management's expectations for market development and growth in market share where applicable. The growth rate assumption is considered realistic by Management in light of the recent performance (prior to Covid impact) of the CGU and the Group's targeted performance over the next three years, however similar to the UK Retail CGU, Covid continues to represent potential disruption to the near term cashflows. A pre-tax discount rate of 9.9% (2019: 10.0%), which reflects the specific risks and currency of the cash flows relating to the underlying business segments, has been used in discounting the projected cash flows. Management believe that any reasonably possible change in the key assumptions on which the Irish Retail CGU goodwill recoverable amount is based, would not cause it's carrying amount to exceed its recoverable amount.

PokerStars

The recoverable amount of the PokerStars operating segment underlying CGU was estimated based on value in use calculations. These calculations use cash flow projections based on actual operating results and financial budgets and forecasts approved by Management covering a five year period. The terminal growth rate for the extrapolated period (following the initial five year period) is projected to be approximately 2.6% per annum and is based on a weighted average income growth rate of 2.6%, which is based on experience and is consistent with Management's expectations for market development and growth in market share where applicable. The growth rate assumption is considered realistic by Management in light of the recent performance of the segment and the Group's targeted performance over the next five years. A pre-tax discount rate of 9.1% which reflects the specific risks and currency of the cash flows relating to the underlying business segments, has been used in discounting the projected cash flows. Management believe that any reasonably possible change in the key assumptions on which the PokerStars segment goodwill recoverable amount is based would not cause it's carrying amount to exceed its recoverable amount.

Sky Betting & Gaming

The recoverable amount of the Sky Betting & Gaming operating segment underlying CGU was estimated based on value in use calculations. These calculations use cash flow projections based on actual operating results and financial budgets and forecasts approved by Management covering a four year period. The terminal growth rate for the extrapolated period (following the initial four year period) is projected to be approximately 2.6% per annum and is based on a weighted average income growth rate of 2.6%, which is based on experience and is consistent with Management's expectations for market development and growth in market share where applicable. The growth rate assumption is considered realistic by Management in light of the recent performance of the segment and the Group's targeted performance over the next four years. A pre-tax discount rate of 9.9% which reflects the specific risks and currency of the cash flows relating to the underlying business segments, has been used in discounting the projected cash flows. Management believe that any reasonably possible change in the key assumptions on which the Sky Betting & Gaming segment goodwill recoverable amount is based would not cause it's carrying amount to exceed its recoverable amount.

Australia

The recoverable amount of the Australia operating segment underlying CGU was estimated based on value in use calculations. These calculations use cash flow projections based on actual operating results and financial budgets and forecasts approved by Management covering a five year period. The terminal growth rate for the extrapolated period (following the initial five year period) is projected to be approximately 2.5% (2019: 2.7%) per annum and is based on a weighted average income growth rate of 2.5% (2019: 2.7%), which is based on experience and is consistent with Management's expectations for market development and growth in market share where applicable. The growth rate assumption is considered realistic by Management in light of the recent performance of the segment and the Group's targeted performance over the next three years. A pre-tax discount rate of 13.2% (2019: 14.4%), which reflects the specific risks and currency of the cash flows relating to the underlying business segments, has been used in discounting the projected cash flows. Management believe that any reasonably possible change in the key assumptions on which the Australia operating segment goodwill and brands recoverable amounts are based would not cause their carrying amounts to exceed their recoverable amounts.

US

Due to the acquisition, on 30 December 2020, of a further 37.2% of FanDuel's shares, for £3.3bn (see Note 15) which implied an overall 100% value of £9bn, it was determined that no further impairment testing was required.

Discount rates and terminal growth rates

The discount rates applied to each CGU's cash flows represents a post-tax rate that reflects the Group's weighted average cost of capital ("WACC") adjusted for any risks specific to that CGU. A 50bps change in the pre-tax discount rate and in the terminal growth rate which are considered to be the most sensitive inputs would not cause the carrying amount to exceed the recoverable amount for any of the above CGUs.

Notes to the Consolidated Financial Statements continued

15. Business combinations

Year ended 31 December 2020

Combination with 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 TSG 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 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 will be 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 will be 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, including, among others, PokerStars, PokerStars Casino, BetStars, Full Tilt, FOX Bet, BetEasy, Sky Bet, Sky Vegas, Sky Casino, Sky Bingo, Sky Poker, and Oddschecker, as well as live poker tour and events brands, including the PokerStars Players No Limit Hold'em Championship, European Poker Tour and Asia Pacific Poker Tour. TSG is one of the world's most licensed online gaming operators with its subsidiaries collectively holding licenses 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; 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.

Since the date of Combination to 31 December 2020, TSG has contributed £1,625m of revenue and £461m of operating profit before separately disclosed items to the results of the consolidated Group.

If the TSG combination had occurred on 1 January 2020, then their contribution to revenue and operating profit before separately disclosed items would have been £2,491m and £775m respectively for the year ended 31 December 2020. Combination costs in respect of this transaction are disclosed within acquisition fees and associated costs in Note 6.

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. See Note 20 for further detail on the Kentucky provision recognised as part of the fair value acquisition accounting. 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 allocated to separate CGUs.

15. Business combinations continued

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.

Details of the fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill are 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**

15. Business combinations continued

The acquisition accounting remains provisional for one year from the acquisition date and may change if new information is obtained relating to conditions that existed at the acquisition date.

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 AUD151.4m (£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.

FOX/Fastball & Boyd agreements

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, the Group entered into arrangements conditional on completion of the Combination with FOX (TSG's US media partner for FOX Bet), Fastball and Boyd (together Flutter's co-shareholders in FanDuel Group) pursuant to which:

- FSG Services, a wholly-owned subsidiary of FOX Sports will have the right to acquire an approximate 18.5% equity interest in FanDuel Group at the market value in July 2021 (structured as a 10-year option from 2021, subject to a carrying value adjustment). As a result of the exercise limitation of the option derivative, which is only exercisable at fair value, it was determined that the fair value was not material and was close to nominal value; and
- Fastball and Boyd would receive a total payment of the 12.5% of the increase in FOX Bet's market value between completion of the Combination and the exercise of Flutter's option to acquire Fastball's remaining equity interest in July 2023 (also subject to a carrying value adjustment). Following the acquisition by the Group of Fastball's entire non-controlling interest on 30 December, they no longer have any rights to this potential payment. Discussions are currently ongoing with the relevant parties in respect of the future operating model for the FOX Bet business and any payment due to Boyd in respect of this is not expected to be significant.

Year ended 31 December 2019

Acquisition of Adjarabet

On 1 February 2019, the Group completed the acquisition of an initial 51% controlling stake in Adjarabet, the market leader in online betting and gaming in the regulated Georgian market. The Group, through agreed option agreements, expects to acquire the remaining 49% after three years.

The initial cash consideration being paid by the Group for the 51% stake was £102m. A mechanism has also been agreed, consisting of call and put options, which enables the Group to acquire the remaining 49% after three years at a valuation equivalent to 7 times the 2021 EBITDA. The call/put option consideration can be settled, at the Group's election, in cash or shares. As a consequence of both the put and call options being only exercisable at fair value being the future EBITDA and earnings multiple which are considered to be two key inputs into valuing the option, it was determined that the fair value was not material and was close to nominal value.

Included within the intangible assets were £74.4m of separately identifiable intangibles comprising brand and customer relations acquired as part of the acquisition, with the additional effect of a deferred tax liability of £11.1m thereon. These intangible assets are being amortised over their useful economic lives of up to ten years. Receivables acquired amounted to £1.2m. 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. The goodwill has been allocated to the existing PPB Online CGU and it has been deemed that a separate CGU is not appropriate.

15. Business combinations continued

	Fair values as at 1 February 2019 £m
Assets	
Property, plant and equipment	2.6
Intangible assets	75.6
Total non-current assets	78.2
Trade and other receivables	2.7
Financial assets – restricted cash	1.6
Cash and cash equivalents acquired	0.2
Total current assets	4.5
Total assets	82.7
Liabilities	
Trade and other payables	5.7
Customer balances	1.6
Total current liabilities	7.3
Trade and other payables	0.7
Deferred tax liabilities	11.1
Total non-current liabilities	11.8
Total liabilities	19.1
Net assets acquired	**63.6**
Goodwill	69.6
Non-controlling interest measured at the fair value of net assets identified	(31.2)
Consideration	**102.0**
The consideration is analysed as:	
Consideration satisfied by cash	102.0
Consideration	**102.0**

Net cash outflow/(inflow) from purchase of businesses

	31 December 2020 £m	31 December 2019 £m
Cash consideration – acquisitions in the year	—	102.0
Cash acquired – acquisitions in the year	(445.2)	(0.2)
Cash consideration – acquisitions in previous years	7.2	4.8
Total	(438.0)	106.6
Analysed for the purposes of the statement of cash flows as:		
Purchase of businesses	—	102.0
Cash acquired from acquisitions	(445.2)	(0.2)
Payment of contingent deferred consideration	7.2	4.8
Total	(438.0)	106.6

During the year the Group settled in cash deferred consideration liabilities of £7.2m in relation to Betfair's historical acquisition of HRTV, a horseracing television network based in the US.

Also as noted above, the Group settled a liability of AUD151.4m (£79.7m) with respect to its option to acquire the remaining 20% of the outstanding share capital of TSG Australia Pty Ltd (TSG Australia) through the issuance of share capital of the Company.

Notes to the Consolidated Financial Statements continued

16. Investments and trade and other receivables

Non-current assets

	31 December 2020 £m	31 December 2019 £m
Investments - FVTPL	3.0	0.1

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

	31 December 2020 £m	31 December 2019 £m
Other receivables		
Other receivables	13.0	2.6
Prepayments	16.7	9.0
Deferred financing costs on Revolving Credit Facility	4.6	—
Amounts paid in respect of legacy German and Greek tax assessments	40.9	38.8
	75.2	50.4

Other receivables

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

Deferred financing costs on Revolving Credit Facility

During the year, the Group entered into a new Revolving credit facility agreement as part of its new 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, on the consolidated statement of financial position. As at 31 December 2020, no loan amounts were drawn under the Revolving Credit Facility. See also Note 22.

Amounts paid in respect of legacy German and Greek tax assessments

On 13 February 2019, the Group provided an update on two separate disputed legacy tax assessments. The first relates to the Betfair Exchange in Germany, which operated there until November 2012, and the second relates to the paddypower.com business in Greece.

The Hessen Fiscal Court provided the Group with its decision relating to the Group's appeal of a 2012 German tax assessment relating to the Betfair Exchange, which operated in Germany until November 2012. The Fiscal Court found against the Group and deemed that a tax liability of approximately €40m (£36m) is payable (including accrued interest of €9.4m). This represents a multiple of the revenues generated by the Exchange during the assessment period.

Separately, 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 (£13.5m) in taxes including penalties and interest. This is substantially higher (by multiples) than the total cumulative revenues ever generated by paddypower.com in Greece. There is potential that the periods after 2014 could also be subject to further challenge by the Greek tax authorities.

The Group strongly disputes the basis of these assessments, and in line with the legal and tax advice it received, is confident in its grounds to successfully appeal them. The appeals process is ongoing in both cases. Accordingly, the Group does not consider these amounts to represent liabilities for the Group and no provision has been made for amounts assessed or potential further assessments. This involves a series of judgements about future events and ultimately the court judgements and therefore the directors may need to re-assess the accounting treatment as matters develop further. Pending the outcome of these appeals, in 2019 the Group paid the total Greek tax assessment (including the penalties and interest) of €15.0m and the €30.6m German tax assessment principal, with the late payment interest to be paid when assessed.

Current assets

	31 December 2020 £m	31 December 2019 £m
Trade receivables	11.9	8.5
Other receivables	28.5	8.4
Value-added tax and goods and services tax	2.2	1.9
Prepayments	96.9	45.8
Total	139.5	64.6

Trade and other receivables are non-interest bearing.

17. Current investments, Financial assets – restricted cash and Cash and cash equivalents

	31 December 2020 £m	31 December 2019 £m
Non-current:		
Financial assets – restricted cash	6.9	—
Current:		
Investments – customer deposits	82.8	—
Financial assets – restricted cash	587.9	189.1
Cash and cash equivalents	603.4	108.1
Total	1,281.0	297.2

Financial assets

Financial assets – restricted cash included:

- customer funds balances securing player funds held by the Group. These customer funds are matched by liabilities of equal value.
- amounts required to be held as to guarantee third party letter of credit facilities, and
- cash held as collateral for the Kentucky proceedings (see also Note 20).

The effective interest rate on bank deposits at 31 December 2020 was 0.1% (2019: 0.6%); these deposits have an average original maturity date of 1 day (2019: 1 day). The bank deposits also have an average maturity date of 1 day from 31 December 2020 (2019: 1 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.

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

	31 December 2020 £m	31 December 2019 £m
GBP	289.9	12.9
EUR	283.8	38.2
AUD	158.0	65.1
USD	506.5	154.0
Other	42.8	27.0
Total	1,281.0	297.2

As at 31 December 2020, £379.3m (31 December 2019: £318.2m) 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 or 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.

18. Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	31 December 2020			31 December 2019		
	Assets £m	Liabilities £m	Total £m	Assets £m	Liabilities £m	Total £m
Property, plant and equipment	13.2	(3.5)	9.7	6.8	—	6.8
Intangible assets	—	(549.7)	(549.7)	—	(70.4)	(70.4)
Employee benefits	17.6	—	17.6	13.1	—	13.1
Other	32.0	(3.1)	28.9	—	(2.6)	(2.6)
Net assets / (liabilities)	62.8	(556.3)	(493.5)	19.9	(73.0)	(53.1)

Deferred tax assets and liabilities have been offset at 31 December 2020 and 2019 where there is a legally enforceable right to such set-off in each jurisdiction. Included in the statement of financial position is a deferred tax asset of £7.4m (2019: £11.9m) and a deferred tax liability of £500.9m (2019: £65.0m).

The deferred tax liability in relation to intangible assets disclosed above primarily relates to the deferred tax liability arising in respect of acquisition accounting related intangibles. This deferred tax liability continues to unwind as the intangible assets are amortised over their useful economic life.

The deferred tax asset arising on employee benefits relates to future tax deductions the Group expects to receive in relation to share-based payments operated by the Group to reward its employees. The asset is recognised at the tax rate at which it is expected to unwind.

The deferred tax asset arising on other items primarily arises in respect of the UK Corporate Interest Restriction disallowance, as well as short term timing differences in Australia. The asset is recognised at the tax rate at which it is expected to unwind.

Movement in temporary differences during the year:

	Property, plant and equipment £m	Business combinations - intangible assets £m	Employee benefits £m	Other £m	Total £m
Balance at 1 January 2019	7.6	(80.7)	11.2	(4.8)	(66.7)
Arising on acquisition	—	(11.1)	—	—	(11.1)
Recognised in income	(0.6)	19.0	0.9	2.1	21.4
Recognised directly in equity	(0.2)	—	1.3	—	1.1
Foreign currency translation adjustment	—	2.4	(0.3)	0.1	2.2
Balance at 31 December 2019	**6.8**	**(70.4)**	**13.1**	**(2.6)**	**(53.1)**
Arising on acquisition	**1.0**	**(516.3)**	**3.2**	**32.9**	**(479.2)**
Recognised in income	**3.1**	**44.3**	**2.3**	**(4.7)**	**45.0**
Recognised directly in equity	**—**	**—**	**(1.0)**	**—**	**(1.0)**
Foreign currency translation adjustment	**(1.2)**	**(7.3)**	**—**	**3.3**	**(5.2)**
Balance at 31 December 2020	**9.7**	**(549.7)**	**17.6**	**28.9**	**(493.5)**

Unrecognised deferred tax assets

The Group has unrecognised deferred tax assets in respect of losses of £454.9m (2019: £29.3m). These have not been recognised on the basis that there is insufficient certainty of there being future taxable profits in the relevant jurisdictions, and therefore the assets will not be realisable.

19. Trade and other payables

Current liabilities

	31 December 2020 £m	31 December 2019 £m
Trade and other payables		
Trade payables	79.7	25.3
PAYE and social security	14.8	9.7
Value-added tax and goods and services tax	10.7	3.0
Betting duty, data rights, and product and racefield fees	208.0	60.1
Employee benefits	136.4	52.3
Contingent deferred consideration – business combinations	25.3	7.4
Accruals and other liabilities	558.1	211.8
Total	1,033.0	369.6

Non-current liabilities

	31 December 2020 £m	31 December 2019 £m
Trade and other payables		
Employee benefits	1.1	0.5
Contingent deferred consideration – business combinations	12.8	11.0
Accruals and other liabilities	0.7	—
Total	14.6	11.5

Contingent deferred consideration – business combinations

The Group's deferred consideration liabilities amounted to £38.1m at 31 December 2020 (2019: £18.4m) and relate to the following:

- contingent and deferred consideration of £33.2m due to Betfair's historical acquisition of HRTV, a horseracing television network based in the United States, with £20.6m due within the next 12 months and £12.6m due after one year from the reporting date;
- deferred consideration of £4.6m in respect of Diamond Game Enterprises, assumed as part of the combination with TSG; and
- deferred consideration of £0.3m in respect of other investments assumed as part of the combination with TSG.

20. Provisions

Provisions balances at 31 December and movements throughout the year are outlined below:

	Employee benefits (Long service leave) £m	Onerous contracts £m	Gaming tax £m	Kentucky £m	Other legal £m	Other £m	Total £m
Balance at 1 January 2019	1.5	1.3	2.6	—	—	0.2	5.6
Transfer to IFRS 16 lease liability	—	(1.3)	—	—	—	—	(1.3)
Additional provisions recognised	0.4	—	—	—	—	0.1	0.5
Amounts used during the year	(0.2)	—	(0.6)	—	—	—	(0.8)
Balance at 31 December 2019	**1.7**	**—**	**2.0**	**—**	**—**	**0.3**	**4.0**
Acquired on business combination	**1.1**	**5.0**	**7.2**	**80.4**	**56.8**	**—**	**150.5**
Additional provisions recognised	**1.1**	**10.5**	**1.3**	**—**	**—**	**0.2**	**13.1**
Amounts used during the year	**(0.8)**	**—**	**(0.4)**	**—**	**—**	**—**	**(1.2)**
Foreign currency translation	**(0.1)**	**0.5**	**0.4**	**(7.1)**	**(0.8)**	**—**	**(7.1)**
Balance at 31 December 2020	**3.0**	**16.0**	**10.5**	**73.3**	**56.0**	**0.5**	**159.3**
Balance at 31 December 2019:							
Current	0.9	—	2.0	—	—	—	2.9
Non-current	0.8	—	—	—	—	0.3	1.1
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**

Notes to the Consolidated Financial Statements continued

20. Provisions continued

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 2020, it was expected that cash outflows would occur primarily within the following five years (2019: within the following five years).

Onerous contracts

The onerous contracts provision at 31 December 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

Separate to the amounts highlighted in Note 10, there are other 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 have not provided a sensitivity for this provision as the range is not considered to be material. Management note this is a key estimate, however it is not a key judgement that will have a material impact in the coming year.

Kentucky proceedings

Prior to the Combination, the Commonwealth of Kentucky filed legal proceedings in 2010 – 2011 against various operators including certain companies that later became subsidiaries of The Stars Group ("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 judgment 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 judgment interest. In 2018, this ruling was vacated in its entirety by the Kentucky Court of Appeals.

On 17 December 2020, the Kentucky Supreme Court reinstated the full 2015 award of damages, including post judgment interest, against SIHL and REEL. A rehearing petition was filed before the Kentucky Supreme Court on 6 January 2021 and the Group is awaiting a decision. Together with its legal advisers, Flutter strongly disputes the basis of this judgment and is currently reviewing its position. Flutter is confident that any amount it is ultimately liable to pay will be a limited proportion of the reinstated judgment. No liability was previously recognised by either TSG or Flutter prior to this judgment.

Based on the opinion and views of legal counsel and advisers as to the likely payout outcomes, the Group has recognised a provision of US$100m (£73m) as part of TSG combination fair value acquisition accounting in respect of this litigation, which reflects the value of the supersedes bond in place since February 2016. This assessment relies on estimates and assumptions and involves a series of judgments about future events.

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. 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.

21. Leases

The Group leases various licensed betting and other offices under lease agreements. The leases have varying terms, escalation clauses and renewal rights. The leases have, on average, approximately five years left to run (if the Group was to exercise available break options), with a right of renewal after that date. Lease rentals are typically reviewed every five years to reflect market rental rates or changes in general inflation rates. Leases for licensed betting and other offices are entered into as combined leases of land and buildings.

Leases as lessee

Lease liabilities balances at 31 December and movements throughout the year are outlined below:

Lease liabilities	2020 £m	2019 £m
Balance at 1 January	170.5	162.3
Additions – Business combinations	42.5	0.9
Additions	19.6	29.8
Remeasurement of lease term	12.8	19.0
Lease liability derecognition	(8.9)	—
Lease interest expense	5.7	5.0
Principal and interest repayments	(51.4)	(41.4)
Foreign exchange translation	3.2	(5.1)
Balance at 31 December	194.0	170.5
Current portion of lease liabilities	48.3	38.4
Non-current portion of lease liabilities	145.7	132.1

Amounts recognised in profit or loss:

Leases under IFRS 16:	2020 £m	2019 £m
Depreciation	45.4	36.7
Interest on lease liabilities	5.7	5.0
Income from sub-leasing right of use assets	(0.9)	(1.2)
Expense relating to short-term leases	0.1	0.1

Lease options

Some property leases particularly in our retail business contain extension and break options to provide operational flexibility. These options are held by the Group and not by the lessors. The Group assesses whether it is reasonably certain to exercise these options at lease commencement date. When assessing these options at the date of transition, the Group was mindful of the regulatory changes in 2019 particularly in the UK and the impact it would have on future shop profitability and whether it could state with reasonable certainty that these options would be exercised. The Group is of the view that other than the underlying trading of the shop, there is no economic incentive to extend a particular lease. For example, the rents are at market rates, there are no significant leasehold improvements and there are no significant costs relating to exiting or relocating.

When assessing the remeasurements of the lease term, the Group in particular considers those leases with option and break clauses that are due within the next 24 months.

The Group has estimated that the potential future lease payments should it exercise all options or not exercise any break clauses would result in an increase in the lease asset and liability of £10.7m (2019: £19.0m).

Leases as lessor

Finance lease

The Group has a small number of properties that are sublet. The following table sets out a maturity analysis of lease receivables showing the undiscounted lease payments to be received after the reporting date.

	31 December 2020 £m	31 December 2019 £m
Less than one year	0.7	0.8
Between two and five years	1.0	2.5
Total undiscounted lease receivable	1.7	3.3
Unearned finance income	(0.1)	(0.3)
Net investment in finance lease	1.6	3.0

21. Leases continued

Operating lease

The Group has a small number of properties that are sublet. Sublease payments of £0.9m (2019: £1.2m) are expected to be received during the year ended 31 December 2021.

Reconciliation to Statement of Cash Flows:

Reconciliation of movements in lease liabilities to the Statement of Cash Flows:

	2020 £m
Financing activities:	
Payment of lease liability	(45.7)
Interest paid	(5.7)

22. Borrowings

The following is a summary of borrowings, including accrued interest, outstanding as at 31 December 2020 and 31 December 2019:

		31 December 2020		31 December 2019	
	Contractual interest rate %	Principal outstanding balance in currency of borrowing Local currency m	Carrying amount (including accrued interest) £m[1]	Principal outstanding balance in currency of borrowing Local currency m	Carrying amount (including accrued interest) £m[1]
GBP First Lien Term Loan A	1.84 and 1.93	£950.0	940.4	—	—
USD First Lien Term Loan B	3.72	US$1,456.3	1,042.9	—	—
EUR First Lien Term Loan B	3.75	€507.2	449.1	—	—
Senior Notes[2]	7.00	US$1,000.0	706.5	—	—
Previous GBP Term Loan	1.51	—	—	£250.0	249.7
Previous GBP RCF – GBP	1.80 and 1.81	—	—	£79.0	78.1
Previous GBP RCF – Euro	0.63 and 0.65	—	—	€45.0	37.9
Overdraft facility	0.50	—	—	£5.0	5.0
Total borrowings			**3,138.9**		**370.7**
Current portion			50.8		255.0
Non-current portion			3,088.1		115.7

1 The carrying amounts include accrued interest as at 31 December 2020 and 31 December 2019 of £24.6m and £0.5m, respectively and is included within the current portion of borrowings above.

2 The carrying amount includes an asset of £98.0m relating to the embedded derivative on the Senior Notes. See below in this note for further detail.

During the year ended 31 December 2020, the Group incurred the following interest on its then outstanding borrowings:

	Effective interest rate[1] %	Interest[2] £m	Interest accretion[3] £m	Total interest £m
GBP First Lien Term Loan A	2.03	10.6	1.4	12.0
USD First Lien Term Loan B	4.48	40.7	30.9	71.6
EUR First Lien Term Loan B	4.19	12.8	4.0	16.8
Senior Notes	5.70	35.4	(4.8)	30.6
Previous GBP Term Loan	1.63	1.4	0.5	1.9
Previous GBP RCF – GBP	2.36	0.7	1.1	1.8
Previous GBP RCF – Euro	0.81	0.1	0.5	0.6
		101.7	**33.6**	**135.3**

1 The effective interest rate calculation excludes the impact of the accelerated interest accretion expense due to prepayments as well as the impact of the Swap Agreements (as defined below).

2 In addition to the amount included above, the Group incurred £3.0m of interest expense relating to commitment, utilisation, and fronting fees associated with its Revolving Credit Facility and its Previous GBP RCF.

3 Interest accretion for the year ended 31 December 2020 includes £31.0m included within financial expenses in respect of prepayments of the Group's First Lien Term Loans B and its Previous GBP Term Loan and previous GBP RCF.

22. Borrowings continued

The Group's change in borrowings from 31 December 2019 to 31 December 2020 was as follows:

	Opening balance £m	New debt £m	Principal payments £m	Adjustments to amortised costs[1] £m	Interest accretion[2] £m	Gain on embedded derivative £m	FX translation £m	Closing balance £m
GBP First Lien Term Loan A	—	950.0	—	(11.9)	1.4	—	—	939.5
USD First Lien Term Loan B	—	2,329.5	(1,193.1)	(6.0)	30.9	—	(118.4)	1,042.9
EUR First Lien Term Loan B	—	738.2	(307.9)	(1.9)	4.0	—	16.7	449.1
Senior Notes	—	834.9	—	—	(4.8)	(78.5)	(68.8)	682.8
Previous GBP Term Loan	249.5	—	(250.0)	—	0.5	—	—	—
Previous GBP RCF – GBP and Euro	115.7	130.0	(247.2)	—	1.6	—	(0.1)	—
Overdraft	5.0	—	(5.0)	—	—	—	—	—
Total	370.2	4,982.6	(2,003.2)	(19.8)	33.6	(78.5)	(170.6)	3,114.3
Accrued interest	0.5							24.6
Total borrowings	**370.7**							**3,138.9**
Included in:								
Current liabilities	255.0							50.8
Non-current liabilities	115.7							3,088.1
Total Borrowings	**370.7**							**3,138.9**

1 Adjustments to amortised costs include transactions costs and fees incurred and capitalised in respect of the TLA Agreement and the amendment to the Syndicated Facility Agreement.
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. Interest accretion for the year ended 31 December 2020 includes £31.0m included within financial expenses in respect of prepayments of the Group's First Lien Term Loans B and its Previous GBP Term Loan and Previous GBP RCF.

As at 31 December 2020, the contractual principal repayments of the Group's outstanding borrowings, excluding accrued interest, amount to the following:

	< 1 year £m	1-2 years £m	2-3 years £m	3-4 years £m	4-5 years £m	>5 years £m
GBP First Lien Term Loan A	—	—	—	—	950.0	—
USD First Lien Term Loan B	26.2	26.2	26.2	26.2	963.0	—
EUR First Lien Term Loan B	—	—	—	—	455.2	—
Senior Notes	—	—	—	—	—	733.3
Total	**26.2**	**26.2**	**26.2**	**26.2**	**2,368.2**	**733.3**

Revolving Credit Facility, First Lien Term Loans and Senior Notes

On 11 March 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"), contingent on the completion of TSG Combination. The TLA Agreement comprised a term loan and revolving credit facility totalling £1.3 billion. On 5 May 2020, the Group completed the TSG Combination, assumed TSG's existing indebtedness with an acquisition date fair value of approximately £3,934m and terminated its then-existing revolving credit facility under which there were no drawings. In addition, on 5 May 2020, an Incremental Facility Agreement was signed to increase borrowing capacity under the TLA agreement by £100m to £1.4 billion, with all terms and conditions consistent with the TLA Agreement. The Group also borrowed £950m under the GBP First Lien Term Loan A in two tranches: £525m on 5 May 2020 and an additional £425m on 11 June 2020. Each of the Group's facilities are discussed below. During the twelve months ended 31 December 2020, the Group complied with all covenants related to its borrowings under all facilities.

TLA Agreement – GBP First Lien Term Loan A

The TLA Agreement and subsequent Incremental Facility Agreement described above provide a term loan facility in an aggregate amount of £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%. 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 which have been capitalised against the principal of the debt and will be recorded as financial expense over the term of the debt using the effective interest rate method.

Financial statements

22. Borrowings continued

TLA Agreement – Revolving Credit Facility

The TLA Agreement and subsequent Incremental Facility Agreement described above provide a multi-currency revolving loan facility in an aggregate amount of £450m (the "Revolving Credit Facility"). Maturing on 5 May 2025, the Revolving Credit Facility includes a margin of 1.75% 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 which have been capitalised and will be 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 2020 no loan amounts were drawn under the Revolving Credit Facility. The Group had £73m of letters of credit issued but undrawn against the Revolving Credit Facility as of 31 December 2020 leaving undrawn capacity of £377m.

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.

First Lien Term Loan B's

On 5 May 2020 the Group completed its Combination with TSG and assumed its existing indebtedness which included a USD term loan with an outstanding principal balance of US$2.96 billion priced at LIBOR plus 3.50% (the "USD First Lien Term Loan B") and a EUR first lien term loan with an outstanding principal balance of €850m priced at EURIBOR plus 3.75% (the "EUR First Lien Term Loan B" and, together with the USD First Lien Term Loan, the "First Lien Term Loans B"), each with a maturity date of 10 July 2025 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 US$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.

On 15 June 2020, pursuant to the terms of an amendment agreement in respect of the syndicated facility agreement that governs the First Lien Term Loan B's (the "Syndicated Facility Agreement"), certain amendments were incorporated to the Syndicated Facility Agreement so that (i) the covenants and restrictions therein bind the combined Flutter and TSG allowing it to operate and integrate as such; and (ii) the reporting obligations under the Syndicated Facility Agreement are synchronised with reporting of the consolidated financial results of the Group to other of the Group's stakeholders. The Group has also entered into a guarantee agreement in respect of the obligations under the Syndicated Facility Agreement. As part of this amendment, the Group made prepayments of US$1.2 billion on its USD First Lien Term Loan B and €343m on its EUR First Lien Term Loan A, each including accrued interest to the date of repayment, using proceeds from the GBP First Lien Term Loan A, the first Equity Placing and available cash on hand. The Group made a cash payment of £2.8m to the lenders as a result of this amendment. The amendment was treated as a non-substantial modification under IFRS 9, *Financial instruments* and as a result £6.7m of transaction costs and fees were capitalised and will be recorded as financial expense over the term of the debt using the effective interest rate method. In addition, accelerated interest accretion of £23.5m was recorded in respect of the prepayments noted above to reflect the new carrying amount of the financial liability by discounting the cashflows under the renegotiated loan term using the original EIR. On 31 October 2020, the Group also made a prepayment of US$288.5m on its USD First Lien Term Loan B including accrued interest to the date of repayment. Interest accretion of £5.6m was recorded in respect of this prepayment.

The Syndicated Facility Agreement limits Stars Group Holdings B.V., as borrower, 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.

22. Borrowings continued

Senior Notes

Also assumed in connection with TSG Combination, are the 7.00% Senior Notes due 2026 (the "Senior Notes") 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$1 billion. The Senior Notes mature on 15 July 2026. Interest on the Senior Notes is payable semi-annually on 15 January and 15 July of each year. In connection with but prior to TSG Combination, on 1 May 2020, the Issuers obtained the consent of the requisite number of holders of the Senior Notes to amend certain provisions of the indenture governing the Senior Notes (the "Senior Notes Amendment") such that once effective (i) the covenants and restrictions therein bind the entire combined Group consisting of TSG and Flutter allowing it to operate as such; and (ii) the Stars Group Holdings B.V.'s reporting obligations under the indenture are synchronised with reporting of the Combined Group's consolidated financial results to other Combined Group stakeholders. The Group made a payment of £1.8m to the holders of the Senior Notes that consented to the Senior Notes Amendment and incurred other transaction costs and fees of £3.2m. These amounts were recorded as a financial expense in the consolidated income statement.

Prior to 15 July 2021, the Issuers may redeem some or all of the Senior Notes at a redemption price equal to 100% of the principal amount of the Senior Notes, plus accrued and unpaid interest, if any, to (but not including) the applicable redemption date, plus an applicable ''make-whole'' premium. On or after 15 July 2021, the Issuers may redeem some or all of the Senior Notes at declining redemption prices as set forth in the Indenture that governs the Senior Notes. This redemption option represents an embedded derivative that required bifurcation from the carrying value of the Senior Notes upon their recognition on 5 May 2020. The fair value of the redemption option as at 5 May 2020 and 31 December 2020 was £25.8m and £98.0m, respectively. See Notes 23 and 29.

The Senior Notes are guaranteed by each of the Group's subsidiaries that guarantee the GBP First Lien Term Loan A, the Revolving Credit Facility and the First Lien Term Loans B. The Senior Notes are the Issuers' senior unsecured obligations and rank *pari-passu* to all of the Issuers' existing and future senior unsecured indebtedness. The Senior Notes include, among other terms and conditions, limitations on the Group's ability to (i) create, incur or allow certain liens; (ii) create, assume, incur or guarantee additional indebtedness of certain of the Group's subsidiaries; and (iii) consolidate or merge with, or convey, transfer or lease all or substantially all of the Group's and their subsidiaries' assets, to another person.

Previous GBP term loan and previous GBP revolving credit facility

In 2015, the Group secured a committed revolving credit bank loan facility (the "Previous GBP RCF") of €300m provided by a syndicate of banks which was scheduled to expire in May 2020. In 2018, the Previous GBP RCF was amended to an amount of £450m and was extended to expire in April 2023. In May 2019, the Group also secured a term loan facility of £250m provided by a syndicate of banks (the "Previous GBP Term Loan"). The term loan facility was for an initial period of 18 months with an option to extend further by up to 12 months. At 31 December 2019, £79m and €45m of the Previous GBP RCF was drawn down and £250m of the Previous GBP Term Loan was drawn down totalling to £367.3m. On 5 May 2020, the Group repaid and extinguished the Previous GBP RCF and the Previous GBP Term Loan using the proceeds of the GBP First Lien Term Loan. As a result of the extinguishment, unamortised transaction costs of £1.9m were recognised as an interest accretion expense included within financial expense in the consolidated income statement.

Borrowings under the Previous GBP RCF and the Previous GBP Term Loan were unsecured but were guaranteed by the Group and certain of its operating subsidiaries. Borrowings under the Previous GBP RCF incurred interest at GBP-LIBOR plus a margin of between 1.10% and 2.50%. A commitment fee, equivalent to 35% of the margin, was payable in respect of available but undrawn borrowings. Borrowings under the Previous GBP Term Loan incurred interest at LIBOR plus a margin of between 0.60% and 2.40%.

Reconciliation to the Statement of Cash Flows

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

	2020 £m
Financing activities:	
Proceeds from GBP First Lien Term Loan A and Previous GBP Term Loan	950.0
Amounts borrowed on Previous GBP Revolving Credit Facility	130.0
Amounts repaid on Previous GBP Revolving Credit Facility	(247.2)
Repayment of USD and EUR First Lien Term Loan B and old GBP Term Loan Facility	(1,751.0)
Amounts repaid on overdraft facility	(5.0)
Interest paid	(114.1)

Notes to the Consolidated Financial Statements continued

23. Derivatives

Derivatives and Hedge Accounting

The Group uses derivative financial instruments for risk management and mitigation purposes. As such, any change in cash flows associated with derivative instruments is expected to be offset by changes in cash flows related to the hedged position. On 5 May 2020 the Group completed TSG Combination and assumed the existing hedging instruments held by TSG. Further, as part of managing the Group's exposure to foreign exchange risk, the Group entered into cross currency swap agreements in respect of the Senior Notes. The Group's derivatives are discussed below.

Swap agreements

On 5 May 2020 the Group completed TSG Combination and assumed the existing hedging instruments held by TSG consisting of (i) USD-EUR amortising cross-currency interest rate swap agreements (the "EUR Cross-Currency Interest Rate Swaps") with a remaining notional amount of €1.96 billion, which fix the USD to EUR exchange rate at 1.167 and fix the Euro interest payments at an average interest rate of 3.6%, (ii) EUR-GBP amortising cross-currency interest rate swap agreements (the "GBP Cross-Currency Interest Rate Swaps") with a remaining notional amount of £983m, which fix the EUR to GBP exchange rate at 0.889 and fix the GBP interest payments at an average interest rate of 5.4%, and (iii) an amortising USD interest rate swap agreement (the "Interest Rate Swap") with a remaining notional amount of US$600m and swaps the USD three-month LIBOR to a fixed interest rate of 2.82%. The EUR Cross-Currency Interest Rate Swaps and GBP Cross-Currency Interest Rate Swaps are in a hedging relationship with and have a profile that amortises in line with the USD First Lien Term Loan B and are set to mature in July 2023.

On 7 May 2020, a subsidiary of the Group entered into 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, which fix the USD to EUR exchange rate at 1.079 and fix the Euro interest payments at an average interest rate of 6.16%. The cross-currency interest rate swaps are in a hedging relationship with and have an interest payment profile aligned with the Senior Notes and are set to mature on 15 July 2021.

Subsequent to TSG Combination, to align the Swap Agreements with the changes to the structure of the Group's borrowings (see Note 22), the Group (i) terminated the Interest Rate Swap resulting in a cash payment of £27.8m, (ii) terminated a notional amount of €447m of the USD-EUR Cross-Currency Interest Rate Swaps resulting in a cash receipt of £0.2m as well as (iii) terminated a notional amount of US$287.6m of the USD-GBP Cross-Currency Interest Rate Swaps reflecting the amount of USD debt repaid. The settlement was made on a gross basis with a net cash outflow of £7.5m.

Embedded derivatives

See Note 22 for a discussion of the features embedded in the Senior Notes that the Group bifurcated as it determined that the features represented a derivative to be classified and recorded at fair value through profit or loss.

The fair value of the redemption option included within the Senior Notes as at 5 May 2020 and 31 December 2020 was an asset of £25.8m and £98.0m, respectively. The fair value of this embedded derivative was determined using an interest rate option pricing valuation model. The key assumptions include the implied credit spread of 5.1% at 5 May 2020 and 2.77% at 31 December 2020. This embedded derivative is categorised as Level 3 within the fair value hierarchy.

The Group did not account for the embedded derivative as a qualifying hedge under IAS 39.

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 the year end 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.

23. Derivatives continued

The following table summarises the fair value of derivatives as at 31 December 2020 and 31 December 2019:

	31 December 2020		31 December 2019	
	Assets £m	Liabilities £m	Assets £m	Liabilities £m
Derivatives held for hedging				
Derivatives designated as cash flow hedges:				
Cross currency swaps – current	—	86.6	—	—
Cross currency interest rate swaps – non-current	—	101.8	—	—
Total derivatives designated as cash flow hedges	—	188.4	—	—
Derivatives designated as net investment hedges:				
Cross currency swaps – current	—	14.8	—	—
Cross currency interest rate swaps – non-current	16.9	—	—	—
Total derivatives designated as net investment hedges	16.9	14.8	—	—
Total derivatives held for hedging	16.9	203.2	—	—
Derivatives held for risk management and other purposes not designated as hedges				
Sports betting open positions – current	—	49.5	—	20.4
Sports betting open positions – non-current	—	0.5	—	0.7
Total derivatives held for risk management and other purposes not designated as hedges	—	50.0	—	21.1
Derivatives included within Borrowings				
Embedded derivatives	98.0	—	—	—

Hedge Accounting

Cash flow hedge accounting

In accordance with the Group's risk management strategy, the Group acquired and entered into, as applicable, the Swap Agreements to mitigate the risk of fluctuation of coupon and principal cash flows due to changes in foreign currency rates and interest rates related to the USD First Lien Term Loan B and 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:

- 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 high credit quality counterparties;
- difference in timing of settlement of the hedging instrument and hedged item; and
- 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 3.5% (USD three month LIBOR plus a 3.5% margin, with a LIBOR floor of 0%). The remaining EUR Cross-Currency Interest Rate Swaps have been split for hedge accounting purposes with a portion of the exposure designated in a cash flow hedge relationship and the remaining exposure designated in a net investment hedge relationship. The Cross-Currency Swaps are designated in cash flow hedge relationships to hedge the foreign exchange risk on the Senior Notes.

As at 31 December 2020, £5.7m of accumulated other comprehensive income is included in the cash flow hedging reserve (see Note 24) related to de-designated cash flow hedges and is reclassified to the consolidated income statement as the hedged cash flows impact income/(loss).

23. Derivatives continued

Net investment hedge accounting

In accordance with the Group's risk management strategy, the Group designates certain 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 2020, £11.5m of accumulated other comprehensive loss is included in the foreign exchange translation reserve (see Note 24) 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.

Effects of hedge accounting

The following tables presents the effects of cash flow hedges and net investment hedges on the Group's financial position and performance:

	Change in value of hedged items for ineffectiveness measurement £m	Change in fair value of hedging instruments for ineffectiveness measurement £m	**Hedge ineffectiveness loss[1] £m**	Hedging gains/ (losses) recognised in other comprehensive income/(loss) £m	Amount reclassified from accumulated other comprehensive loss to net earnings[2] £m	**Net change in other comprehensive income/(loss) £m**
Cash flow hedges						
Foreign exchange rate risk						
Lease liabilities	(2.4)	2.4	**—**	(2.4)	—	**(2.4)**
Fixed rate debt	(86.8)	86.6	**(0.2)**	(108.3)	102.1	**(6.2)**
Interest rate risk and foreign exchange risk						
Floating rate, foreign currency debt	(184.6)	182.6	**(2.0)**	(169.7)	165.7	**(4.0)**
Total cash flow hedges	(273.8)	271.6	**(2.2)**	(280.4)	267.8	**(12.6)**
Net investment hedges	27.1	(24.7)	**2.4**	(24.7)	—	**(24.7)**
Total	(246.7)	246.9	**0.2**	(305.1)	267.8	**(37.3)**

1 Hedge ineffectiveness is recorded within financial income/expense on the consolidated income statement.

2 For cash flow hedges that address interest rate risk and/or foreign currency exchange risk, the amount reclassified from accumulated other comprehensive earnings/(loss) to net earnings/(loss) is recorded within interest expense included in financial income or expense on the consolidated income statement.

23. Derivatives continued

Reconciliation of accumulated other comprehensive income/(loss):

	Accumulated other comprehensive income, beginning of year £m	Net change in other comprehensive income/(loss) £m	Accumulated other comprehensive loss, end of year £m	Accumulated other comprehensive loss on designated hedges £m	Accumulated other comprehensive income/(loss) on de-designated hedges £m
Cash flow hedges[1]					
Foreign exchange rate risk					
Lease liabilities	2.3	(2.4)	(0.1)	(0.1)	—
Fixed rate debt	—	(6.2)	(6.2)	(5.3)	(0.9)
Interest rate risk and foreign exchange risk					
Floating rate, foreign currency debt	—	(4.0)	(4.0)	(10.6)	6.6
Total cash flow hedges	2.3	(12.6)	(10.3)	(16.0)	5.7
Net investment hedges[2]	—	(24.7)	(24.7)	(13.2)	(11.5)
Total	2.3	(37.3)	(35.0)	(29.2)	(5.8)

1 Net changes in other comprehensive income/(loss) is recorded through the cash flow hedging reserve. See Note 24.
2 Net changes in other comprehensive income/(loss) is recorded through the foreign exchange translation reserve. See Note 24.

Details of the key term of the hedging instruments are as follows:

	Currency swaps Cash flow hedges		Cross currency interest rate swaps Net investment hedges	
Senior Notes:	2020	2019	2020	2019
Foreign exchange and interest rate risk				
Carrying amount (liabilities)	(£86.6m)	—	(£14.8m)	—
Notional amount	US$1,000m	—	€927.1m	—
Maturity date	July 2021	—	July 2021	—
Hedge ratio	100%	—	100%	—
Change in intrinsic value of the outstanding hedging instruments since inception of the hedge	(£86.6m)	—	(£14.8m)	—

	Currency swaps Cash flow hedges		Cross currency interest rate swaps Net investment hedges	
Term loan B (USD):	2020	2019	2020	2019
Foreign exchange and Interest rate risk				
Carrying amount (assets/ (liabilities))	(£101.8m)	—	£16.9m	—
Notional amount	US$1,456.3m	—	€396.9m	—
Maturity date	July 2023	—	July 2023	—
Hedge ratio	100%	—	100%	—
Change in intrinsic value of the outstanding hedging instruments since inception of the hedge	£101.8m)	—	£16.9m	—

	Cash flow hedges	
Lease liabilities:	2020	2019
Foreign exchange rate risk		
Carrying amount (assets/ (liabilities))	£0.1m	(£2.3m)
Notional amount	£43.8m	£48.1m
Maturity date	January 2041	January 2041
Hedge ratio	100%	100%
Change in intrinsic value of the outstanding hedging instruments since inception of the hedge	£0.1m	(£2.3m)

Notes to the Consolidated Financial Statements continued

24. Share capital and reserves

Share capital

The total authorised share capital of the Company comprises 300,000,000 ordinary shares of €0.09 each (2019: 150,000,000 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.

The movement in issued share capital during the year ended 31 December 2020 was as follows:

- in May 2020, 1,312,260 new ordinary shares were issued as consideration for the 2019 final dividend as outlined in Note 25;
- 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 15);
- 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 AUD151.4m (£79.7m). (see also Note 15);
- 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;
- 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 15); and
- during the year a total of 1,492,430 ordinary shares (2019: 279,096 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 (2019: £3.6m).

Equity Reserves

Equity reserves include the following classes of reserves:

Merger reserve

The Merger Reserve under Section 72 of the Companies Act 2014 of £7,982.9m represents 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.

Treasury shares

A total of 1,965,600 ordinary shares were held in treasury as of 31 December 2020 (2019: 1,965,600). All rights (including voting rights and the right to receive dividends) in the shares held in treasury are suspended until such time as the shares are reissued. The Group's distributable reserves are restricted by the value of the treasury shares, which amounted to £40.7m as of 31 December 2020 (2019: £40.7m). The cost of treasury shares held by the Company at 31 December 2020 was £4.2m (2019: £4.2m), with a further £36.5m of shares being held by the Company's subsidiaries (2019: £36.5m).

Employee benefit trust

At 31 December 2020, the Paddy Power Betfair plc Employee Benefit Trust ("EBT") held 67,320 (2019: 70,397) of the Company's own shares, which were acquired at a total cost of £5.8m (2019: £6.1m), in respect of potential future awards relating to the Group's employee share plans (see Note 26). The Company's distributable reserves at 31 December 2020 are restricted by this cost amount. In 2020, 3,077 shares with an original cost of £0.3m (2019: 29,344 shares with an original cost of £2.5m) were transferred from the EBT to the beneficiaries of the EBT.

Foreign exchange translation reserve

The foreign exchange translation reserve at 31 December 2020 had a credit balance of £49.6m (2019: debit balance of £21.5m) and arose from the retranslation of the Group's net investment in EUR, AUD, USD and GEL functional currency entities. The movement in the foreign exchange translation reserve for the year ending 31 December 2020 reflects mainly strengthening of AUD and EUR against GBP in the year. As a result of the acquisition of a further 37.2% of FanDuel Group shares in December 2020, £2.2m of foreign currency translation was transferred from Non-controlling interest to foreign exchange translation reserve.

24. Share capital and reserves continued

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.

Share-based payments reserve

In 2020, an amount of £107.7m (2019: £20.3m) in respect of share options exercised during the year was transferred from the share-based payment reserve to retained earnings. An amount of £1.0m of deferred tax relating primarily to the Group's share-based payments was charged to retained earnings in 2020 (2019: credit of £1.1m) – see also Note 26. An amount of £6.4m of current tax relating to the Group's share-based payments was credited to retained earnings in 2020 (2019: £0.4m).

Other reserves

Other reserves comprise undenominated capital. Undenominated capital at 31 December 2020 of £2.3m (2019: £2.3m) relates to the nominal value of shares in the Company acquired by the Company of £2.1m (2019: £2.1m) and subsequently cancelled and an amount of £0.2m (2019: £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.

Non-controlling interest

During the year, the Group paid dividends totalling £15.2m to the Non-controlling interest in Adjarabet. Also, as result of the acquisition of a further 37.2% of FanDuel Group shares in December 2020, £76.7m and £2.2m were transferred from Non-controlling interest to retained earnings and foreign exchange translation reserve, respectively.

As permitted by section 304 of the Companies Act 2014, no separate profit and loss account is presented in respect of the Company. The Company recorded a profit for the year of £905.9m (2019: £74.7m). The profit includes £237.3m (2019: £75.0m) of dividends receivable from subsidiary companies.

25. Dividends paid on ordinary shares

Due to the impact of Covid, 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 2018 final dividend of £104.0m and the 2019 interim dividend of £52.2m was settled in cash.

Given the impact of the current disruption caused by Covid and the ambition for the Combined Group to de-lever, the Board considers it prudent to suspend the dividend for the current financial year ending 31 December 2020. The Board is committed to reviewing dividend policy once the Group returns to its medium-term leverage target of 1-2x.

26. Share-based payments

Summary of equity-settled share-based payments

The Group had the following share-based payment schemes during the year ended 31 December 2020:

- Paddy Power plc Sharesave Scheme;
- Paddy Power Long Term Incentive Plan;
- Betfair Sharesave Scheme;
- Betfair Restricted Share Scheme;
- Betfair Long Term Incentive Plan and Deferred Share Incentive Plan;
- Flutter Entertainment plc Sharesave Scheme;
- Flutter Entertainment plc Long Term Incentive Plan, Medium Term Incentive Plan and Deferred Share Incentive Plan;
- Flutter Entertainment plc Restricted Share Plan;
- FanDuel Value Creation Plan ("VCP"); and
- FanDuel Value Creation Option Plan ("VCOP").

Due to the Combination, a number of schemes were acquired at the Combination date under "The Stars Group Equity Plans" including The Stars Group Equity Incentive Plan 2015 and the Amaya Gaming Group Stock Option Plan. These plans include Stock Options ("Options"), Restricted Share Units ("RSUs"), Deferred Share Units ("DSUs") and Performance Share Units ("PSUs"). The holders of the awards were issued replacement Options (replacing previously held options), RSU's (replacing previously held RSU's and PSU's), and DSU's (replacing previously held DSU's) at a conversion ratio of 0.2253 Flutter units.

The above schemes are settled via a mixture of the allotment of shares from the EBT and the issue of new shares, or in the case of the FanDuel VCP, in either equity shares or cash at the Group's option. As a result, all schemes are accounted for as equity-settled in the financial statements. No new awards will be granted under any of the legacy Paddy Power, Betfair or TSG schemes listed above.

Notes to the Consolidated Financial Statements continued

26. Share-based payments continued

The equity-settled share-based payments expense recognised in the income statement in respect of all schemes is as follows:

	2020 £m	2019 £m
Before separately disclosed items:		
Flutter Entertainment plc Sharesave Scheme	4.0	2.3
Flutter Entertainment plc Long Term, Medium Term and Deferred Share Incentive Plans ("LTIP", "MTIP" & "DSIP")	10.3	1.8
Flutter Entertainment plc Restricted Share Plan	25.6	5.6
FanDuel Value Creation Plan (VCP)	8.2	7.4
The Stars Group Equity Plans	4.0	—
	52.1	17.1
Separately disclosed items (see Note 6)	18.1	—
Total	70.2	17.1

General

The aggregate number of shares which may be utilised under the employee share schemes in any ten year period may not exceed ten per cent of the Company's issued ordinary share capital. The percentage of share capital which can be utilised under these schemes comply with guidelines issued by the Investment Association in relation to such schemes.

Summary of options outstanding

At 31 December 2020, 1,842,762 awards and options (31 December 2019: 1,593,947) in the capital of the Group remain outstanding and are exercisable up to 2030 as follows:

	2020 #	2019 #
Paddy Power plc Sharesave Scheme	—	3,695
Betfair Long Term Incentive Plan and Deferred Share Incentive Plan	23,141	314,059
Flutter Entertainment plc Sharesave Scheme	630,998	464,380
Flutter Entertainment plc Long Term, Medium Term and Deferred Share Incentive Plans ("LTIP", "MTIP" & "DSIP")	420,273	625,643
Flutter Entertainment plc Restricted Share Plan	487,068	186,170
The Stars Group Equity Plans	281,282	—
Total	1,842,762	1,593,947

The Paddy Power plc Sharesave Scheme

The Paddy Power plc Sharesave Scheme was adopted by shareholders on 21 November 2000 and was subsequently approved by the Revenue Commissioners.

All employees (including Executive Directors) who had not less than six months continuous service with the Company or any subsidiary nominated to join the Sharesave Scheme could be invited to apply for options to acquire shares. The purchase price for each ordinary share in respect of which an option is granted could not be less than 75 per cent of the closing price of the shares on the Irish Stock Exchange on the dealing day last preceding the date of grant of the option or its nominal value. The aggregate maximum monthly contribution payable by an employee in connection with the scheme is €500 / £500.

Movements in the share options under this scheme during the year were as follows:

Outstanding at 1 January 2020	Granted during year	Lapsed during year	Exercised during year	Outstanding at 31 December 2020	Earliest exercise date [1]	Exercise price
2,916	—	(368)	(2,548)	—	2019	€39.60
779	—	(89)	(690)	—	2019	£33.76
3,695	**—**	**(457)**	**(3,238)**	**—**		

1 Share options lapse 3.5 and 5.5 years after date of grant.

The weighted average exercise price for share options exercised during the year is £34.47 (2019: £34.51) at a weighted average share price at the date of exercise of £88.42 (2019: £80.76). The total number of shares exercisable at 31 December 2020 is nil (2019: 3,695).

The fair value of options granted under the Sharesave Scheme was determined using a Black-Scholes model and is expensed over the vesting period.

26. Share-based payments continued

The Betfair Long Term Incentive Plan and Deferred Share Incentive Plan

The following share plans were acquired on the 2016 Paddy Power Betfair Merger completion date ("Completion") and were originally introduced in the Betfair Group to incentivise and reward for the successful delivery of the short-term and long-term business strategy:

- Betfair Long Term Incentive Plan ("LTIP") which consists of restricted share awards; and
- Betfair Deferred Share Incentive Plan ("DSIP") which consists of cash and restricted share awards.

The schemes have awards in the form of cash and restricted shares. The level of award granted in each of the schemes were based on a mixture of the individual performance of the employee and Group-wide performance over the term of the award which was between one and three years.

Prior to this Merger, Paddy Power and Betfair agreed that outstanding unvested awards granted under these schemes would not vest on Completion but would be replaced by awards over an equivalent number of the Company's Shares (calculated by reference to the Exchange Ratio) which would have the same normal vesting dates as the original awards but be subject to certain absolute vesting levels.

Outstanding at 1 January 2020	Granted during year	Lapsed/cancelled during year	Exercised during year	Outstanding at 31 December2020
314,059	2,203	—	(293,121)	23,141

The outstanding shares on these schemes are exercisable up to 2025.

The weighted average exercise price for share options exercised during the year was a nominal price (2019: a nominal price) at a weighted average share price at the date of exercise of £105.77 (2019: £73.12). The total number of shares exercisable at 31 December 2020 is 23,141.

The options granted in the year represent dividend roll-ups, in line with documented scheme rules.

The fair value of the share options is expensed over the three year period that the options vest.

The Stars Group Equity Plans

Following the Combination with TSG, the Group acquired a number of schemes under its Equity Incentive Plan dated 22 June 2015 (the "2015 Equity Incentive Plan") and the Amaya Gaming Group Stock Option Plan with 1,136,704 options outstanding. These plans include restricted share units ("RSU"), deferred share units ("DSU"), performance share units ("PSU") and stock options ("Options").

Summary of share awards outstanding

Outstanding at 1 January 2020	Acquired on Combination	Vested and settled upon completion	Lapsed/cancelled during year	Exercised during year	Outstanding at 31 December 2020
—	**1,136,704**	**(260,042)**	**(13,861)**	**(581,519)**	**281,282**

The weighted average share price for exercises under these schemes during the year was £118.81 (2019: £nil). The total number of shares exercisable at 31 December 2020 is 204,513.

Flutter Entertainment plc Sharesave Scheme

During the year, 348,669 options were granted under the Flutter Entertainment plc Sharesave Scheme. These SAYE options must ordinarily be exercised within six months of completing the relevant savings period. In line with market practice, the exercise of these options is not subject to any performance conditions.

All employees (including Executive Directors) may be invited to apply for options to acquire shares. The purchase price for each ordinary share in respect of which an option is granted shall not be less than 75 per cent of the closing price of the shares on the Irish and London Stock Exchanges on the dealing day last preceding the date of grant of the option or its nominal value. The aggregate maximum monthly contribution payable by an employee in connection with all Sharesave related schemes is €500 / £500 (or local equivalent).

	Outstanding at 1 January 2020	Granted during year	Lapsed/ cancelled during year	Exercised during year	Outstanding at 31 December 2020	Exercise price £	Exercisable before
2016	32,341	—	(3,827)	(28,514)	—	69.19	2020
2017	163,830	—	(4,150)	(105,850)	53,830	57.87	2021
2018	108,151	—	(8,493)	(2,676)	96,982	54.68	2022
2019	160,058	—	(14,361)	(11,184)	134,513	59.56	2023
2020	—	348,669	(2,996)	—	345,673	98.75	2024
Total	**464,380**	**348,669**	**(33,827)**	**(148,224)**	**630,998**		

The weighted average share price at the date of exercise was £117.78 (2019: £87.56). 54,232 shares were exercisable at 31 December 2020 (2019: 34,861 shares).

The fair value of the options is expensed over the period that the options vest.

Notes to the Consolidated Financial Statements continued

26. Share-based payments continued

The following assumptions were used in the Black-Scholes pricing model for the 2020 Sharesave options:

	2020
Share price at date of grant	£132.75
Exercise price	£98.75
Expected volatility	33.09%
Expected term until exercised	3.25 years
Expected dividend yield	1.51%
Risk-free interest rate	-0.03% – -0.11%

Flutter Entertainment plc Long Term Incentive Plan, Medium Term Incentive Plan and Deferred Share Incentive Plan

The following share plans were introduced to incentivise and reward for the successful delivery of the short, medium and long-term business strategy:

- Long Term Incentive Plan ("LTIP") which consists of restricted share awards;
- Medium Term Incentive Plan ("MTIP") which consists of restricted share awards; and
- Deferred Share Incentive Plan ("DSIP") which consists of cash and restricted share awards.

The level of award granted in each of the schemes is based on a mixture of the individual performance of the employee and the Group wide performance over the term of the award which is between one and three years.

The DSIP has cash elements which are fixed in value and are paid and expensed in the first year that the awards are issued. The cash award represents between half and two-thirds of the total award. There is no option given to elect to have these issued in shares. The cash element issued is classified as a cash bonus in the income statement and not a 'cash-settled share-based payment' on the basis that the employee does not have the option to choose whether they receive cash or shares, and the award value is fixed and not based on share price movements.

The restricted share portion of the DSIP award will vest over the second and third year of the plan (third and fourth year in some cases).

	Outstanding at 1 January 2020	Granted during year	Lapsed/ cancelled during year	Exercised during year	Outstanding at 31 December 2020	Exercise price £	Exercisable before
2016	35,133	251	—	(25,333)	10,051	—	2026
2017	109,046	3,554	(47,267)	(38,659)	26,674	—	2027
2018	268,151	5,631	(57,029)	(84,020)	132,733	—	2028
2019	213,313	286	(3,570)	(8,958)	201,071	—	2029
2020	—	49,744	—	—	49,744	—	2030
Total	**625,643**	**59,466**	**(107,866)**	**(156,970)**	**420,273**		

The weighted average exercise price for share options exercised during the year was a nominal price and at a weighted average share price at the date of exercise of £101.35 (2019: £65.19). The value of each award was calculated at the grant date and expensed over a period of up to three years in which the awards vest. The total number of shares exercisable at 31 December 2020 is 62,650 (2019: 54,881). The awards granted in the 2016, 2017, 2018 and 2019 schemes during the year represent dividend roll-ups, in line with documented scheme rules. The share price at the date of the awards granted during the year was between £82.93 - £110.5 (2019: £58.46 - £75.50). For the 2020 LTIP awards which are based solely on the Relative Total Shareholder Return ("TSR") performance measure, the Group has engaged third party valuation specialists to provide a fair value for the awards using a Monte Carlo simulation model. The fair value of the TSR i.e. the non-market value of the award was £64.51.

26. Share-based payments continued

Flutter Entertainment plc Restricted Share Plan

During the year, 357,551 (2019: 158,192) options were granted under the Flutter Entertainment plc Restricted Share plan.

The movements in this plan during the year ended 31 December 2020 were as follows:

	Outstanding at 1 January 2020	Granted during year	Lapsed /cancelled during year	Exercised during year	Outstanding at 31 December 2020
2017	2,345	—	—	(1,116)	1,229
2018	26,417	931	(3,081)	(10,096)	14,171
2019	157,408	2,918	(3,832)	(38,104)	118,390
2020	—	353,702	(424)	—	353,278
Total	**186,170**	**357,551**	**(7,337)**	**(49,316)**	**487,068**

Awards are granted under the plan to members of senior management (excluding Executive Directors). In some cases, awards vest over three years and in other cases awards vest over one and two years. Restricted shares are valued with reference to the market value of the shares on the date of grant. The value of each award was calculated at the grant date and expensed over a period of up to three years in which the awards vest. The weighted average exercise price for share options exercised during the year was a nominal price and at a weighted average share price at the date of exercise of £121.21 (2019: £68.35). The fair value at the date of the awards granted during the year was between £82.93 - £127.57 (2019: £58.46 - £79.23). For 72,085 of the 2020 options awarded, there is an additional component to the core award that was valued at the share price at the date of grant that allows up to a 50% increase in the award based solely on the Relative TSR performance measure. The Group has engaged third party valuation specialists to provide a fair value for the awards using a Monte Carlo simulation model. The fair value of the TSR i.e. the non-market value of the potential award was between £9.12 - £13.28. The awards granted in the 2018 and 2019 schemes during the year represent dividend roll-ups, in line with documented scheme rules.

FanDuel Value Creation Plan (VCP) and Value Creation Option Plan (VCOP)

In 2019, the Group introduced a plan for FanDuel employees that allows them share in the future value created within FanDuel. The expense recognised in respect of this plan in 2020 is £8.2m (2019: £7.4m). Employees will be awarded an allocation of units which represent a share in value created. The value of these units will be determined by the value of the business in July 2021 and July 2023 compared to benchmark. Employees have the option to exercise 50% of these units at July 2021 at the prevailing value, or roll some or all of them to July 2023 at the prevailing value at that date. The Group will have the option of settling this plan via the issuance of Flutter Entertainment plc shares or cash.

The Paddy Power Betfair plc Employee Benefit Trust

Prior to the Merger, awards under the Paddy Power plc Long Term Incentive Plan were satisfied from the Paddy Power Betfair plc Employee Benefit Trust (the "EBT"). Post-Merger, certain other awards may also be satisfied from the EBT. Purchases of Flutter Entertainment plc ordinary shares from 1 January 2019 to 31 December 2020 and shares vested from the EBT during that period, are shown below:

	Number of Flutter Entertainment plc ordinary shares #	Cost of purchase £m
Shares held by the EBT at 1 January 2019	99,741	8.6
Vested from the EBT in 2019	(29,344)	(2.5)
Shares held by the EBT at 31 December 2019	70,397	6.1
Vested from the EBT in 2020	**(3,077)**	**(0.3)**
Shares held by the EBT at 31 December 2020	**67,320**	**5.8**

The results of the EBT are included in the Flutter Entertainment plc Company financial statements. The shares held by the EBT at the reporting date are shown as a deduction from equity in the consolidated statement of financial position in accordance with the Group's accounting policy (see Note 3).

27. Financial risk management

The Group has the following risk exposures in relation to its use of financial instruments:

- Market risk;
- Credit risk;
- Liquidity risk;
- Foreign currency risk; and
- Interest rate risk.

Set out below is information on the Group's exposure to each of the above risks, and what its objectives, policies and processes are for measuring and managing those risks. Information is also provided on how the Group manages its capital. Quantitative disclosures in respect of these risks are included throughout these consolidated financial statements.

General

The Board of Directors has overall responsibility for the management of the Group's risks. This responsibility is delegated to a number of committees over which the Board has oversight. The primary Board committees set up to manage risks are the Risk Committee and the Audit Committee. Both these Committees report regularly to the Board on their activities. The oversight of the Group's treasury operations is performed by a Treasury Committee, chaired by the Chief Financial Officer, which reports annually to the Audit Committee on its activities. Where all relevant criteria are met, hedge accounting is applied to remove the income statement volatility between the hedging instrument and the hedged item. This will effectively result in the exposure arising from fluctuations of currency exchange rates being mitigated by the retranslation effect of designated financial instruments.

Market risk

Market risk relates to the risk that changes in prices, including sports betting prices/odds, foreign currency exchange rates and interest rates (see also 'foreign exchange risk' and 'Interest rate risk' sections below), will impact the Group's income or the value of its financial instruments. Market risk management has the function of managing and controlling the Group's exposures to market risk to within acceptable limits, while at the same time ensuring that returns are optimised.

The management of market risk is performed by the Group under the supervision of the Risk Committee and the Treasury Committee and according to the guidelines approved by them. The Group will utilise hedges where there is an identified requirement to manage profit or loss volatility.

Sports betting prices/odds

Managing the risks associated with sportsbook bets is a fundamental part of the Group's business. The Group has a separate Risk Department which has responsibility for the compilation of bookmaking odds and for sportsbook risk management. The Risk Department is responsible for the creation and pricing of all betting markets and the trading of those markets through their lives. A mix of traditional bookmaking approaches married with risk management techniques from other industries is applied, and extensive use is made of mathematical models and information technology. The Group has set predefined limits for the acceptance of sportsbook bet risks. Stake and loss limits are set by reference to individual sports, events and bet types. These limits are subject to formal approval by the Risk Committee. Risk management policies also require sportsbook bets to be hedged with third parties in certain circumstances to limit potential losses. The profits and losses recorded on sportsbook hedging activities are recorded in 'revenue' in the income statement.

Counterparty credit Risk

The Group's counterparty credit risk represents the risk that a financial loss may result if a counterparty to a financial instrument, a trading partner or customer fails to meet their contractual obligations.

Trade and other receivables

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

The Group's sports betting, gaming, and poker businesses are predominantly cash and card businesses where there is a requirement that the customer pays in advance when a transaction is entered into. Credit to customers is not a common feature in the business but in certain cases, credit is provided to customers. Individual credit limits are decided upon by the credit control function in the first instance after taking into account credit and background reference checks.

To measure the expected credit losses, trade receivables are monitored based on credit risk characteristics and the days past due. The absence of recurring patterns for specific categories of receivables and the relative immateriality of the amounts in the context of the broader balance sheet resulted in a portfolio approach not being adopted for the purpose of impairment recognition.

Trade and other receivables impairment allowances are established against individual receivable balances when there is objective evidence that such balances are likely to be uncollectible, either in full or in part. The estimated credit loss on trade receivables is not considered to be material. There is no material concentration of sales with individual customers.

Cash investments and foreign exchange forward contracts

The Group's treasury policy sets conservative credit rating and tenor-based limits for exposures to financial counterparties. Any exceptions, breaches or potential breaches of such limits are referred to the Treasury Committee.

27. Financial risk management continued

The treasury policy also specifies permitted instruments and the use of approved counterparties.

The Group monitors the financial strength of its counterparties through regular monitoring of credit ratings, credit default swaps and other public information, and takes action to adjust exposures to counterparties accordingly. The policy ensures that exposures to lower rated counterparties are kept to an acceptable level.

The Group has no expectation that any of its financial counterparties will fail to meet its obligations as of the reporting date and the date of this report.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The cash and cash equivalents are primarily held with bank and financial institution counterparties, which are rated investment grade, based on ratings assigned by S&P, Moody's and Fitch. The maximum exposure to credit risk at 31 December was:

	Carrying amount	
	31 December 2020 £m	31 December 2019 £m
Restricted cash	594.8	189.1
Investments – customer deposits	82.8	—
Trade receivables	11.9	8.5
Other receivables	41.5	11.0
Cash and cash equivalents	603.4	108.1
Total	1,334.4	316.7

The maximum exposure to credit risk for trade and other receivables by geographic region at 31 December was:

	31 December 2020 £m	31 December 2019 £m
United Kingdom	20.8	6.8
Ireland	0.2	0.6
Australia	4.6	3.4
US	14.5	6.8
Other	13.3	1.9
Total	53.4	19.5

Significant customers

There were no individual customers at 31 December 2020 or 31 December 2019 that represented over ten per cent of trade receivables.

Expected credit loss

The ageing of trade receivables at 31 December 2020 and 2019 was as follows:

	31 December 2020			31 December 2019		
	Gross £m	Impairment allowance £m	Net £m	Gross £m	Impairment allowance £m	Net £m
Not past due	5.4	—	5.4	3.9	(0.1)	3.8
Past due 0 days to 30 days	2.9	—	2.9	1.7	(0.1)	1.6
Past due 31 days to 120 days	0.4	(0.3)	0.1	1.7	(0.3)	1.4
Past due 121 days to 365 days	4.8	(1.3)	3.5	2.4	(0.7)	1.7
More than one year	1.6	(1.6)	—	0.7	(0.7)	—
Total	15.1	(3.2)	11.9	10.4	(1.9)	8.5

The gross trade receivable balance is £15.1m (2019: £10.4m) with an allowance for impairment in respect of these receivables of £3.2m (2019: £1.9m). There were no material impairment losses during the year.

27. Financial risk management continued

Liquidity risk

This represents the risk that the Group will be unable to meet its financial obligations as they fall due. The Group's policy for liquidity risk management is to ensure that there is sufficient liquidity in place from available cash and borrowing facilities under normal and potentially adverse conditions.

The Group performs regular cash projections to ensure that there is sufficient headroom available from cash and borrowing facilities to meet expected obligations over the forecasted period. The nature of the Group's business and the potential volatility in sporting results can result in significant differences between expected and actual short-term cash flows. Consequently, a highly conservative approach is applied to cash forecasting and flexibility is built into the forecast to cover potentially adverse sporting results and the policy on investment of surplus funds ensures that funds are readily available to meet the Group's financial obligations. The Group's treasury policy contains a maturity ladder, with a maximum maturity on deposits of up to 12 months. Information on the overall maturity of deposits at 31 December 2020 and 2019 is set out in Note 17 It is the Group's belief that the cash deposit balances can be withdrawn without significant penalty.

The Group has the following lines of credit:

- a Committed Revolving Credit Bank Loan Facility ("RCF") of £450m obtained from a syndicate of banks which matures in May 2025. The Revolving Credit Facility includes a margin of 1.75% for borrowings with a 0% interest rate floor 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. As at 31 December 2020 no loan amounts were drawn under the Revolving Credit Facility. The Group had £73m of bank guarantees and letters of credit issued but undrawn against the Facility as of 31 December 2020 leaving undrawn designated capacity of £377m.
- unsecured uncommitted bank overdraft facilities for working capital purposes totalling £3.6m (€4.0m). Interest is payable thereon at the bank's prime overdraft rate plus 0.5%. Bank overdraft facilities for certain subsidiaries of the Company are guaranteed by way of a Letter of Guarantee issued by Flutter Entertainment plc in favour of Allied Irish Banks p.l.c.
- unsecured uncommitted bank overdraft facilities for working capital purposes totalling £13m. Interest is payable thereon at the bank's sterling base rate plus 3.5%. Bank overdraft facilities for certain subsidiaries of the Company are guaranteed by way of a Letter of Guarantee issued by Flutter Entertainment plc in favour of AIB Group (UK) p.l.c.

At 31 December 2020, none of the bank overdraft facilities were being utilised (31 December 2019: £5.0m).

The following table provides information about the terms of the Group's financial instruments based on contractual maturities. The table is based on the undiscounted gross inflows and outflows on those derivatives that require gross settlement. For derivative cash flows based on a floating interest rate, the undiscounted amount is based on the floating interest rate in place at 31 December 2020.

	31 December 2020						
	Carrying amount £m	Contractual cash flows £m	6 months or less £m	6 to 12 months £m	1 to 2 years £m	2 to 3 years £m	3 years and over £m
Non-derivative financial liabilities							
Trade and other payables	1,009.5	1,009.5	1,001.1	6.6	1.3	0.5	—
Customer balances	643.4	643.4	643.4	—	—	—	—
Contingent deferred consideration	38.1	39.5	19.2	7.5	12.8	—	—
Borrowings	3,138.9	3,841.0	76.1	76.4	150.6	149.3	3,388.6
Lease liabilities	194.0	214.8	24.9	23.4	39.6	35.4	91.5
Total non-derivative financial liabilities	5,023.9	5,748.2	1,764.7	113.9	204.3	185.2	3,480.1
Derivative financial liabilities							
Sports betting open positions	50.0	50.0	49.5	—	0.5	—	—
Swap agreements – inflows	(16.9)	(1,952.1)	(58.9)	(792.2)	(65.4)	(1,035.6)	—
Swap agreements – outflows	203.2	2,131.4	67.1	898.8	80.5	1,085.0	—
Total derivative financial liabilities	236.3	229.3	57.7	106.6	15.6	49.4	—
Total financial liabilities	5,260.2	5,977.5	1,822.4	220.5	219.9	234.6	3,480.1

27. Financial risk management continued

	31 December 2019						
	Carrying amount £m	Contractual cash flows £m	6 months or less £m	6 to 12 months £m	1 to 2 years £m	2 to 3 years £m	3 years and over £m
Non-derivative financial liabilities							
Trade and other payables	362.7	362.7	360.7	1.5	0.5	—	—
Customer balances	179.2	179.2	179.2	—	—	—	—
Contingent deferred consideration	18.4	20.6	4.7	2.8	8.0	5.1	—
Borrowings	372.8	381.3	7.8	252.1	1.7	1.7	118.0
Lease liabilities	170.5	192.5	19.5	18.9	32.5	29.1	92.5
	1,103.6	1,136.3	571.9	275.3	42.7	35.9	210.5
Derivative financial liabilities							
Sports betting open positions	21.1	21.1	20.4	—	—	0.7	—
	1,124.7	1,157.4	592.3	275.3	42.7	36.6	210.5

The contingent deferred consideration payable represents Management's best estimate of the fair value of the amounts that will be payable, and may vary depending on the future performance of the acquired businesses.

Foreign Currency risk

The Group is exposed to currency risk in respect of revenue, expenses, receivables, cash and cash equivalents, and other financial assets and financial liabilities (primarily borrowings, trade payables, accruals and customer balances) that are denominated in currencies that are not the functional currency of the entities in the Group. The currencies in which transactions are primarily denominated are pound sterling ("GBP"), Euro ("EUR"), Australian dollar ("AUD") and US dollar ("USD").

It is Group policy to ensure that foreign currency denominated liabilities are broadly matched by foreign currency denominated assets. Surplus net foreign currency inflows are predominantly sold at spot rates. Foreign exchange impacts primarily arise on the retranslation of income and expense into the functional currency for Group reporting purposes. Subject to operating within limits stipulated in the Group's treasury policies, and above this, Treasury Committee approval, the Group may use forward contracts, and other instruments as permitted by the Group's treasury policies reduce foreign currency exposure.

The Group uses derivative financial instruments for risk management and mitigation purposes. As such, any change in cash flows associated with derivative instruments is expected to be offset by changes in cash flows related to the hedged position. On 5 May 2020 the Group completed TSG Combination and assumed the existing hedging instruments held by TSG. Further, as part of managing the Group's exposure to foreign exchange risk, the Group entered into cross currency swap agreements in respect of the Senior Notes. The Group's derivatives are discussed in more detail in Note 23.

While the Group strives to maintain a naturally hedged balance sheet, as described in the preceding paragraphs, it remains exposed to exchange rate risk in respect of its expected future foreign currency denominated income and expenses in its foreign operations.

Exposure

As of 31 December 2020 and 2019, the Group's foreign currency risk exposure, based on the functional currencies of its operations, was as follows:

	31 December 2020					31 December 2019				
	EUR £m	GBP £m	AUD £m	USD £m	Other £m	EUR £m	GBP £m	AUD £m	USD £m	Other £m
Financial assets	**82.5**	**10.6**	**1.4**	**147.7**	**14.8**	66.8	0.8	1.2	3.7	0.4
Non-derivative financial liabilities	**(165.1)**	**(38.4)**	**(0.1)**	**(206.2)**	**(13.3)**	(140.8)	(0.8)	(0.1)	(2.9)	(0.2)
Derivative financial liabilities	**(5.3)**	**(0.1)**	**—**	**(0.1)**	**—**	(4.5)	—	—	—	—
Gross statement of financial position exposure	**(87.9)**	**(27.9)**	**1.3**	**(58.6)**	**1.5**	(78.5)	—	1.1	0.8	0.2

Financial statements

27. Financial risk management continued

The following are the significant exchange rates that applied during the year:

To 1 GBP	Average rate 2020	Average rate 2019	31 December (mid-spot rate) 2020	31 December (mid-spot rate) 2019
EUR	**1.105**	1.139	**1.114**	1.175
AUD	**1.863**	1.835	**1.768**	1.880
USD	**1.283**	1.277	**1.364**	1.320

Sensitivity analysis

A ten per cent increase and decrease in the value of pound sterling against the following currencies at 31 December 2020 and 2019 would have increased/(decreased) profit and equity by the amounts below as a consequence of the retranslation of the above foreign currency denominated assets and liabilities at those dates. It is assumed that all other variables, especially interest rates, remain constant in the analysis.

	Profit 10% increase £m	Profit 10% decrease £m	Equity 10% increase £m	Equity 10% decrease £m
31 December 2020				
EUR	**8.8**	**(8.8)**	**4.0**	**(4.0)**
AUD	**(0.1)**	**0.1**	**(0.1)**	**0.1**
USD	**5.9**	**(5.9)**	**(38.8)**	**38.8**
31 December 2019				
EUR	3.0	(3.0)	4.1	(4.1)
AUD	(0.1)	0.1	(10.5)	10.5
USD	—	—	(73.7)	73.7

The table below details the effect on profit of a 10% strengthening or weakening of the GBP-EUR or the GBP-USD exchange rates on the valuations of the USD First Lien Term Loan B, EUR First Lien Term Loan B and the Senior Notes, net of hedging with the Swap Agreements that hedge the USD TLB and Senior Notes. 10% is the sensitivity rate which represents Management's assessment of the reasonably possible change in foreign exchange rates.

	-10% £m	+10% £m
GBP-EUR exchange rate	—	—
GBP-USD exchange rate	—	—

Interest rate risk

The Group's exposure to changes in interest rates includes fluctuations in the amounts of interest paid on the Group's long-term indebtedness, as well as the interest earned on its cash and investments. The Group manages its exposure to changes in interest rates through the offsetting of exposures and the use of hedging instruments.

Profile

As of 31 December 2020 and 31 December 2019 the interest rate profile of the Group's interest-bearing financial instruments was as follows:

	Carrying amount 31 December 2020 £m	Carrying amount 31 December 2019 £m
Variable rate instruments		
Financial assets – restricted cash	**594.8**	189.1
Investments – customer deposits	**82.8**	—
Financial assets – cash	**603.4**	108.1
Borrowings	**(3,138.9)**	(372.8)
Effect of interest rate swaps	**1,749.5**	—
	(108.4)	(75.6)

27. Financial risk management continued

The table below details the effect on earnings before tax of a 100 basis points strengthening or weakening of the USD LIBOR, GBP LIBOR and EURIBOR interest rates on these loans after the effect of the Group's hedging activities. EURIBOR is currently negative and the analysis below presents the effect on earnings before tax if it were to turn positive by 100 basis points. 100 basis points sensitivity is the sensitivity rate used and represents Management's assessment of a reasonably possible change in interest rates:

	Profit/(loss) £m	
	-100 bps	+100 bps
USD LIBOR	—	—
GBP LIBOR	—	(9.5)
EURIBOR	—	(4.6)

The USD First Lien Term Loan B and the GBP First Lien Term Loan A have a floor of 0% for their respective LIBORs and as such, the interest rate cannot decrease below the margins of 3.50% and 1.75% respectively. The EUR First Lien Term Loan B has a floor of 0% for EURIBOR and as such, the interest rate cannot decrease below 3.75%. Management monitors movements in interest rates by reviewing USD LIBOR and EURIBOR on a quarterly basis for the First Lien Term Loan B's and the GBP LIBOR monthly for the First Lien Term Loan A. During the years ended 31 December 2020 and 31 December 2019 EURIBOR was negative.

28. Capital management

The capital structure of the Group consists of cash and cash equivalents, debt finance, issued capital, reserves and retained earnings. The efficiency of the Group's capital structure is kept under regular review by the Board.

The Group continues to target a medium-term leverage range of between 1 and 2 times net debt to EBITDA. This target reflects the Group's strong cash flow generation, general capital market conditions and the need to retain strategic flexibility for continuing investment opportunities.

The Group has the authority to buy back up to ten per cent of the Company's issued share capital between the dates of its Annual General Meetings ("AGM"), subject to the annual approval of its shareholders at the Company's AGM. Shares bought back may either be cancelled or held in treasury. In 2018 and 2019, a total of 6,993,308 shares were bought and subsequently cancelled as part of the share buy-back program. No shares were bought back by the Company in 2020. The Company's ordinary shares are also acquired on the market periodically by the Paddy Power Betfair plc Employee Benefit Trust (the "EBT") to meet the EBT's obligations under share award schemes. These shares are held by the EBT and ownership is transferred to the EBT's beneficiaries if and when the related share awards vest.

At 31 December 2020 and 31 December 2019, neither the Company nor any of its subsidiaries were subject to externally imposed capital requirements.

29. Fair values

Fair values versus carrying amounts

The Group has determined that the carrying values of its short-term financial assets and liabilities approximate their fair value due to the short periods to maturity of these instruments and their low credit risk.

The following are the fair values and carrying amounts of financial assets and liabilities carried at amortised cost in the statement of financial position:

	31 December 2020		31 December 2019	
	Carrying amount £m	Fair value £m	Carrying amount £m	Fair value £m
Assets				
Trade receivables	11.9	11.9	8.5	8.5
Other receivables (including finance lease receivables)	41.5	41.5	11.0	11.0
Restricted cash	594.8	594.8	189.1	189.1
Cash and cash equivalents	603.4	603.4	108.1	108.1
Total	1,251.6	1,251.6	316.7	316.7
Liabilities				
Trade and other payables	(1,009.5)	(1,009.5)	(362.7)	(362.7)
Customer balances	(643.4)	(643.4)	(179.2)	(179.2)
Lease liabilities	(194.0)	(194.0)	(170.5)	(170.5)
Borrowings	(3,138.9)	(3,255.0)	(372.8)	(372.8)
Total	(4,985.8)	(5,101.9)	(1,085.2)	(1,085.2)
Net	(3,734.2)	(3,850.3)	(768.5)	(768.5)

Certain of the Group's financial assets and liabilities are measured at fair value, including at FVTPL or FVOCI, at the end of each reporting period. The following provides information about how the fair values of these financial assets and liabilities were determined as at 31 December 2020:

Financial instruments carried at fair value

Fair value hierarchy

The table below analyses recurring fair value measurements for financial assets and financial liabilities. These fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to the valuation method used. The different levels are defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: unobservable inputs for the asset or liability.

	31 December 2020			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Bonds – FVOCI	26.3	56.5	—	82.8
Investments – FVTPL	—	—	3.0	3.0
Derivatives	—	16.9	98.0	114.9
Total financial assets	26.3	73.4	101.0	200.7
Derivatives	—	(203.2)	(50.0)	(253.2)
Non-derivative financial liabilities	—	—	(38.1)	(38.1)
Total financial liabilities	—	(203.2)	(88.1)	(291.3)

29. Fair values continued

	31 December 2019			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Investments – FVTPL	—	—	0.1	0.1
Derivative financial liabilities	—	—	(21.1)	(21.1)
Non-derivative financial liabilities	—	—	(18.4)	(18.4)
Total financial liabilities	**—**	**—**	**(39.5)**	**(39.5)**

The fair values of other financial assets and liabilities measured at amortised cost, other than those for which the Group has determined that their carrying values approximate their fair values on the consolidated statement of financial position as at 31 December 2020 are as follows:

	31 December 2020			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
First Lien Term Loans B (as defined above)	—	(1,530.5)	—	(1,530.5)
Senior Notes	—	(774.4)	—	(774.4)
Total financial liabilities	**—**	**(2,304.9)**	**—**	**(2,304.9)**

As part of its periodic review of fair values, the Group recognises transfers, if any, between levels of the fair value hierarchy at the end of the reporting period during which the transfer occurred. There were no transfers between levels of the fair value hierarchy during the years ended 31 December 2020 or 31 December 2019.

Valuation of Level 2 financial instruments

Borrowings

The Group has determined that the principal value of the GBP First Lien Term Loan A (as defined above) approximates its fair value. The Group estimates the fair value of its First Lien Term Loans B and Senior Notes by using a composite price derived from observable market data for a basket of similar instruments which approximates fair value.

Bonds – FVOCI

The Group has determined that the carrying value of the bonds approximate their fair value which is determined by using observable quoted prices or observable input parameters derived from comparable bonds/markets. Although the Group has determined that a number of the bonds fall within Level 1 of the fair value hierarchy, there are a class of bonds which have been classified as Level 2 due to the existence of relatively inactive trading markets for those bonds.

Derivative Financial Instruments

Swap Agreements

The Group uses derivative financial instruments to manage its interest rate and foreign currency risk. The valuation of these instruments is determined using widely accepted valuation techniques including discounted cash flow analysis of the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs, such as yield curves, spot and forward FX rates.

To comply with the provisions of IFRS 13, Fair value measurement, the Group incorporates credit valuation adjustments to appropriately reflect both its own non-performance risk and the applicable counterparty's non-performance risk in the fair value measurements. In adjusting the fair value of its derivative contracts for the effect of non-performance risk, the Group has considered the impact of netting and any applicable credit enhancements, such as collateral postings, thresholds, mutual puts and guarantees.

Although the Group has determined that the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with its derivatives utilise Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by itself and its counterparties. As of 31 December 2020, the Group has assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions, with the exception of the Embedded Derivative in connection with the Senior Notes, which is classified as Level 3, and determined that the credit valuation adjustments are not significant to the overall valuation of its derivatives. As a result, the Group determined that its valuations of its derivatives in their entirety are classified in Level 2 of the fair value hierarchy.

Notes to the Consolidated Financial Statements continued

29. Fair values continued

Level 3 fair values

Derivatives (Level 3)

Some of the Group's financial assets and liabilities are classified as Level 3 of the fair value hierarchy because the respective fair value determinations use inputs that are not based on observable market data. As at 31 December 2020, the valuation techniques and key inputs used by the Group for each Level 3 asset or liability were as follows:

Embedded derivative redemption option in connection with the Senior Notes issuance

The Group used an interest rate option pricing valuation model to determine the fair value of the redemption option using an implied credit spread of 2.77% at 31 December 2020. A 10-basis point increase or decrease in the implied credit spread would have a (£3.5m) or £3.9m impact on fair value, respectively. Changes in the fair value of the embedded derivative redemption option are recorded in financial income or expense in the consolidated income statement.

Sports betting open positions (Level 3)

Derivative financial liabilities comprise sports betting open positions. The fair value of open sports bets at the period end has been calculated using the latest available prices on relevant sporting events. Changes in the fair value of the unsettled bets are recorded in revenue in the consolidated income statement.

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.

Non-derivative financial instruments (Level 3)

Investments

The Group valued its equity investments in private companies with reference to earnings measures from similar businesses in the same or similar industry and adjusts for any significant changes in the earnings multiple and the valuation. A reasonable change in assumptions would not have a material impact on fair value. Changes in the fair value of equity in private companies are recorded in financial income or financial expense in the consolidated income statement.

Contingent deferred consideration (Level 3)

Non-derivative financial liabilities include contingent consideration. The contingent consideration payable is primarily determined with reference to forecast performance for the acquired businesses during the relevant time periods and the amounts to be paid in such scenarios. The fair value was estimated by assigning probabilities to the potential payout scenarios. The significant unobservable inputs are forecast performance for the acquired businesses.

The fair value of contingent consideration is primarily dependent on forecast performance for the acquired businesses in excess of a predetermined base target. An increase and decrease of 10% in the excess over the predetermined base target during the relevant time periods would increase and decrease the value of contingent consideration at 31 December 2020 by £3.2m and £3.2m respectively (31 December 2019: £0.7m and £0.7m).

FOX agreements

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, the Group entered into arrangements conditional on completion of the Combination with FOX (TSG's US media partner for FOX Bet), pursuant to which FSG Services, a wholly-owned subsidiary of FOX Sports will have the right to acquire an approximate 18.5% equity interest in FanDuel Group at its market value in 2021 (structured as a 10-year option from 2021, subject to a carrying value adjustment). As a consequence of the option derivative being only exercisable at fair value, it was determined that the fair value was not material and was close to nominal value.

29. Fair values continued

Movements in the year in respect of Level 3 financial instruments carried at fair value

The movements in respect of the financial assets and liabilities carried at fair value in the year to 31 December are as follows:

	Sports betting open positions £m	Contingent deferred consideration £m	Embedded derivative £m	Investments £m	Total £m
Balance at 1 January 2019	(21.0)	(21.8)	—	2.4	(40.4)
Arising on acquisitions (Note 15)	—	—	—	—	—
Recognised in the income statement	1,666.4	(2.0)	—	—	1,664.4
Settlements	(1,666.5)	4.8	—	(2.3)	(1,664.0)
Foreign currency translation adjustment	—	0.6	—	—	0.6
Balance at 31 December 2019	**(21.1)**	**(18.4)**	**—**	**0.1**	**(39.4)**
Arising on acquisitions (Note 15)	**(10.0)**	**(5.3)**	**25.8**	**4.0**	**14.5**
Recognised in the income statement	**2,256.1**	**(23.7)**	**78.5**	**(1.5)**	**2,309.4**
Settlements	**(2,275.0)**	**7.2**	**—**	**—**	**(2,267.8)**
Foreign currency translation adjustment	**—**	**2.1**	**(6.3)**	**0.4**	**(3.8)**
Balance at 31 December 2020	**(50.0)**	**(38.1)**	**98.0**	**3.0**	**12.9**

30. Commitments, contingencies and Kentucky proceedings

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 £16.6m (2019: £19.3m) with Allied Irish Banks plc. 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 2020 was £74.8m (2019: £12.5m). No claims had been made against the guarantees as of 31 December 2020 (2019: £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 £12.9m at 31 December 2020 (2019: £2.6m).

As mentioned in Note 22, borrowings under the TLA Agreement, Syndicated Facility Agreement and Senior Notes 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. See Note 16 for details of legacy German and Greek tax assessments.

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, Flutter continues to cooperate 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.

Notes to the Consolidated Financial Statements continued

30. Commitments, contingencies and Kentucky proceedings continued

Kentucky proceedings

As disclosed in Note 20, on 17 December 2020, the Kentucky Supreme Court judgement reinstated the 2015 award of damages against TSG for US$870m with compounding interest of 12% per annum.

Together with its legal advisers Flutter is currently reviewing its position and strongly disputes the basis of this judgement and is confident that any amount it is ultimately liable to pay will be a limited proportion of the reinstated judgement. No liability was previously recognised by either TSG or Flutter prior to this judgement.

Based on the opinion and views of legal counsel and advisers as to the likely pay-out outcomes, the Group has recognised a provision of US$100m as part of TSG Combination fair value acquisition accounting in respect of this litigation, which reflects the value of the supersedes bond in place since February 2016. This assessment relies on estimates and assumptions and involves a series of judgements about future events.

Capital commitments

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

	31 December 2020 £m	31 December 2019 £m
Property, plant and equipment	**14.3**	0.4
Intangible assets	**1.0**	0.7
Total	**15.3**	1.1

31. Related parties

The principal related party transactions requiring disclosure under *IAS 24 Related Party Transactions* relate to the existence of subsidiaries and transactions with these entities entered into by the Group, transactions with Directors and the identification and compensation of key management personnel.

Subsidiaries

The consolidated financial statements include the financial statements of the Company and its subsidiaries. A listing of the material subsidiaries is provided in Note 32. Transactions and balances with subsidiaries have been eliminated in the preparation of the consolidated financial statements.

Transactions with Directors

There were no loans outstanding to any Director at any time during the year. Details of Directors' remuneration, interests in share awards and share options are set out on page 104 to 122. Other related party transactions between the Group and the Directors, all of which were conducted on an arm's length basis and on normal commercial terms, are set out below.

During the year, the Group entered into separate consultancy agreements with two directors, Rafael Ashkenazi and Richard Flint under which they both received additional fees. See page 114 of the Directors remuneration report for further detail.

Transactions with key management personnel, comprising Executive Directors and Non-Executive Directors (2019: Executive Directors, Non-Executive Directors and other members of the Group's Executive Committee)

Key management personnel compensation is as follows:

	2020 £m	2019 £m
Short-term employee benefits	**5.9**	6.5
Non-Executive Directors fees	**1.8**	1.0
Post-employment benefits	**0.2**	0.3
Share-based payments costs	**3.0**	6.4
Total	**10.9**	14.2

32. Group entities

The Company had the following subsidiary undertakings carrying on businesses which materially affect the profits and assets of the Group at 31 December 2020:

Name	Equity interest as at 31 December 2020	Country of incorporation	Activity	Registered Office
Power Leisure Bookmakers Limited[1]	100%	England and Wales	Bookmaker and provision of platform services	Waterfront, Hammersmith Embankment, Chancellors Road, London, W6 9HP
Betfair Group Limited[1]	100%	England and Wales	Holding company	Waterfront, Hammersmith Embankment, Chancellors Road, London, W6 9HP
Betfair Limited	100%	England and Wales	Provision of support services	Waterfront, Hammersmith Embankment, Chancellors Road, London, W6 9HP
TSE Holdings Limited	100%	England and Wales	Holding company	Waterfront, Hammersmith Embankment, Chancellors Road, London, W6 9HP
Stars Group Holdings (UK) Limited	100%	England and Wales	Holding company	2 Wellington Place Leeds LS1 4AP
Cyan Bidco Limited	100%	England and Wales	Holding company	2 Wellington Place Leeds LS1 4AP
Hestview Limited	100%	England and Wales	Online sports betting	2 Wellington Place Leeds LS1 4AP
Bonne Terre Limited	100%	Alderney	Online gaming	Century House, 12 Victoria Street, Alderney GY9 3UF
Cyan Blue Odds Holding Limited	100%	England and Wales	Holding company	The Aircraft Factory, 100 Cambridge Grove, London, United Kingdom, W6 0LE
Cyan Blue Odds Limited	100%	Alderney	Online media company	Century House, 12 Victoria Street, Alderney GY9 3UF
FanDuel Limited	95%	Scotland	Fantasy sports, R&D activities and support services	Shepherd and Wedderburn LLP, 1 Exchange Crescent, Conference Square, Edinburgh, EH3 8UL
TSE Data Processing Limited	100%	Ireland	Provision of support services	Belfield Office Park, Beech Hill Road, Clonskeagh, Dublin 4, D04V972
PPB Financing Unlimited Company[1]	100%	Ireland	Group Financing	Belfield Office Park, Beech Hill Road, Clonskeagh, Dublin 4, D04V972
PPB Treasury Unlimited Company	100%	Ireland	Treasury	Belfield Office Park, Beech Hill Road, Clonskeagh, Dublin 4, D04V972
PPB GE Limited	100%	Ireland	Online gaming	Belfield Office Park, Beech Hill Road, Clonskeagh, Dublin 4, D04V972
Global Sports Derivatives Limited	100%	Ireland	Sporting events derivatives, risk management and other products	Belfield Office Park, Beech Hill Road, Clonskeagh, Dublin 4, D04V972
TSG Platforms (Ireland) Limited	100%	Ireland	Provision of platform services	Cherrywood Science and Technology Park, Loughlinstown, Dublin 18, Ireland
Betfair Italia SRL – Irish Branch	100%	Italy	Online sports betting and gaming	9 CAP 20121 C/O Studio, Via del Lauro, Milano (MI), Italy
CT Networks Limited	100%	Isle of Man	Games developer	Merchants House, 24 North Quay, Douglas, Isle of Man, IM1 4LE
Paddy Power Holdings Limited[1]	100%	Isle of Man	Holding company	Merchants House, 24 North Quay, Douglas, Isle of Man, IM1 4LE
Stars Interactive Holdings (IOM) Limited	100%	Isle of Man	Holding company	Douglas Bay Complex, King Edward Road, Onchan, Isle of Man, IM3 1DZ
TSG Interactive Services Limited	100%	Isle of Man	Service company	Douglas Bay Complex, King Edward Road, Onchan, Isle of Man, IM3 1DZ
Stars Interactive Limited	100%	Isle of Man	Gaming and service company	Douglas Bay Complex, King Edward Road, Onchan, Isle of Man, IM3 1DZ
Stars Interactive PS Holdings Limited	100%	Isle of Man	Holding company	Douglas Bay Complex, King Edward Road, Onchan, Isle of Man, IM3 1DZ
Naris Limited	100%	Isle of Man	Treasury	Douglas Bay Complex, King Edward Road, Onchan, Isle of Man, IM3 1DZ
Halfords Media (IOM) Limited	100%	Isle of Man	Service company	Douglas Bay Complex, King Edward Road, Onchan, Isle of Man, IM3 1DZ

Notes to the Consolidated Financial Statements continued

32. Group entities continued

Name	Equity interest as at 31 December 2020	Country of incorporation	Activity	Registered Office
Rational Entertainment Enterprises Limited	100%	Isle of Man	Service company	Douglas Bay Complex, King Edward Road, Onchan, Isle of Man, IM3 1DZ
Rational FT Services Limited	100%	Isle of Man	Service company	Douglas Bay Complex, King Edward Road, Onchan, Isle of Man, IM3 1DZ
Worldwide Independent Trust Limited	100%	Isle of Man	Treasury	Douglas Bay Complex, King Edward Road, Onchan, Isle of Man, IM3 1DZ
Rational Intellectual Holdings Limited	100%	Isle of Man	IP holding company	Douglas Bay Complex, King Edward Road, Onchan, Isle of Man, IM3 1DZ
Sportsbet Pty Limited	100%	Australia	Online sports betting	Level 17, 367 Collins Street, Melbourne, Victoria 3000
Paddy Power Australia Pty Limited	100%	Australia	Holding company	Level 17, 367 Collins Street, Melbourne, Victoria 3000
TSED Unipessoal LDA	100%	Portugal	R&D activities	Avenida de Camilo 72, 4300-095 Porto
Betfair Casino Limited	100%	Malta	Online gaming	Triq il-Kappillan Mifsud, Santa Venera, SVR1851
PPB Entertainment Limited	100%	Malta	Online gaming	Triq il-Kappillan Mifsud, Santa Venera, SVR1851
PPB Counterparty Services Limited	100%	Malta	Online sports betting	Triq il-Kappillan Mifsud, Santa Venera, SVR1851
Betfair International Plc	100%	Malta	Online sports betting and gaming	Triq il-Kappillan Mifsud, Santa Venera, SVR1851
Betfair Holding (Malta) Limited	100%	Malta	Holding company	Triq il-Kappillan Mifsud, Santa Venera, SVR1851
Polco Limited	100%	Malta	Online sports betting	Triq il-Kappillan Mifsud, Santa Venera, SVR1851
PPB Games Limited	100%	Malta	Online gaming	Triq il-Kappillan Mifsud, Santa Venera, SVR1851
TSG Interactive Gaming Europe Ltd	100%	Malta	Gaming company	Villa Seminia, 8, Sir Temi Zammit Avenue,Ta' Xbiex Malta, XBX 1011
TSG Interactive plc	100%	Malta	Gaming company	Villa Seminia, 8, Sir Temi Zammit Avenue,Ta' Xbiex Malta, XBX 1011
TSE Malta LP	100%	Gibraltar	Online sports betting	57/63 Line Wall Road, Gibraltar
Betfair Romania Development S.R.L	100%	Romania	R&D activities	Cladirea The Office, B-dul 21 Decembrie 1989, Nr.77, Corp A, Etaj 4, Cluj-Napoca, 400604
Atlas Holdings LLC	100%	Georgia	Holding company	4 Chovelidze Str., Mtatsminda District, Tbilisi
Atlas LLC	51%	Georgia	Holding company	4 Chovelidze Str., Mtatsminda District, Tbilisi
Aviator LLC	51%	Georgia	Online gaming and sports betting	6 El. Akhvlediani Ascent, Chugureti District, Tbilisi
FanDuel Group Parent LLC	95%	USA	Holding company	251 Little Falls Drive, Wilmington, Delaware, 19808
FanDuel Group, Inc.	95%	USA	Holding company	251 Little Falls Drive, Wilmington, Delaware, 19808
Stars Group (US) Holdings, LLC	100%	USA	Holding company	1209 Orange Street, Wilmington, DE, 19801
FanDuel Inc	95%	USA	Fantasy sports	251 Little Falls Drive, Wilmington, Delaware 19808
Betfair Interactive US LLC	95%	USA	Sports betting and online gaming	251 Little Falls Drive, Wilmington, Delaware, 19808
ODS Technologies LP	95%	USA	Horse racing broadcaster, betting network, advanced deposit wagering	251 Little Falls Drive, Wilmington, Delaware, 19808
HRTV LLC	95%	USA	Horse racing broadcaster	251 Little Falls Drive, Wilmington, Delaware, 19808
Betfair US LLC	95%	USA	Online exchange wagering	251 Little Falls Drive, Wilmington, Delaware, 19808
Flutter Financing B.V.[1]	100%	Netherlands	Financing company	Prinses Margrietplantsoen 88, WTC, Toren E, 23e verdieping, 2595BR 's-Gravenhage
Flutter Holdings B.V.[1]	100%	Netherlands	Holding company	Prinses Margrietplantsoen 88, WTC, Toren E, 23e verdieping, 2595BR 's-Gravenhage

32. Group entities continued

Name	Equity interest as at 31 December 2020	Country of incorporation	Activity	Registered Office
Stars Group Holdings B.V.	100%	Netherlands	Holding company and investment vehicle	Prinses Margrietplantsoen 88, WTC, Toren E, 23e verdieping, 2595BR 's-Gravenhage
The Stars Group Inc	100%	Canada	Holding company	200 Bay Street, South Tower, Suite 3205, Toronto, Ontario, Canada, M5J 2J3

1 These companies are held directly by Flutter Entertainment plc.

All subsidiary undertakings have been included in the Group Consolidated Financial Statements.

In addition to the above subsidiary undertakings, the Group utilises an employee trust, The Paddy Power Betfair plc Employee Benefit Trust, with a registered address at 12 Castle Street, St Helier, Jersey, JE2 3RT, and which holds shares under the share award schemes.

33. Events after the reporting date

Acquisition of Junglee Games

In January 2021, the Group completed the acquisition of an initial 50.1% stake in Junglee Games ('Junglee'), an Indian online rummy operator, for US$66.2m (£48m).

Junglee is a top 3 player in the legal Indian online rummy market. Based on its December 2020 run-rate, Junglee would generate annualised gross revenue of circa £50 million 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 that could see its ownership in the business increase to 100% in 2025.

The acquisition-date fair value accounting had not been completed as at 1 March 2021.

Company Statement of Financial Position

As at 31 December 2020

	Note	31 December 2020 £m	31 December 2019 £m
Assets			
Property, plant and equipment	5	**73.4**	76.0
Intangible assets	6	**0.3**	0.5
Goodwill	7	**18.0**	18.0
Financial assets	8	**16,610.0**	5,029.6
Other receivables	9	**13.5**	12.8
Deferred tax assets	11	**0.1**	0.2
Total non-current assets		**16,715.3**	5,137.1
Current assets			
Trade and other receivables	9	**190.9**	221.6
Corporation tax receivable		**3.7**	2.8
Cash and cash equivalents	10	**8.3**	5.7
Total current assets		**202.9**	230.1
Total assets		**16,918.2**	5,367.2
Equity			
Issued share capital and share premium		**2,481.7**	428.3
Merger Reserve		**7,982.9**	—
Treasury shares		**(4.2)**	(4.2)
Shares held by employee benefit trust		**(5.8)**	(6.1)
Other reserves		**227.6**	176.9
Retained earnings		**4,631.2**	3,669.9
Shareholders' funds – all equity interests		**15,313.4**	4,264.8
Liabilities			
Trade and other payables	14	**1,566.7**	969.0
Derivative financial liabilities	14	**3.7**	4.6
Lease liabilities	15	**8.8**	8.1
Borrowings	16	**—**	0.4
Total current liabilities		**1,579.2**	982.1
Lease liabilities	15	**25.6**	29.6
Borrowings	16	**—**	90.7
Total non-current liabilities		**25.6**	120.3
Total liabilities		**1,604.8**	1,102.4
Total equity and liabilities		**16,918.2**	5,367.2

Notes 1 to 22 on pages 219 to 234 form an integral part of these financial statements.

On behalf of the Board

Peter Jackson
Chief Executive Officer

Jonathan Hill
Chief Financial Officer

1 March 2021

Company Statement of Changes in Equity

Year ended 31 December 2020

Attributable to shareholders of the Company	Number of ordinary shares in issue millions #	Issued share capital and share premium £m	Undenominated capital £m	Merger reserve £m	Foreign exchange translation reserve £m	Treasury shares £m	Shares held by employee benefit trust £m	Share-based payment reserve £m	Retained earnings £m	Total equity £m
Balance at 1 January 2020	*80.3*	428.3	2.4	—	130.0	(4.2)	(6.1)	44.5	3,669.9	4,264.8
Profit for the year	—	—	—	—	—	—	—	—	905.9	905.9
Shares issued on exercise of share options	*1.5*	34.3	—	—	—	—	—	—	—	34.3
Shares issued on equity placement (net of issuance costs) (Note 12)	*16.1*	1,933.2	—	—	—	—	—	—	(12.4)	1,920.8
Shares issued as consideration for the combination with TSG (Note 12)	*65.3*	5.1	—	6,189.5	—	—	—	—	—	6,194.6
Shares issued in connection with acquisition of non-controlling interest in TSG Australia (Note 12)	*0.8*	79.7	—	—	—	—	—	—	—	79.7
Shares issued in connection with acquisition of non-controlling interest in FanDuel Group (Note 12)	*11.7*	1.0	—	1,793.4	—	—	—	—	—	1,794.4
Deal fees on acquisition of FanDuel	—	—	—	—	—	—	—	—	(9.3)	(9.3)
Equity-settled transactions – expense recognised	—	—	—	—	—	—	—	70.2	—	70.2
Equity-settled transactions – vesting	—	—	—	—	—	—	0.3	(0.3)	—	—
Exercise of share options (Note 12)	—	—	—	—	—	—	—	(77.2)	77.2	—
Dividends to shareholders (Note 13)	*1.3*	0.1	—	—	—	—	—	—	(0.1)	—
Issue of replacement options	—	—	—	—	—	—	—	58.0	—	58.0
Total contributions by and distributions to owners of the Company	*96.7*	2,053.4	—	7,982.9	—	—	0.3	50.7	55.4	10,142.7
Balance at 31 December 2020	*177.0*	2,481.7	2.4	7,982.9	130.0	(4.2)	(5.8)	95.2	4,631.2	15,313.4

Company Statement of Changes in Equity continued

Year ended 31 December 2019

Attributable to shareholders of the Company	Number of ordinary shares in issue millions #	Issued share capital and share premium £m	Undeno-minated capital £m	Foreign exchange translation reserve £m	Treasury shares £m	Shares held by employee benefit trust £m	Share-based payment reserve £m	Retained earnings £m	Total equity £m
Balance at 1 January 2019	***81.4***	424.8	2.3	130.0	(4.2)	(8.6)	53.7	3,735.5	4,333.5
Profit for the year	—	—	—	—	—	—	—	74.7	74.7
Shares issued (Note 12)	***0.3***	3.6	—	—	—	—	—	—	3.6
Own shares acquired by the Group	***(1.4)***	(0.1)	0.1	—	—	—	—	—	—
Equity-settled transactions – expense recorded in income statement	—	—	—	—	—	—	9.5	—	9.5
Deferred tax	—	—	—	—	—	—	—	(0.3)	(0.3)
Equity-settled transactions – vesting	—	—	—	—	—	2.5	(2.3)	(0.2)	—
Transfer to retained earnings on exercise of share options (Note 12)	—	—	—	—	—	—	(16.4)	16.4	—
Dividends to shareholders (Note 13)	—	—	—	—	—	—	—	(156.2)	(156.2)
Total contributions by and distributions to owners of the Company	***(1.1)***	3.5	0.1	—	—	2.5	(9.2)	(140.3)	(143.4)
Balance at 31 December 2019	***80.3***	428.3	2.4	130.0	(4.2)	(6.1)	44.5	3,669.9	4,264.8

Notes 1 to 22 on pages 219 to 234 form an integral part of these financial statements.

Notes to the Company Financial Statements

1. Basis of preparation and summary of significant accounting policies

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). There have been no material departures from the Standards. The functional and presentation currency of these financial statements is GBP. All amounts in the financial statements have been rounded to the nearest 0.1m. In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with the Companies Act 2014 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company is the ultimate parent company of the Flutter Group which includes the Company in its consolidated financial statements. In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- cash flow statement and related notes;
- comparative period reconciliations for tangible fixed assets and intangible assets;
- disclosures in respect of transactions with wholly owned subsidiaries;
- disclosures in respect of capital management;
- the effects of new but not yet effective IFRSs;
- disclosures in respect of the compensation of Key Management Personnel;
- disclosures of transactions with a management entity that provides Key Management Personnel services to the company; and
- certain disclosures regarding revenue.

As the consolidated financial statements of the Flutter Group include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 *Share-based Payments* in respect of group settled Share-based payments;
- certain disclosures required by IAS 36 *Impairment of assets* in respect of the impairment of goodwill and indefinite life intangible assets;
- certain disclosures required by IFRS 3 *Business Combinations* in respect of business combinations undertaken by the Company; and
- certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosures*.

As permitted by section 304 of the Companies Act 2014, no separate profit and loss account is presented in respect of the Company. The Company recorded a profit for the year of £905.9m (2019: £74.7m), which included dividends received of £237.3m (2019: £75.0m) from subsidiary companies.

Recent accounting pronouncements

The IASB have issued the following standards, policies, interpretations and amendments which were effective for the Company for the first time in the year ended 31 December 2020:

- amendments to References to Conceptual Framework in IFRS Standards;
- amendments to IFRS 3: Definition of a Business;
- amendments to IAS 1 and IAS 8: Definition of Material;
- amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform; and
- amendment to IFRS 16: Covid Related Rent Concessions.

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

Going concern

The Company is in a net current liability position of £1.4bn at year-end primarily as a result of net amounts owed to fellow Group companies of £1.3bn. The Directors have considered the available financial resources for the Company and have obtained confirmations from fellow Group companies that amounts due will not be called upon within 12 months.

The Company's forecasts for 2021 and beyond indicate that it will continue to have significant financial resources for at least a period of 12 months from the date of these financial statements.

Having given regard to the above, the Directors are satisfied that there are no material uncertainties with regard to the going concern of the Company and as a result have a reasonable expectation that the Company 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 of accounting in preparation of its financial statements.

Notes to the Company Financial Statements continued

1. Basis of preparation and summary of significant accounting policies continued

Revenue

The services provided by the Company comprise sports betting and business-to-business services as well as services provided to other group companies. Revenue is stated exclusive of value-added tax ("VAT"). The costs of customer promotions (including free bets) and bonuses are deducted from revenue. Revenue is stated exclusive of VAT.

The Company's activities, with the exception of business-to-business services and services to other group companies on which fees are earned, are classified as derivative financial instruments.

Revenue from betting activities represents the net gain or loss from betting activities in the period plus the gain or loss on the revaluation of open positions at period end, and is stated net of the cost of customer promotions and bonuses incurred in the period.

These derivatives are recognised initially at fair value and subsequently at fair value through profit or loss, within the income line as this represents the Company's principal activity. Commission and other fee income earned is also recorded within revenue.

Revenue from business-to-business services and services to other group companies represents fees charged for the services provided in the period.

Financial assets

Interests in subsidiary undertakings are stated in the Company statement of financial position as financial assets, at cost less, where necessary, provisions for impairment.

Included within financial assets are capital contributions representing share-based payment awards made to employees of certain of the Company's subsidiaries.

Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, and the costs of dismantling and removing items and restoring the sites on which they are located. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within the income statement. Depreciation is calculated to write-off the cost less estimated residual value of property, plant and equipment on a straight-line basis over their useful lives, as follows:

Land	Not depreciated
Buildings: Freehold	25 – 50 years
Buildings: Leasehold improvements	Unexpired term of the lease, except for leases with an initial term of ten or less years, which are depreciated over the unexpired term of the lease plus the renewal length of the lease if there is an unconditional right of renewal
Fixtures and fittings	3 – 10 years
Computer equipment	2 – 5 years
Right-of-use Asset	Shorter of term of lease and useful life of the asset, as defined under IFRS 16

Assets in the process of construction are stated at cost less impairment losses. Depreciation of these assets begins when the assets are ready for their intended use. The residual value of property, plant and equipment, if significant, is reassessed annually.

Intangible assets

Intangible assets, principally comprising licences and computer software, are capitalised at cost and amortised over their estimated useful economic lives on a straight-line basis.

Licences comprise the costs of acquiring retail bookmaking licences, the rents incurred in respect of the period prior to each shop opening for business (as the existence of a premises is a pre-requisite for obtaining such licences) and licences for electronic point of sale ("EPOS") system software.

Computer software and technology includes the costs incurred in acquiring and bringing specific software programs into use. Maintenance costs relating to computer software programs are expensed to the income statement when incurred.

The estimated useful economic lives of intangible assets, according to which amortisation is calculated, are as follows:

Licences	2 – 20 years
Computer software and technology	2 – 5 years

1. Basis of preparation and summary of significant accounting policies continued

Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. The value of acquisition is measured at the date of purchase and represents the aggregate of the fair values of assets given, liabilities incurred or assumed and any equity instruments issued by the Group in exchange for control of the acquiree and fair value of previously held equity interests. The identifiable assets and liabilities of the acquiree are recognised at their fair values at the date of acquisition.

Goodwill recognised under Irish Generally Accepted Accounting Practice ("GAAP") prior to the date of transition to IFRS is stated at net book value as at the transition date. Goodwill recognised subsequent to 1 January 2014, representing the excess of purchase consideration over the fair value of net identifiable assets acquired defined in accordance with IFRS 3 *Business Combinations*, is capitalised. Goodwill is initially recognised as an asset at cost and is thereafter measured at cost less any accumulated impairment losses. Goodwill is not amortised but is tested for impairment annually. Any impairment in the value of goodwill is recognised in the income statement in the period in which it arises. Goodwill is recognised only when control of the acquiree is initially achieved. Following the acquisition of control, no goodwill is recognised on subsequent purchases of equity interests in the acquiree and instead the difference between the cost of such acquisitions and the fair values of the relevant net assets acquired is dealt with through retained earnings.

Costs relating to the acquisition of businesses that occurred since 1 January 2014 are expensed to the income statement when incurred. Costs relating to the acquisition of non-controlling interests are recognised directly in retained earnings.

Amounts payable in respect of deferred contingent consideration are recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration are recognised in the income statement.

Impairment

Financial assets (including receivables) – excluding investments in subsidiaries

The Company recognises loss allowances for expected credit losses ('ECLs') on financial assets measured at amortised cost. The Company measures loss allowances at an amount equal to lifetime ECLs, except for bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition which are measured at 12-month ECLs.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward looking information. The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full or the financial asset is significantly past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the third party;
- a breach of contract such as a default;
- the restructuring of a balance by the Company on terms that the Company would not consider otherwise; or
- it is probable that the third party will enter bankruptcy or another financial reorganisation.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

Notes to the Company Financial Statements continued

1. Basis of preparation and summary of significant accounting policies continued

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives (such as certain licences and brands) or that are not yet available for use, the recoverable amount is estimated each year at the same time. The recoverable amount of an asset or cash generating unit is the higher of fair value less costs to sell or its value in use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash generating unit", or "CGU"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination. The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in the profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro-rata basis. An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Other non-derivative financial instruments

Other non-derivative financial instruments comprise cash and cash equivalents, trade and other receivables and trade and other payables.

A financial instrument is recognised if the Company becomes a party to the contractual provisions of the instrument. Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

Financial assets are derecognised if the Company's contractual right to the cash flows from the financial assets expire or if the Company transfers the financial asset to another party without retaining control or substantially all the risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e. the date that the Company commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Company's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents are comprised of cash and deposits with an original maturity of three months or less.

Subsequent to initial recognition, cash and cash equivalents and trade and other payables are measured at amortised cost.

Trade and other receivables are stated at their nominal value as reduced by appropriate allowances for expected credit losses.

Derivative financial instruments

The Company holds certain derivative financial instruments which are initially recognised at fair value.

Sports betting open positions

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

Borrowings

Borrowings are recorded at the fair value of the proceeds received, net of any directly attributable transaction costs. Subsequent to initial recognition, borrowings are stated at amortised cost using the effective interest method.

Employee benefits

Pensions

The Company operates a number of defined contribution schemes under which the Company pays fixed contributions to a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions are recognised as an expense in the income statement as the service is received. Prepaid contributions are recognised as an asset to the extent that a cash refund or reduction in future payments is available.

1. Basis of preparation and summary of significant accounting policies continued

Share-based payments

The Company operates equity-settled long term and medium-term incentive plans for selected senior executives and other key management under which they are conditionally awarded shares or options over company shares which vest upon the achievement of predetermined targets and/or future service periods. The fair value is measured at the award or option grant date and is spread over the period during which the employees become unconditionally entitled to the shares or options with a corresponding increase in the share-based payment reserve in equity. The fair value of the shares conditionally granted is measured using the market price of the shares at the time of grant or in the case of shares with a non-market condition measured using either a binomial or Monte Carlo valuation model.

The Company operates an equity-settled share save scheme ("SAYE") for employees under which employees acquire options over Company shares at a discounted price subject to the completion of a savings contract. The fair value of share options granted is recognised as an employee benefit cost with a corresponding increase in the share-based payment reserve in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using a Black-Scholes model, taking into account the terms and conditions, other than non-market performance conditions, upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest.

Where the Company grants options over its own shares to the employees of its subsidiaries, it recognises in its individual financial statements an increase in the cost of investment in its subsidiaries (unless reimbursed) equivalent to the equity-settled share-based payment charge recognised in its consolidated financial statements with the corresponding credit being recognised directly in equity. Amounts subsequently recharged to the subsidiary or reimbursed by the subsidiary are recognised as a reduction in the cost of investment in subsidiary. If the amount recharged/reimbursed exceeds the increase in the cost of investment the excess is recognised as a dividend. When the cost of investment in subsidiary has been reduced to nil, the excess is recognised as a dividend/creditor.

Leases

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

The Company as a Lessee

The Company recognises a right-of-use asset and a lease liability at the lease commencement date.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement of the lease, and any initial costs. They are then subsequently measured at cost less accumulated depreciation and impairment losses. Right-of-use assets are depreciated over the shorter of the lease term and the useful life of the underlying asset, and are tested for impairment in accordance with IAS 36, Impairment of Assets ("IAS 36").

The lease liability is initially measured at the present value of the future lease payments, discounted by using the interest rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate at the lease commencement date. The Company subsequently measures the lease liability by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

Interest on the lease liability is recognised in financial expenses within the income statement.

Lease payments included in the measurement of the lease liability include:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives;
- Variable lease payments that depend on an index or rate initially measured using the index or rate at the commencement date;
- Amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options or the term of extension options if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease if the lease includes an option to terminate the lease.

The Company remeasures the lease liability and makes a corresponding adjustment to the related right-of-use asset whenever:

- The lease term has changed or there is a change in the assessment of exercise of a purchase or extension option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- The lease payments change due to changes in an index or rate or change in expected payment under a guaranteed residual value, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); or
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

Notes to the Company Financial Statements continued

1. Basis of preparation and summary of significant accounting policies continued

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability or right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers such payments occurs.

As a practical expedient, IFRS 16 permits a lessee to account for any lease and associated non-lease components as a single arrangement instead of separating the non-lease components. The Group has applied this practical expedient.

For short-term leases (lease term of 12 months or less) and leases of low-value assets, such as personal computers and office furniture, the Group has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16.

The Company as a Lessor

The Company has a small number of properties that are sublet.

At inception of a contract, the Company determines whether each lease is a finance lease or an operating lease, by reference to the transfer of all risks and rewards in connection to ownership of the underlying asset. In the case of a finance lease, the Group applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease.

When the Company is an intermediate lessor the sub leases are classified with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

Under operating leases, the Company recognises the income generated by the lease on an accrual basis over the life of the contract.

Income Tax

Income Tax in the income statement comprises current and deferred tax. Income Tax expense is recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case it is recognised in other comprehensive income or directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of the previous year.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to apply to temporary differences when they reverse, based on laws that have been enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset to the extent that they relate to income taxes levied by the same taxation authority.

Foreign currency transactions

Transactions in foreign currencies are translated at the relevant foreign exchange rate ruling at the date of the transaction. Non-monetary assets that are carried at historical cost are not subsequently retranslated. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into GBP at the foreign exchange rates ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

Repurchase of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognised as a deduction from equity. The repurchased shares are classified as treasury shares and are presented as a deduction from total equity. Transaction costs relating to the purchase by the Company of its own shares are recognised directly in retained earnings. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and any resulting surplus on the transaction is recognised in share premium.

Where the Company purchases its own shares and subsequently cancels those shares, the cost of the shares cancelled is written off directly to retained earnings. The nominal value of the shares cancelled is transferred from share capital to undenominated capital.

Dividends

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Company's shareholders, or, in the case of the interim dividend, when it has been approved by the Board of Directors and paid.

1. Basis of preparation and summary of significant accounting policies continued

Critical accounting estimates and judgements

The preparation of annual financial statements in conformity with IFRSs 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 period in which the estimates are revised and in any future periods affected.

In the course of preparing the financial statements, no judgements have been made in the process of applying the Company's accounting policies, other than those involving estimation (as described below), that have a significant effect on the amounts recognised in the financial statements.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustment to the carrying amount of assets and liabilities within the next financial year is set out below.

Measurement of the recoverable amount of investments in subsidiaries

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

The Company also considers the overall market capitalisation of the Group and whether it is in excess of the carrying value of investments for this review.

Valuation of legacy gaming tax assessments

Taxation within the Group includes both Income Taxes and Gaming Taxes. Judgement and estimation are required to interpret international tax laws and the way these taxes interact within each jurisdiction, to identify and value any provisions arising in relation to gaming and income taxes as applicable.

As outlined in Note 9, the Company 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 Company 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. There is potential that the periods after 2014 could also be subject to further challenge by the Greek tax authorities.

The Company strongly disputes the basis of this assessment, and in line with the legal and tax advice we have received, is confident in our grounds to successfully appeal them. The appeals process is ongoing. Accordingly, it does not consider that this amount represents a liability for the Company and no provision has been made for amounts assessed or potential further assessments. This involves a series of judgements about future events and ultimately the court judgements and therefore the Directors may need to re-assess the accounting treatment as matters develop further. Pending the outcome of this appeal, the Company in 2019 paid the total Greek tax assessment (including the penalties and interest). The amount paid has been recorded as a non-current receivable on the balance sheet.

2. Employee expenses and numbers

	2020 £m	2019 £m
Wages and salaries	**31.9**	33.7
Social security costs	**4.1**	3.8
Defined contribution pension and life assurance costs	**0.2**	0.3
Share-based payments expense (see below)	**4.7**	2.3
Other staff costs	**1.0**	1.3
	41.9	41.4
The average number of persons employed by the Company (including Executive Directors), all of whom were involved in the provision of betting services, during the year was	**1,398**	1,409

Details of the remuneration of Directors are set out in the Directors' Remuneration Report on pages 104 to 122.

Summary of share-based payments expense

The share-based payments expense in the profit and loss account in respect of the Company's share schemes is comprised as follows:

	2020 £m	2019 £m
Flutter Entertainment plc Long Term Incentive Plan ("LTIP") and Restricted Share Plan	**4.4**	1.8
The Flutter Entertainment plc Sharesave Scheme	**0.3**	0.5
	4.7	2.3

Notes to the Company Financial Statements continued

3. Financial income and expense

	2020 £m	2019 £m
Recognised in profit or loss:		
Financial expense:		
On financial liabilities at amortised cost		
Lease interest	1.0	1.1
Interest on third party borrowings, bank guarantees and bank facilities	2.5	5.8
	3.5	6.9

4. Statutory information

	2020 £m	2019 £m
Auditor's remuneration	2.3	0.8
Depreciation of property, plant and equipment	17.6	16.4
Amortisation of intangible assets	0.3	0.3
Foreign currency exchange loss – monetary items	8.1	12.8
Operating lease income (representing sub lease income)	(0.1)	(0.1)

The Auditor's remuneration of £2.3m (2019: £0.8m) relates to the audit of Group and subsidiary financial statements and other non-audit services. Further details on Auditor's remuneration is disclosed in Note 9 to the consolidated financial statements.

Auditor remuneration to Company External Auditor (KPMG Ireland)

In accordance with the requirements of Regulation 120 of Statutory Instrument 220/2010, 'European Communities (Statutory Audits) (Directive 2006/43/EC) Regulations 2010', the Auditor's remuneration figures presented below represent fees paid to KPMG Ireland only and are exclusive of value-added tax. Audit relates to the audit of the Company financial statements only. Audit fees borne by the Company in relation to the audit by KPMG Ireland of the Group and subsidiary companies are classified as other assurance services.

	2020 £m	2019 £m
Audit	0.1	0.1
Other assurance services	1.7	0.4
Other non-audit services	0.5	0.3
Total	2.3	0.8

Other assurance services includes £1.6m (2019: £0.4m) in respect of fees incurred by the Company for the audit of the Group financial statements and £0.1m (2019: £0.1m) in respect of fees relating to the audit of subsidiary companies which have been borne by the Company.

5. Property, plant and equipment

	Land, buildings and leasehold improvements £m	Fixtures and fittings £m	Computer equipment £m	Right-of-use assets[1] £m	Total £m
Cost					
Balance at 1 January 2020	38.7	85.8	15.4	47.7	187.6
Additions	—	10.8	0.1	1.2	12.1
Remeasurement of lease term	—	—	—	3.1	3.1
Disposals	(0.2)	(0.1)	—	—	(0.3)
Balance at 31 December 2020	**38.5**	**96.5**	**15.5**	**52.0**	**202.5**
Depreciation					
Balance at 31 December 2019	25.8	66.4	11.4	8.0	111.6
Depreciation charges	1.4	5.9	1.6	8.7	17.6
Disposals	—	(0.1)	—	—	(0.1)
Balance at 31 December 2020	**27.2**	**72.2**	**13.0**	**16.7**	**129.1**
Net book value					
At 31 December 2019	12.9	19.4	4.0	39.7	76.0
At 31 December 2020	**11.3**	**24.3**	**2.5**	**35.3**	**73.4**

1 Note that materially all of this balance relates to Buildings and leasehold improvements.

The net book value of land, buildings and leasehold improvements at 31 December 2020 includes £7.8m (2019: £9.2m) in respect of leasehold improvements.

The Directors do not consider the remaining useful lives of property, plant and equipment to be materially different from the period over which the assets are being depreciated.

6. Intangible assets

The movements during the prior year and current year in respect of intangible assets, which comprise licences and computer software, were as follows:

	Licences £m	Computer software £m	Total £m
Cost			
Balance at 1 January 2020	1.4	4.7	6.1
Additions	—	0.1	0.1
Balance at 31 December 2020	**1.4**	**4.8**	**6.2**
Amortisation			
Balance at 1 January 2020	1.4	4.2	5.6
Amortisation charges	—	0.3	0.3
Balance at 31 December 2020	**1.4**	**4.5**	**5.9**
Net book value			
At 31 December 2019	—	0.5	0.5
At 31 December 2020	**—**	**0.3**	**0.3**

Notes to the Company Financial Statements continued

7. Goodwill

	£m
Balance at 31 December 2019	18.0
Balance at 31 December 2020	**18.0**

The goodwill balance as at 31 December 2020 arose from the assets acquired as part of the amalgamation of three bookmaking businesses to form Paddy Power plc in 1988 and subsequent acquisitions of licenced book making shops in Ireland. The goodwill balance as at 31 December 2020 is attributable to the Irish Retail cash generating unit, being the lowest level of asset for which there are separately identifiable cash flows (see Note 14 to the consolidated financial statements).

The accumulated amortisation balance at 31 December 2020 is £4.1m (2019: £4.1m). Under IFRS, goodwill is not amortised but is instead tested for impairment annually. The most recent test for impairment was performed at 31 December 2020 and is detailed in Note 14 to the consolidated financial statements within the Irish retail cash generating unit.

8. Financial assets

	Unlisted investments in subsidiary companies £m	Capital contributions £m	Total £m
Balance at 1 January 2019	4,889.5	134.3	5,023.8
Share-based payments	—	5.8	5.8
Balance at 31 December 2019	**4,889.5**	**140.1**	**5,029.6**
Additional investments in subsidiaries	**11,519.6**	**—**	**11,519.6**
Share-based payments	**—**	**60.8**	**60.8**
Balance at 31 December 2020	**16,409.1**	**200.9**	**16,610.0**

In the opinion of the Directors, the value to the Company of the unlisted investments in and capital contributions to subsidiary companies at 31 December 2020 is not less than the carrying amount of £16,610.0m (2019: £5,029.6m) due to the market capitalisation of the Group being significantly in excess of the carrying value of the investments.

The Company's principal subsidiaries are listed in Note 32 to the consolidated financial statements.

The increase in investments in subsidiary companies in 2020 is due to the following:

- £6.3bn as a result of the Combination with TSG on 5 May 2020 described in more detail in Note 15 of the consolidated financial statements
- £2.9bn due to the acquisition of a further 37.2% of FanDuel on 30 December 2020 described in more detail in Note 15 of the consolidated financial statements
- £2.3bn due to various internal restructuring of subsidiaries following the TSG Combination

Capital contributions represent amounts included in the Company's share-based payment reserve relating to share-based payment awards made to employees of certain of the Company's subsidiary undertakings.

9. Trade and other receivables

Non-current assets

	31 December 2020 £m	31 December 2019 £m
Trade and other receivables		
Amounts paid in respect of legacy Greek tax assessments	**13.5**	12.8
Total	**13.5**	12.8

Amounts paid in respect of legacy Greek tax assessments:

The Company 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 Company 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. There is potential that the periods after 2014 could also be subject to further challenge by the Greek tax authorities.

The Company strongly disputes the basis of this assessment, and in line with the legal and tax advice it received, is confident in its grounds to successfully appeal them. The appeal process is ongoing. Accordingly, the Company does not consider that this amount represents a liability for the Company and no provision has been made for amounts assessed or potential further assessments. Pending the outcome of this appeal, in 2019 the Company paid the total Greek assessment (including penalties and interest) of €15.0m.

9. Trade and other receivables continued

Current assets

	31 December 2020 £m	31 December 2019 £m
Trade and other receivables		
Prepayments	6.4	4.4
Amounts owed by fellow Group companies	184.5	217.2
	190.9	221.6

Amounts owed by fellow Group companies are unsecured, interest free and repayable on demand.

10. Cash and cash equivalents

Cash and cash equivalents are analysed by currency as follows:

	31 December 2020 £m	31 December 2019 £m
GBP	0.1	0.1
EUR	8.1	5.6
USD	0.1	—
Total	8.3	5.7

There was no cash on deposit at 31 December 2020 and 31 December 2019.

11. Deferred tax assets

Deferred tax is attributable to the following:

	31 December 2020 £m	31 December 2019 £m
Property, plant and equipment	0.1	0.2

Movement in temporary differences during the year

	2020 £m	2019 £m
Balance at 1 January	0.2	0.1
Recognised in income	(0.1)	0.4
Recognised in OCI	—	(0.3)
Balance at 31 December	0.1	0.2

All the above deferred tax balances are in respect of Irish corporation tax.

12. Share capital and reserves

The total authorised share capital of the Company comprises 300,000,000 ordinary shares of €0.09 each (2019: 150,000,000 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.

The movement in issued share capital during the year ended 31 December 2020 was as follows:

- In May 2020, 1,312,260 new ordinary shares were issued as consideration for the 2019 final dividend as outlined in Note 13.
- 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 The Stars Group Inc. (the "Combination") resulting in Flutter Entertainment plc shareholders owning 54.64% and the Stars Group Inc. shareholders owning 45.36% of Flutter Entertainment plc (the "Company", together with its subsidiaries, the "Group"), 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 15 of the consolidated financial statements).

Notes to the Company Financial Statements continued

12. Share capital and reserves continued

- 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 issue amounted to AUD151.4m (£79.7m) (see also Note 15 of the consolidated financial statements).
- 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.
- 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 Company's indirect holding in FanDuel to 95%, up from the previous 57.8%. The value of shares issue 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 15 to the Consolidated Financial Statements).
- During the year a total of 1,492,430 ordinary shares (2019: 279,096 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 (2019: £3.6m).

Equity reserves include the following classes of reserves:

Undenominated capital

Undenominated capital of £2.2m (2019: £2.2m) which relates to the nominal value of shares in the Company acquired by the Company and subsequently cancelled, and the nominal value of shares in the Company cancelled as part of the return of capital to shareholders, and an amount of £0.2m (2019: £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.

Merger reserve

The Merger Reserve under Section 72 of the Companies Act 2014 of £7,982.9m represents 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.

Foreign exchange translation reserve

The foreign exchange translation reserve of £130.0m arose as a result of the Company changing its functional currency and presentation currency from Euro to pound sterling with effect from 1 January 2018.

Treasury shares

A total of 225,000 ordinary shares were held in treasury as of 31 December 2020 (2019: 225,000). All rights (including voting rights and the right to receive dividends) in the shares held in treasury are suspended until such time as the shares are reissued. The cost of treasury shares held by the Company at 31 December 2020 was £4.2m (2019: £4.2m).

Share-based payments reserve

In 2020, an amount of £77.2m (2019: £16.4m) in respect of share options exercised during the year was transferred from the share-based payment reserve to retained earnings.

13. Dividends paid on ordinary shares

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

Given the impact of the current disruption caused by Covid and the ambition for the Combined Group to de-lever, the Board considers it prudent to suspend the dividend for the current financial year ending 31 December 2020. The Board is committed to reviewing dividend policy once the Company returns to its medium-term leverage target of 1-2x.

14. Trade and other payables and derivative financial liabilities

Current liabilities

	31 December 2020 £m	31 December 2019 £m
Trade and other payables		
Trade payables	0.6	1.2
PAYE and social welfare	0.9	0.6
Value-added tax	1.1	1.9
Betting duty	2.2	4.8
Amounts owed to fellow Group companies	1,533.3	943.3
Accruals and other liabilities	28.6	17.2
Total	1,566.7	969.0
Derivative financial liabilities		
Sports betting open positions (Note 19)	3.7	4.6

15. Leases

Lease liabilities

	31 December 2020 £m	31 December 2019 £m
Current portion of lease liabilities	8.8	8.1
Non-current portion of lease liabilities	25.6	29.6

See Note 21 to the Consolidated Financial Statements for further information on lease liabilities.

16. Borrowings

Current liabilities

	31 December 2020 £m	31 December 2019 £m
Accrued interest on borrowings	—	0.4

Non-current liabilities

	31 December 2020 £m	31 December 2019 £m
Revolving credit facility	—	92.3
Less: expenses relating to revolving credit facility	—	(1.6)
Total	—	90.7

During 2020, the Company and the Group repaid and extinguished the Previous GBP RCF using the proceeds of the GBP First Lien Term Loan A. As a result of the extinguishment, unamortised transaction costs of £1.6m were recognised as an interest accretion expense included within financial expense in the income statement. See Note 22 to the consolidated financial statements for further information on the terms of the borrowings.

17. Financial risk management

The Company's risk exposures, and what its objectives, policies and processes are for managing those risks, are set out in Note 17 and Note 27 to the consolidated financial statements.

Notes to the Company Financial Statements continued

18. Credit risk

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at 31 December was:

	Carrying amount	
	31 December 2020 £m	31 December 2019 £m
Cash and cash equivalents	8.3	5.7

19. Fair values

Fair values versus carrying amounts

The following are the fair values and carrying amounts of financial assets and liabilities carried at amortised cost in the statement of financial position:

	31 December 2020		31 December 2019	
	Carrying amount £m	Fair value £m	Carrying amount £m	Fair value £m
Assets				
Amounts owed by fellow Group companies	184.5	184.5	217.2	217.2
Cash and cash equivalents	8.3	8.3	5.7	5.7
Total	192.8	192.8	222.9	222.9
Liabilities				
Trade and other payables	(1,566.7)	(1,566.7)	(969.0)	(969.0)
Lease liabilities	(34.4)	(34.4)	(37.7)	(37.7)
Borrowings	—	—	(92.7)	(92.7)
Total	(1,601.1)	(1,601.1)	(1,099.4)	(1,099.4)
Net	(1,408.3)	(1,408.3)	(876.5)	(876.5)

Fair value hierarchy

Financial instruments at 31 December which are carried at fair value are analysed by the valuation method below. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	31 December 2020			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Derivative financial liabilities	—	—	(3.7)	(3.7)
Total	—	—	(3.7)	(3.7)

	31 December 2019			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Derivative financial liabilities	—	—	(4.6)	(4.6)
Total	—	—	(4.6)	(4.6)

19. Fair values continued

Basis for determining fair values

The following are the significant methods and assumptions used to estimate the fair values of the financial instruments above.

Financial instruments carried at amortised cost

Cash and cash equivalents (Level 2)

The fair value of cash and cash equivalents is based on the nominal value of the relevant cash and bank deposit balances, as all are held at variable interest rates.

Trade and other payables (Level 2)

The fair value of trade and other payables is estimated using the present value of future cash flows discounted at the market rate of interest at the reporting date. Amounts due within three months are not discounted.

Lease liabilities (Level 2)

The fair value of lease liabilities is estimated using the present value of future cash flows discounted at the incremental borrowing rate at the lease commencement date.

Borrowings (Level 2)

The fair value of borrowings is estimated using the present value of future cash flows discounted at the market rate of interest at the reporting date.

Financial instruments carried at fair value

Derivative financial instruments (Level 3)

Derivative financial instruments comprise sports betting open positions. The fair value of open sports bets at the year-end has been calculated using the latest available prices on relevant sporting events.

Sensitivity analysis in respect of Level 3 financial instruments carried at fair value

The following sensitivity analysis has been performed for the Level 3 financial liabilities carried at fair value at 31 December 2020 and 2019:

Sports betting open positions

The fair value of sports betting open positions 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.

Movements in the year in respect of Level 3 financial instruments carried at fair value

The movements in respect of the financial assets and liabilities carried at fair value in the year to 31 December are as follows:

	Sports betting open positions £m	Contingent deferred consideration £m	Total £m
Balance at 31 December 2018	(8.7)	(0.1)	(8.8)
Recognised in the income statement	138.1	0.1	138.2
Settlements	(134.0)	—	(134.0)
Balance at 31 December 2019	**(4.6)**	—	**(4.6)**
Recognised in the income statement	**75.1**	—	**75.1**
Settlements	**(74.2)**	—	**(74.2)**
Balance at 31 December 2020	**(3.7)**	—	**(3.7)**

20. Pension arrangements

The Company operates defined contribution pension schemes for certain employees. The assets of the schemes are held separately from those of the Company in independently administered funds.

Pension costs for the year were £0.2m (2019: £0.3m) and the amount due to the schemes at 31 December 2020 amounted to £0.1m (2019: £0.1m).

Notes to the Company Financial Statements continued

21. Commitments and contingencies

Guarantees

The Company has uncommitted working capital overdraft facilities of £3.5m (2019: £4.3m) with Allied Irish Banks plc. These facilities are secured by cross-guarantees within the Group.

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.

As mentioned in Note 22 to the consolidated financial statements, borrowings under the TLA Agreement, Syndicated Facility Agreement and Senior Notes are guaranteed by the Company and certain of its operating subsidiaries.

Capital commitments

Capital expenditure contracted for at 31 December 2020 but not yet incurred was £nil (31 December 2019: £nil).

Section 357 guarantees

Pursuant to the provisions of Section 357 of the Companies Act 2014, the Company has guaranteed the liabilities and commitments of its wholly owned subsidiary undertakings in the Republic of Ireland for the financial year ended 31 December 2020 and, as a result, such subsidiary undertakings have been exempted from the filing provisions of the Companies Act 2014.

22. Approval of financial statements

The financial statements of the Company for the year ended 31 December 2020 were approved by the Board of Directors on 1 March 2021.

Five year financial summary (unaudited)

Financial information for the Group for the five years ended 31 December is set out below:

	Statutory 2020 £m	Statutory 2019 £m	Statutory 2018 £m	Statutory 2017 £m	Statutory 2016 £m
Revenue (before separately disclosed items)	**4,398.0**	2,140.0	1,873.4	1,745.4	1,500.8
Revenue: Separately disclosed items	**15.9**	—	—	—	—
Revenue (after separately disclosed items)	**4,413.9**	2,140.0	1,873.4	1,745.4	1,500.8
EBITDA (before separately disclosed items)	**889.2**	425.4	451.0	473.2	387.0
EBITDA: Separately disclosed items	**(117.6)**	(17.6)	(28.0)	(7.4)	(123.1)
EBITDA (after separately disclosed items)	**771.6**	407.8	423.0	465.8	263.9
Operating profit (before separately disclosed items)	**676.0**	280.6	360.5	391.9	319.1
Operating profit: Separately disclosed items	**(572.5)**	(130.7)	(155.9)	(141.9)	(303.7)
Operating profit (after separately disclosed items)	**103.5**	149.9	204.6	250.0	15.4
Profit before tax	**1.1**	135.7	218.7	246.6	11.9
(Loss)/profit for the year	**(34.7)**	111.9	180.7	217.7	(5.7)

Shareholder Information

Flutter Entertainment plc is a public limited company incorporated and domiciled in the Republic of Ireland. It has a primary listing on the London Stock Exchange and a secondary listing on Euronext Dublin.

Corporate website

The Company's corporate website provides shareholders with a broad range of information including investor information such as the Annual Report and Accounts, current and historic share prices, AGM materials, events and governance information:

www.flutter.com

Dividends

Dividend payments

Details of the Company's dividends for the financial year ended 31 December 2019 can be found on page 127 and at:

https://www.flutter.com/investors/shareholder-centre/dividends

Dividend withholding tax ("DWT")

As an Irish resident company, all dividends paid by the Company are subject to DWT, currently at the rate of 25% unless a shareholder is entitled to an exemption. Shareholders entitled to the exemption must have submitted a properly completed exemption form to the Company's Registrar by the relevant record date for the dividend. Non-Irish resident shareholders and certain Irish companies, trusts, pension schemes, investment undertakings, companies' resident in any member state of the European Union and charities may be entitled to claim exemption from DWT. If you require any further assistance or information on the relevant form to be completed, please contact the Registrar.

Forms are available on the Irish Tax & Customs Revenue website:

www.revenue.ie

Shareholders should note that DWT will be deducted from dividends where a properly completed form has not been received by the relevant record date for a dividend.

Dividend mandates

We encourage shareholders to have their dividends paid directly into their bank account to ensure efficiency of payment on the payment date and reduce the instances of lost or out-of-date unclaimed cheques. Please contact the Registrar to avail of this.

Out-of-date/unclaimed dividends

If you have out-of-date dividend cheques or unclaimed dividends, please contact the Registrar.

Financial calendar

	2021
Preliminary Results	2 March
2020 Annual General Meeting	29 April
Financial year end	31 December

Further updates to the calendar can be found at www.flutter.com

Electronic shareholder communications

We encourage you to be notified by email or letter when shareholder communications such as the Annual Report or Notice of Annual General Meeting are available to be viewed online on our website at:

www.flutter.com

This allows the Company to have a positive effect on the environment by significantly reducing the volume of paper used in the production of shareholder mailings, save substantial printing and postal costs in addition to speeding up the provision of information to you as a shareholder. You can elect to receive email notifications by contacting the Registrar.

Amalgamation of accounts

Shareholders who receive duplicate sets of Company mailings owing to multiple accounts in their name should contact the Registrar to request their accounts be amalgamated.

Shareportal

Shareholders may access their accounts online at:

www.signalshares.com

This facility allows shareholders to check their shareholdings and dividend payments, change address, change dividend instructions, register email addresses, appoint proxies electronically and also download standard forms and documents to initiate other changes in details held by the Registrar.

Shareholder security

Please be aware that organisations, typically from overseas, sometimes make unsolicited contact with shareholders offering to buy their shares or to sell shares on their behalf at prices which can be significantly higher than the market price of the shares.

If you are in receipt of an unsolicited call from someone offering to buy your shares, you should remain vigilant; take a note of the name of the person and organisation that has contacted you; not respond to high pressure tactics to provide bank details or arrange to transfer money if you are unsure of the bona fide nature of the caller; check if the company or individual is appropriately authorised to operate as an investment firm with your local regulatory authority (Central Bank of Ireland for shareholders resident in Ireland and the Financial Conduct Authority for shareholders resident in the UK); and obtain independent advice from a qualified advisor or stockbroker.

Share dealing

If you wish to buy or sell shares in the Company you can do this by using the services of a stockbroker or high street bank.

You can also use Link Share Dealing Services:

www.linksharedeal.com

Please note the price of shares can go down as well as up, and you are not guaranteed to get back the amount you originally invested. If you are in any doubt you should contact an independent financial adviser.

Contacts

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Dublin 4, Ireland
Tel: +353 1 905 1000
www.flutter.com

General

To contact the Investor Relations team email:
investor.relations@flutter.com

To contact the Company Secretariat team email:
cosec@flutter.com

Our brands

More information on each of our brands is available at:

Paddy Power: www.paddypower.com
Betfair: www.betfair.com
Sportsbet: www.sportsbet.com.au
TVG: www.tvg.com and us.betfair.com
FanDuel: www.fanduel.com
Adjarabet: www.adjarabet.com
PokerStars: www.pokerstars.com
Sky Betting & Gaming: www.Skybet.com

Registrar

Shareholders with queries concerning their holdings, dividend information or administrative matters should contact the Company's Registrar:

Link Registrars Limited,
Block C, Maynooth Business Campus,
Maynooth, Co. Kildare,
W23 F854, Ireland
Tel: +353 1 553 0050
Fax: +353 1 224 0700
Email: enquiries@linkgroup.ie

Other information

Directors and Company Secretary

Biographies of our current Directors can be found on pages 68 to 71.
The Company Secretary is Edward Traynor.

Company Number

16956

Brokers

Goldman Sachs International
J & E Davy

Legal advisers

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External Auditor

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Principal bankers

Allied Irish Banks, p.l.c.
Bank of Ireland Group plc
Barclays Bank Ireland PLC
Lloyds Bank PLC
National Australia Bank Limited
Santander UK plc
The Royal Bank of Scotland Group plc
Ulster Bank Ireland Limited

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