THIS CIRCULAR AND THE ACCOMPANYING FORM OF PROXY ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the action you should take, you are recommended to seek your own personal financial advice as soon as possible from your stockbroker, bank, solicitor, accountant or other appropriate independent professional financial adviser (being, in the case of Flutter Shareholders in Ireland, an organisation or firm authorised or exempted under the Investment Intermediaries Act, 1995 of Ireland (as amended) or the European Union (Markets in Financial Instruments) Regulations 2017 (as amended) or, in the case of Flutter Shareholders in the United Kingdom, an adviser authorised pursuant to the Financial Services and Markets Act 2000, or from another appropriately authorised independent financial adviser if you are in a territory outside Ireland or the United Kingdom).

If you sell or have sold or otherwise transferred your entire holding of Flutter Shares, please send this Circular, together with the accompanying Form of Proxy, as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee. However, such documents should not be forwarded or transmitted in or into any jurisdiction in which such act would constitute a violation of the relevant laws or regulations in such jurisdiction. If you sell or have sold or otherwise transferred only part of your holding of Flutter Shares, you should retain this Circular and the accompanying Form of Proxy and immediately consult the stockbroker, bank or other agent through whom the sale or transfer was effected.

A Prospectus relating to Admission prepared in accordance with Part 4 of the Market Conduct Rules, Chapter 1 of Part 23 of the Companies Act 2014, the Irish Prospectus Regulations and the EU Prospectus Regulation has been published on the Company's website on or around the date of this Circular. This document should be read in conjunction with the Prospectus and the information incorporated by reference into this document.

This document is not a prospectus and it does not constitute or form part of any offer or invitation to purchase, acquire, subscribe for, sell, dispose of or issue, or any solicitation of any offer to sell, dispose of, purchase, acquire or subscribe for, any security, including any Flutter Shares to be issued in connection with the Combination.

The distribution of this document and/or the accompanying documents (in whole or in part) in jurisdictions other than the United Kingdom or Ireland may be restricted by the laws of those jurisdictions and therefore persons into whose possession this document comes should inform themselves about and observe any such restrictions. Failure to comply with any such restrictions may constitute a violation of the securities laws of any such jurisdiction.

Flutter™
Entertainment plc

FLUTTER ENTERTAINMENT PLC

(incorporated and registered in Ireland under the Companies Act with registered number 16956)

Recommended all-share combination of Flutter Entertainment plc and The Stars Group Inc.

Class 1 Acquisition

and

Notice of Extraordinary General Meeting

Goldman Sachs, which is authorised by the PRA and regulated by the FCA and the PRA in the United Kingdom, is acting as financial adviser and sponsor to Flutter and no one else in connection with the Combination. PJT Partners, which is authorised and regulated by the FCA in the United Kingdom is acting as financial adviser to Flutter and no one else in connection with the Combination. In connection with such matters, Goldman Sachs and PJT Partners, their affiliates and their respective directors, officers, employees and agents will not regard any other person as their client, nor will they be responsible to anyone other than Flutter for providing the protections afforded to their clients or for providing advice in relation to the Combination, the contents of this Circular or any transaction arrangement or other matter referred to herein.

Apart from the responsibilities and liabilities, if any, which may be imposed on Goldman Sachs and PJT Partners by FSMA or the regulatory regime established thereunder, or under the regulatory regime of any jurisdiction where exclusion of liability under the relevant regulatory regime would be illegal, void or unenforceable, Goldman Sachs and PJT Partners and their affiliates, directors, officers, employees and advisers, accept no responsibility or liability whatsoever for, and do not make any representation or warranty, express or implied, as to the contents of this Circular, including its accuracy, completeness or verification or for any other statement made or purported to be made in connection with Flutter, TSG, the Combined Group or the Combination and nothing in this Circular is or shall be relied upon as a promise or representation in this respect, whether as to the past or future. Goldman Sachs and PJT Partners accordingly disclaim to the fullest extent permitted by law all and any responsibility or liability whether arising in tort, contract or otherwise (save as referred to above) which they might otherwise have in respect of this Circular or any such statement.

This Circular should be read as a whole. Your attention is drawn to the letter from the Chair of Flutter, which is set out on pages 4 to 21 of this Circular and which contains the unanimous recommendation of the Flutter Board that you vote in favour of the Resolutions to be proposed at the EGM referred to below. Your attention is also drawn in particular to the risk factors set out in Part III (Risk Factors) of this Circular.

Notice of an EGM of Flutter, to be held at 11.00 a.m. on 21 April 2020 at Arthur Cox, Ten Earlsfort Terrace, Dublin 2, D02 T380, Ireland is set out at the end of this Circular. A Form of Proxy for use by Flutter Shareholders in connection with the EGM is enclosed, other than for Flutter Shareholders who have opted for the electronic communications service, who will receive an email notification rather than a Form of Proxy. To be valid, Forms of Proxy, completed in accordance with the instructions printed thereon, must be lodged with the Company's registrar, Link Registrars Limited, either to P.O. Box 1110, Maynooth, Co. Kildare, Ireland (if delivered by post) or to Link Registrars Limited, Level 2, Block C, Maynooth Business Campus, Maynooth, Co. Kildare, W23 F854, Ireland (if delivered by hand) or received by the Company at its registered office, by no later than 11.00 a.m. on 19 April 2020 (or, in the case of an adjournment, no later than 48 hours before the time fixed for holding the adjourned meeting).

Alternatively, Flutter Shareholders may appoint a proxy electronically, by visiting the website of the Company's registrar at www.fluttershares.com; to do this, Flutter Shareholders will need their investor code (IVC), which can be found on their Form of Proxy.

CREST members may also use the CREST electronic proxy appointment service to appoint a proxy for the EGM.

Further instructions on how to appoint a proxy are set out in the notes to the Notice of EGM and on the Form of Proxy.

All proxy appointments (including an electronic proxy appointment or an appointment via the CREST electronic proxy appointment service) must be received by no later than 11.00 a.m. on 19 April 2020 (or, in the case of an adjournment, no later than 48 hours before the time fixed for holding the adjourned meeting). The completion and return of a Form of Proxy (including an electronic proxy appointment or an appointment via the CREST electronic proxy appointment service) will not prevent a Flutter Shareholder from attending and voting in person at the EGM, or any adjournment thereof, should they wish to do so. A proxy need not be a shareholder of the Company.

Capitalised terms used in this document are defined in Part VII (*Definitions*) of this Circular.

The date of publication of this document is 27 March 2020.

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EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Flutter Shareholders should take note of the dates and times set forth in the table below in connection with the Combination. These dates and times are indicative only and may be changed by Flutter and TSG, acting jointly, in accordance with the terms and conditions of the Combination, as described in this Circular.

Event	Date
Court hearing in respect of Interim Order and Interim Order obtained	13 March 2020
Date of issue of this Circular	27 March 2020
Latest time and date for receipt of Forms of Proxy for the EGM	11.00 a.m. on 19 April 2020
Record date for determining Flutter Shareholders entitled to vote at the EGM	7.00 p.m. on 19 April 2020
EGM	11.00 a.m. on 21 April 2020
TSG Shareholder Meeting	10.00 a.m. (Eastern time) on 21 April 2020
Court hearing in respect of the Final Order and Final Order obtained	23 April 2020
Effective Date, Completion	A date expected to be in the second or third quarter of 2020 (***D***)
New Flutter Shares issued	D
Expected Admission and commencement of dealings in Flutter Shares	3:00 a.m. (Eastern time)/ 8:00 a.m. (Irish time) on D
De-listing of TSG Shares from TSX and NASDAQ	Promptly following D
Long Stop Date[(1)]	31 October 2020

(1) As set out in Part VII (*Definitions*) of this Circular, the Long Stop Date is capable of being extended by: (i) either Flutter or TSG, for up to two consecutive periods of 90 days in circumstances where certain regulatory approvals and gaming consents remain outstanding when all other Conditions have been satisfied or waived; or (ii) mutual consent of both Flutter and TSG.

The above dates are indicative only and assume that the requisite regulatory clearances have been obtained and the other Conditions to Completion have been satisfied before the date estimated for Completion. The expected dates will depend, among other things, on the timing of the satisfaction of all the Conditions to Completion. If any of the above times and/or dates change, the revised times and/or dates will be notified by announcement through a Regulatory Information Service.

Flutter will make appropriate announcements to a Regulatory Information Service promptly after the EGM giving details of the results thereof and on Admission giving details of the number of New Flutter Shares that have been issued.

All references in this Circular to times are to Dublin, Ireland times, unless otherwise stated.

DIRECTORS, SECRETARY, REGISTERED OFFICE AND ADVISERS

Directors of Flutter	Gary McGann	(Chair)
	Peter Jackson	(Chief Executive Officer)
	Jonathan Hill	(Chief Financial Officer)
	Jan Bolz	(Non-Executive Director)
	Zillah Byng-Thorne	(Non-Executive Director)
	Michael Cawley	(Non-Executive Director)
	Nancy Cruickshank	(Non-Executive Director)
	Ian Dyson	(Senior Independent Director)
	Andrew Higginson	(Non-Executive Director)
	Peter Rigby	(Non-Executive Director)
	Emer Timmons	(Non-Executive Director)
Company Secretary of Flutter	Edward Traynor	(Company Secretary)

Registered Office of Flutter	Belfield Office Park, Beech Hill Road, Clonskeagh, Dublin 4, Ireland
Financial adviser, corporate broker and sponsor to the Company	Goldman Sachs International Plumtree Court, 25 Shoe Lane, London, EC4A 4AU, United Kingdom
Financial adviser to the Company	PJT Partners One Curzon Street, London, W1J 5HD, United Kingdom
Legal advisers to the Company as to English law	Freshfields Bruckhaus Deringer LLP, 65 Fleet Street, London, EC4Y 1HS, United Kingdom
Legal advisers to the Company as to Irish law	Arthur Cox Ten Earlsfort Terrace, Dublin 2, D02 T380, Ireland
Legal Advisers to the Company as to Canadian law	Stikeman Elliott LLP 5300 Commerce Court West, 199 Bay Street, Toronto, Ontario M5L 1B9, Canada
Reporting accountants and auditors to the Company	KPMG 1 Stokes Place, St Stephen’s Green, Dublin 2 D02 DE03, Ireland

PART I
LETTER FROM THE CHAIR OF FLUTTER

Flutter Entertainment plc
(incorporated in Ireland with limited liability with registered number 16956)

Directors		*Registered office*
Gary McGann	(*Chair*)	Belfield Office Park
Peter Jackson	(*Chief Executive Officer*)	Beech Hill Road
Jonathan Hill	(*Chief Financial Officer*)	Clonskeagh
Ian Dyson	(*Senior Independent Director*)	Dublin 4
Jan Bolz		Ireland
Zillah Byng-Thorne		
Michael Cawley		
Nancy Cruickshank		
Andrew Higginson		
Peter Rigby		
Emer Timmons		

27 March 2020

To the holders of Flutter Shares.

Dear Shareholder,

Recommended all-share combination of Flutter Entertainment plc and The Stars Group Inc. and Notice of Extraordinary General Meeting

1. Introduction

On 2 October 2019, Flutter and TSG announced they had reached agreement on the terms of a recommended all-share combination to be implemented through an acquisition of TSG by Flutter pursuant to the Plan of Arrangement, resulting in Flutter Shareholders owning 54.64% of the Combined Group and TSG Shareholders owning 45.36% of the Combined Group on a fully diluted basis (excluding any out of the money options).

Under the terms of the Combination (summarised in paragraph 8 of this Part I), TSG Shareholders will be entitled to receive 0.2253 New Flutter Shares in exchange for each outstanding TSG Share. In addition: (i) each TSG Option outstanding at the Effective Time 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 RSU, TSG PSU and TSG 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.

Subject to approval of the Final 2019 Dividend by Flutter Shareholders at Flutter's 2020 annual general meeting to be held on 14 May 2020, existing Flutter Shareholders will be entitled to receive a Final 2019 Dividend, in the form of ordinary shares of Flutter, of 133 pence per Flutter Share. For the avoidance of doubt, the New Flutter Shares will not carry any entitlement to the Final 2019 Dividend. For further information on the proposed dividend policy of the Combined Group, please see paragraph 3 of this Part I below.

Following Completion, Flutter will be the parent company of the Combined Group. The Combined Group will be headquartered and domiciled in Dublin, Ireland. Flutter will have a premium listing on the London Stock Exchange and a secondary listing on Euronext Dublin.

Subject to the satisfaction, or where applicable, waiver of the Conditions, it is estimated that the Combination, which is to be implemented through the Plan of Arrangement, will become Effective in the second or third quarter of 2020.

Due to the size of TSG in relation to the size of Flutter, the Combination constitutes a reverse takeover and a Class 1 Transaction pursuant to the Listing Rules and is therefore both subject to and conditional upon the approval of existing Flutter Shareholders. An EGM is being convened for this purpose and will be held at 11.00 a.m. on 21 April 2020 at Arthur Cox, Ten Earlsfort Terrace, Dublin 2, D02 T380, Ireland. **A Notice of EGM containing the Resolutions to be proposed and considered at the EGM is set out at the end of this Circular.**

The boards of Flutter and TSG have considered at length the impact of the current disruption caused by COVID-19 to both: (i) the global online betting and gaming sector (including in particular the cancellation of major sporting events); and (ii) the Combination specifically (including in particular the effect on equity and credit markets). In addition, each of Flutter and TSG have recently issued trading updates setting out the impact of COVID-19 on their respective businesses. Notwithstanding the current disruption and the potential impact that this may have on the financial profile of the Combined Group in the current financial year, the boards of Flutter and TSG continue to believe that the strategic fit and the financial benefits of the Combination remain compelling to shareholders and the impact of COVID-19 reinforces the basis for the creation of the Combined Group as a highly diversified business from a geographic, product and brand perspective with an enhanced global platform.

Accordingly, the Combination has been unanimously recommended by the boards of Flutter and TSG. The Flutter Board considers that the Combination is in the best interests of Flutter Shareholders as a whole and unanimously recommends that Flutter Shareholders vote in favour of the Resolutions to be proposed at the EGM.

The purpose of this Circular is to: (i) explain the background to and reasons for the Combination; (ii) explain why the Flutter Board considers the Combination to be in the best interests of Flutter Shareholders as a whole; and (iii) convene an EGM to seek the approval of Flutter Shareholders for the Combination and other actions on the part of Flutter related to the Combination.

2. Background to and reasons for the Combination

The Flutter Board believes that the global online betting and gaming sector continues to exhibit many characteristics that are structurally attractive. For example, in a total gambling market worth an estimated $450 billion in gross revenues in 2018, online and mobile gambling comprised approximately 11% ($50 billion), having increased at a compound annual growth rate of approximately 11% between 2013 and 2018.[1] The Flutter Board is confident that there remains a long runway of growth for online and mobile betting and gaming. Migration from offline to online and mobile remains a key driver of growth, with each one percentage point of migration generating an estimated additional $4 billion in extra online revenue.[2]

While there are some regulatory challenges to the industry in certain core markets, significant favourable regulatory developments are opening up new opportunities within online betting and gaming markets, with the most significant example being the on-going expansion of the US sports betting market. The Flutter Board believes that having a combination of proven, developed technology platforms, world-class brands and complementary product offerings will be key to taking advantage of these growth opportunities.

However, while the industry remains attractive from a structural growth perspective, it has historically been, and will continue to be, subject to local regulatory and tax changes that can adversely impact betting and gaming operators. Recent changes have included online gaming tax increases in the UK, Australia and Ireland, as well as changes to the regulation of fixed odds betting terminals and the prohibition on the use of credit cards for online betting in the UK. These changes, in what are already some of the most highly competitive online betting and gaming markets in the world, have emphasised the importance of having more diversified and sustainable revenue streams.

The Flutter Board believes the Combination provides a compelling strategic fit for Flutter and that the effect of the Combination will be to:

1. accelerate delivery against each of the components of Flutter's four pillar strategy;

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[1] Source: H2 Gambling Capital (***H2GC***).

[2] Source: H2GC.

2. create a highly diversified business from a geographic, product and brand perspective with an enhanced global platform;
3. deliver significant value for shareholders through the realisation of material cost synergies;
4. reinforce a robust financial profile which will facilitate strategic flexibility as well as generate sustainable long-term shareholder returns; and
5. maintain a leading role in the promotion of responsible gambling through an enlarged global footprint.

Accelerate delivery against each of the components of Flutter's four pillar strategy

The Flutter Board believes that the diversification effects of the Combination will accelerate delivery against each of the components of Flutter's existing four pillar strategy, which comprise:

- Pillar 1 – to maximise profitable growth in core markets;
- Pillar 2 – to grow in the rest of the world;
- Pillar 3 – to attain podium positions in additional regulated markets; and
- Pillar 4 – to pursue US opportunities rigorously.

Pillar 1 – to maximize profitable growth in core markets

The Flutter Board expects the Combination to enhance Flutter's customer proposition and profitability in its core markets of the UK, Ireland and Australia.

The combined offering of Sky Bet, Paddy Power, Betfair and PokerStars in the UK and Ireland, and of Sportsbet and BetEasy in Australia will provide the Combined Group with access to trusted brands with a sustainable base of customers. In addition, the Combined Group will benefit from "best practice" sharing, leading content innovation and the symbiotic relationship that Sky Bet has with Sky.

The Combined Group is also expected to benefit from significant cost synergies in its core markets from: the integration of operations and technology platforms; savings in marketing and procurement; and gaining access to TSG's gaming skills and expertise.

If any of these benefits do not materialise, the Combination may be less beneficial from the perceptive of the Flutter Group than is currently anticipated. These risks are addressed in the paragraphs entitled "*The Combined Group may not realise the targeted level of synergies, cost savings and other anticipated benefits of the Combination in full, at all or in the expected timeframe*" and "*The Combined Group may fail to retain existing customers for its poker offerings or add new customers or customers could decrease their level of engagement with poker offerings in general*" on pages 27 and 34 respectively of this Circular.

Pillar 2 - to grow in the rest of the world

The Combination will facilitate a step-change in the international growth prospects of the Flutter Group.

Like Flutter, TSG has a strong track record of cross-selling across its customer base. TSG's international business segment currently has an annual Active Customer base of approximately 4 million. A significant proportion of TSG's Active Customer base in its international markets are now multi-product customers. The Flutter Board believes that the Combined Group will be well positioned to offer its high-quality sports betting offerings to that customer base, in turn driving revenue growth. In addition, the Flutter Board believes that existing international Flutter customers will benefit from having access to an improved casino and poker offering.

TSG's international poker business shares a number of characteristics with Flutter's Betfair Exchange business, including best-in-class liquidity, a highly regarded customer proposition, product investment and integrity to create a winning ecosystem. TSG's poker business is highly profitable and cash generative, delivering strong margins and free cash flow conversion.

Following Completion, the Combined Group will have leading franchises across free-to-play, daily fantasy sports, sports betting, horse racing, poker and casino, capable of being tailored to each market.

Pillar 3 – to attain podium positions in additional regulated markets

Flutter currently enjoys a podium position (i.e. a top three position in the relevant jurisdiction, based on market share of gross gaming revenue in that jurisdiction) in the US, Georgia and in Flutter's three core markets of the UK, Ireland and Australia. The Combination will increase the number of online markets where Flutter enjoys a podium position to eight by adding Spain, Italy and Germany.[3] As the number of regulated markets grows, TSG's strong presence in a long list of other markets will also enable the Combined Group to accelerate its international growth, targeting further podium positions. This will be aided by TSG's platform capabilities expanding Flutter's current offering of languages (to approximately 30), currencies (to more than 25) and payment options (to more than 55).

Flutter therefore expects the Combination to improve the diversification of the Combined Group and overall growth profile of the business outside of its current core markets.

Pillar 4 – to pursue US opportunities rigorously

In the United States, the Combined Group will benefit from excellent brand recognition and marketing assets through the combined offering of FanDuel, FOX Bet, TVG and PokerStars.

The Combination brings together a leading online sports betting operator in the United States (FanDuel) with a high-profile national media partner in FOX Sports. The Combined Group will benefit from a leading product ecosystem across free-to-play, daily fantasy sports, sports betting, horse racing, poker and casino.

The Combined Group's position will be underpinned by market access in up to 24 states, an established horse racing footprint in 33 states, access to daily fantasy sports in over 40 states and access to free-to-play in nearly all states. It is also expected to benefit from best-in-class distribution across the United States through over 100 million FOX Sports viewers, a FanDuel customer database in excess of 8 million and two wagering focused TV channels available in 45 million homes across the United States.

Flutter and TSG expect that the Combined Group will deploy a dual brand strategy from a single platform to maximise the addressable market opportunity across a broader spectrum of customers whilst benefiting from significant operating leverage.

In order to achieve economic alignment of Flutter's and TSG's strategic third-party relationships across their respective US businesses, Flutter has entered into arrangements, conditional on Completion, with FOX (TSG's US media partner for FOX Bet), Fastball Holdings LLC and Boyd Interactive Gaming LLC (together Flutter's co-shareholders in FanDuel Group) in return for which each of FOX, Fastball Holdings LLC and Boyd Interactive Gaming LLC have waived certain of the exclusivity provisions that form part of the existing contractual arrangements in relation to the US subsidiaries of TSG and Flutter. Further details of these arrangements are set out in Part II (*Principal Terms and Conditions of the Combination*) of this Circular.

Create a highly diversified business from a geographic, product and brand perspective with an enhanced global platform[4]

The Combination will bring together two complimentary businesses to create a global leader in sports betting and gaming. The Combined Group will have a diverse portfolio of leading brands and complementary best-in-class products with a broad geographic reach. Flutter and TSG will each bring to the

[3] Sources: UK: Regulus Partners, GB Remote Market Share and Growth, 2018; H2 Gambling Capital, H2 United Kingdom Data, Jan 2020; Ireland: Regulus Partners, ROI Remote Market Share and Growth, 2018; internal management estimates; Australia: internal management estimates based on publicly released financial statements from each competitor, 2019; US: Eilers & Krejcik, DFS Market Share, Dec 2019; New Jersey Division of Gaming Enforcement Revenue Reports, Sportsbook Report, Jan 2020; New Jersey Division of Gaming Enforcement Revenue Reports, Casino Report, Jan 2020; Pennsylvania Gaming Control Board, Gaming Revenue, Jan 2020; The West Virginia Lottery Commission, Sports Wagering, Jan 2020; Georgia: Alves, Georgian Deposit Data, Dec 2018; internal management estimates; Spain, Italy and Germany: Regulus Partners, Market Data, 2018.

[4] Pro forma figures in this paragraph have been extracted without adjustment from the pro forma financial information included in Section A (*Unaudited Pro Forma Financial Information*) of Part V (*Unaudited Pro Forma Financial Information of the Combined Group*) of this Circular. Such information is unaudited.

Combined Group a proven track record of using product and brand leadership to create low-cost customer acquisition channels, while optimising value through product cross-sell. The Combined Group will benefit from both an enhanced global platform and improved reach within local markets. On a pro forma basis, based on 2019 reported financials, the Combined Group's annual revenue would have been £4.12 billion in 2019, which would have made it the largest online betting and gaming operator globally.

Flutter believes that the Combined Group will be better positioned to continue investing in its products and to enhance its customer offering while driving efficiencies across its cost base. The Combination will improve the operating efficiency of the business, lead to the sharing of best practice across both businesses and support continued investment in technology, product innovation, data analytics, brands and responsible gambling. Flutter expects this to result in enhanced returns on investment.

Deliver significant value for shareholders through the realisation of material cost synergies

Flutter and TSG have significant experience in delivering shareholder value from combining and successfully integrating large-scale businesses. Following an analysis of the Flutter and TSG businesses undertaken by Flutter and TSG's management teams, the boards of Flutter and TSG expect material cost synergies to result from the Combination. These cost synergies underpin the strategic rationale for the transaction and the significant value creation opportunity for shareholders. The complementary nature of the businesses and ability to leverage product platforms to enhance the efficiency of the Combined Group are key drivers of the identified cost synergies.

Flutter and TSG expect that the Combination will generate pre-tax cost synergies of approximately £140 million per annum, with target run-rate phasing of approximately £25 million, £115 million and £140 million in the three 12-month periods following Completion. These synergies are separate from, and in addition to, TSG's previously announced synergies of $100 million per annum resulting from the acquisition of SBG in July 2018, which it continues to expect to achieve in fiscal year 2020. The anticipated synergies from the Combination are expected to be achieved primarily in the following areas:

- corporate and administrative: removal of US/Canadian listing costs and realigning corporate costs in duplicative areas;
- procurement: driving efficiencies through purchasing opportunities;
- technology and risk: focusing on core platforms and streamlining risk capabilities; and
- marketing: driving efficiency across marketing platforms.

Approximately two thirds of the anticipated cost synergies are expected to be distributed roughly equally between the corporate and administrative and technology and risk cost bases, with the balance expected to be generated roughly equally between the procurement and marketing cost bases. The achievement of these cost synergies is contingent on the Combination completing and they could not be achieved independently.

In achieving these synergies, the Combined Group expects to incur aggregate cash implementation costs of approximately £180 million. These are expected to be incurred in the first two years following Completion.

In addition, the Combined Group is expected to realise: (i) revenue benefits through cross-selling in international markets; and (ii) financing synergies through the refinancing of TSG's existing debt given the expected financial and credit profile of the Combined Group. These synergies have not been quantified or included in the statement of estimated cost synergies and any such synergies, to the extent they are realised, will be additional to the quantified cost synergies referred to above.

Flutter and TSG have a strong understanding of each other's respective businesses which has been supplemented by a focussed mutual due diligence exercise undertaken prior to announcement of the Combination on 2 October 2019. Prior to the announcement of the Combination, discussions were held between senior finance and commercial executives of Flutter and TSG across various segments of their respective businesses for the purposes of enabling the respective teams to compile their estimates of potential synergies and associated costs from the Combination.

As part of this process, Flutter and TSG developed initial estimates of cost synergies. The methodology employed in quantifying the estimated cost synergies has been to apply percentage savings from either the TSG, Flutter or Combined Group's cost base in each business division or segment (as appropriate) using a combination of prior experience, known benchmarks, strong knowledge of the respective businesses and with consideration for the anticipated operating model.

In preparing the statement of estimated cost synergies, both Flutter and TSG have shared certain operating and financial information to facilitate a detailed analysis in support of evaluating the potential cost synergies available from the Combination. In circumstances where data has been limited for commercial, competition or other reasons, estimates and assumptions have been made to aid the development of individual synergy targets.

There are various material assumptions underlying the statement of estimated cost synergies, which may result in the value of the estimated cost synergies being greater or less than anticipated, or which could result in the delay of their delivery. In arriving at the estimate of the run rate for pre-tax cost synergies set out above, Flutter and TSG have made the following assumptions:

- the ability of the Combined Group to generate third party cost efficiencies from economies of scale will be consistent with Flutter's past experience of acquisitions;
- the delivery of identified cost synergies will not cause material disruption to the underlying operations of the Combined Group or its ability to conduct its business and will not materially impact revenue growth;
- cost synergies in general and administrative areas through the centralisation of functions and removal of duplication will be consistent with Flutter's past experience;
- it will be possible and efficient for the Combined Group to run a single global risk and trading function across three regions (Europe, North America and Australia);
- it will be possible and efficient for the Combined Group to operate multiple brands in various geographies which will be supported by a single, or reduced number of, Sportsbook platforms;
- the quantum and nature of aggregate implementation costs and the phasing of anticipated synergies will be consistent with Flutter's past experience;
- the impact of the COVID-19 pandemic on the Combined Group's operations will not materially impact the cost or timing of the delivery of the anticipated cost synergies; and
- there will be no material changes to: (i) the underlying operations of the Combined Group; (ii) the competitive landscape or macroeconomic, political or regulatory outlook in the markets or regions in which the Combined Group will operate; (iii) foreign exchange rates; (iv) tax legislation or tax rates applicable to the Combined Group; or (v) other external factors that would materially impact on the ability of the Combined Group to achieve the anticipated cost synergies or the costs of achieving those synergies.

Following the mutual due diligence exercise undertaken in connection with the Combination prior to the announcement of the Combination, the evaluation of cost savings opportunities following Completion remains an on-going process and final proposals as to how such cost savings will be implemented will depend on the outcome of a further detailed business, operational and administrative review and the development of an integration plan, each of which will be finalised following Completion. Finalisation of the integration plan will be subject to engagement with appropriate stakeholders. A key focus for the management of the Combined Group will be minimising disruption during the integration process, maintaining momentum in the existing businesses and progress on delivery of the Combined Group's strategy in the US.

These statements of estimated cost synergies reflect both the beneficial elements and relevant costs associated with achieving the relevant synergies. These statements of estimated cost synergies relate to future actions and circumstances which, by their nature, involve risks, uncertainties and contingencies. As a result, the cost synergies referred to may not be achieved, may be achieved later or sooner than estimated, or those achieved could be materially different from those estimated. These statements are not intended as a profit forecast or profit estimate and should not be interpreted as such nor should they be interpreted to mean that the earnings per Flutter Share, for the current or future financial periods will necessarily be greater than those for the relevant preceding financial period.

Reinforce a robust financial profile which will facilitate strategic flexibility and sustainable long-term shareholder returns

The Flutter Board believes that fundamentally the Combined Group will have a robust financial profile given the strong cash generation profile of the Combined Group in conjunction with expected revenue, cost and financing synergies. In the current financial year, the impact of the disruption caused by COVID-19 to the global online

betting and gaming sector, in particular the cancellation of major sporting events, is expected to impact the financial profile of the Combined Group. While we expect this impact to reduce over time, the current impact is likely to leave the Net Debt to Underlying EBITDA (pre-IFRS 16) ratio excluding synergies of the Combined Group at the end of the first financial reporting period following Completion higher than 3.5x.

The Flutter Board has considered the future capital management policy for the Combined Group and while it has flexibility to maintain Flutter's leverage at higher ratios, it remains committed to maintaining Flutter's existing target Net Debt to Underlying EBITDA (pre-IFRS 16) ratio of 1.0x to 2.0x for the Combined Group over the medium term. Accordingly, given the impact of the current disruption caused by COVID-19 and as part of prudent planning, the Flutter Board has considered its approach to Flutter's dividend policy and the Combined Group's proposed dividend policy as announced on 2 October 2019. For information on Flutter's, TSG's and the Combined Group's revised proposed dividend policies, see paragraph 3 of this Part I below. In addition, the Flutter Board will monitor the calendar of sporting events and the associated performance of sports betting as well as the Combined Group's anticipated deleveraging and balance sheet position and, if necessary, consider a broad range of options to accelerate the Combined Group's path to achieving the target range within its capital management policy.

The Flutter Board continues to expect the Combination to be value accretive and deliver a post-tax return on invested capital which exceeds Flutter's cost of capital by the end of the third full financial year following Completion. The Combination is also expected to be at least 50% accretive to Flutter's Underlying Earnings Per Share in the first full financial year following Completion.

Maintain a leading role in the promotion of responsible gambling through an enlarged global footprint

The Flutter Board believes that, through its enhanced global footprint, the Combined Group can continue to be a strong, leading voice in the promotion of responsible gambling protections across the world. Both Flutter and TSG are leading advocates for creating a culture of responsible gambling, by, among other things, building long-term sustainable relationships with their customers and utilising technology to protect their customers, especially those at risk from potential harm. The Combined Group will be well placed to play a role in seeking cross industry progress in areas of concern from a regulatory perspective and to improve and lead industry standards for player protection by continuing to work collaboratively with regulators, while maintaining best-in-class responsible gambling product offerings.

3. Dividends and dividend policy

Flutter

Subject to approval of the Final 2019 Dividend by Flutter Shareholders at Flutter's 2020 annual general meeting to be held on 14 May 2020, existing Flutter Shareholders will be entitled to receive a Final 2019 Dividend of 133 pence per Flutter Share. Given the impact of the current disruption caused by COVID-19, the Flutter Board will propose that the Final 2019 Dividend is paid in the form of ordinary shares of Flutter. For the avoidance of doubt, the New Flutter Shares will not carry any entitlement to the Final 2019 Dividend.

At the announcement of the Combination, the Flutter Board had expected that Flutter Shareholders immediately prior to Completion would be entitled to a pro-rated dividend, reflecting a time pro-rated amount of the total anticipated annual dividend for the financial year ending 31 December 2020, to which Flutter Shareholders would otherwise be entitled if the Combination had not proceeded. Given the anticipated financial profile of Flutter in the current year, the Flutter Board consider it no longer prudent to propose any pro-rated dividend.

TSG

TSG has never declared or paid dividends and is not expected to pay any dividend to the TSG Shareholders prior to Completion.

Combined Group dividend policy

Given the impact of the current disruption caused by COVID-19 and the ambition for the Combined Group to delever, the Flutter Board considers it prudent to suspend the dividend for the current financial year ending 31 December 2020. The Flutter Board's future capital management policy for the Combined Group is to target a Net Debt to Underlying EBITDA (pre-IFRS 16) ratio of 1.0x to 2.0x over the medium term. The Flutter Board will continue to monitor the calendar of sporting events and the associated performance of sports betting as well as the Combined Group's anticipated deleveraging and balance sheet position to decide the appropriate time to reinstate a dividend for the Combined Group.

4. Flutter Board at Completion

The Flutter Board at Completion will be drawn from the boards of both Flutter and TSG and is expected to comprise fifteen directors, including thirteen non-executive directors. The Flutter Board at Completion is expected to be as follows:

Gary McGann	Chair
Divyesh (Dave) Gadhia	Deputy Chair
Andrew Higginson	Senior Independent Director
Peter Jackson	Chief Executive Officer
Jonathan Hill	Chief Financial Officer
Rafael (Rafi) Ashkenazi	Non-Executive Director
Zillah Byng-Thorne	Non-Executive Director
Michael Cawley	Non-Executive Director
Nancy Cruickshank	Non-Executive Director
Ian Dyson	Non-Executive Director
Richard Flint	Non-Executive Director
Alfred F. Hurley, Jr	Non-Executive Director
David Lazzarato	Non-Executive Director
Peter Rigby	Non-Executive Director
Mary Turner	Non-Executive Director

The composition of the Flutter Board at Completion has been determined between the Flutter Board and the TSG Board following extensive discussions. The aim of both parties during this process was to create a board of the Combined Group which is well-balanced and has the appropriate skills, knowledge, experience and diversity for the current and future needs of the business of the Combined Group. Each director appointed to the Flutter Board at Completion will, in accordance with Flutter's Articles, hold office until the conclusion of the next annual general meeting of Flutter following such appointment, unless he or she is re-elected at that annual general meeting. As Mr Dyson has served on the Flutter Board for more than nine years he does not, in that respect only, meet the usual criteria for independence set out in the UK Corporate Governance Code. The Flutter Board has determined Ian Dyson to be independent in character and judgement and confirmed his continued independence notwithstanding his length of service, taking into account his significant industry experience, his continued offering of constructive challenge within the Flutter Board and the fact he has only served with the current executive directors of Flutter since 2018.

Any executive or non-executive Director of Flutter not appointed to the Flutter Board at Completion will step down from the Flutter Board with effect from Completion. Each such Director who will be stepping down is fully supportive of the rationale for the Combination and of its terms and conditions.

Any executive or non-executive director of TSG not appointed to the Flutter Board at Completion will step down from the TSG Board with effect from Completion. Each such director who will not join the Flutter Board at Completion is fully supportive of the rationale for the Combination and of its terms and conditions.

Further details about executive contracts and arrangements are set out in Part VI (*Additional Information*) of this Circular.

The maximum number of directors currently permitted by Flutter's Articles is twelve. Accordingly, to accommodate the proposed changes to the Flutter Board at Completion described above, Resolution 3 to be proposed at the EGM provides for an increase in the maximum number of Directors to fifteen.

5. Management and employees

Flutter and TSG recognise the skills and experience of their respective management and employees and expect certain of the management teams of both Flutter and TSG to play a leading role in the Combined Group in the future and that employees will generally benefit from the greater opportunities for the business following Completion.

To achieve the full potential benefits of the Combination and in the long-term interests of Flutter, a business, operational and administrative review will be undertaken following Completion. The synergies work already carried out has highlighted the potential to generate savings for the Combined Group in areas where there may be duplication across general corporate overheads and facilities, and by rationalising certain operational and support functions.

No decisions have been made by either Flutter or TSG in relation to specific actions that will be taken as part of this business, operational and administrative review. Prior to any decisions being made, detailed discussions will be held between Flutter and TSG employees and relevant partners.

The boards of Flutter and TSG have each confirmed that the existing contractual and employment rights, including pension rights, of all Flutter and TSG employees will be fully safeguarded on Completion.

The Combined Group will be headquartered in Dublin.

6. Voting Support Agreements

The directors of TSG have entered into voting support agreements with Flutter under which they have agreed, subject to certain termination rights, to vote the TSG Shares held by them in favour of the TSG Resolution at the TSG Shareholder Meeting in respect of their own beneficial holdings totalling approximately 0.11% of the issued and outstanding TSG Shares as at the Latest Practicable Date. Flutter has also entered into a voting support agreement with each of Caledonia (Private) Investments Pty Limited and ValueAct Holdings LLP under which they have each agreed, subject to certain termination rights, to vote all of the TSG Shares held by them in favour of the TSG Resolution at the TSG Shareholder Meeting, representing in total approximately 23.33% of the existing issued and outstanding TSG Shares as at the Latest Practicable Date.

The Directors have entered into voting support agreements with TSG under which they have agreed, subject to certain termination rights, to vote the Flutter shares held by them in favour of the Combination Resolutions at the EGM in respect of their own beneficial holdings totalling 20,552 Flutter Shares representing approximately 0.03% of existing issued ordinary share capital of Flutter as at the Latest Practicable Date.

7. Information on The Stars Group (TSG)

TSG is a provider of technology-based product offerings in the global online and mobile gaming and interactive entertainment industries. Its brands have millions of registered customers globally and collectively are leaders in online and mobile betting, poker, casino and other gaming-related offerings. TSG owns or licenses gaming and related consumer businesses and brands, including 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, PokerStars Caribbean Adventure, Latin American Poker Tour, Asia Pacific Poker Tour, PokerStars Festival and PokerStars MEGASTACK. TSG is one of the world's most licensed online gaming operators with its subsidiaries collectively holding licences or approvals in 23 jurisdictions throughout the world, including in Europe, Australia and the Americas. TSG's vision is to become the world's favourite online gaming destination and its mission is to provide its customers with winning moments.

TSG reported total assets of $11.28 billion as at 31 December 2019. For the financial year ended 31 December 2019, TSG reported Adjusted EBITDA of $921.1 million and earnings before tax of $61.67 million (compared to a loss before tax of $(109.9) million in 2018).

8. Principal terms and conditions of the Combination

It is intended that the Combination will be implemented by way of an all-share combination to be effected by means of the Court-approved Plan of Arrangement, pursuant to which Flutter will acquire all of the issued and outstanding TSG Shares.

Court Approval

The Arrangement requires approval by the Court pursuant to the OBCA. Prior to the mailing of the TSG Circular, TSG will have obtained the Interim Order, providing for the calling and holding of the TSG Shareholder Meeting, prescribing rules for the conduct of the TSG Shareholder Meeting and providing for TSG Dissent Rights and other procedural matters.

Subject to the terms of the Arrangement Agreement and any applicable order of the Court, and if the TSG Resolution is approved by TSG Shareholders at the TSG Shareholders Meeting in the manner required by the Interim Order, TSG intends to make an application to the Court for the Final Order to take place promptly following the TSG Shareholder Meeting. Under the terms of the Interim Order, certain TSG securityholders will have the right to appear and make submissions at the application for the Final Order, by

submitting a notice of appearance in compliance with the terms of the Interim Order. At the hearing for the Final Order, the Court will consider, among other things, the procedural and substantive fairness and reasonableness of the Arrangement and the rights of every person affected. The Court may approve the Arrangement either as proposed or as amended in any manner the Court may direct, subject to compliance with such terms and conditions, if any, as the Court deems fit. If the Court approves the Arrangement with amendments, depending on the nature of the amendments, Flutter and TSG may agree not to complete the Arrangement.

Conditions

The Combination is subject to the Conditions, which are set out in full in the Arrangement Agreement, and which include the following:

- approval of the Combination by Flutter Shareholders (by ordinary resolution) as a Class 1 Transaction at a general meeting of Flutter;
- the FCA, the London Stock Exchange and Euronext Dublin agreeing to admit Flutter's enlarged ordinary share capital to: (i) listing on the premium listing segment of the Official List of the FCA and to a secondary listing on the Official List of Euronext Dublin; and (ii) trading on the London Stock Exchange's main market for listed securities and the Euronext Dublin Market;
- approval of the TSG Resolution by at least $66^{2/3}$% of votes cast by TSG Shareholders, present in person or represented by proxy, at the TSG Shareholder Meeting;
- approval by the Court of the Plan of Arrangement; and
- relevant merger control, foreign investment and gaming related approvals being obtained, including in the UK, Ireland, Australia, the US and Canada.

The approval of Flutter Shareholders will be sought at the EGM and the approval of TSG Shareholders will be sought at the TSG Shareholder Meeting, each of which is scheduled to occur on 21 April 2020. Subject to the satisfaction of the Conditions, Completion is estimated to occur during the second or third quarter of 2020.

Key Terms

To give effect to the Plan of Arrangement, the Articles of Arrangement will be filed with the OBCA Director and the Certificate of Arrangement will be issued. Upon the Plan of Arrangement becoming effective, the following steps will occur and will be deemed to occur in the sequence and at the times set out in the Plan of Arrangement:

- each TSG Share outstanding at the Effective Time, other than: (i) any TSG Shares in respect of which TSG Dissent Rights have been properly exercised; and (ii) any TSG Shares held by Flutter, will be transferred and assigned by the holder thereof to, and acquired by, Flutter, in exchange for 0.2253 New Flutter Shares and in respect of each such TSG Share transferred and assigned pursuant to the Plan of Arrangement, each former TSG Shareholder will cease to be the holder of such TSG Shares so exchanged and such holder's name will be removed from the register of holders of TSG Shares at such time and will cease to have any rights as a holder of TSG Shares, other than the right to receive New Flutter Shares;
- each TSG Option that as of the Effective Time is outstanding under the TSG Share Plans will cease to represent an option or other right to acquire TSG Shares and shall be exchanged at the Effective Time for an option to purchase from Flutter a number of New Flutter Shares (rounded down to the nearest whole number) equal to: (A) 0.2253, multiplied by (B) the number of TSG Shares subject to such TSG Option immediately prior to the Effective Time, at an exercise price per New Flutter Share (rounded up to the nearest whole cent) equal to (Y) the exercise price per TSG Share otherwise purchasable pursuant to such TSG Option immediately prior to the Effective Time, divided by (Z) 0.2253;
- each TSG RSU, TSG PSU and TSG DSU that as of the Effective Time is outstanding under the TSG Equity Plan shall be continued on the same terms and conditions as were applicable immediately prior to the Effective Time except that: (i) the terms of such TSG Equity Awards shall be amended so as to

substitute for the TSG Shares subject to such TSG Equity Awards, New Flutter Shares (rounded down to the nearest whole number) equal to: (x) 0.2253, multiplied by (y) the number of TSG Shares subject to such TSG Equity Awards immediately prior to the Effective Time 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; and (ii) the terms of certain of the TSG PSUs shall be adjusted as to performance goals and vesting (see paragraph 5 of Part II (*Principal Terms and Conditions of the Combination*);

- as of the Effective Time, the TSG Share Plans will be assumed by Flutter; and
- each TSG Share in respect of which TSG Dissent Rights have been properly exercised will be deemed to be transferred by the TSG Dissenting Shareholder thereof, without any further act or formality on its part, to TSG for cancellation in consideration for a claim against TSG for an amount determined in accordance with the Plan of Arrangement, and in respect of each such TSG Share transferred and assigned to TSG for cancellation, each such TSG Dissenting Shareholder will cease to be the holder of such TSG Shares.

Upon the Plan of Arrangement becoming effective, it will be binding on all TSG Shareholders, irrespective of whether they attended or voted at the TSG Shareholder Meeting (and if they attended and voted, whether or not they voted in favour of the TSG Resolution). Each certificate representing TSG Shares immediately prior to the Effective Time shall be deemed to represent only the right to receive the consideration in respect of such TSG Shares required under the Plan of Arrangement, less any amounts withheld pursuant to the Plan of Arrangement.

The issued and outstanding TSG Shares acquired by Flutter pursuant to the Plan of Arrangement will be fully paid and free from all liens, charges, security interests, encumbrances, mortgages, hypothecaries, restrictions, adverse claims or other claims of third parties of any kind.

The New Flutter Shares issued to TSG Shareholders pursuant to the Plan of Arrangement will be issued credited as fully paid and free of any pre-emptive rights and liens and will rank *pari passu* in all respects with existing Flutter Shares then in issue, including in respect of the right to receive and retain in full all dividends and other distributions (if any) announced, declared, made or paid or any other return of capital (whether by reduction of share capital or share premium account or otherwise) made, in each case, by reference to a record date falling on or after the Effective Date. For the avoidance of doubt, the New Flutter Shares will not carry any entitlement to the Final 2019 Dividend. The New Flutter Shares will be issued in registered form, will trade under the same ISIN number as the existing Flutter Shares (IE00BWT6H894) and will be capable of being held in uncertificated form.

Fractions of New Flutter Shares will not be allotted or issued to TSG Shareholders and entitlements will be rounded down to the nearest whole number of New Flutter Shares and all fractions of New Flutter Shares will be aggregated and sold in the market as soon as practicable after the Effective Date. The net proceeds of such sale (after deduction of all expenses and commissions incurred in connection with the sale) will be paid by (or on behalf of) Flutter in due proportions to TSG Shareholders who would otherwise have been entitled to such fractions, save that individual entitlements to amounts of less than £5 will be retained for the benefit of the Combined Group.

If the Plan of Arrangement has not been completed on or before the Long Stop Date and the Arrangement Agreement is terminated in accordance with its terms, the Combination will not proceed.

Dissent Rights

TSG Shareholders may exercise TSG Dissent Rights in respect of the TSG Resolution under section 185 of the OBCA (as modified by the Plan of Arrangement and the Interim Order). If the Combination is completed, TSG Dissenting Shareholders who comply with the procedures set forth in the OBCA (as modified by the Plan of Arrangement and the Interim Order) will be entitled to be paid the fair value of their TSG Shares in respect of which TSG Dissent Rights have been properly exercised.

It is a Condition to Flutter's obligation to complete the Combination that the total number of TSG Shares with respect to which TSG Dissent Rights have been properly exercised does not exceed 5% of the outstanding TSG Shares as of the Filing Date.

9. Canadian securities law reporting obligations of Flutter

Flutter is not currently a "reporting issuer" in any province or territory of Canada. Following Completion, Flutter will become a "reporting issuer" within the meaning of applicable Canadian securities laws in certain jurisdictions of Canada and, as such, Flutter will be required to comply with the continuous and other timely disclosure requirements and securities rules under relevant Canadian securities laws, in addition to its disclosure and other reporting obligations under applicable Irish and UK law.

However, following Completion, Flutter expects to qualify as a "designated foreign issuer" within the meaning of applicable Canadian securities laws and, as such, expects to satisfy its ongoing Canadian reporting obligations by sending to Canadian holders of Flutter Shares and filing with Canadian Securities Administrators the materials that it sends to Flutter Shareholders and files with the FCA, the Central Bank, the London Stock Exchange and Euronext Dublin, as applicable, pursuant to the applicable laws, regulations and rules in Ireland and the United Kingdom.

Flutter may in the future take actions to cease to be a "reporting issuer" under applicable Canadian securities laws.

10. Listing and indexation

In accordance with the current listing of Flutter, it is expected that following Completion, Flutter will be re-listed on the premium listing segment of the Official List of the FCA with a secondary listing on the Official List of Euronext Dublin and re-admitted to trading on the London Stock Exchange's main market for listed securities and the Euronext Dublin Market. Flutter is expected to remain a constituent of the FTSE 100 index.

11. Listing, dealings and settlement of the Flutter Shares

Application will be made to the FCA, the London Stock Exchange and Euronext Dublin for the Flutter Shares to be re-admitted to: (i) listing on the premium listing segment of the Official List of the FCA and to a secondary listing on the Official List of Euronext Dublin; and (ii) trading on the London Stock Exchange's main market for listed securities and the Euronext Dublin Market. It is expected that Admission will become effective and that dealings for normal settlement in Flutter Shares will commence on the London Stock Exchange and the Euronext Dublin at 8.00 a.m. (3.00 a.m. Eastern time) on the Effective Date.

12. De-listing of TSG Shares, de-registering TSG Shares under the US Exchange Act and TSG ceasing to be a reporting issuer in Canada

Upon Completion, TSG will become a wholly-owned subsidiary of Flutter and each certificate representing TSG Shares outstanding immediately prior to the Effective Time shall be deemed to represent only the right to receive the consideration in respect of such TSG Shares required under the Plan of Arrangement, less any amounts withheld pursuant to the Plan of Arrangement.

It is expected that, upon Completion, the current listing of the TSG Shares on the TSX and the NASDAQ will terminate, the TSG Shares will be de-registered under the US Exchange Act and TSG will apply to the Canadian Securities Administrators to cease to be a reporting issuer following Completion.

13. Accounting considerations

The Flutter financial year ends on 31 December and the TSG financial year ends on 31 December. It is intended that the Combined Group will have an accounting financial year ending on 31 December each year and that, subject to the terms of the Combined Group's proposed dividend policy as set out in paragraph 3 of this Part I, it will pay an interim dividend in September and a final dividend in May. It is also expected that Flutter's presentation currency will be GBP.

For accounting purposes, it is expected that TSG will be consolidated into Flutter's balance sheet. A fair value exercise in respect of TSG's assets and liabilities will be conducted following Completion, resulting in TSG's assets and liabilities being included at fair value on the Combined Group's balance sheet. Intangible assets arising will include goodwill and brands.

14. Current trading and prospects, including market trends

Flutter

Audited consolidated financial statements for Flutter for the financial years ended 31 December 2019, 31 December 2018 and 31 December 2017 have been incorporated by reference into this document, as described on page 381 (*Documents Incorporated by Reference*).

Save as set out below in relation to the impact of COVID-19, there has been no significant change in the financial position or financial performance of Flutter since 31 December 2019.

TSG

Audited consolidated financial statements for TSG for the financial years ended 31 December 2019, 31 December 2018 and 31 December 2017 are included in Part IV (*Historical Financial Information for the TSG Group*) of this document.

Save as set out below in relation to the impact of COVID-19, there has been no significant change in the financial position or financial performance of TSG since 31 December 2019.

Current trading and trend information – Flutter

On 16 March 2020, the Flutter Group announced an update on the potential impact on current trading given many national governments and sports authorities around the world had made the decision to postpone/cancel high attendance sports events in an effort to delay the spread of COVID-19. These postponements and cancellations will obviously have a material impact on the revenue and earnings of the Flutter Group which, in 2019, generated approximately 78% of its revenues through bets placed on global sporting events.

Quantifying the precise earnings impact on the Flutter Group is difficult at this point as the Flutter Board does not have visibility on the duration of restrictions on sporting events. While most major global sports have been suspended/cancelled, there are some exceptions where events are now being scheduled to take place behind closed doors.

In order to assist in the quantification of the impact on the Flutter Group at this point, the Flutter Board estimates that in a scenario where restrictions remain in place until the end of August (including full suspension of Australian sports and the cancellation of Euro 2020), EBITDA for the Flutter Group would be reduced by approximately £90-110 million. This estimate assumes that Flutter's UK and Irish shops remain open and that scheduled UK, Irish and Australian horse racing fixtures continue to run, albeit behind closed doors. Should horse racing be cancelled in the three regions and our UK/Irish shops be closed, we estimate that this would incrementally reduce Flutter Group EBITDA by approximately £30 million per month. Irish and UK authorities have since announced the cancellation of horse racing for an initial period ending 19 April 2020, in Ireland, and the end of April 2020, in the UK. Measures announced in Ireland and the UK have also resulted in the closure of Flutter's Irish and UK retail betting shops.

In terms of the operational management of the Flutter Group's business, Flutter successfully deployed its business continuity plan during the week commencing 9 March 2020, with all systems performing well. Prior to the announcement of cancellations, trading in the quarter had been running ahead of our expectations, assisted by good customer momentum and favourable sporting results.

The Flutter Group retains a strong balance sheet with a leverage ratio (net debt/EBITDA) of 0.7 times as at 31 December 2019, well below its covenant level of 3.5 times. Flutter will continue to explore ways to mitigate the impact of cancellations through multiple measures.

The PPB online division will see a number of regulatory changes this year. In particular, on 14 January 2020, the United Kingdom Gambling Commission announced that betting and gaming operators will no longer be permitted to accept credit card payments from UK based customers with effect from 14 April 2020. The annualised revenue impact of this is expected to be approximately £20-25 million. During 2019, as part of its ongoing review of business relationships, Flutter also took the decision to stop taking business from a small number of Betfair Exchange B2B partners where it felt that their compliance policies were no longer sufficiently aligned with those of the Flutter Group. Flutter estimates that the decision to switch off these B2B partners will result in a reduction in Betfair Exchange revenues, equivalent to less than 1% of Flutter Group revenues in 2020.

In the US, FanDuel continues to enjoy very strong momentum. Subject to the evolving impact of COVID-19 on resources, FanDuel plans to launch and invest in its online Sportsbook in at least three additional states in 2020.

The recent trend by governments, both national and local, to introduce "regulate and tax" regimes is leading to an opening up of additional regulated online markets. The repeal of the federal ban on sports betting in the US and the Brazilian government announcing its intention to regulate sports betting are two examples of this trend. In the last two years alone, markets with a total potential online customer base of over 400 million adults have either introduced regulation, or been given the authority to do so.

The challenge posed by COVID-19 currently facing Flutter's business and the industry more widely is unprecedented in modern times. Flutter's focus, first and foremost, is on protecting the welfare of its employees and its customers and Flutter will leave nothing to chance in this regard. While Flutter's near-term profitability will be impacted by the essential measures being taken globally, the Flutter Board will remain focused on protecting shareholder value and managing the business through these turbulent times.

Current trading and trend information – TSG

On 16 March 2020, TSG announced an update on current trading. TSG announced that it is pleased with the performance of its business so far this year, which has seen continued strong underlying momentum within its UK and Australia segments, and a sequential improvement in its international segment from the fourth quarter of 2019. So far this year, TSG is performing ahead of the TSG Board's expectations and the TSG Board currently expects to see strong year over year growth in revenues for the first quarter of 2020.

Revenues within TSG's International segment are slightly ahead of the prior year period on a constant currency basis, while the UK segment has experienced continued strong underlying trends alongside operator favorable sporting results, leading to strong growth in revenue year over year. In addition to its performance, TSG entered 2020 with the full $100 million run-rate of expected cost synergies from the SBG Acquisition and has already prepaid $100 million of debt in the year, underpinning its ability to execute on complex integrations and the highly cash-generative nature of the business. TSG also has detailed plans in place to continue driving revenue synergies and to increase investments in product and marketing, giving it confidence in continued revenue growth in the years ahead.

Outside of TSG's strong performance so far this year, the recent outbreak of the COVID-19 pandemic has resulted in the cancellation or postponement of major sporting events globally. TSG is closely monitoring the continued impact of COVID-19, and the health and safety of its employees and customers remains TSG's top priority, as it implements its business continuity plans and continues to observe and comply with local mandates and guidelines across its global offices. TSG's employees are working remotely to ensure that its customers can continue to enjoy its products, and while TSG currently still offers a broad range of betting options to its customers, any sustained outbreak resulting in the further postponement or cancellation of major sporting events could have a material impact on its sports betting revenue in the near term.

Notwithstanding, while it remains difficult to predict the scope, timing and length of the current sports postponements and cancellations, the TSG business is online only with a global geographic reach and a majority of revenues (62% in 2019) generated from poker and gaming. TSG therefore remains confident in its ability to continue driving revenue growth in the years ahead, despite the inevitable disruption in the sports industry during 2020.

Separately, TSG's International segment continues to see disruptions and regulatory headwinds in certain markets due to local restrictions on some methods of payment processing and on certain methods of downloading TSG's products, particularly related to online casino and poker. Some of these disruptions, notably the closure of poker in Switzerland, began in the second half of 2019 and as such, TSG will continue to see the impact of such disruptions through at least the first half of 2020. However, TSG has a deep pipeline of new product launches and marketing plans, in addition to expected new market expansion plans, that it believes should support the development of its international poker business through 2020. Subject to the ongoing impact of COVID-19, TSG also currently plans to increase marketing investment in its international gaming business during 2020, which it expects to deliver strong returns over time, but to negatively impact profitability during 2020.

In the US, TSG continues to execute on its plans through its FOX Bet real-money wagering products and PokerStars-branded real-money poker and casino products in New Jersey and Pennsylvania as well as its FOX Sports Super 6 app nationwide (excluding Washington state). So far in 2020, TSG has announced a market access agreement with the Little Traverse Bay Bands of Odawa Indians Gaming Authority for first-

skin online betting and gaming market access in the state of Michigan, and currently expects to increase investments in the US to support planned FOX Bet launches in further states, including Colorado. To date, TSG now has combined access to up to 20 states under its applicable market access agreements, subject to license availability, state law and regulatory approvals.

In the UK, TSG believes it has strong promotional plans in place for the future integration of Sky Poker within the PokerStars ecosystem in the UK. In advance of the United Kingdom Gambling Commission credit card ban that will take effect 14 April 2020, TSG began prohibiting the addition of new credit cards by UK-based customers in February 2020 as part of a phased process towards the full implementation of the restrictions. TSG's Australian segment's focus on targeted, personalised promotions during 2019 has continued into 2020.

As at December 31, 2019, TSG had cash and cash equivalents of $321 million, and (as referenced above) subsequently prepaid $100 million of its USD First Lien Term Loan in February. In addition, TSG has access to its revolving credit facility, among other potential sources of liquidity, that together with its current cash and cash equivalents, provides approximately $1 billion of liquidity.

15. Risk factors

Flutter Shareholders should consider fully and carefully the risk factors associated with the Combined Group and the Combination. For a discussion of the risks and uncertainties which you should take into account when considering whether to vote in favour of the Combination, please refer to Part III (*Risk Factors*) of this Circular.

16. Taxation

The Combination does not involve existing Flutter Shareholders disposing of their Flutter Shares or acquiring additional Flutter Shares (other than existing Flutter Shareholders (if any) who also hold TSG Shares immediately prior to the Effective Time). As such, the Combination is not expected to have any tax implications for existing shareholders. The contents of this document are not to be construed as tax advice and each Flutter Shareholder should consult its own tax adviser for tax advice in relation to its holding of Flutter Shares.

17. Flutter Shareholder Voting and EGM

Due to its size, the Combination is subject to the approval of Flutter Shareholders. Set out on page 393 of this Circular is a notice convening the EGM, to be held at 11.00 a.m. on 21 April 2020 at Arthur Cox, Ten Earlsfort Terrace, Dublin 2, D02 T380, Ireland. In light of the continued impact of the COVID-19 outbreak, the EGM will be conducted in accordance with the latest guidance of the Irish Government to minimise any potential risks posed to attendees.

The EGM has been convened to consider, and if thought fit, to approve ordinary resolutions approving the Combination and authorising the directors of Flutter to allot New Flutter Shares up to a maximum nominal amount of €5,987,861 in connection with the Combination.

In addition, the following Flutter Ancillary Resolutions, each conditional upon Completion, will be proposed at the EGM:

(a) ordinary resolutions to:

  (i) increase the maximum number of members of the board of directors of Flutter from twelve to fifteen; and

  (ii) authorise the capitalisation of any merger reserve resulting from the issuance of New Flutter Shares in connection with the Combination; and

(b) a special resolution to authorise, subject to the confirmation of the Irish High Court, a reduction of Flutter's company capital.

While it is not a condition to Completion that they are approved, each of the Flutter Ancillary Resolutions are related to the Combination, and as such are being proposed at the EGM.

Further, in light of the continued impact of the COVID-19 outbreak and the announcement of the Irish Government on 24 March 2020 to prohibit all social gatherings or events involving more than four people, a special resolution will be proposed to reduce the quorum required for general meetings of Flutter Shareholders from ten people to two people. Having considered the restrictions imposed by the Irish Government, the Flutter

Board believes that it is prudent to reduce the quorum for general meetings to below the prohibited threshold in an attempt to minimise any potential disruption to Flutter's 2020 annual general meeting to be held on 14 May 2020.

The full text of the Resolutions is set out in Part VIII (*Notice of Extraordinary General Meeting*) of this Circular.

If passed, the Combination Resolutions will authorise the Combination substantially on the terms and subject to the Conditions summarised in paragraph 8 of this Part I (*Letter from the Chair of Flutter*) of the Circular. The passing of the ordinary resolutions (being Resolutions 1 to 4) requires the support of a simple majority of the votes cast (whether in person or by proxy) at the EGM. Resolutions 5 and 6, being special resolutions, require the support of not less than 75% of the votes cast (whether in person or by proxy) in respect of such resolution.

If you would like to vote on the Resolutions but cannot attend the EGM, you can appoint a proxy to exercise all or any of your rights to attend, vote and speak at the EGM by using one of the methods set out in the notes to the Notice of the EGM.

A summary of the Resolutions is set out below:

Resolution 1 – Approval of the Combination as a Class 1 Transaction

Resolution 1 proposes that the Combination, and any ancillary or associated agreements, be approved and the directors of Flutter be authorised to take all steps and enter all agreements and arrangements necessary, desirable or expedient to implement the Combination.

Resolution 2 – Approval of specific authority to allot in connection with the Combination

Resolution 2 proposes that, subject to and conditional upon the passing of Resolution 1, the Directors be generally and unconditionally authorised to allot New Flutter Shares to TSG Shareholders on Completion, up to a maximum aggregate nominal amount of €5,987,861 (representing, in aggregate, 66,531,782 New Flutter Shares). If granted, this authority will expire on the Long Stop Date.

Resolution 3 – Approval of increase in maximum number of directors of Flutter

Resolution 3 proposes that, subject to and conditional upon Completion, the number of directors of Flutter shall be amended to be not more than fifteen and not less than four, unless determined otherwise at a general meeting.

As described in paragraph 4 above of this Part I *(Letter from the Chair of Flutter)*, at Completion it is proposed that the number of directors will increase to fifteen and accordingly Resolution 3 is being proposed at the EGM to accommodate this increase.

Resolution 4 – Approval of capitalisation of the merger reserve

Resolution 4 proposes that, subject to and conditional upon Completion, the capitalisation of any amount standing to the credit of the merger reserve account of Flutter resulting from the issuance of New Flutter Shares pursuant to the Combination be approved and the directors be authorised to determine the amount of and whether to proceed with such capitalisation.

The issuance by Flutter of the New Flutter Shares to TSG Shareholders pursuant to the Combination will result in the creation of a "merger reserve" equal to (a) the value of TSG immediately prior to Completion less (b) the aggregate nominal value of the New Flutter Shares. The amount standing to the credit of the merger reserve account will not form part of Flutter's "distributable reserves" and accordingly, in order to convert substantially all of such amount into distributable reserves, following Completion, Flutter intends to capitalise the merger reserve. The capitalisation of the merger reserve will increase the amount standing to the credit of Flutter's share premium account by the amount of the merger reserve account balance following the allotment of the New Flutter Shares that is capitalised less the aggregate nominal value of the Flutter Share(s) that will be issued by Flutter as part of the capitalisation. Once the merger reserve has been capitalised, Flutter intends, subject to the passing of Resolution 5 as described below, to carry out a capital

reduction of some or all of the amount standing to the credit of Flutter's share premium account as a result of the capitalisation, and for the reserve arising from that capital reduction to be treated as profits available for distribution.

If Resolution 4 is not approved at the EGM then the amount standing to the credit of Flutter's merger reserve account following Completion will not be available to fund distributions, including dividends and share repurchases.

Resolution 5 – Approval of capital reduction

Resolution 5 proposes that, subject to and conditional upon, Completion, the capitalisation (as provided for in Resolution 4) occurring and the confirmation of the Irish High Court: (i) the company capital of Flutter be reduced by the cancellation of up to the entire amount of any undenominated capital credited to Flutter's share premium account arising from the capitalisation referred to in Resolution 4; (ii) the reserve resulting from such cancellation be treated as profits available for distribution; and (iii) the directors of Flutter be authorised to determine the amount of such reduction and to seek (or not seek) the approval of the Irish High Court.

Under Irish company law, any dividends, share redemptions or repurchases made by Flutter must be funded from distributable reserves or, for share repurchases or redemptions, from the proceeds of a fresh issue of shares for that purpose. Section 84 of the Companies Act 2014 enables a company, subject to shareholder approval and the confirmation of the Irish High Court, to create distributable reserves through a reduction of company capital. While as at 31 December 2019, Flutter had significant distributable reserves, these reserves will be reduced over time by any dividends or share repurchases or redemptions and accordingly Flutter wishes to ensure that it is not constrained from paying dividends, redeeming or repurchasing shares by a lack of distributable reserves in circumstances where it is otherwise in a position to pay dividends and/or redeem or repurchase shares and this resolution is intended to maximise the Company's flexibility to do so.

Even if Resolutions 4 and 5 are approved by Flutter Shareholders at the EGM, any proposed capital reduction would be subject to the confirmation of the Irish High Court. Although the Directors are not aware of any reason why the Irish High Court would not approve the creation of distributable reserves in this manner, the issuance of the required Irish High Court order is a matter entirely at the discretion of the Irish High Court and there is no guarantee that such approval will be forthcoming.

Resolution 6 – Reduction of quorum for general meetings

Resolution 6 proposes that the quorum required for general meetings of Flutter Shareholders be reduced from ten people to two people. Having considered the continued impact of the COVID-19 outbreak and the restrictions imposed by the Irish Government on gatherings of more than four people, the Flutter Board believes that it is prudent to reduce the quorum for general meetings to below the prohibited threshold in an attempt to minimise any potential disruption to Flutter's 2020 annual general meeting to be held on 14 May 2020.

18. Further information

Your attention is drawn to the further information set out in Parts II (*Principal Terms and Conditions of the Combination*) to VI (*Additional Information*) of this Circular and to the Prospectus and the Arrangement Agreement. ***Flutter Shareholders should read the whole of this Circular and not just rely on the summarised information set out in this letter.***

19. EGM and action to be taken

You will find enclosed with the Circular a Form of Proxy for use at the EGM. Whether or not you intend to be present at the EGM in person, it is important that you complete the Form of Proxy (in accordance with the instructions printed thereon) and return it to the Company's registrar, Link Registrars Limited, either to P.O. Box 1110, Maynooth, Co. Kildare, Ireland (if delivered by post) or to Link Registrars Limited, Level 2, Block C, Maynooth Business Campus, Maynooth, Co Kildare, W23 F854, Ireland (if delivered by hand), or to the Company at its registered office.

Alternatively, Flutter Shareholders may appoint a proxy electronically, by visiting the website of the Company's registrar at www.fluttershares.com; to do this, Flutter Shareholders will need their investor code (IVC), which can be found on their Form of Proxy.

CREST members may also use the CREST electronic proxy appointment service to appoint a proxy for the EGM.

Further instructions on how to appoint a proxy are set out in the notes to the Notice of EGM and on the Form of Proxy.

All proxy appointments (including an electronic proxy appointment or an appointment via the CREST electronic proxy appointment service) must be received by no later than 11.00 a.m. on 19 April 2020 (or, in the case of an adjournment, no later than 48 hours before the time fixed for holding the adjourned meeting). The completion and return of a Form of Proxy (including an electronic proxy appointment or an appointment via the CREST electronic proxy appointment service) will not prevent a Flutter Shareholder from attending and voting in person at the EGM, or any adjournment thereof, should they wish to do so.

20. Financial Advice

The Flutter Board has received financial advice from Goldman Sachs and PJT Partners in relation to the proposed Combination. In providing such financial advice to the Flutter Board, Goldman Sachs and PJT Partners have taken into account the Flutter Board's commercial assessment of the proposed Combination.

21. Recommendation

The Flutter Board considers that the Combination and the Resolutions are in the best interests of Flutter Shareholders as a whole and, accordingly, unanimously recommends that Flutter Shareholders vote in favour of each of the Resolutions to be proposed at the EGM, as each member of the Flutter Board intends to do, or procure to be done, in respect of their own beneficial holdings of, in aggregate, 20,552 Flutter Shares, representing approximately 0.03% of the total number of voting rights in the Company as at the Latest Practicable Date.

Yours faithfully
Gary McGann, Chair
For and on behalf of the Flutter Board

PART II
PRINCIPAL TERMS AND CONDITIONS OF THE COMBINATION

A summary of the essential terms of the Combination is set out at paragraph 8 of Part I (*Letter from the Chair of Flutter*) of this Circular. Further details of the key terms of the Combination are set out below.

1. Overview

On 2 October 2019, the boards of Flutter and TSG announced they had reached agreement on the terms of the recommended all-share combination which will result in Flutter Shareholders owning 54.64% of Flutter and TSG Shareholders owning 45.36% of Flutter on a fully diluted basis, excluding any out of the money options.

Under the terms of the Arrangement Agreement, Flutter Shareholders on the register of members of Flutter at 6.00 p.m. on the last day prior to the Effective Date are entitled to receive: (i) a final dividend in respect of Flutter's financial year ended 31 December 2019, unless a dividend in respect of such period has previously been declared or paid prior to the Effective Time; and (ii) a pro-rated dividend, reflecting a time pro-rated amount of the total anticipated annual dividend for the financial year ending 31 December 2020, to which Flutter Shareholders would otherwise have been entitled. However, given the impact of the current disruption caused by COVID-19 and as part of prudent planning, the Flutter Board has considered its approach to Flutter's dividend policy, and the Flutter Board consider it no longer prudent to propose any pro-rated dividend.

As described in paragraph 3 of Part I *(Letter from the Chair of Flutter)* of this Circular, existing Flutter Shareholders will be entitled to a receive a Final 2019 Dividend of 133 pence per Flutter Share in respect of Flutter's financial year ended 31 December 2019. Given the impact of the current disruption caused by COVID-19, the Flutter Board will propose that the Final 2019 Dividend is paid in the form of ordinary shares of Flutter.

Accordingly, in accordance with the terms of the Arrangement Agreement, no further dividend shall be paid to Flutter Shareholders in respect of Flutter's financial year ended 2019.

2. Consideration

Under the terms of the Combination, TSG Shareholders will be entitled to receive 0.2253 New Flutter Shares in exchange for each TSG Share (excluding TSG Dissenting Shareholders) and pursuant to the Plan of Arrangement, TSG will become a wholly-owned subsidiary of Flutter.

3. Conditions to Completion

The Combination is subject to the Conditions, which include the following:

- approval of the Combination by Flutter Shareholders (by ordinary resolution) as a Class 1 Transaction at a general meeting of Flutter;
- the FCA, the London Stock Exchange and Euronext Dublin agreeing to admit Flutter's enlarged ordinary share capital to: (i) listing on the premium listing segment of the Official List of the FCA and to a secondary listing on the Official List of Euronext Dublin; and (ii) trading on the London Stock Exchange's main market for listed securities and the Euronext Dublin Market;
- approval of the TSG Resolution by at least $66^{2/3}$% of the votes cast by TSG Shareholders, present in person or represented by proxy, at the TSG Shareholder Meeting;
- approval by the Court of the Plan of Arrangement;
- relevant merger control, foreign investment and gaming related approvals being obtained, including in the UK, Ireland, Australia, the US and Canada;
- the performance of or compliance in all material respects with all material covenants by TSG and Flutter;
- that, subject to certain qualifications set out in the Arrangement Agreement, all key representations and warranties of TSG and Flutter respectively are true and correct;
- in the case of Flutter, the total number of TSG Shares in respect of which TSG Dissent Rights have been exercised and not validly withdrawn not exceeding 5% of all outstanding TSG Shares as of the Filing Date; and

- that a Material Adverse Effect has not occurred on either Flutter or TSG.

While Flutter does not anticipate any significant obstacle to obtaining all required regulatory and anti-trust approvals to the Combination there can be no certainty that all required regulatory approvals will be forthcoming or that any conditions imposed by or undertakings required by the applicable regulatory authority will be acceptable to Flutter and TSG. Please refer to the risk factor entitled *Completion is subject to the satisfaction or waiver of the Conditions and there may be an adverse impact on Flutter's reputation if the Combination does not proceed* in Part A of Part III (*Risk Factors*) of this Circular.

In any event, if the Arrangement has not been completed on or before the Long Stop Date and the Arrangement Agreement is terminated in accordance with its terms, the Combination will not proceed.

Under the terms of the Combination, Flutter and TSG have agreed to use commercially reasonable efforts in order to, among other things, take, or procure the taking of, various steps in connection with the satisfaction of these Conditions.

4. Combination Related Agreements

Arrangement Agreement

Flutter and TSG have entered into an Arrangement Agreement dated 2 October 2019 in connection with the Combination.

Under the Arrangement Agreement, Flutter and TSG have agreed to co-operate with each other and to use their commercially reasonable endeavours to secure the regulatory clearances and authorisations necessary to satisfy certain of the Conditions, including by accepting the imposition of, or offering, undertakings or commitments by or to the relevant authorities that are acceptable to both Flutter and TSG.

Flutter and TSG have agreed to certain undertakings to co-operate and provide each other with reasonable information, assistance and access in relation to the filings, submissions and notifications to be made in relation to such regulatory clearances and authorisations.

The Arrangement Agreement contains customary provisions for a transaction of this nature, including customary representations and warranties, covenants, undertakings and conditions. The Arrangement Agreement also contains certain restrictions on the conduct of business by Flutter and TSG in the period between entry into the Arrangement Agreement and Completion.

The Arrangement Agreement may be terminated: (i) by mutual agreement of Flutter and TSG; or (ii) by either Flutter or TSG if the Combination is not Effective by the Long Stop Date (unless this is caused by the party seeking to terminate), the TSG Resolution is not approved at the TSG Shareholder Meeting or the Combination Resolutions are not passed at the EGM.

Flutter also has the right to terminate the Arrangement Agreement if: (A) the TSG Board: (i) fails to recommend the Combination or withdraws, amends, modifies or qualifies its recommendation of the Combination in a manner adverse to Flutter, or fails to publicly reaffirm its recommendation of the Combination; or (ii) approves or recommends any Acquisition Proposal; (B) TSG wilfully or intentionally breaches the non-solicitation provisions set out in the Arrangement Agreement in any material respect; (C) there is a material breach of the Arrangement Agreement by TSG so as to cause certain Conditions not to be satisfied or to be incapable of being satisfied, in the absence of an equivalent breach by Flutter; or (D) Flutter wishes to enter into a binding written alternative proposal for the acquisition of the Flutter Shares.

TSG also has the right to terminate the Arrangement Agreement if: (A) the Flutter board of directors: (i) fails to recommend the Combination or withdraws, amends, modifies or qualifies its recommendation of the Combination in a manner adverse to TSG, or fails to publicly reaffirm its recommendation of the Combination; or (ii) approves or recommends any Acquisition Proposal; (B) Flutter wilfully or intentionally breaches the non-solicitation provisions set out in the Arrangement Agreement in any material respect; (C) there is a material breach of the Arrangement Agreement by Flutter so as to cause certain Conditions not to be satisfied or to be incapable of being satisfied, in the absence of an equivalent breach by TSG; or (D) TSG wishes to enter into a binding written alternative proposal for the acquisition of the TSG Shares.

In certain circumstances, a termination payment of approximately £60 million may be payable by either party to the other in accordance with Article 7 of the Arrangement Agreement. Please refer to the risk factor

entitled *Completion is subject to the satisfaction or waiver of the Conditions and there may be an adverse impact on Flutter's reputation if the Combination does not proceed in* Part A of Part III (*Risk Factors*) of this Circular for further details of the circumstances in which such termination payment is payable.

The Arrangement Agreement appends the Plan of Arrangement pursuant to which Flutter shall acquire the entire issued and outstanding share capital of TSG (other than TSG Shares in respect of which TSG Dissent Rights have been properly exercised).

Term Sheets

On 2 October 2019, in connection with and conditional upon Completion, Flutter entered into the Term Sheets, with amongst others, FSG Services LLC, a wholly-owned subsidiary of FOX Sports, Fastball Holdings LLC and Boyd Interactive Gaming LLC. Under the Term Sheets:

(a) FSG Services LLC has the right to acquire from the Flutter Group an approximate 18.5% equity interest in FanDuel Group Parent LLC at its market value in 2021 (structured as a 10-year option from 2021, subject to a carrying value adjustment);

(b) Fastball Holdings LLC and Boyd Interactive Gaming LLC have the rights to a total payment from the Flutter Group of 12.5% of the increase in the market value of the FOX Bet business between Completion and the exercise of Flutter's option to acquire Fastball Holdings LLC's remaining equity interest in FanDuel Group Parent LLC in July 2023 (subject to a carrying value adjustment);

(c) all parties have committed to discuss options for further alignment between the US businesses of Flutter and TSG prior to Completion; and

(d) each of FSG Services LLC, Fastball Holdings LLC and Boyd Interactive Gaming LLC have waived certain of the exclusivity provisions that formed part of the existing contractual arrangements in relation to the US subsidiaries of Flutter and TSG.

5. Share Plans

Participants in the TSG Share Plans will be contacted separately regarding the effect of the Combination on their outstanding awards and options under the TSG Share Plans and will, where relevant, be provided with further details concerning the proposals which will be made to them in due course.

Flutter Share Plans

Outstanding awards and options under the Flutter Share Plans will remain unchanged and will continue in accordance with their terms except that, in due course, Flutter will determine whether any adjustment to performance conditions applicable to awards and options granted under the Flutter Share Plans is necessary to reflect the impact of the Combination on those performance conditions.

TSG Share Plans

Under the Arrangement Agreement, Flutter is required to take all corporate action necessary to reserve for issuance a sufficient number of New Flutter Shares for delivery upon the exercise of the outstanding TSG Options and TSG Equity Awards. A summary of the effect of the Combination on the outstanding TSG Options and TSG Equity Awards under the TSG Share Plans is as follows.

Outstanding TSG Options

Subject to any required approvals being obtained by TSG, each TSG Option that as of the Effective Time is outstanding will cease to represent an option or other right to acquire TSG Shares and shall be exchanged at the Effective Time for an option to purchase from Flutter a number of New Flutter Shares (calculated by reference to the Exchange Ratio). All other terms and conditions of such options, including the term to expiry and conditions to and manner of exercising, will be the same as the TSG Option so exchanged, and will be governed by the terms of the TSG Option Plan or the TSG Equity Plan, as applicable, and any document evidencing a TSG Option will thereafter evidence and be deemed to evidence such exchanged option.

Flutter and TSG have agreed that, as soon as reasonably practicable after the Effective Time, Flutter will provide all holders of outstanding TSG Options with replacement grant documentation to evidence such exchanged options and the terms and conditions thereof. Such terms and conditions in respect of any TSG Options will provide that such TSG Options so exchanged will be exercisable until the original expiry date of such TSG Options notwithstanding the employment status of the holder thereof with the TSG Group, unless such director, officer or employee has resigned without good reason or is terminated for cause following the Effective Time.

Outstanding TSG PSUs

Flutter and TSG have agreed that the TSG PSUs 2017 and any TSG PSUs 2018 with Performance Goals (as defined in the TSG Equity Plan) measured at the period ending 31 December 2019 will be treated as determined after 31 December 2019 in accordance with the terms of the TSG Equity Plan.

Subject to any required approvals being obtained by TSG, other than the TSG PSUs 2018 with Performance Goals measured at the period ending 31 December 2019, the terms of all unvested TSG PSUs, effective prior to the Effective Time, will be amended on the following basis:

- the TSG PSUs 2018 Performance Goals (as defined in the TSG Equity Plan), will be deemed satisfied based on 150% of the "target" number of TSG PSUs obtainable under each TSG PSUs 2018 Award Agreement (as defined in the TSG Equity Plan); and

- the TSG PSUs 2019 Performance Goals (as defined in the TSG Equity Plan) will be deemed satisfied based on 100% of the "target" number of TSG PSUs obtainable under each TSG 2019 Awards Agreement (as defined in the TSG Equity Plan) and the balance of such number of TSG PSUs under each TSG PSUs 2019 will be forfeited,

provided that, in each case, such TSG PSUs will become subject to further vesting (if any) in accordance with their terms, as if they had in respect of time-based vesting been originally issued as TSG RSUs.

Other outstanding TSG Equity Awards

Each of the TSG Equity Awards that as of the Effective Time is outstanding (other than the TSG PSUs set out above) will be continued on the same terms and conditions as were applicable immediately prior to the Effective Time except that the terms of such TSG Equity Awards will be amended so as to substitute for the TSG Shares subject to such TSG Equity Awards for New Flutter Shares (calculated by reference to the Exchange Ratio). All other terms and conditions of such award, including the term to expiry and conditions to and manner of exercising, will be the same as the TSG Equity Award and will be governed by the terms of the TSG Equity Plan and any document evidencing a TSG Equity Award will thereafter evidence and be deemed to evidence such an amended award.

TSG Employee Stock Purchase Plan

All TSG Shares that are subject to the TSG Employee Stock Purchase Plan will be subject to the Plan of Arrangement and the holders thereof will be entitled to receive the consideration in respect of such TSG Shares at the same time and on the same conditions as the holders of the TSG Shares pursuant to the Plan of Arrangement. TSG will take all actions (including obtaining any necessary determinations and/or resolutions of the TSG Board or a committee thereof and, if appropriate, amending the terms of the TSG Employee Stock Purchase Plan) that may be necessary or required under the TSG Employee Stock Purchase Plan to ensure that, subject to the Arrangement becoming Effective, the TSG Employee Stock Purchase Plan will terminate in its entirety at or prior to the Effective Time.

PART III
RISK FACTORS

The proposed Combination may give rise to certain risks which, if they occur, may have a material adverse effect on the business, financial condition, results of operations or prospects of the Flutter Group, as currently constituted, and/or the Combined Group. Accordingly, the risk factors should be afforded careful consideration together with all the other information set out in, or incorporated by reference into, this Circular in deciding whether to approve the Resolutions being put to Flutter Shareholders at the EGM.

The risks which the Directors consider to be material as at the date of this Circular are set out in this Part III. The risks described in this Part III are based on information known at the Latest Practicable Date but may not be the only risks to which the Flutter Group, as currently constituted, or the Combined Group, is or might be exposed.

Additional risks and uncertainties, which are currently unknown to the Flutter Group or that the Flutter Group does not currently consider to be material, may adversely affect the business of the Flutter Group and/or the Combined Group and could have material adverse effects on the business, financial condition, results of operations and future prospects of the Flutter Group and/or the Combined Group. If any of the following risks were to materialise, the business, financial condition, results of operations and prospects of the Flutter Group and/or the Combined Group could be materially adversely affected and the value of Flutter Shares could decline and Flutter Shareholders could lose all or part of their investment in those Flutter Shares.

Flutter Shareholders should read this Circular as a whole and not rely solely on the information set out in this section.

PART A: MATERIAL RISKS RELATING TO THE COMBINATION

1. Completion is subject to the satisfaction or waiver of the Conditions and there may be an adverse impact on Flutter's reputation if the Combination does not proceed

Completion is subject to the satisfaction or waiver of the conditions as set out in the Arrangement Agreement and described in more detail in Part I (*Letter from the Chair of Flutter*) and Part II (*Principal Terms and Conditions of the Combination*) of this Circular, including, amongst other things, the approval of Flutter Shareholders at the EGM, the approval of the TSG Resolution by at least 66⅔% of the votes cast by TSG Shareholders, present in person or represented by proxy, at the TSG Shareholder Meeting, the approval of the Court, the FCA, the London Stock Exchange and Euronext Dublin agreeing to provide the necessary listing and trading admissions in respect of Flutter's enlarged share capital and the receipt of all required regulatory and anti-trust approvals and gaming consents. If the Conditions are not satisfied or, where applicable, waived on or before the Long Stop Date, neither the Combination nor Admission will proceed, the benefits expected to result from the Combination will not be achieved, none of the New Flutter Shares will be issued and the market price of Flutter Shares and TSG Shares may be adversely affected.

The regulatory approval processes and/or the anti-trust clearance processes required to implement the Combination may take a lengthy period of time to complete, which could delay Completion beyond its currently anticipated date or result in the abandonment of the Combination. In addition, as part of such approval processes, the relevant anti-trust authorities may impose conditions on Completion, such as the divestiture of certain business and assets of Flutter or TSG, or require changes to the terms of the Combination, including Conditions which are not commercially acceptable to Flutter and/or TSG. The terms and conditions of regulatory approvals that are granted, or any undertakings required from Flutter and/or TSG in order for such approvals to be granted, may impose additional requirements, limitations or costs on the business of the Combined Group. There can be no assurance that these terms, conditions or undertakings will not materially adversely affect the business of the Combined Group including, in particular, limiting the revenues of the Combined Group, increasing the costs of the Combined Group and reducing the ability of the Combined Group to achieve the anticipated cost synergies.

The Arrangement Agreement can be terminated by mutual consent of Flutter and TSG, or by either of them in certain circumstances set out in the Arrangement Agreement and described in more detail in paragraph 4 of Part II (*Principal Terms and Conditions of the Combination*) of this Circular. If the Combination does not proceed then, under certain circumstances, Flutter may also be required to pay a termination fee of

approximately £60 million to TSG. The termination fee is payable by Flutter to TSG upon the termination of the Arrangement Agreement if: (i) the Combination is not consummated by the Long Stop Date because the mutual condition relating to obtaining certain regulatory approvals and gaming consents is not satisfied or a governmental entity has taken an action with respect to the required regulatory approvals (other than in respect of the approval under the Investment Canada Act or Foreign Investment Review Board Australia) that makes the Completion illegal or prohibited (provided in each case that TSG is not in breach of its covenants regarding regulatory approval and gaming consents and TSG Shareholder approval has been obtained); (ii) Flutter Shareholder approval is not obtained, provided the TSG Shareholder approval has been obtained; (iii) the Flutter Board changes its recommendation that the Flutter Shareholders approve the Combination or Flutter shall have wilfully or intentionally breached its non-solicitation obligations in any material respect; or (iv) Flutter enters into a Superior Proposal in compliance with the Arrangement Agreement.

The termination payment could discourage other parties from attempting to acquire Flutter Shares or otherwise make an Acquisition Proposal to Flutter, even if those parties would otherwise be willing to offer greater value to Flutter Shareholders than that being provided under the Combination. In addition, if the Combination does not proceed, there may be an adverse impact on the reputation of the Flutter Group due to amplified media scrutiny arising in connection with the attempted Combination.

2. The Combined Group's business and financial performance will be affected by the ongoing spread of COVID-19 globally and in particular in the jurisdictions in which it operates

The effect of the recent COVID-19 pandemic, or the perception of its effects, if prolonged, will materially adversely affect the Combined Group's ability to generate revenue from betting on sporting events. COVID-19 was declared a pandemic by the World Health Organisation on 11 March 2020 and there are cases in 189 countries, areas or territories as at the Latest Practicable Date. This outbreak of novel coronavirus has also led (and may continue to lead) to disruptions to the worldwide economy, including jurisdictions in which Flutter and TSG operate and the Combined Group will operate. In particular, many government authorities and sports governing bodies have implemented and may continue to implement additional measures to try to halt or mitigate the COVID-19 outbreak, including the postponement or cancellation of sporting events which the Combined Group's customers wish to bet on, which, if prolonged, would materially adversely impact the Combined Group's operations and prospects. Further, although the Combined Group will have business continuity plans and strategies in place, COVID-19 could lead to the interruption of operations of the Combined Group or the operations of third-party providers and other suppliers on whom the Combined Group will depend. For further information on the impact of COVID-19 on Flutter and TSG respectively, please see paragraph 14 (*Current trading and prospects, including market trends*) of Part I (*Letter from the Chair of Flutter*) of this Circular.

3. The Combined Group may not realise the targeted level of synergies, cost savings and other anticipated benefits of the Combination in full, at all or in the expected timeframe

Flutter and TSG expect that the Combination will generate material pre-tax cost synergies of approximately £140 million per annum, with target run-rate phasing of £25 million, £115 million and £140 million in the three 12-month periods following Completion. The estimates regarding the quantum and timing of potential cost synergies, savings opportunities and other anticipated benefits resulting from the Combination included in this Circular are based on the Directors' assessment of information currently available and may prove to be incorrect. The Combined Group may not realise the anticipated synergies, cost saving or other benefits of the Combination in a timely manner or at all. In particular, as described in paragraph 2 of Part 1 (*Letter from the Chair of Flutter*) there are various material assumptions underlying the statement of estimated cost synergies, which may result in the value of the estimated cost synergies being greater or less than anticipated, or which could result in the delay of their delivery. A failure to deliver all, or substantially all, of the expected cost synergies and saving opportunities or to realise such benefits in a timely manner, or at all, may result in the Combined Group's operating costs being greater than anticipated and may reduce the net benefits of the Combination.

While the Directors also expect the Combination to generate revenue cross-sell opportunities, financing synergies and capital expenditure synergies, these synergies have not been quantified and the Combined Group may not be able to realise any or all of these expected benefits.

4. The Combined Group will incur significant Combination-related costs, which may be higher than expected

The Combined Group expects to incur aggregate cash costs of approximately £180 million in delivering the identified annual cost synergies. These costs are expected to be incurred in the first two years following Completion. In addition, the Combined Group expects to incur financial advisory, legal/anti-trust, accounting, admission and other transaction costs of approximately £84 million in connection with the implementation of the Combination and Admission. Some of these costs are payable regardless of whether the Combination is completed (for example, where advisers are entitled to be paid for work undertaken up to the point at which the Combination is terminated) and such costs may be higher than anticipated.

In addition to these costs, the Combined Group expects to incur a number of additional non-recurring costs associated with integrating the operations of Flutter and TSG after Completion. There can be no assurance that the actual costs of this integration process will not exceed those estimated and the actual integration process may result in additional and unforeseen expenses. Similarly, the Combined Group may encounter difficulties or higher costs in achieving anticipated benefits and synergies after Completion.

While it is expected that the cost savings and synergies achieved by the Combined Group will offset these transaction and integration-related costs over time, this net benefit may not be achieved in the expected timeframe or at all, particularly if the Combination is delayed or does not happen. Similarly, if costs are higher than Flutter anticipates, it may reduce the net benefits of the Combination.

5. The potentially disruptive effect of the Combination on Flutter and TSG could have an adverse effect on the business of the Combined Group

Whether or not Completion occurs, the prospect of the Combination completing and the anticipated resulting changes in the respective businesses of Flutter and TSG could cause disruption in the businesses of Flutter and/or TSG. If Completion does occur, the process of integrating the businesses of the Combined Group could potentially lead to the interruption of operations of the businesses, system integration issues, the diversion of management time away from their usual roles and/or a loss of key personnel. In addition, the process of integrating the respective businesses of Flutter and TSG and the related time and resource commitments could interfere with existing business processes within Flutter and/or TSG, including, in particular, the development of new and existing products and services.

Following the mutual due-diligence exercise undertaken in connection with the Combination prior to the announcement of the Combination on 2 October 2019, the evaluation of cost savings opportunities following Completion remains on-going and final proposals as to how such cost savings will be implemented will depend on the outcome of a further detailed business, operational and administrative review and the development of an integration plan, each of which will be finalised following Completion. As a result, while integration planning remains ongoing, some current and prospective employees may experience uncertainty about their future roles within the Combined Group, which may adversely affect Flutter's and TSG's and, following Completion, the Combined Group's ability to retain or recruit key managers and other employees.

6. Rights to terminate upon a change-of-control of TSG in TSG's contracts may be exercised by counterparties in connection with the Combination

TSG is party to a number of ordinary course contracts that enable the counterparty to terminate the relevant contract on a change-of-control of TSG. While TSG has not identified any material contracts under which the counterparty is expected to exercise a right to terminate such contract as a result of the Combination, there can be no assurance that these contracts will not be terminated or that TSG has identified all contracts with change-of-control clauses that are material to its business or the business of the Combined Group. In addition, some of these counterparties could also seek to renegotiate these contracts as they consider exercising any such termination rights (including rights to terminate for convenience irrespective of change-of-control). There can be no assurance that the TSG Group or the Combined Group will be able to renegotiate any such contracts on favourable terms or at all. If a counterparty to a contract exercises their right to terminate a material contract or counterparties exercise their rights to terminate a number of contracts which cumulatively become material to the business of the Combined Group or, following

Completion, the Combined Group or counterparties seek to re-negotiate any such contracts, this may have a material adverse effect on the Combined Group's operations by increasing costs (for example, by requiring the Combined Group to find alternative counterparties for contracts which are terminated or renegotiate contracts with existing counterparties) and may reduce the net benefits of the Combination.

7. Flutter Shareholders will experience dilution as a result of the Combination

If the Combination becomes effective, it is expected that up to 66,531,782 New Flutter Shares will be issued to TSG Shareholders. This will result in Flutter's issued share capital increasing by approximately 84.9%, relative to the number of Flutter Shares in issue as at the Latest Practicable Date. If the Combination becomes effective, holders of Flutter Shares (who are not also TSG Shareholders) will suffer an immediate dilution as a result of the Combination. Assuming that the maximum possible number of New Flutter Shares are issued to TSG Shareholders, holders of Flutter Shares (who are not also TSG Shareholders) will hold approximately 54.66% of the Company's enlarged issued share capital (based on the fully diluted share capital of Flutter and the fully diluted share capital of TSG). If the Combination becomes effective, TSG Shareholders will, immediately following Completion, hold approximately 45.34% of the Company's enlarged issued share capital (based on the fully diluted ordinary share capital of the Company and the fully diluted share capital of TSG as at the Latest Practicable Date and assuming no further share issuances. If the Combination becomes effective, Flutter Shareholders will therefore experience dilution in their ownership and voting interests in Flutter at Admission.

8. Restrictions on the conduct of business by Flutter and TSG prior to Completion may have an adverse effect on the business of the Combined Group

The Arrangement Agreement contains customary provisions that restrict both Flutter and TSG from taking specified actions without the consent of the other party (including, amongst other things, in connection with dividend payments, share capital, amendments to their respective constitutional documents, litigation, certain transactions and financing). These restrictions may prevent Flutter and TSG from pursuing attractive business opportunities that may arise prior to Completion.

While the terms of the Arrangement Agreement permit Flutter to consider unsolicited Acquisition Proposals prior to obtaining Flutter Shareholder approval under certain conditions, the Arrangement Agreement restricts Flutter from actively soliciting Acquisition Proposals from third parties.

PART B: MATERIAL NEW RISKS TO THE COMBINED GROUP AS A RESULT OF THE COMBINATION

1. The integration of the business and operations of Flutter and TSG may be subject to significant unforeseen difficulties, which could adversely affect the business of the Combined Group

The integration of the operations of Flutter and TSG will be a substantial challenge, requiring significant management attention and other resources and the Combined Group may be unable to efficiently integrate the operations of Flutter and TSG, realise cost reductions or avoid unforeseen costs or delays in the integration process.

The successful integration of the two groups will be subject to a number of risks and difficulties, including:

- the potential unexpected loss of key personnel and customers;
- challenges in harmonising business cultures;
- difficulties in integrating the financial, regulatory, technological and management standards, processes, procedures and controls of the two groups;
- continuing to integrate the business and operations of Flutter's and TSG's recent acquisitions, including TSG's acquisition of SBG;
- challenges in managing the increased scope, geographic diversity and complexity of the Combined Group's operations;
- attempts by third parties to terminate or alter their contracts with Flutter or TSG as a result of the Combination;
- failure to mitigate contingent and/or assumed liabilities; and
- disruption to the services provided by each company's ongoing business to customers.

If some or all of these risks or difficulties materialise, or materialise to a greater degree than has been anticipated, the integration of Flutter and TSG could fail or be delayed or lead to higher than anticipated integration costs and may divert management time when seeking to deal with such issues. In those circumstances, the Combined Group may not be able to achieve the joint growth potential and synergies that underpin the economic and strategic rationale for the Combination. Moreover, this could affect the services that each of Flutter and TSG currently provide and the Combined Group will provide going forward and its ability to develop and launch new products and could have a material adverse impact on relationships with customers, regulators, employees, suppliers and other market participants. The image of the Combined Group and its individual brands might also be harmed by a failed integration.

In particular, combining the resources of two groups that rely on different technology platforms may prove costly and technically difficult to achieve. For further information on risks specific to the integration of Flutter and TSG's technology platforms please see the risk factor entitled "*Flutter and TSG utilise different IT systems and platforms and the integration of those platforms in the Combined Group may cause challenges which could mean that the anticipated benefits of the integration of the businesses of Flutter and TSG in respect of IT systems may not be fully realised and/or the integration of different technologies, platforms, standards, processes, procedures and controls could result in the underperformance, interruption or failure of the IT systems of the Combined Group*" at paragraph 5 of Part B of this Part III (*Risk Factors*).

2. TSG is subject to risks related to its and its subsidiaries' contractual relationships with its media partners, and events impacting those relationships or agreements could result in significant disruptions to TSG's and the Combined Group's business

TSG and one or more of its subsidiaries have ongoing commercial relationships with Sky and FOX Sports, as detailed in paragraph 6.2 of Part VI (*Additional Information*) of this Circular, which allow TSG and one

or more of its subsidiaries to use the Sky and FOX Sports brands and integrate with Sky's and FOX Sports' commercial and advertising platforms pursuant to several contractual agreements. Events impacting these media partner relationships with TSG, including triggers for terminating these contractual arrangements, could result in significant disruptions (including in the delivery of services provided to customers) and costs that would adversely affect the overall operational performance, financial performance, financial position or prospects of TSG's business, as well as harm or cause loss of its reputation, brand and associated rights and/or attract increased regulatory scrutiny. Additionally, the commercial and advertising platforms that TSG's media partners provide to TSG may not operate as expected, may not fulfil their intended purpose or may be damaged or interrupted by unanticipated increases in usage, human error, unauthorised access, natural hazards or disasters or similar events. Any interruption to the services these media partners provide to TSG could damage the Combined Group's business and reputation, and could cause it to incur higher marketing and other costs.

TSG and one or more of its subsidiaries utilise the relationships with Sky and FOX Sports to attract customers. If the customer perception of the Sky or FOX Sports brand were to deteriorate (as a result of acts or omissions by Sky, FOX Sports, SBG, TSG or the Combined Group, including any acts or omissions which result in a material deterioration in Sky's and/or FOX Sports' reputations), or if Sky or FOX Sports were to lose some or all of its material licensing arrangements with respect to sports broadcasting, the perception of the Sky or FOX Sports brand, as applicable, could be impacted.

The contractual licence arrangement pursuant to which SBG and one or more subsidiaries of TSG uses the Sky brand is set to expire on 18 March 2040. There can be no assurances that TSG or the Combined Group will be able to extend the term of the licence beyond such expiration date. Additionally, Sky may terminate the licence if TSG (including SBG) does not comply with the licence terms. Any expiration or termination of this Sky Brand Licence could have a material adverse effect on the Combined Group's ability to generate revenue from the businesses of SBG and could diminish the value to the Combined Group of TSG's arrangements with Sky.

Pursuant to the terms of the licence, TSG (including SBG) is only entitled to use the Sky brand in approved territories, which currently comprise, among others, the UK, Ireland, Italy and Germany. Any use of the Sky brand in any other territory may be undertaken only with Sky's prior consent, and is subject to the satisfaction of certain conditions as to the legality of betting and gaming operations, no adverse impacts on the Sky brand, and the absence of conflicts with third-party rights and existing third-party restrictions and arrangements. While there have been no proposals to date to expand the number of territories in which the Sky brand is approved for use by TSG, there can be no guarantee that TSG or the Combined Group will be entitled to use the Sky brand in any additional territories other than the currently approved territories, if any such proposal is made in future.

TSG has secured certain limited rights to use the SBG brands in conjunction with TSG's brands in the approved territories where use of the Sky brand is permitted. These rights relate to the positioning of the SBG brands on websites, applications, marketing and promotional materials which also feature TSG's brands. TSG has also secured rights to use the benefits of the advertising agreement in relation to the promotion of TSG's brands in the UK and Ireland. Any loss of such rights and benefits could have a material adverse effect on TSG's and the Combined Group's UK and Irish business by restricting TSG's ability to advertise certain products on platforms owned by Sky which may result in a reduction in Active Customers and consequent loss of revenue and could diminish the value to TSG of its arrangements with Sky.

TSG's long-term commercial arrangement with FOX Sports, including the licence to use the FOX Bet brand, has a potential term of up to 25 years. FOX Sports has the ability to terminate the arrangement early in certain circumstances, with or without cause and for certain reasons outside of TSG's control. If FOX Sports exercises its right to terminate the arrangement, or if the relationship fails to provide the value anticipated by TSG, it could have a material adverse effect on TSG's US business, including the potential loss of the FOX Bet brand. Further, even if the term of the arrangement reaches its potential term of 25 years, there is no guarantee that any term extensions will be agreed between the parties. Additionally, much of the value from TSG's arrangement with FOX Sports relies on FOX Sports' significant media and other rights, which are not guaranteed to continue for the full term of the arrangement. For example, if FOX Sports were to lose the broadcast rights to one or more material sports leagues, such as the National Football League, the value to TSG of the FOX Sports arrangement could be severely diminished, particularly when

taking into account certain financial commitments of TSG and the corresponding loss of integrations in certain US sports programming. The arrangement also provides FOX Sports with broad pre-approval rights with respect to certain actions, activities or decisions by TSG, which could limit TSG's and the Combined Group's ability to realise the full anticipated value of the FOX Bet brand. Additionally, state laws or regulations could: (i) fail to legalise online sports betting in enough states for TSG to make full use of the FOX Bet brand; and/or (ii) have the effect of prohibiting the use of the FOX Bet brand in those jurisdictions, which would further diminish the value to TSG of the arrangement with FOX Sports.

3. The Combination will materially increase the indebtedness of Flutter and may restrict the Combined Group's operational flexibility

As at 31 December 2019, the Flutter Group had £372.8 million[5] outstanding in total borrowings and the TSG Group had $4.93 billion[6] of outstanding long-term indebtedness. In the current financial year the impact of the disruption caused by COVID-19 to the global online betting and gaming sector, in particular the cancellation of major sporting events, is expected to impact the financial profile of the Combined Group. While the Flutter Board expects this impact to reduce over time, the current impact is likely to leave the Net Debt to Underlying EBITDA (pre-IFRS 16) ratio excluding synergies of the Combined Group at the end of the first financial reporting period following Completion higher than 3.5x. The Flutter Board has considered the future capital management policy for the Combined Group and while it has flexibility to maintain Flutter's leverage at higher ratios, it remains committed to maintaining Flutter's existing target Net Debt to Underlying EBITDA (pre-IFRS 16) ratio of 1.0x to 2.0x for the Combined Group over the medium term. Although, in Flutter's opinion, the working capital available to the Combined Group is sufficient for its present requirements, that is, for at least the next 12 months following the date of the Circular, like any company with borrowings, the Combined Group will be subject to the risk that, in the longer term, it may be unable to generate sufficient cash flow, or obtain sufficient funding, to satisfy its obligations to service or refinance this indebtedness. The Directors believe that the Flutter Group's current financial condition, cash generation and capital reserves, coupled with those of the TSG Group, are sufficient to enable the Combined Group to comply with the financial covenants under its loan facilities for at least the next 12 months from the date of the Prospectus.

Nevertheless, the amount and terms of the TSG Group's indebtedness may limit its financial and operational flexibility and, following Completion, the financial and operational flexibility of the Combined Group including:

- limiting or restricting the Combined Group's or its subsidiaries ability to pay dividends or make other distributions;
- requiring the use of available cash flow to service debt obligations, preventing acquisitions or limiting capital expenditure or other investment in the Combined Group's business;
- placing the Combined Group at a disadvantage compared to its competitors that may be less leveraged or restricted by financial covenants; and
- increasing the cost of servicing the Combined Group's borrowings in the event that such covenants have to be renegotiated.

As of 31 December 2019, a portion of the TSG Group's total debt was subject to variable interest rates, which exposes the TSG Group and, following Completion, the Combined Group, to interest rate risk to the extent that the Combined Group either chooses, or is unable, to hedge against that risk. If interest rates were to increase, TSG's debt service obligations on such variable rate indebtedness would increase even though the amount borrowed remained the same, and as a result, the TSG Group's and the Combined Group's net income and cash flows, including cash available for debt service and to pay dividends or fund other distributions (such as share repurchases) would correspondingly decrease. Although the TSG Group has entered into, and from time to time in the future may enter into additional, hedging instruments that it anticipates will result in fixed interest rates and/or lower interest payments on existing debt and potentially mitigate the impact of interest rate and exchange rate fluctuations, in particular in the Euro and Pound Sterling to US dollar exchange rates with respect to such debt, there can be no assurance that the anticipated benefits will be realised and as such, the TSG Group remains, and following Completion, the

[5] Source: "long term borrowings" in Flutter 2019 consolidated statement of financial position.

[6] Source: "long term debt" in TSG 2019 consolidated statement of financial position.

Combined Group will be, subject to the risk of fluctuations in interest and exchange rates described herein. Subject to Completion, the Combined Group may amend and/or decide not to maintain some or all of the interest rate swaps with respect to some or all of the TSG Group's variable rate indebtedness, and any swaps the Combined Group enters into may not fully mitigate its interest rate risk. Any such changes are expected to take effect on or around the time of Completion, or shortly thereafter.

4. The terms of the Combination may restrict the Combined Group's ability to expand in certain US markets and its ability to fully integrate the respective US businesses of Flutter and TSG following Completion

TSG is, and following Completion the Combined Group will be, party to the FOX Bet Agreements which provide for arrangements with FOX relating to the FOX Bet business, as detailed in paragraph 6.2 of Part VI (*Additional Information*) of this Circular. As described in paragraph 6.2 of Part VI (*Additional Information*) of this Circular, the FOX Bet Agreements contain exclusivity provisions which will, from Completion, restrict the ability of the Combined Group from engaging in business which competes with FOX Bet in the USA. The terms of that exclusivity restriction, as it may apply to FanDuel following Completion, were amended (including the grant of certain waivers by FOX) pursuant to the FOX Term Sheet (the terms of which are summarised in Part II (*Principal Terms and Conditions of the Combination*) of this Circular). Under the FOX Term Sheet, the exclusivity restrictions referenced above will not apply to FanDuel provided that FanDuel does not, without FOX's prior consent, undertake any material M&A or fundamental business change. This would restrict FanDuel from, amongst other things: (i) making minority investments of more than $50 million in any third party; (ii) acquiring any business or assets worth more than $75 million; or (iii) investing in any digital sports betting business that does not use the FanDuel brand (subject to certain exceptions), without the consent of FOX.

It is the current intention, and following Completion it is expected to be the intention of the Combined Group, to discuss and negotiate the future ownership and operations of the US businesses of the Combined Group with FOX and other interested stakeholders. In the event that further agreement is not achieved, the integration of the US businesses of the Combined Group following Completion will be subject to the terms of the existing arrangements with FOX which may limit the Combined Group's ability to operate its US businesses in the most efficient manner. Further, in the absence of such further agreement, the limitations on the scope of the waivers granted by FOX in respect of FanDuel may result in the Combined Group not having the flexibility to operate FanDuel as it would in the absence of such restrictions.

5. Flutter and TSG utilise different IT systems and platforms and the integration of those platforms in the Combined Group may cause challenges which could mean that the anticipated benefits of the integration of the businesses of Flutter and TSG in respect of IT systems may not be fully realised and/or the integration of different technologies, platforms, standards, processes, procedures and controls could result in the underperformance, interruption or failure of the IT systems of the Combined Group

The businesses of each of Flutter and TSG rely on complex IT systems which have been developed separately and which cover a wide range of systems critical to the operation of each business, including the collection, aggregation and distribution of operating and financial data, trade and price information, the generation and provision of analytics, risk management services, provision of market infrastructure (including platforms for the execution, clearing and settlement of bets, positions and trades), security systems and payment systems.

Although the Directors believe that the Combined Group will be able to generate synergies and cost savings as a result of the Combination in respect of the integration of these IT systems, there can be no assurance that the post-Combination integration of the IT systems of Flutter and TSG will achieve the anticipated synergies and cost savings, in either a timely manner or at all.

The integration of the IT systems in a safe, resilient and regulatory-compliant manner will require considerable resources (including significant capital investment and personnel time and resource commitments) and presents numerous challenges, including because of the complexity of the systems, the potential loss of key personnel with extensive experience of the IT systems of Flutter and TSG respectively and due to difficulties in migrating existing products and services to new technological platforms and

integrating different and complex technologies, platforms, standards, processes, procedures and controls. New or upgraded platforms also may not perform as intended or deliver the expected benefits, including, where relevant, increased transaction volumes and lower operating costs.

IT systems underpin all the main products and services that will be offered by the Combined Group and any difficulties in the integration of the IT systems could result in the underlying business of the Combined Group not performing in line with expectations, the incurring of greater costs than expected or the underperformance, interruption or failure of the IT systems. Any such consequences could impact the Combined Group's revenue (e.g. by impacting its ability to offer products and services to its customers) or increase its operating expenses.

6. The Combined Group may fail to retain existing customers for its poker offerings or add new customers, or customers could decrease their level of engagement with poker offerings in general

If people do not perceive TSG's and, following Completion, the Combined Group's poker offering to be enjoyable, reliable, relevant and trustworthy, the Combined Group may be unable to attract or retain customers or maintain or increase the frequency and duration of their engagement. A number of other online gaming and interactive entertainment companies that achieved early popularity in poker have since seen their active customer bases or levels of engagement decline.

The Combined Group's strategy will be to increase engagement, retention and monetisation of its poker customer base. Since the beginning of 2016, TSG has improved its poker ecosystem to benefit and attract high-value, net-depositing customers and reduce incentives for high-volume, net-withdrawing customers. As a result of this change in the poker ecosystem, TSG experienced, and may continue to experience, an expected overall decrease in the volume of gameplay and total deposit balances held by high-volume, net-withdrawing players. However, it is also possible that the online poker market is in structural decline more generally and that, as a result, the Combined Group could see an erosion of its Active Customer base or engagement or monetisation levels for its poker offerings in the future. Any such erosion or decreased engagement or monetisation could have a material adverse effect on the Combined Group's revenues given the expectation that online poker will generate a significant portion of the Combined Group's revenue.

7. The Combined Group could be exposed to liabilities arising from proceedings brought by the Commonwealth of Kentucky on behalf of Kentucky residents against certain subsidiaries of TSG for the recovery of gambling losses

Certain subsidiaries of TSG are currently the subject of proceedings with the Commonwealth of Kentucky in respect of a claim to recover alleged gambling losses on behalf of Kentucky residents who played real-money poker on the PokerStars website during a period between 12 October 2006 and 15 April 2011. Both this time period, and the making of the claim, pre-dated the acquisition of those subsidiaries by TSG. TSG successfully appealed an initial judgment against the subsidiaries in December 2018 (with the Kentucky Court of Appeals reversing in its entirety the original $870 million judgment that had been awarded by the trial court judge). The Kentucky Supreme Court has granted a request by the Commonwealth of Kentucky for discretionary review of the case and TSG intends to, and, if applicable, following Completion, the Combined Group will, vigorously dispute the liability as it believes the action is frivolous.

In the event TSG loses the appeal, following the Combination the Combined Group may be required to pay some or all of the amount awarded in the original judgment, together with related expenses.

See paragraph 7.2 of Part VI (*Additional Information*) of this Circular for a more detailed description of the Kentucky Proceeding.

8. The financing synergies expected to result from the Combination will be subject to the availability of suitable refinancing options at the relevant time, which will depend on, among other factors, the state of the market for corporate debt

The Combined Group expects to realise financing synergies through the refinancing of TSG's existing corporate debt as a result of the expected financial and credit profile of the Combined Group. It is the present intention of the Combined Group to seek a refinancing of the TSG First Lien Term Loans and the TSG Senior Notes in due course. TSG's existing indebtedness will remain the responsibility of the relevant

existing members of the TSG Group (which in turn will form part of the Combined Group) following completion of the Combination, save to the extent that the debt is refinanced by the TLA/RCF Facilities Agreement described in paragraph 6.1 of Part VI (*Additional Information*) of this Circular or subsequently refinanced or amended.

There can be no certainty that the Combined Group will be able to raise sufficient debt on suitably economically attractive terms (for example with respect to the amount, the maturity and the applicable interest rate or other pricing terms) or at all, at the time it seeks to refinance TSG's corporate debt. The availability and terms of suitable refinancing options at the relevant time will depend on, among other things: (i) macroeconomic factors, including the condition of the corporate debt market and the interest rates available to the Combined Group; (ii) the Combined Group's and the lenders' estimate of the stability of the Combined Group's expected cash flows and the expected evolution of the value of its assets; (iii) the credit rating of the Combined Group; and (iv) any other circumstance affecting the Combined Group's ability to refinance on more favourable terms.

Any failure of the Combined Group to refinance the TSG Group's existing corporate debt may have a material impact on the anticipated interest cost savings that are expected to arise as a result of the planned refinancings. This is without prejudice to the working capital statement contained in paragraph 8 (*Working Capital*) of Part VI (*Additional Information*) of this Circular.

9. The Combined Group will be subject to foreign exchange risk with respect to customer purchasing power in respect of certain TSG products and services which may cause certain customers to reduce the amount they would otherwise deposit

TSG is exposed to foreign exchange risk with respect to customer purchasing power in respect of certain of its products and services. The primary depositing currencies on TSG's product offerings are currently currencies other than the US dollar. However, with respect to TSG's international segment, the primary currency of customer game play is the US dollar and a significant portion of its expenses are incurred in Canadian, US and Australian dollars, Euro and Pounds Sterling. Consequently, past and potential future weakness in these and certain other global currencies against the US dollar decreases the purchasing power of TSG's international segment customer base, which could cause those customers to be unwilling to deposit and spend the same or similar amounts that they may otherwise deposit or spend. If a substantial weakness in one or more currencies against the US dollar caused a significant number of TSG's customers to reduce the amounts they would otherwise deposit or spend, it could have a material adverse effect on the attractiveness of TSG's products and impact the ability of the Combined Group to generate revenue from those products.

10. If the Combined Group's internal controls are ineffective, its operating results and market confidence in its reported financial information could be adversely affected

Flutter does currently and, following Completion, the Combined Group will continue to maintain internal controls which the Flutter Board believes to be sufficient to meet its obligations as a premium listed company under the Listing Rules and to comply with its obligations under other applicable law (including in respect of timely and accurate public disclosure requirements under the Disclosure and Transparency Rules). However, the Combined Group's internal control over financial reporting may not in fact prevent or detect misstatements in certain circumstances, including in the event of human error, the circumvention or overriding of controls or fraud. For example, as of 31 December 2018, TSG identified two material weaknesses, which have since been remediated, in its internal control over financial reporting, which led management to conclude that its internal control over financial reporting as of such date was not effective. In addition, and unrelated to the prior year's material weaknesses, as of 31 December 2019, TSG identified two material weaknesses in its internal control of financial reporting at BetEasy, which are in the process of being remediated. Even effective internal controls can provide only reasonable assurance with respect to the preparation and fair presentation of financial statements. If the Combined Group fails to maintain the adequacy of its internal controls, including any failure to implement required new or improved controls, if it experiences difficulties in their implementation, or if controls are disrupted or compromised it may have a material adverse effect on the accuracy of the Combined Group's financial reporting and could result in the Combined Group being subject to regulatory enforcement and fines or other sanctions.

PART C: EXISTING MATERIAL RISKS RELATED TO THE COMBINED GROUP WHICH WILL BE IMPACTED BY THE COMBINATION

1. The loss of certain key members of the Combined Group's senior management team/staff and/or the failure of the cultural integration of Flutter and TSG could have adverse consequences on the Combined Group

The Combined Group's future success depends in a large part upon the continued service of key members of its senior management team and employees. In particular, given the disparate product offerings of Flutter and TSG and the historical knowledge of those senior managers and key staff in relation to products currently offered exclusively by either Flutter or TSG, members of the senior management team and a number of other key staff will be critical to the overall management of the Combined Group as well as the integration of Flutter and TSG, the development of the Combined Group's technology, its culture and its strategic direction. The loss of any of the Combined Group's senior management or key personnel could seriously harm its business. The Combined Group's ability to compete effectively will be dependent upon its ability to attract new employees and to retain and motivate its existing employees. There can be no assurance that the Combined Group will be able to retain the personnel it requires when the Combination completes. The Combined Group's ability to retain key personnel will depend upon a number of factors, including compensation packages offered by other companies and the impact of share price performance on the Combined Group's share schemes. For additional information on the proposed executive directors of the Combined Group, see paragraph 4 of Part I (*Letter from the Chair of Flutter*) of this Circular.

Flutter and TSG are large organisations, each with its own unique organisational culture and approach to its business, staff, customers and other stakeholders, which have developed organically over many years. Notwithstanding that Flutter will exercise strategic and operational control over the TSG business following Completion, the Combined Group's future success will depend in part on the ability of the senior management team to manage the cultural integration of Flutter and TSG. A failure to successfully integrate the organisational cultures of Flutter and TSG within the Combined Group could materially adversely affect the prospects of the Combined Group (for example, the Combined Group may be required to resolve differing opinions on technical decisions and product roadmaps which may impact the operations of the relevant businesses).

2. The Combined Group will be exposed to foreign exchange rate risk with respect to the translation of foreign currency denominated balance sheet amounts into Pounds Sterling and to the risk of interest rate fluctuations and its ability to mitigate its foreign exchange risk through hedging transactions may be limited

Flutter's reporting currency is Pound Sterling, and will remain so for the Combined Group following Completion, but part of its income deposits and expenditure will be in other currencies, notably Euro, US dollars, Canadian dollars and Australian dollars. As a result, revenues and costs will be affected by foreign exchange rate fluctuations and volatility in exchange rates between Pounds Sterling and relevant foreign-denominated currencies will result in volatility in the reported results of operations of the Combined Group. Exchange rate fluctuations may affect the Combined Group's consolidated statement of financial position, particularly with respect to individual assets and liabilities, but the Combined Group will seek to minimise the effect on net assets where in the opinion of the Directors it makes economic sense to do so. In addition, the prospect of Brexit has led to increased volatility in and an overall fall in the value of the Pound Sterling. Continuing uncertainty surrounding the nature of the future relationship between the UK and the remaining EU member states following expiry of the transitional period agreed between the UK and EU and the overall impact of Brexit on the UK economy could lead to continued volatility in the value of the Pound Sterling, and may result in volatility in the reported results of operations of the Combined Group.

The Combined Group may, from time to time, hedge a portion of its currency exposures and requirements to try to limit any adverse effect of exchange rate fluctuations on its operations, financial performance and prospects, but there can be no assurance that such hedging will eliminate the potentially material adverse effect of such fluctuations.

As a result of the cash generative nature of the Combined Group and the cash balances it retains on behalf of customers, the Combined Group will be exposed to interest rate risk affecting the income earned on such deposits.

3. Risks of executing the Combination could cause the market price of Flutter Shares, including any New Flutter Shares, to decline

The market price of the Flutter Shares, including any New Flutter Shares, may decline for many reasons as a result of the Combination, including if:

(a) the integration of Flutter and TSG is unsuccessful or is materially delayed;

(b) Flutter does not achieve the expected benefits of its acquisition of TSG as rapidly or to the extent anticipated by Flutter's financial analysts or investors or at all;

(c) the effect of Flutter's acquisition of TSG on the financial results of the Combined Group is not consistent with the expectations of financial analysts or investors; or

(d) former TSG Shareholders sell a significant number of their Flutter Shares after Completion.

If the Combination becomes effective, it is expected that up to 66,531,782 New Flutter Shares will be issued to TSG Shareholders. This will result in former TSG Shareholders holding approximately 45.34% of the Company's enlarged issued share capital (based on the fully diluted ordinary share capital of Flutter and the fully diluted share capital of TSG as at the Latest Practicable Date and assuming no further share issuances). If a significant proportion of TSG Shareholders who receive New Flutter Shares in the Combination seek to sell those New Flutter Shares within a short period after the Effective Date, this could create selling pressure in the market for Flutter Shares or a perception that such selling pressure may develop, either of which may adversely affect the market for, and the market price of, Flutter Shares.

4. Flutter's dividend policy will be dependent on the financial condition of the Combined Group

The level of any dividend paid in respect of the Flutter Shares will, following Completion, be within the discretion of the Flutter Board at Completion and will be subject to a number of factors, including the business and financial condition, earnings and cash flow of, and other factors affecting, the Combined Group. In addition, Flutter will only be able to pay dividends to holders of its shares to the extent that it has sufficient distributable reserves and cash available for this purpose and Flutter may decide to use all or part of such cash for another purpose, for example, to invest in and further develop the Combined Group's business. As described in paragraph 3 of Part I (*Letter from the Chair of Flutter*) of this Circular, subject to approval of the Final 2019 Dividend by Flutter Shareholders at Flutter's 2020 annual general meeting to be held on 14 May 2020, existing Flutter Shareholders will be entitled to receive a Final 2019 Dividend of 133 pence per Flutter Share. Given the impact of the current disruption caused by COVID-19, the Flutter Board will propose that the Final 2019 Dividend is paid in the form of ordinary shares of Flutter. At the announcement of the Combination, the Flutter Board had expected that Flutter Shareholders immediately prior to Completion would be entitled to a pro-rated dividend, reflecting a time pro-rated amount of the total anticipated annual dividend for the financial year ending 31 December 2020, to which Flutter Shareholders would otherwise be entitled if the Combination had not proceeded. Given the anticipated financial profile of Flutter in the current year, the Flutter Board consider it no longer prudent to propose any pro-rated dividend. For information on the Combined Group's proposed dividend policy, see paragraph 3 of Part I (*Letter from the Chair of Flutter*) of this Circular. There is no guarantee that Flutter will be able to make dividend payments in the future or to sustain dividend payments at any particular level.

5. Adverse changes to the taxation of betting and gaming or the imposition of statutory levies or other duties or charges could materially and adversely affect the operations, financial performance and prospects of the Combined Group

The jurisdictions in which members of the Flutter Group and the TSG Group hold and, following Completion, members of the Combined Group will hold licences impose taxes and duties on their licensed activities. In addition to the direct and indirect taxes that apply generally to businesses operating in relevant jurisdictions, the Combined Group will be subject to specific taxes, duties and levies on the provision of betting and gaming services and related activities in a number of jurisdictions.

If the rates of such taxes, duties or levies were to be increased or if the tax base of such taxes, duties or levies were to be widened (for example, as a result of changes to the treatment of free bets, free plays, bonus credits or non-stake amounts received by operators such as account management fees; or as a result of a move from a gross profits basis of taxation to a turnover basis, or from a place of supply basis to a place of consumption basis or the imposition of new or increased withholding obligations) this may have a material adverse effect on the overall tax burden borne by the Combined Group. For example, in Ireland, the duty on sports-betting stakes was doubled from 1% to 2% with effect from 1 January 2019. Similarly, with respect to gaming taxes, the UK government increased the UK remote gaming duty payable on gaming revenue from 15% to 21% on 1 April 2019 and, with effect from 1 January 2019, the Italian government increased the gaming duty payable on gaming revenue from 20% to 25% and such duty on betting revenue from 22% to 24%. In addition, on 1 January 2019, Romania implemented a new 2% tax calculated on all deposits received from players. While some jurisdictions have increased or have announced increases to the taxes on betting and gaming-related activities, other jurisdictions have decreased or announced decreases to such taxes. For example, Spain decreased the Spanish gaming duty rate from 25% to 20% with effect from 1 July 2018.

Tax changes are not limited to markets in which the provision of betting and gaming services is regulated at local, national or federal level as Flutter and TSG pay and, following Completion, the Combined Group will pay VAT or other betting and gaming taxes in some unregulated markets (markets in which the provision of betting and gaming services is not regulated at local, national or federal level). For example, both Flutter and TSG have paid goods and services tax on revenue from local players in New Zealand since late 2016 and, in 2019, New Zealand passed a new law applying an additional point of consumption tax and separate New Zealand events tax. These new provisions were introduced with effect from 1 July 2019, but it is not yet clear what the applicable tax base or tax rate will be. The events tax is intended to apply to all betting globally on events that take place in New Zealand, which is different than equivalent taxes/levies in other jurisdictions, which only apply on bets placed by locals, e.g. the British Horse Racing Levy, which only applies on bets by British residents. If an events-based tax similar to the New Zealand one is introduced in other jurisdictions it could have a material adverse effect on the overall tax burden borne by the Combined Group.

Flutter and TSG currently pay VAT in territories where they have each determined that it is applicable but do not pay VAT in territories where they have determined that it is not applicable to their respective businesses. Due to the uncertainty of the application of VAT law to Flutter's, TSG's and, following Completion, the Combined Group's services there could be additional territories where local authorities consider that the interpretation that VAT does not apply to some or all of their respective businesses is incorrect, and that VAT does apply, which could have a material adverse impact on the tax burden of the Combined Group.

The Combined Group's customers will be located worldwide. If jurisdictions where betting and gaming winnings are currently not subject to income tax or are taxed at low rates were to begin to levy taxes or increase the existing tax rates on winnings, betting and gaming might become less attractive for customers in those jurisdictions, which could have a material adverse effect on the Combined Group's ability to generate revenues in such jurisdictions.

6. Adverse changes to the regulation of online betting and gaming or the interpretation thereof by regulators could materially adversely affect the Combined Group

Flutter and TSG each have customers in numerous jurisdictions around the world. In the financial year ended 31 December 2019 Flutter and TSG generated 94% and 78%[7], respectively, of their revenue from jurisdictions in which the provision of online betting and gaming services is regulated and/or licenced or, in the case of TSG, where the provision of such services is either regulated, licenced and/or taxed, at state/regional, national and/or supranational level. Where regulated, the provision of online betting and gaming services is subject to extensive laws, regulations and, where relevant, licensing requirements. These laws, regulations and licensing requirements vary from jurisdiction to jurisdiction but typically address the responsibility, financial standing and suitability of owners, directors and operators. Many of these laws, regulations and licensing requirements are recent and are subject to change at any time and relevant regulatory authorities may change their interpretation thereof at any time.

[7] Figures are based on internal management information and are unaudited.

Any adverse changes to the regulation of online betting and gaming, the interpretation of these laws, regulations and licensing requirements by relevant regulators or the revocation of operating licences could materially adversely affect the Combined Group's ability to conduct its operations and generate revenue in the relevant jurisdiction. Changes to existing forms of regulation may include the introduction of punitive tax regimes, requirements for large bonds or other financial guarantees, limitations on product offerings, requirements for ring-fenced liquidity, requirements to obtain licences and/or caps on the number of licensees, restrictions on permitted marketing activities or restrictions on third-party service providers to online betting and gaming operators. The introduction of some or all of these measures in certain jurisdictions may render it commercially undesirable or impractical for the Combined Group to provide online betting and gaming services in these jurisdictions, may reduce the returns of the Combined Group from such jurisdictions and may result in the Combined Group reducing the scope of services it provides to certain jurisdictions or withdrawing from certain jurisdictions entirely, with a consequent financial loss arising from the need to block access by customers located in the relevant jurisdictions. For example, Flutter estimates that the reduction in staking limits on fixed-odds betting terminals from £100 to £2 which was introduced by the UK Government with effect from 1 April 2019 had an approximate £23 million impact on Flutter's EBITDA in the UK in that year.[8]

Failure to comply with relevant laws, regulations or licensing requirements may lead to penalties, sanctions or ultimately the revocation of relevant operating licences and may have an impact on licences in other jurisdictions. In addition, the compliance costs associated with these evolving and increasingly complex laws, regulations and licensing requirements may be significant. Following Completion, the Combined Group's internal and external legal counsel will frequently review the ever-changing regulatory framework across all jurisdictions and markets where the Combined Group operates or may wish to operate in the future and determinations as to the application of relevant prohibitions will be made on a case by case basis. Where a prohibition is deemed to apply, technical steps will be introduced to effect compliance if required. However, the infringement by the Combined Group of the domestic regulatory regimes or those of other countries (even if inadvertent) or changes to those regulatory frameworks may result in additional compliance and litigation costs for the Combined Group, or could restrict the range of products and services it offers and the value of its assets, and/or require the Combined Group to change certain of its business practices in some or all of the jurisdictions in which it operates.

7. The increasing application of and any significant failure to comply with applicable data protection and privacy laws may have a material adverse effect on the Combined Group

Flutter and TSG process customer personal data (including name, address, age, payment details, gaming and self-exclusion history) and employee data as part of their businesses. This requires them to comply with strict data protection and privacy laws in the EU and many other jurisdictions in which they have customers or control, process or transfer such information. Such laws generally restrict the Combined Group's ability to collect and use personal information relating to customers and potential customers and typically also affect the Combined Group's ability to collect, use and transfer personal data relating to its customers and others, including through the use of cookies or similar technologies or by using such information across different brands, in a way that is of commercial use to the Combined Group. Notwithstanding the technical and organisational measures which the Combined Group will have in place following Completion, it will be exposed to the risk that this data could be wrongfully accessed and/or used, whether by employees, customers or other third parties, or otherwise lost, disclosed or processed in breach of applicable data protection and privacy laws.

If the Combined Group fails to adhere to applicable data protection and privacy laws, it may be subject to administrative sanctions and/or civil litigation. In particular, the GDPR in the EU includes an administrative sanctions regime where non-compliance with GDPR standards can attract fines of up to €20 million or 4% of annual worldwide turnover (whichever is the higher). Data protection supervisory authorities also have extensive powers under the GDPR, including the power to impose a temporary or definitive ban on processing activity.

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[8] Figures are based on internal management accounts of revenues generated from fixed-odds betting terminals machines in the UK in the nine months ended 31 December 2019 as compared with revenues generated from fixed-odds betting terminals machines in the corresponding nine month period ended 31 December 2018 and are unaudited.

The GDPR also includes a right to compensation for data subjects who have suffered material or non-material damage as a result of an infringement of the GDPR and in certain cases, civil litigation can be brought by non-profit privacy advocacy groups. Liability can attach to the Combined Group not only for its own non-compliance, but also due to the acts, errors or omissions of those who process personal data in the course of providing services for the Combined Group, as the GDPR includes joint and several liability provisions in certain cases.

Any fines, civil litigation or licence revocations or refusals arising from a breach of applicable data protection, data security and privacy laws could materially adversely affect the Combined Group's revenue and operating expenses. If the Combined Group was to be held directly responsible for a data security breach, or was to be deemed to be jointly responsible for a data security or other data protection breach by one of its service providers, then the resultant losses suffered by the Combined Group could materially adversely affect the Combined Group's operating expenses. There can be no assurances that the Combined Group would be able to recoup such losses, whether in whole or in part, from its service providers or insurers.

Breaches of the GDPR or other applicable data protection laws could also result in reputational damage to the Combined Group's brands resulting in the loss of the goodwill of customers and the potential to deter new and existing customers or could result in the Combined Group being subject to the revocation of existing licences and/or the refusal of new applications for licences.

It is likely that data protection regulatory standards in the EU will continue to increase following Completion. Regulatory guidance, caselaw and enforcement activity are increasing and significant further changes are likely to occur that will further enhance the data protection rights of individuals and have a commensurate impact upon the Combined Group's ability to process personal data in a manner that maximises its commercial value. For example, the EU has proposed a new regulation on e-privacy that could further impact the use of cookies and similar technologies and there are cases pending before the Court of Justice of the EU that are due to examine the validity of the "standard contractual clauses" mechanism, a mechanism that is used by the Combined Group and many other multinational organisations to support the lawful transfer of personal data from the EU to third countries.

Many jurisdictions outside of the EU have also introduced, or are in the course of introducing, more robust data protection laws, in many cases following the principles set out in the GDPR. For example, in the United States, where the Combined Group will focus on continued expansion following Completion, all 50 States have some form of data breach notification laws while individual states such as California have introduced broader consumer privacy legislation. Such laws may impact the ability of the Combined Group to effectively expand into these jurisdictions, through constraining processing activities, limiting the Combined Group's ability to market to new customers and/or increasing operational and compliance costs, each of which are central to the Combined Group's ability to expand into such jurisdictions effectively.

The introduction of further data protection laws in jurisdictions in which Flutter, TSG and, following Completion, the Combined Group currently operate may also limit the ability of the Combined Group to effectively market and cross-sell to its existing customers through constraining processing activities and/or increasing operational and compliance costs.

8. A significant amount of the Combined Group's revenue is derived from jurisdictions where no regulatory framework exists and the approach to regulation and the legality of online betting and gaming varies from jurisdiction to jurisdiction and is subject to uncertainties

The regulation and legality of online betting and gaming and approaches to enforcement vary from jurisdiction to jurisdiction (from open licensing regimes to regimes that impose sanctions or prohibitions) and in certain jurisdictions there is no legislation which is directly applicable to the Combined Group's business. In the financial year ended 31 December 2019 Flutter derived approximately 6% of its revenues from jurisdictions which were not regulated markets and TSG derived approximately 22%[9] of its revenues from jurisdictions which were either not locally regulated markets or were not subject to applicable taxation.

[9] Figures are based on internal management information and are unaudited.

The legality of the supply of online betting and gaming services in certain jurisdictions is not clear or is open to interpretation. In many jurisdictions, there are conflicting laws and/or regulations, conflicting interpretations, divergent approaches by enforcement agencies and/or inconsistent enforcement policies and, therefore, some or all forms of online betting and gaming could be determined to be illegal in some of these jurisdictions, either when operated within the jurisdiction and/or when accessed by persons located in that jurisdiction. Moreover, the legality of online betting and gaming is subject to uncertainties arising from differing approaches among jurisdictions as to the determination of where online betting and gaming activities take place and which authorities have jurisdiction over such activities and/or those who participate in or facilitate them.

There is a risk that regulators or prosecutors in jurisdictions where the Combined Group provides online betting or gaming services to customers without a local licence or pursuant to a multi-jurisdictional licence may take legal action in respect of the Combined Group's operations in that jurisdiction and any defence raised by the Combined Group to such actions may not be successful. Actions that may be taken may include criminal sanctions and penalties, as well as civil and administrative enforcement actions, fines, funds and asset seizures, authorities seeking to seize funds generated from the allegedly illegal activity as well as payment blocks and ISP blacklisting, some of which may be more readily enforceable within an economic area such as the EEA. Even if such claims could be successfully defended, the process may result in a loss of reputation, potential loss of revenue and diversion of management resources and time.

In addition, there are many jurisdictions around the world where the legality of various forms of gambling is open to interpretation, often arising from a delay or failure to update gambling laws to reflect the availability of modern remote betting products. In those cases, there are justifiable arguments to support various forms of betting and gaming activities on the basis that they are not expressly prohibited, that their application to off-shore activities is unclear, that betting and gaming products are readily available within the particular jurisdiction and/or that there is no history of enforcement in respect of the particular type of betting or gaming being offered. Changes in regulation in a given jurisdiction could result in it being re-assessed as a restricted territory without the potential to generate revenues on an ongoing basis. For example, in 2019, Flutter was required to switch off a number of international markets, including Albania, Serbia, Slovakia and Switzerland due to changing regulatory frameworks. While individually each of these markets represented a small fraction of Flutter's overall revenue, Flutter estimates that the combined effect of all switch offs adversely impacted Flutter's EBITDA by approximately £14 million on an annualised basis in the year ended 31 December 2019.[10] The inability of the Combined Group to operate in a large betting or gaming market in the future, for example Germany, or a number of smaller betting or gaming markets which collectively are material, could have a material adverse effect on the Combined Group's ability to generate revenue.

While the list of TSG's and Flutter's restricted territories and territories considered as unregulated markets is similar and includes several large countries, the lists are not identical. Any differences reflect the fact that the two entities have taken differing commercial views as to whether or not to permit customers to access their products or services in some jurisdictions.

The Combined Group's determination as to whether or not to permit customers in a given jurisdiction to access any one or more of the Combined Group's products and whether or not to engage in various types of marketing activity and customer contact will be made on the basis of a number of factors. These factors will include:

(a) the laws and regulations of the jurisdiction;

(b) the terms of the Combined Group's betting and gaming licences;

(c) the approach by regulatory and other authorities to the application or enforcement of such laws and regulations, including the approach of such authorities to the extraterritorial application and enforcement of such laws;

[10] Figures are management estimates based on internal management accounts of revenues generated in these markets in the financial year ended 31 December 2019 as compared with revenues generated in the financial year ended 31 December 2018 and are unaudited.

(d) state, federal or supranational law, including EU law if applicable; and

(e) any changes to these factors.

There is a significant risk that the Combined Group's assessment of the factors referred to above may not always accurately predict the likelihood of one or more jurisdictions taking enforcement or other adverse action against the Combined Group, its customers or its third-party suppliers, which could lead to fines, criminal sanctions and/or the termination of the Combined Group's operations in such jurisdiction or jurisdictions. In addition, following Completion, the Combined Group will be required to align its view on the jurisdictions that constitute restricted territories. It is possible that certain jurisdictions into which Flutter or TSG have traditionally provided online betting and gaming services may be determined to be restricted territories of the Combined Group, resulting in a consequent loss of revenue from those jurisdictions. See also the risk factor entitled "*Risk of disproportionate liability following changes in taxation law relating to the Combined Group's operations"* in relation to the possible requirement to register a digital tax presence in potentially restricted jurisdictions.

9. Risk of disproportionate liability following changes in taxation law relating to the Combined Group's operations

The Combined Group is subject to a number of different tax regimes across the jurisdictions in which it operates. From time to time, these tax regimes change, often driven by new regulations or policies applicable to online betting and gaming in the relevant jurisdictions. In certain circumstances, the effect of such changes could have a disproportionate effect on some of the operations of the Combined Group.

For example, a sports betting tax was introduced in Germany in 2012 that Flutter believes should not have applied to the Betfair Exchange which was operating in Germany at that time. However, the German tax authorities have sought to apply this tax to the Betfair Exchange in the same manner as to other more traditional online betting and gaming companies, which has led to an effective tax rate on the operation of the Betfair Exchange equivalent to many times the revenue generated from the operation of the Betfair Exchange. As well as discontinuing the operation of the Betfair Exchange in Germany after the introduction of this tax, Betfair issued appeal proceedings in the German courts to challenge the German tax assessment on the basis that, in view of its distinct business model, a betting exchange should not be subject to the sports betting tax or, if it is, should be taxed differently to more traditional online betting and gaming companies. For further information on Flutter's challenge to the German tax assessment, please see paragraph 7.1 of Part VI (*Additional Information*) of this Circular.

Additionally, the BEPS project led by the OECD, and related EU actions, have changed the global approach and attitude to the taxation of MNCs. These projects are still ongoing, and further material reforms to international tax norms are anticipated. In January 2019, the OECD announced a new BEPS programme (referred to as BEPS 2.0) with a view to creating an international consensus on new rules for the framework for international taxation, particularly for businesses with valuable intangible assets. The stated aim is to move beyond the arm's length principle and the scope of current corporate tax taxing rights which are limited to businesses with a physical presence in a country. The new rules, if adopted, would re-adjust the balance of taxing rights and profit allocation between jurisdictions where MNC assets/operations are established and the markets where users/consumers are based. BEPS 2.0 proposes to address this reform through two main pillars of work which are interlinked:

(i) *Pillar One: Arriving at a new basis for taxing profits attributable to intangible assets.*

This workstream includes consideration of new transfer pricing principles which could attribute greater profit to the value contributed by users/consumers. The design of a new tax framework would include new rules for defining a taxable presence for businesses which operate in a market without a physical presence by using a concept of "significant economic presence" or "significant digital presence". A revised basis for taxing profits from intangibles could potentially apply a formulary approach using attribution factors that give greater weight to the user or consumer market location once the threshold for triggering sufficient 'nexus' in that market has been reached. Such changes could result in the Combined Group being treated as having a taxable presence, and becoming subject to tax, in jurisdictions in which neither Flutter nor TSG is currently taxable but in which the Combined Group will have a "digital" presence and/or in the Combined Group's profits being allocated or attributed between the various jurisdictions in which it operates on a

revised basis. This may have a material adverse effect on the overall tax burden borne by the Combined Group, including potentially increasing the Combined Group's overall effective tax rate. Other non-tax consequences could also occur as a result of these changes, which could include, in a worst case scenario (for example, where registration of a "digital tax presence" is required in a consumer jurisdiction which is not otherwise considered to be a regulated market), the requirement to exit certain markets.

(ii) *Pillar Two: Strengthening taxing rights to preserve the tax base and counteract profit shifting to jurisdictions with no or very low effective tax rates.*

Work in this area will consider developing both an income inclusion rule as well as a tax on base eroding payments. If the US tax reform model of international taxation (i.e. GILTI and/or BEAT-type arrangements) is used as a starting point for exploration of a new income inclusion rule, this could result in the development of a minimum tax rate concept applied by the tax authority of the jurisdiction of incorporation of a parent company to the profits of its subsidiaries above a routine return. This could be combined with an approach that would seek to tax, e.g. by denying deductions for, payments to entities in low tax jurisdictions. Flutter and TSG have, and the Combined Group will have, active subsidiaries in lower tax countries, including the Isle of Man and Malta, and the introduction of any such measures could have a material adverse effect on the overall tax burden borne by the Combined Group, including potentially increasing the Combined Group's overall effective tax rate and may also require the Combined Group to make changes to its organisational and operational structures.

While the BEPS 2.0 project remains ongoing, unilateral action is being taken by some jurisdictions through digital services tax regimes. When it comes to DST, several European and other countries have determined that the original BEPS project did not go far enough in its approach to the taxation of digital MNCs (which under current international tax principles may not be required to pay material taxes in the jurisdictions where their customers or users reside) and that BEPS 2.0 is not moving quick enough. This has resulted in several proposals for new taxes levied by reference to the location of users/consumers with rates ranging from 2% to 7% based on gross revenue. These proposed taxes are intended to capture the value generated from users/consumers located in the taxing jurisdiction by certain digital business models such as search engines, social media platforms and online marketplaces. It is currently unclear how any additional tax payable in those other jurisdictions will impact on the tax payable in Ireland, or in any other jurisdiction in which the Combined Group will operate, on similar taxable income.

While Flutter and TSG currently believe that online gaming businesses are not the target of DSTs, tax authorities could seek to apply DSTs to the Combined Group's revenues, in particular Betfair Exchange and online poker revenues, depending on the terms of the applicable legislation. For example, France implemented a DST with effect from 1 January 2019 (although it was announced on 23 January 2020 that collection of the tax for 2020 would be delayed until December 2020); Italy has implemented a DST, and Austria has implemented a tax on online advertising services, each with effect from 1 January 2020. While some guidance has been released in relation to the application of these taxes, there is no certainty on the application of the rules to betting and gaming businesses. As at the Latest Practicable Date, other countries such as the UK and Spain, among others, have announced draft legislation or plans to implement DSTs. The EU and the OECD are also continuing their efforts for a coordinated approach on addressing this issue through the BEPS 2.0 measures referred to above.

10. The Combined Group's success depends on the maintenance, responsible development and enhancement of its brands

The success of the Combined Group depends on the maintenance, responsible development and enhancement of its brands and reputation. The strong reputation of the Flutter and TSG businesses and their valuable brand names are important to, and will continue to be, a key competitive strength of the Combined Group. The image of the Combined Group and one or more of its individual brands might be harmed by a failed integration of the Flutter and TSG businesses, or any disruption to the products or services that the Combined Group provides under those brand names.

Maintaining and enhancing the Combined Group's brands may require it to make or incur substantial investments, costs or fees. If the Combined Group is unable to maintain, develop and enhance its brands or if it incurs excessive expenses in this effort, its ability to implement its strategic goals may be adversely affected.

Damage to the reputation and brands of the Combined Group may arise from internal factors (technology failures, regulatory investigations, the conduct of current or former directors, employees, ambassadors or service providers of the Combined Group and litigation) and external factors (legal, economic and political factors) which make the markets and jurisdictions in which the Combined Group will operate less attractive. For example, the Combined Group intends to run a multiple-brand strategy in multiple markets and jurisdictions and there are risks associated with managing brands which are competing with one another. In addition, increased competition from third parties in the markets and jurisdictions in which the Combined Group will operate may require more management time and resource and greater levels of expenditure to maintain, develop and enhance the Combined Group's brands.

11. The Combined Group may face claims alleging infringement of intellectual property rights held by others

The Combined Group's operations are dependent on complex IT systems and its business activities, products and systems may infringe the proprietary rights of others, and other parties may assert infringement claims against it. Although the Directors are not, as at the Latest Practicable Date, aware of the existence of any such matters that are material in context of the Combined Group as a whole, any such claim and any resulting litigation (including litigation against a third-party supplier), should it occur, could subject the Combined Group to significant liability for damages (or an account of profits) and legal costs and could result in invalidation of its proprietary rights, result in loss of rights to use software or other intellectual property rights or technology that are material to its business, distract management, and/or require it to enter into costly and burdensome royalty and licensing agreements. Such royalty and licensing agreements, if required, may not be available on terms acceptable to the Combined Group, or may not be available at all. In addition, parties making claims against the Combined Group may be able to obtain injunctive or other equitable relief which could effectively block the Combined Group from using such rights in its usual manner, or at all. Such litigation, whether successful or unsuccessful, could result in substantial costs and diversion of resources, including management time and resources, as well as potential negative publicity.

12. A challenge to the Combined Group's tax policies could have a material impact on the amount of tax payable by the Combined Group

Flutter and TSG each have a policy and, following Completion, the Combined Group will have a policy, to conduct business, including transactions between members of the Combined Group, in accordance with current tax legislation, tax treaties and provisions applicable in the various jurisdictions in which it operates. The Combined Group could be adversely affected by changes in tax laws, tax treaties and provisions or changes in the interpretation of tax laws by any tax authority. Equally, if any member of the Combined Group is found to have a taxable presence in a jurisdiction where it had not registered a business presence, whether on the basis of existing law or the current practice of any tax authority or by reason of a change in law or practice, this may have a material adverse effect on the amount of tax including corporate income tax, transaction or sales tax or VAT payable by the Combined Group.

It is also Flutter's and TSG's policy that the pricing of any arrangements between members of their respective groups, such as the intra-group provision of services, are, where required by applicable tax law, intended to be established on an arm's length basis. However, if the tax authorities in the relevant jurisdictions do not regard the arrangements between any members of the Combined Group as being made at arm's length in accordance with applicable tax law, the amount of tax payable by the Combined Group may increase materially.

Each of Flutter and TSG regularly reviews its tax provision on the basis of current law. It is possible that the Combined Group's tax provision may turn out to be insufficient.

13. The receipt and holding of customer funds could be regarded as deposit-taking business, requiring various financial services licences/authorisations

In common with other online betting and gaming businesses, payments from Flutter's and TSG's customers are generally required in advance of permitting such customers to participate in betting and gaming activities. The receipt of funds from customers may be subject to regulation in various countries. For

example, such payments may constitute 'deposits' for the purposes of the UK financial services regime. Accepting deposits in the UK is a regulated activity, generally requiring those that accept deposits in the UK to be authorised under applicable financial services legislation.

Flutter has previously received confirmation from the FCA that the acceptance by the relevant entity of such payments does not constitute "deposit taking" and that therefore they do not require authorisation under applicable financial services legislation in the United Kingdom. If this position were to change, the Combined Group may have to either reorganise the way in which it receives payments from its customers or seek to obtain relevant authorisations. Such a reorganisation of payment systems could disrupt the Combined Group's operations and result in it incurring unforeseen costs and expenses. In addition, any failure to obtain a necessary authorisation may prevent the Combined Group from continuing to provide its products in the same way as it currently does which may impose additional costs on the provision of such products or prevent the Combined Group from providing some or all of its products to certain customers.

14. Shareholders may be subject to voting or distribution restrictions on, or be required to dispose of, their interests in Flutter Shares as a result of the regulatory requirements to which Flutter and TSG are, and the Combined Group will be, subject

The licensing or regulatory authorities in the principal jurisdictions in which Flutter and TSG have a betting and/or gaming licence or in which the Combined Group may seek a licence in the future may have broad powers to request or require reporting of various detailed information from and/or approve the qualification or suitability for licensing of, online betting and gaming operators, including their directors, management and the holders (legal and beneficial) of interests in shares. In some jurisdictions, such authorities may impose such information sharing and filing requirements on a continuous and ongoing basis, including in relation to the Combined Group, its directors, management and the holders (legal and beneficial) of interests in Flutter Shares. These powers may be exercised by regulators as against the holders, whether legal or beneficial, of interests in shares or other securities in betting and gaming operators, as well as against the betting and gaming operators themselves, their directors and management.

In some circumstances, the purpose of the exercise of powers by licensing or regulatory authorities may be to identify shareholders and directors whose involvement with the licensed entity the licensing or regulatory authority considers unacceptable because such persons are not suitable directors, managers or shareholders to have a direct or indirect financial interest in, or influence over, a betting and gaming operator in such jurisdiction.

The information required, qualification or suitability requirements to be satisfied and ongoing regulatory filings to be submitted, may be very detailed, onerous and/or intrusive and may include, for example, personal and financial information concerning the ultimate beneficial owners and/or persons influencing the control of corporate shareholders. In many cases, the terms of Flutter's and TSG's licences or the provisions of regulations in relevant jurisdictions require Flutter and TSG to produce such information on demand in relation to the holders (legal and beneficial) of interests in Flutter Shares, as the case may be either following, or in some cases prior to, such persons acquiring specified percentage (legal or beneficial) interests in the share capital of Flutter. Any failure by the Combined Group, its directors, its management or, as applicable, any holder (or proposed investor) of an interest in Flutter Shares, to comply with such requests could result in the relevant licensing or regulatory authority taking adverse action against the Combined Group in that jurisdiction which may include the suspension or revocation of licences and/or the imposition of fines.

To address the various requirements referred to above, certain provisions are contained in Flutter's Articles which permit it to restrict the voting or distribution rights attaching to Flutter Shares or to compel the sale of Flutter Shares if a holder (legal or beneficial) of interests in Flutter Shares does not satisfactorily comply with a regulator's request(s) and/or the Combined Group's request(s) in response to regulatory action and/or the regulator indicates that such shareholder is not suitable (a determination which in all practical effects is at the sole discretion of such regulator) to be the holder (legal or beneficial) of interests in Flutter Shares. Accordingly, to the extent a relevant threshold of ownership is passed, or to the extent any shareholder may be found by any such regulator to be able to exercise significant or relevant financial influence over the Combined Group and is considered by a regulator to be unsuitable, there can be no assurance that any given holder of an interest in Flutter Shares may not be subject to such restrictions or compelled to sell its Flutter Shares (or have such Flutter Shares sold on its behalf). If a holder of an interest in Flutter Shares is required to sell its interests in Flutter

Shares (or have such Flutter Shares sold on its behalf), subject to the Articles, any such sale may be required at a time, price or otherwise on terms not acceptable to such holder. Holders of interests in Flutter Shares should be aware that none of Flutter, the Directors, TSG or, following Completion, the Combined Group accept, to the maximum extent permitted by law, any responsibility whatsoever for any loss which any such holder may suffer as a result of the sale of any interests in Flutter Shares held in connection with the exercise by Combined Group of the powers referred to above.

15. The Combined Group, together with other operators in the betting and gaming industry, could face increased exposure to governmental investigations, inquiries, regulatory actions and litigation (including class action lawsuits) in respect of the Combined Group's products, operations and marketing activities in connection with concerns regarding the effects of betting and gaming

Each of Flutter and TSG is committed to responsible betting and gaming. This has underpinned Flutter's strategy and will, following the Combination, underpin the strategy of the Combined Group, including the deployment of tools such as deposit limits, loss limits, reality checks, self-exclusion, active monitoring and intervention systems and continuing to have a key role in establishing progressive, constructive self-regulation that enhances customer protections. Each of Flutter and TSG has (and following the Combination, the Combined Group will have) detailed procedures and systems in place to comply with applicable betting and gaming laws and regulations and pursues, and will continue to pursue, a policy of full compliance with such laws and regulations.

As a result of greater public awareness of the potential adverse effects of the abuse or excessive use of products or services offered by service providers in the betting and gaming industry, there could be increased scrutiny of, or investigations into, the commercial practices of betting and gaming industry service providers, including by governmental agencies. There is also the risk of class action or individual lawsuits or litigation by individual or groups of users of such services, including under tort, recovery of betting / gaming losses, negligence, breach of contract, civil conspiracy, unjust enrichment, fraud, public nuisance or other common law or analogous claims, or for breaches of regulations, including in the areas of product liability, consumer protection, unfair or deceptive trade practices, false advertising, unlawful marketing, unlawful gaming/gambling or breach of gaming/gambling regulation or licensing. Although Flutter is not currently subject to any such claims or investigations, a subsidiary of TSG is subject to claim by the Commonwealth of Kentucky for the recovery of gambling losses relating to a period prior to the acquisition by TSG of the subsidiary in question (see paragraph 7.2 of Part VI (*Additional Information*) of this Circular and the TSG AIF for further information in relation to these proceedings).

If the Combined Group were to be made the subject of or a defendant in any such investigations or legal actions, including as a result of a change in policy or regulation, or new judicial practices or precedents regarding liability for certain types of claim, or if it were to incur liability in respect of such investigations or legal actions, the Combined Group's reputation, prospects and operating expenses could be materially adversely affected.

16. The Combined Group may be unsuccessful in the implementation of future acquisitions, joint ventures or alliances in existing jurisdictions

Following the Combination, the Combined Group may seek to acquire or invest in other businesses if appropriate opportunities become available. Any future acquisition may pose regulatory, anti-trust and other risks, as well as integration risks in jurisdictions where the Combined Group already has a presence due to the Combined Group's size. Due to the regulatory environment in which the Combined Group will operate, it faces restrictions with respect to the way in which it conducts certain operations. These may limit the Combined Group's ability to implement its global strategy and its ability to achieve synergies as a consequence of the Combination or any future combinations. Additionally, the Combined Group may experience certain competitive disadvantages if it does not receive necessary regulatory approvals for new business initiatives, or if it receives them in an untimely manner. In particular, where the Combined Group already operates in a particular jurisdiction, certain competitors may be able to obtain regulatory approval more rapidly or with less cost or difficulty than the Combined Group, providing them with an advantage in a new market or product area. Competitors may be able to respond more quickly to competitive pressures, especially if they are not subject to the same degree of regulatory oversight as the Combined Group.

All of the foregoing factors may limit the Combined Group's ability to achieve future business growth. Such risk extends to new acquisitions or mergers and will be particularly relevant if the Combined Group seeks to develop business initiatives in existing jurisdictions.

17. The Combined Group faces the risk of loss, revocation, non-renewal or change in the terms of its betting and gaming licences

Flutter's and TSG's betting and gaming licences tend to be issued for fixed periods of time, after which a renewal of the licence is required. For example, certain licences held by members of the TSG Group will expire and will need to be renewed in the ordinary course during the course of 2020, including licences held in Australia (30 June 2020), Estonia (21 September 2020), France (24 June 2020), New Jersey (30 March 2020 and, if renewed, 30 September 2020) and Spain (2 June 2020). Licences also typically include a right of revocation for the regulator in certain circumstances, for example, where the licensee is in breach of the relevant licence provisions. In addition, TSG has identified a limited number of licences (including those in Australia, Pennsylvania and New Jersey) which, as a result of the Combination, will require approval by the relevant regulators prior to Completion. If any of the Combined Group's betting and gaming licences are not renewed, there are material delays in renewal, such licences are revoked or such licences are renewed on terms which are materially less favourable to the Combined Group, this may restrict the Combined Group from providing some or all of its services to customers located in the relevant jurisdiction and may result in the Combined Group being required or choosing to withdraw from the jurisdiction either temporarily or permanently, either of which would have a consequent negative impact on the Combined Group's revenue.

In addition, the determination of suitability process as part of any renewal application may be expensive and time-consuming and any costs incurred are unlikely to be recoverable if the application is unsuccessful. While both Flutter and TSG have established procedures in place to monitor renewal dates (including substantial internal regulatory teams and retaining outside counsel, where appropriate), the revocation or non-renewal of the Combined Group's licences could arise if the Combined Group's directors, management, certain shareholders or business partners failed to comply adequately with the suitability, information reporting or other requirements of relevant licensing and regulatory authorities.

18. The success of certain of the Combined Group's products including poker, exchange and daily fantasy sports depends upon maintaining liquidity

Flutter's Betfair Exchange, FanDuel Group's daily fantasy sports business and TSG's poker businesses operate with, and their success is dependent on, high levels of liquidity. A significant reduction of this liquidity or any legislative or regulatory measures taken to ring-fence that liquidity could have a material adverse impact on the attractiveness of those products as well as eroding their key competitive strengths. The occurrence of any event causing an adverse impact on the liquidity available on Flutter's Betfair Exchange, FanDuel Group's daily fantasy sports business and TSG's poker businesses could result in a reduction in the number of customers who are willing to use these products and services which, if it were to arise to a material degree, would have a material adverse effect on the Combined Group's ability to generate revenue from those businesses.

PRESENTATION OF INFORMATION

FORWARD-LOOKING STATEMENTS

This document (including information incorporated by reference in this document), oral statements made regarding the Combination, and other information published in connection with the Combination contain statements which are, or may be deemed to be, "forward-looking statements". Forward-looking statements are prospective in nature and are not based on historical facts, but rather on current expectations and projections about future events, and are therefore subject to risks and uncertainties which could cause actual results to differ materially from the future results expressed or implied by the forward-looking statements. The forward-looking statements contained in this document include statements relating to the expected effects of the Combination on Flutter, the expected timing and scope of the Combination and other statements other than historical facts. Often, but not always, forward-looking statements can be identified by the use of forward-looking words such as "plans", "expects" or "does not expect", "is expected", "is subject to", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "should", "would", "might" or "will" be taken, occur or be achieved.

Although Flutter believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to be correct. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements. These factors include the satisfaction of the Conditions, any matter referred to in Part III (*Risk Factors*), of this document, as well as factors such as future market conditions, currency fluctuations, the behaviour of other market participants, the actions of regulators and other factors such as changes in the political, social and regulatory framework in which the Combined Group will operate or in economic or technological trends or conditions. Other unknown or unpredictable factors could cause actual results to differ materially from those in the forward-looking statements. Such forward-looking statements should therefore be construed in the light of such factors.

None of Flutter or any of its associates or directors, officers or advisers provides any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this document will actually occur. You are cautioned not to place undue reliance on these forward-looking statements. Other than in accordance with its legal or regulatory obligations, Flutter is under no obligation, and Flutter expressly disclaims any intention or obligation, to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

Nothing in this paragraph or anywhere else in this document should be construed as qualifying the statement in respect of the Combined Group's working capital set out in paragraph 8 of Part VI (*Additional Information*), of this document. Information in this document will be updated as required by the Prospectus Regulation Rules, Listing Rules and the Disclosure and Transparency Rules, as appropriate.

PRESENTATION OF FINANCIAL INFORMATION

Unless otherwise indicated, all references in this Circular to "€", "euro" or "cent" are to the lawful currency of participating member states of the European Union. Unless otherwise indicated, all references in this Circular to "Sterling", "£" or "p" are to the lawful currency of the UK, references to "US dollar", "USD" and "US$" are to the lawful currency of the United States, references to "Canadian dollar" and "C$" are to the lawful currency of Canada and references to "Australian dollar" and "AUD" are to the lawful currency of Australia. Certain figures contained in this Circular or in the documents incorporated by reference herein, including financial, statistical and operating information, have been subject to rounding adjustments. Accordingly, in certain instances, the sum of the numbers in a column or row in tables contained in this Circular or in the documents incorporated by reference herein may not conform exactly to the total figure given for that column or row.

This Circular references EBITDA, Adjusted EBITDA, Net Debt, Net Debt to Underlying EBITDA (pre-IFRS 16) ratio, Underlying Earnings Per Share and Underlying EBITDA (pre-IFRS) which are non-IFRS measures. Flutter believes these non-IFRS financial measures will provide Flutter Shareholders with useful supplemental information about the financial and operational performance of Flutter, TSG and the Combined Group, enable comparison of financial results between periods where certain items may vary

independent of business performance, and allow for greater transparency with respect to key metrics used by relevant management in operating its business, identifying and evaluating trends, and making decisions. Although Flutter believes these financial measures are important in evaluating Flutter, TSG and the Combined Group, they are not intended to be considered in isolation or as a substitute for, or superior to, financial information prepared and presented in accordance with IFRS. They are not recognised measures under IFRS and do not have standardized meanings prescribed by IFRS. These measures may be different from non-IFRS financial measures used by other companies, limiting their usefulness for comparison purposes. Moreover, presentation of these measures may be provided for year-over-year comparison purposes, and investors should be cautioned that the effect of the adjustments thereto provided herein have an actual effect on the operating results of Flutter, TSG and/or the Combined Group.

Other than Flutter's audited consolidated financial statements for the financial years ended 31 December 2019, 31 December 2018 and 31 December 2017, which are incorporated by reference into this document, the financial information set out in this document does not constitute statutory financial statements within the meaning of section 340 of the Companies Act 2014 and has been published to meet the requirements of the Listing Rules. The statutory financial statements for the years ended 31 December 2017 and 31 December 2018 and the reports of the statutory auditor thereon have been delivered to the Registrar of Companies of Ireland. The statutory financial statements for the year ended 31 December 2019 and the report of the statutory auditor thereon were published on 28 February 2020, and will be delivered to the Registrar of Companies of Ireland by the deadline for doing so under Irish law. The matters referred to in the statutory auditor's reports were unqualified, and did not include references to any matters to which the statutory auditor drew attention by way of emphasis without qualifying the report.

TIME

All references in this Circular to times are to Dublin, Ireland times, unless otherwise stated.

DEFINITIONS

Capitalised terms used in this Circular have the meaning ascribed to them in Part VII (*Definitions*) of this Circular.

NO OFFER OF SECURITIES

This document does not constitute or form part of any offer or invitation to purchase, acquire, subscribe for, sell, dispose of or issue, or any solicitation of any offer to sell, dispose of, purchase, acquire or subscribe for, any security, including any New Flutter Shares to be issued in connection with the Combination. In particular, the New Flutter Shares to be issued in connection with the Combination have not been and will not be registered under the Securities Act and may not be offered or sold in the US absent registration or an applicable exemption from the registration requirements of the Securities Act.

NO PROFIT FORECASTS OR ESTIMATES

No statement in this document, or incorporated by reference into this document, is intended to be or is to be construed as a profit forecast or estimate for any period and no other statement in this document should be interpreted to mean that earnings or earnings per share for Flutter for the current or future financial years, or those of the Combined Group, would necessarily match or exceed the historical published earnings or earnings per share for Flutter.

PART IV
HISTORICAL FINANCIAL INFORMATION FOR THE TSG GROUP

The following tables set out audited consolidated financial information of the TSG Group for the financial years ended 31 December 2019, 31 December 2018 and 31 December 2017. The financial information has been extracted without material adjustment from the audited accounts of the TSG Group for each respective financial year and has been prepared in accordance with IFRS as issued by the IASB.

The Directors confirm that no material adjustment needs to be made to the financial information of TSG for the years ended 31 December 2019, 31 December 2018 and 31 December 2017 to achieve consistency with the Company's accounting policies.

SECTION A

HISTORICAL FINANCIAL INFORMATION RELATING TO THE TSG GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

INDEPENDENT AUDITORS REPORT 2019 OF TSG

To the shareholders and the Board of Directors of The Stars Group Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated statement of financial position of The Stars Group Inc. and subsidiaries (the "Company") as of December 31, 2019 and 2018, the related consolidated statements of earnings (loss), comprehensive income (loss), changes in equity, and cash flows, for each of the two years in the period ended December 31, 2019, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2019, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 27, 2020 expressed an adverse opinion on the Company's internal control over financial reporting material weaknesses.

Change in Accounting Principle

As discussed in Note 4 to the financial statements, effective January 1, 2019, the Company adopted IFRS 16, Leases, using the modified retrospective approach.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current-period audit of the financial statements that were communicated or required to be communicated to the audit committee and that (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Goodwill impairment for UK and Australia – Refer to Notes 2, 5 and 11 of the 2019 financial statements

Critical Audit Matter Description

The Company's evaluation of goodwill for impairment involves the comparison of the fair value of each cash generating unit or group of cash generating units to its carrying value. The Company used discounted

cash flow models to estimate recoverable amount, which requires management to make significant estimates and assumptions related to discount rates and forecasts of future revenues and EBITDA. Changes in these assumptions could have a significant impact on determination of recoverable amount which could lead to an impairment charge. The consolidated goodwill balance was $5.3 billion as of December 31, 2019, of which $2.4 billion was allocated to the United Kingdom, and $0.1 billion was allocated to Australia. The recoverable amount exceeded the carrying value of the UK and Australia as of the measurement date and, therefore, no impairment was recognized, see note 11 for further detail.

The headroom when comparing the recoverable amount to the carrying value of the assets in the UK and Australia cash generating unit or group of cash generating units is sensitive to forecast revenue and EBITDA and the discount rate. Given the significant judgments made by management to estimate the recoverable amount of the UK and Australia cash generating unit or group of cash generating units, performing audit procedures to evaluate the reasonableness of these estimates and assumptions required a high degree of auditor judgment and an increased extent of effort, including the need to involve our fair value specialists.

How the Critical Audit Matter is Addressed in the Audit

Our audit procedures related to the discount rate and forecasts of future revenue and EBITDA used by management to estimate the recoverable amount of the UK and Australia cash generating unit or group of cash generating units, and included among others:

- We tested the internal controls over management's goodwill impairment evaluation, including those over the determination of the recoverable amount of the UK and Australia cash generating unit or group of cash generating units, such as controls related to management's selection of the discount rate and forecasts of future revenue and EBITDA.
- We evaluated the reasonableness of management's revenue and EBITDA forecasts by comparing the forecasts to:
  - Forecast information included in the Company's press releases as well as analysts and industry reports.
  - Internal communications to management and the Board of Directors.
  - Historical revenues and EBITDA margins.
- With the assistance of our fair value specialists, we evaluated the reasonableness of the discount rates by developing a range of independent estimates and comparing those to the discount rate selected by management.

Embedded Derivatives – Valuation of Financial instruments using observable data – Refer to Notes 2, 19 and 26 to the financial statements

Critical Audit Matter Description

The Company's valuation of the embedded derivatives identified within the senior notes which require bifurcation and valuation uses unobservable inputs being implied credit spreads and volatility. This unobservable input is required in the valuation of the embedded derivative relating to the redemption option on the senior notes. The valuation requires management to use significant judgement and estimation in determining the implied credit spread and volatility inputs. Changes in these inputs could have a significant impact on the valuation. The fair value of the bifurcated embedded derivative at inception was an asset of $17.7m and was re-measured to an asset of $109.9m as at December 31, 2019 ($11.6m asset as at December 31, 2018).

Given the sensitivity of the valuation to changes in the implied credit spread and volatility inputs utilized in its determination, auditing this management estimate and judgement involved significant auditor subjectivity.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures included among others:

- We tested the internal controls over management's determination of the unobservable inputs used in the valuation.
- With the assistance of our financial instruments specialists, we evaluated the reasonableness of the implied credit spreads and volatility utilised in the valuation by recalculating the value of the embedded derivatives using independent inputs.

Kentucky Litigation – Contingent Liabilities – Refer to Note 28 of the financial statements

Critical Audit Matter Description

With regards to the $870 million lawsuit filed against the Company by the Commonwealth of Kentucky, the Company has determined that it is not "probable", defined by IFRS as more likely than not to succeed, that the Commonwealth's appeal will be successful. However, the Company has determined that it is possible a settlement could be reached, and as such has concluded there is a contingent liability. This determination involved significant judgement as to the future outcome of the case.

Given the magnitude of the lawsuit filed against the Company and the judgement applied in determining its likelihood of success and the resulting accounting thereof, auditing this management judgement involved significant auditor subjectivity.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures included the following, among others:

- We tested the internal controls over the management's determination of the likelihood of the Commonwealth's appeal being "probable" and the resulting accounting for this lawsuit.
- We enquired of internal legal counsel as to the likelihood of the Commonwealth's appeal being "probable".
- We obtained evidence from external counsel as to the likelihood of the Commonwealth's appeal being "probable".
- We considered whether there were any matters that might impair the external counsel's objectivity.

/s/ Deloitte LLP

London, United Kingdom

February 27, 2020

We have served as the Company's auditor since 2015.

To the shareholders and the Board of Directors of The Stars Group Inc.

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of The Stars Group Inc. and subsidiaries (the "Company") as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, because of the effect of the material weaknesses identified below on the achievement of the objectives of the control criteria, the Company has not maintained effective internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2019, of the Company and our report dated February 27, 2020, expressed an unqualified opinion on those financial statements and included an explanatory paragraph regarding the Company's change in accounting principle due to the adoption of IFRS 16, *Leases*.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Material Weaknesses

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. The following material

weaknesses have been identified and included in management's assessment: i) information technology controls and business process controls at BetEasy; and ii) recording of an arrangement for the provision of pricing services at BetEasy. These material weaknesses were considered in determining the nature, timing, and extent of audit tests applied in our audit of the consolidated financial statements as of and for the year ended December 31, 2019, of the Company, and this report does not affect our report on such financial statements.

/s/ Deloitte LLP

London, United Kingdom

February 27, 2020

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF EARNINGS (LOSS)

In thousands of U.S. Dollars (except per share and share amounts)	Note	Year Ended December 31, 2019	2018 †*
Revenue	6,7	2,528,448	2,029,238
Cost of revenue (excluding depreciation and amortization)	8	(693,062)	(459,164)
Gross profit (excluding depreciation and amortization)		**1,835,386**	**1,570,074**
General and administrative	8	(1,155,440)	(976,992)
Sales and marketing		(360,662)	(292,963)
Research and development		(55,085)	(39,995)
Operating income		**264,199**	**260,124**
Gain on re-measurement of deferred contingent payment	8	7,371	342
Gain (loss) on re-measurement of Embedded Derivative	8	98,300	(6,100)
Unrealised foreign exchange loss on financial instruments associated with financing activities	8	(11,320)	(7,202)
Other net financing charges	8	(296,885)	(358,126)
Net financing charges		**(202,534)**	**(371,086)**
Net earnings from associates		—	1,068
Earnings (loss) before income taxes		**61,665**	**(109,894)**
Income tax recovery	9	197	988
Net earnings (loss)		**61,862**	**(108,906)**
Net earnings (loss) attributable to			
Shareholders of TSG.		62,822	(102,452)
Non-controlling interest		(960)	(6,454)
Net earnings (loss)		**61,862**	**(108,906)**
Earnings (loss) per Common Share (U.S. dollars)			
Basic	10	$0.22	($0.49)
Diluted	10	$0.22	($0.49)
Weighted average Common Shares outstanding (thousands)			
Basic	10	282,885	208,270
Diluted	10	284,479	208,270

† The Corporation applied IFRS 16, *Leases* ("**IFRS 16**") from January 1, 2019. Consistent with the transition method chosen by the Corporation, comparative information has not been restated. See note 4.

* Certain amounts were reclassified in the comparative periods. See note 2.

See accompanying notes.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

In thousands of U.S. Dollars	Note	Year Ended December 31, 2019	2018
Net earnings (loss)		**61,862**	**(108,906)**
Items that are or may be reclassified to net earnings			
Debt instruments at FVOCI – changes in fair value *	25	989	(286)
Debt instruments at FVOCI – reclassified to net	25	4	(395)
Foreign operations – unrealised foreign currency translation differences **	25	157,347	(95,281)
Cash flow hedges – effective portion of changes in fair value ***	25	14,450	41,201
Cash flow hedges – reclassified to net earnings (loss) ***	25	(34,916)	(45,271)
Other comprehensive income (loss)		137,874	(100,032)
Total comprehensive income (loss)		**199,736**	**(208,938)**
Total comprehensive income (loss) attributable to:			
Shareholders of TSG.		200,724	(200,553)
Non-controlling interest		(988)	(8,385)
Total comprehensive income (loss)		**199,736**	**(208,938)**

† The Corporation applied IFRS 16 from January 1, 2019. Consistent with the transition method chosen by the Corporation, comparative information has not been restated. See note 4.

* For debt instruments measured at fair value through other comprehensive income ("**FVOCI**"), the amounts are presented net of aggregate income tax recovery of $0.2 million for the year ended December 31, 2019 (December 31, 2018 - net of income tax recovery of $0.1 million).

** For unrealised foreign currency translation differences in connection with foreign operations, the amounts are presented net of aggregate income tax of $26.1 million for the year ended December 31, 2019 (December 31, 2018 - net of income tax of $nil).

*** For other comprehensive income in relation to cash flow hedges, the amounts are presented net of aggregate income tax of $nil for the year ended December 31, 2019 (December 31, 2018 - net of income tax of $nil).

See accompanying notes.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

In thousands of U.S. Dollars	Note	As at December 31, 2019	2018 †
ASSETS			
Current assets			
Cash and cash equivalents – operational		321,008	392,853
Cash and cash equivalents – customer deposits	23	300,916	328,223
Total cash and cash equivalents		621,924	721,076
Restricted cash advances and collateral	15	6,401	10,819
Prepaid expenses and other current assets	16	79,578	43,945
Current investments – customer deposits	13,23	109,017	103,153
Accounts receivable	14	111,215	136,347
Income tax receivable		49,504	26,085
Total current assets		**977,639**	**1,041,425**
Non-current assets			
Restricted cash advances and collateral	15	10,607	10,630
Prepaid expenses and other non-current assets	16	33,482	32,760
Non-current accounts receivable	14	16,765	14,906
Property and equipment	12	139,228	85,169
Income tax receivable		18,556	15,611
Deferred income taxes	9	11,149	1,775
Derivatives	19	169,158	54,583
Intangible assets	11	4,550,222	4,742,699
Goodwill	11	5,348,976	5,265,980
Total non-current assets		**10,298,143**	**10,224,113**
Total assets		**11,275,782**	**11,265,538**
LIABILITIES			
Current liabilities			
Accounts payable and other liabilities	21	562,731	424,007
Customer deposits	23	409,390	423,739
Current provisions	22	64,928	39,189
Derivatives	19	17,628	16,493
Income tax payable		40,834	72,796
Current portion of lease liability	4	19,633	—
Current portion of long-term debt	17	35,750	35,750
Total current liabilities		**1,150,894**	**1,011,974**
Non-current liabilities			
Lease liability	4	35,691	—
Long-term debt	17	4,895,425	5,411,208
Long-term provisions	22	2,885	4,002
Derivatives	19	95,931	6,068
Other long-term liabilities	21	1,770	79,716
Income tax payable		21,609	18,473
Deferred income taxes	9	552,134	580,697
Total non-current liabilities		**5,605,445**	**6,100,164**
Total liabilities		**6,756,339**	**7,112,138**

In thousands of U.S. Dollars	Note	As at December 31, 2019	2018 †
EQUITY			
Share capital	24	4,374,150	4,116,287
Reserves	25	(423,283)	(469,629)
Retained earnings		565,583	502,761
Equity attributable to the Shareholders of TSG		**4,516,450**	**4,149,419**
Non-controlling interest		2,993	3,981
Total equity		**4,519,443**	**4,153,400**
Total liabilities and equity		**11,275,782**	**11,265,538**

† The Corporation applied IFRS 16 from January 1, 2019. Consistent with the transition method chosen by the Corporation, comparative information has not been restated. See note 4.

See accompanying notes.

Approved and authorised for issue on behalf of the Board on February 27, 2020.

(Signed) "*Divyesh (Dave) Gadhia*", Director
Divyesh (Dave) Gadhia,
Executive Chairman of the Board

(Signed) "*David Lazzarato*", Director
David Lazzarato,
Chairman of the Audit Committee of the Board

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the year ended December 31, 2019 and 2018:

Share Capital

In thousands of U.S. Dollars, except share numbers	Common Shares number	Preferred Shares number	Common Shares amount	Preferred Shares amount	Reserves (note 25)	Retained earnings	Equity attributable to the Shareholders of TSG Inc.	Non-controlling interest	Total equity
Balance – January 1, 2018	**147,947,874**	**1,139,249**	**1,199,834**	**684,385**	**(142,127)**	**605,213**	**2,347,305**	**33**	**2,347,338**
Net loss	—	—	—	—	—	(102,452)	**(102,452)**	(6,454)	**(108,906)**
Other comprehensive loss	—	—	—	—	(98,101)	—	**(98,101)**	(1,931)	**(100,032)**
Total comprehensive loss	—	—	—	—	(98,101)	(102,452)	**(200,553)**	(8,385)	**(208,938)**
Issue of Common Shares in relation to stock options and equity awards (note 24)	1,791,860	—	38,048	—	(6,982)	—	**31,066**	—	**31,066**
Conversion of Preferred Shares to Common Shares (note 24)	60,013,510	(1,139,249)	684,385	(684,385)	—	—	**—**	—	**—**
Issue of Common Shares in connection with acquired subsidiary (note 24)	41,049,398	—	1,477,478	—	—	—	**1,477,478**	—	**1,477,478**
Issuance of Common Shares in connection with Equity Offering (note 24)	18,875,000	—	690,353	—	—	—	**690,353**	—	**690,353**
Issue of Common Shares in connection with market access agreement (note 24)	1,076,658	—	20,661	—	—	—	**20,661**	—	**20,661**
Issue of Common Shares in connection with exercised warrants (note 24)	2,422,944	—	14,688	—	(14,688)	—	**—**	—	**—**
Stock-based compensation	—	—	—	—	12,806	—	**12,806**	—	**12,806**
Reversal of deferred tax on stock-based compensation	—	—	—	—	(359)	—	**(359)**	—	**(359)**
Equity fees	—	—	(5,413)	—	—	—	**(5,413)**	—	**(5,413)**
Reversal of 2014 deferred tax *	—	—	(3,747)	—	—	—	**(3,747)**	—	**(3,747)**
Acquisition of non-controlling interest in subsidiary	—	—	—	—	(220,178)	—	**(220,178)**	12,333	**(207,845)**
Balance – December 31, 2018†	**273,177,244**	**—**	**4,116,287**	**—**	**(469,629)**	**502,761**	**4,149,419**	**3,981**	**4,153,400**
Balance – January 1, 2019	**273,177,244**	**—**	**4,116,287**	**—**	**(469,629)**	**502,761**	**4,149,419**	**3,981**	**4,153,400**
Net earnings (loss)	—	—	—	—	—	62,822	**62,822**	(960)	**61,862**
Other comprehensive income (loss)	—	—	—	—	137,902	—	**137,902**	(28)	**137,874**
Total comprehensive income (loss)	—	—	—	—	137,902	62,822	**200,724**	(988)	**199,736**
Issue of Common Shares in relation to stock options and equity awards (note 24)	819,525	—	16,702	—	(4,543)	—	**12,159**	—	**12,159**
Stock-based compensation	—	—	—	—	18,842	—	**18,842**	—	**18,842**
Issue of Common Shares to FOX (note 24)	14,352,331	—	235,963	—	—	—	**235,963**	—	**235,963**
Issue of Common Shares in connection with market access agreement (note 24)	215,332	—	5,198	—	—	—	**5,198**	—	**5,198**
Obligation to acquire non-controlling interest	—	—	—	—	(105,855)	—	**(105,855)**	—	**(105,855)**
Balance – December 31, 2019	**288,564,432**	**—**	**4,374,150**	**—**	**(423,283)**	**565,583**	**4,516,450**	**2,993**	**4,519,443**

† The Corporation applied IFRS 16 from January 1, 2019. Consistent with the transition method chosen by the Corporation, comparative information has not been restated. See note 4.

* During the year ended December 31, 2018, the Corporation made an adjustment of $3.7 million to the amounts recognised in Common Shares (as defined below) within share capital in respect of a previous reversal of deferred tax recognised through the consolidated statements of earnings (loss).

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

In thousands of U.S. Dollars	Note	As at December 31, 2019	2018 †*
Operating activities			
Net earnings (loss)		61,862	(108,906)
Add (deduct):			
Income tax recovery recognised in net earnings (loss)		(197)	(988)
Net financing charges	8	202,534	371,086
Depreciation and amortization	8	438,626	282,806
Stock-based compensation	25	18,842	12,806
Acquisition of market access rights in connection with Eldorado		—	20,661
Unrealised loss on foreign exchange		5,708	18,134
Unrealised gain on investments and other assets		(971)	(673)
Impairment of intangible and other assets	8	3,931	6,156
Net earnings from associates		—	(1,068)
Realised (gain) loss on current investments and promissory note		(2,520)	2,727
Income taxes paid		(78,267)	(41,117)
Changes in non-cash operating elements of working capital	27	34,073	(9,403)
Customer deposit liability movement		(13,884)	7,637
Other		897	(14)
Net cash inflows from operating activities		**670,634**	**559,844**
Investing activities			
Acquisition of subsidiaries, net of cash acquired	5	(2,460)	(1,865,262)
Additions to intangible assets		(25,288)	(28,202)
Additions to property and equipment		(27,523)	(33,952)
Additions to deferred development costs		(82,751)	(51,574)
Net (purchase) sale of investments utilizing customer deposits		(5,972)	19,515
Cash movement from restricted cash		—	35,000
Settlement of minimum revenue guarantee		(675)	(7,006)
Net investments in associates		—	1,068
Other		4,885	(3,760)
Net cash outflows from investing activities		**(139,784)**	**(1,934,173)**
Financing activities			
Issuance of Common Shares	24	235,963	717,250
Transaction costs on issuance of Common Shares		—	(32,312)
Issuance of Common Shares in relation to stock options	24	12,159	31,066
Redemption of SBG preferred shares		—	(663,407)
Repayment of shareholder loan on acquisition		—	(10,879)
Issuance of long-debt	17	—	5,957,976)
Repayment of long-term debt	17	(485,750)	(2,974,393)
Repayment of long-term debt assumed on business combinations		—	(1,079,729)
Transaction costs on long-term debt		—	(36,559)
Settlement of derivatives	19	—	(125,822)
Repayment of lease liability principal		(17,532)	—
Interest paid		(279,284)	(186,162)
Acquisition of further interest in subsidiaries including deferred contingent payment		(68,394)	(48,240)
Capital contribution from the holders of non-controlling interest	17	—	12,060
Net (repayment) proceeds on loan issued from the holders of non-controlling interest	17	(34,047)	31,730
Net cash (outflows) inflows from financing activities		**(636,885)**	**1,592,579**

In thousands of U.S. Dollars	Note	As at December 31, 2019	2018 †*
(Decrease) increase in cash and cash equivalents		(106,035	218,250
Unrealised foreign exchange difference on cash and cash equivalents		6,883	(7,497)
Cash and cash equivalents – beginning of period		721,076	510,323
Cash and cash equivalents – end of period		**621,924**	**721,076**

† The Corporation applied IFRS 16 from January 1, 2019. Consistent with the transition method chosen by the Corporation, comparative information has not been restated. See note 4.

* Certain amounts were reclassified in the comparative periods. See note 2.

See accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. NATURE OF BUSINESS

TSG Inc. ("**TSG**" or "**the Corporation**") 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.

TSG's primary business and main source of revenue is its online gaming businesses. These currently consist of the operations of Stars Interactive Holdings (IOM) Limited and its subsidiaries and affiliates (collectively, "Stars Interactive Group"), which it acquired in August 2014, the operations of Cyan Blue Topco Limited and its subsidiaries and affiliates (collectively, "Sky Betting & Gaming" or "SBG"), which it acquired in July 2018 (the "**SBG Acquisition**"), and the operations of TSG Australia Pty Ltd and its subsidiaries and affiliates (collectively, "BetEasy"), in which it acquired an 80% equity interest in between February 2018 and April 2018, and announced in December 2019 that it has agreed to acquire the remaining 20% equity interest (BetEasy acquired what was formally the William Hill Australia business in April 2018) (collectively, the "Australian Acquisitions"). Stars Interactive Group is headquartered in the Isle of Man and Malta and operates globally; SBG is headquartered in and primarily operates in the United Kingdom; and BetEasy is headquartered in and primarily operates in Australia.

For the year ended December 31, 2019, TSG had three reportable segments, the international business ("**International**"), the United Kingdom business ("**United Kingdom**") and the Australian business ("**Australia**"), each as described below, as well as a corporate cost center ("**Corporate**"). There are up to four major lines of operations within the Corporation's reportable segments, as applicable: real-money online poker ("**Poker**"), real-money online betting ("**Betting**"), real-money online casino gaming and bingo (collectively, "Gaming"), and other gaming-related revenue, including, without limitation, from social and play-money gaming, live poker events, branded poker rooms, Oddschecker and other nominal sources of revenue (collectively, "Other"). As it relates to these lines of operations, online revenue includes revenue generated through the Corporation's online, mobile and desktop client platforms and applications, as applicable.

The International segment currently includes the business operations of Stars Interactive Group and FOX Bet and its related brands, and operates across all lines of operations and in various jurisdictions around the world, including the United Kingdom; the United Kingdom segment currently consists of the business operations of Sky Betting & Gaming, including those outside of the United Kingdom, and operates across all lines of operations primarily in the United Kingdom; and the Australia segment currently consists of the business operations of BetEasy, and operates primarily within the Betting line of operation and primarily in Australia.

TSG was incorporated on January 30, 2004 under the Companies Act (Quebec) and continued under the Business Corporations Act (Ontario) ("**OBCA**") on August 1, 2017. The registered head office is located at 200 Bay Street, South Tower, Suite 3205, Toronto, Ontario, Canada, M5J 2J3 and its common shares ("**Common Shares**") are listed on the Toronto Stock Exchange (the "**TSX**") under the symbol "TSGI", and the Nasdaq Global Select Market ("**Nasdaq**") under the symbol "TSG".

On October 2, 2019, the Corporation and Flutter Entertainment Plc ("**Flutter**") entered into an arrangement agreement providing for an all-share combination (the "**Combination**") recommended by its board of directors (the "**Board**") to be implemented through an acquisition of TSG by Flutter pursuant to a plan of arrangement under the OBCA. See note 31 for additional information.

For reporting purposes, the Corporation prepares its consolidated financial statements in U.S. dollars. Unless otherwise indicated, all dollar ("**$**") amounts and references to "USD" or "USD $" in these consolidated financial statements are expressed in U.S. dollars. References to ''EUR'' or "€" are to

European Euros, references to ''CDN'' or "CDN $" are to Canadian dollars, references to "GBP" or "£" are to British Pound Sterling and references to "AUD" or "AUD $" are to Australian dollars. Unless otherwise indicated, all references to a specific "note" refer to these notes to the consolidated financial statements of the Corporation for the year ended December 31, 2019. References to "IFRS" and "IASB" are to International Financial Reporting Standards and the International Accounting Standards Board, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The Corporation's consolidated financial statements have been prepared in accordance with IFRS as issued by the IASB and have been approved and authorised for issuance by the Board on February 27, 2020.

The Corporation's consolidated financial statements have been prepared on an historical cost basis, except derivative financial instruments, financial instruments at fair value through profit or loss as well as financial instruments at fair value through other comprehensive income, each of which are measured at fair value.

On January 1, 2019, the Corporation adopted the provisions in IFRS 16 and International Financial Reporting Interpretations Committee ("**IFRIC**") 23, *Uncertainty over Income Tax Treatments* ("**IFRIC 23**"). See note 4. Changes to significant accounting policies in relation to these adoptions are detailed below.

Comparative balances

The Corporation made certain reclassifications to the comparative balances in the consolidated financial statements for the year ended December 31, 2019. These reclassifications are outlined below:

Consolidated Statements of Earnings (Loss)

The Corporation reclassified a loss of $7.2 million for the year ended December 31, 2018 related to the foreign currency translation of financial instruments with respect to financing activities, primarily intercompany loans. The loss was previously reported within General and administrative expenses and was reclassified to Net financing charges relating to unrealised foreign exchange loss on financial instruments associated with financing activities.

Consolidated Statements of Cash Flows

The Corporation reclassified a loss of $7.2 million for the year ended December 31, 2018, as described above, which was previously reported within Unrealised loss on foreign exchange to Net financing charges relating to unrealised foreign exchange loss on financial instruments associated with financing activities.

Segmental Information

Certain Corporate cost adjustments, which the Corporation first introduced in the first quarter of 2019, resulted in the reclassification of certain costs between each of the International segment, United Kingdom segment, and Australia segment on the one hand and the Corporate cost center on the other, which impacted Adjusted EBITDA (as defined below) for the applicable comparative periods:

- Reclassification of $2.5 million for the year ended December 31, 2018, resulting in an increase to Adjusted EBITDA for the International segment and a corresponding decrease of the same amount to Adjusted EBITDA for the Corporate cost center.

- Reclassification of $2.1 million for the year ended December 31, 2018, resulting in an increase to Adjusted EBITDA for the United Kingdom segment and a corresponding decrease of the same amount to Adjusted EBITDA for the Corporate cost center.

- Reclassification of $0.5 million for the year ended December 31, 2018, resulting in an increase to Adjusted EBITDA for the Australia segment and a corresponding decrease of the same amount to Adjusted EBITDA for the Corporate cost center.

Within the reconciliation of Adjusted EBITDA to Net Earnings, there was a reclassification of $7.2 million for the year ended December 31, 2018 previously reported within the financial expenses line of other costs to net financing charges with respect to the foreign currency translation of financial instruments related to financing activities as described above.

Going Concern

The Board had, at the time of approving the consolidated financial statements, a reasonable expectation that the Corporation has adequate resources to continue in operational existence for the foreseeable future. As such, the Corporation continues to adopt the going concern basis of accounting in preparing its consolidated financial statements.

Principles of Consolidation

A subsidiary is an entity controlled by the Corporation. As such, the Corporation is exposed, or has rights, to variable returns from its involvement with such entity and has the ability to affect those returns through its current ability to direct such entity's relevant activities (i.e., control over the entity).

The existence and effect of substantive voting rights that the Corporation potentially has the practical ability to exercise (i.e., substantive rights) are considered when assessing whether the Corporation controls another entity.

The Corporation's consolidated financial statements include the accounts of the Corporation and its subsidiaries. Upon consolidation, management eliminated all inter-entity transactions and balances.

Non-controlling interests in subsidiaries are identified separately from the Corporation's equity therein. Those non-controlling interests that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation 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. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. 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 Corporation'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.

Revenue Recognition

Revenue from contracts with customers is recognised when control of the Corporation's services is transferred to the customer at an amount that reflects the consideration to which the Corporation expects to be entitled in exchange for those services. The Corporation has concluded that it is the principal in its revenue arrangements because it controls the services before transferring them to the customer.

The Corporation has disclosed disaggregated revenue recognised from customers and revenue from other online activities in note 7.

The Company evaluates all contractual arrangements it enters into and evaluates the nature of the promised goods or services and rights and obligations under the arrangement, in determining the nature of its performance obligations. Where such performance obligations are capable of being distinct and are distinct in the context of the contract, the consideration the Corporation expects to be entitled under the arrangement is allocated to each performance obligation based on its relative estimated stand-alone selling prices. Performance obligations that the Corporation concludes are not distinct are combined together into a single combined performance obligation. Revenue is recognised at an amount equal to the transaction price allocated to the specific performance obligation when it is satisfied, either at a point in time or over time, as applicable, based on the pattern of transfer of control.

The Company's principal arrangements include the following sources of revenue:

Revenue from customers within the scope of IFRS 15, Revenue from Contracts with Customers ("IFRS 15")

Poker revenue

Poker revenue represents primarily the commission charged at the conclusion of each poker hand in cash games (i.e., rake) and entry fees for participation in poker tournaments, and is net of certain promotional expenses, which are treated as a reduction to the transaction price. In poker tournaments, entry fee revenue is recognised when the tournament has concluded.

Gaming revenue

Gaming revenue primarily represents the difference between the amounts of bets placed by customers less amounts won (i.e., net house win) and is presented net of certain promotional expenses, which are treated as a reduction to the transaction price. Gaming transactions are instantaneously settled and revenue is recognised at a point in time.

Poker and Gaming each consist of a single revenue performance obligation, notwithstanding the impact of customer loyalty programs as noted below. Revenue is recognised at a point in time upon completion of the performance obligation as noted above. Poker and Gaming are each presented as revenue gross of applicable gaming duties, which are presented within cost of revenue.

Conversion margins

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.

Other revenue from customers

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 Corporation 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 Corporation 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 customers out of the scope of IFRS 15

Betting revenue

The Corporation's income generated from Betting product offerings does not fall within the scope of IFRS 15. Income generated from these online transactions is disclosed as revenue although these transactions are accounted for as derivative instruments in accordance with IFRS 9, *Financial Instruments* ("**IFRS 9**") where the income meets the definition of gains or losses, as applicable.

Betting revenue primarily represents the difference between the amounts of bets placed by customers less amounts won (i.e., net house win). Open betting positions are carried at fair value, and gains and losses arising on these positions are recognised in revenue.

Betting is presented as revenue gross of applicable gaming duties, which are presented within cost of revenue.

Customer loyalty programs

The Corporation operates loyalty programs for its customers within each of its reporting segments that reward customers based on a number of factors, including volume of play, player impact on the overall ecosystem, whether the player is a net withdrawing or net depositing player, and product and game selection. For customer loyalty programs operated by the Corporation, applicable revenue received for which loyalty rights earned by our customers are recorded as a contract liability based on the rewards' allocated amount and are subsequently recognised as revenue in a future period when the rewards are redeemed. Customer loyalty rewards are included in accounts payable and other liabilities on the consolidated statements of financial position.

The estimated selling price of loyalty rewards is determined using an equivalent cash cost approach, which uses historical data of award redemption patterns considering the alternative goods or services for which the rewards can be redeemed. The estimated selling price of rewards is adjusted for an estimate of rewards that will not be redeemed based on historical redemption patterns. Historically non-redeemed loyalty rewards have not been significant.

Other sources of revenue

Income from player funds

A portion of customer deposits is held as current investments. Income generated from current investments and dormant accounts does not fall within the scope of IFRS 15. Income generated from investments is disclosed as revenue despite being accounted for in accordance with IFRS 9 where it meets the definition of gains or losses, as applicable.

Income (loss) from dormant accounts

When a customer deposit account becomes dormant in accordance with Corporation's terms and conditions, the deposit is removed from customer liabilities and recorded within accounts payable and other liabilities. Income is generated from dormant accounts that are not expected to be re-activated based on historical information and re-activation rates. Losses are recorded on dormant accounts that are re-activated. Income (loss) generated from dormant accounts is disclosed as revenue despite being accounted for in accordance with IFRS 9 where it meets the definition of gains or losses, as applicable.

Cost of Revenue

Cost of revenue includes direct costs associated with revenue generating activities. Such direct costs include gaming duty, processor costs and royalties. Cost of revenue does not include depreciation and amortization.

Financial Instruments

As permitted by IFRS 9, the Corporation continues to apply the hedge accounting requirements of International Accounting Standard ("**IAS**") 39, *Financial Instruments* ("**IAS 39**") rather than the new requirements of IFRS 9 and will comply with the annual hedge accounting disclosures as required by IFRS 7, *Financial Instruments: Disclosures* ("**IFRS 7**").

Financial Assets

Recognition and Measurement

At initial recognition, the Corporation 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 Corporation 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 Corporation'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 Corporation only reclassifies debt instruments when its business model for managing those assets changes.

Debt instruments

Subsequent measurement of debt instruments depends on the Corporation's business model for managing the asset and the cash flow characteristics of that asset. There are three measurement categories into which the Corporation 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 statements of earnings (loss). The Corporation does not currently hold any financial assets at FVTPL.

Equity instruments

The Corporation subsequently measures all equity instruments at fair value, except for equity instruments for which equity method accounting is applied. The classification of equity instruments depends on whether the Corporation has made an irrevocable election at the time of initial recognition to account for the equity instruments at FVOCI. There are two measurement categories into which the Corporation classifies its equity instruments:

- FVOCI: equity instruments are classified as FVOCI on an instrument-by-instrument basis when the conditions are met based on the nature of the instrument. Where the Corporation's management makes an irrevocable election to present fair value gains and losses on equity instruments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss upon the derecognition of those instruments. Dividends from such instruments continue to be recognised in profit or loss when the Corporation's right to receive payment is established. The Corporation does not currently hold any equity instruments classified as FVOCI.

- FVTPL: equity instruments are classified as FVTPL if they are held for trading (they are acquired for the purpose of selling or repurchasing in the near term) or equity investments which the Corporation had not irrevocably elected to classify at FVOCI. Changes in the fair value of financial assets at FVTPL are recognised in the consolidated statements of earnings (loss). Equity in unquoted companies is classified as FVTPL.

Impairment of financial assets

At the end of each reporting period, the Corporation assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The impairment provision recorded in respect of debt instruments carried at amortised cost and FVOCI is determined at 12-months expected credit losses on the basis that the Corporation considers these instruments as low risk.

The Corporation applies the simplified approach permitted by IFRS 9 for trade receivables and other financial assets held at amortised cost, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The forward-looking element in determining impairment for financial assets is derived from comparison of current and projected macroeconomic indicators covering primary markets in which the Corporation operates.

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 statements of earnings (loss). Derivative instruments and certain other level 3 liabilities (see note 26) 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 Corporation may pursue amendments to its credit agreements based on, among other things, prevailing market conditions. Such amendments, when completed, are considered by the Corporation to be debt modifications. For debt repayable at par with nominal break costs, the Corporation elected to account for such debt modifications as equivalent to repayment at no cost of the original financial instrument and an origination of a new debt at market conditions. Resetting the debt to market conditions with the same lender has the same economic substance as extinguishing the original financial instrument and originating new debt with a third-party lender at market conditions. 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.

For all other debt, 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 net financing charges on the consolidated statements of earnings (loss).

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 on the consolidated statements of earnings (loss) 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 Corporation, 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.

Obligations of the Corporation to acquire its own shares or shares of a partially owned subsidiary

Where a contract contains an obligation of the Corporation to purchase its own equity instruments for cash or another financial asset, a financial liability for the present value of the redemption amount is recorded even if the contract itself is an equity instrument. Where a contract contains an obligation of the Corporation to purchase shares of a partially owned subsidiary, a financial liability for the present value of the redemption amount is recorded except where the contract can be settled by delivering a variable number of the Corporation's own equity instruments. In such circumstances, a derivative instrument is recognised.

Changes in the measurement of the financial liability due to the unwinding of the discount or changes in the amount that the Corporation could be required to pay are recognised in net financing charges on the consolidated statements of earnings (loss). Where a derivative is recognised, changes in fair value are recognised in net financing charges on the consolidated statements of earnings (loss).

Derivatives

As permitted by IFRS 9, the Corporation continues to apply the hedge accounting requirements of IAS 39 rather than the new requirements of IFRS 9 and will comply with the annual hedge accounting disclosures as required by IFRS 7.

The Corporation uses derivative instruments for risk management purposes and does not use derivative instruments for speculative trading purposes (except for derivatives with respect to the Corporation's Betting 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 statements of earnings (loss).

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 statements of earnings (loss).

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.

Hedge accounting

The Corporation 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 Corporation 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.

Cash flow hedges

The Corporation 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 statements of earnings (loss). Gains and losses on cash flow hedges accumulated in other comprehensive income (loss) are reclassified to the consolidated statements of earnings (loss) in the same period the hedged item affects the consolidated statements of earnings (loss). 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 statements of earnings (loss).

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 cumulative translation adjustments reserve. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated statements of earnings (loss). Gains and losses accumulated in other comprehensive income are reclassified to the consolidated statements of earnings (loss) when the foreign operation is partially disposed of or sold.

Determination of fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the applicable measurement date. When measuring the fair value of an asset or a liability, the Corporation uses market observable data to the extent possible. If the fair value of an asset or a liability is not directly observable, it is estimated by the Corporation using valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs (e.g., by the use of the market comparable approach that reflects recent transaction prices for similar items, discounted cash flow analysis, or option pricing models refined to reflect the Corporation's specific circumstances). Inputs used are consistent with the characteristics of the asset or liability that market participants would take into account.

For the Corporation's financial instruments that are recognised in the consolidated statements of financial position at fair value, the fair value measurements are categorised based on the lowest level input that is significant to the fair value measurement in its entirety and the degree to which the inputs are observable. The significance levels are classified as follows in the fair value hierarchy:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3 - Inputs for the asset or liability that are not based on observable market data.

Transfers between levels of the fair value hierarchy are recognised by the Corporation at the end of the reporting period during which the transfer occurred.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank deposits and other short-term highly liquid investments with maturities of three months or less, which are generally used by the Corporation to meet short-term liquidity requirements.

Leases

The Corporation adopted IFRS 16 effective January 1, 2019. See note 4. In preparation for the first-time application of IFRS 16, the Corporation carried out an implementation project, which has shown that the new definition in IFRS 16 did not significantly change the scope of the Corporation's contracts that meet the definition of a lease.

IFRS 16 introduces significant changes to lessee accounting by removing the distinction between operating and finance lease requirements and adding a requirement to recognise a right-of-use asset and a lease liability at the commencement of all leases except short-term leases and leases of low-value assets for which the election to recognise a lease expense on a straight-line basis has been applied. The requirements for lessor accounting have remained substantially unchanged. The Corporation applied IFRS 16 using the modified retrospective approach, with right-of-use assets being measured at an amount equal to the lease liability, adjusted for any amount of applicable prepaid or accrued lease payments recognised on the statement of financial position as at December 31, 2018. As a result, there was no restatement of the comparative period. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for applicable consideration.

The Corporation applied the following transitional-related elections available upon transition to IFRS 16:

- Hindsight in the determination of right-of-use assets and lease liabilities on transition;
- Reliance on the assessment of whether leases are onerous by applying IAS 37, *Provisions, Contingent Liabilities and Contingent Assets* immediately before the date of initial application as an alternative to performing an impairment review;
- Exclusion of initial direct costs from the measurement of right-of-use assets on transition; and
- No recognition of right-of-use assets and lease liabilities for leases expiring within 12 months of adoption of IFRS 16.

The Corporation as a Lessee

The Corporation assesses whether a contract is or contains a lease at the inception of the applicable contract. IFRS 16 changes how the Corporation accounts for leases that it otherwise would have previously classified as operating leases under IAS 17, *Leases* ("**IAS 17**"). Under IFRS 16, for all leases except as noted above, the Corporation:

(a) Recognises a right-of-use asset and a lease liability in the consolidated statement of financial position, initially measured at the present value of future lease payments;

(b) Recognises depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss as part of general and administrative expense and other interest expense within net financing charges, respectively; and

(c) Separates the total amount of cash payments in relation to lease liabilities into a principal portion and interest (each presented within financing activities) in the consolidated statement of cash flows.

Lease incentives are recognised as part of the measurement of right-of-use assets and as part of lease liabilities, except if received prior to lease commencement, while under IAS 17 they resulted in the recognition of a lease incentive liability and were amortised as a reduction of rental expense on a straight-line basis.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36, *Impairment of Assets* ("**IAS 36**"), which replaces the previous requirement to recognise a provision for onerous lease contracts.

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 Corporation has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16.

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 Corporation uses its incremental borrowing rate at the lease commencement date. The Corporation 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.

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 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 Corporation 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 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.

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.

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 Corporation has applied this practical expedient.

The Corporation as a Lessor

The Corporation does not currently have any material contracts where the Corporation acts as a lessor.

Leases prior to January 1, 2019 under IAS 17

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. The Corporation assessed all its leases to be operating leases.

The Corporation as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Corporation as lessee

Rents payable under operating leases are recognised as an expense on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of any such incentive is recognised as a reduction of rental expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Prepaid Expenses and Deposits

Prepaid expenses and deposits consist of amounts paid in advance or deposits made for which the Corporation will receive goods or services.

Property and Equipment

Property and equipment that have finite lives are recorded at cost less accumulated depreciation and impairment losses. Depreciation is expensed from the month the particular asset is available for use, over the estimated useful life of such asset at the following rates, which in each case are intended to reduce the carrying value of the asset to the estimated residual value:

Furniture and fixtures	Straight-line	4-10 years
Computer equipment	Straight-line	2-5 years
Building	Straight-line	25 years
Right of use assets	Straight-line	1-10 years (Shorter of term of lease and useful life of the asset)

Intangible Assets

Intangible assets that have finite lives are recorded at cost less accumulated amortization and impairment losses. Amortization is expensed from the month the particular asset is available for use, over the estimated useful life of such asset at the following rates, which in each case are intended to reduce the carrying value of the asset to the estimated residual value:

Software technology (including deferred development costs)	Straight-line	4-5 years
Software technology (Defensive intangible asset)	Straight-line	2 years
Customer relationships	Straight-line	15 years
Brands (licensed)	Straight-line	22 years
Brands	N/A	Indefinite useful life
Other intangibles	Straight-line	3-25 years

The amortization method, useful life and residual values are assessed annually and the assets are tested for impairment, whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Upon retirement or disposal, the cost of the asset disposed of and the related accumulated amortization are removed from the consolidated statements of financial position and any gain or loss is reflected in the consolidated statements of earnings (loss). Expenditures for repairs and maintenance are expensed as incurred.

The Corporation determined that its owned brands have indefinite useful lives as they have no foreseeable limit to the period over which such assets are expected to contribute to the Corporation's cash flows. In addition, the Corporation expects to continue to support its brands with ongoing marketing efforts.

The Corporation tests its owned brands for impairment at least annually, or more frequently if circumstances such as significant declines in expected sales, net earnings or cash flows indicate that the cash-generating units ("**CGUs**") to which such brands relate might be impaired.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of the identifiable net assets acquired in a business acquisition. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is tested for impairment at least annually, or more frequently if circumstances such as significant declines in expected sales, net earnings or cash flows indicate that that the CGUs or group of CGUs to which goodwill is allocated might be impaired. The Corporation monitors and tests goodwill for impairment at the operating segment level.

Research and Development

Research and development costs are expensed except in cases where development costs meet certain identifiable criteria for deferral. Deferred development costs, which have probable future economic benefits, can be clearly defined and measured, and are incurred for the development of new products or technologies, are capitalised. These development costs, net of related research and development investment tax credits, are not amortised until the products or technologies are commercialised or when the asset is available for use, at which time they are amortised over the estimated life of the commercial production of such products or technologies.

The amortization 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.

The Corporation claims research and development investment tax credits as a result of incurring scientific research and experimental development expenditures. Research and development investment tax credits are recognised when the related expenditures are incurred and there is reasonable assurance of their realization. Investment tax credits are accounted for by the cost reduction method whereby the amounts of tax credits are applied as a reduction of the expense or deferred development costs.

Investments

Investments are stated at the lower of cost and fair market value. Cost is determined on a weighted average basis at a consolidated level.

Investments in Associates

An associate is an entity over which the Corporation has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the associate but is not the control or joint control over those policy decisions.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*.

Under the equity method, an investment in an associate is initially recognised in the consolidated statements of financial position at cost and adjusted thereafter to recognise the Corporation's share of the profit or loss and other comprehensive income of the associate. When the Corporation's share of losses of an associate exceeds the Corporation's interest in that associate (which includes any long-term interests that, in substance, form part of the Corporation's net investment in the associate), the Corporation discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Corporation has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Corporation's share of the net fair value of the identifiable assets and liabilities of the associate is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Corporation's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in the consolidated statements of earnings (loss) in the period in which the investment is acquired.

The requirements of IAS 36, are applied to determine whether it is necessary to recognise any impairment loss with respect to the Corporation's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

Impairment of Non-Current Assets

Management assesses, at the end of the reporting period, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Corporation estimates the asset's recoverable amount. An asset's or CGU's recoverable amount is the higher of the asset's or CGU's fair value less costs of disposal and its value in use. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Corporation bases its impairment calculation on detailed budgets and forecast calculations, which are prepared for the Corporation's assets or CGU to which such assets are allocated. These budgets and forecast calculations generally cover a period of three to five years. A long-term growth rate is calculated and applied to project future cash flows after the final year included in the forecast.

Impairment losses of continuing operations are recognised in the consolidated statements of earnings (loss) in expense categories consistent with the function of the impaired asset. An impairment loss recognised for goodwill may not be reversed. At the end of the reporting period, the Corporation assesses if there is an indication that impairment losses recognised in previous periods for other assets have decreased or no longer exist. Where an impairment loss is subsequently reversed, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount provided that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Taxation

Income tax expense represents the sum of current and deferred taxes. Current and deferred taxes are recognised in the consolidated statements of earnings (loss), except to the extent they relate to items

recognised in the consolidated statements of comprehensive income (loss) or directly in the consolidated statements of changes in equity.

Current tax

Current tax payable is based on taxable income for the year. Taxable income differs from earnings as reported in the consolidated statements of earnings (loss) because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Corporation's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the particular reporting period.

The Corporation adopted IFRIC 23 effective January 1, 2019. See note 4. Where uncertain tax treatments exist, the Corporation 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 Corporation 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 Corporation believes provides a better prediction of the resolution of the uncertainty. The Corporation 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. The adoption of the interpretation did not have a material impact on the consolidated financial statements.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Corporation's consolidated financial statements and the corresponding tax bases used in the computation of taxable income. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable income will be available against which those deductible temporary differences can be utilised, or where the legislation grants the ability for the deferred tax asset to be recognised against existing taxable temporary differences. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable income nor the accounting earnings.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments and interests in subsidiaries and associates, except where the Corporation is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable income against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future, or where the legislation permits, the reversal of existing taxable temporary differences is sufficient to support the realisation of the deferred tax asset.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of any such asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, in each case based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Corporation expects, at the end of the particular reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Corporation intends to settle its current tax assets and liabilities on a net basis. Deferred tax assets and liabilities are not discounted. Current and deferred tax are recognised in the consolidated

statements of earnings (loss), except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

IFRS 2, *Share-based Payment* ("IFRS 2")

The Corporation maintains an equity-based long-term incentive award program to align interests of its management team with those of its shareholders ("**Shareholders**") by focusing the management team on long-term objectives over a multi-year period, with the value of the award fluctuating based on stock price appreciation. The Corporation has two equity-based award plans and accounts for grants under these plans in accordance with the fair value-based method of accounting for stock-based compensation for the applicable period. The Corporation currently makes its equity grants under its Equity Incentive Plan dated June 22, 2015, as amended from time to time (the "**2015 Equity Incentive Plan**"), which provides for grants of stock options ("**Options**"), restricted share units ("**RSU**"), deferred share units ("**DSU**"), performance share units ("**PSU**"), and other Common Share-based awards as the Board may determine. Prior to the Corporation's 2015 annual shareholder meeting (the "**2015 Annual Meeting**"), equity-based awards were granted solely under the Corporation's 2010 stock option plan, as amended from time to time (the "**2010 Stock Option Plan**" and together with the 2015 Equity Incentive Plan, the "**Plans**") and consisted only of Options. The Corporation no longer grants Options under the 2010 Stock Option Plan, but it remains in effect only to govern the terms of outstanding Options granted prior to the initial adoption of the 2015 Equity Incentive Plan.

The Corporation's current long-term incentive program for its management team includes a regular grant program that is comprised of PSUs and RSUs. The RSUs are subject to service vesting conditions and the PSUs are subject to service, market and non-market vesting conditions. The Corporation also offers DSUs and RSUs for members of its Board.

Non-employee equity-settled share-based payments are measured at the fair value of the goods and services received, except where that fair value cannot be estimated reliably. If the fair value cannot be measured reliably, non-employee equity-settled share-based payments are measured at the fair value of the equity instrument granted as measured at the date the entity obtains the goods or the counterparty renders the service. Stock-based compensation expense is recognised over the contract life of the options or the option settlement date, whichever is earlier.

For share-based payment transactions that may be settled in cash on the occurrence of a contingent event which is in the control of neither the Corporation nor the counterparty to the payment ("**contingently cash-settled share-based payments**"), the Corporation applies the "probable" approach. Under this approach, the share-based payment is classified as either cash-settled or equity-settled in its entirety depending on which outcome is probable at each reporting date. Any change in the probable method of settlement is treated as a change in accounting estimate, with the cumulative expense updated to reflect the appropriate charge for the method of settlement now considered probable.

Stock Options

Compensation expense for equity-settled stock options awarded to participants under the Plans is measured at the fair value at the grant date using the Black-Scholes-Merton valuation model and is recognised using the graded vesting method over the vesting period of the options granted. Stock-based compensation expense recognised is adjusted to reflect the number of options that have been estimated by management for which conditions attaching to service will be fulfilled as of the grant date until the vesting date so that the recognised expense corresponds to the options that have vested. Stock-based compensation expense is recorded in the equity reserve when the expense is recognised in the consolidated statements of earnings (loss). When options are exercised, any consideration received from participants as well as the related compensation cost recorded within the equity reserve are credited to share capital.

Restricted Share Units

An RSU is a unit equivalent in value to a Common Share that entitles the holder to receive Common Shares after a specified vesting period determined by the Plan Administrator of the 2015 Equity Incentive Plan (the

"**Plan Administrator**"), in its sole discretion. Upon settlement, holders will receive one fully paid Common Share in respect of each vested RSU. Generally, the RSUs vest in equal annual installments over a three or four-year period (graded vesting method), and subject to continued employment through each vesting date.

Performance Share Units

A PSU is a unit equivalent in value to a Common Share that entitles the holder to receive Common Shares based on the achievement of performance goals established by the Plan Administrator, including in consultation with management, over a performance period. Generally, the PSUs vest on the third anniversary of the date of the grant (cliff vesting), and based on a weighted mix of revenue and Adjusted EBITDA targets of the Corporation for the applicable three-year performance period as well as the individual remaining employed by, or continuing to provide services to, the Corporation. The grantee is eligible for additional PSUs (the "**Additional PSUs**") up to 50% of the PSUs granted on the grant date, subject to an additional total shareholder return condition (the "**TSR Condition**"), and to the extent the other service and performance conditions are met. The Additional PSUs have service, non-market and market (i.e., the TSR Condition) vesting conditions, all of which must be satisfied to vest.

Upon settlement, holders will receive fully paid Common Shares in proportion to the number of vested PSUs held and the level of performance achieved. Any unearned PSUs will be forfeited.

Deferred Share Units

The Corporation offers DSU grants to the members of the Board. Upon settlement, holders will receive one fully paid Common Share in respect of each vested DSU. The Corporation recognises services received in a share-based payment transaction as an expense over the requisite service period and recognises a corresponding increase in equity as the services are received. DSUs vest immediately or over either a one-, two- or three-year period. The grant date is the date on which the Corporation and the Board have a shared understanding of all the terms and conditions of the arrangement. If the grant date occurs after the service commencement date, then the Corporation estimates the grant-date fair value of the DSUs for the purpose of recognising the expense from the service commencement date until the accounting grant date. All grants are subject to forfeiture if the director ceases to serve as a director prior to vesting and vested DSUs can only be settled at such time.

With respect to RSUs, PSUs and DSUs, the Corporation doesn't currently expect to pay any dividends during the vesting period. Therefore, the fair market value of an RSU, PSU or DSU is equal to the market price of the underlying Common Share at the grant date. On the grant date, the fair value of the awards is measured using the higher of the closing stock price on the TSX or Nasdaq. The fair market value of the Additional PSUs is determined using a simulation based valuation to reflect the probability of the market condition being met. The service and non-market conditions do not affect the fair value of the awards at grant date. Market conditions are reflected as an adjustment (discount) to the initial estimate of fair value at grant date of the instrument to be received and there is no true-up for differences between estimated and actual vesting due to market conditions.

Share-based compensation expense is recognised over the vesting period in the consolidated statements of earnings (loss) with a corresponding increase to the equity reserve. Once the awards vest and are settled with the counterparty, the related amount recorded within the equity reserves is credited to share capital.

Dividend Equivalents

RSUs, PSUs and DSUs may be credited with dividend equivalents in the form of additional RSUs, PSUs, DSUs and other share-based awards, as applicable. Dividend equivalents shall vest in proportion to the awards to which they relate. Such dividend equivalents shall be computed by dividing: (i) the amount obtained by multiplying the amount of the dividend declared and paid per Common Share by the number of RSUs, PSUs, DSUs or other share-based awards, as applicable, held by the participant on the record date for the payment of such dividend, by (ii) the highest closing price of the Common Shares on any stock exchange on which the Common Shares are then listed on the date of grant, at the close of the first business day immediately following the dividend record date.

Provisions

Provisions represent liabilities of the Corporation for which the amount or timing of payment is uncertain. Provisions are recognised when the Corporation has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured at the present value of the expected expenditures required to settle the obligation using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in provisions due to the passage of time is recognised in interest accretion within net financing charges on the consolidated statements of earnings (loss).

Contingent liabilities

Contingent liabilities are possible obligations the existence of which will be confirmed by uncertain future events that are not wholly within the control of the entity. Contingent liabilities also include obligations that are not recognised because their amount cannot be measured reliably or because settlement is not probable. A contingent liability is not recognised in the consolidated statements of financial position. However, unless the possibility of an outflow of economic resources is remote, a contingent liability is disclosed in the notes.

Translation of Foreign Operations and Foreign Currency Transactions

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 Corporation has determined its and its subsidiaries' functional currencies. The Corporation's functional currency is Canadian dollars. The Corporation's consolidated financial statements are presented in U.S. dollars.

Transactions and balances

Foreign currency transactions are translated into the applicable functional currency using the exchange rates prevailing on the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised within general and administrative expenses.

Group companies

The results and financial position of the Corporation's subsidiaries that have a functional currency different from the Corporation's presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing exchange rate on the date of that statement of financial position;

(ii) income and expenses for each statement of net earnings (loss) and statement of other comprehensive income (loss) are translated at the rates of exchange prevailing on the dates of the transactions; and

(iii) all resulting exchange rate differences are recognised in other comprehensive income (loss) and are transferred to net earnings (loss) upon the sale or disposition of subsidiaries.

Business Combinations

Business combinations are accounted for using the acquisition method. Under this method, the identifiable assets acquired and liabilities assumed, including contingent liabilities, are recognised in the consolidated statements of financial position at their respective fair values. Goodwill is recorded based on the excess of the fair value of the consideration transferred over the fair value of the Corporation's interest in the acquiree's net identifiable assets on the date of the acquisition. Any excess of the identifiable net assets over the consideration transferred is immediately recognised in the consolidated statements of earnings (loss).

The consideration transferred by the Corporation to acquire control of an entity is calculated as the sum of the acquisition-date fair values of the assets transferred, liabilities incurred and equity interests issued by the Corporation, including the fair value of all the assets and liabilities resulting from a deferred contingent payment arrangement. Acquisition-related costs are expensed as incurred.

Operating Segments

Segments are reported in a manner consistent with the internal reporting provided to the Corporation's Chief Operating Decision Maker ("**CODM**"). The Corporation's CODM consists of its Chief Executive Officer and Chief Financial Officer, as this group is responsible for allocating resources to, and assessing the performance of, the operating segments of the Corporation.

Key sources of estimation uncertainty

Determining the carrying amounts 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.

Goodwill impairment

At least annually, the Corporation tests whether goodwill is subject to any impairment in accordance with the applicable accounting policy set forth above. The Corporation completed its annual goodwill impairment testing as at December 31, 2019.

Estimation uncertainty exists in the determination of goodwill impairment, which is based on the recoverable amount for any cash generating units ("**CGUs**") or group of CGUs. The recoverable amount for any CGU or group of CGUs is determined based on the higher of (i) fair value less costs to sell and (ii) value in use. Both valuation approaches require management to make estimates about the future. Goodwill impairment exists when the carrying value of a CGU or group of CGUs exceeds its recoverable amount. Estimates used in determining the recoverable amount include but are not limited to expected cash flows, growth rates, capital expenditures and discount rates. If in the next financial year there is a significant decline in the performance of a CGU or group of CGUs, a significant change in regulation impacting the Corporation's operations, or a combination of changes to the key assumptions disclosed in note 11, this could result in an impairment loss.

Uncertain tax treatments

Determining the Corporation's income tax and its provisions for income taxes involves a significant degree of estimation and judgment, particularly in respect of open tax returns relating to prior years where the liabilities remain to be agreed with the local tax authorities. The Corporation is also subject to tax audits and has a number of open tax inquiries covering corporate tax matters. As a result, it has recognised a number of provisions against uncertain tax positions that are recognised based on management's best estimate of the outcome after taking into consideration all available evidence, and where appropriate, after taking external advice. This includes the reassessment from the Canadian tax authorities relating to transfer pricing, where a provision for the full amount of the reassessments received was booked during the year ended December 31, 2017 and discussions with the Canadian tax authorities are continuing to date through the usual appeals process. See note 9. The tax provisions recorded in the Corporation's consolidated financial statements in respect of prior years relate to intercompany trading and financing arrangements entered into in the normal course of business and tax audits that are currently in progress with fiscal authorities. Due to the uncertainty

associated with such tax items it is possible that at a future date, on resolution of the open tax matters, the final outcome may vary significantly and there is the potential for a material adjustment to the carrying amounts of the liability recorded as a result of this estimation uncertainty.

Valuation of embedded derivatives

The Senior Notes (as defined below) include certain embedded features allowing the Corporation to redeem the Senior Notes or allowing the holders to require a redemption of the Senior Notes. As previously disclosed, these features were bifurcated from the carrying value of the Senior Notes. Management used estimates, including an implied credit spread of 1.9% as at December 31, 2019 (December 31, 2018 - 4.6%), in determining the fair value of the Embedded Derivative (as defined below). The implied credit spread represents management's estimate of the Corporation's creditworthiness as implied by the market value of the Senior Notes. See notes 17, 19 and 26. During the year end December 31, 2019, the Corporation recorded a gain of $98.3 million through Net financing charges in relation to the re-measurement of the Embedded Derivative, of which $48.1 million of the gain was recorded in the fourth quarter of 2019.

Critical accounting judgments

The preparation of the Corporation's consolidated financial statements requires management to exercise its judgment in applying the Corporation's accounting policies. Judgments are continuously evaluated and are based on historical experience, general economic conditions, and trends and other factors, including expectations of future events.

The following discussion sets forth for the year ended December 31, 2019 what management believes to be the most significant judgments in applying the Corporation's accounting policies.

Contingent liabilities

The Corporation 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 Corporation's management as to how it will respond to the litigation, claim or assessment. The Corporation 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. To the extent that the Corporation's assessments at any time do not reflect subsequent developments or the eventual outcome of any claim, its future consolidated financial statements may be materially affected, with a favorable or adverse impact on the Corporation's business, financial condition or results of operations. See note 28.

Determination of lease term

The Corporation's lease portfolio includes contracts with extension and termination options. These terms are used to maximise operational flexibility with respect to managing such contracts.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The Corporation reviews the applicable assessment if a significant event or a significant change in circumstances occurs which affects the assessment and that is within the control of the lessee. If the Corporation exercises an extension option (or elects not to exercise a termination option) that was not included in the lease term, this would result in an increase to the right of use asset and lease liability. As at December 31, 2019, the weighted average remaining life of the Corporation's leases is 4.2 years.

FOX equity option

On May 8, 2019, the Corporation and FOX Sports ("**FOX Sports**"), a unit of Fox Corporation (Nasdaq: FOXA, Fox) ("**FOX**"), 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, the Corporation 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 the Corporation's U.S. business. In accordance with IFRS 2, based on the judgment of the Corporation's 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 December 31, 2019, the Corporation recorded $0.1 million to cost of sales and $7.6 million to sales and marketing expense in relation to the commercial agreement.

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 judgment 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 each reporting period.

Combination with Flutter Entertainment Plc

On October 2, 2019, the Corporation reached an agreement on the terms of an all-share combination recommended by the Board to be implemented through an acquisition of TSG by Flutter pursuant to a plan of arrangement under the OBCA (see note 31) for additional information. Management has prepared its consolidated financial statements without giving effect to the potential impacts a combination with Flutter would have on the Corporation's existing accounting treatments. This includes, but is not limited, to such judgments related to (i) the forecasted cash flows associated with the Corporation's long-term debt and the related impact on its hedge accounting conclusions, and (ii) the expected period of vesting and change in control implications in relation to the Corporation's long-term incentive program.

The completion of the Combination (as defined below) is currently intended to occur during the second or third quarter of 2020, subject to, among other things, shareholder, court and applicable regulatory approvals.

3. RECENT ACCOUNTING PRONOUNCEMENTS

New accounting pronouncements - not yet effective

Amendments to IFRS 9, IAS 39 and IFRS 7

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 EURIBOR are also impacted by this reform and 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 Corporation 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 and EURIBOR may result in a sudden or prolonged increase or decrease in reported USD-LIBOR and EURIBOR. If that were to occur, the Corporation'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 and EURIBOR were to remain available in their current form.

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 amendments are effective for annual reporting periods beginning on or after January 1, 2020, but the Corporation chose to early apply the amendments for the reporting period ending December 31, 2019. Adopting these amendments allows the Corporation to continue hedge accounting during the period of uncertainty arising from interest rate benchmark reforms. See note 4.

IFRIC agenda decision

In November 2019, the IFRIC discussed a question about how to determine the lease term for cancellable or renewable leases. Entities may enter into cancellable or renewable leases that do not specify a particular term, but which continue indefinitely until one party gives notice to terminate. The request asked how the lease term should be determined and whether the useful life of any related non-removable leasehold improvements is limited to the lease term determined applying IFRS 16. The IFRIC clarified that determining the lease term will depend on both the termination penalties in the contract and the broader economics of the contract. Further an entity must apply IAS 16 *Property, Plant and Equipment* ("**IAS 16**") in determining the useful life of non- removable leasehold improvements and may often conclude that it will use and benefit from leasehold improvements only for as long as it uses the underlying leased asset.

The IFRIC concluded that the principles and requirements in IFRS 16 provide an adequate basis for an entity to determine the lease term of cancellable and renewable leases and those in IAS 16 and IFRS 16 provide an adequate basis for an entity to determine the useful life of any non-removable leasehold improvements relating to such a lease. Therefore, the IFRIC decided not to add these items to its agenda. Agenda decisions issued by the IFRIC do not have an application date. Sufficient time is entity specific and depends on the relevant facts and circumstances, but agenda decisions are expected to be implemented as soon and as quickly as possible. The IASB expects this to be months rather than years. The Corporation is currently assessing the impact of the agenda decision and does not expect a material impact to the consolidated financial statements. The Corporation expects to have completed its assessment in the first quarter of 2020.

4. ADOPTION OF NEW ACCOUNTING STANDARDS

IFRS 16, *Leases*

As referenced in note 2 above, the Corporation adopted IFRS 16 on January 1, 2019. The impact of the Corporation's transition to IFRS 16 is summarised below.

The table below illustrates the reconciliation of lease commitments not recorded on the consolidated statement of financial position prior to the adoption of IFRS 16 to the lease liabilities recognised in connection with the transition to IFRS 16:

In thousands of U.S. Dollars	**As at January 1, 2019**
Off-balance-sheet contractual commitments	242,170
Less: non-lease contractual commitments	(150,055)
Off-balance-sheet commitments for lease obligations	92,115
Current leases with a lease term of 12 months or less (short-term leases)	(24,618)
Variable lease payments that do not depend on an index or rate	(3,325)
Other	1,992
Undiscounted lease liabilities as at January 1, 2019	**66,164**
Effect of discounting	(6,679)
Present value of lease liabilities as at January 1, 2019	**59,485**

The table below illustrates the impact of the adoption of IFRS 16 to the consolidated statement of financial position as at January 1, 2019:

In thousands of U.S. Dollars	Original January 1, 2019 (IAS 17)	Adjustment on adoption of IFRS 16	January 1, 2019 (IFRS 16)
Right-of-use assets (included in Property and equipment)	—	57,288	57,288
Prepaid expenses and other non-current assets	32,760	(776)	31,984
Net impact on total assets		56,512	
Lease liabilities	—	59,485	59,485
Other long-term liabilities	79,716	(2,973)	76,743
Net impact on total liabilities		56,512	
Retained earnings		**—**	

The table below illustrates the right-of-use assets as at December 31, 2019, included as part of property and equipment in the consolidated statement of financial position by asset class:

In thousands of U.S. Dollars	Land and Buildings	Computer Equipment	Total
Net carrying amount			
January 1, 2019	42,194	15,094	57,288
December 31, 2019	37,018	13,780	50,798

The table below illustrates the contractual maturity of recognised lease liabilities in the consolidated statement of financial position:

In thousands of U.S. Dollars	January 1, 2019	December 31, 2019
Lease liabilities		
Current portion of lease liabilities	14,985	19,633
Long-term portion of lease liabilities	44,500	35,691
	59,485	55,324
Maturity analysis (undiscounted)		
Not later than 1 year	14,985	19,633
Later than 1 year and not later than 5 years	41,214	37,150
Later than 5 years	9,965	5,475
	66,164	62,258

The weighted average discount rate applied to the Corporation's leases as at December 31, 2019 was 3.68% (January 1, 2019 – 3.83%).

The table below illustrates the impact of the adoption of IFRS 16 to the consolidated statement of earnings (loss) for the year ended December 31, 2019:

In thousands of U.S. Dollars	Year Ended December 31, 2019
Impact on earnings for the period	
Increase in depreciation and amortization expenses	(17,532)
Increase in net financing charges	(2,368)
Decrease in other operational costs	19,414
Decrease in earnings for the period	(486)
Impact on earnings per share	
Decrease in earnings per share	
Basic	$ —
Diluted	$ —

During the year ended December 31, 2019, the Corporation recorded a lease rental expense of $3.2 million within General and administrative expenses related to short term and low value leases.

IFRIC 23, *Uncertainty over Income Tax Treatments*

As referenced in note 2, the Corporation adopted IFRIC 23 on January 1, 2019. The adoption of the interpretation did not have a material impact on the consolidated financial statements.

Amendments to IFRS 9, IAS 39 and IFRS 7

As referenced in note 3, the Corporation has chosen to early apply the amendments to IFRS 9, IAS 39 and IFRS 7 for the reporting period ending December 31, 2019. Adopting these amendments allows the Corporation 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 Corporation to the Swap Agreements (as defined below). For all other derivative instruments held by the Corporation it does not apply hedge accounting.

Cash flow hedge accounting under IAS 39 requires the future hedged cash flows to be 'highly probable'. The relief provided by the amendments requires an entity to assume that the interest rate on which the hedged cash flows are based does not change as a result of the reform. Hence, where the hedged cash flows may change as a result of the IBOR reform this will not cause the 'highly probable' test to fail. IAS 39 requires a forward-looking prospective assessment whereby the hedge must be expected to be highly effective in order to hedge accounting. Under the amendments, an entity assumes that the interest rate benchmark on which the cash flows of the hedged item, hedging instrument or hedged risk are based is not altered by IBOR reform. The uncertainties described above in the context of prospective assessments could also affect IAS 39's retrospective effectiveness requirement. IAS 39 has further been amended to provide an exception to the retrospective effectiveness test such that a hedge is not discontinued during the period of IBOR-related uncertainty solely because the retrospective effectiveness falls outside this required 80–125% range.

The Corporation's USD First Lien Term Loan, certain of its cross-currency interest rate swaps and its interest rate swap are indexed to USD-LIBOR and the Corporation's EUR First Lien Term Loan is indexed to EURIBOR. The Corporation is monitoring and evaluating the related risks, which include interest payments on the First Lien Term Loans, and amounts received on certain of its cross-currency interest rate swaps and the interest rate swap. 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 and EURIBOR could also be impacted if USD-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 Corporation's contracts are not transitioned to alternative reference rates and USD-LIBOR and EURIBOR are discontinued, the impact on our indexed financial instruments is likely to vary by contract. If USD-LIBOR and EURIBOR are discontinued or if the methods of calculating USD-LIBOR and EURIBOR change from their current form, interest rates on our current or future indebtedness may be adversely affected.

While the Corporation expects USD-LIBOR and EURIBOR to be available in substantially their current form until the end of 2021, it is possible that USD-LIBOR and EURIBOR will become unavailable prior to that point. This could result, for example, if sufficient banks decline to make submissions to the USD-LIBOR and EURIBOR administrators. In that case, the risks associated with the transition to an alternative reference rates will be accelerated and magnified.

The Corporation 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 Corporation is exposed ends. The Corporation has assumed that this uncertainty will not end until the Corporation'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.

5. ACQUISITION OF SUBSIDIARIES

BetEasy

On February 27, 2018, a subsidiary of the Corporation acquired a 62% controlling equity interest in BetEasy for a purchase price of $117.7 million. Accordingly, the Corporation acquired $58.8 million of identifiable net assets, including $102.4 million of intangible assets, of which it recognised a non-controlling interest of $1.0 million in relation to the acquired identifiable net assets. The Corporation also recognised $59.9 million of goodwill in connection with the same.

On April 24, 2018, the same subsidiary of the Corporation acquired an additional 18% interest in BetEasy for a purchase price of $229.2 million. Included in the purchase price was a deferred contingent payment, which is included in accounts payable and other liabilities in the consolidated statements of financial position. The acquisition of the additional equity interest in BetEasy had no impact on the fair values of the goodwill and intangible assets acquired on February 27, 2018; however, the excess of the purchase price compared to the carrying value of the 18% non-controlling interest was recognised directly in equity as acquisition reserve. During the year ended December 31, 2019, the Corporation finalised the purchase price allocation assessment in relation to this acquisition and did not record any adjustments. See note 26 for details regarding the previous valuation of the related BetEasy deferred contingent payment. On December 3, 2019, the Corporation announced that it agreed with the holders of the non-controlling interest of BetEasy to pay AUD$100 million to settle the deferred contingent payment which did not affect the purchase price allocation. On December 5, 2019, the Corporation repaid the outstanding balance of AUD$100 million using available cash on hand.

Also in connection with the acquisition of the additional 18% interest in BetEasy, a subsidiary of the Corporation entered into a non-controlling interest put-call option in relation to the remaining 20% interest in BetEasy, with an exercise price based on certain future operating performance conditions of the acquired business. At acquisition, this was determined to be a non-controlling interest put-call option with a variable settlement amount that can be settled in either cash or shares or a combination of both, and because the put-call option did not clearly grant the Corporation with present access to returns associated with the remaining 20% ownership interest, the Corporation previously recognised this put-call option as a net liability derivative. On December 3, 2019, the Corporation announced that it agreed with the holders of the non-controlling interest of BetEasy to acquire the remaining 20% interest in BetEasy for AUD$151 million within 90 days following the earlier of either the issuance of the Corporation's audited financial statements for the year ended December 31, 2020 or the completion of the previously announced Combination with Flutter (see note 31). As the settlement amount is now fixed and will be settled in cash, excluding if settled as a result of a combination with Flutter, the Corporation recorded a gross liability in respect of its obligation to acquire the remaining 20% interest in BetEasy. Upon acquisition of the 20% interest, the Corporation will also be obligated to make a contractual payment to a third-party supplier of BetEasy. The liability in respect of the Corporation's obligations to acquire the remaining 20% interest in BetEasy and make the above mentioned contractual payment is included within accounts payable and other liabilities on the consolidated statement of financial position (see note 21).

Former William Hill Australia Business

On April 24, 2018, BetEasy acquired 100% of the former William Hill Australia business for a purchase price of $241.2 million. Accordingly, the Corporation acquired $162.5 million of identifiable net assets, including $267.3 million of intangible assets. The Corporation recognised $78.7 million of goodwill in connection with the same.

During the year ended December 31, 2019, the Corporation finalised the purchase price allocation assessment in relation and recorded an adjustment to increase the acquired financial liabilities by $0.4 million with a corresponding increase to the goodwill recognised. The comparative consolidated statement of financial position has not been restated to reflect this adjustment.

SBG

On July 10, 2018, the Corporation completed the SBG Acquisition, acquiring 100% of SBG for a purchase price of $3.24 billion. Accordingly, the Corporation acquired $808.7 million of identifiable net assets, including $3.04 billion of intangible assets. The Corporation recognised $2.43 billion of goodwill in connection with the same.

During the year ended December 31, 2019, the Corporation finalised the purchase price allocation assessment in relation to the SBG Acquisition and did not record any adjustments.

6. REVENUE

The Corporation recognised the following amounts in the consolidated statements of earnings (loss):

In thousands of U.S. Dollars	Year Ended December 31,	
	2019	**2018**
Poker revenue	793,284	892,557
Gaming revenue	792,299	585,846
Betting revenue	870,938	491,139
Other revenue from customers	69,422	56,419
Other sources of revenue	2,505	3,277
Total revenue	**2,528,448**	**2,029,238**

Revenue from contracts with customers have not been further disaggregated as the nature of the revenue streams, contract duration and timing of transfer of services are all largely homogeneous. For further information regarding revenue, including segment revenue by major line of operations and geographic region (see note 7).

As at December 31, 2019, there are no significant contract assets or liabilities and no significant unsatisfied performance obligations. In addition, there were no significant capitalised costs to obtain a contract.

7. SEGMENTAL INFORMATION

Segments are reported in a manner consistent with the internal reporting provided to the CODM. The Corporation's CODM consists of its Chief Executive Officer, and Chief Financial Officer as this group is responsible for allocating resources to, and assessing the performance of, the operating segments of the Corporation. The segmentation reflects the way the CODM evaluates performance of, and allocates resources within, the business.

The CODM considers the Corporation's business from both a geographic and product offering or lines of operation perspective. For the years ended December 31, 2019 and 2018, the Corporation had three reportable segments, as applicable: International, United Kingdom and Australia, as well as a Corporate cost center. Revenue within these operating segments is further divided into the Poker, Gaming, Betting and Other lines of operation, as applicable. The CODM receives geographic and lines of operation revenue information throughout the year for the purpose of assessing their respective performance. Certain costs are included in Corporate. "Corporate" in itself is not a reporting segment, but it comprises costs that are not directly allocable to any of the operating segments or relate to a corporate function (i.e., tax and treasury).

Further, each reporting segment incurs certain costs, which are not segregated among major lines of operations within each reporting segment as they share the same office infrastructure, workforce and administrative resources. The Corporation cannot develop or produce reports that provide the true costs by major lines of operations within each reporting segment without unreasonable effort or expense.

The primary measure used by the CODM for the purpose of decision making and/or evaluation of a segment is Adjusted EBITDA. The Corporation defines Adjusted EBITDA as net earnings before financial expenses, income tax expense (recovery), depreciation and amortization, stock-based compensation, restructuring, net earnings (loss) on associate and certain other items as set out in the reconciliation table below.

However, the CODM also uses other key measures as inputs, including, without limitation, revenue and capital expenditures, to supplement the decision-making process.

Segmental information for the year ended December 31, 2019 and December 31, 2018:

In thousands of U.S. Dollars	Year Ended December 31, 2019					
	International	United Kingdom	Australia	Corporate	Intercompany eliminations *	Consolidated
Revenue	1,312,365	946,679	274,414	—	(5,010)	2,528,448
Poker	781,637	11,647	—	—	—	793,284
Gaming	427,316	364,983	—	—	—	792,299
Betting	72,561	528,110	270,267	—	—	870,938
Other	30,851	41,939	4,147	—	(5,010)	71,927
Adjusted EBITDA (**)	604,851	324,633	44,358	(52,717)	—	921,125
Net financing charges	—	—	—	202,534	—	202,534
Depreciation and amortization	159,895	241,283	36,703	745	—	438,626
Capital expenditures	91,209	32,095	17,197	259	—	140,760

In thousands of U.S. Dollars	Year Ended December 31, 2018 ***					
	International	United Kingdom	Australia	Corporate	Intercompany eliminations *	Consolidated
Revenue	1,440,177	394,131	196,930	—	(2,000)	2,029,238
Poker	886,628	5,929	—	—	—	892,557
Gaming	428,364	157,482	—	—	—	585,846
Betting	79,117	215,921	196,101	—	—	491,139
Other	46,068	14,799	829	—	(2,000)	59,696
Adjusted EBITDA (**)	703,342	102,107	21,571	(46,071)	—	780,949
Net financing charges	—	—	—	371,086	—	371,086
Depreciation and amortization	144,304	108,879	29,476	147	—	282,806
Capital expenditures	81,189	18,971	12,386	1,182	—	113,728

* For the year ended December 31, 2019, the Corporation excluded from its consolidated revenue $5.0 million of Other revenue included in the United Kingdom segment related to certain non-gaming related transactions with the International segment. A corresponding exclusion in the consolidated results for that period is recorded to Sales and marketing expense in the International segment. For the year ended December 31, 2018, the Corporation excluded from its consolidated revenue $2.0 million of Other revenue included in the International segment related to certain non-gaming related transactions with the United Kingdom segment. A corresponding exclusion in the consolidated results for that period is recorded to Sales and marketing expense in the United Kingdom segment.

** Adjusted EBITDA is used internally by the CODM when analysing underlying segment performance.

*** Certain amounts were reclassified in the comparative periods. See note 2.

A reconciliation of Adjusted EBITDA to Net earnings (loss) is as follows:

In thousands of U.S. Dollars	Year Ended December 31, 2019	2018[1]
Consolidated		
Adjusted EBITDA	921,125	780,949
Add (deduct) the impact of the following:		
Acquisition-related costs, deal contingent forward expenses and certain other costs related to the Combination[2]	(27,165)	(115,569)
Stock-based compensation[3]	(18,842)	(12,806)
Gain (loss) from investments	2,520	(1,667)
Impairment of intangible assets	(3,931)	(6,223)
Other costs	(170,882)	(101,754)
Total adjusting items	**(218,300)**	**(238,019)**
Depreciation and amortization	(438,626)	(282,806)
Operating income	**264,199**	**260,124**
Net financing charges	(202,534)	(371,086)
Net earnings from associates	—	1,068
Earnings (loss) before income taxes	**61,665**	**(109,894)**
Income tax recovery	197	988
Net earnings (loss)	**61,862**	**(108,906)**

[1] Certain amounts were reclassified in the comparative periods. See note 2.

[2] Acquisition-related costs, deal contingent forward expenses and certain other costs related to the Combination are excluded from Adjusted EBITDA as management believes these expenses are not representative of the underlying operations for the following reasons:

- Acquisition-related costs include legal and professional fees incurred in connection with the SBG Acquisition and Australia Acquisitions.
- Costs associated with the BetEasy Minority Acquisition (as defined below) include costs incurred in connection with employee retention programs implemented by management to manage certain personnel-related risks associated with the BetEasy Minority Acquisition, and a contractual payment to a third-party supplier of pricing services to BetEasy due upon the completion of the BetEasy Minority Acquisition.
- Deal contingent forward expenses include costs associated with forward contracts that were entered into to hedge foreign exchange risk associated with the purchase price of the SBG Acquisition and Australia Acquisitions.
- Other costs related to the Combination include legal and professional fees and costs incurred in connection with employee retention programs implemented by management to manage certain personnel-related risks associated with the same.

[3] Stock-based compensation expense excluded from Adjusted EBITDA primarily due to its discretionary nature.

A reconciliation of certain items comprising "Other costs" in the Adjusted EBITDA reconciliation table above:

In thousands of U.S. Dollars	Year Ended December 31, 2019	
	2019	**2018**
Integration costs of acquired businesses	19,753	45,597
Financial expenses	1,733	446
Restructuring expenses[1]	37,474	8,827
AMF, foreign payments and other investigation and related professional fees[2]	18,896	6,673
Lobbying (US and Non-US) and other legal expenses[3]	14,909	16,194
Professional fees in connection with non-core activities[4]	21,889	4,578
Austria gaming duty	—	(3,679)
Acquisition of market access rights	22,500	20,661
Legal settlement[5]	32,500	—
Other	1,228	2,457
Other costs	**170,882**	**101,754**

1. Restructuring expenses relate to certain operational and staff restructuring programs implemented following the Australian Acquisitions and the SBG Acquisition, and certain of the Corporation's recent strategic cost savings initiatives (i.e., referred to by the Corporation as "operational excellence" or "operational efficiency" programs). Management does not consider such expenses to be part of its ongoing core operating activities or expenses. Following and as a result of the restructuring programs and efforts to achieve expected cost synergies related to the Acquisitions in the United Kingdom and Australia segments, during the year ended December 31, 2019, the Corporation reassessed its fixed-cost base within the International segment and Corporate cost center and implemented an operational excellence program to optimise the same, including a reduction in headcount and the relocation of certain roles across and within applicable geographies. As a result, costs related to this program that are excluded from Adjusted EBITDA for the year ended December 31, 2019 include (i) $23.9 million of accrued termination payments recognised under IAS 37 and IAS 19, *Employee benefits* and (ii) $13.6 million for salaries and associated compensation relating to roles that are either being made redundant or that are expected to be relocated (for relocations, to the extent that such salaries and associated compensation exceeds or will exceed the same in the new location for the respective relocated roles). The Corporation expects to continue excluding such costs from Adjusted EBITDA through the respective termination or relocation dates of the impacted personnel.

2. Legal and professional fees related to the previously disclosed Autorité des marchés financiers ("**AMF**"), foreign payments and other investigation matters. On June 6, 2019, the AMF advised the Corporation that it had closed its investigation and no charges will be laid against the Corporation or any of its current directors or officers in connection with the previously reported AMF investigation and related matters.

3. The Corporation excludes certain lobbying and legal expenses in jurisdictions where it is actively seeking licensure or similar approval because management believes that the Corporation's incremental cost of these lobbying and legal expenses in such jurisdictions is generally higher than its peers given liabilities and related issues primarily stemming from periods prior to the acquisition of the Stars Interactive Group in 2014 or from matters not directly involving the Corporation or its current business.

4. Professional fees in connection with non-core activities are excluded from Adjusted EBITDA as management believes these expenses are not representative of the underlying operations. Such professional fees include those related to litigation matters, incremental accounting and audit fees incurred in connection with the integration of the Acquisitions, including as it relates to internal controls with respect to the same, and the previously announced partnership with FOX Sports and transactions in connection with obtaining and securing potential market access to certain U.S. states in which the Corporation currently does not operate.

5. For additional information see notes 8 and 28.

The distribution of the Corporation's assets and liabilities by reporting segment is as follows:

	International	United Kingdom	Australia	Corporate	Total
Total assets as at December 31, 2019	5,083,015	5,468,613	489,605	234,549	11,275,782
Total liabilities as at December 31, 2019	673,016	705,168	499,170	4,878,985	6,756,339
Total assets as at December 31, 2018	5,248,115	5,430,110	510,805	76,508	11,265,538
Total liabilities as at December 31, 2018	623,096	715,398	550,562	5,223,082	7,112,138

The distribution of some of the Corporation's non-current assets (goodwill, intangible assets and property and equipment) by geographic region is as follows:

	As at December 31,	
In thousands of U.S. Dollars	2019	2018
Geographic Area		
Canada	85,302	66,830
United Kingdom	5,188,175	5,191,994
Isle of Man	4,206,424	4,346,599
Australia	442,024	456,422
Malta	57,069	7,469
Other licensed or approved jurisdictions	59,432	24,534
	10,038,426	**10,093,848**

The Corporation also evaluates revenue performance by geographic region based on the primary jurisdiction where the Corporation is licensed or approved to offer, or offers through third-party licenses or approvals, its products and services. The following tables set out the proportion of revenue attributable to each gaming license or approval (as opposed to the jurisdiction where the customer was located) that either generated a minimum of 5% of total consolidated revenue for the year ended December 31, 2019 or 2018, or that the Corporation otherwise deems relevant based on its historical reporting of the same or otherwise:

	Year Ended December 31, 2019				
In thousands of U.S. Dollars	International	United Kingdom	Australia	Intercompany eliminations *	Total
Geographic Area					
United Kingdom	75,674	924,787	—	(5,010)	995,451
Malta	557,423	13	—	—	557,436
Australia	—	158	274,414	—	274,572
Italy	165,807	233	—	—	166,040
Spain	108,439	152	—	—	108,591
Isle of Man	99,504	—	—	—	99,504
Other licensed or approved jurisdictions	305,518	21,336	—	—	326,854
	1,312,365	**946,679**	**274,414**	**(5,010)**	**2,528,448**

In thousands of U.S. Dollars	Year Ended December 31, 2018 International	United Kingdom	Australia	Intercompany eliminations *	Total
Geographic Area					
United Kingdom	73,969	388,421	—	—	462,390
Malta	497,126	—	—	—	497,126
Australia	—	190	196,930	—	197,120
Italy	156,946	1,144	—	—	158,090
Spain	121,776	86	—	—	121,862
Isle of Man	377,702	—	—	(2,000)	375,702
Other licensed or approved jurisdictions	212,658	4,290	—	—	216,948
	1,440,177	**394,131**	**196,930**	**(2,000)**	**2,029,238**

* For the year ended December 31, 2019, the Corporation excluded from its consolidated revenue $5.0 million of Other revenue included in the United Kingdom segment related to certain non-gaming related transactions with the International segment. A corresponding exclusion in the consolidated results for that period is recorded to Sales and marketing expense in the International segment. For the year ended December 31, 2018, the Corporation excluded from its consolidated revenue $2.0 million of Other revenue included in the International segment related to certain non-gaming related transactions with the United Kingdom segment. A corresponding exclusion in the consolidated results for that period is recorded to Sales and marketing expense in the United Kingdom segment.

8. EXPENSES CLASSIFIED BY NATURE

In thousands of U.S. Dollars	Year Ended December 31, 2019	2018 *
Cost of revenue (excluding depreciation and amortization)		
Direct selling costs	144,330	99,642
Gaming duty, levies and fees	441,543	268,857
Processor and other operating costs	107,189	90,665
	693,062	**459,164**
General and administrative		
Salaries and wages	346,792	285,234
Legal and professional fees	99,206	84,288
Impairment of intangible and other assets	3,931	6,156
(Gain) loss on disposal of investments and other assets	(2,520)	1,992
Acquisition-related costs	22,141	54,209
Acquisition of market access rights	22,500	20,661
Foreign exchange loss	1,474	61,204
IT and software costs	110,658	74,334
Legal settlement †	32,500	—
Other operational costs	80,132	106,108
Depreciation and amortization	438,626	282,806
	1,155,440	**976,992**
Net financing charges		
Interest on long-term debt	253,624	186,720
Other interest expense	2,368	—
Gain on re-measurement of deferred contingent payment **	(7,371)	(342
(Gain) loss on re-measurement of Embedded Derivative ***	(98,300	6,100
Unrealised foreign exchange loss on financial instruments associated with financing activities	11,320	7,202
Ineffectiveness on cash flow hedges	8,052	(14,909)
Loss on debt extinguishment	—	146,950
Accretion expense	37,267	42,431
Interest income	(4,426)	(3,066
	202,534	**371,086**

* The Corporation reclassified a loss of $7.2 million for the year ended December 31, 2018 previously reported within foreign exchange loss to unrealised foreign exchange loss on financial instruments associated with financing activities. See note 2.

** See notes 5 and 26 for details regarding the recognition and measurement of the deferred contingent payment.

*** See notes 17, 19 and 26 for details regarding the recognition and measurement of the Embedded Derivative.

† On September 9, 2019, the Corporation entered into minutes of settlement with respect to the appeal of the Ontario Superior Court of Justice's prior dismissal of an application by certain holders of Preferred Shares (as defined below) regarding the Corporation's mandatory conversion of its Preferred Shares in July 2018. On September 23, 2019, the Court of Appeal for Ontario entered an order dismissing the appeal with prejudice. The settlement of $32.5 million has been and will be funded entirely by available cash on hand, and the currently remaining liability is included within accounts payable and other liabilities on the consolidated statement of financial position.

The Corporation participates in defined contribution retirement plans for all qualifying employees, as applicable, across its segments. The assets of the plans are held separate from those of the Corporation in funds under the control of the Corporation's pension providers. The Corporation is obligated to make the specified contributions in accordance with the plans. Included within salaries and wages is $11.5 million (2018 – $9.2 million) recorded in respect of these plans.

9. INCOME TAXES

Details of income tax expense were as follows:

	Year Ended December 31,	
In thousands of U.S. Dollars	**2019**	**2018**
Current income tax expense	62,498	19,813
Current income tax recovery - provision adjustment	(8,057)	(2,155)
Deferred income tax recovery relating to the origination and reversal of temporary differences	(52,124)	(17,971)
Deferred income tax recovery - provision adjustment	(2,514)	(675)
Income tax recovery	**(197)**	**(988)**

The Corporation's applicable Canadian statutory tax rate is equal to the Federal and Provincial combined tax rate for the period applicable in the jurisdiction within Canada where the Corporation's head office is registered (i.e., Ontario). The Corporation's primary operations were previously in the Isle of Man and Malta and, subsequent to the Australian Acquisitions and SBG Acquisition, are now also in Australia and the United Kingdom. Income taxes reported differ from the amount computed by applying the Canadian statutory rates to earnings before income taxes primarily due to differences in statutory rates across the countries where the Corporation operates and where the Corporation is incorporated, among other factors. The reconciliation is as follows:

	Year Ended December 31,	
In thousands of U.S. Dollars	**2019**	**2018**
Net earnings (loss) before income taxes	61,665	(109,894)
Canadian statutory tax rate	26.5%	26.5%
Income taxes at Canadian statutory tax rate	16,341	(29,122)
Differences in effective income tax rates in foreign jurisdictions	(53,223)	(97,919)
Non-taxable income	(12,881)	(9,030)
Non-deductible expenses	31,673	34,815
Deferred tax assets not recognised	28,464	103,098
Provision adjustment	(10,571)	(2,830)
Income tax recovery	**(197**	**(988)**

The Corporation's effective income tax rate for the year ended December 31, 2019, was (0.3)% (December 31, 2018 – 0.9%). The Corporation's income tax recovery for the current year ended December 31, 2019 includes an income tax recovery of $47.5 million (December 31, 2018 - $27.3 million) in relation to the deferred tax credit associated with the amortization expense of acquired intangible assets

from the Australian Acquisitions and the SBG Acquisition. Additionally, the year ended December 31, 2019 includes an income tax expense of $26.1 million, which relates to the tax effect of foreign exchange gains with respect to the Corporation's hedging activities. However, the Corporation recognised a corresponding tax recovery of $26.1 million in relation to the same in the foreign currency translation reserve within other comprehensive income such that there is no overall impact on the consolidated statement of financial position.

In addition to the impacts described above, the Corporation's income taxes for the year ended December 31, 2019 were impacted by the mix of taxable earnings among and across geographies, with an increase in taxable earnings following the Acquisitions in geographies with higher statutory corporate tax rates. The effective tax rate was also impacted by the recognition of a net deferred tax liability as a result of the transfer of customer intangible rights from the Isle of Man to Malta in connection with an internal corporate restructuring and an Australian business continuity tax law change during 2019.

During the year ended December 31, 2017, the Corporation received notification of a proposed tax assessment from the Canadian tax authorities relating to transfer pricing. The proposed assessment covered periods prior to the acquisition of Stars Interactive Group in 2014, covering the 2003 to 2007 tax years. For the year ended December 31, 2017 the Corporation recorded a tax provision based on the proposed assessments for both Federal and Provincial tax of $26.5 million including interest. During the year ended December 31, 2018 the Corporation received the Federal and Provincial tax assessments and submitted an objection to the relevant authorities regarding the same. During the year ended December 31, 2019 the provision was reduced to $25.8 million resulting from adjustments for interest, foreign exchange movements and a pre-payment made in relation to the provincial assessment. The Corporation intends to vigorously defend its position against the assessments.

The $10.6 million recovery (2018 – $2.8 million recovery) in respect of the prior year provision adjustments represents the settlement of historic tax liabilities and the release of part of the provision for uncertain tax liabilities as a result of new information received during the periods, respectively.

Deferred Tax

Recognised deferred tax assets and liabilities

Significant components of the Corporation's deferred income tax asset balance at December 31, 2019 and 2018 are as follows:

In thousands of U.S. Dollars	**Property & Equipment**	**Intangibles**	**Tax Losses**	**Other**	**Total ***
At January 1, 2018	**148**	**—**	**174**	**4,484**	**4,806**
Credited (charged) to net earnings	41	—	1,051	(1,008)	84
Credited to other comprehensive income	—	—	—	53	53
Charged directly to equity - share-based payment transactions	—	—	—	(359)	(359)
Acquisition of subsidiary	1,016	—	—	9,921	10,937
Foreign exchange on translation	(61)	—	(34)	(1,177)	(1,272)
At December 31, 2018	**1,144**	**—**	**1,191**	**11,914**	**14,249**
Opening adjustment	35	—	(5)	167	197
At January 1, 2019	**1,179**	**—**	**1,186**	**12,081**	**14,446**
Credited to net earnings	501	5,332	6,682	20,985	33,500
Charged to other comprehensive income	—	—	—	(166)	(166)
Foreign exchange on translation	56	62	29	(36)	111
At December 31, 2019	**1,736**	**5,394**	**7,897**	**32,864**	**47,891**

Significant components of the Corporation's deferred income tax liability balance at December 31, 2019 and 2018 are as follows:

In thousands of U.S. Dollars	Property &Equipment	Intangibles	Tax Losses	Other	Total *
At January 1, 2018	**(45)**	**(16,130)**	**—**	**—**	**(16,175)**
(Charged) credited to net earnings	(82)	15,525	—	(513)	14,930
Acquisition of subsidiary	—	(620,796)	—	(465)	(621,261)
Foreign exchange on translation	6	29,278	—	51	29,335
At December 31, 2018	**(121)**	**(592,123)**	**—**	**(927)**	**(593,171)**
Opening adjustment	(9	(131)	—	(57)	(197)
At January 1, 2019	**(130)**	**(592,254)**	**—**	**(984)**	**(593,368)**
(Charged) credited to net earnings	(1,948)	23,802	—	(715)	21,139
Foreign exchange on translation	(10)	(16,959)	—	322	(16,647)
At December 31, 2019	**(2,088)**	**(585,411)**	**—**	**(1,377)**	**(588,876)**

* Deferred taxes by category above are presented on a gross basis. The statements of financial position present deferred taxes net for amounts included within the same jurisdiction.

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the items shown below. The amounts shown are the gross temporary differences and to calculate the potential deferred asset it is necessary to multiply the amounts by the tax rates in each case.

In thousands of U.S. Dollars	As at December 31, 2019	2018
Tax losses	1,843,670	1,619,702
Other temporary differences	95,813	82,814
Total deferred tax asset unrecognised	**1,939,483**	**1,702,516**

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profits will be available in these jurisdictions against which the Corporation can utilise the benefit from them.

Included in tax losses not recognised as at December 31, 2019 are Canadian non-capital tax losses of $190.3 million (December 31, 2018 - $129.2 million) that may be applied against earnings for up to 20 years from the end of the year the losses were generated and the first year of expiry is 2034 for $14.6 million of the carried forward tax losses. Tax losses also include foreign subsidiary non-capital losses of $1.65 billion (December 31, 2018 - $1.49 billion) that may be applied against future years. The majority of these losses of $1.56 billion (December 31, 2018 - $1.44 billion) can be carried forward for up to 9 years from the end of the year the tax losses were generated and the first year of expiry is 2023 for $393.0 million of the carried forward tax losses.

As a result of exemptions from taxation (corporate tax and withholding tax) applicable to dividends from subsidiaries, there are no significant taxable temporary differences associated with investments in subsidiaries, branches, associates and interests in joint arrangements and no material deferred tax liability arises on unremitted earnings totaling $4.85 billion (December 31, 2018 - $1.87 billion). Unremitted earnings as at December 31, 2019 includes a reclassification of equity to distributable earnings as a result of an internal reorganisation undertaken during the year.

10. EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted earnings per Common Share for the following periods:

	Year Ended December 31,	
	2019	**2018**
Numerator		
Numerator for basic and diluted earnings (loss) per Common Share – net earnings (loss) attributable to Shareholders of TSG Inc.	$62,822,000	$(102,452,000)
Denominator		
Denominator for basic earnings (loss) per Common Share – weighted average number of Common Shares	282,884,929	208,269,905
Effect of dilutive securities		
Stock options	233,223	1,371,177
Performance share units	1,184,132	246,813
Deferred share units	22,787	7,593
Restricted share units	153,566	72,673
Warrants	—	569,304
Convertible Preferred Shares	—	32,231,301
Effect of dilutive securities *†	**1,593,708**	**34,498,861**
Dilutive potential for diluted earnings (loss) per Common Share	**284,478,637**	**208,269,905**
Basic earnings (loss) per Common Share	$0.22	$(0.49)
Diluted earnings (loss) per Common Share	$0.22	$(0.49)

* The effect of dilutive securities for instruments that resulted in the issuance of Common Shares during the years ended December 31, 2019 and 2018 is included for the period during the applicable year prior to the issuance of the related Common Shares.

† As a result of the net loss for the year ended December 31, 2018, the effect of dilutive securities were anti-dilutive for the purposes of calculating diluted loss per Common Share.

11. GOODWILL AND INTANGIBLE ASSETS

For the year ended December 31, 2019:

In thousands of U.S. Dollars	Software technology	Customer relationships	Brands	Brands (licensed)	Deferred development cost	Other Intangibles	Goodwill	Total
Cost								
Balance – January 1, 2019	406,639	3,847,370	506,672	486,551	122,786	82,394	5,267,306	10,719,718
Additions	8,974	—	—	—	82,751	21,512	—	113,237
Additions through business combination	2,460	—	—	—	—	—	—	2,460
Translation	10,056	75,196	911	17,466	1,994	568	83,009	189,200
Balance – December 31, 2019	**428,129**	**3,922,566**	**507,583**	**504,017**	**207,531**	**104,474**	**5,350,315**	**11,024,615**
Accumulated amortization and impairments								
Balance – January 1, 2019	141,149	494,697	—	14,077	38,929	20,861	1,326	711,039
Amortization	69,124	257,683	—	20,811	31,525	17,226	—	396,369
Impairment	561	—	—	—	1,835	476	—	2,872
Translation	(1,368)	8,536	—	1,609	6,656	(309)	13	15,137
Balance – December 31, 2019	**209,466**	**760,916**	**—**	**36,497**	**78,945**	**38,254**	**1,339**	**1,125,417**
Net carrying amount								
At January 1, 2019	265,490	3,352,673	506,672	472,474	83,857	61,533	5,265,980	10,008,679
At December 31, 2019	**218,663**	**3,161,650**	**507,583**	**467,520**	**128,586**	**66,220**	**5,348,976**	**9,899,198**

For the year ended December 31, 2018:

In thousands of U.S. Dollars	Software technology	Customer relationships	Brands	Brands (licensed)	Deferred development cost	Other Intangibles	Goodwill	Total
Cost								
Balance – January 1, 2018	117,492	1,423,719	485,253	—	71,819	18,712	2,810,681	4,927,676
Additions	6,808	—	—	—	51,574	21,394	—	79,776
Additions through business combination	300,825	2,533,869	22,447	509,896	—	46,668	2,571,350	5,985,055
Disposals	(2,336)	—	—	—	—	(550)	(4,944)	(7,830)
Translation	(16,150)	(110,218)	(1,028)	(23,345)	(607)	(3,830)	(109,781)	(264,959)
Balance – December 31, 2018	**406,639**	**3,847,370**	**506,672**	**486,551**	**122,786**	**82,394**	**5,267,306**	**10,719,718**
Accumulated amortization and impairments								
Balance – January 1, 2018	91,072	324,292	—	—	20,107	9,384	5,471	450,326
Amortization	53,159	172,241	—	14,346	14,656	11,769	—	266,171
Disposals	(2,171)	—	—	—	—	(550)	(4,944)	(7,665)
Impairment	—	—	—	—	4,178	396	799	5,373
Translation	(911)	(1,836)	—	(269)	(12)	(138)	—	(3,166)
Balance – December 31, 2018	**141,149**	**494,697**	**—**	**14,077**	**38,929**	**20,861**	**1,326**	**711,039**
Net carrying amount								
At January 1, 2018	26,420	1,099,427	485,253	—	51,712	9,328	2,805,210	4,477,350
At December 31, 2018	**265,490**	**3,352,673**	**506,672**	**472,474**	**83,857**	**61,533**	**5,265,980**	**10,008,679**

Impairment Testing

During the year ended December 31, 2019 the Corporation recognised impairment losses (classified in General and administrative expenses) of $2.9 million for software technology, deferred development costs and other intangibles, related to discontinued development and other projects within the International and United Kingdom segments (December 31, 2018 - $4.6 million) and $nil for Goodwill (December 31, 2018 - $0.8 million).

The Corporation performed an annual impairment test for its operations in connection with the preparation of its consolidated financial statements for the year ended December 31, 2019. The Corporation did not identify any indicators of impairment prior to December 31, 2019. Goodwill is monitored at the operating segment level and this is consistent with the lowest level of CGU except as noted below.

In thousands of U.S. Dollars	As at December 31, 2019		As at December 31, 2018	
	Goodwill	Brand (Indefinite)	Goodwill	Brand (Indefinite)
International	2,805,434	485,253	2,806,485	485,253
United Kingdom *	2,417,572	22,330	2,333,476	21,419
Australia	125,970	—	126,019	—
Total	**5,348,976**	**507,583**	**5,265,980**	**506,672**

* The United Kingdom segment includes a non-significant CGU, which includes the indefinite lived brand as noted in the table above.

The Corporation has not identified any impairment in relation to the indefinite lived brand.

The recoverable amount of each CGU tested for impairment is determined from value in use calculations and use discounted cash flow projections. The key assumptions for the value in use calculations are the future cash flow and growth projections (including estimates of future capital expenditures), discount rates and perpetual growth rates. Management estimates discount rates using post-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU, including economic risk assumptions and estimates of the likelihood of achieving forecasted cash flow results. The pre-tax discount rate is then inferred by recalculation. Management considers a range of reasonably possible amounts to use for key assumptions and applies amounts that represent management's best estimate of future outcomes.

The Corporation prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next five years.

- For the International segment, the sixth year (2025) cash flow assumes a revenue growth rate of 6.8% before a steady growth rate of 3.0% is applied to the perpetual net cash flows.

- For the UK segment, the sixth year (2025) cash flow assumes a revenue growth rate of 4.0% before a steady growth rate of 3.0% is applied to the perpetual net cash flows.

- For the Australian segment, the sixth year (2025) cash flow assumes a revenue growth rate of 4.0% before a steady growth rate of 2.0% is applied to the perpetual net cash flows.

The cash flows are discounted based on the discount rates as presented below. The estimated perpetual growth rates are based on independent country specific market reports for online gaming growth projections.

The following table shows key assumptions used in the value in use calculations:

	Assumptions used in value in use calculation		
	International	**United Kingdom**	**Australia**
Discount Rate (pre-tax)	10.7%	10.1%	13.6%
Discount Rate (after-tax)	10.5%	8.9%	10.0%
Perpetual Growth Rate	3.0%	3.0%	2.0%
Revenue Growth Rate (2020 - 2025)	4.8% - 9.8%	4.0% - 7.3%	4.0% - 6.5%
Adjusted EBITDA Margin as % of Revenue	40.6% - 47.9%	34.0% - 35.8%	19.3% - 21.4%
CAPEX as % of Revenue	4.7% - 7.0%	3.0% - 3.9%	4.1% - 4.6%

Based on the impairment test performed, the recoverable amount of the CGUs were in excess of their carrying amount and accordingly, there is no impairment of the carrying value of the goodwill. Further, the International CGU has significant headroom. The Corporation has concluded that there are no assumptions to which the impairment test is particularly sensitive and accordingly no sensitivity analysis is disclosed.

With respect to the United Kingdom and Australia, the recoverable amount exceeds the carrying amount by $932.1 million and $66.2 million, respectively. The impairment assessments for the United Kingdom and Australia are sensitive to changes in a number of key assumptions (considered in isolation) in the value in use calculation over a five year period. The following table shows the changes to key assumptions used in the impairment review that would be required for the carrying amount to equal the recoverable amount:

	Change required for carrying value to equal recoverable amount	
	United Kingdom pps	**Australia pps**
Discount Rate (pre-tax)	1.4	2.0
Discount Rate (after-tax)	1.1	1.3
Revenue Growth Rate across the five year forecast	(3.8)	(2.7)
Adjusted EBITDA Margin as % of Revenue across the five year forecast	(5.0)	(1.7)
CAPEX as % of Revenue	4.8	1.9

12. PROPERTY AND EQUIPMENT

For the year ended December 31, 2019:

In thousands of U.S. Dollars	Furniture and Fixtures	Computer Equipment	Building	Right-of-use assets *	Total
Cost					
Balance – January 1, 2019	45,633	49,806	21,937	57,288	174,664
Additions	9,404	18,119	—	16,496	44,019
Additions through business combination	—	—	—	—	—
Disposals	(937)	(1,044)	—	(5,531)	(7,512)
Translation	712	26	1,399	118	2,255
Balance – December 31, 2019	**54,812**	**66,907**	**23,336**	**68,371**	**213,426**
Accumulated amortization and impairments					
Balance – January 1, 2019 †	11,467	17,104	3,636	—	32,207
Depreciation	13,283	10,490	951	17,532	42,256
Disposals	(715)	(997)	—	(36)	(1,748)
Translation	1,155	(17)	268	77	1,483
Balance – December 31, 2019	**25,190**	**26,580**	**4,855**	**17,573**	**74,198**
Net carrying amount					
At January 1, 2019 †	34,166	32,702	18,301	57,288	142,457
At December 31, 2019	**29,622**	**40,327**	**18,481**	**50,798**	**139,228**

* The table below illustrates the right-of-use assets included as part of property and equipment in the consolidated statement of financial position by asset class:

In thousands of U.S. Dollars	Land and Buildings	Computer Equipment and Data Centers	Total
Cost			
Balance – January 1, 2019	42,194	15,094	57,288
Additions	12,818	3,678	16,496
Disposals	(5,531)	—	(5,531)
Translation	41	77	118
Balance – December 31, 2019	**49,522**	**18,849**	**68,371**
Accumulated amortization			
Balance – January 1, 2019	—	—	—
Depreciation	12,525	5,007	17,532
Disposals	(36)	—	(36)
Translation	16	61	77
Balance – December 31, 2019	**12,505**	**5,068**	**17,573**
Net carrying amount			
At January 1, 2019	42,194	15,094	57,288
At December 31, 2019	**37,017**	**13,781**	**50,798**

For the year ended December 31, 2018:

In thousands of U.S. Dollars	Furniture and Fixtures	Computer Equipment	Building	Total
Cost				
Balance – January 1, 2018	12,497	26,155	23,928	62,580
Additions	11,283	22,669	—	33,952
Additions through business combination	24,582	1,642	—	26,224
Disposals	(338)	(26)	—	(364
Impairment	(1,521)	—	—	(1,521
Translation	(870)	(634)	(1,991)	(3,495)
Balance – December 31, 2018	**45,633**	**49,806**	**21,937**	**117,376**
Accumulated amortization and impairments				
Balance – January 1, 2018	5,324	9,402	3,017	17,743
Depreciation	7,682	7,960	991	16,633
Disposals	(57	(12)	—	(69)
Impairment	(954)	—	—	(954)
Translation	(528)	(246)	(372)	(1,146)
Balance – December 31, 2018	**11,467**	**17,104**	**3,636**	**32,207**
Net carrying amount				
At January 1, 2018	7,173	16,753	20,911	44,837
At December 31, 2018	**34,166**	**32,702**	**18,301**	**85,169**

13. INVESTMENTS

The Corporation held the following investments:

	As at December 31,	
	2019	2018
In thousands of U.S. Dollars	Carrying value & fair value	Carrying value & fair value
Bonds – FVOCI	109,017	103,153
Equity in unquoted companies - FVTPL (note 16)	9,651	6,773
Total investments	**118,668**	**109,926**
Current portion	109,017	103,153
Non-current portion	9,651	6,773

Investments relate primarily to customer deposits held in accounts segregated from investments held for operational purposes. Investments held in relation to customer deposits are liquid investments 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 many of the bonds being held to maturity. As of December 31, 2019, customer deposits were covered by $109.0 million in investments and $300.9 million in cash and equivalents.

The Corporation's investments held by maturity date are as follows:

	1 year or less $000's	1 to 5 years $000's	Greater than 5 years $000's
Bonds	48,805	60,212	—
Total	**48,805**	**60,212**	**—**

For the year ended December 31, 2019, the Corporation recognised gains (losses) from investments as follows:

	Bonds $000's	Equity in unquoted companies $000's	Total $000's
Investment income	938	—	938
Realised losses	(58)	—	(58)
Unrealised gains	1,155	—	1,155
Gain on re-measurement of financial assets at FVTPL	—	2,883	2,883
Impairment of financial instruments	62	—	62
Total	**2,097**	**2,883**	**4,980**

Investment income from bonds includes interest income and premiums as well as discount amortization. There was no investment income in the year ended December 31, 2019 for equity in unquoted companies.

Subsidiaries

The table below includes the Corporation's significant subsidiaries as at December 31, 2019, determined as either having greater than 10% of the Corporation's assets or revenues. The Corporation has other subsidiaries, but the assets and revenues of such subsidiaries individually did not exceed 10%, and in the aggregate did not exceed 20%, of the Corporation's consolidated assets or consolidated revenues as at and for the year ended December 31, 2019:

Name of principal subsidiary	Country of incorporation	Principal business	Percentage of ownership
Stars Group Holdings B.V.	Netherlands	Intermediate holding company and investment vehicle	100%
Stars Group Holdings Cooperatieve U.A	Netherlands	Intermediate holding company	100%
Stars Interactive Holdings (IOM) Limited	Isle of Man	Intermediate holding company	100%
Worldwide Independent Trust Limited	Isle of Man	Treasury	100%
Rational Entertainment Enterprises Limited	Isle of Man	Gaming services	100%
Stars Interactive Limited	Isle of Man	Intermediate holding company	100%
RG Cash Plus Limited	Isle of Man	Treasury	100%
Rational Gaming Europe Limited	Malta	Various	100%
REEL Italy Limited	Malta	Gaming services	100%
Hestview Limited	England and Wales	Gaming services	100%
Bonne Terre Limited	Alderney	Gaming services	100%
BetEasy Pty Limited	Australia	Gaming services	80%

14. ACCOUNTS RECEIVABLE

The Corporation's accounts receivable balances at December 31, 2019 and 2018 consist of the following:

	As at December 31,	
In thousands of U.S. Dollars	2019	2018
Balances held with processors	70,678	92,971
Balances due from live events	1,361	13,983
VAT receivable	13,130	11,029
Other receivables	26,046	18,364
Total accounts receivable balance	**111,215**	**136,347**
Long-term VAT receivable	3,329	14,906
Guarantees held by regulators in relation to licenses	13,436	—
Total non-current receivable balance	**16,765**	**14,906**

15. CASH AND CASH EQUIVALENTS, RESTRICTED CASH ADVANCES AND COLLATERAL

Cash and cash equivalents

Cash and cash equivalents – operational includes an amount of $nil (2018 – $40.1 million) held by a subsidiary of the Corporation that is subject to exchange controls in the country of operation. This balance was not available for general use by the Corporation or any of its other subsidiaries.

Restricted cash advances and collateral

Restricted cash held by the Corporation consists of the following components:

	As at December 31,	
In thousands of U.S. Dollars	2019	2018
Guarantees in connection with licenses held	4,318	4,312
Funds in connection with hedging contracts	2,170	2,836
Segregated funds in respect of payment processors	—	2,030
Guarantee in connection with acquisition of a subsidiary	1,122	1,146
Cash portion of Kentucky Bond Collateral *	5,000	5,000
Funds held in term deposits	4,138	5,837
Other	260	288
Restricted cash advances and collateral – total	**17,008**	**21,449**
Restricted cash advances and collateral - current portion	6,401	10,819
Restricted cash advances and collateral - non-current portion	10,607	10,630

* As at December 31, 2019, $5 million (December 31, 2018 - $5 million) of restricted cash was collateralised as part of the Kentucky Bond Collateral (as defined in note 28 below). The Kentucky Bond Collateral will be held until a court order is issued authorising the release of the bonds.

16. PREPAID EXPENSES AND OTHER ASSETS

		As at December 31,	
In thousands of U.S. Dollars	Note	2019	2018
Prepaid royalties		530	987
Prepaid expenses		50,051	38,688
Vendor deposits		1,397	1,297
Receivable from insurance		23,067	—
Other current assets		4,533	2,973
Total current portion of prepaid expenses and other assets		**79,578**	**43,945**
Prepaid royalties		15,989	15,963
Vendor deposits		720	758
Long term investments	13	9,651	6,773
Investment tax credits receivable		1,835	2,483
Deferred financing costs	17	5,287	6,783
Total non-current portion of prepaid expenses and other assets		**33,482**	**32,760**

Prepaid royalties include prepaid revenue share paid to business partners. Prepaid expenses are included within General and administrative and Sales and marketing expenses, as applicable, when recognised as an expense. Deferred financing costs relate to capitalised transaction costs in respect of the Revolving Facility (as defined below). Receivable from insurance includes the receivable in respect of the Quebec class action lawsuit. See note 22.

17. LONG-TERM DEBT

The following is a summary of long-term debt outstanding at December 31, 2019, and 2018 (all capitalised terms used in the tables below relating to such long-term debt are defined below in this note):

In thousands of U.S. Dollars (except as noted)	Contractual interest rate	December 31, 2019 Principal outstanding balance in currency of borrowing	December 31, 2019 Carrying amount in USD	December 31, 2018 Principal outstanding balance in currency of borrowing	December 31, 2018 Carrying amount in USD
USD First Lien Term Loan …	5.60%	3,071,375	3,014,409	3,557,125	3,479,823
EUR First Lien Term Loan …	3.75%	850,000	934,733	850,000	951,980
Senior Notes …………………	7.00%	1,000,000	982,033	1,000,000	980,008
Loan payable to non-controlling interests …….	0.00%	—	—	49,936	35,147
Total long-term debt ……….			**4,931,175**		**5,446,958**
Current portion ………………			35,750		35,750
Non-current portion …………			4,895,425		5,411,208

During the year ended December 31, 2019, the Corporation incurred the following interest on its then-outstanding long-term debt excluding its previous loan payable to the holders of the non-controlling interest in BetEasy, which is non-interest bearing:

In thousands of U.S. Dollars	Effective interest rate *	Interest**	Interest Accretion	Total Interest
USD First Lien Term Loan …………………	6.63%	142,509	20,336	162,845
EUR First Lien Term Loan …………………	4.26%	36,196	2,898	39,094
Senior Notes ……………………………………	7.48%	70,000	2,025	72,025
Total……………………………………………		**248,705**	**25,259**	**273,964**

During the year ended December 31, 2018, the Corporation incurred the following interest on its then-outstanding long-term debt:

In thousands of U.S. Dollars	Effective interest rate *	Interest	Interest Accretion	Total Interest
USD First Lien Term Loan …………………	6.54%	75,988	7,799	83,787
EUR First Lien Term Loan …………………	4.26%	17,792	1,365	19,157
Senior Notes ……………………………………	7.47%	33,250	1,000	34,250
Previous USD first lien term loan ***………	6.07%	42,885	112,135	155,020
Previous EUR first lien term loan ***………	3.87%	9,693	41,502	51,195
USD second lien term loan *** …………….	13.78%	2,216	4,643	6,859
Total……………………………………………		**181,824**	**168,444**	**350,268**

* The effective interest rate calculation excludes the impact of the debt extinguishments in respect of the amendment and extension and subsequent repayment of the previous first lien term loans as well as the impact of the Swap Agreements (as defined below).

** In addition to the amount included above, the Corporation incurred $4.9 million (2018 - $4.0 million) of interest expense relating to commitment, participation, and fronting fees associated with its Revolving Facility.

*** Interest accretion for the year ended December 31, 2018 includes a loss on debt extinguishment of $147.0 million included within Net financing charges in respect of the amendment and extension and subsequent repayment of the Corporation's previous first lien term loans.

The Corporation's change in its long-term debt balance from December 31, 2018 to December 31, 2019 was as follows:

In thousands of U.S. Dollars	Opening balance	New debt	Principal payments	Interest Accretion *	Translation	Closing balance
USD First Lien Term Loan	3,479,823	—	(485,750)	20,336	—	3,014,409
EUR First Lien Term Loan	951,980	—	—	2,898	(20,145)	934,733
Senior Notes	980,008	—	—	2,025	—	982,033
Loan payable to the holders of non-controlling interests.............	35,147	4,894	(38,941)	—	(1,100)	—
Total......................................	**5,446,958**	**4,894**	**(524,691)**	**25,259**	**(21,245)**	**4,931,175**

* Interest accretion represents interest expense calculated at the effective interest rate less interest expense calculated at the contractual interest rate and is recorded in net financing charges in the consolidated statements of earnings (loss).

As at December 31, 2019, the contractual principal repayments of the Corporation's outstanding long-term debt over the next five years amount to the following:

In thousands of U.S. Dollars	<1 Year	1-2 Years	2-3 Years	3-4 Years	4-5 Years	>5 Years
USD First Lien Term Loan	35,750	35,750	35,750	35,750	35,750	2,892,625
EUR First Lien Term Loan	—	—	—	—	—	953,187
Senior Notes	—	—	—	—	—	1,000,000
Total...	**35,750**	**35,750**	**35,750**	**35,750**	**35,750**	**4,845,812**

(a) Revolving Facility, First Lien Term Loans and Senior Notes

As previously disclosed, on July 10, 2018, the Corporation completed the SBG Acquisition. To finance the cash portion of the purchase price, repay the Corporation's previous first lien term loans and repay SBG's existing long-term debt, which was assumed by the Corporation as part of the acquisition, the Corporation used existing cash resources and raised $4.567 billion in First Lien Term Loans, $1.00 billion in Senior Notes (each as defined below) and $621.8 million of net proceeds (before expenses), excluding the overallotment, from the issuance of additional Common Shares as a result of the Equity Offering (as defined below). The Corporation also obtained a new Revolving Facility (as defined below) of $700.0 million, of which it had drawn $100 million as of completion of the acquisition (collectively with the foregoing, the "SBG Financing"). The debt portion of the SBG Financing is described below. For further details on the Equity Offering portion of the SBG Financing, see note 24.

Revolving Facility

On July 10, 2018, as part of the SBG Financing, the Corporation replaced its previous revolving facility with a new first lien revolving facility of $700 million (the "**Revolving Facility**"). Maturing on July 10, 2023, the Revolving Facility includes a margin of 3.25% for borrowings, which is subject to leverage-based step-downs. The commitment fee on the Revolving Facility varies from 0.250% to 0.375% based on first lien leverage. Borrowings under the Revolving Facility are subject to the satisfaction of customary conditions, including the absence of a default and compliance with certain representations and warranties. The Revolving Facility requires, subject to a testing threshold, that the Corporation comply on a quarterly basis with a maximum net first lien senior secured leverage ratio of 6.75 to 1.00.

The Revolving Facility can be used for working capital needs and for general corporate purposes. As at December 31, 2019 and December 31, 2018 there were no amounts outstanding under the Revolving Facility. The Corporation had $74.0 million of letters of credit issued but undrawn as of December 31, 2019 (2018 – $74.2 million). Availability under the Revolving Facility as of December 31, 2019 was $626.0 million (2018 – $625.8 million).

First Lien Term Loans

On July 10, 2018, as part of the SBG Financing, the Corporation repaid its previous first lien term loans and issued new First Lien Term Loans of $3.575 billion priced at LIBOR plus 3.50% (the "**USD First Lien Term Loan**") and new EUR first lien term loans of €850 million priced at EURIBOR plus 3.75% (the

"**EUR First Lien Term Loan**" and, together with the USD First Lien Term Loan, the "**First Lien Term Loans**"), each with a maturity date of July 10, 2025 and a LIBOR and EURIBOR floor, as applicable, of 0%. Starting on the last day of the first fiscal quarter ending after July 10, 2018, 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, with the balance due at maturity. There is no amortization on the EUR First Lien Term Loan and the principal is due at maturity. During the year ended December 31, 2019, the Corporation made voluntary prepayments totaling $450.0 million on its USD First Lien Term Loan, including accrued and unpaid interest, using proceeds from the issuance of Common Shares to FOX and available cash on hand. Subsequent to December 31, 2019, the Corporation prepaid a further $100.0 million, including accrued and unpaid interest. See note 32.

The Corporation, its lenders, Deutsche Bank AG New York Branch, as administrative agent, and certain other parties also entered into a new credit agreement (the "**Credit Agreement**") for the First Lien Term Loans and the Revolving Facility to, among other things, reflect the foregoing transactions and add certain operational and financial flexibility, particularly as it relates to the Corporation on a combined basis following the SBG Acquisition.

The Credit Agreement limits Stars Group Holdings B.V. 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 organizational documents, in each case subject to certain exceptions. The Credit Agreement also provides for customary mandatory prepayments, including a customary excess cash flow sweep if certain conditions are met.

Senior Notes

Also in connection with the SBG Financing, two of the Corporation's subsidiaries, Stars Group Holdings B.V. and Stars Group (US) Co-Borrower, LLC (the "**Issuers**"), issued 7.00% Senior Notes due 2026 (the "Senior Notes") on July 10, 2018 at par in an aggregate principal amount of $1.00 billion. The Senior Notes mature on July 15, 2026. Interest on the Senior Notes is payable semi-annually on January 15 and July 15 of each year, commencing on January 15, 2019. The Senior Notes are guaranteed by each of the Issuers' restricted subsidiaries that guarantee the Revolving Facility. The Senior Notes are the Issuers' senior unsecured obligations and rank equally in right of payment with all of the Issuers' existing and future senior unsecured indebtedness. The Senior Notes include the following features which were collectively identified as the Embedded Derivative (as defined below) that required bifurcation from the carrying value of the Senior Notes.

- Upon certain events constituting a change of control under the indenture governing the Senior Notes (the "Indenture"), the holders of the Senior Notes have the right to require Stars Group Holdings B.V. to offer to repurchase the Senior Notes at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest, to (but not including) the date of purchase (the "Change of Control Put").

- Prior to July 15, 2021, the Issuers may redeem up to 40% of the original aggregate principal of the Senior Notes with proceeds from an equity offering at a redemption price of 107%, plus accrued and unpaid interest, if any, to (but not including) the applicable redemption date (the "Equity Clawback").

- Prior to July 15, 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 July 15, 2021, the Issuers may redeem some or all of the Senior Notes at declining redemption prices as set forth in the Indenture (collectively, the "Redemption Option" and together with the Change of Control Put and the Equity Clawback, the "Embedded Derivative").

The fair value of the Embedded Derivative as at December 31, 2019 and 2018 was $109.9 million and $11.6 million, respectively. See notes 19 and 26.

The Senior Notes include, among other terms and conditions, limitations on the Issuers' ability to create, incur or allow certain liens; create, assume, incur or guarantee additional indebtedness of certain of the Issuers' subsidiaries; and consolidate or merge with, or convey, transfer or lease all or substantially all of the Issuers' and their subsidiaries' assets, to another person.

(b) Loan payable to the holders of non-controlling interests

In connection with the acquisition of a 62% equity interest in BetEasy, the Corporation acquired financial liabilities of $59.2 million, which included a loan of $15.5 million (AUD$19.7 million) from the holders of non-controlling interests of BetEasy. During the year ended December 31, 2018 a subsidiary of the Corporation repaid $6.2 million (AUD$8.2 million) of such loan and entered into an agreement with such holders of non-controlling interests to forgive and discharge $8.6 million (AUD$11.5 million) of the outstanding loan balance.

As previously reported, on March 6, 2018, a subsidiary of the Corporation entered into agreement with the holders of the non-controlling interest in BetEasy to increase its equity interest from 62% to 80% and for BetEasy to acquire the former William Hill Australia business. According to the agreement, the non-controlling interest of BetEasy made a loan of $35.1 million (AUD$47.4 million) and equity contribution of $12.1 million (AUD$15.8 million). During the years ended December 31, 2018 and 2019, the non-controlling interest provided an additional shareholder loans of $1.8 million (AUD$2.5 million) and $4.9 million (AUD$7.0 million), respectively. On December 5, 2019, the Corporation repaid the outstanding balance of $38.9 million (AUD$56.9 million) using available cash on hand.

(c) Previous first lien term loans, USD second lien term loan and previous revolving facility

On April 6, 2018, the Corporation successfully increased, repriced and extended its previous first lien term loans and previous revolving facility and repaid its USD second lien term loan. The transaction was recorded as an extinguishment for accounting purposes. No termination costs were incurred. Subsequently, in connection with the SBG Acquisition and SBG Financing, on July 10, 2018, the Corporation repaid its previous first lien term loans, repaid the existing long-term indebtedness of SBG, entered into the new Credit Agreement with respect to the First Lien Term Loans and Revolving Facility, and issued the Senior Notes. The transaction was recorded as an extinguishment for accounting purposes. No termination costs were incurred upon repayment.

18. CAPITAL MANAGEMENT

The Corporation's objective in managing capital is to ensure it has sufficient liquidity to manage its business and growth objectives while maximising return to shareholders through the optimization of the use of debt and equity. Liquidity is necessary to meet the Corporation's existing general capital needs, fund the Corporation's growth and expansion plans, and undertake certain capital markets activities, including the repayment of debt.

The Corporation has historically met its liquidity needs through cash flow generated from operations and capital markets activities, including the incurrence and issuance of debt and issuance of capital stock. The Corporation's current objective is to meet all of its current liquidity and existing general capital requirements from the cash flow generated from operations.

The capital structure of the Corporation and its subsidiaries consists of long-term debt, which is offset by cash balances, and total equity attributable to shareholders. The Corporation's capital management objectives are to optimise its capital structure and cost of capital.

The Corporation intends to deleverage by focusing on improving profitability and repaying debt.

For additional information regarding the Corporation's liquidity risks, see note 29.

19. DERIVATIVES AND HEDGE ACCOUNTING

The Corporation is exposed to interest rate and currency risk, refer to note 29. The Corporation 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.

Subsequent to the SBG Financing, and as part of managing the Corporation's exposure to foreign exchange risk and interest rate risk, the Corporation entered into the Swap Agreements (as defined below), each as discussed below. At the time of entering into the Swap Agreements, the Corporation made a cash payment of $61.1 million to unwind and settle its previously existing swap agreements (the "**Previous Swap Agreements**") as discussed below.

Derivatives

Swap Agreements

During the year ended December 31, 2018, a subsidiary of the Corporation entered into Swap Agreements consisting of USD-EUR cross-currency interest rate swap agreements (the "**EUR Cross-Currency Interest Rate Swaps**") with a notional amount of €1.99 billion ($2.33 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%, as well as EUR-GBP cross-currency interest rate swap agreements (the "**GBP Cross-Currency Interest Rate Swaps**") with a notional amount of £1.00 billion (€1.12 billion), 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%. The cross-currency interest rate swaps have a profile that amortises in line with the USD First Lien Term Loan and each are set to mature in July 2023. The Corporation also entered into an amortising USD interest rate swap agreement (the "**Interest Rate Swap**" and collectively with the EUR Cross-Currency Interest Rate Swaps and the GBP Cross-Currency Interest Rate Swaps, the "**Swap Agreements**") with a notional amount of $700 million, which is set to mature in July 2023, and swaps USD three-month LIBOR to a fixed interest rate of 2.82%.

Previous Swap Agreements

The Previous Swap Agreements hedged the interest rate and foreign exchange risk on the Corporation's previous first lien term loans. Therefore, in connection with the repayment of the previous first lien term Loans, the Corporation unwound and settled the remaining USD notional principal of $1.39 billion related to the Previous Swap Agreements for a cash payment of $61.1 million.

Embedded Derivative

See note 17 for a discussion of the features embedded in the Senior Notes that the Corporation bifurcated as it determined that the features were derivatives to be classified and recorded at fair value through profit or loss.

The fair value of the Embedded Derivative as at December 31, 2019 and 2018 was $109.9 million and $11.6 million, respectively. The fair value of the Embedded Derivative was determined using an interest rate option pricing valuation model. The key assumptions include the implied credit spread of 1.9% at December 31, 2019 (December 31, 2018 - 4.6%). The Embedded Derivative is categorised as a Level 3 within the fair value hierarchy. The Corporation did not account for the Embedded Derivative as a qualifying hedge under IAS39.

Unsettled bets

Unsettled bets represent bets that are staked but the event to which the bet relates have not yet concluded. See note 2 for further details regarding Betting revenue. The principal assumption used in the fair value determination of unsettled bets is the anticipated gross win margin on the outcome of the events to which the bets relate. The unsettled bets are categorised as a Level 3 within the fair value hierarchy.

Deal contingent forwards

In connection with the SBG Acquisition and the Australian Acquisitions, to economically hedge its risk of foreign exchange fluctuations leading up to the acquisitions, the Corporation entered into deal contingent forward contracts. At the time of completion of the acquisitions, the Corporation settled the deal contingent forwards and recognised an aggregate realised loss of $61.5 million included in foreign exchange within the general and administrative category in the consolidated statements of earnings (loss). The Corporation did not account for the deal contingent forward contracts as qualifying hedges under IAS 39.

The following table summarises the fair value of derivatives as at December 31, 2019 and December 31, 2018:

In thousands of U.S. Dollars	Year Ended December 31, 2019		Year Ended December 31, 2018	
	Assets	Liabilities	Assets	Liabilities
Derivatives held for hedging				
Derivatives designated in cash flow hedges				
Cross currency interest rate swaps	59,258	—	41,117	1,096
Interest rate swap	—	17,144	—	4,972
Total derivatives designated in cash flow hedges	59,258	17,144	41,117	6,068
Derivatives designated in net investment hedges				
Cross currency interest rate swaps	—	78,787	1,866	—
Total derivatives designated in net investment hedge	—	78,787	1,866	—
Total derivatives held for hedging	**59,258**	**95,931**	**42,983**	**6,068**
Derivatives held for risk management and other purposes not designated in hedges				
Forward contracts	—	—	—	208
Unsettled bets	—	17,628	—	16,285
Embedded Derivative	109,900	—	11,600	—
Total derivatives held for risk management and other purposes not designated in hedges	**109,900**	**17,628**	**11,600**	**16,493**

Hedge Accounting

The Corporation's exposure to market risks including interest rate risk (such as benchmark interest rates) and foreign exchange risk and its approach to managing those risks is discussed in note 29.

Cash flow hedge accounting

In accordance with the Corporation's current risk management strategy, the Corporation entered into 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 Term Lien Loan.

The Corporation 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 interest rate swaps used to hedge the exposure, as applicable. The Corporation uses the hypothetical derivative method to determine the changes in fair value of the hedged item. The Corporation has identified 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 tenor of hedged items and hedging instruments.
- Use of different discounting curves for hedged item and hedging instrument, because for cross-currency interest rate swaps the discounting curve used depends on collateralization and the type of collateral used.
- Difference in timing of settlement of the hedging instrument and hedged item.
- Designation of off-market hedging instruments.

The EUR Cross-Currency Interest Rate Swaps and the Interest Rate Swap were designated in cash flow hedge relationships to hedge the foreign exchange risk and/or interest rate risk on the USD First Lien Term Loan bearing a minimum floating interest rate of 3.5% (USD three-month LIBOR plus a 3.5% margin, with a LIBOR floor of 0%).

As at December 31, 2019, $0.5 million of accumulated other comprehensive loss is included in the cash flow hedging reserve (see note 25) related to de-designated cash flow hedges and is reclassified to the statements of earnings (loss) as the hedged cash flows impact earnings (loss).

Net investment hedge accounting

In accordance with the Corporation's current risk management strategy, the Corporation designates certain cross-currency interest rate swap contracts and the carrying amount of certain debt instruments 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.

Upon entering into the GBP Cross-Currency Interest Rate Swaps, the Corporation designated these instruments as a hedge of the forward foreign exchange risk of its net investment in its GBP foreign operations. The Corporation 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 Corporation 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 Corporation's own credit risk on the fair value of the derivative, which is not reflected in the fair value of the hypothetical derivative.

Upon completion of the SBG Financing, the Corporation designated the carrying amount of the USD First Lien Term Loan (excluding the carrying amount subject to the Swap Agreements) and the carrying amount of the Senior Notes as a hedge of the spot foreign exchange risk of its net investment in its USD functional subsidiaries. The Corporation assesses hedge effectiveness using the forward rate method by comparing the currency and the carrying amount of the USD First Lien Term Loan with the currency and the net assets of its USD functional subsidiaries.

As at December 31, 2019, $49.2 million of accumulated other comprehensive income is included in the Cumulative translation reserve (see note 25) related to de-designated net investment hedges and is reclassified to the statements of earnings (loss) upon disposition 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 Corporation's financial position and performance.

In thousands of U.S. Dollars	Change in value of hedged items for ineffectiveness measurement	Change in fair value of hedging instruments for ineffectiveness measurement	Hedge ineffectiveness loss *	Hedging gains (losses) recognised in other comprehensive income (loss)	Amount reclassified from accumulated other comprehensive loss to net earnings **	Net change in other comprehensive income (loss)
Cash flow hedges						
Interest rate risk						
Floating rate debt	(12,172)	12,172	—	(12,172)	—	(12,172)
Interest rate risk and foreign exchange risk						
Floating rate, foreign currency debt and other	12,060	(20,112)	(8,052)	26,622	(34,916)	(8,294)
	(112)	**(7,940)**	**(8,052)**	**14,450**	**(34,916)**	**(20,466)**
Net investment hedges	**(153,886)**	**153,886**	**—**	**(153,886)**	**—**	**(153,886)**

* Hedge ineffectiveness is recorded within net financing charges on the consolidated statements of earnings (loss).

** 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 Net financing charges or foreign exchange losses included in general and administrative expenses on the consolidated statements of earnings (loss).

Reconciliation of accumulated other comprehensive income (loss):

In thousands of U.S. Dollars (except as noted)	Accumulated other comprehensive loss, beginning of year	Net change in other comprehensive income (loss)	Accumulated other comprehensive loss, end of year	Accumulated other comprehensive loss on designated hedges	Accumulated other comprehensive income (loss) on de-designated hedges
Cash flow hedges *					
Interest rate risk					
Floating rate debt	(4,972)	(12,172)	(17,144)	(17,144)	—
Interest rate risk and foreign exchange risk					
Floating rate, foreign currency debt and other	(33,081)	(8,294)	(41,375)	(40,862)	(513)
	(38,053)	**(20,466)**	**(58,519)**	**(58,006)**	**(513)**
Net investment hedges **	**(17,599)**	**(153,886)**	**(171,485)**	**(220,635)**	**49,150**

* Net changes in other comprehensive income (loss) is recorded through the Cash flow hedging reserve. See note 25.

** Net changes in other comprehensive income (loss) is recorded through the Cumulative translation reserve. See note 25.

20. COMMITMENTS

As at December 31, 2019, the Corporation had $0.7 million of commitments relating to short-term leases payable within one year (2018 – $3.7 million). Additionally, the Corporation had $74.0 million of letters of credit issued but undrawn as of December 31, 2019 (2018 – $74.2 million). See note 17.

As at December 31, 2019, the Corporation has no commitments to purchase plant, property, equipment, or intangible assets (2018 – $nil).

21. ACCOUNTS PAYABLE AND OTHER LIABILITIES

The Corporation's accounts payable and other liabilities comprise the following:

In thousands of U.S. Dollars	As at December 31, 2019	2018
Accounts payable and accrued liabilities	314,379	282,630
Obligation to acquire non-controlling interest in BetEasy	109,666	—
VAT payable	11,826	18,792
Customer loyalty rewards	17,755	24,787
Employee benefits payable	69,917	57,143
Dormant funds	6,907	7,308
Accrued interest on long-term debt	32,281	33,347
Total accounts payable and other current liabilities	**562,731**	**424,007**
Deferred contingent payment (notes 5 and 26)	—	77,628
Other long-term payables	1,770	2,088
Total long-term payables	**1,770**	**79,716**

22. PROVISIONS

The carrying amounts of provisions as at December 31, 2019 and January 1, 2019 and the movements in the provisions during the year ended December 31, 2019 are as follows:

In thousands of U.S. Dollars	Player bonuses and jackpots	Deferred payment provision	Restructuring provision	Litigation provision	Other	Total
Balance at January 1, 2018	**4,265**	**6,300**	**—**	**—**	**10,118**	**20,683**
Provisions acquired in business combinations	8,349	—	1,614	—	5,297	15,260
Recognised	—	—	8,164	—	—	8,164
Adjustment to provision recognised	55,734	—	—	—	654	56,388
Payments	(48,902)	—	—	—	(7,006)	(55,908)
Accretion of discount	—	—	—	—	411	411
Foreign exchange translation losses	(862)	—	(65)	—	(880)	(1,807)
Balance – January 1, 2019	**18,584**	**6,300**	**9,713**	**—**	**8,594**	**43,191**
Recognised	50,235	—	13,198	22,953	1,154	87,540
Adjustment to provision recognised	—	—	(2,149)	—	136	(2,013)
Payments	(47,545)	—	(10,963)	(287)	(3,535)	(62,330)
Accretion of discount	—	—	—	—	108	108
Foreign exchange translation losses	128	—	12	401	776	1,317
Balance at December 31, 2019	**21,402**	**6,300**	**9,811**	**23,067**	**7,233**	**67,813**
Current portion at December 31, 2018	18,584	6,300	9,713	—	4,592	39,189
Non-current portion at December 31, 2018	—	—	—	—	4,002	4,002
Current portion at December 31, 2019	21,402	6,300	9,811	23,067	4,348	64,928
Non-current portion at December 31, 2019	—	—	—	—	2,885	2,885

Provision for jackpots

The Corporation offers progressive jackpot games. Each time a progressive jackpot game is played, a portion of the amount wagered by the player is contributed to the jackpot for that specific game or group of games. Once a jackpot is won, the progressive jackpot is reset with a predetermined base amount. The Corporation maintains a provision for the reset of each jackpot and the progressive element added as the jackpot game is played. The Corporation believes that its provisions are sufficient to cover the full amount of any required payout.

Deferred payment

The deferred payment provision at December 31, 2019 relates to the previously disclosed acquisition of Diamond Game Enterprises and is contingent on future events.

Restructuring provision

The Corporation recorded restructuring provisions during the year ended December 31, 2019 following the Australian Acquisitions and the SBG Acquisition, and related to certain of the Corporation's recent strategic cost savings initiatives (i.e., referred to by the Corporation as "operational excellence" or "operational efficiency" programs). Management does not consider such expenses to be part of its ongoing core operating activities or expenses. The provision primarily consists of personnel and facilities-related costs, and the Corporation believes that its provisions are sufficient to cover the full amount of any required payout.

Litigation provision

Litigation provisions generally consist of payments for future legal settlements where based on all available information, management believes it is probable that there will be a future outflow. On November 25, 2019, the Corporation entered into a settlement agreement resulting in a future payment of CAD$30 million with respect to the previously reported Quebec class action lawsuit, which is subject to court approval and will be funded entirely by the Corporation's insurance carriers. As at December 31, 2019, the Corporation has recorded a litigation provision and a corresponding insurance carrier receivable in prepaid expenses and other current assets on the consolidated statement of financial position in respect of the Quebec class action lawsuit.

Other

The other provisions consist of a minimum revenue guarantee, provisions for lease retirement costs, and other provisions for onerous contracts.

23. CUSTOMER DEPOSITS

The Corporation holds customer deposits, along with winnings and any bonuses, in trust accounts from which money may not be removed if it would result in a shortfall of such deposits. These deposits are included in current assets in the consolidated statements of financial position under Cash and cash equivalents – customer deposits and Current investments – customer deposits and includes cash and short term, highly liquid investments. Customer deposits are segregated as follows:

	As at December 31,	
In thousands of U.S. Dollars	2019	2018
Cash and cash equivalents - customer deposits	300,916	328,223
Current investments - customer deposits (note 13)	109,017	103,153
Total	**409,933**	**431,376**
Customer deposits liability	**409,390**	**423,739**

Customer deposit liabilities relate to customer deposits that are held in multiple bank and investment accounts that are segregated from those holding operational funds.

24. SHARE CAPITAL

The authorised share capital of the Corporation consists of an unlimited number of Common Shares, with no par value, and an unlimited number of convertible preferred shares ("**Preferred Shares**"), with no par value, issuable in series. As at December 31, 2019, 288,564,432 Common Shares were issued, outstanding and fully paid (December 31, 2018 – 273,177,244), and there were no Preferred Shares outstanding (December 31, 2018 – nil).

	Common Shares #	Preferred Shares #	Common Shares $000's	Preferred Shares $000's
Opening balance, as at January 1, 2018	**147,947,874**	**1,139,249**	**1,199,834**	**684,385**
Issue of Common Shares in relation to stock options and equity awards	1,791,860	—	38,048	—
Conversion of Preferred Shares to Common Shares	60,013,510	(1,139,249)	684,385	(684,385)
Issue of Common Shares in connection with acquired subsidiary	41,049,398	—	1,477,478	—
Issuance of Common Shares in connection with Equity Offering	18,875,000	—	690,353	—
Issue of Common Shares in connection with market access agreement	1,076,658	—	20,661	—
Issue of Common Shares in connection with exercised warrants	2,422,944	—	14,688	—
Equity fees	—	—	(5,413)	—
Reversal of 2014 deferred tax *	—	—	(3,747)	—
Ending balance, as at December 31, 2018	**273,177,244**	**—**	**4,116,287**	**—**
Issue of Common Shares in relation to stock options and equity awards	819,525	—	16,702	—
Issue of Common Shares to FOX	14,352,331	—	235,963	—
Issue of Common Shares in connection with market access agreement	215,332	—	5,198	—
Ending balance, as at December 31, 2019	**288,564,432**	**—**	**4,374,150**	**—**

* During the year ended December 31, 2018, the Corporation made an adjustment of $3.7 million to the amounts recognised in Common Shares within share capital in respect of a previous reversal of deferred tax recognised through the consolidated statements of earnings (loss).

During the year ended December 31, 2019:

- The Corporation issued 726,300 Common Shares for cash consideration of $12.2 million as a result of the exercise of stock options. The exercised stock options were initially valued at $2.4 million. The Corporation also issued 93,225 Common Shares in connection with the settlement of other equity-based awards, initially valued at $2.1 million. Upon exercise or settlement, as applicable, the values originally allocated to the stock options and equity-based awards in the Equity reserve were reallocated to the Common Shares so issued.

- FOX acquired 14,352,331 newly issued Common Shares, representing 4.99% of the Corporation's then-issued and outstanding Common Shares (including the newly issued Common Shares), at a price of $16.4408 per share, for aggregate proceeds of $236.0 million. The Common Shares issued to FOX are subject to certain transfer restrictions for two years, subject to customary exceptions.

- The Corporation issued 215,332 Common Shares, valued at $5.2 million, to Eldorado Resorts, Inc. ("**Eldorado**") as the Corporation exercised an option in connection with the 2018 Market Access Agreement (as defined below).

During the year ended December 31, 2018:

- The Corporation closed an underwritten public offering of Common Shares (the "**Equity Offering**") at a price of $38.00 per Common Share. The Corporation sold a total of 17,000,000 Common Shares and certain selling shareholders of the Corporation sold 8,000,000 Common Shares. The net proceeds to the Corporation (excluding the over-allotment proceeds), after underwriting discounts and commissions, but before expenses of the Equity Offering payable by the Corporation, were $621.8 million. The Equity Offering also included an over-allotment option granted to the underwriters to purchase an additional 1,875,000 Common Shares from the Corporation and 1,875,000 Common Shares from the selling shareholders at a price of $38.00 per Common Share. The underwriters exercised this over-allotment option in full which resulted in additional net proceeds to the Corporation after underwriting discounts and commissions, but before expenses of the over-allotment option payable by the Corporation, of $68.6 million.

- The Corporation elected to effect the conversion of all Preferred Shares pursuant to their terms (the "**Preferred Share Conversion**") as a result of meeting the applicable price and liquidity conditions with respect to the same. As a result, all of the Corporation's outstanding Preferred Shares were converted into Common Shares at a rate of 52.7085 Common Shares per Preferred Share, resulting in the cancellation of all of the Preferred Shares and the issuance of 51,999,623 million Common Shares to the holders thereof. All the Preferred Shares were canceled and all rights associated therewith were terminated.

- The Corporation issued 1,731,761 Common Shares for cash consideration of $31.0 million as a result of the exercise of stock options. The exercised stock options were initially valued at $5.8 million. The Corporation also issued 60,099 Common Shares in connection with the settlement of other equity-based awards, initially valued at $1.2 million. Upon exercise or settlement, as applicable, the values originally allocated to the stock options and equity-based awards in the Equity reserve were reallocated to the Common Shares so issued.

- The Corporation issued 2,422,944 Common Shares as a result of the exercise of 4,000,000 warrants. There are no further outstanding warrants as at December 31, 2018. The exercised warrants were initially valued at $14.7 million. Upon the exercise of such warrants, the value originally allocated to the Warrants reserve were reallocated to the Common Shares so issued.

- The Corporation issued 8,013,887 Common Shares as a result of the voluntary conversion of 152,698 Preferred Shares prior to the Preferred Share Conversion. The converted Preferred Shares were initially valued at $114.9 million. Upon the conversion of the Preferred Shares, the value originally allocated to the Preferred Shares was reallocated to the Common Shares so issued. 8,000,000 of the Common Shares issued as a result of such voluntary conversion were then sold by the holders thereof in the Equity Offering.

- The Corporation issued 3,115,344 Common Shares, valued at $96.4 million, to the sellers of BetEasy as partial consideration for the acquisition of an additional 18% of the equity interests in BetEasy.

- The Corporation issued 37,934,054 Common Shares, valued at $1.38 billion, to the sellers of SBG as partial consideration for the SBG Acquisition.

- The Corporation issued 1,076,658 Common Shares, valued at $20.7 million, to Eldorado in connection with an agreement with Eldorado (the "**Market Access Agreement**") which, among other things, grants the Corporation an option to operate online betting and gaming in certain states where Eldorado currently or in the future owns or operates casino properties.

25. RESERVES

The following table highlights the classes of reserves included in the Corporation's equity as at December 31, 2019 and December 31, 2018 and the movements in the related reserves balances for the year ended December 31, 2019 and the year ended December 31, 2018:

In thousands of U.S. Dollars	Acquisition reserve	Warrants	Equity	Treasury	Cumulative translation	Financial assets at FVOCI	Cash flow hedging	Other	Total
Balance – January 1, 2018	**—**	**14,688**	**36,865**	**(29,542)**	**(120,694)**	**168**	**(33,983)**	**(9,629)**	**(142,127)**
Cumulative translation adjustments	—	—	—	—	(93,350	—	—	—	(93,350)
Stock-based compensation	—	—	12,806	—	—	—	—	—	12,806
Exercise of stock options and settlement of equity awards	—	—	(6,982)	—	—	—	—	—	(6,982)
Re-allocation from warrants reserve to share capital for exercised warrants	—	(14,688)	—	—	—	—	—	—	(14,688)
Reclassified to net earnings	—	—	—	—	—	(311)	(45,271)	—	(45,582)
Unrealised (losses) gains	—	—	—	—	—	(339)	41,201	—	40,862
Deferred taxes	—	—	—	—	—	53	—	—	53
Reversal of deferred tax on stock-based compensation	—	—	(359)	—	—	—	—	—	(359)
Reversal of impairment of financial instruments at FVOCI	—	—	—	—	—	(84)	—	—	(84)
Further acquisition of subsidiary	(220,023)	—	—	—	—	—	—	(155)	(220,178)
Balance – December 31, 2018	**(220,023)**	**—**	**42,330**	**(29,542)**	**(214,044)**	**(513)**	**(38,053)**	**(9,784)**	**(469,629)**
Cumulative translation adjustments	—	—	—	—	131,286	—	—	—	131,286
Stock-based compensation	—	—	18,842	—	—	—	—	—	18,842
Exercise of stock options and settlement of equity awards	—	—	(4,543)	—	—	—	—	—	(4,543)
Reclassified to net earnings (loss)	—	—	—	—	—	(58)	(34,916)	—	(34,974)
Unrealised gains	—	—	—	—	—	1,155	14,450	—	15,605
Obligation to acquire non-controlling interest in BetEasy	(105,855)	—	—	—	—	—	—	—	(105,855)
Deferred taxes	—	—	—	—	26,089	(166)	—	—	25,923
Impairment of financial instruments at FVOCI	—	—	—	—	—	62	—	—	62
Balance – December 31, 2019	**(325,878)**	**—**	**56,629**	**(29,542)**	**(56,669)**	**480**	**(58,519)**	**(9,784)**	**(423,283)**

Acquisition reserve

On February 27, 2018, a subsidiary of the Corporation completed its acquisition of a 62% interest in BetEasy. On April 24, 2018, a subsidiary of the Corporation acquired an additional 18% interest in BetEasy and on the same date, BetEasy completed its acquisition of 100% of the former William Hill Australia business. The carrying amounts of the controlling and non-controlling interest were adjusted to reflect the changes in the Corporation's equity interest in BetEasy. The change in carrying amounts were recognised directly in equity in acquisition reserve and any difference between the amount by which the non-controlling interest was adjusted and the fair value of the consideration paid was attributed to the Corporation.

On December 3, 2019, the Corporation announced that it agreed with the holders of the non-controlling interest of BetEasy to acquire the remaining 20% interest in the company for AUD$151 million within 90 days following the earlier of either the issuance of the Corporation's audited financial statements for the year-ended December 31, 2020 or the completion of the previously announced board-recommended all share combination of the Corporation with Flutter (the "**BetEasy Minority Acquisition**"). See note 31. Upon acquisition of the 20% interest, the Corporation will be obligated to make a contractual payment to a

third-party supplier of BetEasy. The recognition of a liability in respect of the Corporation's obligation to acquire the remaining 20% interest in BetEasy and a portion of the above mentioned contractual payment resulted in a corresponding increase to the acquisition reserve.

Cumulative translation adjustments

Exchange differences relating to the translation of the net assets of the Corporation's foreign operations from their functional currency into the Corporation's presentational currency are recognised directly in the Cumulative translation adjustment reserve. This reserve also recognises the realised and unrealised gains and losses in derivative instruments designated as net investment hedges. See note 19.

Cash flow hedging reserve

This reserve recognises realised and unrealised gains and losses in derivative instruments designated as cash flow hedges. See note 19.

Stock Options

The following table provides information about outstanding stock options issued under the Plans:

	As at December 31, 2019		As at December 31, 2018	
Exercise price	**Number of options**	**Weighted average exercise price CDN$**	**Number of options**	**Weighted average exercise price CDN$**
Beginning balance	4,741,930	26.49	6,875,616	25.24
Issued	12,500	22.25	—	—
Exercised	(726,300)	22.18	(1,731,761)	23.23
Forfeited	(931,073)	27.77	(401,925)	19.17
Ending balance	**3,097,057**	**27.05**	**4,741,930**	**26.49**

The outstanding stock options issued under the Plans are exercisable at prices ranging from CDN$4.20 to CDN$35.30 per share and have a weighted average contractual term of 2.2 years.

The weighted average exercise price of options exercised during the year ended December 31, 2019 was CDN$22.18 (December 31, 2018 - CDN$23.23).

A summary of exercisable options per stock option grant under the Plans is as follows:

	Outstanding options		Exercisable options	
Exercise price CDN$	**Number of options**	**Weighted average outstanding maturity period (years)**	**Number of options**	**Weighted average outstanding maturity period (years)**
0.01 to 8.00	2,000	0.02	2,000	0.02
8.01 to 16.00	40,000	3.03	30,000	3.03
16.01 to 24.00	968,300	2.49	932,500	2.43
24.01 to 32.00	1,364,605	1.88	1,364,605	1.88
32.01 to 40.00	722,152	1.20	722,152	1.20
	3,097,057	**2.18**	**3,051,257**	**2.15**

The Corporation recorded a compensation expense for the year ended December 31, 2019 of $0.5 million (December 31, 2018 - $3.2 million) relating to stock options. As at December 31, 2019, the Corporation had $nil of unrecognised compensation expense to be recorded in future periods and relating to outstanding and unvested stock options.

RSUs

The following table provides information about outstanding RSUs issued by the Corporation under the 2015 Equity Incentive Plan.

	2019 No. of units	Weighted average fair value	2018 No. of units	Weighted average fair value
Balance as at January 1	220,200	$29.72	141,064	$22.46
Issued	697,498	$24.18	123,833	$31.92
Vested and settled	(93,225)	$28.72	(35,268)	$22.47
Forfeited	(46,002)	$30.22	(9,429)	$22.58
Balance as at December 31	**778,471**	**$25.42**	**220,200**	**$29.72**

The Corporation recorded a compensation expense for the year ended December 31, 2019 of $6.3 million (December 31, 2018 - $2.1 million) relating to RSUs. As at December 31, 2019, the Corporation had $8.3 million of unrecognised compensation expense to be recorded in future periods and relating to outstanding and unvested RSUs.

PSUs

The following table provides information about outstanding PSUs issued by the Corporation under the 2015 Equity Incentive Plan. The issued and outstanding PSUs below include certain grants for which the Corporation may issue additional PSUs ranging from 0% - 100% of target units based upon the achievement of market vesting conditions. The performance and market vesting conditions associated with the PSU's are based on Adjusted EBITDA, revenue, and the Corporation's share price targets or a combination thereof.

	2019 No. of units	Weighted average fair value	2018 No. of units	Weighted average fair value
Balance as at January 1	936,134	$30.81	418,188	$22.47
Issued	2,687,550	$24.15	552,874	$36.77
Vested and settled	—	$—	—	$—
Forfeited	(101,570)	$31.44	(34,928)	$25.30
Balance as at December 31	**3,522,114**	**$25.71**	**936,134**	**$30.81**

The Corporation recorded a compensation expense for the year ended December 31, 2019 of $10.8 million (December 31, 2018 - $4.9 million) relating to PSUs. As at December 31, 2019, the Corporation had $27.1 million of unrecognised compensation expense to be recorded in future periods and relating to outstanding and unvested PSUs.

DSUs

The following table provides information about outstanding DSUs issued by the Corporation under the 2015 Equity Incentive Plan.

	2019 No. of units	Weighted average fair value	2018 No. of units	Weighted average fair value
Balance as at January 1	201,255	$26.37	92,703	$22.65
Issued	90,446	$23.68	133,383	$29.54
Vested and settled	—	$—	(24,831)	$29.55
Forfeited	—	$—	—	$—
Balance as at December 31	**291,701**	**$25.53**	**201,255**	**$26.37**

The Corporation recorded a compensation expense for the year ended December 31, 2019 of $1.2 million (December 31, 2018 - $2.6 million) relating to DSUs. As at December 31, 2019, the Corporation had $0.5 million of unrecognised compensation expense to be recorded in future periods and relating to outstanding and unvested DSUs.

Dividend Equivalents

During the years ended December 31, 2019 and 2018, no dividends were declared.

26. FAIR VALUE

The Corporation determined that the carrying values of its short-term financial assets and liabilities approximate their fair value because of the relatively short periods to maturity of these instruments and their low credit risk.

Certain of the Corporation's financial assets and liabilities are measured at fair value, including at FVTPL or FVOCI, at the end of each reporting period. The following table provides information about how the fair values of these financial assets and liabilities were determined as at each of December 31, 2019 and December 31, 2018:

	As at December 31, 2019			
In thousands of U.S. Dollars	Fair value & carrying value	Level 1	Level 2	Level 3
Bonds – FVOCI	109,017	109,017	—	—
Equity in unquoted companies – FVTPL	9,651	—	—	9,651
Derivatives	169,158	—	59,258	109,900
Total financial assets	**287,826**	**109,017**	**59,258**	**119,551**
Derivatives	113,559	—	95,931	17,628
Other provisions – FVTPL	1,877	—	—	1,877
Total financial liabilities	**115,436**	**—**	**95,931**	**19,505**

	As at December 31, 2018			
In thousands of U.S. Dollars	Fair value & carrying value	Level 1	Level 2	Level 3
Bonds – FVOCI	103,153	103,153	—	—
Equity in unquoted companies – FVTPL	6,773	—	—	6,773
Derivatives	54,583	—	42,983	11,600
Total financial assets	**164,509**	**103,153**	**42,983**	**18,373**
Derivatives	22,561	—	6,276	16,285
Deferred contingent payment – FVTPL	77,628	—	—	77,628
Other provisions – FVTPL	2,740	—	—	2,740
Total financial liabilities	**102,929**	**—**	**6,276**	**96,653**

Refer to note 29 for details on credit risk for the above financial assets.

The fair values of other financial assets and liabilities measured at amortised cost, other than those for which the Corporation has determined that their carrying values approximate their fair values on the consolidated statements of financial position as at each of December 31, 2019, and December 31, 2018 are as follows:

	As at December 31, 2019			
In thousands of U.S. Dollars	**Fair value**	**Level 1**	**Level 2**	**Level 3**
First Lien Term Loans	4,059,777	—	4,059,777	—
Senior Notes	1,083,940	—	1,083,940	—
Total financial liabilities	**5,143,717**	**—**	**5,143,717**	**—**

	As at December 31, 2018			
In thousands of U.S. Dollars	**Fair value**	**Level 1**	**Level 2**	**Level 3**
First Lien Term Loans	4,414,525	—	4,414,525	—
Senior Notes	969,370	—	969,370	—
Total financial liabilities	**5,383,895**	**—**	**5,383,895**	**—**

As part of its periodic review of fair values, the Corporation 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 year ended December 31, 2019 or the year ended December 31, 2018.

Valuation of Level 2 financial instruments

Long-Term Debt

The Corporation estimates the fair value of its long-term debt by using a composite price derived from observable market data for a basket of similar instruments.

Derivative Financial Instruments

The Corporation 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 interest rate curves as well as spot and forward rates.

To comply with the provisions of IFRS 13, *Fair value measurement*, the Corporation 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 Corporation has considered the impact of netting and any applicable credit enhancements, such as collateral postings, thresholds, mutual puts and guarantees.

Although the Corporation 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 December 31, 2019 and December 31, 2018, the Corporation 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, 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 Corporation determined that its valuations of its derivatives in their entirety are classified in Level 2 of the fair value hierarchy.

Reconciliation of Level 3 fair values

Some of the Corporation'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 December 31, 2019, the valuation techniques and key inputs used by the Corporation for each Level 3 asset or liability were as follows:

- Equity in private companies (Level 3 Assets): The Corporation valued its equity investment 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 Loss (gain) on investments within general and administrative expenses on the consolidated statements of earnings (loss).

- Deferred contingent payment (Level 3 Liability) in connection with the acquisition of the additional 18% equity interest in BetEasy (see note 5): As at December 31, 2018, the Corporation used a risk-neutral derivative-based simulation of the underlying EBITDA forecast to determine the fair value of the deferred contingent payment using a discount rate of 10.5% and an EBITDA forecast with an estimated volatility of 25.0% of the historic EBITDA of comparable companies. Changes in the fair value of the deferred contingent payment are recorded in Net financing charges on the consolidated statements of earnings (loss). On December 3, 2019, the Corporation announced that it agreed with the holders of the non-controlling interest of BetEasy to pay AUD$100 million to settle the deferred contingent payment. The Corporation subsequently paid the AUD$100 million during the year ended December 31, 2019 with respect to the same.

- Embedded derivative redemption option (Level 3 Asset) in connection with the Senior Notes issuance: The Corporation used an interest rate option pricing valuation model to determine the fair value of the Embedded Derivative using an implied credit spread of 1.9% at December 31, 2019. A 10-basis point increase or decrease in the implied credit spread would have a $(4.7) million or $4.8 million impact on fair value, respectively. Changes in the fair value of the Embedded Derivative are recorded in Net financing charges on the consolidated statements of earnings (loss).

- Unsettled bets (Level 3 Liability): The principal assumptions used in the valuation of unsettled bets is the anticipated outcomes for the events related to the unsettled bets (gross win margin). A reasonable change in the gross win margin would not have a material impact on fair value. Changes in the fair value of the unsettled bets are recorded in Revenue on the consolidated statements of earnings (loss).

- Included within other level 3 liabilities:

  – EBITDA support agreement (Level 3 Liability): As previously disclosed, in connection with the initial public offering Innova Gaming Group Inc. (TSX: IGG) ("**Innova**"), the Corporation entered into an EBITDA support agreement with Innova. The Corporation uses a net present value approach for the EBITDA support agreement. Changes in the fair value of the EBITDA support agreement are recorded in Net financing charges on the consolidated statements of earnings (loss).

The following tables show a reconciliation from opening balances to the closing balances for Level 3 fair values:

In thousands of U.S Dollars	**Level 3 Equity investments**	**Level 3 Embedded Derivative**
Balance – January 1, 2018	**8,768**	**—**
Recognised	—	17,700
Re-measurement of fair value	(1,974)	(6,100)
Translation	(21)	—
Balance – December 31, 2018	**6,773**	**11,600**
Re-measurement of fair value	2,883	98,300
Translation	(5)	—
Balance – December 31, 2019	**9,651**	**109,900**

In thousands of U.S Dollars	Level 3 Deferred contingent payment	Level 3 Unsettled Bets	Other
Balance – January 1, 2018	**—**	**779**	**10,119**
Acquired on business combination	84,662	19,226	—
Settlements	—	968	(7,006)
Re-measurement of fair value	(342)	(4,782)	215
Translation	(6,692)	94	(588)
Balance – December 31, 2018	**77,628**	**16,285**	**2,740**
Settlements	(68,394)	500	(1,504)
Re-measurement of fair value	(7,371)	300	121
Translation	(1,863)	543	520
Balance – December 31, 2019	**—**	**17,628**	**1,877**

27. STATEMENT OF CASH FLOWS

Changes in non-cash operating elements of working capital

In thousands of U.S. Dollars	Year Ended December 31, 2019	Year Ended December 31, 2018
Accounts receivable	23,273	90,677
Prepaid expenses	(34,989)	(14,250)
Accounts payable and accrued liabilities	30,557	(112,275)
Provisions	23,872	15,652
Other	(8,640)	10,793
Total	**34,073**	**(9,403)**

Changes in liabilities arising from financing activities

The table below details changes in the Corporation's liabilities (excluding derivative instruments) arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those which cash flows were, or future cash flows will be, classified in the Corporation's consolidated statements of cash flows as net cash flows from financing activities.

In thousands of U.S. Dollars	January 1, 2019	Financing cash flows	The effect of changes in foreign exchange rates	Other changes	December 31, 2019
Long-term debt	5,446,958	(519,797)	(21,245)	25,259	4,931,175
Lease liability	59,485	(17,532)	2,262	11,109	55,324
Deferred contingent payment[1]	77,628	(68,394)	(1,863)	(7,371)	—
Balance – December 31, 2019	**5,584,071**	**(605,723)**	**(20,846)**	**28,997**	**4,986,499**

In thousands of U.S. Dollars	January 1, 2018	Financing cash flows	The effect of changes in foreign exchange rates	Other changes	December 31, 2018
Long-term debt	2,314,675	2,978,754	(46,040)	199,569	5,446,958
Balance – December 31, 2018	**2,314,675**	**2,978,754**	**(46,040)**	**199,569**	**5,446,958**

[1] Previously included within other long-term liabilities on the consolidated statement of financial position.

28. CONTINGENT LIABILITIES

As part of management's ongoing regulatory compliance and operational risk assessment process, management monitors legal and regulatory developments and proceedings, and their potential impact on the business.

Kentucky Proceeding

Prior to the Stars Interactive Group acquisition, the Commonwealth of Kentucky, ex. rel. J. Michael Brown, Secretary of the Justice and Public Safety Cabinet, filed a legal proceeding against Stars Interactive Group, then named Oldford Group, and certain affiliates thereof (together, the "Oldford Parties") and various other defendants (the "**Kentucky Proceeding**"), pursuant to which the Commonwealth sought to recover alleged gambling losses on behalf of Kentucky residents who played real-money poker on the *PokerStars* website during the period between October 12, 2006 and April 15, 2011. On August 12, 2015, the trial court in the Kentucky Proceeding entered a default judgment against the Oldford Parties following certain alleged discovery failures, including by certain former owners of the Oldford Parties, and partial summary judgment on liability in favor of the Commonwealth. On December 23, 2015, the trial court entered an order for damages in the amount of approximately $290 million, which the trial court trebled to approximately $870 million.

The Corporation, through certain subsidiaries, filed a notice of appeal to the Kentucky Court of Appeals and posted a $100 million supersedeas bond to stay enforcement of the order for damages during the pendency of the appeals process. In connection with the posting of the bond, the Corporation delivered cash collateral in the amount of $5 million and letters of credit in the aggregate amount of $65 million. See notes 15 and 17. On December 21, 2018, the Kentucky Court of Appeals ruled in the Corporation's favor and reversed in its entirety the $870 million judgment.

On January 18, 2019, the Commonwealth filed a motion for discretionary review with the Kentucky Supreme Court asking the Court to determine if it will hear an appeal of the decision issued by the Kentucky Court of Appeals. On April 11, 2019, the Kentucky Supreme Court granted such discretionary review.

In late-January 2016, pursuant to and in accordance with the procedures set forth in the merger agreement governing the Stars Interactive Group acquisition, a subsidiary of the Corporation submitted a notice of claim to the sellers' representative and escrow agent seeking indemnification for losses and potential losses caused by breaches under the merger agreement and requesting, among other things, that the escrow agent retain the then-remaining balance of the escrow fund established under the merger agreement in an aggregate amount equal to $300 million. Since 2016, the escrow fund was reduced according to the settlement of certain of the claims and on September 30 2019, the parties settled the remaining disputed claim regarding the Kentucky Proceedings and the escrow agent released the remaining funds to a payment agent designated by the former owners of Stars Interactive Group.

No liability has been recognised relating to this matter as based on all available information, the Corporation does not consider it probable that there will be a future outflow.

29. FINANCIAL INSTRUMENTS RISK MANAGEMENT

Foreign Exchange Risk

The Corporation is subject to foreign currency exposure on its financial instruments and the translation of its subsidiaries with foreign functional currencies to USD. The Corporation primarily manages its foreign currency exposure through its hedging instruments. See note 19. As at December 31, 2019, the Corporation's significant foreign exchange currency exposure on its financial instruments by currency was as follows (in U.S. dollar equivalents):

	CDN	EUR	GBP	AUD
Cash	4,607	100,085	233,590	31,235
Restricted cash	—	279	—	4,138
Equity in unquoted companies – FVTPL	—	13,588	—	—
Accounts receivable	6,890	43,537	23,332	6,013
Derivatives	—	59,258	—	—
Accounts payable and accrued liabilities	(10,191)	(71,697)	(199,831)	(143,735)
Long-term debt	—	(934,733	—	—
Derivatives	(12)	(79,733)	(14,472)	(1,616)
Customer deposits	969	(79,423)	(54,200)	(24,898)

The table below details the effect on equity and earnings before tax of a 10% strengthening or weakening of the USD exchange rate at the balance sheet date for balance sheet items denominated in CDN, EUR, GBP and AUD after the effect of the Corporation's hedging activities:

	Earnings impact -gain (loss)		Equity impact -gain	
	10% Strengthening $000s	10% Weakening $000s	10% Strengthening $000s	10% Weakening $000s
CDN	(800)	800	574	(574)
EUR	(89)	89	94,973	(94,973)
GBP	1,225	(1,225)	(67)	67
AUD	(15)	15	12,902	(12,902)

The table below details the effect on equity of a 10% strengthening or weakening of the EUR:USD or the EUR:GBP exchange rates on the valuations of the Swap Agreements that hedge the USD First Lien Term Loan. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

	$000s	
	- 10%	+ 10%
USD:EUR exchange rate	(233,636)	257,000
EUR:GBP exchange rate	(127,020)	139,722

Interest Rate Risk

The Corporation's exposure to changes in interest rates (particularly fluctuations in LIBOR) relates primarily to interest paid on the Corporation's long-term indebtedness, as well as the interest earned on and market value of its cash and investments. The Corporation is also exposed to fair value interest rate risk with respect to its Senior Notes and cash flow interest rate risk on the unhedged elements of the USD First Lien Term Loan, and the EUR First Lien Term Loan which bear interest at variable rates. The Corporation manages its foreign currency exposure through its hedging instruments. See note 19.

The table below details the effect on earnings before tax of a 100 basis points strengthening or weakening of the LIBOR and EURIBOR interest rates on these loans after the effect of the Corporation'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 when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates:

	Net earnings (loss) $000's	
	- 100 bps	+ 100 bps
USD LIBOR	1,779	(1,779)
EURIBOR	—	(9,532)

The USD First Lien Term Loan has a floor of 0% for the LIBOR and as such, the interest rate cannot decrease below 3.50%. The EUR First Lien Term Loan has a floor of 0% for the EURIBOR and as such, the interest rate cannot decrease below 3.75%. Management monitors movements in the interest rates by reviewing the EURIBOR and LIBOR on a quarterly basis. During the years ended December 31, 2019 and 2018 the EURIBOR was negative.

The table below details the effect on equity of a 100 basis points strengthening or weakening of the LIBOR and EURIBOR interest rates on the valuations of the Swap Agreements that hedge the USD First Lien Term Loan. 100 basis points is the sensitivity rate used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates:

	$000's	
	- 100 bps	+ 100 bps
LIBOR	(3,632)	3,244
GBP LIBOR	(48,434)	46,590
EURIBOR	(37,631)	36,004

Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Corporation. The Corporation has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Corporation's policy is to transact wherever possible with investment grade counterparties. This information is supplied by independent rating agencies where available, and if not available, the Corporation uses other publicly available financial information and its own trading records to rate its major customers. The Corporation's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is managed by the Corporation's treasury and finance groups in accordance with the Corporation's treasury investment policy, which was approved by the Corporation's Audit Committee.

Credit risk arises from cash and cash equivalents, contractual cash flows of investments carried at amortised cost, at FVOCI and at FVTPL, as applicable, favorable derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures on outstanding accounts receivable. The Corporation does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

The Corporation subjects its accounts receivable, investments carried at FVOCI, and cash and restricted cash to the expected credit loss model and specifically uses the simplified approach in respect of accounts receivable. The credit risk on cash and cash equivalents, investments and derivative financial instruments is limited because the Corporation operates a credit rating based limit system to ensure that the majority of the Corporation's balances are held with banks with investment grade credit-ratings assigned by international credit-rating agencies. The Corporation's treasury investment policy and related strategy is focused on the preservation of capital and supporting its liquidity requirements, not on generating trading profits. The Corporation's receivables are primarily in relation to payment processors and credit risk associated with these receivables is limited. The application of the expected credit loss model did not result in material impairment losses recorded in respect of these instruments.

Age of receivables that are past due but not impaired:

In thousands of U.S. Dollars	As at December 31, 2019	As at December 31, 2018
Past due less than 181 days	2,352	2,103
Past due more than 181 days	3,562	2,309
Total past due	**5,914**	**4,412**

The allowance for doubtful accounts is $14.6 million as at December 31, 2019 (December 31, 2018 - $16.8 million).

Age of impaired trade receivables:

In thousands of U.S. Dollars	As at December 31, 2019	As at December 31, 2018
Past due less than 181 days	48	308
Past due more than 181 days	14,524	16,520
Total past due	**14,572**	**16,828**

Liquidity Risk

Liquidity risk is the Corporation's ability to meet its financial obligations when they come due. The Corporation is exposed to liquidity risk with respect to its contractual obligations and financial liabilities. The Corporation manages liquidity risk by continuously monitoring forecasted and actual cash flows and matching maturity profiles of financial assets and liabilities. The Corporation's objective is to maintain a balance between continuity of funding and flexibility through borrowing facilities available through the Corporation's banks and other lenders. The Corporation's policy is to seek to ensure adequate funding is available from operations, established lending facilities and other sources, including the debt and equity capital markets, as required.

The Corporation's principal sources of liquidity are its cash generated from operations, the Revolving Facility and certain other currently available funds. Currently available funds consist primarily of cash on deposit with banks and investments, which are comprised primarily of certain highly liquid, short-term investments, including money market funds. The Corporation's working capital requirements are generally minimal during the year as its current gaming business requires customers to deposit funds prior to playing or participating in its real-money product offerings. The Corporation believes that such deposits are typically converted to revenue efficiently and on a timely basis such that operating expenditures are sufficiently covered. Management also believes that investing is a key element necessary for the continued growth of the Corporation's customer base and the future development of new and innovative product offerings. Based on the Corporation's currently available funds, borrowing capacity available from the Revolving Facility and its ability to access the debt and equity capital markets, if necessary, management believes that the Corporation will have the cash resources necessary to satisfy current obligations and working capital needs, and fund currently planned development and integration activities and other capital expenditures, including those with respect to the continued launch and operation of its U.S. business, as well as strategic transactions, if any, for at least the next 12 months. Notwithstanding, the state of capital markets and the Corporation's ability to access them on favorable terms, if at all; micro and macro-economic downturns; and fluctuations of the Corporation's operations, among other things, may influence its ability to secure the capital resources required to satisfy current or future obligations and fund future projects, strategic initiatives and support growth.

Customer deposit liabilities relate to customer deposits that are held in multiple bank accounts and highly liquid investments which are segregated from those holding operational funds. These deposits are included in current assets in the consolidated statements of financial position under Cash and cash equivalents - customer deposits and Current investments - customer deposits (see note 23).

The following table provides information about the terms of the Corporation's financial obligations and liabilities (excluding derivatives which are presented separately below). The table is based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Corporation can be required to pay. The table includes both interest and principal cash flows as applicable. For floating rate interest cash flows, the undiscounted amount is based on the floating interest rate in place at December 31, 2019.

	On demand $000s	Less than 1 year $000s	2 to 5 years $000s	Greater than 5 years $000s
Accounts payable and other liabilities *	143,358	350,734	1,770	—
Customer deposits	409,390	—	—	—
Provisions	—	64,928	2,885	—
Long-term debt	—	311,508	1,302,740	4,969,062
Total	**552,748**	**727,170**	**1,307,395**	**4,969,062**

* Excludes VAT and other taxes as well as the interest accrual on Senior Notes, which are all included in accounts payable and other liabilities on the statements of financial position

The following table provides information about the terms of the Corporation's derivative financial instruments based on contractual maturities. The table is based on the undiscounted net cash inflows or outflows on derivative instruments that settle on a net basis and the net 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 December 31, 2019.

	On demand $000s	Less than 1 year $000s	2 to 5 years $000s
Net settled derivatives			
Unsettled bets - net outflows	—	17,628	—
Interest rate swap - net outflows	—	5,116	8,861
Gross settled derivatives			
Cross currency interest rate swaps – inflows	—	(149,754)	(2,582,758)
Cross currency interest rate swaps – outflows	—	131,593	2,507,913
Total	**—**	**4,583**	**(65,984**

30. RELATED PARTY TRANSACTIONS

Key management of the Corporation includes the members of the Board, the Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, Chief Corporate Development Officer, Executive Vice-President and Chief Legal Officer, Chief Technology Officer, and certain other key members of management.

The compensation of such key management for the years ended December 31, 2019 and 2018 included the following:

	Year Ended December 31,	
In thousands of U.S. Dollars	**2019**	**2018**
Salaries, bonuses and short-term employee benefits	10,071	10,320
Director retainers	822	796
Stock-based payments	12,843	6,824
	23,736	**17,940**

The remuneration of the Chief Executive Officer, Chief Financial Officer, Chief Technology Officer, Chief Operating Officer, Chief Corporate Development Officer, Executive Vice-President and Chief Legal Officer consists primarily of a salary, cash bonuses and share-based awards and was negotiated at arm's length. Director retainers include both retainers, committee fees and share-based awards.

31. COMBINATION WITH FLUTTER ENTERTAINMENT PLC

On October 2, 2019, the Corporation and Flutter announced they had entered into an arrangement agreement (the "**Arrangement Agreement**") providing for an all-share combination to be implemented through an acquisition of the Corporation by Flutter pursuant to a plan of arrangement under the OBCA (the "**Combination**"). Under the terms of the Combination, shareholders of the Corporation would be entitled to receive 0.2253 ordinary shares of Flutter in exchange for each Common Share of the Corporation. Immediately following completion of the Combination, shareholders of Flutter would own approximately 54.64 percent and shareholders of the Corporation would own approximately 45.36 percent of the share capital of the combined business (based on the fully diluted share capital of Flutter and the fully diluted share capital of the Corporation excluding any out of the money options, in each case, as at October 2, 2019).

Completion of the Combination is intended to occur during the second or third quarter of 2020. The Combination is conditional upon, among other things, certain approvals by each of Flutter's and the Corporation's shareholders, Ontario court approval of the plan of arrangement, certain approvals from the United Kingdom Financial Conduct Authority, London Stock Exchange and Euronext Dublin, and relevant merger control, foreign investment and gaming related approvals.

32. SUBSEQUENT EVENTS

On February 21, 2020, the Corporation prepaid $100.0 million, including accrued and unpaid interest, of its USD First Lien Term Loan, using available cash on hand.

SECTION B

HISTORICAL FINANCIAL INFORMATION RELATING TO THE TSG GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Note to Flutter Shareholders

The historical financial information and all accompanying notes contained in this Section B of Part IV (*Historical Financial Information for the TSG Group*) relate to the financial year ended 31 December 2018 and may no longer be correct as of the date of this Circular. Please refer to Section A of this Part IV (*Historical Financial Information for the TSG Group*) for the most recent audited financial information for the TSG Group as at 31 December 2019.

All definitions and cross-references contained in this Section B of Part IV (*Historical Financial Information for the TSG Group*) shall apply only to this Section B and not to any other section of this Circular.

INDEPENDENT AUDITORS REPORT 2018 OF TSG

To the shareholders and the Board of Directors of TSG Inc.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated statements of financial position of TSG Inc. and subsidiaries (the "**Company**") as of December 31, 2018 and 2017, the related consolidated statements of (loss) earnings, comprehensive (loss) income, changes in equity, and cash flows for each of the two years in the period ended December 31, 2018, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and its financial performance and cash flows for each of the two years in the period ended December 31, 2018, in conformity with the International Financial Reporting Standards as issued by the International Accounting Standards Board.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 6, 2019, expressed an adverse opinion on the Company's internal control over financial reporting.

Change in Accounting Principle

As discussed in Note 4 to the financial statements, effective January 1, 2018, the Company has changed its method of accounting for financial instruments due to adoption of *IFRS 9, Financial Instruments*.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Deloitte LLP

To the shareholders and the Board of Directors of TSG.

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of TSG and subsidiaries (the "Company") as of December 31, 2018, based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, because of the effect of the material weaknesses identified below on the achievement of the objectives of the control criteria, the Company has not maintained effective internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control — Integrated Framework (2013) issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2018, of the Company and our report dated March 6, 2019, expressed an unqualified opinion on those financial statements and included an explanatory paragraph regarding the Company's change its method of accounting for financial instruments due to adoption of IFRS 9, Financial Instruments.

As described in Management's Annual Report on Internal Control Over Financial Reporting, management excluded from its assessment the internal control over financial reporting at TSG Australia Pty Ltd and its subsidiaries and affiliates, including TSGA Holdco Pty Limited and its subsidiaries and affiliates ("**BetEasy**") and Cyan Blue Topco Limited and its subsidiaries and affiliates ("**SBG**"), which were acquired on February 27, 2018 and July 10, 2018, respectively. In respect of BetEasy, its financial statements constitute (1.0)% and 4.5% of net and total assets, respectively, 9.7% of revenue, and 18.1% of net loss of the consolidated financial statement amounts as of and for the year ended December 31, 2018. In respect of SBG, its financial statements constitute 113.5% and 48.2% of net and total assets, respectively, 19.4% of revenue, and 111.9% of net loss of the consolidated financial statement amounts as of and for the year ended December 31, 2018. Accordingly, our audit did not include the internal control over financial reporting at BetEasy and SBG.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Material Weaknesses

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. The following two material weaknesses have been identified and included in management's assessment: i) the design of the control over the appropriate re-translation of foreign currency intercompany loans at each reporting period, and ii) the design of the control over the key inputs and assumptions used in the valuation of an embedded derivative.

These material weaknesses were considered in determining the nature, timing, and extent of audit tests applied in our audit of the consolidated financial statements as of and for the year ended December 31, 2018, of the Company, and this report does not affect our report on such financial statements.

/s/ Deloitte LLP

London, United Kingdom

March 6, 2019

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF (LOSS) EARNINGS

In thousands of U.S. Dollars (except per share and share amounts)	Note	2018	2017 *
Revenue	6,7	2,029,238	1,312,315
Cost of revenue (excluding depreciation and amortization)	8	(459,164)	(247,497)
Gross profit (excluding depreciation and amortization)		**1,570,074**	**1,064,818**
General and administrative	8	(984,194)	(437,886)
Sales and marketing		(292,963)	(154,358)
Research and development		(39,995)	(25,180)
Operating income		**252,922**	**447,394**
Net earnings (loss) from associates		1,068	(2,569)
Net financing charges	7,8	(363,884)	(158,332)
(Loss) earnings before income taxes		**(109,894)**	**286,493**
Income tax recovery (expense)	9	988	(27,208)
Net (loss) earnings		**(108,906)**	**259,285**
Net (loss) earnings attributable to			
Shareholders of TSG		(102,452)	259,231
Non-controlling interest		(6,454)	54
Net (loss) earnings		**(108,906)**	**259,285**
(Loss) earnings per Common Share (U.S. dollars)			
Basic	10	$ (0.49)	$ 1.77
Diluted	10	$ (0.49)	$ 1.27
Weighted average Common Shares outstanding (thousands)			
Basic	10	208,270	146,819
Diluted	10	208,270	203,708

*Certain amounts were reclassified in the comparative period. See note 2
See accompanying notes.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

		Year Ended December 31,	
In thousands of U.S. Dollars	Note	2018	2017
Net (loss) earnings		**(108,906)**	**259,285**
Items that are or may be reclassified to net (loss) earnings			
Debt instruments at FVOCI – loss in fair value *	25	(286)	—
Debt instruments at FVOCI – reclassified to net earnings *	25	(395)	—
Available-for-sale investments – gain in fair value **	25	—	32,474
Available-for-sale investments – reclassified to net earnings **	25	—	(37,090)
Foreign operations – unrealised foreign currency translation differences	25	(95,281)	(189,012)
Cash flow hedges – effective portion of changes in fair value ***	25	41,201	(151,311)
Cash flow hedges – reclassified to net earnings ***	25	(45,271)	160,069
Other comprehensive loss		(100,032)	(184,870)
Total comprehensive (loss) income		**(208,938)**	**74,415**
Total comprehensive (loss) income attributable to:			
Shareholders of TSG		(200,553)	74,361
Non-controlling interest		(8,385)	54
Total comprehensive (loss) income		**(208,938)**	**74,415**

* Net of income tax recovery of $53,000 for the year ended December 31, 2018 (December 31, 2017 – net of income tax expense of $nil).
** Net of income tax of $nil for the year ended December 31, 2018 (December 31, 2017 - net of income tax of $160,380).
*** Net of income tax of $nil for the year ended December 31, 2018 (December 31, 2017 - $nil).
See accompanying notes.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

In thousands of U.S. Dollars	Note	As at December 31, 2018	As at December 31, 2017*
ASSETS			
Current assets			
Cash and cash equivalents – operational	15	392,853	283,225
Cash and cash equivalents – customer deposits	23	328,223	227,098
Total cash and cash equivalents		721,076	510,323
Restricted cash advances and collateral	15	10,819	7,862
Prepaid expenses and other current assets	16	43,945	29,695
Current investments – customer deposits	13,23	103,153	122,668
Accounts receivable	14	136,347	100,409
Income tax receivable		26,085	16,540
Derivatives	19	—	2,037
Total current assets		**1,041,425**	**789,534**
Non-current assets	15		
Restricted cash advances and collateral	16	10,630	45,834
Prepaid expenses and other non-current assets	14	32,760	26,551
Non-current accounts receivable	12	14,906	11,818
Property and equipment		85,169	44,837
Income tax receivable	9	15,611	14,061
Deferred income taxes	19	1,775	5,141
Derivatives	11	54,583	—
Intangible assets	11	4,742,699	1,672,140
Goodwill		5,265,980	2,805,210
Total non-current assets		**10,224,113**	**4,625,592**
Total assets		**11,265,538**	**5,415,126**
LIABILITIES			
Current liabilities			
Accounts payable and other liabilities	21	424,007	194,187
Customer deposits	23	423,739	349,766
Current provisions	22	39,189	17,590
Derivatives	19	16,493	—
Income tax payable		72,796	35,941
Current portion of long-term debt	17	35,750	4,990
Total current liabilities		**1,011,974**	**602,474**
Non-current liabilities			
Long-term debt	17	5,411,208	2,353,579
Long-term provisions	22	4,002	3,093
Derivatives	19	6,068	111,762
Other long-term liabilities	21	79,716	—
Income tax payable		18,473	24,277
Deferred income taxes	9	580,697	16,510
Total non-current liabilities		**6,100,164**	**2,509,221**
Total liabilities		**7,112,138**	**3,111,695**
EQUITY			
Share capital	24	4,116,287	1,884,219
Reserves	25	(469,629)	(142,340)
Retained earnings		502,761	561,519
Equity attributable to the Shareholders of TSG		**4,149,419**	**2,303,398**
Non-controlling interest		3,981	33
Total equity		**4,153,400**	**2,303,431**
Total liabilities and equity		**11,265,538**	**5,415,126**

* Certain amounts were reclassified in the comparative period during the three months ended June 30, 2018. See note 2.
See accompanying notes.

Approved and authorised for issue on behalf of the Board on March 6, 2019.

(Signed) *"Divyesh (Dave) Gadhia"*, Director
Divyesh (Dave) Gadhia,
Executive Chairman of the Board

(Signed) *"David Lazzarato"*, Director
David Lazzarato,
Chairman of the Audit Committee of the Board

CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

In thousands of U.S. Dollars	Note	Year Ended December 31, 2018	2017
Net (loss) earnings		**(108,906)**	**259,285**
Items that are or may be reclassified to net (loss) earnings			
Debt instruments at FVOCI – loss in fair value *	25	(286)	—
Debt instruments at FVOCI – reclassified to net earnings *	25	(395)	—
Available-for-sale investments – gain in fair value **	25	—	32,474
Available-for-sale investments – reclassified to net earnings **	25	—	(37,090)
Foreign operations – unrealised foreign currency translation differences	25	(95,281)	(189,012)
Cash flow hedges – effective portion of changes in fair value ***	25	41,201	(151,311)
Cash flow hedges – reclassified to net earnings ***	25	(45,271)	160,069
Other comprehensive loss		(100,032)	(184,870)
Total comprehensive (loss) income		**(208,938)**	**74,415**
Total comprehensive (loss) income attributable to:			
Shareholders of TSG Inc.		(200,553)	74,361
Non-controlling interest		(8,385)	54
Total comprehensive (loss) income		**(208,938)**	**74,415**

* Net of income tax recovery of $53,000 for the year ended December 31, 2018 (December 31, 2017 – net of income tax expense of $nil).

** Net of income tax of $nil for the year ended December 31, 2018 (December 31, 2017 – net of income tax of $160,380).

*** Net of income tax of $nil for the year ended December 31, 2018 (December 31, 2017 – $nil).

See accompanying notes.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2018 and 2017:

In thousands of U.S. Dollars, except share numbers	Note	Share Capital Common Shares number	Share Capital Preferred Shares number	Share Capital Common Shares amount	Share Capital Preferred Shares amount	Reserves (note 25)	Retained earnings	Equity attributable to the Shareholders of The Stars Group Inc.	Non-controlling interest	Total equity
Balance – January 1, 2017		**145,101,127**	**1,139,249**	**1,178,404**	**684,385**	**35,847**	**302,288**	**2,200,924**	**804**	**2,201,728**
Net earnings		—	—	—	—	—	259,231	**259,231**	54	**259,285**
Other comprehensive loss		—	—	—	—	(184,870)	—	**(184,870)**	—	**(184,870)**
Total comprehensive income		—	—	—	—	(184,870)	259,231	**74,361**	54	**74,415**
Issue of Common Shares in relation to stock options and equity awards	24	2,923,184	—	21,923	—	(5,258)	—	**16,665**	—	**16,665**
Share cancellation	24	(76,437)	—	(493)	—	493	—	—	—	**—**
Stock-based compensation		—	—	—	—	10,622	—	**10,622**	—	**10,622**
Deferred tax on stock-based compensation		—	—	—	—	359	—	**359**	—	**359**
Acquisition of non-controlling interest		—	—	—	—	467	—	**467**	(825)	**(358)**
Balance – December 31, 2017		**147,947,874**	**1,139,249**	**1,199,834**	**684,385**	**(142,340)**	**561,519**	**2,303,398**	**33**	**2,303,431**
Adjustment on adoption of IFRS 9		—	—	—	—	213	43,694	43,907	—	**43,907**
Balance – January 1, 2018 (restated)		**147,947,874**	**1,139,249**	**1,199,834**	**684,385**	**(142,127)**	**605,213**	**2,347,305**	**33**	**2,347,338**
Net loss		—	—	—	—	—	(102,452)	**(102,452)**	(6,454)	**(108,906)**
Other comprehensive loss		—	—	—	—	(98,101)	—	**(98,101)**	(1,931)	**(100,032)**
Total comprehensive loss		—	—	—	—	(98,101)	(102,452)	**(200,553)**	(8,385)	**(208,938)**
Issue of Common Shares in relation to stock options and equity awards	24	1,791,860	—	38,048	—	(6,982)	—	**31,066**	—	**31,066**
Conversion of Preferred Shares to Common Shares	24	60,013,510	(1,139,249)	684,385	(684,385)	—	—	—	—	**—**
Issue of Common Shares in connection with acquired subsidiaries	24	41,049,398	—	1,477,478	—	—	—	**1,477,478**	—	**1,477,478**
Issue of Common Shares in connection with Equity Offering	24	18,875,000	—	690,353	—	—	—	**690,353**	—	**690,353**
Issue of Common Shares in connection with market access agreement	24	1,076,658	—	20,661	—	—	—	**20,661**	—	**20,661**
Issue of Common Shares in connection with exercised warrants	24	2,422,944	—	14,688	—	(14,688)	—	—	—	**—**
Stock-based compensation		—	—	—	—	12,806	—	**12,806**	—	**12,806**
Reversal of deferred tax on stock-based compensation		—	—	—	—	(359)	—	**(359)**	—	**(359)**
Equity fees	24	—	—	(5,413)	—	—	—	**(5,413)**	—	**(5,413)**
Reversal of 2014 deferred tax *	24	—	—	(3,747)	—	—	—	**(3,747)**	—	**(3,747)**
Acquisition of non-controlling interest in subsidiary	5	—	—	—	—	(220,178)	—	**(220,178)**	12,333	**(207,845)**
Balance – December 31, 2018		**273,177,244**	—	**4,116,287**	—	**(469,629)**	**502,761**	**4,149,419**	**3,981**	**4,153,400**

* During the year ended December 31, 2018, the Corporation made an adjustment totaling $3.7 million to the amounts recognised in common stock in respect of a previous reversal of deferred tax recognised through the consolidated statements of (loss) earnings.

See accompanying notes

CONSOLIDATED STATEMENTS OF CASH FLOWS

In thousands of U.S. Dollars	Note	Year Ended December 31, 2018	2017
Operating activities			
Net (loss) earnings		(108,906)	259,285
Add (deduct):			
Income tax (recovery) expense recognised in net earnings		(988)	27,208
Net financing charges	8	363,884	156,842
Depreciation and amortization	8	282,806	147,186
Stock-based compensation	25	12,806	10,622
Acquisition of market access rights in connection with Eldorado		20,661	—
Unrealised loss (gain) on foreign exchange		25,336	(10,324)
Unrealised (gain) on investments		(673)	(170)
Impairment (reversal of impairment) of property and equipment, intangible assets and assets held for sale		6,156	(6,799)
Net (earnings) loss from associates		(1,068)	2,569
Realised loss (gain) on current investments and promissory note		2,727	(50,038)
Income taxes paid		(41,117)	(9,357)
Changes in non-cash operating elements of working capital	27	(9,403)	(3,801)
Customer deposit liability movement		7,637	(30,924)
Other		(14)	2,301
Net cash inflows from operating activities		**559,844**	**494,600**
Investing activities			
Acquisition of subsidiaries, net of cash acquired	5	(1,865,262)	(6,516)
Additions to intangible assets		(28,202)	(1,893)
Additions to property and equipment		(33,952)	(10,997)
Additions to deferred development costs		(51,574)	(23,212)
Net sale of investments utilising customer deposits		19,515	117,106
Cash movement from (to) restricted cash		35,000	—
Settlement of promissory note		—	8,084
Net investment in associates		1,068	(2,000)
Proceeds on disposal of interest in associate classified as held for sale		—	16,127
Sale of investments		—	88,760
Settlement of minimum revenue guarantee		(7,006)	(9,311)
Other		(3,760)	(1,298)
Net cash (outflows) inflows from investing activities		**(1,934,173)**	**174,850**
Financing activities			
Issuance of Common Shares	24	717,250	—
Transaction costs on issuance of Common Shares		(32,312)	—
Issuance of Common Shares in relation to stock options	24	31,066	16,665
Redemption of SBG preferred shares	5	(663,407)	—
Repayment of shareholder loan on acquisition	5	(10,879)	—
Issuance of long-term debt	17	5,957,976	—
Transaction costs on long-term debt		(36,559)	(4,719)
Repayment of long-term debt	17	(2,974,393)	(139,913)
Repayment of long-term debt assumed on business combination	5	(1,079,729)	—
Interest paid		(186,162)	(124,627)
Net proceeds on loan from non-controlling interest	17	31,730	—
Payment of deferred consideration	22	—	(197,510)
Settlement of derivatives	19	(125,822)	13,904
Acquisition of further interest in subsidiaries	5	(48,240)	—
Settlement of margin		—	(7,602)
Capital contribution from non-controlling interest	17	12,060	—
Net cash inflows (outflows) from financing activities		**1,592,579**	**(443,802)**
Increase in cash and cash equivalents		218,250	225,648
Unrealised foreign exchange difference on cash and cash equivalents		(7,497)	16,991
Cash and cash equivalents – beginning of period		510,323	267,684
Cash and cash equivalents – end of period		**721,076**	**510,323**

See accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. NATURE OF BUSINESS

TSG Inc. ("**TSG**", **or the "Corporation**") 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, 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*, *PokerStars Caribbean Adventure*, *Latin American Poker Tour*, *Asia Pacific Poker Tour*, *PokerStars Festival* and *PokerStars MEGASTACK*.

As at December 31, 2018, TSG had three reportable segments, the international business ("**International**"), the United Kingdom business ("**United Kingdom**") and the Australian business ("**Australia**"), each as described below, as well as a corporate cost center ("**Corporate**"). There are up to four major lines of operations within TSG's reportable segments, as applicable: real-money online poker ("**Poker**"), real-money online betting ("**Betting**"), real-money online casino gaming and bingo ("**Gaming**"), and other gaming-related revenue, including, without limitation, from social and play-money gaming, live poker events, branded poker rooms, Oddschecker and other nominal sources of revenue ("**Other**"). As it relates to these lines of operations, online revenue includes revenue generated through TSG's real-money online, mobile and desktop client platforms, as applicable.

TSG's primary business and main source of revenue is its online gaming businesses. These currently consist of the operations of Stars Interactive Holdings (IOM) Limited and its subsidiaries and affiliates (collectively, "**Stars Interactive Group**"), which it acquired in August 2014 (the ''Stars Interactive Group Acquisition''), the operations of Cyan Blue Topco Limited and its subsidiaries and affiliates (collectively, "**Sky Betting & Gaming**" or "**SBG**"), which it acquired in July 2018 (the "**SBG Acquisition**"), and TSG Australia Pty Ltd (formerly CrownBet Holdings Pty Limited) and its subsidiaries and affiliates, including TSGA Holdco Pty Limited (formerly William Hill Australia Holdings Pty Ltd) and its subsidiaries and affiliates ("**TSGA**" and where the context requires, collectively, "BetEasy"), which it acquired an 80% equity interest in between February 2018 and April 2018 (BetEasy acquired TSGA in April 2018) (collectively, the "Australian Acquisitions"). The Stars Interactive Group is headquartered in the Isle of Man and operates globally; SBG is headquartered in and primarily operates in the United Kingdom; and BetEasy is headquartered in and primarily operates in Australia.

The International segment currently includes the Stars Interactive Group business, and operates across all lines of operations and in various jurisdictions around the world, including the United Kingdom, under the brands identified above in this note 1; the United Kingdom segment currently consists of the business operations of Sky Betting & Gaming, including those outside of the United Kingdom, and operates across all lines of operations primarily in the United Kingdom; and the Australia segment currently consists of the business operations of BetEasy, and operates within the Betting line of operation and primarily in Australia under the *BetEasy* brand. Prior segmental results for the year ended December 31, 2017 have been recast to be presented in a manner consistent with the changed reporting segments. See note 7.

TSG was incorporated on January 30, 2004 under the Companies Act (Quebec) and continued under the Business Corporations Act (Ontario) on August 1, 2017. The registered head office is located at 200 Bay Street, South Tower, Suite 3205, Toronto, Ontario, Canada, M5J 2J3 and its common shares ("**Common Shares**") are listed on the Toronto Stock Exchange (the "**TSX**") under the symbol "TSGI", and the Nasdaq Global Select Market ("**Nasdaq**") under the symbol "**TSG**".

For reporting purposes, TSG prepares its consolidated financial statements in U.S. dollars. Unless otherwise indicated, all dollar ("**$**") amounts and references to "**USD**" or "**USD $**" in these consolidated financial statements are expressed in U.S. dollars. References to ''**EUR**'' or "€" are to European Euros, references to ''CDN'' or "CDN $" are to Canadian dollars, references to "GBP" or "£" are to British Pound Sterling and references to "AUD" or "AUD $" are to Australian dollars. Unless otherwise indicated, all references to a specific "note" refer to these notes to the consolidated financial statements of the Corporation for the year ended December 31, 2018. References to "IFRS" and "IASB" are to International Financial Reporting Standards and the International Accounting Standards Board, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Corporation's consolidated financial statements have been prepared in accordance with IFRS as issued by the IASB and have been approved and authorised for issuance by the Board of Directors on March 6, 2019.

The consolidated financial statements of the Corporation have been prepared on the historical cost basis, except derivative financial instruments, financial instruments at fair value through profit or loss as well as financial instruments at fair value through other comprehensive income, each of which are measured at fair value.

On January 1, 2018, the Corporation adopted the provisions in *Financial Instruments* ("**IFRS 9**") and *Revenue from Contracts with Customers* ("**IFRS 15**"). See note 4. Significant accounting policies in relation to these adoptions are detailed below.

As previously announced, in response to changes in the business following the Australian Acquisitions (as defined below and further detailed in note 7), and to align with financial measures commonly used in the industry, the Corporation made certain reclassifications during the second quarter to the comparative interim condensed consolidated financial statements to enhance their comparability with the current period's presentation. Consistent reclassifications have been made to the comparative balances in the consolidated financial statements for the year ended December 31, 2018. As a result, certain line items have been amended in the comparative consolidated statement of earnings and financial position and the related notes to the consolidated financial statements. These reclassifications are outlined below:

Consolidated Statements of (Loss) Earnings

The following financial statement line items, which the Corporation first introduced during the second quarter of 2018, resulted in a re-classification of the comparative period: Cost of revenue (excluding depreciation and amortization), Gross profit (excluding depreciation and amortization) and Operating income.

- Cost of revenue (excluding depreciation and amortization) includes direct costs associated with revenue generating activities such as the following material items:
  - Gaming duty ($130.8 million for the year ended December 31, 2017), previously reported separately.
  - Processor costs ($69.5 million for the year ended December 31, 2017), previously reported within General and administrative expenses.
  - Royalties ($30.2 million for the year ended December 31, 2017) and affiliates costs ($8.1 million for the year ended December 31, 2017) which are directly related to revenue generating activities and previously reported within Selling costs.
- The following material expense categories have been categorised as follows:
  - General and administrative expenses now also include the following:
    - o Foreign exchange ($2.8 million loss for the year ended December 31, 2017) and bank charges ($0.9 million for the year ended December 31, 2017), previously reported within Financial expenses.
    - o Gain on investments in certain equity instruments ($33.6 million for the year ended December 31, 2017), previously reported separately as Gain from investments.
  - Sales and marketing:
    - o Selling expenses remain as reported in previous periods, except as described above.

- Research and development:

    - o Previously reported within General and administrative expenses and now reported separately.

- Net financing charges:

    - o Financial expenses remain as previously reported, except for the inclusion of investment income ($0.9 million for the year ended December 31, 2017) previously reported separately on the consolidated statements of (loss) earnings and as noted above).

Consolidated Statements of Financial Position

The following re-classifications to the comparative period, which the Corporation first made during the second quarter of 2018, include the following:

- Current assets: Prepaid expenses and deposits ($29.4 million as at December 31, 2017) and Inventories ($0.3 million as at December 31, 2017) were reported separately in previous periods and are now reported within Prepaid expenses and other current assets.

- Non-Current assets: Prepaid expenses and deposits ($16.5 million as at December 31, 2017), Long term investments ($7.0 million as at December 31, 2017) and Investment tax credits receivable ($3.1 million as at December 31, 2017) were reported separately in previous periods and are now reported within Prepaid expenses and other non-current assets.

- Current Liabilities: Accounts payable and accrued liabilities ($151.5 million as at December 31, 2017) and Other payables ($42.7 million as at December 31, 2017) were reported separately in previous periods and are now reported within Accounts payable and other liabilities.

Consolidated Statements of Cash Flows

There were no material reclassifications to the comparative period.

Going Concern

The Board of Directors of the Corporation (the "**Board**") have, at the time of approving the consolidated financial statements, a reasonable expectation that the Corporation has adequate resources to continue in operational existence for the foreseeable future. As such, the Corporation continues to adopt the going concern basis of accounting in preparing the consolidated financial statements.

Principles of Consolidation

A subsidiary is an entity controlled by the Corporation. As such, the Corporation is exposed, or has rights, to variable returns from its involvement with such entity and has the ability to affect those returns through its current ability to direct such entity's relevant activities (i.e., control over the entity).

The existence and effect of substantive voting rights that the Corporation potentially has the practical ability to exercise (i.e., substantive rights) are considered when assessing whether the Corporation controls another entity.

The Corporation's consolidated financial statements include the accounts of the Corporation and its subsidiaries. Upon consolidation, management eliminated all inter-entity transactions and balances.

Non-controlling interests in subsidiaries are identified separately from the Corporation's equity therein. Those non-controlling interests that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation 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. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. 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 Corporation'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.

Revenue Recognition

The Corporation has applied IFRS 15 from January 1, 2018. As permitted, the Corporation applied IFRS 15 using the modified retrospective approach, whereby the cumulative impact of adoption is recognised in opening retained earnings. Comparative information for 2017 has not been restated. See note 4. The adoption of IFRS 15 did not have a material impact on the timing and amount of revenue recognised by the Corporation and the Corporation did not apply the available optional practical expedients.

Revenue from contracts with customers is recognised when control of the Corporation's services is transferred to the customer at an amount that reflects the consideration to which the Corporation expects to be entitled in exchange for those services. The Corporation has concluded that it is the principal in its revenue arrangements because it controls the services before transferring them to the customer.

The Corporation has disclosed disaggregated revenue recognised from customers and revenue from other online activities in note 7.

The Company evaluates all contractual arrangements it enters into and evaluates the nature of the promised goods or services, and rights and obligations under the arrangement, in determining the nature of its performance obligations. Where such performance obligations are capable of being distinct and are distinct in the context of the contract, the consideration the Corporation expects to be entitled under the arrangement is allocated to each performance obligation based on its relative estimated stand-alone selling prices. Performance obligations that the Corporation concludes are not distinct are combined together into a single combined performance obligation. Revenue is recognised at an amount equal to the transaction price allocated to the specific performance obligation when it is satisfied, either at a point in time or over time, as applicable, based on the pattern of transfer of control.

The Company's principal arrangements include the following sources of revenue:

Revenue from customers within the scope of IFRS 15

Poker revenue

Poker revenue represents primarily the commission charged at the conclusion of each poker hand in cash games (i.e., rake) and entry fees for participation in poker tournaments, and is net of certain promotional expenses, which are treated as a reduction to the transaction price. In poker tournaments, entry fee revenue is recognised when the tournament has concluded.

Gaming revenue

Gaming revenue primarily represents the difference between the amounts of bets placed by customers less amounts won (i.e., net house win) and is presented net of certain promotional expenses which are treated as a reduction to the transaction price. Gaming transactions are instantaneously settled and revenue is recognised at a point in time.

Poker and Gaming each consist of a single revenue performance obligation, notwithstanding the impact customer loyalty programs as noted below. Revenue is recognised at a point in time upon completion of the performance obligation as noted above. Poker and Gaming are each presented as revenue gross of applicable gaming duties, which are presented within cost of revenue.

Conversion margins

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.

Other revenue from customers

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 Corporation 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 Corporation 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 customers out of the scope of IFRS 15

Betting revenue

The Corporation's income generated from Betting product offerings does not fall within the scope of IFRS 15. Income generated from these online transactions is disclosed as revenue although these transactions are accounted as derivative instruments in accordance with IFRS 9 where the income meets the definition of gains or losses, as applicable.

Betting revenue primarily represents the difference between the amounts of bets placed by customers less amounts won (i.e., net house win). Open betting positions are carried at fair value, and gains and losses arising on these positions are recognised in revenue.

Betting is presented as revenue gross of applicable gaming duties, which are presented within cost of revenue.

Customer loyalty programs

The Corporation operates loyalty programs for its customers within each of its reporting segments that reward customers based on a number of factors, including volume of play, player impact on the overall ecosystem, whether the player is a net withdrawing or net depositing player, and product and game selection. For customer loyalty programs operated by the Corporation, applicable revenue received for which loyalty rights earned by our customers are recorded as a contract liability based on the rewards' allocated amount and are subsequently recognised as revenue in a future period when the rewards are redeemed. Customer loyalty rewards are included in accounts payable and other liabilities on the consolidated statements of financial position.

The estimated selling price of loyalty rewards is determined using an equivalent cash cost approach which uses historical data of award redemption patterns considering the alternative goods or services for which the rewards can be redeemed. The estimated selling price of rewards is adjusted for an estimate of rewards that will not be redeemed based on historical redemption patterns. Historically non-redeemed loyalty rewards have not been significant.

Other sources of revenue

Income from player funds

A portion of customer deposits is held as current investments. Income generated from current investments and dormant accounts does not fall within the scope of IFRS 15. Income generated from investments is disclosed as revenue despite being accounted for in accordance with IFRS 9 where it meets the definition of gains or losses, as applicable.

Income (loss) from dormant accounts

When a customer deposit account becomes dormant in accordance with Corporation's terms and conditions, the deposit is removed from customer liabilities and recorded within accounts payable and other liabilities.

Income is generated from dormant accounts that are not expected to be re-activated based on historical information and re-activation rates. Losses are recorded on dormant accounts that are re-activated. Income (loss) generated from dormant accounts is disclosed as revenue despite being accounted for in accordance with IFRS 9 where it meets the definition of gains or losses, as applicable.

Cost of Revenue

Cost of revenue includes direct costs associated with revenue generating activities. Such direct costs include gaming duty, processor costs, and royalties. Cost of revenue does not include depreciation and amortization.

Financial Instruments

The Corporation applied IFRS 9 retrospectively from January 1, 2018. In accordance with the practical expedients permitted under the standard, comparative information for 2017 has not been restated. As permitted by IFRS 9, the Corporation elected to continue to apply the hedge accounting requirements of International Accounting Standard ("**IAS**") 39, *Financial Instruments* ("**IAS 39**") rather than the new requirements of IFRS 9 and will comply with the revised annual hedge accounting disclosures as required by the related amendments to IFRS 7, *Financial Instruments: Disclosures* ("**IFRS 7**").

For further information regarding the impact of the adoption of IFRS 9, see note 4.

Financial Assets

Recognition and Measurement

At initial recognition, the Corporation 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. From January 1, 2018, the Corporation 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 Corporation'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 Corporation only reclassifies debt instruments when its business model for managing those assets changes.

Debt instruments

Subsequent measurement of debt instruments depends on the Corporation's business model for managing the asset and the cash flow characteristics of that asset. There are three measurement categories into which the Corporation 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 statements of (loss) earnings. Funds recorded within current investments are classified as FVTPL.

Equity instruments

The Corporation subsequently measures all equity instruments at fair value, except for equity instruments for which equity method accounting is applied. The classification of equity instruments depends on whether the Corporation has made an irrevocable election at the time of initial recognition to account for the equity instruments at FVOCI. There are two measurement categories into which the Corporation classifies its equity instruments:

- FVOCI: equity instruments are classified as FVOCI on an instrument-by-instrument basis when the conditions are met based on the nature of the instrument. Where the Corporation's management makes an irrevocable election to present fair value gains and losses on equity instruments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss upon the derecognition of those instruments. Dividends from such instruments continue to be recognised in profit or loss when the Corporation's right to receive payment is established. The Corporation does not currently hold any equity instruments classified as FVOCI.

- FVTPL: equity instruments are classified as FVTPL if they are held for trading (they are acquired for the purpose of selling or repurchasing in the near term) or equity investments which the Corporation had not irrevocably elected to classify at FVOCI. Changes in the fair value of financial assets at FVTPL are recognised in the consolidated statements of (loss) earnings. Equity in unquoted companies is classified as FVTPL.

Impairment of financial assets

At the end of each reporting period, the Corporation assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The impairment provision recorded in respect of debt instruments carried at amortised cost and FVOCI is determined at 12-months expected credit losses on the basis that the Corporation considers these instruments as low risk.

The Corporation applies the simplified approach permitted by IFRS 9 for trade receivables and other financial assets held at amortised cost, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

The forward-looking element in determining impairment for financial assets is derived from comparison of current and projected macroeconomic indicators covering primary markets in which the Corporation operates.

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 statements of (loss) earnings. Derivative instruments, the deferred contingent payment and certain other level 3 liabilities (see note 26) 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 Corporation may pursue amendments to its credit agreements based on, among other things, prevailing market conditions. Such amendments, when completed, are considered by the Corporation to be debt modifications. For debt repayable at par with nominal break costs, the Corporation elected to account for such debt modifications as equivalent to repayment at no cost of the original financial instrument and an origination of a new debt at market conditions. Resetting the debt to market conditions with the same lender has the same economic substance as extinguishing the original financial instrument and originating new debt with a third-party lender at market conditions. 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.

For all other debt, 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 net financing changes on the consolidated statements of (loss) earnings.

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 on the consolidated statements of (loss) earnings 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 Corporation, 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.

Classification and impairment of financial assets other than derivatives prior to January 1, 2018 under IAS 39

Financial assets are initially recognised at fair value and are classified as either FVTPL, "available-for-sale" or as "loans and receivables". The classification depends on the purpose for which the financial instruments were acquired and their respective characteristics.

Fair value through profit or loss

Financial assets at FVTPL are financial assets held-for-trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or as otherwise determined by management to be in this category. Financial assets classified at FVTPL are measured at fair value with the realised and unrealised changes in fair value recognised each reporting period in the consolidated statements of (loss) earnings. The Corporation classified certain short-term investments as FVTPL as at December 31, 2017.

Available-for-sale

Available-for-sale assets are financial assets that are either designated in this category or not classified in any of the other categories. Such assets are included in other non-current financial assets unless management intends to dispose of them within 12 months of the date of the consolidated statements of financial position. Financial assets classified as available-for-sale are carried at fair value with changes in fair value recorded in the consolidated statements of comprehensive (loss) income. Interest on available-for-sale assets is calculated using the effective interest rate method and is recognised in the consolidated statements of (loss) earnings. When a decline in fair value is determined to be significant or prolonged, the cumulative loss included in accumulated other comprehensive income (loss) is reclassified as such and then recognised in the consolidated statements of (loss) earnings. Gains and losses realised on the disposal of available-for-sale assets are recognised in the consolidated statements of (loss) earnings. The Corporation classifies certain current and noncurrent investments as available-for-sale.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments but which are not quoted in an active market. All such assets with maturities equal to or less than 12 months from the date of the consolidated statements of financial position are classified as current assets, while those with maturities greater than 12 months from such date are classified as non-current assets. Financial instruments classified as loans and receivables are initially recorded at fair value and subsequently measured at amortised cost using the effective interest method. The Corporation classifies accounts receivable and promissory notes as loans and receivables.

Impairment

At the end of each reporting period, the Corporation assesses whether a financial asset or a group of financial assets, other than those classified as FVTPL, is impaired. If there is objective evidence that impairment exists, the loss is recognised in the consolidated statements of (loss) earnings. The impairment loss is measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the consolidated statements of (loss) earnings.

Derivatives

As permitted by IFRS 9, the Corporation elected to continue to apply the hedge accounting requirements of IAS 39 rather than the new requirements of IFRS 9 and will comply with the revised annual hedge accounting disclosures as required by the related amendments to IFRS 7.

The Corporation uses derivative instruments for risk management purposes and does not use derivative instruments for speculative trading purposes (except for derivatives with respect to the Corporation's Betting 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 statements of (loss) earnings.

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 statements of (loss) earnings.

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.

Hedge accounting

The Corporation 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 Corporation 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.

Cash flow hedges

The Corporation 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 statements of (loss) earnings. Gains and losses on cash flow hedges accumulated in other comprehensive (loss) income are reclassified to the consolidated statements of (loss) earnings in the same period the hedged item affects the consolidated statements of (loss) earnings. 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 statements of (loss) earnings.

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 cumulative translation adjustments reserve. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated statements of (loss) earnings. Gains and losses accumulated in other comprehensive income are reclassified to the consolidated statements of (loss) earnings when the foreign operation is partially disposed of or sold.

Determination of fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the applicable measurement date. When measuring the fair value of an asset or a liability, the Corporation uses market observable data to the extent possible. If the fair value of an asset or a liability is not directly observable, it is estimated by the Corporation using valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs (e.g., by the use of the market comparable approach that reflects recent transaction prices for similar items, discounted cash flow analysis, or option pricing models refined to reflect the Corporation's specific circumstances). Inputs used are consistent with the characteristics of the asset or liability that market participants would take into account.

For the Corporation's financial instruments which are recognised in the consolidated statements of financial position at fair value, the fair value measurements are categorised based on the lowest level input that is

significant to the fair value measurement in its entirety and the degree to which the inputs are observable. The significance levels are classified as follows in the fair value hierarchy:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3 – Inputs for the asset or liability that are not based on observable market data.

Transfers between levels of the fair value hierarchy are recognised by the Corporation at the end of the reporting period during which the transfer occurred.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank deposits and other short-term highly liquid investments with maturities of three months or less, which are generally used by the Corporation to meet short-term liquidity requirements.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. The Corporation assessed all its leases to be operating leases.

The Corporation as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Corporation as lessee

Rents payable under operating leases are recognised as an expense on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of any such incentive is recognised as a reduction of rental expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Prepaid Expenses and Deposits

Prepaid expenses and deposits consist of amounts paid in advance or deposits made for which the Corporation will receive goods or services.

Property and Equipment

Property and equipment which have finite lives are recorded at cost less accumulated depreciation and impairment losses. Depreciation is expensed from the month the particular asset is available for use, over the estimated useful life of such asset at the following rates, which in each case are intended to reduce the carrying value of the asset to the estimated residual value:

Furniture and fixtures	Straight-line	4-10 years
Computer equipment	Straight-line	2-5 years
Building	Straight-line	25 years

Intangible Assets

Intangible assets which have finite lives are recorded at cost less accumulated amortization and impairment losses. Amortization is expensed from the month the particular asset is available for use, over the estimated

useful life of such asset at the following rates, which in each case are intended to reduce the carrying value of the asset to the estimated residual value:

Software technology (including deferred development costs)	Straight-line	5 years
Software technology (Defensive intangible asset)	Straight-line	2 years
Customer relationships	Straight-line	15 years
Brands (licensed)	Straight-line	22 years
Brands	N/A	Indefinite useful life
Other intangibles	Straight-line	4-10 years

The amortization method, useful life and residual values are assessed annually and the assets are tested for impairment, whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Upon retirement or disposal, the cost of the asset disposed of and the related accumulated amortization are removed from the consolidated statements of financial position and any gain or loss is reflected in the consolidated statements of (loss) earnings. Expenditures for repairs and maintenance are expensed as incurred.

The Corporation determined that its owned brands have indefinite useful lives as they have no foreseeable limit to the period over which such assets are expected to contribute to the Corporation's cash flows. In addition, the Corporation expects to continue to support its brands with ongoing marketing efforts.

The Corporation tests its owned brands for impairment at least annually, or more frequently if circumstances such as significant declines in expected sales, net earnings or cash flows indicate that the cash-generating units ("**CGUs**") to which such brands relate might be impaired.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of the identifiable net assets acquired in a business acquisition. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is tested for impairment at least annually, or more frequently if circumstances such as significant declines in expected sales, net earnings or cash flows indicate that that the CGUs or group of CGUs to which goodwill is allocated might be impaired. The Corporation monitors and tests goodwill for impairment at the operating segment level.

Research and Development

Research and development costs are expensed except in cases where development costs meet certain identifiable criteria for deferral. Deferred development costs, which have probable future economic benefits, can be clearly defined and measured, and are incurred for the development of new products or technologies, are capitalised. These development costs, net of related research and development investment tax credits, are not amortised until the products or technologies are commercialised or when the asset is available for use, at which time, they are amortised over the estimated life of the commercial production of such products or technologies.

The amortization 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.

The Corporation claims research and development investment tax credits as a result of incurring scientific research and experimental development expenditures. Research and development investment tax credits are recognised when the related expenditures are incurred and there is reasonable assurance of their realization. Investment tax credits are accounted for by the cost reduction method whereby the amounts of tax credits are applied as a reduction of the expense or deferred development costs.

Investments

Investments are stated at the lower of cost and fair market value. Cost is determined on a weighted average basis at a consolidated level.

Investments in Associates

An associate is an entity over which the Corporation has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the associate but is not the control or joint control over those policy decisions.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*.

Under the equity method, an investment in an associate is initially recognised in the consolidated statements of financial position at cost and adjusted thereafter to recognise the Corporation's share of the profit or loss and other comprehensive income of the associate. When the Corporation's share of losses of an associate exceeds the Corporation's interest in that associate (which includes any long-term interests that, in substance, form part of the Corporation's net investment in the associate), the Corporation discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Corporation has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Corporation's share of the net fair value of the identifiable assets and liabilities of the associate is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Corporation's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in the consolidated statements of (loss) earnings in the period in which the investment is acquired.

The requirements of IAS 36, *Impairment of Assets* ("**IAS 36**") are applied to determine whether it is necessary to recognise any impairment loss with respect to the Corporation's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

Impairment of Non-Current Assets

Management assesses, at the end of the reporting period, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Corporation estimates the asset's recoverable amount. An asset's or CGU's recoverable amount is the higher of the asset's or CGU's fair value less costs of disposal and its value in use. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Corporation bases its impairment calculation on detailed budgets and forecast calculations, which are prepared for the Corporation's assets or CGU to which such assets are allocated. These budgets and forecast calculations generally cover a period of three to five years. A long-term growth rate is calculated and applied to project future cash flows after the final year included in the forecast.

Impairment losses of continuing operations are recognised in the consolidated statements of (loss) earnings in expense categories consistent with the function of the impaired asset. An impairment loss recognised for goodwill may not be reversed. At the end of the reporting period, the Corporation assesses if there is an indication that impairment losses recognised in previous periods for other assets have decreased or no longer exist. Where an impairment loss is subsequently reversed, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount provided that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Taxation

Income tax expense represents the sum of current and deferred taxes. Current and deferred taxes are recognised in the consolidated statements of (loss) earnings, except to the extent they relate to items recognised in the consolidated statements of comprehensive (loss) income or directly in the consolidated statements of changes in equity.

Current tax

Current tax payable is based on taxable income for the year. Taxable income differs from earnings as reported in the consolidated statements of (loss) earnings because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Corporation's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the particular reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Corporation's consolidated financial statements and the corresponding tax bases used in the computation of taxable income. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable income will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable income nor the accounting earnings.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments and interests in subsidiaries and associates, except where the Corporation is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable income against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of any such asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, in each case based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Corporation expects, at the end of the particular reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Corporation intends to settle its current tax assets and liabilities on a net basis. Deferred tax assets and liabilities are not discounted. Current and deferred tax are recognised in the consolidated

statements of (loss) earnings, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Share based payments

The Corporation maintains an equity-based long-term incentive award program to align interests of its management team with those of its Shareholders by focusing the management team on long-term objectives over a multi-year period, with the value of the award fluctuating based on stock price appreciation. The Corporation has two equity-based award plans and accounts for grants under these plans in accordance with the fair value-based method of accounting for stock-based compensation for the applicable period. The Corporation currently makes its equity grants under its Equity Incentive Plan dated June 22, 2015 (the "**2015 Equity Incentive Plan**"), which provides for grants of stock options ("**Options**"), Restricted Share Units ("**RSU**"), Deferred Share Units ("**DSU**"), Performance Share Units ("**PSU**"), Restricted Shares ("**RS**"), and other Common Share-based awards as the Board may determine. Prior to the Corporation's 2015 annual shareholder meeting (the "**2015 Annual Meeting**"), equity-based awards were granted solely under the Corporation's 2010 stock option plan, as amended from time to time (the "**2010 Stock Option Plan" and together with the 2015 Equity Incentive Plan, the "Plans**") and consisted only of Options. The Corporation no longer grants Options under the 2010 Stock Option Plan, but it remains in effect only to govern the terms of outstanding Options granted prior to the date of the 2015 Annual Meeting.

Effective for 2017, the Corporation replaced the stock option component of the long-term incentive program for its management team with a regular, annual grant program that is comprised of PSUs and RSUs. The RSUs are subject to service vesting conditions and the PSUs are subject to service, market and non-market vesting conditions. The Corporation also offers DSUs, RSUs and RS for members of its Board of Directors.

Non-employee equity-settled share-based payments are measured at the fair value of the goods and services received, except where that fair value cannot be estimated reliably. If the fair value cannot be measured reliably, non-employee equity-settled share-based payments are measured at the fair value of the equity instrument granted as measured at the date the entity obtains the goods or the counterparty renders the service. Stock-based compensation expense is recognised over the contract life of the options or the option settlement date, whichever is earlier.

Stock Options

Compensation expense for equity-settled stock options awarded to participants under the Plans is measured at the fair value at the grant date using the Black-Scholes-Merton valuation model and is recognised using the graded vesting method over the vesting period of the options granted. Stock-based compensation expense recognised is adjusted to reflect the number of options that have been estimated by management for which conditions attaching to service will be fulfilled as of the grant date until the vesting date so that the recognised expense corresponds to the options that have vested. Stock-based compensation expense is recorded in the equity reserve when the expense is recognised in the consolidated statements of (loss) earnings. When options are exercised, any consideration received from participants as well as the related compensation cost recorded within the equity reserve are credited to share capital.

Other equity-settled share based payments

Restricted Share Units

An RSU is a unit equivalent in value to a Common Share which entitles the holder to receive Common Shares after a specified vesting period determined by the Plan Administrator of the 2015 Equity Incentive Plan (the "**Plan Administrator**"), in its sole discretion. Upon settlement, holders will receive one fully paid Common Share in respect of each vested RSU. Generally, the RSUs vest in equal annual installments over a three or four-year period (graded vesting method), and subject to continued employment through each vesting date.

Performance Share Units

A PSU is a unit equivalent in value to a Common Share which entitles the holder to receive Common Shares based on the achievement of performance goals established by the Plan Administrator, including in

consultation with management, over a performance period. Generally, the PSUs vest on the third anniversary of the date of the grant (cliff vesting), and based on a weighted mix of revenue and Adjusted EBITDA targets of the Corporation for the applicable three-year performance period as well as the individual remaining employed by, or continuing to provide services to, the Corporation. The grantee is eligible for additional PSUs (the "**Additional PSUs**") up to 50% of the PSUs granted on the grant date, subject to an additional total shareholder return condition (the "**TSR Condition**"), and to the extent the other service and performance conditions are met. The Additional PSUs have service, non-market and market (i.e., the TSR Condition) vesting conditions, all of which must be satisfied to vest.

Upon settlement, holders will receive fully paid Common Shares in proportion to the number of vested PSUs held and the level of performance achieved. Any unearned PSUs will be forfeited.

Deferred Share Units

The Corporation offers DSU grants to the members of the Board. Upon settlement, holders will receive one fully paid Common Share in respect of each vested DSU. The Corporation recognises services received in a share-based payment transaction as an expense over the requisite service period and recognises a corresponding increase in equity as the services are received. DSUs vest immediately or over either a one-, two- or three-year period. The grant date is the date on which the Corporation and the Directors have a shared understanding of all the terms and conditions of the arrangement. If the grant date occurs after the service commencement date, then the Corporation estimates the grant-date fair value of the DSUs for the purpose of recognising the expense from the service commencement date until the accounting grant date. All grants are subject to forfeiture if the director ceases to serve as a director prior to vesting and vested DSUs can only be settled at such time.

Restricted Shares

An RS is a fully paid Common Share that is subject to restrictions on transfer and a risk of forfeiture for a period of time, and which shall be held by the Corporation or its designee in escrow until such time as the restricted period lapses. The Plan Administrator shall have the authority to determine at the time of grant, the duration of the restricted period and other restrictions applicable to the restricted Common Shares. Except for the restrictions applicable to the restricted Common Shares, during the restricted period, the holder shall have all the rights and privileges of a holder of Common Shares as to the restricted Common Shares, including the right to vote. All previously outstanding RS vested and were settled during the year ended December 31, 2017.

With respect to RS, RSUs, PSUs and DSUs, the Corporation doesn't currently expect to pay any dividends during the vesting period. Therefore, the fair market value of a RS, RSU, PSU or DSU is equal to the market price of the underlying Common Share at the grant date. On the grant date, the fair value of the awards is measured using the closing TSX stock price, or the closing Nasdaq stock price if the Common Shares are not traded on the TSX. The fair market value of the Additional PSUs is determined using a simulation based valuation to reflect the probability of the market condition being met. The service and non-market conditions, do not affect the fair value of the awards at grant date. Market conditions are reflected as an adjustment (discount) to the initial estimate of fair value at grant date of the instrument to be received and there is no true-up for differences between estimated and actual vesting due to market conditions.

Share-based compensation expense is recognised over the vesting period in the consolidated statements of (loss) earnings with a corresponding increase to the equity reserve. Once the awards vest and are settled with the counterparty, the related amount recorded within the equity reserves is credited to share capital.

Dividend Equivalents

RS, RSUs, PSUs and DSUs may be credited with dividend equivalents in the form of additional RS, RSUs, PSUs, DSUs and other share-based awards, as applicable. Dividend equivalents shall vest in proportion to the awards to which they relate. Such dividend equivalents shall be computed by dividing: (i) the amount obtained by multiplying the amount of the dividend declared and paid per Common Share by the number of RS, RSUs, PSUs, DSUs or other share-based awards, as applicable, held by the participant on the record

date for the payment of such dividend, by (ii) the highest closing price of the Common Shares on any stock exchange on which the Common Shares are then listed on the date of grant, at the close of the first business day immediately following the dividend record-date.

Provisions

Provisions represent liabilities of the Corporation for which the amount or timing of payment is uncertain. Provisions are recognised when the Corporation has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured at the present value of the expected expenditures required to settle the obligation using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in provisions due to the passage of time is recognised in interest accretion within net financing charges on the consolidated statements of (loss) earnings.

Contingent liabilities

Contingent liabilities are possible obligations the existence of which will be confirmed by uncertain future events that are not wholly within the control of the entity. Contingent liabilities also include obligations that are not recognised because their amount cannot be measured reliably or because settlement is not probable. A contingent liability is not recognised in the consolidated statements of financial position. However, unless the possibility of an outflow of economic resources is remote, a contingent liability is disclosed in the notes.

Translation of Foreign Operations and Foreign Currency Transactions

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 functional currency of each of the Corporation and its subsidiaries have been determined. The functional currency of the Corporation is CDN. The Corporation's consolidated financial statements are presented in U.S. dollars.

Transactions and balances

Foreign currency transactions are translated into the applicable functional currency using the exchange rates prevailing on the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised within general and administrative expenses.

Group companies

The results and financial position of the Corporation's subsidiaries that have a functional currency different from the Corporation's presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing exchange rate on the date of that statement of financial position;

(ii) income and expenses for each statement of net (loss) earnings and statement of other comprehensive (loss) income are translated at the rates of exchange prevailing on the dates of the transactions; and

(iii) all resulting exchange rate differences are recognised in other comprehensive (loss) income and are transferred to net (loss) earnings upon the sale or disposition of subsidiaries.

Business Combinations

Business combinations are accounted for using the acquisition method. Under this method, the identifiable assets acquired and liabilities assumed, including contingent liabilities, are recognised in the consolidated statements of financial position at their respective fair values. Goodwill is recorded based on the excess of the fair value of the consideration transferred over the fair value of the Corporation's interest in the acquiree's net identifiable assets on the date of the acquisition. Any excess of the identifiable net assets over the consideration transferred is immediately recognised in the consolidated statements of (loss) earnings.

The consideration transferred by the Corporation to acquire control of an entity is calculated as the sum of the acquisition-date fair values of the assets transferred, liabilities incurred and equity interests issued by the Corporation, including the fair value of all the assets and liabilities resulting from a deferred contingent payment arrangement. Acquisition-related costs are expensed as incurred.

Operating Segments

Segments are reported in a manner consistent with the internal reporting provided to the Corporation's Chief Operating Decision Maker ("**CODM**"). The Corporation's CODM consists of its Chief Executive Officer, Chief Financial Officer and Chief Corporate Development Officer, as this group is responsible for allocating resources to, and assessing the performance of, the operating segments of the Corporation.

Key sources of estimation uncertainty

Determining the carrying amounts 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.

Goodwill impairment

At least annually, the Corporation tests whether goodwill is subject to any impairment in accordance with the applicable accounting policy set forth in note 2.

The Corporation applied judgment in the allocation of goodwill to the identified cash-generating units ("**CGUs**"). Prior to the SBG Acquisition, the Corporation identified potential synergy benefits that management estimated would be realised in both the International and United Kingdom CGUs and accordingly attributed a portion of the goodwill recognised from the SBG Acquisition to the International CGU for impairment testing purposes, given the synergies were taken into account when determining an appropriate purchase price. The annual recurring synergy benefit applicable to each CGU was calculated and the net present value of this recurring benefit to each CGU was used to allocate the appropriate proportion of goodwill accordingly.

The recoverable amount for any CGU or group of CGUs is determined based on the higher of fair value less costs to sell and value in use. Both valuation approaches require management to use judgments and estimates. Goodwill impairment exists when the carrying value of a CGU or group of CGUs exceeds its recoverable amount. Estimates used in determining the recoverable amount include but are not limited to expected cash flows, growth rates, capital expenditures and discount rates. A change in future earnings or any other assumptions may have a material impact on the fair value of the CGU or group of CGUs, and could result in an impairment loss. See note 11.

Valuation of deferred contingent payment on acquisition of non-controlling interest

As part of the incremental acquisition of an 18% equity interest in BetEasy, BetEasy's management team will be entitled to an additional payment of up to AUD 239 million in 2020, subject to certain performance conditions primarily related to its EBITDA, and payable in cash and/or additional Common Shares at TSG's discretion. The Corporation considered this additional payment to be a contingent consideration and accounted for it as part of the purchase price related to the acquisition of the 18% equity interest in BetEasy. The deferred contingent payment is subsequently recorded at fair value at each balance sheet date, with re-measurements recorded within net financing charges in the consolidated statements of (loss) earnings. In

valuing the deferred contingent payment as at December 31, 2018, the Corporation used a discount rate of 10.5%, considering the term of the deferred contingent payment period and credit risk. The Corporation applied a volatility of historical EBITDA for comparable companies of 25%, which was based on historical performance and market indicators. See notes 5 and 26.

Uncertain tax positions

Determining the Corporation's income tax and its provisions for income taxes involves a significant degree of estimation and judgment, particularly in respect of open tax returns relating to prior years where the liabilities remain to be agreed with the local tax authorities. The Corporation is also subject to tax authority audits and has a number of open tax enquiries. As a result, it has recognised a number of provisions against uncertain tax positions that are recognised based on management's best estimate of the outcome after taking into consideration all available evidence, and where appropriate, after taking external advice. The tax provisions recorded in the Corporation's consolidated financial statements in respect of prior years relate to intercompany trading and financing arrangements entered into in the normal course of business and tax audits that are currently in progress with fiscal authorities. Due to the uncertainty associated with such tax items it is possible that at a future date, on resolution of the open tax matters, the final outcome may vary significantly and there is the potential for a material adjustment to the carrying amounts of the liability recorded as a result of this estimation uncertainty.

Critical accounting estimates and judgments

The preparation of the Corporation's consolidated financial statements requires management to make estimates and assumptions concerning the future. It also requires management to exercise its judgment in applying the Corporation's accounting policies. Estimates and judgments are continuously evaluated and are based on historical experience, general economic conditions, and trends and other factors, including expectations of future events.

Estimates and their underlying assumptions are reviewed on a regular basis and the effects of any changes are recognised immediately. Changes in the status of certain facts or circumstances could result in material changes to the estimates used in the preparation of the consolidated financial statements and actual results could differ from the Corporation's estimates.

The following discussion sets forth what management believes to be the most significant estimates and assumptions in determining the value of assets and liabilities and the most significant judgments in applying the Corporation's accounting policies.

Determination of purchase price allocations and deferred contingent payments

Management makes certain judgments and estimates in the recognition and measurement of assets and liabilities, including separately identifiable intangibles acquired as part of a business combination. Further, management also makes judgments and estimates in determining the value of deferred contingent payments that should be recorded as part of the consideration on the date of acquisition and changes in deferred contingent payments payable in subsequent reporting periods. The deferred contingent payment relating to the incremental acquisition of an 18% equity interest in BetEasy is discussed above in key sources of estimation uncertainty and in note 26.

Business combinations may result in the recognition of certain intangible assets, recognised at fair value, including but not limited to, software technology, customer relationships, below market significant contracts, and brands. Judgment is applied in the identification of "identifiable" intangible assets which requires that an asset must be separable or must arise from contractual or other legal rights to distinguish it from goodwill. Specifically, customer relationships recognised in respect of the SBG Acquisition and the Australian Acquisitions are primarily in respect of non-contractual relationships from which the acquired companies have a practice and history of establishing contracts (i.e., customers that have previously engaged in online gaming transactions and are expected to engage in future online gaming transactions)

Key estimates made by management in connection with the measurement of acquired intangible assets relating to the SBG Acquisition and the Australian Acquisitions, included:

(i) Discount rates – The Corporation used discount rates ranging from 7% to 10%.

(ii) Attrition rates – The Corporation valued certain intangibles using estimated attrition rates ranging from 3% to 10%.

(iii) Technology migration – The Corporation valued technology intangibles using estimated useful lives of 5 to 7 years based on the planned migration towards newer developed technology.

(iv) Technology royalty rate – The Corporation valued certain technology intangibles using royalty rates ranging from 5% to 10%.

(v) Brand royalty rate – The Corporation valued brands using royalty rates ranging from 2.5% to 5%.

(vi) Estimating future cash flows – The Corporation considered historical performance and industry assessments among other sources in the estimation of the cash flows. Significant estimation uncertainty exists with respect to forecasting and growth assumptions used in the valuation of intangibles.

Acquisition of BetEasy – Control assessment

The Corporation acquired a 62% equity interest in BetEasy on February 27, 2018, and a further 18% equity interest on April 24, 2018. As is typical, the shareholders agreement entered into with the minority shareholders of BetEasy in connection with these transactions includes a number of rights and protections for the minority shareholders in certain circumstances that are directly harmful to the minority, including as it relates to significant changes to business scope, material acquisitions or financing. In the Corporation's judgment such minority shareholder rights are protective rights and the Corporation has control in accordance with IFRS 3, *Business Combinations*.

Useful lives of long-lived assets

Estimates are used for each component of an asset's useful life and is based on an analysis of all pertinent factors including, but not limited to, the expected use of the asset and, in the case of intangible assets, where applicable, contractual provisions that enable the renewal or extension of the asset's legal or contractual life without substantial cost, as well as renewal history or the expected period of future benefit of the intangible asset. Incorrect estimates of useful lives could result in an increase or decrease in the annual amortization expense and future impairment charges.

As noted above, the Corporation acquired significant intangible assets in connection with the SBG Acquisition and the Australian Acquisition. Management used estimates in determining the useful lives for these acquired intangible assets using information regarding, among other things, details of the contractual terms, historical customer activity and attrition, forecasted cash flow information, and market conditions and trends.

Debt extinguishment

The Corporation applied judgment in determining whether transactions related to its long-term debt during the period should be classified as an extinguishment or modification of such debt. The Corporation considers long-term debt that is pre-payable with no significant termination costs as being extinguished when contractual amendments are made. As discussed in note 17, on April 6, 2018, the Corporation amended its long-term debt in connection with the Australian Acquisitions and recorded the amendment as an extinguishment for accounting purposes as the debt was repayable at par, and no termination costs were incurred. On July 10, 2018, the Corporation's previous first lien term loans were repaid in full and the transaction was recorded as an extinguishment for accounting purposes. No termination costs were incurred upon repayment.

Recognition and valuation of embedded derivatives

The Senior Notes (as defined below) include certain embedded features allowing the Corporation to redeem the Senior Notes or allowing the holders to require a redemption of the Senior Notes. The Corporation applied its judgment in determining whether the features represent embedded derivatives required to be bifurcated from the carrying value of the Senior Notes, including in relation to the assessment of whether the features are closely related to the host contract (i.e., the Indenture (as defined below) governing the

Senior Notes). The Corporation considers redemption features with fixed redemption prices over a series of redemption dates as a single feature for assessing whether the feature is closely related to the host contract. The Corporation also considers embedded features with the same underlying risk exposure (i.e., interest rate risk exposure) as a combined derivative instrument for measurement, presentation and disclosure. Certain features were bifurcated from the carrying value of the Senior Notes. Management used estimates, including an implied credit spread of 3.8% as at December 31, 2018, in determining the fair value of the embedded derivatives. See notes 17, 19 and 26.

Functional currency

The Corporation's worldwide operations expose the Corporation to transactions denominated in a number of different currencies, which are required to be translated into one currency for consolidated financial statement reporting purposes. The Corporation's foreign currency translation policy is designed to reflect the economic exposure of the Corporation's operations to various currencies. The functional currencies of the Corporation's subsidiaries are assessed on a regular basis as the operations of the Corporation evolve or as result of business combinations or expansions. The functional currency of an operation or subsidiary is the currency of the primary economic environment to which it is exposed.

Following the SBG Acquisition and the Australian Acquisitions, management applied judgment in determining the functional currencies of the acquired subsidiaries and considered the impact of the acquisitions on the primary economic environment of the acquiring subsidiaries. To determine the functional currencies, management considered the currency that influences sales prices of the goods and services provided by the operations and the currency that influences the costs incurred by the operations. Where as a result of these primary factors, the functional currency was not obvious, management examined secondary factors such as the currency in which funds from financing are obtained, the currency in which cash receipts are retained and the levels of interactions with the parent company.

Contingent liabilities

The Corporation reviews outstanding legal cases following developments in legal proceedings 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 Corporation's management as to how it will respond to the litigation, claim or assessment. The Corporation assesses the probability of an outflow of resources to settle the 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. To the extent that the Corporation's assessments at any time do not reflect subsequent developments or the eventual outcome of any claim, its future consolidated financial statements may be materially affected, with a favourable or adverse impact on the Corporation's business, financial condition or results of operations. See note 28.

3. RECENT ACCOUNTING PRONOUNCEMENTS

New accounting pronouncements - not yet effective

IFRS 16, *Leases*

In 2016, the IASB issued IFRS 16, *Leases* ("**IFRS 16**") replacing IAS 17, *Leases* ("**IAS 17**") and related interpretations. The standard introduces a single lease accounting model for lessees that requires on-balance sheet recognition and measurement. Lessees are required to recognise right-of-use assets representing the right to use the underlying assets and a lease liability representing the obligation to make lease payments. At the commencement date of a lease, a lessee will measure the present value of in substance fixed future lease payments as right-of-use assets and lease liabilities. Lessees will be required to recognise the interest expense related to recognising the lease liability and the depreciation expense on the right-of-use asset. IFRS 16 substantially carries forward the lessor accounting requirements from IAS 17.

IFRS 16 became effective for the Corporation on January 1, 2019 for reporting periods after that date. The Corporation intends to adopt the standard by applying the requirements of the standard retrospectively with

the cumulative effects of initial application recorded in opening retained earnings as at January 1, 2019 using a modified retrospective approach with no restatement of the comparative period.

The Corporation will make use of the practical expedient available on transition to IFRS 16, that does not require it to reassess whether a past contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and related interpretations will continue to apply to the Corporation's leases entered into or modified before January 1, 2019. The Corporation will also elect to use the exemptions provided by the standard on lease contracts with durations of 12 months or less as of the date of initial application and for leases of underlying assets with low value. Under IFRS 16, right-of-use assets will be tested for impairment in accordance with IAS 36. This will replace the previous requirement to recognise a provision for onerous lease contracts. However, as a transition practical expedient, the Corporation elected to rely on the assessment of whether leases are onerous by applying IAS 37, *Provisions, Contingent Liabilities and Contingent Assets* immediately before the date of initial application as an alternative to performing an impairment review.

In preparation for the first-time adoption of IFRS 16, the Corporation has also carried out an implementation project which has led management to conclude that that the new definition in IFRS 16 will not change significantly the scope of contracts that meet the definition of a lease for the Corporation.

On initial application of IFRS 16, for all leases for which the Corporation is a lessee, the Corporation expects to recognise a right-of-use asset in the range of $54.0 million to $58.0 million and a corresponding lease liability in the range of $57.0 million to $61.0 million in the consolidated statements of financial position, initially measured at the present value of the future lease payments.

Subsequent to initial application of IFRS 16, there will be a decrease in rent expense and an increase in depreciation and net finance charges. For short-term leases and leases of low-value assets, the Corporation will opt to recognise a lease expense on a straight-line basis as permitted by IFRS 16. For the year ending December 31, 2019, the corporation currently expects an decrease to net (loss) earnings in the form of a reduction to operating rental expenses of between $14.0 million and $16.0 million and an increase in depreciation expenses of between $12.5 million to $14.5 million, each as reported in general and administrative expenses on the consolidated statements of (loss) earnings as well as an increase to interest accretion expense of between $1.5 million to $2.5 million reported in net financing charges on the consolidated statements of (loss) earnings.

At the date of finalising these consolidated financial statements, management are completing their reviews across certain non-material contracts. Some of these contracts may be identified as leases under IFRS 16 and if so, the right of use asset and lease liability may increase accordingly. As the corporation has no finance leases, there will be no impact as a result of the adoption of IFRS 16 with respect to the same.

International Financial Reporting Interpretations Committee 23, *Uncertainty over Income Tax Treatments* ("IFRIC 23")

In June 2017, the IASB published IFRIC 23, effective for annual periods beginning on or after January 1, 2019. The interpretation requires an entity to assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings and to exercise judgment in determining whether each tax treatment should be considered independently or whether some tax treatments should be considered together. The decision should be based on which approach provides better predictions of the resolution of the uncertainty. An entity also has to consider whether it is probable that the relevant authority will accept each tax treatment, or group of 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.

The Corporation intends to adopt the interpretation by applying the requirements retrospectively with the cumulative effects of initial application recorded in opening retained earnings as at January 1, 2019 using a modified retrospective approach with no restatement of the comparative period. The Corporation believes that the adoption of the interpretation will not have a material impact to the consolidated financial statements.

4. ADOPTION OF NEW ACCOUNTING STANDARDS

IFRS 9, Financial Instruments

As referenced in note 2 above, the Corporation adopted IFRS 9 on January 1, 2018. As permitted by IFRS 9, the Corporation elected to continue to apply the hedge accounting requirements of IAS 39 rather than the new requirements of IFRS 9 and will comply with the revised annual hedge accounting disclosures as required by the related amendments to IFRS 7. The impact of the Corporation's transition to IFRS 9 is summarised below.

Classification of financial assets

As of January 1, 2018, management assessed which business models apply to the financial assets held by the Corporation and classified those financial assets into the appropriate IFRS 9 categories as follows:

Financial assets - January 1, 2018 In thousands of U.S. Dollars	**Available-for-sale**	**FVTPL**	**FVOCI**	**Total financial assets**
Opening balance - IAS 39	129,650	—	—	129,650
Reclassification of bonds from Available-for-sale to FVOCI	(115,343)	—	115,343	—
Reclassification of funds from Available-for-sale to FVTPL	(7,045)	7,045	—	—
Reclassification of equity in unquoted companies from Available-for-sale to FVTPL	(6,981)	6,981	—	—
Reclassification of equity in quoted companies from Available-for-sale to FVTPL	(281)	281	—	—
Opening balance - IFRS 9	**—**	**14,307**	**115,343**	**129,650**

Impairment of financial assets

The Corporation holds three types of financial assets subject to the new expected credit losses model applicable under IFRS 9 as follows: (i) Trade receivables carried at amortised cost; (ii) Debt instruments carried at FVOCI; and (iii) Other financial assets carried at amortised cost.

The Corporation was required to revise its impairment methodology upon adoption of IFRS 9 for each of these classes of financial assets. The impact of the change in impairment methodology on the opening carrying amounts of these financial assets and the opening balance of retained earnings is disclosed in the measurement of financial instruments table below.

The nature of the Corporation's business does not generate significant receivables and its investments are considered low risk as it pursues an investment strategy that only permits highly liquid investments with reputable financial institutions.

Financial liabilities – debt modification

The Corporation was required to adjust the carrying amount of its existing long-term debt in respect of historic debt modifications upon adoption of IFRS 9. The adjustment required in respect of each of the historic debt modifications was calculated as the difference between the present value of the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This differs from the treatment under IAS 39, which required an adjustment to the prevailing effective interest rate on the loan rather than an adjustment to the carrying amount.

The impact of the change in treatment of historic debt modifications on the carrying amount of long-term debt and the opening balance of retained earnings is disclosed in the measurement of financial instruments table below.

Measurement of financial instruments

The table below illustrates the result of adoption of IFRS 9 as of January 1, 2018, and the measurement impact on the respective categories of financial instruments:

	Measurement Category		**Carrying amount**		
In thousands of U.S. Dollars	**Original (IAS 39)**	**New (IFRS 9)**	**Original (IAS 39)**	**New (IFRS 9)**	**Adjustment to opening retained earnings**
Bonds	Available-for-sale	FVOCI	115,343	115,343	213
Funds	Available-for-sale	FVTPL	7,045	7,045	—
Equity in unquoted companies	Available-for-sale	FVTPL	6,981	8,767	(1,786)
Equity in quoted companies	Available-for-sale	FVTPL	281	281	—
Trade receivables	Loans and receivables	Amortised cost	112,227	111,435	792
Cash and restricted cash	Loans and receivables	Amortised cost	564,018	563,037	981
Long-term debt	Amortised cost	Amortised cost	(2,358,569)	(2,314,675)	(43,894)
			(1,552,674)	**(1,508,767)**	**(43,694)**

The Corporation has not designated any financial assets that meet the criteria for classification at amortised cost or FVOCI as FVTPL on initial recognition. Prior to the application of IFRS 9, the Corporation did not have a material impairment allowance recorded in respect of financial instruments. The adoption of IFRS 9 did not have a material impact on the impairment allowance recorded.

IFRS 15, Revenue from contracts with customers

As referenced in note 2 above, the Corporation adopted *IFRS 15, Revenue from contracts with customers* on January 1, 2018. The adoption of IFRS 15 did not have a material impact on the timing and amount of revenue recognised by the Corporation.

The Corporation amended the presentation and disclosure of total revenue as a result of the requirement under IFRS 15 to show revenue from contracts with customers separately from other sources of revenue. See note 6. Notwithstanding the presentation and disclosure requirement of IFRS 15 for total revenue, the Corporation presents disaggregated revenue disclosures within the segmental information note including details by segment, major line of operation and geographical region. See note 7.

5. ACQUISITION OF SUBSIDIARIES

BetEasy

As previously announced on February 27, 2018, a subsidiary of the Corporation acquired a 62% controlling equity interest in BetEasy, which it increased to an 80% controlling equity interest on April 24, 2018 as described below. Pursuant to a shareholders agreement (the "**Shareholders Agreement**"), the Corporation is entitled to, among other things, appoint a majority of the directors on the board of directors of BetEasy. The Corporation therefore obtained control through acquiring the majority equity interest in combination with such rights. The non-controlling interest in BetEasy is measured at the proportionate share of net assets of the subsidiary. The Corporation believes the Australian Acquisitions provide the Corporation with a strong market position in Australia and creates an opportunity for cost synergies.

In connection with the 62% equity interest in BetEasy, the Corporation entered into a put option deed with an exercise price equal to the purchase price of the 62% equity interest in BetEasy, $117.7 million

(AUD$150.0 million), plus interest. The put option was set to expire on the earlier of February 28, 2019 or the completion of BetEasy's purchase of TSGA (the latter occurred on April 24, 2018 as described above). On expiration, the $0.6 million mark to market of this put option previously recognised was derecognised and recorded in general and administrative in the consolidated statements of (loss) earnings.

On April 24, 2018, the Corporation acquired a further 18% equity interest in BetEasy for a total consideration of $229.2 million, comprising cash of $48.2 million (AUD$63.2 million), newly issued Common Shares valued at $96.4 million, see note 24, and deferred contingent payment valued at $84.6 million (AUD$111.0 million) at acquisition, which is included in other long-term liabilities on the consolidated statements of financial position. See note 26 for details regarding the valuation of the deferred contingent payment. To finance the cash portion of the purchase price for the transaction, the Corporation obtained incremental financing as part of the April 2018 Amend and Extend. In addition, a shareholder loan was issued to certain non-controlling shareholders of BetEasy. See note 17. The acquisition of the additional equity interest in BetEasy had no impact on the fair values of the goodwill and intangible assets acquired on February 27, 2018; however, the excess of the total consideration compared to the carrying value of the 18% non-controlling interest was recognised directly in equity as acquisition reserve. See note 25.

Also on April 24, 2018, in connection with the Corporation's acquisition of the additional 18% interest in BetEasy, the Corporation entered into a non-controlling interest put-call option in relation to the 20% interest in BetEasy held by its minority interest shareholders, with an exercise price based on certain future operating performance conditions of the acquired business. This was determined to be a non-controlling interest put-call option with a variable settlement amount that can be settled in either cash or shares or a combination of both, and because the put-call option does not clearly grant the Corporation with present access to returns associated with the remaining 20% ownership interest, the Corporation recognised this put-call option as a net liability derivative. As at each of the acquisition date and December 31, 2018, the Corporation determined that the fair value of this non-controlling interest derivative was $nil.

The provisional amounts recognised in respect of the identifiable assets acquired and liabilities assumed upon acquisition of BetEasy are set out in the table below:

In thousands of U.S. Dollars	As at February 27, 2018
Financial assets	29,062
Property and equipment	6,079
Identifiable intangible assets (note 11)	102,406
Financial liabilities	(59,327)
Deferred tax liability	(19,444)
Total identifiable assets	58,776
Non-controlling interest	(956)
Goodwill (note 11)	59,887
Total consideration	**117,707**
Satisfied by:	
Cash	117,707
Less: Cash and cash equivalent balances acquired	(17,003)
Net cash outflow arising on acquisition	**100,704**

The fair value of the financial assets includes receivables with a fair value of $4.7 million and a gross contractual value of $7.8 million. The Corporation's best estimate at the acquisition date of the contractual cash flows not to be collected is $3.1 million.

Included in the amounts recognised is a deferred tax liability of $19.4 million, comprised of a $26.1 million deferred tax liability related to acquired intangible assets as well as a deferred tax asset of $6.7 million wholly related to other temporary differences.

The main factors leading to the recognition of goodwill as a result of the acquisition are the value inherent in the acquired business that cannot be recognised as a separate asset under IFRS, including future incremental earnings potential resulting from further diversification of the Corporation's business geographically and the expansion of its online betting product offerings. The goodwill is not deductible for tax purposes.

The Corporation has not completed its assessment or valuation of certain assets acquired and liabilities assumed in connection with the acquisition. Therefore, the information disclosed above for identifiable intangible assets, financial assets, financial liabilities and deferred tax liability is completed on a provisional basis and is subject to change based on further review of assumptions and if any new information is obtained about facts and circumstances that existed as of the acquisition date.

TSGA

On April 24, 2018, BetEasy acquired 100% of TSGA.

The provisional amounts recognised in respect of the identifiable assets acquired and liabilities assumed are set out in the table below:

In thousands of U.S. Dollars	**As at April 24, 2018**
Financial assets	41,142
Property and equipment	2,048
Identifiable intangible assets (note 11)	267,346
Financial liabilities	(71,024)
Deferred tax liability	(76,600)
Total identifiable assets	162,912
Goodwill (note 11)	78,290
Total consideration	**241,202**
Satisfied by:	
Cash	241,202
Less: Cash and cash equivalent balances acquired	(32,352)
Net cash outflow arising on acquisition	**208,850**

The fair value of the financial assets includes receivables with a fair value of $16.7 million and a gross contractual value of $33.1 million. The Corporation's best estimate at the acquisition date of the contractual cash flows not to be collected is $16.4 million.

Included in the amounts recognised is a deferred tax liability of $76.6 million, comprised of a $79.0 million deferred tax liability related to acquired intangible assets and a $0.4 million deferred tax liability related to other temporary differences as well as a deferred tax asset of $2.8 million wholly related to other temporary differences.

The main factors leading to the recognition of goodwill as a result of the acquisition are the value inherent in the acquired business that cannot be recognised as a separate asset under IFRS, including future incremental earnings potential resulting from further diversification of the Corporation's business geographically and the expansion of its online betting product offerings. The goodwill is not deductible for tax purposes.

Acquisition-related costs directly related to the Australian Acquisitions were $11.5 million and were included within general and administrative expenses in the consolidated statements of (loss) earnings.

The Corporation has not completed its assessment or valuation of certain assets acquired and liabilities assumed in connection with the acquisition. Therefore, the information disclosed above for identifiable intangible assets, financial assets, financial liabilities and deferred tax liability is completed on a provisional basis and is subject to change based on further review of assumptions and if any new information is obtained about facts and circumstances that existed as of the acquisition date. During the quarter ended September 30, 2018, the Corporation made an adjustment totalling $31.7 million as a reduction to the amounts recognised as non-controlling interest in relation to the acquisition of TSGA with a corresponding reduction to goodwill.

During the third quarter, the Corporation substantially completed its migration and integration of TSGA into BetEasy. As a result, revenue and earnings cannot be attributed to the individual acquired entities for the period subsequent to the migration and integration. On a combined basis, BetEasy contributed $196.9 million of revenue and a loss of $16.7 million to the Corporation for the period between the respective dates of acquisition and December 31, 2018. BetEasy revenue has been reported in Betting revenue in the Australia segment. See note 7.

SBG

As previously announced, on July 10, 2018, the Corporation completed the SBG Acquisition, acquiring 100% of SBG. The Corporation believes that this acquisition improves the Corporation's revenue diversity across its major lines of operations; increases the Corporation's presence in locally regulated or taxed markets; develops sports betting as a second customer acquisition channel and creates an opportunity to cross-sell customers across multiple lines of operations; and enhances the Corporation's products and technology.

The provisional amounts recognised in respect of the identifiable assets acquired and liabilities assumed are set out in the table below:

In thousands of U.S. Dollars	**As at July 10, 2018**
Financial assets	416,359
Property and equipment	18,086
Identifiable intangible assets (note 11)	3,043,953
Other financial liabilities	(394,177)
Derivatives	(5,031)
Shareholder loans	(663,407)
Long-term debt	(1,080,478)
Preferred shares	(10,879)
Other non-current liabilities	(1,453)
Deferred tax liability	(514,278)
Total identifiable assets	808,695
Goodwill (note 11)	2,431,100
Total consideration	**3,239,795**
Satisfied by:	
Non-cash consideration:	
Common Shares Issued	1,381,044
Cash consideration:	
Cash	1,858,751
Less: Cash and cash equivalent balances acquired	(304,053)
Net cash outflow arising on acquisition	**1,554,698**
Total consideration, net of cash acquired	**2,935,742**

The fair value of the financial assets includes receivables with a fair value of $2.9 million and a gross contractual value of $3.0 million. The Corporation's best estimate at the acquisition date of the contractual cash flows not to be collected is $0.1 million.

Financial liabilities include assumed liabilities for long-term debt and shareholder loans payable of $1.08 billion and $663.4 million, respectively, SBG preferred shares of $10.9 million. Included in derivatives are cross-currency swap and interest rate swap instruments with an aggregate fair value of $(5.0) million. The Corporation redeemed the preferred shares and repaid the long-term debt and shareholder loans payable immediately upon closing of the SBG Acquisition. Subsequently during the quarter, the applicable cross-currency and interest rate swaps were settled for a net cash payment of $1.0 million.

Included in the amounts recognised is a deferred tax liability of $514.3 million, comprised of $515.7 million deferred tax liability related to acquired intangible assets and deferred tax assets of $1.0 million related to plant and equipment and $0.4 million related to other temporary differences.

As at July 10, 2018, SBG had future financial commitments for marketing, technology and IT contracts of $110.2 million.

The main factors leading to the recognition of goodwill as a result of the acquisition are the value inherent in the acquired business that cannot be recognised as a separate asset under IFRS, including future incremental earnings potential resulting from further diversification of the Corporation's business geographically, expansion of its online betting, primarily sports betting, gaming and other product offerings, the ability to cross-sell across these product offerings, and the ability to achieve cost synergies across the Corporation. The goodwill is not deductible for tax purposes.

Acquisition-related costs directly related to the SBG Acquisition were $42.8 million and were included within general and administrative expenses on the consolidated statements of (loss) earnings.

SBG contributed $394.1 million of revenue and a loss of $121.9 million to the Corporation for the period between the date of acquisition and December 31, 2018. SBG revenue has been reported as part of the United Kingdom segment across all revenue categories in the segmental reporting. See note 7.

The Corporation has not completed its assessment or valuation of certain assets acquired and liabilities assumed in connection with the acquisition. Therefore, the information disclosed above for identifiable intangible assets, financial assets, financial liabilities and deferred tax liability is completed on a provisional basis and is subject to change based on further review of assumptions and if any new information is obtained about facts and circumstances that existed as of the acquisition date.

Other

During the year ended December 31, 2018, a subsidiary of the Corporation also acquired 100% of the equity interests in two subsidiaries, Publipoker S.R.L. and Keiem Ltd, for a total consideration, net of cash acquired, of $2.6 million, satisfied by cash consideration of $1.0 million and deferred consideration of $1.6 million. The balance outstanding on the deferred consideration as at December 31, 2018 is $0.3 million.

If the above noted acquisitions had been completed on the first day of the financial year, the Corporation's revenue for the year ended December 31, 2018 would have been $2.6 billion and net loss for the year ended December 31, 2018 would have been $188.0 million.

The following tables shows acquired intangibles by asset class:

In thousands of U.S. Dollars	Software Technology Acquired through Business Combinations	Other Intangibles	Customer Relationships	Brands	Brands (licensed)	Total
BetEasy	34,684	10,908	56,814	—	—	102,406
TSGA	1,432	22,094	243,820	—	—	267,346
SBG	264,709	13,666	2,233,235	22,447	509,896	3,043,953
Total	**300,825**	**46,668**	**2,533,869**	**22,447**	**509,896**	**3,413,705**

6. REVENUE

	Year Ended December 31,	
In thousands of U.S. Dollars	2018	2017
Poker revenue	892,557	877,296
Gaming revenue	585,846	334,781
Betting revenue	491,139	49,231
Other revenue from customers	56,419	34,155
Other sources of revenue	3,277	16,852
Total revenue	**2,029,238**	**1,312,315**

Revenue from contracts with customers have not been further disaggregated as the nature of the revenue streams, contract duration and timing of transfer of services are all largely homogenous. For further information regarding revenue, including segment revenue by major line of operations and geographic region. See note 7.

As at December 31, 2018, there are no significant contract assets or liabilities and no significant unsatisfied performance obligations. In addition, there are no significant capitalised costs to obtain a contract.

7. SEGMENTAL INFORMATION

As a result of its previously announced Australian Acquisitions and SBG Acquisition, the Corporation revised the composition of its reporting segments and the manner in which it has reported its operating results beginning with the unaudited interim condensed consolidated financial statements for the second quarter of 2018. The Corporation believes that the new presentation better reflects its current and expected management and operational structure. Earlier periods have been presented in a manner consistent with the revised segmentation. The segmentation reflects the way the CODM evaluates performance of, and allocates resources within, the business.

The CODM considers the Corporation's business from both a geographic and product offering or lines of operation perspective. Giving effect to the reporting segment changes, for the years ended December 31, 2018 and 2017, the Corporation had three reportable segments: International, United Kingdom and Australia, as well as a Corporate cost center. Revenue within these operating segments is further divided into the Poker, Gaming, Betting and Other lines of operation, as applicable. The CODM receives geographic and lines of operation revenue information throughout the year for the purpose of assessing their respective performance. Certain costs are included in Corporate. "Corporate" in itself is not a reporting segment, but it comprises costs which are not directly allocable to any of the operating segments or relate to a corporate function (tax and treasury).

Further, each reporting segment incurs certain costs, which are not segregated among major lines of operations within each reporting segment as they share the same office infrastructure, the same workforce and the same administrative resources. The Corporation cannot develop or produce reports that provide the true costs by major lines of operations within each reporting segment without unreasonable effort or expense.

The primary measure used by the CODM for the purpose of decision making and/or evaluation of a segment is Adjusted EBITDA. The Corporation defines Adjusted EBITDA as net earnings before financial expenses, income taxes expense (recovery), depreciation and amortization, stock-based compensation, restructuring, net earnings (loss) on associate and certain other items as set out in the reconciliation table below.

However, the CODM also uses other key measures as inputs, including, without limitation, revenue and capital expenditures, to supplement the decision-making process.

Segmental net earnings for the year ended December 31, 2018:

	Year Ended December 31, 2018					
In thousands of U.S. Dollars	**International**	**United Kingdom**	**Australia**	**Corporate**	**Intercompany eliminations ****	**Consolidated**
Revenue	1,440,177	394,131	196,930	—	(2,000)	2,029,238
Poker	886,628	5,929	—	—	—	892,557
Gaming	428,364	157,482	—	—	—	585,846
Betting	79,117	215,921	196,101	—	—	491,139
Other	46,068	14,799	829	—	(2,000)	59,696
Adjusted EBITDA (*)	700,887	99,960	21,072	(40,970)	—	780,949
Net financing charges	—	—	—	363,884	—	363,884
Depreciation and amortization	144,304	108,879	29,476	147	—	282,806
Capital expenditures	81,189	18,971	12,386	1,182	—	113,728

Segmental net earnings for the year ended December 31, 2017:

	Year Ended December 31, 2017					
In thousands of U.S. Dollars	**International**	**United Kingdom**	**Australia**	**Corporate**	**Intercompany eliminations**	**Consolidated**
Revenue	1,312,315	—	—	—	—	1,312,315
Poker	877,296	—	—	—	—	877,296
Gaming	334,781	—	—	—	—	334,781
Betting	49,231	—	—	—	—	49,231
Other	51,007	—	—	—	—	51,007
Adjusted EBITDA (*)	636,404	—	—	(36,098)	—	600,306
Net financing charges	—	—	—	158,332	—	158,332
Depreciation and amortization	147,027	—	—	159	—	147,186
Capital expenditures	35,939	—	—	163	—	36,102

* Adjusted EBITDA is used internally by the CODM when analysing underlying segment performance.

** The Corporation has excluded from its consolidated results $2.0 million of Other revenue included in the International segment related to certain non-gaming related transactions with the United Kingdom segment. A corresponding exclusion in the consolidated results is recorded to sales and marketing expense in the United Kingdom segment.

A reconciliation of Adjusted EBITDA to Net earnings (loss) is as follows:

In thousands of U.S. Dollars	Year Ended December 31, 2018	2017
Consolidated		
Adjusted EBITDA	780,949	600,306
Add (deduct) the impact of the following:		
Acquisition-related costs and deal contingent forwards	(115,569)	—
Stock-based compensation	(12,806)	(10,622)
(Loss) gain from investments and associates	(1,667)	33,598
(Impairment) reversal of intangibles assets and assets held for sale	(6,223)	6,799
Other costs	(108,956)	(35,501)
Total adjusting items	**(245,221)**	**(5,726)**
Depreciation and amortization	(282,806)	(147,186)
Operating income	**252,922**	**447,394**
Net financing charges	(363,884)	(158,332)
Net earnings (loss) from associates	1,068	(2,569)
(Loss) earnings before income taxes	**(109,894)**	**286,493**
Income tax recovery (expense)	988	(27,208)
Net (loss) earnings	**(108,906)**	**259,285**

The distribution of the Corporation's assets by reporting segment is as follows:

	International	United Kingdom	Australia	Corporate	Total
Total assets as at December 31, 2018	5,248,115	5,430,110	510,805	76,508	11,265,538
Total assets as at December 31, 2017	5,398,392	—	—	16,734	5,415,126

The distribution of some of the Corporation's non-current assets (goodwill, intangible assets and property and equipment) by geographic region is as follows:

In thousands of U.S. Dollars	As at December 31, 2018	2017
Geographic Area		
Canada	66,830	53,394
Isle of Man	4,346,599	4,446,503
Italy	30	35
United Kingdom	5,191,994	6,511
Australia	456,422	—
Other licensed or approved jurisdictions	31,973	15,744
	10,093,848	**4,522,187**

The Corporation also evaluates revenue performance by geographic region based on the primary jurisdiction where the Corporation is licensed or approved to offer, or offers through third party licenses or approvals, its products and services. The following tables set out the proportion of revenue attributable to each gaming license or approval (as opposed to the jurisdiction where the customer was located) that either generated a minimum of 5% of total consolidated revenue for the year ended December 31, 2018 or 2017, or that the Corporation otherwise deems relevant based on its historical reporting of the same or otherwise:

	Year Ended December 31, 2018				
In thousands of U.S. Dollars	International	United Kingdom	Australia	Intercompany eliminations *	Total
Geographic Area					
Isle of Man	377,702	—	—	(2,000)	375,702
Malta	497,126	—	—	—	497,126
Italy	156,946	1,144	—	—	158,090
United Kingdom	73,969	388,421	—	—	462,390
Spain	121,776	86	—	—	121,862
Australia	—	190	196,930	—	197,120
Other licensed or approved jurisdictions	212,658	4,290	—	—	216,948
	1,440,177	**394,131**	**196,930**	**(2,000)**	**2,029,238**

	Year Ended December 31, 2017				
In thousands of U.S. Dollars	International	United Kingdom	Australia	Intercompany eliminations *	Total
Geographic Area					
Isle of Man	378,714	—	—	—	378,714
Malta	434,845	—	—	—	434,845
Italy	134,965	—	—	—	134,965
United Kingdom	71,553	—	—	—	71,553
Spain	83,423	—	—	—	83,423
France	61,132	—	—	—	61,132
Other licensed or approved jurisdictions	147,683	—	—	—	147,683
	1,312,315	**—**	**—**	**—**	**1,312,315**

* The Corporation has excluded from its consolidated results $2.0 million of Isle of Man revenue included in the International segment related to certain non-gaming related transactions with the United Kingdom segment. A corresponding exclusion in the consolidated results is recorded to sales and marketing expense in the United Kingdom segment.

8. EXPENSES CLASSIFIED BY NATURE

In thousands of U.S. Dollars	Year Ended December 31, 2018	2017
Cost of revenue (excluding depreciation and amortization)		
Direct selling costs	99,642	38,421
Gaming duty, levies and fees	268,857	137,953
Processor and other operating costs	90,665	71,123
	459,164	**247,497**
General and administrative		
Salaries and wages	285,234	179,929
Legal and professional fees	84,288	69,499
Impairment (reversal of impairment) of property and equipment, intangible assets and assets held for sale (note 11)	6,156	(6,799)
Loss (gain) on disposal of investments and other assets	1,992	(32,999)
Acquisition-related costs	54,209	—
Acquisition of market access rights in connection with Eldorado	20,661	—
Foreign exchange (gain) loss	68,406	2,838
IT and software costs	74,334	20,599
Other operational costs	106,108	57,633
Depreciation and amortization	282,806	147,186
	984,194	**437,886**
Net financing charges		
Interest on long-term debt	186,720	109,624
Re-measurement of deferred contingent payment [1]	(342)	—
Re-measurement of Embedded Derivatives [2]	6,100	—
Ineffectiveness on cash flow hedges	(14,909)	—
Accretion expense	42,431	40,793
Loss on debt extinguishment	146,950	—
Interest income	(3,066)	1,056
Interest on deferred purchase price	—	6,859
	363,884	**158,332**

[1] See notes 5 and 26 for details regarding the recognition and measurement of the deferred contingent payment.

[2] See notes 17, 19 and 26 for details regarding the recognition and measurement of the Embedded Derivative (as defined below).

During the year ended December 31, 2017, the Corporation received $5.8 million in indemnification proceeds from the sellers of Stars Interactive Group for gaming duty, professional fees and taxes owed for periods prior to the Stars Interactive Group Acquisition. The amounts received from the sellers were classified as gaming duty, professional fees and income taxes. In addition, the Corporation received a refund of $2.9 million in taxes and penalties from the Belgian tax authorities, and insurance indemnification proceeds of $2.9 million in respect of Autorité des marchés financiers (AMF) and other investigation professional fees. During the year ended December 31, 2018, the Corporation received an additional $8.0 million in insurance indemnification proceeds in respect of AMF and other investigation professional fees. The amount received from the Belgian tax authorities was classified as income taxes and the insurance indemnification was classified as professional fees.

The Corporation participates in defined contribution retirement plans for all qualifying employees, as applicable, across its segments. The assets of the plans are held separate from those of the Corporation in funds under the control of the Corporation's pension providers. The obligations of the Corporation are limited to make the specified contributions in accordance with the plans. Included within salaries and wages is $9.2 million recorded in respect of these plans.

9. INCOME TAXES

Details of income tax expense were as follows:

In thousands of U.S. Dollars	Year Ended December 31, 2018	2017
Current income tax expense	19,813	9,391
Current income tax expense (recovery) - provision true up	(2,155)	21,923
Deferred income tax recovery relating to the origination and reversal of temporary differences	(17,971)	(3,568)
Deferred income tax (recovery) expense - provision true up	(675)	(538)
Income tax (recovery) expense	**(988)**	**27,208**

The Corporation's applicable Canadian statutory tax rate is equal to the Federal and Provincial combined tax rate for the period applicable in the jurisdiction within Canada where the Corporation's head office is registered (i.e., Ontario where the provincial tax rate is 11.5%, and Quebec, where the provincial tax rate is 11.7%) which resulted in a decrease of 0.2% in the statutory tax rate in 2018 compared to the prior year. The Corporations primary operations were previously in the Isle of Man and Malta and subsequent to the Australian Acquisitions and SBG Acquisition, are now also in Australia and the United Kingdom. Income taxes reported differ from the amount computed by applying the Canadian statutory rates to earnings before income taxes primarily due to differences in statutory rates across the countries where the Corporation operates and where the Corporation is incorporated, among other factors. The reconciliation is as follows:

In thousands of U.S. Dollars	Year Ended December 31, 2018	2017
Net (loss) earnings before income taxes	(109,894)	286,493
Canadian statutory tax rate	26.5%	26.7%
Income taxes at Canadian statutory tax rate	(29,122)	76,494
Non-taxable income	(9,030)	(143)
Non-deductible expenses	34,815	3,590
Differences in effective income tax rates in foreign jurisdictions	(97,919)	(117,153)
Deferred tax assets not recognised	103,098	43,035
Provision true up	(2,830)	21,385
Income tax (recovery) expense	**(988)**	**27,208**

The Corporation's effective income tax rate for the year ended December 31, 2018, was 0.9% (December 31, 2017 – 9.5%) The income tax recovery for the year ended December 31, 2018 includes $27.3 million (December 31, 2017 – nil) in relation to the income tax recovery on the amortization expense of acquired intangible assets from the Australian Acquisitions and the SBG Acquisition.

The Corporation's income taxes for the current year ended December 31, 2018 were impacted by the tax recovery on amortization of intangible assets and the geographic diversity of its taxable earnings. The Corporation expects that this will continue in future periods following the Australia Acquisitions and the SBG Acquisition, which have operations primarily in Australia and the United Kingdom, respectively, where statutory corporate income tax rates are higher than the corporate income tax rates in the Isle of Man and Malta, where the Corporation primarily operated from prior to these acquisitions.

During the year ended December 31, 2017, the Corporation received notification of a proposed tax assessment from the Canadian tax authorities relating to transfer pricing. The proposed assessment covered periods prior to the Stars Interactive Group Acquisition covering the 2003 to 2007 tax years. For the year ended December 31, 2017 the Corporation recorded a tax provision based on the proposed assessments for both Federal and Provincial tax of $26.5 million including interest. During the year ended December 31, 2018 the Corporation received the Federal and Provincial tax assessments and submitted an objection to the relevant authorities regarding the same. The Corporation intends to vigorously defend its position against the assessments. During the year ended December 31, 2018 the provision was reduced to $24.2 million as a result of adjustments for interest, foreign exchange movements and a pre-payment made in relation to the provincial assessment.

Deferred Tax

Recognised deferred tax assets and liabilities

Significant components of the Corporation's deferred income tax asset balance at December 31, 2018 and 2017 are as follows:

In thousands of U.S. Dollars	Property & Equipment	Intangibles	Tax Losses	Other	Total *
At January 1, 2017	**25**	**—**	**139**	**976**	**1,140**
Credited to net earnings	131	—	170	3,378	3,679
Credited to other comprehensive income	—	—	—	146	146
Credited directly to equity - share-based payment transactions	—	—	—	359	359
Foreign exchange on translation	—	—	(1)	(13)	(14)
At December 31, 2017	**156**	**—**	**308**	**4,846**	**5,310**
Reclassifications	(8)	—	(134)	(362)	(504)
At January 1, 2018	**148**	**—**	**174**	**4,484**	**4,806**
Credited (charged) to net earnings	41	—	1,051	(1,008)	84
Credited to other comprehensive income	—	—	—	53	53
Charged directly to equity - share-based payment transactions	—	—	—	(359)	(359)
Acquisition of subsidiary	1,016	—	—	9,921	10,937
Foreign exchange on translation	(61)	—	(34)	(1,177)	(1,272)
At December 31, 2018	**1,144**	**—**	**1,191**	**11,914**	**14,249**

Significant components of the Corporation's deferred income tax liability balance at December 31, 2018 and 2017 are as follows:

In thousands of U.S. Dollars	Property & Equipment	Intangibles	Tax Losses	Other	Total *
At January 1, 2017	**—**	**(17,300)**	**—**	**—**	**(17,300)**
Credited to net earnings	—	426	—	—	426
Credited to other comprehensive income	—	14	—	—	14
Acquisition of subsidiary	—	(72)	—	—	(72)
Foreign exchange on translation	—	253	—	—	253
At December 31, 2017	**—**	**(16,679)**	**—**	**—**	**(16,679)**
Reclassifications	(45)	549	—	—	504
At January 1, 2018	**(45)**	**(16,130)**	**—**	**—**	**(16,175)**
(Charged) credited to net earnings	(82)	15,525	—	(513)	14,930
Acquisition of subsidiary	—	(620,796)	—	(465)	(621,261)
Foreign exchange on translation	6	29,278	—	51	29,335
At December 31, 2018	**(121)**	**(592,123)**	**—**	**(927)**	**(593,171)**

* Deferred taxes by category above are presented on a gross basis. The statements of financial position present deferred taxes net for amounts included within the same jurisdiction.

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the items shown below. The amounts shown are the gross temporary differences and to calculate the potential deferred asset it is necessary to multiply the amounts by the tax rates in each case.

In thousands of U.S. Dollars	As at December 31, 2018	2017
Tax losses	1,619,702	1,293,846
Other temporary differences	82,814	19,567
Total deferred tax asset unrecognised	**1,702,516**	**1,313,413**

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profits will be available in these jurisdictions against which the Corporation can utilise the benefit from them.

Included in tax losses not recognised as at December 31, 2018 are Canadian non-capital tax losses of $129.2 million (December 31, 2017 - $100.2 million) that may be applied against earnings for up to 20 years from the end of the year the losses were generated and the first year of expiry is 2034 for $13.9 million of the carried forward tax losses. Tax losses also include foreign subsidiary non-capital losses of $1.49 billion (December 31, 2017 - $1.19 billion) that may be applied against future years. The majority of these losses of $1.44 billion (December 31, 2017 - $1.17 billion) can be carried forward for up to 9 years from the end of the year the tax losses were generated and the first year of expiry is 2023 for $401.5 million of the carried forward tax losses.

As a result of exemptions from taxation (corporate tax and withholding tax) applicable to dividends from subsidiaries, there are no significant taxable temporary differences associated with investments in subsidiaries, branches, associates and interests in joint arrangements and no material deferred tax liability arises on unremitted earnings totaling $1.87 billion (December 31, 2017 - $1.13 billion).

10. EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted earnings per Common Share for the following periods:

	Year Ended December 31, 2018	2017
Numerator		
Numerator for basic and diluted earnings per Common Share - net earnings (loss) attributable to shareholders of TSG Inc.	$ (102,452,000)	$ 259,231,000
Denominator		
Denominator for basic earnings per Common Share – weighted average number of Common Shares	208,269,905	146,818,764
Effect of dilutive securities		
Stock options	1,371,177	558,996
Performance share units	246,813	18,748
Deferred share units	7,593	—
Restricted share units	72,673	17,076
Warrants	569,304	717,792
Convertible Preferred Shares	32,231,301	55,576,213
Effect of dilutive securities *	**34,498,861**	**56,888,825**
Dilutive potential for diluted earnings per Common Share	**208,269,905**	**203,707,589**
Basic earnings (loss) per Common Share	$ (0.49)	$ 1.77
Diluted earnings (loss) per Common Share	$ (0.49)	$ 1.27

* The effect of dilutive securities for instruments that resulted in the issuance of Common Shares during the years ended December 31, 2018 and 2017 is included for the period during the applicable year prior to the issuance of the related Common Shares.

11. GOODWILL AND INTANGIBLE ASSETS

For the year ended December 31, 2018:

In thousands of U.S. Dollars	Software Technology Acquired through Business Combinations	Customer Relationships	Brands	Brands (licensed)	Deferred Development Costs	Other Intangibles	Goodwill	Total
Cost								
Balance – January 1, 2018	117,492	1,423,719	485,253	—	71,819	18,712	2,810,681	4,927,676
Additions	6,808	—	—	—	51,574	21,394	—	79,776
Additions through business combination	300,825	2,533,869	22,447	509,896	—	46,668	2,571,350	5,985,055
Disposals	(2,336)	—	—	—	—	(550)	(4,944)	(7,830)
Translation	(16,150)	(110,218)	(1,028)	(23,345)	(607)	(3,830)	(109,781)	(264,959)
Balance – December 31, 2018	**406,639**	**3,847,370**	**506,672**	**486,551**	**122,786**	**82,394**	**5,267,306**	**10,719,718**
Accumulated amortization and impairments								
Balance – January 1, 2018	91,072	324,292	—	—	20,107	9,384	5,471	450,326
Amortization	53,159	172,241	—	14,346	14,656	11,769	—	266,171
Disposals	(2,171)	—	—	—	—	(550)	(4,944)	(7,665)
Impairment	—	—	—	—	4,178	396	799	5,373
Translation	(911)	(1,836)	—	(269)	(12)	(138)	—	(3,166)
Balance – December 31, 2018	**141,149**	**494,697**	**—**	**14,077**	**38,929**	**20,861**	**1,326**	**711,039**
Net carrying amount								
At January 1, 2018	26,420	1,099,427	485,253	—	51,712	9,328	2,805,210	4,477,350
At December 31, 2018	**265,490**	**3,352,673**	**506,672**	**472,474**	**83,857**	**61,533**	**5,265,980**	**10,008,679**

For the year ended December 31, 2017:

In thousands of U.S. Dollars	Software Technology Acquired through Business Combinations	Customer Relationships	Brands	Deferred Development Costs	Other Intangibles	Goodwill	Total
Cost							
Balance – January 1, 2017	116,079	1,423,719	485,253	48,808	15,673	2,810,681	4,900,213
Additions	—	—	—	23,212	1,893	—	25,105
Additions through business combination	1,413	—	—	—	—	—	1,413
Reclassification	—	—	—	(201)	—	—	(201)
Translation	—	—	—	—	1,146	—	1,146
Balance – December 31, 2017	**117,492**	**1,423,719**	**485,253**	**71,819**	**18,712**	**2,810,681**	**4,927,676**
Accumulated amortization and impairments							
Balance – January 1, 2017	61,163	229,377	—	9,832	5,798	5,471	311,641
Amortization	29,909	94,915	—	10,275	3,162	—	138,261
Translation	—	—	—	—	424	—	424
Balance – December 31, 2017	**91,072**	**324,292**	**—**	**20,107**	**9,384**	**5,471**	**450,326**
Net carrying amount							
At January 1, 2017	54,916	1,194,342	485,253	38,976	9,875	2,805,210	4,588,572
At December 31, 2017	**26,420**	**1,099,427**	**485,253**	**51,712**	**9,328**	**2,805,210**	**4,477,350**

Impairment Testing

During the year ended December 31, 2018 the Corporation recognised impairment losses (classified in general and administrative expenses) of $4.8 million for deferred development costs and other intangibles, related to discontinued development and other projects within the International and United Kingdom segments and $0.8 million for Goodwill in certain of the Corporation's subsidiaries within the International segment (December 31, 2017 - $nil).

The Corporation performed an annual impairment test for its operations in connection with the preparation of its consolidated financial statements for the year ended December 31, 2018. Goodwill is monitored at the operating segment and this is consistent with the lowest level of CGU except as noted below.

	As at December 31, 2018		As at December 31, 2017	
In thousands of U.S. Dollars	Goodwill	Brand (Indefinite)	Goodwill	Brand (Indefinite)
International	2,806,485	485,253	2,805,210	485,253
United Kingdom *	2,333,476	21,419	—	—
Australia	126,019	—	—	—
Total	**5,265,980**	**506,672**	**2,805,210**	**485,253**

* The United Kingdom segment includes a non-significant CGU which includes the indefinite lived brand as noted in the table above. The Corporation has not identified any impairment in relation to the indefinite lived brand.

The recoverable amount of each CGU tested for impairment is determined from value in use calculations which are categorised as Level 3 fair value measures and use discounted cash flow projections. The key assumptions for the value in use calculations are the future cash flow and growth projections (including estimates of future capital expenditures), discount rates, and perpetual growth rates. Management estimates discount rates using post-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU, including economic risk assumptions and estimates of the likelihood of achieving forecasted cash flow results. The pre tax discount rate is then inferred by recalculation. The Corporation considers a range of reasonably possible amounts to use for key assumptions and applies amounts that represent management's best estimate of future outcomes.

The Corporation prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next five years.

- For the International segment, the sixth year (2024) cash flow assumes a revenue growth rate of 7.8% before a steady growth rate of 3.0% is applied to the perpetual net cash flows.
- For the UK segment, the sixth year (2024) cash flow assumes a revenue growth rate of 4.0% before a steady growth rate of 3.0% is applied to the perpetual net cash flows;
- For the Australian segment, the year five cash flow is steadily reduced across 2024 to 2028 from a revenue growth rate of 7.9% in 2024 to a perpetual growth rate of 2.0% applied to net cash flows from 2028 onwards to take into account known changes in the segment's customer base; and

The cash flows are discounted based on the discount rates as presented below. The estimated perpetual growth rates are based on independent country specific market reports for online gaming growth projections.

The following table shows key assumptions used in the value in use calculations:

	Assumptions used in value in use calculation		
	International	United Kingdom	Australia
Discount Rate (pre-tax)	11.25	9.3%	14.1
Discount Rate (after-tax)	11.0%	8.2%	10.5
Perpetual Growth Rate	3.0%	3.0%	2.0
Revenue Growth Rate	6.6% - 11.5%	4.0% - 13.4%	3.9% - 11.5%
Adjusted EBITDA Margin as % of Revenue	38.9% - 43.0%	26.9% - 30.5%	16.5% - 19.4%
CAPEX as % of Revenue	4.5%	4.5	4.4% - 5.4%

Based on the impairment test performed, the recoverable amount of the CGUs were in excess of their carrying amount and accordingly, there is no impairment of the carrying value of the goodwill (except as noted above in respect of in certain of the Corporation's subsidiaries).

The Corporation believes that a reasonable change to the key assumptions applied to International would not cause its carrying value to exceed its recoverable amounts. With respect to the United Kingdom and Australia, the recoverable amount exceeds the carrying amount by $111 million and $152 million, respectively. The impairment assessment is highly sensitive to reasonably possible changes in a number of key assumptions in the value in use calculation. The following table shows the changes to key assumptions used in the impairment review that would be required for the carrying amount to equal the recoverable amount:

	Change required for carrying value to equal recoverable amount	
	United Kingdom pps	**Australia pps**
Discount Rate (pre-tax)	0.1	4.7
Discount Rate (after-tax)	0.1	3.3
Perpetual Growth Rate	(0.2)	(8.9)
Revenue Growth Rate across the five year forecast	(0.6)	(5.4)
Adjusted EBITDA Margin as % of Revenue across the five year forecast	(0.6)	(4.0)
CAPEX as % of Revenue	0.7	3.5

A combination of reasonably possible changes in assumptions as set out in the table above could result in impairment in either or both of the United Kingdom and Australia.

12. PROPERTY AND EQUIPMENT

For the year ended December 31, 2018:

In thousands of U.S. Dollars	Furniture and Fixtures	Computer Equipment	Building	Total
Cost				
Balance – January 1, 2018	12,497	26,155	23,928	62,580
Additions	11,283	22,669	—	33,952
Additions through business combinations	24,582	1,642	—	26,224
Disposals	(338)	(26)	—	(364)
Impairment	(1,521)	—	—	(1,521)
Translation	(870)	(634)	(1,991)	(3,495)
Balance – December 31, 2018	**45,633**	**49,806**	**21,937**	**117,376**
Accumulated depreciation				
Balance – January 1, 2018	5,324	9,402	3,017	17,743
Depreciation	7,682	7,960	991	16,633
Disposals	(57)	(12)	—	(69)
Impairment	(954)	—	—	(954)
Translation	(528)	(246)	(372)	(1,146)
Balance – December 31, 2018	**11,467**	**17,104**	**3,636**	**32,207**
Net carrying amount				
Balance – January 1, 2018	7,173	16,753	20,911	44,837
At December 31, 2018	**34,166**	**32,702**	**18,301**	**85,169**

For the year ended December 31, 2017:

In thousands of U.S. Dollars	Revenue-Producing Assets	Furniture and Fixtures	Computer Equipment	Building	Total
Cost					
Balance – January 1, 2017	84	9,356	18,627	21,605	49,672
Additions	—	2,724	8,273	—	10,997
Disposals	(84)	(571	(1,251	—	(1,906)
Translation	—	988	506	2,323	3,817
Balance – December 31, 2017	—	**12,497**	**26,155**	**23,928**	**62,580**
Accumulated depreciation					
Balance – January 1, 2017	24	2,017	5,239	1,592	8,872
Depreciation	—	3,198	4,764	963	8,925
Disposals	(24)	(301)	(860)	—	(1,185)
Translation	—	410	259	462	1,131
Balance – December 31, 2017	—	**5,324**	**9,402**	**3,017**	**17,743**
Net carrying amount					
At January 1, 2017	60	7,339	13,388	20,013	40,800
At December 31 2017	—	**7,173**	**16,753**	**20,911**	**44,837**

13. INVESTMENTS

The Corporation held the following investments:

	As at December 31,	
	2018	2017
In thousands of U.S. Dollars	Carrying value & fair value	Carrying value & fair value
Bonds – Available-for-sale	—	115,343
Funds – Available-for-sale	—	7,045
Equity in quoted companies – Available-for-sale	—	280
Equity in unquoted companies – Available-for-Sale	—	6,981
Bonds – FVOCI	103,153	—
Equity in unquoted companies – FVTPL (note 16)	6,773	—
Total investments	**109,926**	**129,649**
Current portion	103,153	122,668
Non-current portion	6,773	6,981

Investments relate primarily to customer deposits held in accounts segregated from investments held for operational purposes. Investments held in relation to customer deposits are liquid investments 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 many of the bonds being held to maturity. As of December 31, 2018, Customer deposits were covered by $103.2 million in investments and $328.2 million in cash.

There were no impairments recognised on investments during the year ended December 31, 2018 (December 31, 2017: $nil). See note 29 for details on credit risk.

During the year ended December 31, 2017, the Corporation completed the disposition of all its securities of NYX Gaming Group Limited ("**NYX Gaming Group**") for net cash proceeds of $27.9 million resulting in a gain of $14.0 million. During the year ended December 31, 2017, the Corporation also completed the sale of its ordinary shares in Jackpotjoy plc (LSE: JPJ) for net cash proceeds of $59.8 million resulting in a gain of $15.0 million. These gains were recorded within loss (gain) on disposal of investments and other assets included in general and administrative expenses

The Corporation's investments held by maturity date are as follows:

	1 year or less $000's	1 to 5 years $000's	Greater than 5 years $000's
Bonds	41,664	61,489	—
Total	**41,664**	**61,489**	**—**

For the year ended December 31, 2018, the Corporation recognised gains (losses) from investments as follows:

	Bonds $000's	Equity in private companies $000's	Total $000's
Investment income earned	2,592	—	2,592
Realised (losses) gains	(311)	—	(311)
Unrealised (losses) gains	(339)	—	(339)
Re-measurement of financial assets at FVTPL	—	(1,897)	(1,897)
Total	**1,942**	**(1,897)**	**45**

Investment income from bonds includes interest income and premium and discount amortization. There was neither investment income nor gains or losses in the year ended December 31, 2018 for available for sale funds or equity in quoted companies.

Subsidiaries

As at December 31, 2018, the Corporation had the following significant subsidiaries:

Name of principal subsidiary	Country of incorporation	Principal business	Percentage of ownership
Stars Group Holdings B.V.	Netherlands	Intermediate holding company and investment vehicle	100%
Stars Group Holdings Cooperatieve U.A	Netherlands	Intermediate holding company	100%
Stars Interactive Holdings (IOM) Limited	Isle of Man	Intermediate holding company	100%
Worldwide Independent Trust Limited	Isle of Man	Treasury	100%
Rational Entertainment Enterprises Limited	Isle of Man	Gaming services	100%
Naris Limited	Isle of Man	Treasury	100%
Stars Interactive Limited	Isle of Man	Intermediate holding company	100%
RG Cash Plus Limited	Isle of Man	Treasury	100%
Rational Gaming Europe Limited	Malta	Various	100%
REEL Spain Plc	Malta	Gaming services	100%
Hestview Limited	England and Wales	Gaming services	100%
Bonne Terre Limited	Alderney	Gaming services	100%
BetEasy Pty Limited	Australia	Gaming services	80%

14. ACCOUNTS RECEIVABLE

The Corporation's accounts receivable balances at December 31, 2018 and December 31, 2017 consist of the following;

In thousands of U.S. Dollars	As at December 31,	
	2018	2017
Balances held with processors	92,971	75,147
Balances due from live events	13,983	10,260
VAT receivable	11,029	6,684
Other receivables	18,364	8,318
Total accounts receivable balance	**136,347**	**100,409**
Long-term VAT receivable	14,906	11,818
Total non-current receivable balance	**14,906**	**11,818**

15. CASH AND CASH EQUIVALENTS, RESTRICTED CASH ADVANCES AND COLLATERAL

Cash and cash equivalents

Cash and cash equivalents – operational includes an amount of $40.1 million (2017 - $24.7 million) held by a subsidiary of the Corporation that is subject to exchange controls in the country of operation. This balance is not available for general use by the Corporation or any of its other subsidiaries.

Restricted cash advances and collateral

Restricted cash held by the Corporation consists of the following components:

In thousands of U.S. Dollars	As at December 31,	
	2018	2017
Guarantees in connection with licenses held	4,312	4,333
Funds in connection with hedging contracts	2,836	5,113
Segregated funds in respect of payment processors	2,030	2,749
Guarantee in connection with acquisition of a subsidiary	1,146	1,201
Cash portion of Kentucky Bond Collateral *	5,000	40,000
Funds held in term deposits	5,837	—
Other	288	300
Restricted cash advances and collateral – total	**21,449**	**53,696**
Restricted cash advances and collateral – current portion	10,819	7,862
Restricted cash advances and collateral – non-current portion	10,630	45,834

* As at December 31, 2018, $5 million of restricted cash was collateralised as part of the Kentucky Bond Collateral (as defined in note 28 below). The Kentucky Bond Collateral will be held until a court order is issued authorising the release of the bonds.

16. PREPAID EXPENSES AND OTHER ASSETS

In thousands of U.S. Dollars	Note	As at December 31, 2018	As at December 31, 2017
Prepaid royalties		987	5,704
Prepaid expenses		38,688	22,281
Vendor deposits		1,297	1,408
Other current assets		2,973	302
Total current portion of prepaid expenses and other assets		**43,945**	**29,695**
Prepaid royalties		15,963	16,444
Vendor deposits		758	70
Long term investments	13	6,773	6,981
Investment tax credits receivable		2,483	3,056
Deferred financing costs	17	6,783	—
Total non-current portion of prepaid expenses and other assets		**32,760**	**26,551**

Prepaid royalties include prepaid revenue share paid to business partners. Prepaid expenses are included within selling and general and administrative expenses when recognised as an expense. Deferred financing costs relate to capitalised transaction costs in respect of the Revolving Credit Facility.

17. LONG-TERM DEBT

The following is a summary of long-term debt outstanding at December 31, 2018, and 2017 (all capitalised terms used in the table below relating to such long-term debt are defined below in this note):

In thousands of U.S. Dollars (except as noted)	Interest rate	December 31, 2018, Principal outstanding balance in currency of borrowing	December 31, 2018 Carrying amount in USD	December 31, 2017, Principal outstanding balance in currency of borrowing	December 31, 2017 Carrying amount in USD
Revolving Facility	5.64%	—	—	—	—
USD First Lien Term Loan	5.89%	3,557,125	3,479,823	—	—
EUR First Lien Term Loan	3.75%	850,000	951,980	—	—
Senior Notes	7.00%	1,000,000	980,008	—	—
Loan payable to non-controlling interests	0.00%	49,936	35,147	—	—
Previous USD first lien term loan	5.32%	—	—	1,895,654	1,848,397
Previous EUR first lien term loan	3.25%	—	—	382,222	453,540
USD second lien term loan	8.69%	—	—	95,000	56,632
Total long-term debt			**5,446,958**		**2,358,569**
Current portion			35,750		4,990
Non-current portion			5,411,208		2,353,579

During the year ended December 31, 2018, the Corporation incurred the following interest on its then-outstanding long-term debt excluding its loan payable to non-controlling interests which is non-interest bearing:

In thousands of U.S. Dollars	Effective interest rate *	Interest	Interest Accretion	Total Interest
Revolving Facility	5.66%	4,006	699	4,705
USD First Lien Term Loan	6.54%	75,988	7,799	83,787
EUR First Lien Term Loan	4.26%	17,792	1,365	19,157
Senior Notes	7.47%	33,250	1,000	34,250
Previous USD first lien term loan **	6.07%	42,885	112,135	155,020
Previous EUR first lien term loan **	3.87%	9,693	41,502	51,195
USD second lien term loan **	13.78%	2,216	4,643	6,859
Total		**185,830**	**169,143**	**354,973**

During the year ended December 31, 2017, the Corporation incurred the following interest on its then-outstanding long-term debt:

In thousands of U.S. Dollars	Effective interest rate	Interest	Interest Accretion	Total Interest
Previous USD first lien term loan	5.54%	76,851	11,817	88,668
Previous EUR first lien term loan	4.37%	16,824	1,271	18,095
USD second lien term loan	16.05%	14,340	5,179	19,519
Total		**108,015**	**18,267**	**126,282**

* The effective interest rate calculation excludes the impact of the debt extinguishments in respect of the April 2018 Amend and Extend and the repayment of the previous first lien term loans as well as the impact of the Swap Agreements.

** Interest accretion for the year ended December 31, 2018 includes a loss on debt extinguishment of $147.0 million included within net financing charges in respect of the amendment and extension and subsequent repayment of the Corporation's prior first lien term loans.

The Corporation's debt balance for the year ended December 31, 2018 was as follows:

In thousands of U.S. Dollars	Opening Balance	Adjustment on adoption of IFRS 9	New debt	Debt repayments	Adjustments to amortised cost *	Interest Accretion **	Translation	Closing
Revolving Facility	—	—	100,000	(100,000)	(699)	699	—	—
USD First Lien Term Loan	—	—	3,575,000	(17,875)	(85,101)	7,799	—	3,479,823
EUR First Lien Term Loan	—	—	999,535	—	(23,823)	1,365	(25,097)	951,980
Senior Notes	—	—	1,000,000	—	(20,992)	1,000	—	980,008
Loan payable to non-controlling interests	—	—	52,357	(6,167)	(8,517)	—	(2,526)	35,147
Previous USD first lien term loan	1,848,397	(46,894)	268,921	(2,164,575)	(17,984)	112,135	—	—
Previous EUR first lien term loan	453,540	(30,725)	144,627	(585,450)	(5,077)	41,502	(18,417)	—
USD second lien term loan	56,632	33,725	—	(95,000)	—	4,643	—	—
Total	**2,358,569**	**(43,894)**	**6,140,440**	**(2,969,067)**	**(162,193)**	**169,143**	**(46,040)**	**5,446,958**

The Corporation's debt balance for the year ended December 31, 2017 was as follows:

In thousands of U.S. Dollars	Opening Balance	New debt	Debt repayments	Adjustments to amortised cost *	Interest Accretion **	Translation	Closing
Previous USD first lien term loan	1,965,928	—	(125,442)	(3,906)	11,817	—	1,848,397
Previous EUR first lien term loan	296,198	103,973	(3,444)	(829)	1,271	56,371	453,540
USD second lien term loan	166,453	—	(115,000)	—	5,179	—	56,632
Total	**2,428,579**	**103,973**	**(243,886)**	**(4,735)**	**18,267**	**56,371**	**2,358,569**

* Adjustments to amortised cost includes transaction costs incurred on the issuance or incurrence of each of the financial instruments and, with respect to the Senior Notes (as defined below), the bifurcation of embedded features in 2018 as described below and debt forgiveness in relation to the loan payable to non-controlling interests. In addition, unamortised deferred financing costs of $6.8 million were reclassified to prepaid expenses and other non-current assets on the consolidated statements of financial position following the repayment of $100.0 million previously drawn on the Revolving Facility.

** Interest accretion represents interest expense calculated at the effective interest rate less interest expense calculated at the contractual interest rate and is recorded in net financing charges in the consolidated statements of (loss) earnings.

As at December 31, 2018, the contractual principal repayments of the Corporation's outstanding long-term debt over the next five years amount to the following:

In thousands of U.S. Dollars	<1 Year	1-2 Years	2-3 Years	3-4 Years	4-5 Years	>5 Years
Revolving Facility	—	—	—	—	—	—
USD First Lien Term Loan	35,750	35,750	35,750	35,750	35,750	3,378,375
EUR First Lien Term Loan	—	—	—	—	—	973,803
Senior Notes	—	—	—	—	—	1,000,000
Loan payable to non-controlling interests	—	35,147	—	—	—	—
Total	**35,750**	**70,897**	**35,750**	**35,750**	**35,750**	**5,352,178**

(a) Revolving Facility, First Lien Term Loans and Senior Notes

As previously disclosed, on July 10, 2018, the Corporation completed the SBG Acquisition. To finance the cash portion of the purchase price, repay the Corporation's previous first lien term loans and repay SBG's existing long-term debt, which was assumed by the Corporation as part of the acquisition, the Corporation used existing cash resources and raised $4.567 billion in First Lien Term Loans, $1.00 billion in Senior Notes (each as defined below) and $621.8 million of net proceeds (before expenses), excluding the overallotment, from the issuance of additional Common Shares as a result of the Equity Offering (as defined below). The Corporation also obtained a new Revolving Facility (as defined below) of $700.0 million, of which it had drawn $100 million as of completion of the acquisition (collectively with the foregoing, the "**SBG Financing**"). The debt portion of the SBG Financing is described below. For further details on the Equity Offering portion of the SBG Financing, see note 24.

Revolving Facility

On July 10, 2018, as part of the SBG Financing, the Corporation replaced its previous revolving facility with a new first lien revolving facility of $700 million (the "**Revolving Facility**"). Maturing on July 10, 2023, the Revolving Facility includes a margin of 3.25% for borrowings which is subject to leverage-based step-downs. The commitment fee on the Revolving Facility varies from 0.250% to 0.375% based on first lien leverage. Borrowings under the Revolving Facility are subject to the satisfaction of customary conditions, including the absence of a default and compliance with certain representations and warranties. The Revolving Facility requires, subject to a testing threshold, that the Corporation comply on a quarterly basis with a maximum net first lien senior secured leverage ratio of 6.75 to 1.00.

The Revolving Facility can be used for working capital needs and for general corporate purposes. As at December 31, 2018 and December 31, 2017 there were no amounts outstanding under the Revolving Facility and the Corporation's previous revolving facility, respectively. The Corporation had $74.2 million of letters of credit issued but undrawn as of December 31, 2018. Availability under the Revolving Facility as of December 31, 2018 was $625.8 million.

First Lien Term Loans

On July 10, 2018, as part of the SBG Financing, the Corporation repaid its previous first lien term loans and issued new First Lien Term Loans of $3.575 billion priced at LIBOR plus 3.50% (the "**USD First Lien Term Loan**") and new EUR first lien term loans of €850 million priced at EURIBOR plus 3.75% (the "**EUR First Lien Term Loan**" and, together with the USD First Lien Term Loan, the "**First Lien Term Loans**"), each with a maturity date of July 10, 2025 and a LIBOR and EURIBOR floor, as applicable, of 0%. Starting on the last day of the first fiscal quarter ending after July 10, 2018, the USD First Lien Term Loan requires scheduled quarterly principal payments in amounts equal to 0.25% of the aggregate principal amount of the USD First Lien Term Loan, with the balance due at maturity. There is no amortization on the EUR First Lien Term Loan and the principal is due at maturity.

The Corporation, its lenders, Deutsche Bank AG New York Branch, as administrative agent, and certain other parties also entered into a new credit agreement (the "**Credit Agreement**") for the First Lien Term Loans and the Revolving Facility to, among other things, reflect the foregoing transactions and add certain operational and financial flexibility, particularly as it relates to the Corporation on a combined basis following the SBG Acquisition.

The Credit Agreement limits Stars Group Holdings B.V. 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 organizational documents, in each case subject to certain exceptions. The Credit Agreement also provides for customary mandatory prepayments, including a customary excess cash flow sweep if certain conditions are met.

Senior Notes

Also in connection with the SBG Financing, two of the Corporation's subsidiaries, Stars Group Holdings B.V. and Stars Group (US) Co-Borrower, LLC (the "**Issuers**"), issued 7.00% Senior Notes due 2026 (the "**Senior Notes**") on July 10, 2018 at par in an aggregate principal amount of $1.00 billion. The Senior Notes mature on July 15, 2026. Interest on the Senior Notes is payable semi-annually on January 15 and July 15 of each year, commencing on January 15, 2019. The Senior Notes are guaranteed by each of the Issuers' restricted subsidiaries that guarantees the Revolving Facility. The Senior Notes are the Issuers' senior unsecured obligations and rank equally in right of payment with all of the Issuers' existing and future senior unsecured indebtedness. The Senior Notes include the following features which were collectively identified as the Embedded Derivative (as defined below) that required bifurcation from the carrying value of the Senior Notes.

- Upon certain events constituting a change of control under the indenture governing the Senior Notes (the "**Indenture**"), the holders of the Senior Notes have the right to require Stars Group Holdings B.V. to offer to repurchase the Senior Notes at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest, to (but not including) the date of purchase (the "**Change of Control Put**").

- Prior to July 15, 2021, the Issuers may redeem up to 40% of the original aggregate principal of the Senior Notes with proceeds from an equity offering at a redemption price of 107%, plus accrued and unpaid interest, if any, to (but not including) the applicable redemption date (the "**Equity Clawback**").

- Prior to July 15, 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 July 15, 2021, the Issuers may redeem some or all of the Senior Notes at declining redemption prices as set forth in the Indenture (collectively the "**Redemption Option**" and together with the Change of Control Put and the Equity Clawback, the "**Embedded Derivative**").

The fair value of the Embedded Derivative at issuance of the Senior Notes and at December 31, 2018 was $17.7 million and $11.6 million, respectively. See notes 19 and 26**.**

The Senior Notes include, among other terms and conditions, limitations on the Issuers' ability to create, incur or allow certain liens; create, assume, incur or guarantee additional indebtedness of certain of the Issuers' subsidiaries; and consolidate or merge with, or convey, transfer or lease all or substantially all of the Issuers' and their subsidiaries' assets, to another person.

(b) Minority shareholder loan

In connection with the acquisition of a 62% equity interest in BetEasy, the Corporation acquired financial liabilities of $59.2 million, which included a loan of $15.5 million (AUD$19.7 million) from the minority shareholders of BetEasy. During the year ended December 31, 2018 a subsidiary of the Corporation repaid $6.2 million (AUD$8.2 million) of such loan and entered into an agreement with such minority shareholders to forgive and discharge $8.6 million (AUD$11.5 million) of the outstanding loan balance.

As previously reported, on March 6, 2018, a subsidiary of the Corporation entered into agreement with the holders of the non-controlling interest in BetEasy to increase its equity interest from 62% to 80% and for BetEasy to acquire TSGA. According to the agreement, the non-controlling interest of BetEasy made a loan of $35.1 million (AUD$47.4 million) and equity contribution of $12.1 million (AUD$15.8 million). During the year ended December 31, 2018, the non-controlling interest provided an additional shareholder loan of $1.8 million (AUD$2.5 million). As at December 31, 2018, the outstanding loan balance was $36.1 million (AUD$49.9 million). The loan is non-interest bearing and repayable on the earlier of 9 years and 364 days from the date of advance and the date of completion of the 20% put-call option. See note 19.

(c) Previous first lien term loans, USD second lien term loan and previous revolving facility

On April 6, 2018, the Corporation successfully increased, repriced and extended its previous first lien term loans and previous revolving facility and repaid its USD second lien term loan. The transaction was recorded as an extinguishment for accounting purposes. No termination costs were incurred. Subsequently, in connection with the SBG Acquisition and SBG Financing, on July 10, 2018, the Corporation repaid its previous first lien term loans, repaid the existing long-term indebtedness of SBG, entered into the new Credit Agreement with respect to First Lien Term Loans and Revolving Facility, and issued the Senior Notes. The transaction was recorded as an extinguishment for accounting purposes. No termination costs were incurred upon repayment.

18. CAPITAL MANAGEMENT

The Corporation's objective in managing capital is to ensure it has sufficient liquidity to manage its business and growth objectives while maximising return to shareholders through the optimization of the use of debt and equity. Liquidity is necessary to meet the Corporation's existing general capital needs, fund the Corporation's growth and expansion plans, and undertake certain capital markets activities, including the repayment of debt.

The Corporation has historically met its liquidity needs through cash flow generated from operations and capital markets activities, including the incurrence and issuance of debt and issuance of capital stock. The Corporation's current objective is to meet all of its current liquidity and existing general capital requirements from the cash flow generated from operations.

The capital structure of the Corporation and its subsidiaries consists of long-term debt, which is offset by cash balances, and total equity attributable to shareholders. The Corporation's capital management objectives are to optimise its capital structure and cost of capital. The Corporation intends to deleverage by focusing on improving profitability and repaying of debt.

For additional information regarding the Corporation's liquidity risks, see note 29.

19. DERIVATIVES AND HEDGE ACCOUNTING

The Corporation is exposed to interest rate and currency risk, refer to note 29. The Corporation uses derivative financial instruments for risk management purposes and anticipates that such instruments will mitigate interest rate and currency risk, as applicable. 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.

Upon completion of the SBG Acquisition, the Corporation made a net cash payment of $1.0 million to unwind and settle certain previously existing cross-currency swap agreements and interest rate swap agreements related to the hedging of SBG's previously outstanding long-term debt that were no longer required following the repayment of the same.

Subsequent to the SBG Financing, and as part of managing the Corporation's exposure to foreign exchange risk and interest rate risk, the Corporation entered into cross-currency interest rate swap agreements and interest rate swap agreements (collectively, the "Swap Agreements"), each as discussed below. At the time of entering into the Swap Agreements, the Corporation made a cash payment of $61.1 million to unwind and settle its previously existing swap agreements (the "**Previous Swap Agreements**)" as discussed below.

Derivatives

Swap Agreements

During the year ended December 31, 2018, a subsidiary of the Corporation entered into USD-EUR cross-currency interest rate swap agreements (the "**EUR Cross-Currency Interest Rate Swaps**") with a notional amount of €1.99 billion ($2.33 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%, as well as EUR-GBP cross-currency interest rate swap agreements (the "**GBP Cross-Currency Interest Rate Swaps**") with a notional amount of £1.00 billion (€1.12 billion), 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%. The cross-currency interest rate swaps have a profile that amortises in line with the USD First Lien Term Loan and each are set to mature in July 2023. The Corporation also entered into an amortising USD interest rate swap agreement (the "**Interest Rate Swap**") with a notional amount of $700 million, which is set to mature in July 2023, and swaps USD three-month LIBOR to a fixed interest rate of 2.82%.

Previous Swap Agreements

The Previous Swap Agreements hedged the interest rate and foreign exchange risk on the Corporation's previous first lien term loans. Therefore, in connection with the repayment of the previous first lien term Loans, the Corporation unwound and settled the remaining USD notional principal of $1.39 billion related to the Previous Swap Agreements for a cash payment of $61.1 million.

Embedded Derivative

See note 17 for a discussion of the features embedded in the Senior Notes that the Corporation bifurcated as it determined that the features were derivatives to be classified and recorded at fair value through profit or loss.

The fair value of the Embedded Derivative at issuance of the Senior Notes and at December 31, 2018 was $17.7 million and $11.6 million, respectively. The fair value of the Embedded Derivative was determined using an interest rate option pricing valuation model. The key assumptions include the implied credit spread of 3.8% at issuance and 4.6% at December 31, 2018. The Embedded Derivative is categorised as a Level 3 within the fair value hierarchy. The Corporation did not account for the Embedded Derivative as a qualifying hedge.

Unsettled bets

Unsettled bets represent bets that are staked but the event to which the bet relates have not yet concluded. See note 2 for further details regarding Betting revenue. The principal assumption used in the fair value determination of unsettled bets is the anticipated gross win margin on the outcome of the events to which the bets relate. The Embedded Derivative is categorised as a Level 3 within the fair value hierarchy.

Put and call options on 20% non-controlling interest in BetEasy

On April 24, 2018, in connection with the Corporation's acquisition of the additional 18% interest in BetEasy, the Corporation entered into a non-controlling interest put-call option in relation to the 20% interest in BetEasy held by its minority interest shareholders, with an exercise price based on certain future operating performance conditions of the acquired business. This was determined to be a non-controlling

interest put-call option with a variable settlement amount that can be settled in either cash or shares or a combination of both, and because the put-call option does not clearly grant the Corporation with present access to returns associated with the remaining 20% ownership interest, the Corporation recognised this put-call option as a net liability derivative. As at each of the acquisition date and December 31, 2018, the Corporation determined that the fair value of this non-controlling interest derivative was $nil as the fundamentals of the underlying business operations remain consistent with the acquisition date.

Deal contingent forwards

In connection with the SBG Acquisition and the Australian Acquisitions, to economically hedge its risk of foreign exchange fluctuations leading up to the acquisitions, the Corporation entered into deal contingent forward contracts. At the time of completion of the acquisitions, the Corporation settled the deal contingent forwards and recognised an aggregate realised loss of $61.5 million included in foreign exchange within the general and administrative category in the consolidated statements of (loss) earnings. The Corporation did not account for the deal contingent forward contracts as qualifying hedges under IAS 39.

The following table summarises the fair value of derivatives as at December 31, 2018 and 2017:

	Year ended December 31, 2018		**Year ended December 31, 2017**	
In thousands of U.S. Dollars	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Derivatives held for hedging				
Derivatives designated in cash flow hedges				
Cross currency interest rate swaps	41,117	1,096	—	111,762
Interest rate swap	—	4,972	—	—
Total derivatives designated in cash flow hedges	41,117	6,068	—	111,762
Derivatives designated in net investment hedges				
Cross currency interest rate swaps	1,866	—	—	—
Total derivatives designated in net investment hedge	1,866	—	—	—
Total derivatives held for hedging	**42,983**	**6,068**	**—**	**111,762**
Derivatives held for risk management not designated in hedges				
Forward contracts	—	208	2,037	—
Unsettled bets *	—	16,285	—	779
Embedded derivative	11,600	—	—	—
Total derivatives held for risk management not designated in hedges	**11,600**	**16,493**	**2,037**	**779**

* The unsettled bets liability is recorded in accounts payable and other liabilities on the consolidated statement of financial position as at December 31, 2017 and is recorded in derivatives on the consolidated statement of financial position as at December 31, 2018.

Hedge Accounting

The Corporation's exposure to market risks including interest rate risk (such as benchmark interest rates) and foreign exchange risk and its approach to managing those risks is discussed in note 29.

Cash flow hedge accounting

In accordance with the Corporation's current risk management strategy, the Corporation entered into 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 Term Lien Loan.

The Corporation 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 interest rate swaps used to hedge the exposure, as applicable. The Corporation uses the hypothetical derivative method to determine the changes in fair value of the hedged item. The

Corporation has identified 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 tenor of hedged items and hedging instruments.
- Use of different discounting curves for hedged item and hedging instrument, because for cross currency interest rate swaps the discounting curve used depends on collateralization and the type of collateral used.
- Difference in timing of settlement of the hedging instrument and hedged item.
- Designation of off-market hedging instruments.

The EUR Cross-Currency Interest Rate Swaps and the Interest Rate Swap were designated in cash flow hedge relationships to hedge the foreign exchange risk and/or interest rate risk on the USD First Lien Term Loan bearing a minimum floating interest rate of 3.5% (USD three-month LIBOR plus a 3.5% margin, with a LIBOR floor of 0%).

As at December 31, 2018, $11.6 million of accumulated other comprehensive loss is included in the cash flow hedging reserve (see note 25) related to de-designated cash flow hedges and is reclassified to the statements of (loss) earnings as the hedged cash flows impact (loss) earnings.

Net investment hedge accounting

In accordance with the Corporation's current risk management strategy, the Corporation designates certain cross currency interest rate swap contracts and the carrying amount of certain debt instruments 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.

Upon entering into the GBP Cross-Currency Interest Rate Swaps, the Corporation designated these instruments as a hedge of the forward foreign exchange risk of its net investment in its GBP foreign operations. The Corporation 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 Corporation 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 Corporation's own credit risk on the fair value of the derivative, which is not reflected in the fair value of the hypothetical derivative.

Upon completion of the SBG Financing, the Corporation designated the carrying amount of the USD First Lien Term Loan (excluding the carrying amount subject to the Swap Agreements) and the carrying amount of the Senior Notes as a hedge of the spot foreign exchange risk of its net investment in its USD functional subsidiaries. The Corporation assesses hedge effectiveness by comparing the currency and the carrying amount of the USD First Lien Term Loan with the currency and the net assets of its USD functional subsidiaries.

As at December 31, 2018, $60.6 million of accumulated other comprehensive income is included in the cumulative translation reserve (see note 25) related to de-designated net investment hedges and is reclassified to the statements of (loss) earnings upon disposition 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 Corporation's financial position and performance.

	Change in value of hedged items for ineffectiveness measurement	Change in fair value of hedging instruments for ineffectiveness measurement	Hedge ineffectiveness gain (loss) *	Hedging gains (losses) recognised in other comprehensive income	Amount reclassified from accumulated other comprehensive income (loss) to earnings **	Net change in other comprehensive income (loss)
Cash flow hedges						
Interest rate risk						
Floating rate debt	(4,972)	4,972	—	(4,972)	—	(4,972)
Interest rate risk and foreign exchange risk						
Floating rate, foreign currency debt and other	105,592	(90,683)	14,909	46,173	(45,271)	902
	100,620	**(85,711)**	**14,909**	**41,201**	**(45,271)**	**(4,070)**
Net investment hedges	**(104,029)**	**104,029**	**—**	**(104,029)**	**—**	**(104,029)**

* Hedge ineffectiveness is recorded within net financing charges on the consolidated statements of (loss) earnings.

** For cash flow hedges that address interest rate risk and/or foreign currency exchange risk, the amount reclassified from accumulated other comprehensive income (loss) to earnings is recorded within interest expense included in net financing charges or foreign exchange (gain) loss included in general and administrative expenses on the consolidated statements of (loss) earnings.

Reconciliation of accumulated other comprehensive income (loss):

	Accumulated other comprehensive income (loss), beginning of year	Net changes in other comprehensive income (loss)	Accumulated other comprehensive income (loss), end of year	Accumulated other comprehensive income (loss) on designated hedges	Accumulated other comprehensive income (loss) on de-designated hedges
Cash flow hedges *					
Interest rate risk					
Floating rate debt	—	(4,972)	(4,972)	(4,972)	—
Interest rate risk and foreign exchange risk					
Floating rate, foreign currency debt and other	(33,983)	902	(33,081)	(21,507)	(11,574)
	(33,983)	**(4,070)**	**(38,053)**	**(26,479)**	**(11,574)**
Net investment hedges **	**86,430**	**(104,029)**	**(17,599)**	**(66,749)**	**49,150**

* Net changes in other comprehensive income (loss) is recorded through the cash flow hedging reserve. See note 25.

** Net changes in other comprehensive income (loss) is recorded through the cumulative translation reserve. See note 25.

20. COMMITMENTS

The Corporation as lessee and other contractual commitments

At December 31, 2018, the Corporation's future minimum lease payments under non-cancellable operating leases and other obligations aggregate to $346.4 million and are payable as follows:

In thousands of U.S. Dollars	Within one year	Later than one year but not later than 5 years	More than 5 years
Lease obligations	61,423	154,374	26,013
Other contractual commitments	40,011	54,054	10,561
Total	**101,434**	**208,428**	**36,574**

The Corporation as lessor

At December 31, 2018, the Corporation's future minimum lease receipts under non-cancellable operating leases aggregate to $14.8 million and are receivable as follows;

In thousands of U.S. Dollars	Within one year	Later than one year but not later than 5 years	More than 5 years
Lease obligations	1,863	7,452	5,533
Total	**1,863**	**7,452**	**5,533**

Other commitments

The Corporation had $74.2 million of letters of credit issued but undrawn as of December 31, 2018. See note 17.

21. ACCOUNTS PAYABLE AND OTHER LIABILITIES

The Corporation's accounts payable and other liabilities comprise the following:

	As at December 31,	
In thousands of U.S. Dollars	2018	2017
Accounts payable and accrued liabilities	282,630	98,493
VAT payable	18,792	18,757
Customer loyalty rewards	24,787	29,508
Employee benefits payable	57,143	39,050
Dormant funds	7,308	8,379
Accrued interest on Senior Notes	33,347	—
Total accounts payable and other current liabilities	**424,007**	**194,187**
Long-term lease liability	2,088	—
Deferred contingent payment (note 26)	77,628	—
Total long-term payables	**79,716**	—

VAT Payable

A significant portion of the VAT payable relates to amounts owing for VAT for prior periods as a result of engagement with the Swiss tax authority on the application of the law. This is due to be settled by the end of first quarter of 2019.

22. PROVISIONS

The carrying amounts and the movements in the provisions during the year ended December 31, 2018 and 2017 are as follows:

In thousands of U.S. Dollars	Player bonuses and jackpots	Deferred payment provision	Restructuring provision	Other	Total
Balance at January 1, 2017	**1,571**	**202,515**	—	**17,636**	**221,722**
Adjustment to provision recognised	48,146	(815)	—	(121)	47,210
Payments	(44,121)	(197,510)	—	(9,311)	(250,942)
Accretion of discount	—	2,048	—	839	2,887
Reclassification	(1,444)	—	—	—	(1,444)
Foreign exchange translation losses	113	62	—	1,075	1,250
Balance at December 31, 2017	**4,265**	**6,300**	—	**10,118**	**20,683**
Provisions acquired in business combinations	8,349	—	1,614	5,297	15,260
Recognised	—	—	8,164	—	8,164
Adjustment to provision recognised	55,734	—	—	654	56,388
Payments	(48,902)	—	—	(7,006)	(55,908)
Accretion of discount	—	—	—	411	411
Foreign exchange translation losses	(862)	—	(65)	(880)	(1,807)
Balance at December 31, 2018	**18,584**	**6,300**	**9,713**	**8,594**	**43,191**
Current portion at December 31, 2017	4,265	6,300	—	7,025	17,590
Non-current portion at December 31, 2017	—	—	—	3,093	3,093
Current portion at December 31, 2018	18,584	6,300	9,713	4,592	39,189
Non-current portion at December 31, 2018	—	—	—	4,002	4,002

Provision for jackpots

The Corporation offers progressive jackpot games. Each time a progressive jackpot game is played, a portion of the amount wagered by the player is contributed to the jackpot for that specific game or group of games. Once a jackpot is won, the progressive jackpot is reset with a predetermined base amount. The Corporation maintains a provision for the reset of each jackpot and the progressive element added as the jackpot game is played. The Corporation believes that its provisions are sufficient to cover the full amount of any required payout.

Deferred payment

The acquisition-date fair value of any deferred payment is recognised as part of the consideration transferred by the Corporation in exchange for the acquiree. The Corporation estimates, based on expected future cash flows, the amount that would be required to settle the applicable obligation and recognises the present value of the same. The provision for the then-outstanding deferred payment primarily related to the Stars Interactive Group Acquisition. The Corporation paid the remaining balance in full during the year ended December 31, 2017. The remaining deferred payment provision at December 31, 2018 relates to the previously disclosed acquisition of Diamond Game and is contingent on future events.

Restructuring provision

The Corporation recorded restructuring provisions during the year ended December 31, 2018 following the Australian Acquisitions and the SBG Acquisition in response to certain reorganizations as the Corporation focuses on enacting synergies. The provision primarily consists of personnel and facilities related costs and the Corporation believes that its provisions are sufficient to cover the full amount of any required payout.

Other

The other provisions consist of a minimum revenue guarantee, provisions for lease retirement costs, and other provisions for onerous contracts.

23. CUSTOMER DEPOSITS

The Corporation holds customer deposits, along with winnings and any bonuses in trust accounts from which money may not be removed if it would result in a shortfall of such deposits. These deposits are included in current assets in the consolidated statements of financial position under Cash - customer deposits and Current investments – customer deposits and includes cash and short term, highly liquid investments. Customer deposits are segregated as follows:

In thousands of U.S. Dollars	As at December 31, 2018	2017
Cash - customer deposits	328,223	227,098
Current investments - customer deposits (note 13)	103,153	122,668
Total	**431,376**	**349,766**
Customer deposits liability	**423,739**	**349,766**

Customer deposit liabilities relate to customer deposits which are held in multiple bank and investment accounts that are segregated from those holding operational funds.

24. SHARE CAPITAL

The authorised share capital of the Corporation consists of an unlimited number of Common Shares, with no par value, and an unlimited number of convertible preferred shares ("**Preferred Shares**"), with no par value, issuable in series. As at December 31, 2018, 273,177,244 shares were issued and fully paid (December 31, 2017 - 147,947,874).

	Common Shares Number	Preferred Shares Number	Common Shares $000's	Preferred Shares $000's
Opening balance, as at January 1, 2017	**145,101,127**	**1,139,249**	**1,178,404**	**684,385**
Exercise of stock options and other equity awards	2,923,184	—	21,923	—
Repurchase of Common Shares	(76,437)	—	(493)	—
Ending balance, as at December 31, 2017	**147,947,874**	**1,139,249**	**1,199,834**	**684,385**
Exercise of stock options and other equity awards	1,791,860	—	38,048	—
Exercise of warrants	2,422,944	—	14,688	—
Conversion of Preference Shares	60,013,510	(1,139,249)	684,385	(684,385)
Issuance of Common Shares in connection with acquired subsidiaries	41,049,398	—	1,477,478	—
Issuance of Common Shares in connection with Equity Offering	18,875,000	—	690,353	—
Issue of Common Shares in connection with market access agreement	1,076,658	—	20,661	—
Equity Fees	—	—	(5,413)	—
Reversal of 2014 deferred tax	—	—	(3,747)	—
Ending balance, as at December 31, 2018	**273,177,244**	**—**	**4,116,287**	**—**

Equity Offering

On June 26, 2018, the Corporation closed an underwritten public offering of Common Shares (the "**Equity Offering**") at a price of $38.00 per Common Share. The Corporation sold a total of 17,000,000 Common Shares and certain selling shareholders of the Corporation sold 8,000,000 Common Shares. The net proceeds to the Corporation (excluding the over-allotment proceeds), after underwriting discounts and commissions, but before expenses of the Equity Offering payable by the Corporation, were $621.8 million. The Equity Offering also included an over-allotment option granted to the underwriters to purchase an additional 1,875,000 Common Shares from the Corporation and 1,875,000 Common Shares from the selling shareholders at a price of $38.00 per Common Share. The underwriters exercised this over-allotment option in full on July 20, 2018, which closed on July 24, 2018 and resulted in additional net proceeds to the Corporation after underwriting discounts and commissions, but before expenses of the over-allotment option payable by the Corporation, of $68.6 million.

Preferred Share Conversion

On June 5, 2018, the Corporation announced that it elected to effect the conversion of all Preferred Shares pursuant to their terms (the "**Preferred Share Conversion**") as a result of meeting the applicable price and liquidity conditions with respect to the same. As a result, on July 18, 2018, all of the Corporation's outstanding Preferred Shares were converted into Common Shares at a rate of 52.7085 Common Shares per Preferred Share, resulting in the cancellation of all of the Preferred Shares and the issuance of 51,999,623 million Common Shares to the holders thereof. All the Preferred Shares were cancelled and all rights associated therewith were terminated.

Prior to completion of the Preferred Share Conversion, Polar Multi-Strategy Master Fund (and certain affiliated funds) and Verition Canada Master Fund Ltd. applied to the Ontario Superior Court of Justice for a declaration that the mandatory conversion would contravene the Corporation's articles of continuance. On July 17, 2018 the Superior Court ruled in favor of the Corporation and dismissed the application. As a result, the Corporation proceeded with the conversion as indicated above. The applicants subsequently appealed the Superior Court decision and in the appeal are seeking, among other things, rescission of the conversion or potential damages.

In addition to the Common Shares issued in connection with the Equity Offering and Preferred Share Conversion as described above, during the year ended December 31, 2018:

- The Corporation issued 1,731,761 Common Shares for cash consideration of $31.0 million as a result of the exercise of stock options. The exercised stock options were initially valued at $5.8 million. Upon exercise, the values originally allocated to the stock options in the Equity reserve were reallocated to the Common Shares so issued.
- The Corporation issued 60,099 Common Shares in connection with the settlement of other equity-based awards, initially valued at $1.2 million. Upon settlement of such equity-based awards, the values originally allocated to the equity-based awards in the Equity reserve were reallocated to the Common Shares issued.
- The Corporation issued 2,422,944 Common Shares as a result of the exercise of 4,000,000 warrants. There are no further outstanding warrants as at December 31, 2018. The exercised warrants were initially valued at $14.7 million. Upon the exercise of such warrants, the value originally allocated to the Warrants reserve was reallocated to the Common Shares so issued.
- The Corporation issued 8,013,887 Common Shares as a result of the voluntary conversion of 152,698 Preferred Shares prior to the Preferred Share Conversion. The converted Preferred Shares were initially valued at $114.9 million. Upon the conversion of the Preferred Shares, the value originally allocated to the Preferred Shares was reallocated to the Common Shares so issued. 8,000,000 of the Common Shares issued as a result of such voluntary conversion were then sold by the holders thereof in the Equity Offering.
- The Corporation issued 3,115,344 Common Shares, valued at $96.4 million, to the sellers of BetEasy as partial consideration for the acquisition of an additional 18% of the equity interests in BetEasy.
- The Corporation issued 37,934,054 Common Shares, valued at $1.38 billion, to the sellers of SBG as partial consideration for the SBG Acquisition.
- The Corporation issued 1,076,658 Common Shares, valued at $20.7 million, to Eldorado Resorts, Inc. ("**Eldorado**") in connection with an agreement with Eldorado which, among other things, grants the Corporation an option to operate online betting and gaming in certain states where Eldorado currently or in the future owns or operates casino properties.

During the year ended December 31, 2017:

- The Corporation issued 2,899,184 Common Shares for cash consideration of $16.6 million as a result of the exercise of stock options and the settlement of other equity awards. The exercised stock options and other equity awards were initially valued at $5.3 million. Upon the exercise of stock options and the settlement of other equity awards, the values originally allocated to the stock options and other equity awards in the Equity reserve were reallocated to the Common Shares so issued.

- The Corporation cancelled 76,437 common shares related to the previously disclosed acquisition of Amaya (Alberta) Inc. (formerly Chartwell Technology Inc.) (“**Chartwell**”) in 2011 that were unclaimed and surrendered to the Corporation. These securities were cancelled due to the expiration of the “sunset” provisions set forth in the arrangement agreement for the purchase, which provided for the cancellation of a right of the holder to receive cash consideration, for any certificates formerly representing Chartwell shares that were not deposited with all other documents as required by the applicable plan arrangement on or before the fourth anniversary of the date of purchase. The difference between the aggregate purchase price and the book value of the reclaimed shares was accounted for in the Treasury Reserve.

25. RESERVES

The following table highlights the classes of reserves included in the Corporation’s equity:

In thousands of U.S. Dollars	Acquisition reserve	Warrants	Equity	Treasury	Cumulative translation	Available for sale investments	Financial assets at FVOCI	Cash flow hedging	Other	Total
Balance – January 1, 2017	—	**14,638**	**31,142**	**(30,035)**	**77,171**	**(9,983)**	**—**	**(48,335)**	**1,249**	**35,847**
Cumulative translation adjustments	—	—	—	—	(189,012)	—	—	—	—	(189,012)
Stock-based compensation	—	—	10,622	—	—	—	—	—	—	10,622
Exercise of equity awards	—	—	(5,258)	—	—	—	—	—	—	(5,258)
Realised (losses) gains	—	—	—	—	—	(37,090)	—	160,069	—	122,979
Unrealised gains (losses)	—	—	—	—	—	32,474	—	(151,311)	—	(118,837)
Reclassification *	—	50	—	—	(8,868)	9,197	—	—	(379)	—
Deferred tax on stock-based compensation	—	—	359	—	—	—	—	—	—	359
Other	—	—	—	493	—	—	—	5,594	(5,127)	960
Balance – December 31, 2017	—	**14,688**	**36,865**	**(29,542)**	**(120,709)**	**(5,402)**	**—**	**(33,983)**	**(4,257)**	**(142,340)**
Impact of adoption of IFRS 9	—	—	—	—	—	45	168	—	—	213
Reclassification **	—	—	—	—	15	5,357	—	—	(5,372)	—
Balance - January 1, 2018 (restated) (note 4)	—	**14,688**	**36,865**	**(29,542)**	**(120,694)**	**—**	**168**	**(33,983)**	**(9,629)**	**(142,127)**
Cumulative translation adjustments	—	—	—	—	(93,350)	—	—	—	—	(93,350)
Stock-based compensation	—	—	12,806	—	—	—	—	—	—	12,806
Exercise of stock options and release of equity awards	—	—	(6,982)	—	—	—	—	—	—	(6,982)
Re-allocation from warrants reserve to share capital for exercised warrants	—	(14,688)	—	—	—	—	—	—	—	(14,688)
Realised gains (losses)	—	—	—	—	—	—	(311)	(45,271)	—	(45,582)
Unrealised (losses) gains	—	—	—	—	—	—	(339)	41,201	—	40,862
Deferred Tax on Re-measurements	—	—	—	—	—	—	53	—	—	53
Reversal of deferred tax on stock-based compensation	—	—	(359)	—	—	—	—	—	—	(359)
Impairment of debt instruments at FVOCI	—	—	—	—	—	—	(84)	—	—	(84)
Further acquisition of subsidiary	(220,023)	—	—	—	—	—	—	—	(155)	(220,178)
Balance – December 31, 2018	**(220,023)**	**—**	**42,330**	**(29,542)**	**(214,044)**	**—**	**(513)**	**(38,053)**	**(9,784)**	**(469,629)**

* During the year ended December 31, 2017, the principal reclassification made by the Corporation was $9.2 million from the Cumulative translation adjustments reserve to the “Available-for-sale investments” reserve to correct an error in a previous period.

** Upon adoption of IFRS 9, the Corporation reclassified amounts in the available for sale investments reserve to the financial assets at FVOCI reserve. The Corporation identified $5.4 million of other reserves not directly related to available for sale investments and reclassified this balance the other reserve.

Acquisition reserve

On February 27, 2018, a subsidiary of the Corporation completed its acquisition of a 62% interest in BetEasy. On April 24, 2018, a subsidiary of the Corporation acquired an additional 18% interest in BetEasy and on the same date, BetEasy completed its acquisition of 100% of TSGA. The carrying amounts of the controlling and non-controlling interest were adjusted to reflect the changes in the Corporation’s equity interest in BetEasy. The change in carrying amounts were recognised directly in equity in acquisition reserve and any difference between the amount by which the non-controlling interest was adjusted and the fair value of the consideration paid was attributed to the Corporation.

Cumulative translation adjustments

Exchange differences relating to the translation of the net assets of the Corporation's foreign operations from their functional currency into the Corporation's presentational currency are recognised directly in the Cumulative translation adjustment reserve. This reserve also recognises the realised and unrealised gains and losses in derivative instruments designated as net investment hedges. See note 19.

Cash flow hedging reserve

This reserve recognises realised and unrealised gains and losses in derivative instruments designated as cash flow hedges. See note 19.

Stock Options

The following table provides information about outstanding stock options issued under the Plans:

	As at December 31, 2018		As at December 31, 2017	
	Number of options	Weighted Average exercise price CDN $	Number of options	Weighted Average exercise price CDN $
Beginning balance	6,875,616	25.24	10,358,475	20.54
Transactions during the period:				
Issued	—	—	202,000	18.30
Exercised	(1,731,761)	23.23	(2,899,184)	7.47
Forfeited	(401,925)	19.17	(785,675)	27.56
Ending balance	**4,741,930**	**26.49**	**6,875,616**	**25.24**

No stock options were granted during the year ended December 31, 2018 (December 31, 2017 – the Corporation granted an aggregate of 202,000 stock options under the Plans).

The outstanding stock options issued under the Plans are exercisable at prices ranging from CDN$2.85 to CDN$35.30 per share and have a weighted average contractual term of 3.17 years.

The weighted average exercise price of options exercised during the year ended December 31, 2018 was CDN$23.23 (December 31, 2017 – CDN$7.47).

A summary of exercisable options per stock option grant under the Plans is as follows:

	Outstanding options		Exercisable options	
Exercise price CDN $	Number of options	Weighted average outstanding maturity period (years)	Number of options	Weighted average outstanding maturity period (years)
0.01 to 8.00	36,500	0.81	36,500	0.81
8.01 to 16.00	40,000	4.03	20,000	4.03
16.01 to 24.00	1,470,150	3.60	1,123,325	3.40
24.01 to 32.00	2,336,328	2.88	2,198,128	2.84
32.01 to 40.00	858,952	3.30	690,677	3.26
	4,741,930	**3.17**	**4,068,630**	**3.05**

The Corporation recorded a compensation expense for the year ended December 31, 2018 of $12.8 million (December 31, 2017 – $10.6 million). As at December 31, 2018, the Corporation had $0.7 million of unrecognised compensation expense related to the issuance of stock options to be recorded in future periods.

The stock options issued during the year ended December 31, 2017 were accounted for at their grant date fair value of $579,000 as determined by the Black-Scholes-Merton valuation model using the following weighted-average assumptions:

	2017
Expected volatility	55%
Expected life	4.75 years
Expected forfeiture rate	17%
Risk-free interest rate	1.02%
Dividend yield	Nil
Weighted average share price	CDN $18.30
Weighted average fair value of options at grant date	CDN $4.46

The expected life of the options was estimated using the average of the vesting period and the contractual life of the options. The expected volatility was estimated based on the Corporation's public trading history on the TSX for the 4.75 years preceding the grant. The expected forfeiture rate was estimated based on a combination of historical forfeiture rates and expected turnover rates.

RSUs

The following table provides information about outstanding RSUs issued by the Corporation under the 2015 Equity Incentive Plan.

	2018 No. of units	Weighted Average Fair Value	2017 No. of units	Weighted Average Fair Value
Balance as at January 1	141,064	$22.46	—	—
Issued	123,833	$31.92	153,064	$22.41
Vested and settled	(35,268)	$22.47	(12,000)	$21.80
Forfeited	(9,429)	$22.58	—	—
Balance as at December 31	**220,200**	**$29.72**	**141,064**	**$22.46**

PSUs

The following table provides information about outstanding PSUs issued by the Corporation under the 2015 Equity Incentive Plan. In addition to the issued and outstanding PSUs, the Corporation will issue additional PSUs of up to 50% upon the achievement of market vesting conditions.

	2018 No. of units	Weighted Average Fair Value	2017 No. of units	Weighted Average Fair Value
Balance as at January 1	282,036	$22.47	—	—
Issued	423,374	$30.09	282,036	$22.47
Vested and settled	—	—	—	—
Forfeited	(19,464)	$22.58	—	—
Balance as at December 31	**685,946**	**$27.17**	**282,036**	**$22.47**

DSUs

The following table provides information about outstanding DSUs issued by the Corporation under the 2015 Equity Incentive Plan.

	2018 No. of units	Weighted Average Fair Value	2017 No. of units	Weighted Average Fair Value
Balance as at January 1	92,703	$15.26	—	—
Issued	133,383	$22.96	92,703	$15.26
Vested and settled	(24,831)	$23.17	—	—
Forfeited	—	—	—	—
Balance as at December 31	**201,255**	**$19.39**	**92,703**	**$15.26**

Dividend Equivalents

During the years ended December 31, 2018 and 2017, no dividends were declared.

Warrants

The following table provides information about outstanding warrants at December 31, 2018 and 2017:

	As at December 31, 2018		As at December 31, 2017	
	Number of warrants	Weighted Average exercise price CDN $	Number of warrants	Weighted Average exercise price CDN $
Beginning balance	4,000,000	19.17	4,000,000	19.17
Issued	—	—	—	—
Exercised	(4,000,000)	19.17	—	—
Expired	—	—	—	—
Ending balance	—	—	**4,000,000**	**19.17**

26. FAIR VALUE

The Corporation determined that the carrying values of its short-term financial assets and liabilities approximate their fair value because of the relatively short periods to maturity of these instruments and low risk of credit.

Certain of the Corporation's financial assets and liabilities are measured at fair value at the end of each reporting period. The following table provides information about how the fair values of these financial assets and liabilities are determined as at each of December 31, 2018 and December 31, 2017:

	As at December 31, 2018			
In thousands of U.S. Dollars	Fair value & carrying value	Level 1	Level 2	Level 3
Bonds - FVOCI	103,153	103,153	—	—
Equity in unquoted companies - FVTPL	6,773	—	—	6,773
Derivatives	54,583	—	42,983	11,600
Total financial assets	**164,509**	**103,153**	42,983	**18,373**
Derivatives	22,561	—	6,276	16,285
Deferred contingent payment - FVTPL	77,628	—	—	77,628
Other long-term liabilities - FVTPL	2,740	—	—	2,740
Total financial liabilities	**102,929**	—	**6,276**	**96,653**

	As at December 31, 2017			
In thousands of U.S. Dollars	Fair value & carrying value	Level 1	Level 2	Level 3
Bonds - Available-for-sale	115,343	115,343	—	—
Funds - Available-for-sale	7,045	7,045	—	—
Equity in unquoted companies - Available-for-sale	6,981	—	—	6,981
Equity in quoted companies - Available-for-sale	281	281	—	—
Total available-for-sale	**129,650**	**122,669**	—	**6,981**
Derivatives	2,037	—	2,037	—
Total financial assets	**131,687**	**122,669**	**2,037**	**6,981**
Derivatives	121,881	—	111,762	10,119
Total financial liabilities	**121,881**	—	**111,762**	**10,119**

Refer to note 29 for details on credit risk for the above financial assets.

The fair values of other financial assets and liabilities measured at amortised cost on the consolidated statements of financial position as at each of December 31, 2018, and December 31, 2017 are as follows:

In thousands of U.S. Dollars	As at December 31, 2018			
	Fair value	**Level 1**	**Level 2**	**Level 3**
First Lien Term Loans	4,414,525	—	4,414,525	—
Senior Notes	969,370	—	969,370	—
Total financial liabilities	**5,383,895**	**—**	**5,383,895**	—

In thousands of U.S. Dollars	As at December 31, 2017			
	Fair value	**Level 1**	**Level 2**	**Level 3**
Previous First Lien Term Loans	2,370,335	—	2,370,335	—
USD Second Lien Term Loan	95,713	—	95,713	—
Total financial liabilities	**2,466,048**	—	**2,466,048**	—

Transfers between levels of the fair value hierarchy are recognised by the Corporation at the end of the reporting period during which the transfer occurred as part of its periodic review of fair values. There were no transfers between levels of the fair value hierarchy during the year ended December 31, 2018. During the year end December 31, 2017, the Corporation reassessed the fair value hierarchy of its long-term debt and reclassified it from Level 1 to Level 2 fair value hierarchy. In addition, the Corporation reassessed the fair value hierarchy in respect of its previously held preferred shares of a subsidiary of NYX Gaming Group and reclassified it transferred it from Level 3 to Level 2. Following this transfer, the Corporation sold all of its securities of NYX Gaming Group.

Valuation of Level 2 fair values

Long-Term Debt

The Corporation estimates the fair value of its long-term debt by using a composite price derived from observable market data for a basket of similar instruments.

Derivative Financial Instruments

Currently, the Corporation uses cross currency swap and interest rate swap agreements to manage its interest rate and foreign currency risk and foreign currency forward and option contracts to manage foreign currency risk. The valuation of these instruments is determined using widely accepted valuation techniques including discounted cash flow analysis on 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, including interest rate curves, as well as spot and forward rates.

To comply with the provisions of *IFRS 13, Fair value measurement*, the Corporation incorporates credit valuation adjustments to appropriately reflect both its own non-performance risk and the respective 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 Corporation has considered the impact of netting and any applicable credit enhancements, such as collateral postings, thresholds, mutual puts, and guarantees.

Although the Corporation 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. However, as of December 31, 2018 and December 31, 2017, the Corporation 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 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 Corporation determined that its valuations of the Swap Agreements and Previous Swap Agreements in their entirety are classified in Level 2 of the fair value hierarchy.

Reconciliation of Level 3 fair values

Some of the Corporation'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 December 31, 2018 and December 31, 2017, for each Level 3 asset or liability the valuation techniques and key inputs used by the Corporation were as follows:

- Equity in private companies (Level 3 Asset): The Corporation values its equity investment 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. Changes in the fair value of equity in private companies are recorded in loss (gain) on disposal of investments and other assets within general and administrative expense on the consolidated statements of (loss) earnings.

- Promissory note (Level 3 Asset): The Corporation recognised a promissory note in connection with the sale of a former subsidiary. The Corporation received the full balance of the promissory note during the year ended December 31, 2017.

- Deferred contingent payment (Level 3 Liability) in connection with the acquisition of the additional 18% equity interest in BetEasy (see note 5): The Corporation used a risk-neutral derivative-based simulation of the underlying EBITDA forecast to determine the fair value of the deferred contingent payment, used a discount rate of 10.5% and an EBITDA forecast with an estimated volatility of 25% of the historic EBITDA of comparable companies. A five percentage point increase or decrease in the estimated volatility would have a $3.8 million or $0.7 million impact on fair value, respectively. Changes in the fair value of the deferred contingent payment are recorded in net financing changes on the consolidated statements of (loss) earnings.

- Embedded Derivative (Level 3 Asset) in connection with the Senior Notes issuance: The Corporation used an interest rate option pricing valuation model to determine the fair value of the Redemption option using an implied credit spread of 3.8% at issuance and 4.6% at December 31, 2018. A 10 basis point increase or decrease in the implied credit spread would have a $1.0 million or $0.9 million impact on fair value, respectively. Changes in the fair value of the Embedded Derivative are recorded in net financing changes on the consolidated statements of (loss) earnings.

- Unsettled bets (Level 3 Liability): The principal assumptions used in the valuation of unsettled bets is the anticipated outcomes for the events related to the unsettled bets (gross win margin). A reasonable change in the gross win margin would not have a material impact on fair value. Changes in the fair value of the deferred contingent payment are recorded in revenue on the consolidated statements of (loss) earnings.

- Included within other level 3 liabilities:

  - EBITDA support agreement (Level 3 Liability): As previously disclosed, in connection with the initial public offering Innova Gaming Group Inc. (TSX: IGG) ("**Innova**"), the Corporation entered into an EBITDA support agreement with Innova. The Corporation uses a net present value approach for the EBITDA support agreement using a 5.7% discount rate (2017 – 5.7% discount rate). A reasonable change in the discount rate would not have a material impact on fair value. The fair value of the support agreement as at December 31, 2018 was $2.7 million and is included in accounts payable and other liabilities. Changes in the fair value of the EBITDA support agreement are recorded in net financing changes on the consolidated statements of (loss) earnings.

  - Licensing Agreement (Level 3 Liability): As previously disclosed, a subsidiary of the Corporation entered into a supplier licensing agreement with NYX Gaming Group (the "**Licensing Agreement**"). The Licensing Agreement expired during the year ended December 31, 2018.

The following table shows a reconciliation from opening balances to the closing balances for Level 3 fair values:

In thousands of U.S Dollars	Level 3 Equity	Level 3 Promissory note	Level 3 Embedded Derivative
Balance – January 1, 2017	**15,249**	**4,827**	**—**
Transfers into Level 3	(8,526)	—	—
Re-measurement of fair value	258	3,257	—
Settlement	—	(8,084)	—
Balance – December 31, 2017	**6,981**	—	—
Adjustment on adoption of IFRS 9	1,787	—	—
Balance – January 1, 2018 (restated)	**8,768**	—	—
Recognised	—	—	17,700
Re-measurement of fair value	(1,974)	—	(6,100)
Translation	(22)	—	—
Balance – December 31, 2018	**6,772**	—	**11,600**

In thousands of U.S Dollars	Level 3 Deferred contingent payment	Level 3 Unsettled Bets *	Other
Balance – January 1, 2017	**195,506**	**519**	**23,230**
Settlement	(197,510)	179	(14,905)
Re-measurement of fair value	2,004	38	718
Translation	—	43	1,076
Balance – December 31, 2017	—	**779**	**10,119**
Acquired on business combination	84,662	19,226	—
Settlements	—	968	(7,006)
Re-measurement of fair value	(342)	(4,782)	215
Translation	(6,692)	94	(588)
Balance – December 31, 2018	**77,628**	**16,285**	**2,740**

* The unsettled bets liability is recorded in accounts payable and other liabilities on the consolidated statement of financial position as at December 31, 2017 and is recorded in derivatives on the consolidated statement of financial position as at December 31, 2018.

27. STATEMENTS OF CASH-FLOWS

Changes in non-cash operating elements of working capital

In thousands of U.S. Dollars	Year Ended December 31, 2018	2017
Accounts receivable	90,677	(6,708)
Prepaid expenses	(14,250)	(6,243)
Accounts payable and accrued liabilities	(112,275)	6,931
Provisions	15,652	2,666
Other	10,793	(447)
Total	**(9,403)**	**(3,801)**

Changes in liabilities arising from financing activities

The table below details changes in the Corporation's liabilities (excluding derivative instruments) arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those which cash flows were, or future cash flows will be, classified in the Corporation's consolidated statements of cash flows as net cash flows from financing activities.

In thousands of U.S. Dollars	January 1, 2018 *	Financing cash flows	The effect of changes in foreign exchange rates	Other changes	December 31, 2018
Long-term debt	2,314,675	2,978,754	(46,040)	199,569	5,446,958
Balance – December 31, 2018	**2,314,675**	**2,978,754**	**(46,040)**	**199,569**	**5,446,958**

In thousands of U.S. Dollars	January 1, 2017	Financing cash flows	The effect of changes in foreign exchange rates	Other changes	December 31, 2017
Settlement of margin	7,397	(7,602)	205	—	—
Deferred payment provision	195,506	(197,510)	—	2,004	—
Long-term debt	2,428,579	(144,632)	56,371	18,251	2,358,569
Balance – December 31, 2017	**2,631,482**	**(349,744)**	**56,576**	**20,255**	**2,358,569**

* Adjusted on adoption of IFRS 9. See note 4.

28. CONTINGENT LIABILITIES

As part of management's ongoing regulatory compliance and operational risk assessment process, management monitors legal and regulatory developments and proceedings, and their potential impact on the business.

Kentucky

Prior to the Stars Interactive Group Acquisition, the Commonwealth of Kentucky, ex. rel. J. Michael Brown, Secretary of the Justice and Public Safety Cabinet, filed a legal proceeding against Oldford Group and certain affiliates thereof (the "**Oldford Parties**") and various other defendants (the "**Kentucky Proceeding**"), pursuant to which the Commonwealth sought to recover alleged gambling losses on behalf of Kentucky residents who played real-money poker on the PokerStars website during the period between October 12, 2006 and April 15, 2011. On August 12, 2015, the trial court in the Kentucky Proceeding entered a default judgment against the Oldford Parties following certain alleged discovery failures, including by certain former owners of Oldford Group., and partial summary judgment on liability in favor of the Commonwealth. On December 23, 2015, the trial court entered an order for damages in the amount of $290 million, which the trial court trebled to $870 million, plus interest at the statutory rate. The Corporation, through certain subsidiaries, filed a notice of appeal to the Kentucky Court of Appeals and posted a $100 million supersedeas bond to stay enforcement of the order for damages during the pendency of the appeals process. In connection with the posting of the bond, the Corporation delivered cash collateral in the amount of $5 million and letters of credit in the aggregate amount of $65 million. On December 21, 2018, the Kentucky Court of Appeals ruled in the Corporation's favor and reversed in its entirety the $870 million judgment.

On January 18, 2018, the Commonwealth filed a motion for discretionary review with the Kentucky Supreme Court asking the Court to determine if it will hear an appeal of the decision issued by the Kentucky Court of Appeals. As of the date of these consolidated financial statements, a decision regarding the Commonwealth's motion for discretionary review is still pending with the Kentucky Supreme Court. If the Kentucky Supreme Court decides to hear the Commonwealth's appeal, the Corporation will vigorously dispute the liability as it believes the action is frivolous. To the extent the Oldford Parties may be ultimately obligated to pay any amounts pursuant to a final adjudication following exhaustion of all appeals and other legal options, the Corporation intends to seek recovery against the former owners of Oldford Group.

In late-January 2016, pursuant to and in accordance with the procedures set forth in the merger agreement governing the Stars Interactive Group Acquisition, a subsidiary of the Corporation submitted a notice of

claim to the sellers' representative and escrow agent seeking indemnification for losses and potential losses caused by breaches under the merger agreement and requesting, among other things, that the escrow agent retain the then-remaining balance of the escrow fund established under the merger agreement in an aggregate amount equal to $300 million. With the exception of the claim relating to the Kentucky Proceeding, all such claims have since been settled. The escrow fund was reduced accordingly and continues to be held by the escrow agent. The remaining disputed claim regarding the Kentucky Proceedings and release of the outstanding escrow funds will be resolved in accordance with the provisions of the merger and escrow agreements related to the Stars Interactive Group Acquisition, and there can be no assurance that such claim will result in any amounts in the escrow fund being remitted to the Corporation or that any of the Corporation's estimates of potential losses will reimbursed by the sellers or otherwise.

Class Action

There is one currently pending class action complaint in Quebec, Canada (the "**Quebec Class Action**") against the Corporation and certain other defendants, which was filed during the year ended December 31, 2016 and generally alleges, among other things, that the Corporation violated certain securities laws by misrepresenting or failing to disclose information related to the charges made by the Autorité des marchés financiers against the former Chief Executive Officer and that the Corporation did not properly disclose that it had inadequate or ineffective internal controls and that one or more of its directors and its former Chief Executive Officer were in breach of its Code of Business Conduct.

The Corporation believes that the Quebec Class Action is without merit and intends to vigorously defend itself; however, there can be no assurance that the Corporation will be successful in its defense. No provision has been recorded regarding this matter.

Given the nature of the legal and regulatory landscape of the industry in which it operates, from time to time the Corporation has also received notices, communications and legal actions from regulatory authorities in various jurisdictions and other parties in respect of its activities. The Corporation has taken legal advice as to the manner in which it should respond and the likelihood of success of such actions. Based on this advice and the nature of the actions, no provisions have been recorded with respect to any such legal or regulatory notices, communications or actions for the year ended December 31, 2018.

29. FINANCIAL INSTRUMENTS RISK MANAGEMENT

Foreign Exchange Risk

The Corporation is subject to foreign currency exposure on its financial instruments and the translation of its subsidiaries with foreign functional currencies to USD. The Corporation primarily manages its foreign currency exposure through its hedging instruments. See note 19. As at December 31, 2018, the Corporation's significant foreign exchange currency exposure on its financial instruments by currency was as follows (in U.S. dollar equivalents):

	CDN	EUR	GBP	AUD
Cash	10,098	102,757	150,372	3,279
Restricted cash	—	998	—	5,837
Equity in unquoted companies – FVTPL	—	6,138	—	—
Accounts receivable	8,884	52,127	48,984	2,681
Derivatives	—	42,983	—	—
Accounts payable and accrued liabilities	(10,811)	(52,457)	(176,978)	(46,700)
Long-term debt	—	(951,980)	—	—
Derivatives	—	(1,843)	(12,819)	—
Customer deposits	(407)	(83,582)	(53,418)	(39,120)

The table below details the effect on equity and earnings before tax of a 10% strengthening or weakening of the USD exchange rate at the balance sheet date for balance sheet items denominated in CDN, EUR, GBP and AUD after the effect of the Corporation's hedging activities:

	Earnings impact - gain (loss)		**Equity impact - gain (loss)**	
Currency	**10% Strengthening $000's**	**10% Weakening $000's**	**10% Strengthening $000's**	**10% Weakening $000's**
CDN	(421)	421	(355)	355
EUR	(6,765)	6,765	95,251	(95,251)
GBP	555	(555)	3,831	(3,831)
AUD	(43)	43	7,445	(7,445)

The table below details the effect on equity of a 10% strengthening or weakening of the EUR:USD or the EUR:GBP exchange rates on the valuations of the Swap Agreements that hedge the USD First Lien Term Loan. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

	$000's	
	-10%	**+ 10%**
USD:EUR exchange rate	(242,072)	266,280
EUR:GBP exchange rate	(133,285)	146,614

Interest Rate Risk

The Corporation's exposure to changes in interest rates (particularly, fluctuations in LIBOR) relates primarily to interest paid on the Corporation's long-term indebtedness, as well as the interest earned on and market value of its cash and investments. The Corporation is also exposed to fair value interest rate risk with respect to its Senior Notes and cash flow interest rate risk on the unhedged elements of the USD First Lien Term Loan, and the EUR First Lien Term Loan which bear interest at variable rates. The Corporation manages its foreign currency exposure through its hedging instruments. See note 19.

The table below details the effect on earnings before tax of a 100 basis points strengthening or weakening of the LIBOR and EURIBOR interest rates on these loans after the effect of the Corporation's hedging activities. 100 basis points sensitivity is the sensitivity rate used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates:

	Net earnings (loss) $000's	
	-100 bps	**+ 100 bps**
USD LIBOR	7,249	(7,886)
EURIBOR	—	(4,734)

The USD First Lien Term Loan has a floor of 0% for the LIBOR and as such, the interest rate cannot decrease below 3.50% respectively. The EUR First Lien Term Loan has a floor of 0% for the EURIBOR and as such, the interest rate cannot decrease below 3.75%. Management monitors movements in the interest rates by reviewing the EURIBOR and LIBOR on a quarterly basis. During the year ended December 31, 2018 the EURIBOR was negative.

The table below details the effect on equity of a 100 basis points strengthening or weakening of the LIBOR and EURIBOR interest rates on the valuations of the Swap Agreements that hedge the USD First Lien Term Loan. 100 basis points is the sensitivity rate used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates:

	$000's	
	-100 bps	**+ 100 bps**
LIBOR	(6,690)	6,097
GBP LIBOR	(60,259)	57,436
EURIBOR	(50,227)	47,596

In July 2017, the Financial Conduct Authority (the authority that regulates LIBOR) announced it intends to stop compelling banks to submit rates for the calculation of LIBOR after 2021. The Alternative Reference Rates Committee ("**ARRC**") has proposed that the Secured Overnight Financing Rate ("**SOFR**") is the rate that represents best practice as the alternative to USD-LIBOR for use in derivatives and other financial contracts that are currently indexed to USD-LIBOR. ARRC has proposed a paced market transition plan to SOFR from USD-LIBOR and organizations are currently working on industry wide and company specific transition plans as it relates to derivatives and cash markets exposed to USD-LIBOR. The Company has material contracts that are indexed to USD-LIBOR and is monitoring this activity and evaluating the related risks.

Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Corporation. The Corporation has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Corporation's policy is to transact wherever possible with investment grade counterparties. This information is supplied by independent rating agencies where available, and if not available, the Corporation uses other publicly available financial information and its own trading records to rate its major customers. The Corporation's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is managed by the Corporation's treasury and finance groups in accordance with the Corporation's treasury investment policy, which was approved by the Corporation's Audit Committee.

Credit risk arises from cash and cash equivalents, contractual cash flows of investments carried at amortised cost, at FVOCI and at FVTPL, as applicable, favorable derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures on outstanding accounts receivable. The Corporation does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

The Corporation subjects its accounts receivable, investments carried at FVOCI and cash and restricted cash to the expected credit loss model and specifically uses the simplified approach in respect of accounts receivable. The credit risk on cash and cash equivalents, investments and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The Corporation's treasury investment policy and related strategy is focused on the preservation of capital and supporting its liquidity requirements, not on generating trading profits. The Corporation's receivables are primarily in relation to payment processors and credit risk associated with these receivables is limited. The application of the expected credit loss model did not result in material impairment losses recorded in respect of these instruments.

Age of receivables that are past due but not impaired:

In thousands of U.S. Dollars	**As at December 31,**	
	2018	**2017**
Past due less than 181 days	2,103	1,707
Past due more than 181 days	2,309	879
Total	**4,412**	**2,586**

The allowance for doubtful accounts is $16.8 million as at December 31, 2018 (December 31, 2017 – $166,000).

Age of impaired trade receivables:

In thousands of U.S. Dollars	**As at December 31,**	
	2018	**2017**
Past due less than 181 days	308	—
Past due more than 181 days	16,520	166
Total past due	**16,828**	**166**

Liquidity Risk

Liquidity risk is the Corporation's ability to meet its financial obligations when they come due. The Corporation is exposed to liquidity risk with respect to its contractual obligations and financial liabilities. The Corporation manages liquidity risk by continuously monitoring forecasted and actual cash flows and matching maturity profiles of financial assets and liabilities. The Corporation's objective is to maintain a balance between continuity of funding and flexibility through borrowing facilities available through the Corporation's banks and other lenders. The Corporation's policy is to seek to ensure adequate funding is available from operations, established lending facilities and other sources, including the debt and equity capital markets, as required.

The Corporation's principal sources of liquidity are its cash generated from operations, Revolving Facility and certain other currently available funds. Currently available funds consist primarily of cash on deposit with banks and investments, which are comprised primarily of certain highly liquid, short-term investments, including money market funds. The Corporation's working capital needs are generally minimal over the year as its current gaming business requires customers to deposit funds prior to playing or participating in its real-money product offerings. The Corporation believes that such deposits are typically converted to revenue efficiently and on a timely basis such that operating expenditures are sufficiently covered. Management also believes that investing is a key element necessary for the continued growth of the Corporation's customer base and the future development of new and innovative product offerings. Based on the Corporation's currently available funds, funds available from the Revolving Facility and its ability to access the debt and equity capital markets, if necessary, management believes that the Corporation will have the cash resources necessary to satisfy current obligations and working capital needs, and fund currently planned development and integration activities and other capital expenditures, as well as currently planned acquisitions, for at least the next 12 months. Notwithstanding, the state of capital markets and the Corporation's ability to access them on favorable terms, if at all; micro and macro-economic downturns; and fluctuations of the Corporation's operations, among other things, may influence its ability to secure the capital resources required to satisfy current or future obligations and fund future projects, strategic initiatives and support growth.

Customer deposit liabilities relate to customer deposits which are held in multiple bank accounts and highly liquid investments which are segregated from those holding operational funds. These deposits are included in current assets in the consolidated statements of financial position under Cash and cash equivalents – customer deposits and Current investments – customer deposits (see note 15).

The following table provides information about the terms of the Corporation's financial obligations and liabilities:

	On demand $000's	Less than 1 year $000's	2 to 5 years $000's	Greater than 5 years $000's
Accounts payable and other liabilities *	131,268	242,108	79,716	—
Customer deposits	431,376	—	—	—
Derivatives	—	16,493	6,068	—
Provisions	—	39,189	3,844	158
Long-term debt **	—	349,328	1,363,382	5,816,656
Total	**562,644**	**647,118**	**1,453,010**	**5,816,814**

* Excludes VAT and other taxes as well as the interest accrual on Senior Notes, which are all included in accounts payable and other liabilities on the statements of financial position

** Includes principal and interest, including the interest accrual on Senior Notes

30. RELATED PARTY TRANSACTIONS

Key management of the Corporation includes the members of the Board, the Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, Chief Corporate Development Officer, Executive Vice-President and Chief Legal Officer, Chief Technology Officer, and certain other key members of management.

The compensation of such key management for the years ended December 31, 2018 and 2017 included the following:

In thousands of U.S. Dollars	Year Ended December 31, 2018	2017
Salaries, bonuses and short-term employee benefits	10,320	4,514
Director retainers	796	729
Stock-based payments	6,824	3,799
	17,940	**9,042**

The remuneration of the Chief Executive Officer, Chief Financial Officer, Chief Technology Officer, Chief Operating Officer, Chief Corporate Development Officer, Executive Vice-President and Chief Legal Officer consists primarily of a salary, cash bonuses and share-based awards and was negotiated at arm's length. Director retainers include both retainers, committee fees and share-based awards.

31. SUBSEQUENT EVENTS

Prepayment of First Lien Term Loans

On February 22, 2019, the Corporation prepaid $100.0 million of its USD First Lien Term Loan (as defined above), including accrued and unpaid interest, using cash on its balance sheet.

SECTION C

HISTORICAL FINANCIAL INFORMATION RELATING TO THE TSG GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

Note to Flutter Shareholders

The historical financial information and all accompanying notes contained in this Section C of Part IV (*Historical Financial Information for the TSG Group*) relate to the financial year ended 31 December 2017 and may no longer be correct as of the date of this Circular. Please refer to Section A of this Part IV (*Historical Financial Information for the TSG Group*) for the most recent audited financial information for the TSG Group as at 31 December 2019.

All definitions and cross-references contained in this Section C of Part IV (*Historical Financial Information for the TSG Group*) shall apply only to this Section C and not to any other section of this Circular.

INDEPENDENT AUDITORS REPORT 2017 OF TSG

To the Shareholders and the Board of Directors of TSG Inc.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of TSG Inc. and subsidiaries (the "**Company**"), which comprise the consolidated statements of financial position as at December 31, 2017 and December 31, 2016, the consolidated statements of earnings, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and the related notes, including a summary of significant accounting policies and other explanatory information (collectively referred to as the "financial statements").

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2017 and December 31, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on Internal Control over Financial Reporting

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("**PCAOB**"), the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 14, 2018 expressed an unqualified opinion on the Company's internal control over financial reporting.

Basis for Opinion

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error. Those standards also require that we comply with ethical requirements.

We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB. Further, we are required to be independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and to fulfil our other ethical responsibilities in accordance with these requirements.

An audit includes performing procedures to assess the risks of material misstatement of the financial statements, whether due to fraud or error, and performing procedures that respond to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies and principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a reasonable basis for our audit opinion.

/s/ Deloitte LLP

Deloitte LLP

London, United Kingdom

March 14, 2018

We have served as the Company's auditor since 2015.

To the Shareholders and the Board of Directors of TSG Inc.

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of TSG Inc. and subsidiaries (the "**Company**") as of December 31, 2017, based on criteria established in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control — Integrated Framework (2013) issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("**PCAOB**") and Canadian generally accepted auditing standards, the consolidated financial statements as of and for the year ended December 31, 2017, of the Company and our report dated March 14, 2018, expressed an unmodified/unqualified opinion on those financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Deloitte LLP

Deloitte LLP

London, United Kingdom

March 14, 2018

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF EARNINGS

U.S. dollars	Note	Year Ended December 31, 2017 $000's (except per share amounts)	Year Ended December 31, 2016 $000's (except per share amounts) (As reclassified*)
Revenues	5	**1,312,315**	**1,155,247**
Expenses	5,6		
Selling		192,709	162,785
General and administrative		571,258	585,123
Financial		163,039	138,299
Gaming duty		130,771	113,102
Acquisition-related costs		—	199
Total expenses		**1,057,777**	**999,508**
Gain (loss) from investments	7	34,524	(19,278)
Net (loss) earnings from associates	12	(2,569)	623
Gain on settlement of deferred consideration	24	—	2,466
Net earnings before income taxes		**286,493**	**139,550**
Income taxes	8	27,208	4,000
Net earnings		**259,285**	**135,550**
Net earnings (loss) attributable to			
Shareholders of TSG Inc.		259,231	136,144
Non-controlling interest		54	(594)
Net earnings		**259,285**	**135,550**
Basic earnings per Common Share	9	$ 1.77	$ 0.96
Diluted earnings per Common Share	9	$ 1.27	$ 0.70

* See notes 5 and 6 for further details on reclassifications.

See accompanying notes.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

U.S. dollars	Note	Year Ended December 31, 2017 $000's	2016 $000's
Net earnings		**259,285**	**135,550**
Items that are or may be reclassified to net earnings			
Available-for-sale investments – gain (loss) in fair value *	27	32,474	(2,095)
Available-for-sale investments – reclassified to net earnings	27	(37,090)	4,394
Foreign operations – unrealised foreign currency translation differences	27	(189,012)	22,969
Cash flow hedges – effective portion of changes in fair value †	27	(151,311)	50,865
Cash flow hedges – reclassified to net earnings †	27	160,069	(42,263)
Other comprehensive (loss) income		(184,870)	33,870
Total comprehensive income		**74,415**	**169,420**
Total comprehensive income (loss) attributable to			
Shareholders of TSG Inc.		74,361	170,014
Non-controlling interest		54	(594)
Total comprehensive income		**74,415**	**169,420**

* Net of income tax recovery of $160,380 for the year ended December 31, 2017 (December 31, 2016 – net of income tax expense of $146,000)
† Net of income tax of $nil for the year ended December 31, 2017 (December 31, 2016 - $nil)

See accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

U.S. dollars	Note	As at December 31, 2017 $000's	2016 $000's
ASSETS			
Current assets			
Cash and cash equivalents - operational	15	283,225	129,459
Cash and cash equivalents - customer deposits	25	227,098	138,225
Total cash and cash equivalents		510,323	267,684
Restricted cash advances and collateral	15	7,862	5,767
Current investments		—	59,977
Current investments - customer deposits	25	122,668	228,510
Total current investments	13	122,668	288,487
Accounts receivable	14	100,409	81,557
Inventories		302	515
Prepaid expenses and deposits	16	29,393	22,567
Assets held for sale	17	—	6,972
Income tax receivable		16,540	16,838
Derivatives	21	2,037	—
Total current assets		789,534	690,387
Non-current assets			
Restricted cash advances and collateral	15	45,834	45,728
Prepaid expenses and deposits	16	16,514	20,798
Investments in associates	12	—	—
Long-term accounts receivable		11,818	9,458
Long-term investments	13	6,981	6,921
Promissory note		—	4,827
Property and equipment	11	44,837	40,800
Investment tax credits receivable		3,056	1,892
Income tax receivable		14,061	—
Deferred income taxes	8	5,141	1,054
Derivatives	21	—	52,038
Goodwill and intangible assets	10	4,477,350	4,588,572
Total non-current assets		4,625,592	4,772,088
Total assets		**5,415,126**	**5,462,475**
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		151,473	135,777
Other payables	23	42,714	56,588
Provisions	24	17,590	212,780
Customer deposits	25	349,766	366,735
Income tax payable		35,941	23,616
Current maturity of long-term debt	19	4,990	47,750
Derivatives	21	—	4,922
Total current liabilities		602,474	848,168
Non-current liabilities			
Long-term debt	19	2,353,579	2,380,829
Provisions	24	3,093	8,942
Derivatives	21	111,762	5,594
Income tax payable		24,277	—
Deferred income taxes	8	16,510	17,214
Total non-current liabilities		2,509,221	2,412,579
Total liabilities		**3,111,695**	**3,260,747**
EQUITY			
Share capital	26	1,884,219	1,862,789
Reserves	27	(142,340)	35,847
Retained earnings		561,519	302,288
Equity attributable to the Shareholders of TSG Inc.		**2,303,398**	**2,200,924**
Non-controlling interest		33	804
Total equity		2,303,431	2,201,728
Total liabilities and equity		**5,415,126**	**5,462,475**

See accompanying notes.
Approved and authorised for issue on behalf of the Board on March 14, 2018.

(Signed) *"Divyesh (Dave) Gadhia",* Director	(Signed) *"David Lazzarato"*, Director
Divyesh (Dave) Gadhia, Chairman of the Board	David Lazzarato, Chairman of the Audit Committee

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the years ended December 31, 2017 and 2016.

U.S. dollars	Note	Share Capital				Reserves (note 27) $000's	Retained Earnings $000's	Equity attributable to the Shareholders of TSG Inc. $000's	Non-controlling interest $000's	Total equity $000's
		Common Shares number	Convertible Preferred Shares number	Common Shares amount $000's	Convertible Preferred Shares amount $000's					
Balance – January 1, 2016		**133,426,193**	**1,139,249**	**887,015**	**684,385**	**280,964**	**166,144**	**2,018,508**	**1,398**	**2,019,906**
Net earnings (loss)		—	—	—	—	—	136,144	136,144	(594)	135,550
Other comprehensive income		—	—	—	—	33,870	—	33,870	—	33,870
Total comprehensive income (loss)		—	—	—	—	33,870	136,144	**170,014**	(594)	**169,420**
Issue of Common Shares in relation to exercised warrants	26,27	11,266,575	—	290,174	—	(288,982)	—	1,192	—	1,192
Issue of Common Shares in relation to exercised employee stock options	26,27	408,359	—	1,215	—	(294)	—	921	—	921
Stock-based compensation	27	—	—	—	—	10,289	—	10,289	—	10,289
Balance – December 31, 2016		**145,101,127**	**1,139,249**	**1,178,404**	**684,385**	**35,847**	**302,288**	**2,200,924**	**804**	**2,201,728**
Net earnings		—	—	—	—	—	259,231	259,231	54	259,285
Other comprehensive loss		—	—	—	—	(184,870)	—	(184,870)	—	(184,870)
Total comprehensive (loss) income		—	—	—	—	(184,870)	259,231	74,361	54	74,415
Issue of Common Shares in relation to Equity awards	26,27	2,923,184	—	21,923	—	(5,258)	—	16,665	—	16,665
Share cancellation	26,27	(76,437)	—	(493)	—	493	—	—	—	—
Stock-based compensation	27	—	—	—	—	10,622	—	10,622	—	10,622
Deferred tax on stock-based compensation		—	—	—	—	359	—	359	—	359
Acquisition of non-controlling interest		—	—	—	—	467	—	467	(825)	(358)
Balance – December 31, 2017		**147,947,874**	**1,139,249**	**1,199,834**	**684,385**	**(142,340)**	**561,519**	**2,303,398**	**33**	**2,303,431**

See accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

U.S. dollars	Note	Year Ended December 31, 2017 $000's	2016 $000's
Operating activities			
Net earnings		259,285	135,550
Dormant accounts recognised as income		1,596	(9,160)
Stock-based compensation		10,622	10,289
Interest accretion		40,373	36,433
Interest expense		116,469	130,848
Income tax expense recognised in net earnings		27,208	4,000
Depreciation of property and equipment		8,925	8,181
Amortization of intangible assets		127,986	125,760
Amortization of deferred development costs		10,275	5,942
Unrealised gain on foreign exchange		(10,324)	(17,571)
Unrealised (gain) loss on investments		(170)	6,703
(Reversal of) Impairment of assets held for sale, associates and intangible assets		(6,799)	16,931
Net loss (earnings) from associates		2,569	(623)
Gain on settlement of deferred consideration		(44)	(2,466)
Realised (gain) loss on current investments, promissory note and other		(50,038)	2,906
Income taxes paid		(9,357)	(1,699)
Changes in non-cash operating elements of working capital	29	(3,801)	(32,019)
Customer deposit liability movement		(30,924)	(70,992)
Other		749	923
Net cash inflows from operating activities		**494,600**	**349,936**
Financing activities			
Issuance of common shares in relation to exercised warrants		—	1,192
Issuance of common shares in relation to exercised employee stock options		16,665	921
Settlement of brokerage margin account	29	(7,602)	—
Payment of deferred consideration	29	(197,510)	(200,000)
Repayment of long-term debt	29	(139,913)	(46,353)
Transaction costs on repricing of long-term debt	29	(4,719)	—
Interest paid		(124,627)	(131,346)
Gain on settlement of derivative		13,904	—
Net cash outflows from financing activities		**(443,802)**	**(375,586)**
Investing activities			
Additions in deferred development costs		(23,212)	(20,961)
Purchase of property and equipment		(10,997)	(6,806)
Acquired intangible assets		(1,893)	(7,669)
Sale (purchase) of investments	7	88,760	(5,722)
Cash movement (into) from restricted cash advances and collateral		(1,298)	66,969
Settlement of minimum revenue guarantee		(9,311)	(16,070)
Settlement of promissory note		8,084	—
Net sale of investments utilising customer deposits		117,106	22,679
Acquisition of further interests in subsidiary		(6,516)	(3,549)
Investment in associate		(2,000)	—
Proceeds on disposal of interest in associate classified as held for sale		16,127	—
Net cash inflows from investing activities		**174,850**	**28,871**
Increase in cash and cash equivalents		225,648	3,221
Cash and cash equivalents – beginning of period		267,684	274,359
Unrealised foreign exchange difference on cash and cash equivalents		16,991	(9,896)
Cash and cash equivalents - end of period		**510,323**	**267,684**

See accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. NATURE OF BUSINESS

TSG Inc. ("**TSG**" **or the "Corporation**"), is a leading provider of technology-based products and services in the global gaming and interactive entertainment industries. As at December 31, 2017, TSG had two major lines of operations within its gaming business, real-money online poker ("**Poker**") and real-money online casino and sportsbook ("**Casino & Sportsbook**"). As it relates to these two business lines, online revenues include revenues generated through the Corporation's real-money online, mobile and desktop client platforms.

Through Stars Interactive Holdings (IOM) Limited and its subsidiaries and affiliates (collectively, "**Stars Interactive Group**"), TSG's gaming business operates globally and conducts its principal activities from its headquarters in the Isle of Man. Through its Stars Interactive Group division, the Corporation ultimately owns and operates gaming and related interactive entertainment businesses, which it offers under several owned brands including, among others, *PokerStars*, *PokerStars Casino*, *BetStars*, *Full Tilt*, and the *PokerStars Players No Limit Hold'em Championship*, *European Poker Tour*, *PokerStars Caribbean Adventure*, *Latin American Poker Tour*, *Asia Pacific Poker Tour*, *PokerStars Festival*, and *PokerStars MEGASTACK* live poker tour and event brands.

TSG was incorporated on January 30, 2004 under the Companies Act (Quebec) and continued under the Business Corporations Act (Ontario) on August 1, 2017. The registered head office is located at 200 Bay Street, South Tower, Suite 3205, Toronto, Ontario, Canada, M5J 2J3 and its common shares ("**Common Shares**") are listed on the Toronto Stock Exchange (the "**TSX**") under the symbol "TSGI", and the Nasdaq Global Select Market ("**Nasdaq**") under the symbol "TSG".

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Corporation's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**").

The consolidated financial statements of the Corporation have been prepared on the historical cost basis, except derivative financial instruments and financial instruments at fair value through profit or loss which are each measured at fair value.

Unless otherwise indicated, all references to a specific "note" refer to these notes to the Corporation's consolidated financial statements.

Going Concern

The Board of Directors of the Corporation (the "**Board**") have, at the time of approving the consolidated financial statements, a reasonable expectation that the Corporation has adequate resources to continue in operational existence for the foreseeable future. As such, the Corporation continues to adopt the going concern basis of accounting in preparing the consolidated financial statements.

Principles of Consolidation

A subsidiary is an entity controlled by the Corporation. As such, the Corporation is exposed, or has rights, to variable returns from its involvement with such entity and has the ability to affect those returns through its current ability to direct such entity's relevant activities (i.e., control over the entity).

The existence and effect of substantive voting rights that the Corporation potentially has the practical ability to exercise (i.e., substantive rights) are considered when assessing whether the Corporation controls another entity.

The Corporation's consolidated financial statements include the accounts of the Corporation and its subsidiaries. Upon consolidation, all inter-entity transactions and balances have been eliminated.

Non-controlling interests in subsidiaries are identified separately from the Corporation's equity therein. Those non-controlling interests that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation 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. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. 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 Corporation'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.

Revenue Recognition

Gaming revenue

Revenue from the gaming business consists primarily of Poker and Casino & Sportsbook revenue and is recognised when it is probable that the economic benefits will flow to the Corporation and the amount of revenue can be reliably measured. Revenue is recognised in the accounting periods in which the transactions occurred after deduction of certain offsets, such as promotional bonuses and rewards granted to customers through the Stars Rewards cross vertical loyalty program, and is measured at the fair value of the consideration received or receivable.

Poker revenue represents primarily the commission charged at the conclusion of each poker hand in cash games (i.e., rake) and entry fees for participation in poker tournaments, and is net of certain promotional expenses. In poker tournaments, entry fee revenue is recognised when the tournament has concluded. Revenues are presented gross of gaming duties, which are presented within expenses.

Casino revenue represents primarily the difference between the amounts of bets placed by the customer less amounts won (i.e., net house win) and is net of certain promotional expenses. Casino revenues are presented gross of gaming duties, which are presented within expenses.

Sportsbook revenue represents primarily bets placed less payouts to customers and is net of certain promotional expenses. Open betting positions are carried at fair value and gains and losses arising on these positions are recognised in revenue. Sportsbook revenues are presented gross of gaming duties, which are presented within expenses.

The gaming business operates loyalty programs for its customers that award customer rewards based on a number of factors, including volume of play, player impact on the overall ecosystem, whether the player is a net withdrawing versus net depositing player, and product and game selection. The value of customer rewards is estimated with reference to the redemption value of the applicable reward through the Corporation's product offerings, including in an online store operated by the Corporation and accessible through such product offerings, and the probability of use of such rewards by customers. In accordance with International Financial Reporting Interpretations Committee 13, Customer loyalty programmes, the fair value attributed to the awarded customer reward is deferred as a liability and recognised as either a customer deposit or offset against the cost of merchandise bought in the online store upon redemption of the reward.

Revenue from conversion margins

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. Revenue is recognised with reference to the underlying arrangement and agreement with the players.

Income from player funds

A portion of customer deposits is held as current investments. Any realised income on these current investments is recognised as income.

Other income

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 when the customer has purchased such chips as all risks and rewards have been transferred to the customer. Once a customer has purchased such chips they are non-refundable and non-cancellable.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. TSG considers all its leases to be operating leases.

The group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The group as lessee

Rents payable under operating leases are recognised as an expense on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of any such incentive is recognised as a reduction of rental expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Translation of Foreign Operations and Foreign Currency Transactions

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 functional currency of each of the Corporation and its subsidiaries have been determined. The Corporation's consolidated financial statements are presented in U.S. dollars.

Transactions and balances

Foreign currency transactions are translated into the applicable functional currency using the exchange rates prevailing on the dates of the transactions or valuation where items are re-measured. Foreign exchange

gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised within expenses.

Group companies

The results and financial position of the Corporation's subsidiaries that have a functional currency different from the Corporation's presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing exchange rate on the date of that statement of financial position;

(ii) income and expenses for each statement of net earnings (loss) and statement of other comprehensive income are translated at the rates of exchange prevailing on the dates of the transactions; and

(iii) all resulting exchange rate differences are recognised in other comprehensive income (loss) and are transferred to net earnings (loss) as part of gain (loss) on sale of subsidiaries.

The following foreign currencies are referred to herein:

Currency Symbol	**Currency Description**
USD, USD $, $	United States Dollar
CDN, CDN $...	Canadian Dollar
EUR, €..	European Euro
GBP	Great Britain Pound Sterling

Business Combination

Business combinations are accounted for using the acquisition method. Under this method, the identifiable assets acquired and liabilities assumed, including contingent liabilities, are recognised, regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. On initial recognition, the assets and liabilities of the acquired entity are included in the consolidated statements of financial position at their respective fair values. Goodwill is recorded based on the excess of the fair value of the consideration transferred over the fair value of the Corporation's interest in the acquiree's net identifiable assets on the date of the acquisition. Any excess of the identifiable net assets over the consideration transferred is immediately recognised in the consolidated statements of earnings.

The consideration transferred by the Corporation to acquire control of an entity is calculated as the sum of the acquisition-date fair values of the assets transferred, liabilities incurred and equity interests issued by the Corporation, including the fair value of all the assets and liabilities resulting from a deferred payment arrangement. Acquisition-related costs are expensed as incurred.

Operating Segments

For the year ended December 31, 2017, the Corporation had one reportable and operating segment, gaming, which for the purposes of the financial statements is further divided into the Poker and Casino & Sportsbook product lines. All products are played on one gaming platform using one wallet.

TSG's gaming business, which it operates primarily through its two business lines, Poker and Casino & Sportsbook, was acquired through the Corporation's acquisition of Stars Interactive Group on August 1, 2014 (the "**Stars Interactive Group Acquisition**"). The Corporation's segments are organised around the markets they serve and are reported in a manner consistent with the internal reporting provided to the Corporation's key management. An operating segment is a component of the Corporation that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses relating to transactions with other components of the Corporation.

The Corporation presents separate information on an operating segment when any of the following criteria are met:

(i) reported revenue of the segment is 10% or more of the consolidated revenue; or

(ii) the absolute amount of reported profit or loss of the segment is 10% or more of consolidated profit or loss; or

(iii) assets of the segment are 10% or more of consolidated assets.

Financial Instruments

Financial assets

Financial assets are initially recognised at fair value and are classified as one of the following: "fair value through profit or loss"; "available-for-sale"; or "loans and receivables". The classification depends on the purpose for which the financial instruments were acquired and their respective characteristics. Except in very limited circumstances, the classification may not be changed subsequent to initial recognition.

Fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held-for-trading and derivatives. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or as otherwise determined by management to be in this category. Financial assets classified at fair value through profit or loss are measured at fair value with the realised and unrealised changes in fair value recognised each reporting period in the consolidated statements of earnings. The Corporation has current investments and derivatives classified as fair value through profit or loss.

Available-for-sale

Available-for-sale assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. Such assets are included in other non-current financial assets unless management intends to dispose of them within 12 months of the date of the consolidated statements of financial position. Financial assets classified as available-for-sale are carried at fair value with changes in fair value recorded in the consolidated statements of comprehensive income. Interest on available-for-sale assets is calculated using the effective interest rate method and is recognised in the consolidated statements of earnings. When a decline in fair value is determined to be significant and prolonged, the cumulative loss included in accumulated other comprehensive income (loss) is removed as such and then recognised in the consolidated statements of earnings. Gains and losses realised on the disposal of available-for-sale assets are recognised in the consolidated statements of earnings. The Corporation has current and non-current investments classified as available-for-sale.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments but which are not quoted in an active market. All such assets with maturities equal to or less than 12 months from the date of the consolidated statements of financial position are classified as current assets, while those with maturities greater than 12 months from such date are classified as non-current assets. Financial instruments classified as loans and receivables are initially recorded at fair value and subsequently measured at amortised cost using the effective interest method. Cash, restricted cash, accounts receivable and promissory notes are classified as loans and receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank deposits and other short-term highly liquid investments with maturities of three months or less, which are generally used by the Corporation to meet short-term liquidity requirements.

Impairment

At the end of each reporting period, the Corporation assesses whether a financial asset or a group of financial assets, other than those classified as fair value through profit or loss, is impaired. If there is objective evidence that impairment exists, the loss is recognised in the consolidated statements of earnings. The impairment loss is measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the consolidated statements of earnings.

Financial liabilities

Financial liabilities are classified as either financial liabilities "at fair value through profit or loss" or "other financial liabilities".

At fair value through profit or loss

Financial liabilities are classified as "at fair value through profit or loss" when the financial liability is designated as such.

A financial liability is designated as "at fair value through profit or loss" 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.

Financial liabilities "at fair value through profit or loss", such as certain derivatives, are stated at fair value, with any gains or losses arising on remeasurement recognised in the consolidated statements of earnings.

Other financial liabilities

Other 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 is a method of calculating the amortised cost of a financial liability and of allocating 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.

Debt modification

From time to time, the Corporation pursues amendments to its credit agreements based on prevailing market conditions. Such amendments, when completed, are considered by the Corporation to be debt modifications. The accounting treatment of a debt modification depends on whether the modified terms are substantially different than the previous terms. Terms of an amended debt agreement are considered to be substantially different when the discounted present value of the cash flows under the new terms discounted using the original effective interest rate, is at least ten percent different from the discounted present value of the remaining cash flows of the original debt. If the modification is not substantially different, it will be considered as a modification with any costs or fees incurred adjusting the carrying amount of the liability and amortised over the remaining term of the liability. If the modification is substantially different then the transaction is accounted for as an extinguishment of the old debt instrument with an adjustment to the carrying amount of the liability being recorded in the consolidated statements of earnings immediately.

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 through profit or loss) 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 on the consolidated statements of earnings over the term of the related financial asset or financial liability using the effective interest method. When a debt facility is retired by the Corporation, any remaining balance of related debt transaction costs is expensed to financial expenses on the consolidated statements of earnings in the period that the debt facility is retired. Transaction costs related to financial instruments at fair value through profit or loss are expensed when incurred.

Compound financial instruments

Debt and equity instruments issued by the Corporation and its subsidiaries are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. The Corporation has issued, and in the future may issue, compound financial instruments comprising both financial liability and equity components. The financial

liability component is initially recognised at the fair value of a similar liability. The proceeds are then allocated between the financial liability and the equity components using the residual method. Any directly attributable transaction costs are allocated to the financial liability and equity components in proportion to their initial carrying amounts. The financial liability component of a compound financial instrument is subsequently re-measured at amortised cost using the effective interest method. The equity components are not re-measured subsequent to their initial recognition.

Embedded derivatives

Derivatives may be embedded in other financial 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 statements of earnings.

Derivatives

The Corporation uses derivative instruments for risk management purposes. The Corporation does not use derivative instruments for speculative trading purposes. All derivatives are recorded at fair value on the consolidated statements of financial position. The resulting gain or loss is immediately recognised in the consolidated statements of earnings unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the consolidated statements of earnings depends on the nature of the hedge relationship.

Derivatives are measured at fair value using pricing and valuation models whenever possible, including market-based inputs to models, broker or dealer quotations or alternative pricing sources. To qualify for hedge accounting, the relationship between the hedged item and the hedging instrument must meet several strict conditions on documentation, probability of occurrence, hedge effectiveness and reliability of measurement. If these conditions are not met, then the relationship does not qualify for hedge accounting treatment and both the hedged item and the hedging instrument are reported independently, as if there was no hedging relationship.

Cash flow hedges

The Corporation 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 under the heading derivative reserve, while the ineffective portion is recognised immediately in the consolidated statements of earnings. Gains and losses on cash flow hedges accumulated in other comprehensive income are reclassified to the consolidated statements of earnings in the same period the hedged item affects the consolidated statements of earnings. 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 statements of earnings.

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 cumulative translation adjustments reserve. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated statements of earnings. Gains and losses accumulated in other comprehensive income are reclassified to the consolidated statements of earnings when the foreign operation is partially disposed of or sold.

Determination of fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the applicable measurement date. When measuring the fair value of an asset or a liability, the Corporation uses market observable data to the extent possible. If the fair value

of an asset or a liability is not directly observable, it is estimated by the Corporation using valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs (e.g., by the use of the market comparable approach that reflects recent transaction prices for similar items, discounted cash flow analysis, or option pricing models refined to reflect the Corporation's specific circumstances). Inputs used are consistent with the characteristics of the asset or liability that market participants would take into account.

For the Corporation's financial instruments which are recognised in the consolidated statements of financial position at fair value, the fair value measurements are categorised based on the lowest level input that is significant to the fair value measurement in its entirety and the degree to which the inputs are observable. The significance levels are classified as follows in the fair value hierarchy:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3 – Inputs for the asset or liability that are not based on observable market data.

Transfers between levels of the fair value hierarchy are recognised by the Corporation at the end of the reporting period during which the transfer occurred.

Prepaid Expenses and Deposits

Prepaid expenses and deposits consist of amounts paid in advance or deposits made for which the Corporation will receive goods or services.

Property and Equipment

Property and equipment which have finite lives are recorded at cost less accumulated depreciation and impairment losses. Depreciation is expensed from the month the particular asset is available for use, over the estimated useful life of such asset at the following rates, which in each case are intended to reduce the carrying value of the asset to the estimated residual value:

Furniture and fixtures	Straight-line	5 years
Computer equipment	Straight-line	5 years
Building	Straight-line	25 years

Intangible Assets

Intangible assets which have finite lives are recorded at cost less accumulated amortization and impairment losses. Amortization is expensed from the month the particular asset is available for use, over the estimated useful life of such asset at the following rates, which in each case are intended to reduce the carrying value of the asset to the estimated residual value:

Software technology	Straight-line	5 years
Software technology (Defensive intangible asset)	Straight-line	2 years
Customer relationships	Straight-line	15 years
Brands	N/A	Indefinite useful life

The amortization method, useful life and residual values are assessed annually and the assets are tested for impairment, whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Upon retirement or disposal, the cost of the asset disposed of and the related accumulated amortization are removed from the consolidated statement of financial position and any gain or loss is reflected in the consolidated statements of earnings. Expenditures for repairs and maintenance are expensed as incurred.

The Corporation determined that its owned brands have indefinite useful lives as they have no foreseeable limit to the period over which such assets are expected to contribute to the Corporation's cash flows. In addition, the Corporation expects to continue to support its brands with ongoing marketing efforts.

The Corporation tests its owned brands for impairment at least annually, or more frequently if circumstances such as significant declines in expected sales, net earnings or cash flows indicate that the cash-generating units ("**CGUs**") to which such brands relate might be impaired.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of the identifiable net assets acquired in a business acquisition. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is tested for impairment at least annually, or more frequently if circumstances such as significant declines in expected sales, net earnings or cash flows indicate that that the CGUs to which goodwill is allocated might be impaired.

Research and Development

Research and development costs are expensed except in cases where development costs meet certain identifiable criteria for deferral. Deferred development costs, which have probable future economic benefits, can be clearly defined and measured, and are incurred for the development of new products or technologies, are capitalised. These development costs, net of related research and development investment tax credits, are not amortised until the products or technologies are commercialised or when the asset is available for use, at which time, they are amortised over the estimated life of the commercial production of such products or technologies.

The amortization 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.

The Corporation claims research and development investment tax credits as a result of incurring scientific research and experimental development expenditures. Research and development investment tax credits are recognised when the related expenditures are incurred and there is reasonable assurance of their realization. Investment tax credits are accounted for by the cost reduction method whereby the amounts of tax credits are applied as a reduction of the expense or deferred development costs.

Investments

Investments are stated at the lower of cost and fair market value. Cost is determined on a weighted average basis at a consolidated level.

Investments in Associates

An associate is an entity over which the Corporation has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the associate but is not the control or joint control over those policy decisions.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

Under the equity method, an investment in an associate is initially recognised in the consolidated statements of financial position at cost and adjusted thereafter to recognise the Corporation's share of the profit or loss and other comprehensive income of the associate. When the Corporation's share of losses of an associate exceeds the Corporation's interest in that associate (which includes any long-term interests that, in substance, form part of the Corporation's net investment in the associate), the Corporation discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Corporation has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Corporation's share of the net fair value of the identifiable assets and liabilities of the associate is recognised as goodwill, which is included within the carrying amount of the investment. Any

excess of the Corporation's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in the consolidated statements of earnings in the period in which the investment is acquired.

The requirements of International Accounting Standard ("**IAS**") 36, Impairment of Assets are applied to determine whether it is necessary to recognise any impairment loss with respect to the Corporation's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36, Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36, Impairment of Assets to the extent that the recoverable amount of the investment subsequently increases.

Assets Held for Sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Corporation is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Corporation discontinues the use of the equity method in relation to the portion that is classified as held for sale. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale continues to be accounted for using the equity method. The Corporation discontinues the use of the equity method at the time of disposal when the disposal results in the Corporation losing significant influence over the associate or joint venture.

After the disposal takes place, the Corporation accounts for any retained interest in the associate or joint venture in accordance with IAS 39, Financial Instruments: Recognition and Measurement unless the retained interest continues to be an associate or a joint venture, in which case the Corporation uses the equity method.

Non-current assets (or disposal groups) classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Impairment of Non-Current Assets

Management assesses, at the end of the reporting period, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Corporation estimates the asset's recoverable amount. An asset's or CGU's recoverable amount is the higher of the asset's or CGU's fair value less costs of disposal and its value in use. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Corporation bases its impairment calculation on detailed budgets and forecast calculations, which are prepared for the Corporation's assets or CGU to which such assets are allocated. These budgets and forecast calculations generally cover a period of three to five years. A long-term growth rate is calculated and applied to project future cash flows after the final year included in the forecast.

Impairment losses of continuing operations are recognised in the consolidated statements of earnings in expense categories consistent with the function of the impaired asset. An impairment loss recognised for goodwill may not be reversed. At the end of the reporting period, the Corporation assesses if there is an indication that impairment losses recognised in previous periods for other assets have decreased or no longer exist. Where an impairment loss is subsequently reversed, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount provided that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Taxation

Income tax expense represents the sum of current and deferred taxes. Current and deferred taxes are recognised in the consolidated statements of earnings, except to the extent they relate to items recognised in the consolidated statements of comprehensive income or directly in the statements of changes in equity.

Current tax

Current tax payable is based on taxable income for the year. Taxable income differs from earnings as reported in the consolidated statements of earnings because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Corporation's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the particular reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Corporation's consolidated financial statements and the corresponding tax bases used in the computation of taxable income. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable income will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable income nor the accounting earnings.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments and interests in subsidiaries and associates, except where the Corporation is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable income against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of any such asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, in each case based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Corporation expects, at the end of the particular reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Corporation intends to settle its current tax assets and liabilities on a net basis. Deferred

tax assets and liabilities are not discounted. Current and deferred tax are recognised in the consolidated statements of earnings, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Stock-Based Compensation

The Corporation maintains an equity-based long-term incentive award program to align interests of its management team with those of its Shareholders by focusing the management team on long-term objectives over a multi-year period, with the value of the award fluctuating based on stock price appreciation. The Corporation has two equity-based award plans and accounts for grants under these plans in accordance with the fair value-based method of accounting for stock-based compensation for the applicable period. The Corporation currently makes its equity grants under its Equity Incentive Plan dated June 22, 2015 (the "**2015 Equity Incentive Plan**"), which provides for grants of stock options ("**Options**"), Restricted Share Units ("**RSU**"), Deferred Share Units ("**DSU**"), Performance Share Units ("**PSU**"), Restricted Shares ("**RS**"), and other Common Share-based awards as the Board may determine. Prior to the Corporation's 2015 annual shareholder meeting (the "**2015 Annual Meeting**"), equity-based awards were granted solely under the Corporation's 2010 stock option plan, as amended from time to time (the "**2010 Stock Option Plan**" and together with the 2015 Equity Incentive Plan, the "**Plans**") and consisted only of Options. The Corporation no longer grants Options under the 2010 Stock Option Plan, but it remains in effect only to govern the terms of outstanding Options granted prior to the date of the 2015 Annual Meeting.

Stock Options

Compensation expense for equity-settled stock options awarded to participants under the plans is measured at the fair value at the grant date using the Black-Scholes valuation model and is recognised using the graded vesting method over the vesting period of the options granted. Stock-based compensation expense recognised is adjusted to reflect the number of options that has been estimated by management for which conditions attaching to service will be fulfilled as of the grant date until the vesting date so that the recognised expense corresponds to the options that have vested. The stock-based compensation expense credit is attributed to reserves when the expense is recognised in the consolidated statements of earnings. When options are exercised, any consideration received from participants as well as the related compensation cost recorded as reserves are credited to share capital.

Non-employee equity-settled share-based payments are measured at the fair value of the goods and services received, except where that fair value cannot be estimated reliably. If the fair value cannot be measured reliably, non-employee equity-settled share-based payments are measured at the fair value of the equity instrument granted as measured at the date the entity obtains the goods or the counterparty renders the service. The Corporation subsequently re-measures non-employee equity-settled share-based payments at each vesting period and settlement date with any changes in fair value recognised in the consolidated statements of earnings. Stock-based compensation expense is recognised over the contract life of the options or the option settlement date, whichever is earlier.

Other Equity-Based Awards Under the 2015 Equity Incentive Plan

The Corporation's equity-based long-term incentive award program historically consisted solely of stock option grants on an irregular, discretionary schedule. Effective for 2017, the Corporation replaced the stock option component of the long-term incentive program for its management team with a regular, annual grant program to be comprised of 67% PSUs and 33% RSUs. The RSUs and the PSUs are subject to service, market and non-market vesting conditions and no dividends are expected to be paid during the vesting period. Therefore, the fair market value of an RSU and PSU is equal to the market price of the underlying Common Share at the grant date. The Corporation also offers DSUs, RSUs and RS for members of its Board of Directors, in addition to the cash retainers paid.

On the grant date, the fair value of the awards is measured using the closing TSX stock price, or the closing Nasdaq stock price if the Common Shares are not traded on the TSX. Share-based compensation expense is recognised over the vesting period in the consolidated statements of earnings at the end of every reporting

period with a corresponding increase to reserves. Once the awards are exercised and transferred to the counterparty, the related amount recorded as reserves is credited to share capital.

Restricted Share Units

An RSU is a unit equivalent in value to a Common Share which entitles the holder to receive Common Shares after a specified vesting period determined by the Plan Administrator of the 2015 Equity Incentive Plan (the "**Plan Administrator**"), in its sole discretion. Upon settlement, holders will receive one fully paid Common Share in respect of each vested RSU. The RSUs vest in equal annual installments over a four-year period (graded vesting method), generally subject to continued employment through each vesting date.

Performance Share Units

A PSU is a unit equivalent in value to a Common Share which entitles the holder to receive Common Shares based on the achievement of performance goals established by the Plan Administrator, including in consultation with management, over a performance period. The PSUs vest on the third anniversary of the date of the grant (cliff vesting), and based on a weighted mix of revenue and Adjusted EBITDA targets of the Corporation for the applicable three-year performance period and subject to an additional total shareholder return condition (the "**TSR Condition**") as well as the individual remaining employed by, or continuing to provide services to, the Corporation. The grantee is eligible for additional PSUs up to 50% of the PSUs granted on the grant date to the extent the TSR Condition and other performance conditions are met. The additional PSUs have a service, non-market and market (i.e., the TSR Condition) vesting conditions, all of which need to be satisfied to vest. The fair market value is based on a valuation to reflect the probability of the market condition to be met. The service and non-market condition, will not affect the fair value at grant date. Market conditions, such as the TSR Condition upon which vesting is conditioned, is considered when estimating the fair value of the equity instruments granted. Market conditions are reflected as an adjustment (discount) to the initial estimate of fair value at grant date of the instrument to be received and there is no true-up for differences between estimated and actual vesting due to market conditions.

Upon settlement, holders will receive fully paid Common Shares in proportion to the number of vested PSUs held and the level of performance achieved. Any unearned PSUs will be forfeited.

For the PSUs, the grant date for calculating the compensation expense is considered to occur only when the non-market conditions are determined and communicated to employees.

Deferred Share Units

The Corporation offers DSU grants to the members of the Board. Upon settlement, holders will receive one fully paid Common Share in respect of each vested DSU. The Corporation recognises services received in a share-based payment transaction as an expense over the requisite service period and recognises a corresponding increase in equity as the services are received in an equity-settled share-based payment transaction. Vesting for the DSU grants begins on the accounting grant date and will vest over either a one-, two- or three-year period. The accounting grant date is the date on which the Corporation and the Directors have a shared understanding of all the terms and conditions of the arrangement. If the accounting grant date occurs after the service commencement date, then the Corporation estimates the grant-date fair value of the DSUs for the purpose of recognising the expense from the service commencement date until the accounting grant date. All grants are subject to forfeiture if the director ceases to serve as a director prior to vesting and vested DSUs can only be settled at such time. DSU's are only subject to service conditions and because no dividends are expected to be paid during the vesting period, the fair market value of a DSU is equal to the market price of the underlying Common Share at the grant date.

Restricted Shares

An RS is a fully paid Common Share that is subject to restrictions on transfer and a risk of forfeiture for a period of time, and which shall be held by the Corporation or its designee in escrow until such time as the restricted period lapses. The Plan Administrator shall have the authority to determine at the time of grant, the duration of the restricted period and other restrictions applicable to the restricted Common Shares. Except for the restrictions applicable to the restricted Common Shares, during the restricted period, the holder shall have all the rights and privileges of a holder of Common Shares as to the restricted Common Shares, including the right to vote.

Dividend Equivalents

RSUs, PSUs and DSUs may be credited with dividend equivalents in the form of additional RSUs, PSUs, DSUs and other share-based awards, as applicable. Dividend equivalents shall vest in proportion to the awards to which they relate. Such dividend equivalents shall be computed by dividing: (i) the amount obtained by multiplying the amount of the dividend declared and paid per Common Share by the number of RSUs, PSUs, DSUs or other share-based awards, as applicable, held by the participant on the record date for the payment of such dividend, by (ii) the highest closing price of the Common Shares on any stock exchange on which the Common Shares are then listed on the date of grant, at the close of the first business day immediately following the dividend record-date.

Provisions

Provisions represent liabilities of the Corporation for which the amount or timing of payment is uncertain. Provisions are recognised when the Corporation has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured at the present value of the expected expenditures required to settle the obligation using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in provisions due to the passage of time is recognised in financial expenses on the consolidated statements of earnings.

Provision for jackpots

The Corporation offers progressive jackpot games. Each time a progressive jackpot game is played, a portion of the amount wagered by the player is contributed to the jackpot for that specific game or group of games. Once a jackpot is won, the progressive jackpot is reset with a predetermined base amount. The Corporation maintains a provision for the reset of each jackpot and the progressive element added as the jackpot game is played. The provision for jackpots at the reporting date is included in provisions. The Corporation believes that its provisions are sufficient to cover the full amount of any required payout.

Deferred consideration

The acquisition-date fair value of any deferred consideration is recognised as part of the consideration transferred by the Corporation in exchange for the acquiree. Changes in the fair value of deferred consideration that result from additional information obtained during the measurement period (i.e., a maximum of one year from the acquisition date) about facts and circumstances that existed at the acquisition date are adjusted retrospectively against goodwill. The Corporation estimates, based on expected future cash flows, the amount that would be required to settle the applicable obligation and recognises the present value of the same.

Provision for minimum revenue guarantee

A provision for minimum revenue guarantee is recognised pursuant to an agreement with the vendor in connection with the terms of certain of the Corporation's past divestitures. The Corporation estimates, based on expected future cash flows, the amount that would be required to settle the applicable obligation and recognises the present value of the same.

Contingent liabilities

Contingent liabilities are not recognised in the consolidated statements of financial position but are reported in the notes. They may arise from uncertainty as to the existence of a liability or represent a liability in respect of which the amount cannot be reliably measured.

Critical Accounting Estimates and Judgments

The preparation of the Corporation's consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that can have a significant effect on the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period.

Estimates and judgments are significant when:

- the outcome is highly uncertain at the time the estimates are made; or
- different estimates or judgments could reasonably have been used that would have had a material impact on the consolidated financial statements.

The consolidated financial statements include estimates based on currently available information and management's judgment as to the outcome of future conditions and circumstances. Management uses historical experience, general economic conditions and trends, and assumptions regarding probable future outcomes as the basis for determining estimates.

Estimates and their underlying assumptions are reviewed on a regular basis and the effects of any changes are recognised immediately. Changes in the status of certain facts or circumstances could result in material changes to the estimates used in the preparation of the consolidated financial statements and actual results could differ from the estimates and assumptions.

Set forth below are descriptions of items that management believes require its most critical estimates and judgments.

Key Sources of Estimation Uncertainty

Goodwill impairment

Goodwill impairment exists when the carrying value of a CGU exceeds its recoverable amount. Management uses estimates in determining the value in use or fair value less costs of disposal of the CGUs to which goodwill has been allocated. The estimates include but are not limited to the control premium, the implied trading multiple, costs of disposal, expected cash flows, growth rates and discount rates. A change in future earnings or any other assumptions may have a material impact on the fair value of the CGU, and could result in an impairment loss. Refer to note 10 for further details.

Tax provision in respect of prior years

Determining the Corporation's income tax and its provisions for income taxes involves a significant degree of estimation and judgement, particularly in respect of open tax returns relating to prior years where the liabilities remain to be agreed with the local tax authorities. Provisions for income taxes are recognised based on management's best estimate of the outcome after taking into consideration all available evidence, and where appropriate, after taking external advice. The tax provision recorded in the Corporation's 2017 consolidated financial statements in respect of prior years relate to intercompany trading arrangements entered into in the normal course of business. Due to the uncertainty associated with such tax items it is possible that at a future date, on resolution of the open tax matters, the final outcome may vary significantly and there is the potential for a material adjustment to the carrying amounts of the liability recorded as a result of this estimation and uncertainty.

Fair value measurement and valuation process

The Corporation measures certain financial assets and liabilities at fair value for financial reporting purposes (see note 28). Management has a review process which is designed to ensure that fair values are calculated in a consistent manner. The valuation techniques and inputs are reviewed by management to ensure consistency and any changes are analyzed and approved. Valuations for financial assets and liabilities are performed and reviewed on a quarterly basis, and are reviewed and approved by key management.

In estimating the fair value, management uses market observable data to the extent it is available. Where observable market data does not exist for non-derivative financial assets and liabilities, the Corporation internally calculates the fair value using valuation techniques that maximise the use of observable inputs. These inputs are reviewed and approved by management.

Deferred consideration

The Corporation has made and may make acquisitions which include deferred payments as part of the consideration for the acquiree. The Corporation re-evaluates the fair value of any deferred consideration, including an "earn out", on its business acquisitions at the end of each reporting period. Significant estimates are required to determine the fair value of the deferred consideration. The Corporation considers the key inputs of the particular arrangement and market participant assumptions when developing the projected cash flows that are used to determine the fair value of the deferred consideration. This includes the need to estimate the likelihood and timing of achieving the relevant milestones of such deferred consideration or "earn out". The Corporation exercises judgment when applying a probability assessment for each of the potential outcomes. In addition, the Corporation must consider the time value of money. In determining the discount rate applied to the estimated cash outflows, the Corporation considers the risks inherent to the payment of the particular deferred consideration, such as projection risks, credit risks and liquidity risks.

Judgments

Useful lives of long-lived assets

Judgment is used to estimate each component of an asset's useful life and is based on an analysis of all pertinent factors including, but not limited to, the expected use of the asset and, in the case of an intangible asset, contractual provisions that enable the renewal or extension of the asset's legal or contractual life without substantial cost, as well as renewal history. Incorrect estimates of useful lives could result in an increase or decrease in the annual amortization expense and future impairment charges.

Functional currency

The Corporation's worldwide operations expose the Corporation to transactions denominated in a number of different currencies, which are required to be translated into one currency for consolidated financial statement reporting purposes. The Corporation's foreign currency translation policy is designed to reflect the economic exposure of the Corporation's operations to various currencies.

The Corporation's foreign operations (including subsidiaries, joint ventures, associates and branches) based mainly outside Canada may have different functional currencies. The functional currency of an operation is the currency of the primary economic environment to which it is exposed. In order to determine the functional currency, management will first consider the currency that influences sales prices of the goods and services provided by the operations and the currency that influences the costs incurred by the operations. Then, if based on these two primary factors, the functional currency is not obvious, management will examine secondary factors such as the currency in which funds from financing are obtained, the currency in which cash receipts are retained and the levels of interactions with the parent company. In determining the functional currency of an operation, management uses its judgment to determine the functional currency that most faithfully represents the economic effects of the underlying transactions, events and conditions.

Investments in associates

Management assesses the relationship with investees to determine if the Corporation has control or significant influence over such investee. Management determines that it has control over an investee when it is exposed, or has rights, to variable returns from its investment in an entity and has the ability to affect those returns through its power over the investee.

When the Corporation does not have control over an investee but has the power to participate in the financial and operating policy decisions of the investee, management determines that it has significant influence over the investee.

Impairment of investments

The Corporation needs to use judgment when assessing whether the investments held are impaired. The Corporation determines whether the investment's decline is significant or prolonged by analysing the historical volatility of the investment as well as the period of time over which the investment value has been depressed. Generally, the Corporation will judge that a decrease of 25% in the value of the investment or a decline for a period of 12 months to be significant and prolonged respectively.

Contingent liabilities

The Corporation reviews outstanding legal cases following developments in legal proceedings 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 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 Corporation's management as to how it will respond to the litigation, claim or assessment. The Corporation assesses the probability of an outflow of resources to settle the 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. To the extent that the Corporation's assessments at any time do not reflect subsequent developments or the eventual outcome of any claim, its future financial statements may be materially affected, with a favourable or adverse impact on the Corporation's business, financial condition or results of operations.

3. RECENT ACCOUNTING PRONOUNCEMENTS

New Accounting Pronouncements – Not Yet Effective

At the date of authorization of these financial statements, the Corporation has not applied the following new and revised standards that have been issued but are not yet effective:

IFRS 9	Financial instruments
IFRS 15	Revenue from contracts with customers
IFRS 16	Leases
IFRS 17	Insurance contracts
IFRS 2 (amendments)	Classification and measurement of share-based payment transactions
IFRS 4 (amendments)	Applying IFRS 9 financial instruments with IFRS 4 insurance contracts
IFRS 9 (amendments)	Prepayment features with negative compensation
IFRS 10 & 28 (amendments)	Sale or contribution of assets between an investor and its associate or joint venture
IAS 7 (amendments)	Disclosure initiative
IAS 12 (amendments)	Recognition of deferred tax assets for unrealised losses
IAS 28 (amendments)	Long-term interests in associates and joint ventures
IAS 40 (amendments)	Transfers of investment property
IFRS 15 (clarifications)	Clarifications to IFRS 15 revenue from contracts with customers
IFRIC 22	Foreign currency transactions and advance considerations
IFRIC 23	Uncertainty over income tax treatments
Annual improvements	Annual improvements to IFRS: 2014 – 16 cycle – IFRS 12 amendments
Annual improvements	Annual improvements to IFRS: 2014 – 16 cycle – IFRS 1 and IAS 28 amendments

Subject to full analysis the Corporation does not expect that the adoption of the standards listed above will have a material impact on the financial statements of TSG in future periods, except as noted below:

IFRS 9, Financial Instruments

The IASB issued IFRS 9 relating to the classification and measurement of financial instruments. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, and this approach replaces the previous requirements of IAS 39, Financial Instruments: Recognition and Measurement. The approach in IFRS 9 is based on how an entity manages its financial assets (i.e., its business model) and the contractual cash flow characteristics of those financial assets. IFRS 9 also amends the impairment criteria by introducing a new expected credit losses model for calculating impairment on financial assets and commitments to extend credit. The standard also introduces minor changes applicable to financial liabilities. Further, IFRS 9 includes new hedge accounting requirements that align hedge accounting more closely with risk management. These new requirements do not fundamentally change the types of hedging relationships or the requirement to measure and recognise ineffectiveness, but do allow more hedging strategies that are used for risk management to qualify for hedge accounting and for more judgment by management in assessing the effectiveness of those hedging relationships, replacing the rules-based approach to assessing hedge effectiveness under IAS 39. Extended disclosures in respect of risk management activity will also be required under the new standard.

Based on the analysis undertaken to date, the Corporation expects the following impact on its consolidated financial statements and disclosures as a result of the adoption of the new standard on January 1, 2018:

Certain equity investments that are currently classified as available-for-sale ($7.0 million as at December 31, 2017) will be reclassified to financial assets at fair value through profit or loss on January 1, 2018. Related fair value gains of $nil will be transferred from the available-for-sale financial assets reserve to retained earnings on January 1, 2018 and fair value gains related to these investments amounting to $nil were recognised in profit or loss in the 2017 financial year as these investments are currently held at cost.

Investment in debt instruments held by the Corporation (i.e., bonds) that are currently classified as available-for-sale will satisfy the conditions for classification as at fair value through other comprehensive income and hence there will be no change to the accounting for these assets. Related fair value gains of $nil will be transferred from the available-for-sale financial assets reserve to the financial assets at fair value through other comprehensive income reserve on January 1, 2018.

The other financial assets held by the Corporation include debt instruments currently measured at amortised cost which continue to meet the conditions for classification at amortised cost under IFRS 9. Accordingly, the Corporation does not expect the new guidance to affect the classification and measurement of these financial assets.

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets under IFRS 15, Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. Based on the assessments undertaken to date, the Corporation does not expect a material increase in the loss allowance against these assets.

The impact of historic modifications arising on the Corporation's existing long-term debt are required to be recognised on transition to the new standard. This will result in an adjustment to the carrying amount of long-term debt and a corresponding adjustment in the opening balance of retained earnings on January 1, 2018. The de-recognition rules remain unchanged from IAS 39 *Financial Instruments: Recognition and Measurement*.

As permitted by IFRS 9, the Corporation intends to elect to continue to apply the hedge accounting requirements of IAS 39 to all of its hedging relationships, rather than apply the new requirements of IFRS 9 upon adoption of the new standard on January 1, 2018.

The new standard also introduces requirements for expanded disclosure and changes in presentation. These requirements are expected to change the nature and extent of the Corporation's disclosures about its financial instruments, particularly in the year of adoption.

The Corporation will apply the new rules retrospectively from January 1, 2018, with the practical expedients permitted under the standard. Comparative information for 2017 will not be restated.

IFRS 15, Revenues from Contracts with Customers

The Financial Accounting Standards Board and IASB issued converged standards in respect of revenue recognition. IFRS 15 affects any entity entering into contracts with customers, unless those contracts fall within the scope of other standards such as insurance contracts, financial instruments or lease contracts. IFRS 15 supersedes the revenue recognition requirements in IAS 18, Revenue, IFRIC 13, Customer Loyalty Programs, and the majority of other industry-specific guidance.

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue, i.e., at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. New estimates and judgmental thresholds have been introduced, which may affect the amount or timing of revenue recognised.

The Corporation has completed its analysis and expects the following impact on its consolidated financial statements and disclosures as a result of the adoption of the new standard on January 1, 2018:

The timing and amount of revenue recognised is not expected to be materially affected as a result of adoption, but the Corporation does expect an impact on presentation and disclosure due to the requirement to present revenue from contracts with customers separately from other sources of income.

The Corporation does not believe contract assets and liabilities as of January 1, 2018 will be material such that they require separate disclosure in the consolidated statement of financial position or in the notes to the consolidated financial statements.

The new standard will be applied using the modified retrospective approach, whereby the cumulative impact of adoption will be recognised in retained earnings as of January 1, 2018 and comparative information for 2017 will not be restated. The Corporation does not believe this approach will result in an adjustment to the opening balance of retained earnings on adoption.

IFRS 16, Leases

The IASB recently issued IFRS 16 to replace IAS 17, Leases. This standard introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors.

The Corporation intends to adopt IFRS 16 from its effective date of January 1, 2019. The Corporation is currently evaluating the impact of this standard, and does not anticipate applying it prior to its effective date.

4. CHANGE IN ACCOUNTING ESTIMATE

During the year ended December 31, 2016, the Corporation determined that it was necessary to accelerate the amortization of the Full Tilt software no longer used as a result of the previously announced migration of the Full Tilt brand and players to the PokerStars platform reducing the remaining life from 39 to 24 months. Although the software will no longer be used, the Corporation determined that there is value in preventing its use by others. This change in accounting estimate results in an increase in amortization of intangibles expense from approximately $11.28 million to approximately $18.10 million annually from May 2016 through April 2018.

In connection with the Innova Offering (as defined below in note 12) the Corporation entered into an EBITDA support agreement with Innova Gaming Group Inc. (TSX: IGG) ("**Innova**") pursuant to which the Corporation agreed to pay Innova each year until June 30, 2020 a maximum of CDN$2 million per year

based on any applicable EBITDA shortfall recognised by Innova in each such year. During the year ended December 31, 2016, Innova informed the Corporation that its EBITDA expectations would result in a shortfall in each of the remaining four years and as a result, the Corporation recorded a provision of $5.33 million, representing the present value of the expected remaining EBITDA support payments. For information regarding the disposition of the Corporation's ownership in Innova and the corresponding reclassification, see notes 12 and 17.

5. SEGMENTAL INFORMATION

For the years ended December 31, 2017 and 2016, the Corporation had one reportable segment, primarily related to online gaming, which for the purposes of the financial statements is further divided into the Poker and Casino & Sportsbook product lines. The Corporation's "Chief Operating Decision Makers" receive product revenue information throughout the year for the purposes of assessing their respective performance. Other gaming related sources of revenue are aggregated into "Other Gaming", while certain other nominal sources of revenue and corporate costs are included in "Corporate".

Segmental net earnings for the year ended December 31, 2017:

	Year Ended December 31, 2017					
	Poker $000's	**Casino & Sportsbook $000's**	**Other Gaming $000's**	**Total Gaming $000's**	**Corporate $000's**	**Total $000's**
Revenue	877,296	384,012	50,322	1,311,630	685	1,312,315
Selling				(192,271)	(438)	(192,709)
General and administrative				(523,011)	(48,247)	(571,258)
Financial				(161,790)	(1,249)	(163,039)
Gaming duty				(130,771)	—	(130,771)
Gain from investments				29,919	4,605	34,524
Net loss from associates				(2,569)	—	(2,569)
Net earnings (loss) before income taxes				**331,137**	**(44,644)**	**286,493**
Income taxes				26,281	927	27,208
Net earnings (loss)				**304,856**	**(45,571)**	**259,285**
Other segmental information						
Depreciation & amortization				147,027	159	147,186
Bad debt				7,171	—	7,171
Total Assets				5,398,310	16,816	5,415,126
Total Liabilities				3,089,732	21,963	3,111,695

Segmental net earnings for the year ended December 31, 2016:

	Year ended December 31, 2016 (As reclassified *)					
	Poker $000's	Casino & Sportsbook $000's	Other Gaming $000's	Total Gaming $000's	Corporate $000's	Total $000's
Revenue	846,059	264,114	44,966	1,155,139	108	1,155,247
Selling				(162,642)	(143)	(162,785)
General and administrative				(514,105)	(71,018)	(585,123)
Financial				(142,563)	4,264	(138,299)
Gaming duty				(113,102)	—	(113,102)
Acquisition-related costs				(199)	—	(199)
Gain (loss) from investments				879	(20,157)	(19,278)
Net earnings from associates				—	623	623
Gain on settlement of deferred consideration				2,466	—	2,466
Net earnings (loss) before income taxes				**225,873**	**(86,323)**	**139,550**
Income taxes				4,027	(27)	4,000
Net earnings (loss)				**221,846**	**(86,296)**	**135,550**
Other segmental information						
Depreciation & amortization				139,301	582	139,883
Bad debt				4,142	1,938	6,080
Total Assets				5,412,449	50,026	5,462,475
Total Liabilities				3,230,806	29,941	3,260,747

(*) The Corporation reclassified interest revenue previously included within "Revenue", to "Gain (loss) from investments" totaling $0.65 million for the year ended December 31, 2016. The Corporation has determined that the impact of these corrections is immaterial.

The Corporation also evaluates revenue performance by geographic region based on the primary jurisdiction where the Corporation is licensed or approved to offer, or offers through third party licenses or approvals, its products and services. The following tables set out the proportion of revenue attributable to each gaming license or approval (as opposed to the jurisdiction where the customer was located) that either generated a minimum of 5% of total consolidated revenue for the year ended December 31, 2017 or 2016, or that the Corporation otherwise deems relevant based on its historical reporting of the same or otherwise:

	Year Ended December 31, 2017					
	Poker $000's	Casino & Sportsbook $000's	Other Gaming $000's	Total Gaming $000's	Corporate $000's	Total $000's
Geographic Area						
Isle of Man	349,375	29,338	1	378,714	—	378,714
Malta	210,742	224,101	2	434,845	—	434,845
Italy	82,106	52,284	575	134,965	—	134,965
United Kingdom	56,155	15,140	258	71,553	—	71,553
Spain	47,912	34,842	669	83,423	—	83,423
France	50,214	10,410	508	61,132	—	61,132
Other licensed or approved jurisdictions	80,792	17,897	48,309	146,998	685	147,683
	877,296	**384,012**	**50,322**	**1,311,630**	**685**	**1,312,315**

	Year ended December 31, 2016 (As reclassified)					
	Poker $000's	**Casino & Sportsbook $000's**	**Other Gaming $000's**	**Total Gaming $000's**	**Corporate $000's**	**Total $000's**
Geographic Area						
Isle of Man	339,513	19,187	3	358,703	—	358,703
Malta	225,974	166,198	4	392,176	—	392,176
Italy	77,646	31,693	624	109,963	—	109,963
United Kingdom	56,837	13,439	387	70,663	—	70,663
Spain	42,326	24,370	653	67,349	—	67,349
France	51,989	2,356	573	54,918	—	54,918
Other licensed or approved jurisdictions	51,774	6,871	42,722	101,367	108	101,475
	846,059	**264,114**	**44,966**	**1,155,139**	**108**	**1,155,247**

The distribution of some of the Corporation's non-current assets (goodwill, intangible assets and property and equipment) by geographic region is as follows:

	As at December 31,	
	2017 $000's	**2016 $000's**
Geographic Area		
Canada	53,394	39,993
Isle of Man	4,446,503	4,567,314
Malta	—	—
Italy	35	47
United Kingdom	6,511	6,380
France	—	—
Other licensed or approved jurisdictions	15,744	15,638
	4,522,187	**4,629,372**

6. EXPENSES CLASSIFIED BY NATURE

	Note	Year Ended December 31, 2017 $000's	2016 $000's (As reclassified)
Financial			
Interest and bank charges		160,201	167,945
Foreign exchange loss (gain)		2,838	(29,646)
		163,039	**138,299**
General and administrative			
Processor costs		69,518	56,555
Office		81,174	73,713
Salaries and fringe benefits		170,422	182,080
Research and development salaries		25,180	27,661
Stock-based compensation	27	10,622	10,289
Depreciation of property and equipment	11	8,925	8,181
Amortization of deferred development costs	10	10,275	5,942
Amortization of intangible assets	10	127,986	125,760
Professional fees		66,185	71,008
(Reversal of) Impairment of assets held for sale, associates and intangible assets		(6,799)	16,931
Bad debt		7,171	6,080
Loss on disposal of assets		599	923
		571,258	**585,123**
Selling			
Marketing		162,437	142,205
Royalties		30,272	20,580
		192,709	**162,785**
Gaming duty		**130,771**	**113,102**
Acquisition-related costs			
Professional fees		—	199
		—	**199**

The Corporation changed the presentation of certain items within its consolidated statements of earnings for the comparative period to conform to the current year's presentation. The Corporation reclassified $7.71 million travel and entertainment costs previously included within "Selling" expenses to "Office" expenses. The Corporation has determined that the impact of this correction is immaterial. The Corporation also segregated Selling expenses into "Marketing" and "Royalties" in order to provide a better understanding to the readers of the distribution of expenses within Selling expenses. None of these reclassifications had a net earnings impact on the consolidated statements of earnings.

During the year ended December 31, 2017, the Corporation received $5.77 million in indemnification proceeds from the sellers of Stars Interactive Group for gaming duty, professional fees and taxes owed for periods prior to the Stars Interactive Group Acquisition. The amounts received from the sellers were classified as Gaming duty, Professional fees and Income taxes. In addition, the Corporation received a refund of $2.85 million in taxes and penalties from the Belgian tax authorities, and insurance indemnification proceeds of $2.91 million in respect of Autorité des marchés financiers ("**AMF**") and other investigation professional fees. The amount received from the Belgian tax authorities was classified as Income taxes and the insurance indemnification was classified as Professional fees.

7. GAIN (LOSS) FROM INVESTMENTS

NYX Gaming Group Limited

In connection with the Corporation's December 2014 sale of Ongame Network Ltd. to what was then known as NYX Gaming Group Limited ("**NYX Gaming Group**"), the Corporation and NYX Gaming

Group entered into a strategic investment transaction pursuant to which the Corporation purchased from NYX Gaming Group CDN$9 million unsecured convertible debentures (initially CDN$10 million but the Corporation subsequently sold and assigned an aggregate of CDN$1 million to four individuals), which were later amended to, among other things, adjust the repayment terms such that they would be repayable solely in cash. The debenture was redeemed in full during the year ended December 31, 2017 (see note 13).

In July 2015, the Corporation announced that it completed the sale of CryptoLogic Ltd. ("**CryptoLogic**") to NYX Gaming Group and Amaya (Alberta) Inc. (formerly Chartwell Technology Inc.) ("**Chartwell**") to NYX Digital Gaming (Canada) ULC, a subsidiary of NYX Gaming Group (the "**NYX Sub**") (together, the "**Chartwell/Cryptologic Sale**") for gross proceeds of approximately CDN$150 million, subject to adjustment, of which CDN$110 million was paid in cash and CDN$40 million was paid by the NYX Sub through the issuance of exchangeable preferred shares (the "**NYX Sub Preferred Shares**"). The Corporation used the majority of the cash net proceeds from the Chartwell/Cryptologic Sale for deleveraging, including the 2015 refinancing of the debt incurred as part of the financing for the Stars Interactive Group Acquisition.

In November 2017, the Corporation completed the disposition of all its securities of NYX Gaming Group, including NYX Gaming Group ordinary shares, NYX Gaming Group ordinary share purchase warrants, and the NYX Sub Preferred Shares, representing approximately 13.7% of NYX Gaming Group's ordinary shares on a partially diluted basis, for net cash proceeds of $27.9 million and a gain of $14.0 million, when Scientific Games Corporation (NYSE: SGMS) acquired NYX Gaming Group.

Jackpotjoy plc

In connection with the January 2017 London Stock Exchange ("**LSE**") listing of Jackpotjoy plc (LSE: JPJ) ("**Jackpotjoy**"), parent company of The Intertain Group Ltd. ("**Intertain**") and WagerLogic Malta Holdings Ltd. ("**WagerLogic**"), a former subsidiary of the Corporation which it sold in February 2014, and in exchange for its 4,920,000 Intertain common shares (which the Corporation acquired between 2014 and 2015, including through open market purchases, the exercise of common share purchase warrants and an exchange for shares it acquired from the purchaser of WagerLogic) and the conversion of certain CDN$3.85 million 5.0% Intertain convertible debentures, the Corporation, after exchanging certain exchangeable shares, received 5,561,666 Jackpotjoy ordinary shares. In December 2017, the Corporation completed the sale of its ordinary shares in Jackpotjoy, representing approximately 7.5% of Jackpotjoy's then issued and outstanding ordinary shares, for net cash proceeds of $59.8 million and a gain of $15.0 million.

8. INCOME TAXES

Details of income tax expense were as follows:

	Year Ended December 31,	
	2017 **$000's**	**2016** **$000's**
Current income tax expense	9,391	8,521
Current income tax expense (recovery) - prior year adjustment	21,923	(137)
Deferred income tax recovery relating to the origination and reversal of temporary differences	(3,568)	(4,386)
Deferred income tax (recovery) expense - prior year adjustment	(538)	2
Income tax expense	**27,208**	**4,000**

The Corporation's applicable Canadian statutory tax rate is equal to the Federal and Provincial combined tax rate for the period applicable in the jurisdiction within Canada where the Corporation's head office is registered (i.e., Ontario, previously Quebec). Income taxes reported differ from the amount computed by applying the statutory rates to earnings before income taxes. The reconciliation is as follows:

	Year Ended December 31,	
	2017 $000's	**2016 $000's**
Net earnings before income taxes	286,493	139,550
Canadian statutory tax rate	26.7%	26.9%
Statutory income taxes	76,494	37,539
Non-taxable income	(143)	(99)
Non-deductible expenses	3,590	4,710
Differences in effective income tax rates in foreign jurisdictions	(117,153)	(102,206)
Deferred tax assets not recognised	43,035	64,191
Adjustment in respect of prior years	21,385	(135)
Income tax expense	**27,208**	**4,000**

The Corporation operates in and earns revenues from many jurisdictions and is therefore subject to a variety of taxes, duties and levies including, without limitation, gaming duties, value added taxes ("**VAT**"), corporate income taxes, employment related taxes, withholding taxes and business rate taxes. As a result, the Corporation pays significant levels of tax globally with its total tax contribution for the year ended December 31, 2017 being in excess of $190 million (December 31, 2016 – in excess of $160 million).

The Corporation's effective income tax rate for the year ended December 31, 2017, excluding prior year adjustments, was 2.03% (December 31, 2016 – 2.96%), significantly lower than the main Canadian corporate income tax rate. The main driver of this is that the Corporation primarily operates from the Isle of Man and Malta, which are jurisdictions with low corporate income tax rates.

During the year ended December 31, 2017, the Corporation received notification of a proposed tax assessment from the Canadian tax authorities relating to transfer pricing. The proposed assessment covers periods prior to the Stars Interactive Group Acquisition covering the 2003 to 2007 tax years. For the year ended December 31, 2017 the Corporation has recorded a tax provision based on the proposed assessment for both Federal and Provincial tax of $26.5 million including interest. The Corporation received the Federal tax assessment after the balance sheet date, but has not yet received a Provincial tax assessment. The Corporation intends to vigorously defend its position against the assessment and any future related assessments.

Deferred Tax

Recognised deferred tax assets and liabilities

Significant components of the Corporation's deferred income tax balance at December 31, 2017 and 2016 were as follows:

	Property & Equipment $000's	Transaction Costs $000's	Intangibles $000's	Tax Losses $000's	Other $000's	Total $000's
At January 1, 2016	**38**	**4,284**	**(19,112)**	**301**	**(5,987)**	**(20,476)**
(Charged) / credited to net earnings	(10)	—	1,808	(174)	2,760	4,384
Reclassification	—	(4,284)	—	—	4,284	—
(Charged) / credited to other comprehensive income	(3)	—	—	12	(81)	(72)
Impairment	—	—	4	—	—	4
At December 31, 2016	**25**	**—**	**(17,300)**	**139**	**976**	**(16,160)**
Credited to net earnings	131	—	426	170	3,379	4,106
Reclassification	—	—	—	—	—	—
Credited to other comprehensive income	—	—	14	—	146	160
Charge direct to equity - share-based payment transactions	—	—	—	—	359	359
Acquisition of subsidiary	—	—	(72)	—	—	(72)
Foreign exchange on translation	—	—	253	(1)	(14)	238
At December 31, 2017	**156**	**—**	**(16,679)**	**308**	**4,846**	**(11,369)**

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the items shown below. The amounts shown are the gross temporary differences and to calculate the potential deferred asset it is necessary to multiply the amounts by the tax rates in each case.

	As at December 31,	
	2017 $000's	**2016 $000's**
Tax losses	1,293,846	687,620
Other temporary differences	19,567	34,150
Total deferred tax asset unrecognised	**1,313,413**	**721,770**

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profits will be available in these jurisdictions against which the Corporation can utilise the benefit from them.

Included in tax losses not recognised as at December 31, 2017 are Canadian non-capital tax losses of $100.22 million (December 31, 2016 - $77.56 million) that may be applied against earnings for up to 20 years from the end of the year the losses were generated. Tax losses also include foreign subsidiary non-capital losses of $1,193.62 million (December 31, 2016 - $610.06 million) that may be applied against future years. The majority of those losses ($1,170.09 million; December 31, 2016 - $582.64 million) can be carried forward for up to 9 years from the end of the year the tax losses were generated.

No deferred tax liability has been recognised for unremitted earnings totaling $1,127.1 million (December 31, 2016 - $695.9 million), as the Corporation controls the reversal of the temporary difference and it is probable that the temporary differences will not reverse in the foreseeable future.

9. EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted earnings per Common Share for the following periods:

	Year Ended December 31, 2017	Year Ended December 31, 2016
Numerator		
Numerator for basic and diluted earnings per Common Share - net earnings	$ 259,231,000	$ 136,144,000
Denominator		
Denominator for basic earnings per Common Share – weighted average number of Common Shares	146,818,764	141,463,244
Effect of dilutive securities		
Stock options	558,996	1,585,173
Performance share units	18,748	—
Restricted share units	17,076	—
Warrants	717,792	—
Convertible Preferred Shares	55,576,213	52,384,503
Effect of dilutive securities	56,888,825	**53,969,676**
Dilutive potential for diluted earnings per Common Share	**203,707,589**	**195,432,920**
Basic earnings per Common Share	$ 1.77	$ 0.96
Diluted earnings per Common Share	$ 1.27	$ 0.70

10. GOODWILL AND INTANGIBLE ASSETS

For the year ended December 31, 2017:

	Software Technology Acquired through Business Combinations $000's	Other Software Technology $000's	Customer Relationships $000's	Brands $000's	Deferred Development Costs $000's	Goodwill $000's	Total $000's
Cost							
Balance – January 1, 2017	116,079	15,673	1,423,719	485,253	48,808	2,810,681	4,900,213
Additions	—	1,893	—	—	23,212	—	25,105
Additions through business combination	1,413	—	—	—	—	—	1,413
Reclassification	—	—	—	—	(201)	—	(201)
Translation	—	1,146	—	—	—	—	1,146
Balance – December 31, 2017	**117,492**	**18,712**	**1,423,719**	**485,253**	**71,819**	**2,810,681**	**4,927,676**
Accumulated amortization and impairments							
Balance – January 1, 2017	61,163	5,798	229,377	—	9,832	5,471	311,641
Amortization	29,909	3,162	94,915	—	10,275	—	138,261
Translation	—	424	—	—	—	—	424
Balance – December 31, 2017	**91,072**	**9,384**	**324,292**	**—**	**20,107**	**5,471**	**450,326**
Net carrying amount							
At January 1, 2017	54,916	9,875	1,194,342	485,253	38,976	2,805,210	4,588,572
At December 31, 2017	**26,420**	**9,328**	**1,099,427**	**485,253**	**51,712**	**2,805,210**	**4,477,350**

For the year ended December 31, 2016:

	Software Technology Acquired through Business Combinations $000's	Other Software Technology $000's	Customer Relationships $000's	Brands $000's	Deferred Development Costs $000's	Goodwill $000's	Total $000's
Cost							
Balance – January 1, 2016	115,283	19,992	1,423,719	485,253	30,309	2,810,470	4,885,026
Additions	—	7,669	—	—	20,961	—	28,630
Additions through business combination	824	—	—	—	—	200	1,024
Disposals	—	(11,646)	—	—	(1,784)	—	(13,430)
Reclassification	—	—	—	—	(678)	—	(678)
Translation	(28)	(342)	—	—	—	11	(359)
Balance – December 31, 2016	**116,079**	**15,673**	**1,423,719**	**485,253**	**48,808**	**2,810,681**	**4,900,213**
Accumulated amortization and impairments							
Balance – January 1, 2016	32,122	13,966	134,462	—	3,122	—	183,672
Amortization	27,478	3,367	94,915	—	5,942	—	131,702
Disposals	—	(11,634)	—	—	(1,784)	—	(13,418)
Impairment	1,563	155	—	—	2,552	5,471	9,741
Translation	—	(56)	—	—	—	—	(56)
Balance – December 31, 2016	**61,163**	**5,798**	**229,377**	**—**	**9,832**	**5,471**	**311,641**
Net carrying amount							
At January 1, 2016	83,161	6,026	1,289,257	485,253	27,187	2,810,470	4,701,354
At December 31, 2016	**54,916**	**9,875**	**1,194,342**	**485,253**	**38,976**	**2,805,210**	**4,588,572**

The Corporation recognised impairment losses (classified in general and administrative expenses) related to goodwill and software technology acquired through business combinations of $7.19 million during the year ended December 31, 2016. The Corporation recognised impairment losses of $2.55 million during the year ended December 31, 2016 related to deferred development costs. The primary factors leading to the recognition of the impairment losses in 2016 were as follows:

- $4.7 million of goodwill and $1.0 million in software technology acquired through business combinations that was recognised on the acquisition of a subsidiary was derecognised due to the lack of positive revenue and cashflow forecasts in the subsidiary.

- The Corporation determined that a capitalised research and development cost which had not met certain identifiable criteria was to be terminated during the development stage. As a result, the Corporation recognised an impairment loss of $2.55 million in 2016 in deferred development costs.

Impairment Testing

The Corporation performed an annual impairment test for its gaming operations in connection with the preparation of its financial statements for the year ended December 31, 2017. The Corporation identified the gaming operations as a single CGU for impairment testing purposes.

The recoverable amount of the CGU is determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rate, growth rate, cash flows and Adjusted EBITDA forecasts. Adjusted EBITDA is defined by the Corporation as net earnings (loss) before interest and financing costs (net of interest income), income taxes, depreciation and amortization, stock-based compensation, restructuring and certain other items. These assumptions have been revised in the year ended December 31, 2017. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU.

The Corporation prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next three to five years and extrapolates cash flows based on an estimated growth rate

of 1.9% and a discount rate of 9.7% (December 31, 2016 – 1.9% and 11.7%, respectively). The estimated growth rate is based on the inflation rates of many of the European markets in which the Corporation is operating.

The Corporation believes that any reasonable change to these principal assumptions is unlikely to cause the CGU's carrying value to exceed its recoverable amount. This fair value measurement is a level 3 measurement in the fair value hierarchy.

Goodwill

Based on the goodwill impairment test performed, the recoverable amount of the CGU was in excess of its carrying amount and accordingly, there is no impairment of the carrying value of the goodwill.

Brand

Based on the indefinite life intangible asset impairment test performed, the fair value of the asset was in excess of its carrying amount and accordingly, there is no impairment of the carrying value of the intangible asset.

11. PROPERTY AND EQUIPMENT

For the year ended December 31, 2017:

	Revenue-Producing Assets $000's	Furniture and Fixtures $000's	Computer Equipment $000's	Building $000's	Total $000's
Cost					
Balance – January 1, 2017	84	9,356	18,627	21,605	49,672
Additions	—	2,724	8,273	—	10,997
Disposals	(84)	(571)	(1,251)	—	(1,906)
Translation	—	988	506	2,323	3,817
Balance – December 31, 2017	—	**12,497**	**26,155**	**23,928**	**62,580**
Accumulated depreciation					
Balance – January 1, 2017	24	2,017	5,239	1,592	8,872
Depreciation	—	3,198	4,764	963	8,925
Disposals	(24)	(301)	(860)	—	(1,185)
Translation	—	410	259	462	1,131
Balance – December 31, 2017	—	**5,324**	**9,402**	**3,017**	**17,743**
Net carrying amount					
At January 1, 2017	60	7,339	13,388	20,013	40,800
At December 31 2017	—	**7,173**	**16,753**	**20,911**	**44,837**

For the year ended December 31, 2016:

	Revenue-Producing Assets $000's	Furniture and Fixtures $000's	Computer Equipment $000's	Building $000's	Total $000's
Cost					
Balance – January 1, 2016	117	11,099	14,589	26,351	52,156
Additions	3	1,536	5,267	—	6,806
Disposals	(40)	(2,762)	(965)	—	(3,767)
Translation	4	(517)	(264)	(4,746)	(5,523)
Balance – December 31, 2016	**84**	**9,356**	**18,627**	**21,605**	**49,672**
Accumulated depreciation					
Balance – January 1, 2016	29	1,536	2,143	1,356	5,064
Depreciation	16	3,023	4,144	998	8,181
Disposals	(22)	(1,971)	(742)	—	(2,735)
Translation	1	(571)	(306)	(762)	(1,638)
Balance – December 31, 2016	**24**	**2,017**	**5,239**	**1,592**	**8,872**
Net carrying amount					
At January 1, 2016	88	9,563	12,446	24,995	47,092
At December 31 2016	**60**	**7,339**	**13,388**	**20,013**	**40,800**

12. INVESTMENTS IN ASSOCIATES

In May 2015, the Corporation completed the spin-off of Diamond Game Enterprises, which it had purchased in February 2014 for approximately $25 million, through the initial public offering (the "**Innova Offering**") of common shares of what was then known as Innova. The Innova Offering resulted in the Corporation receiving aggregate net proceeds of approximately CDN$34.1 million and maintaining ownership of approximately 40% of the issued and outstanding common shares of Innova.

During the year ended December 31, 2016, the Corporation recognised an impairment loss (classified in general and administrative expenses) of $4.21 million as a result of the significant and prolonged decline in the fair market value of the Innova common shares before the shares were reclassified. On October 28, 2016, the Corporation decided to pursue a potential disposition of its ownership in Innova. The investment was therefore reclassified to assets held for sale as of that date (see note 17).

During the year ended December 31, 2017, the Corporation acquired a 21.13% ownership interest in the fully diluted share capital of Mediarex Enterprises Limited ("**Mediarex**"). The Corporation recognised an impairment loss of $2.57million in respect of the Mediarex investment as a result of a significant decline in earnings and expected cash flows. The following table shows a reconciliation from the opening balance to the closing balance for investment in associates:

	Note	$000's
Balance – January 1, 2016		**10,734**
Income included in net earnings from associates		623
Reclassified to long-term investments		(501)
Impairment loss included in general and administrative expenses	6	(4,206)
Translation		487
Reclassified to assets held for sale	17	(7,137)
Balance – December 31, 2016		**—**
Acquired during the year		2,569
Impairment loss included in net loss from associates		(2,569)
Balance – December 31, 2017		**—**

All associates are accounted for using the equity method in these consolidated financial statements as described in note 2.

13. INVESTMENTS

The Corporation held the following investments:

	As at December 31,	
	2017 $000's	2016 $000's
	Carrying value & fair value	Carrying value & fair value
Funds – Available-for-sale	7,045	65,427
Bonds – Available-for-sale	115,343	91,696
Debentures – Fair value through profit/loss1	—	7,556
Equity in quoted companies – Available-for-sale	280	123,808
Equity in private companies – Available-for-sale	6,981	6,921
Total investments	**129,649**	**295,408**
Current portion	122,668	288,487
Non-current portion	6,981	6,921

1 A financial asset is designated as fair value through profit or loss on initial recognition if it is part of a contract containing one or more embedded derivatives and the entire contract is designated as such.

Investments relate primarily to customer deposits held in accounts segregated from investments held for operational purposes. As of December 31, 2017, Customer deposits were covered by $122.7 million in investments and $227.1 million in cash.

During the year ended December 31, 2017, a wholly-owned subsidiary of the Corporation entered into a support agreement (the "**Support Agreement**") with Scientific Games relating to the proposed acquisition by Scientific Games of all outstanding ordinary shares of NYX Gaming Group. After entering into the Support Agreement, the Corporation completed the disposition of all its NYX Gaming Group investments to Scientific Games (note 7). The gains are presented in income from investments in the consolidated statements of earnings.

The Corporation also completed the sale of its investments in Jackpotjoy during the year ended December 31, 2017, (note 7). The gains are presented in income from investments in the consolidated statements of earnings.

There were no impairments recognised on investments during the year ended December 31, 2017 (December 31, 2016: $3.19 million). See note 31 for details on credit risk.

The following table provides information about the carrying value of bonds and debentures held by the Corporation that are due over the current and non-current terms:

	1 year or less $000's	1 to 5 years $000's	Greater than 5 years $000's
Bonds	38,014	72,645	4,684
Total	**38,014**	**72,645**	**4,684**

For the year ended December 31, 2017, the Corporation recognised a gain from current investments as follows:

	Funds $000's	Bonds $000's	Debentures $000's	Equity in quoted companies $000's	Equity in private companies $000's	Total $000's
Investment income earned	473	2,647	253	1,182	186	4,741
Realised gains	3,657	2,330	—	35,096	—	41,083
Unrealised losses	(4,299)	(1,969)	—	(78)	—	(6,346)
Changes in fair value through profit/loss	—	—	—	—	13	13
Total	**(169)**	**3,008**	**253**	**36,200**	**199**	**39,491**

Investment income from bonds and debentures includes interest income and premium and discount amortization. Income from funds and equity includes dividends and distributions from quoted companies.

Debentures – Fair value through profit or loss

During the year ended December 31, 2014, the Corporation acquired then-convertible debentures for a total cost of CDN$9 million from NYX Gaming Group, which bear interest at 6.00% per annum (the Corporation originally acquired CDN$10 million of such debentures but subsequently sold and assigned CDN$1 million of the same soon thereafter). The debentures previously had a maturity date of November 17, 2016 and were convertible at the Corporation's option into fully paid common shares of NYX Gaming Group at any time prior to the maturity date at a conversion price of CDN$3.20 per common share. However, pursuant to an amendment to the debentures, the Corporation and NYX Gaming Group extended the maturity date of the debentures and agreed that they would be repaid solely in cash monthly payments of CDN$1 million beginning on May 17, 2017 until the balance due date of April 17, 2018, subject to certain automatic set-off rights against a supplier licensing agreement the Corporation had entered into with NYX Gaming Group (the "**Licensing Agreement**") (see note 24 where this commitment is presented as the minimum revenue guarantee related to the Chartwell/Cryptologic Sale). The debentures were fully repaid during the year ended December 31, 2017.

	Debentures $000's
As at January 1, 2016	**12,260**
Realised gain on investment	1,035
Unrealised loss on investment	(909)
Converted to equity	(5,310)
Translation	480
As at December 31, 2016	**7,556**
Realised gain on investment	253
Redemption of debenture	(8,365)
Translation	556
As at December 31, 2017	—

Subsidiaries

As at December 31, 2017, the Corporation had the following significant subsidiaries:

Name of principal subsidiary	Country of incorporation	Principal business	Percentage of ownership
Stars Group Holdings B.V.	Netherlands	Intermediate holding company and investment vehicle	100%
Stars Interactive Holdings (IOM) Limited	Isle of Man	Intermediate holding company	100%
Worldwide Independent Trust Limited	Isle of Man	Treasury	100%
REEL Italy Limited	Malta	Various	100%
Rational Entertainment Enterprises Limited	Isle of Man	Gaming services	100%
Naris Limited	Isle of Man	Treasury	100%
Stars Interactive Limited	Isle of Man	Intermediate holding company	100%
RG Cash Plus Limited	Isle of Man	Treasury	100%
Rational Gaming Europe Limited	Malta	Various	100%
REEL Spain Plc	Malta	Gaming services	100%

14. ACCOUNTS RECEIVABLE

The Corporation's accounts receivable balances at December 31, 2017 and December 31, 2016 consist of the following;

	As at December 31,	
	2017 **$000's**	**2016** **$000's**
Balances held with processors	75,147	62,002
Balances due from live events	10,260	5,910
VAT receivable	6,684	6,292
Other receivables	8,318	7,353
Total accounts receivable balance	**100,409**	**81,557**

15. CASH AND CASH EQUIVALENTS, RESTRICTED CASH ADVANCES AND COLLATERAL

Cash and cash equivalents

Cash and cash equivalents – operational includes an amount of $24.7 million held by a subsidiary of the Corporation that is subject to exchange controls in the country of operation. This balance is not available for general use by the Corporation or any of its other subsidiaries.

Restricted cash advances and collateral

Restricted cash held by the Corporation consists of the following components:

	As at December 31,	
	2017 **$000's**	**2016** **$000's**
Guarantees in connection with licenses held	4,333	5,728
Funds in connection with hedging contracts	5,113	2,879
Segregated funds in respect of payment processors	2,749	2,625
Guarantee in connection with acquisition of a subsidiary	1,201	—
Cash portion of Kentucky Bond Collateral *	40,000	40,000
Other	300	263
Restricted cash advances and collateral – total	**53,696**	**51,495**
Restricted cash advances and collateral – current portion	7,862	5,767
Restricted cash advances and collateral – non-current portion	45,834	45,728

* During the year ended December 31, 2016, $40 million of restricted cash was collateralised as part of the Kentucky Bond Collateral (as defined in note 18 below) and currently appears in Cash portion of the Kentucky Bond Collateral. The Kentucky Bond Collateral will be held until there is legal evidence conclusively showing final discharge or release from the bond, a final appellate ruling reversing the applicable judgment or court order releasing the bond.

16. PREPAID EXPENSES AND DEPOSITS

	As at December 31,	
	2017 **$000's**	**2016** **$000's**
Prepaid royalties	5,704	6,184
Prepaid expenses	22,281	14,888
Vendor deposits	1,408	1,495
Total current portion of prepaid expenses and deposits	**29,393**	**22,567**
Prepaid royalties	16,444	20,698
Vendor deposits	70	100
Total non-current portion of prepaid expenses and deposits	**16,514**	**20,798**

Prepaid royalties include prepaid revenue share paid to business partners. Prepaid expenses are included within selling and general and administrative expenses.

17. ASSETS HELD FOR SALE

In connection with the Corporation's ownership of approximately 40% of the issued and outstanding common shares of Innova, senior management committed to a plan to dispose of its ownership in Innova and classified the investment as assets held for sale during the three months ended December 31, 2016 (see note 12). During the year ended December 31, 2017, the Corporation completed the disposition of all of its ownership of the issued and outstanding common shares in Innova for an amount of CDN $20.5 million (USD $16.1 million). Nil gain (loss) was recognised on sale.

18. CREDIT FACILITY

The Corporation obtained a first lien revolving credit facility of $100 million on August 1, 2014 in connection with the Stars Interactive Group Acquisition (the "**Credit Facility**"). Maturing on August 1, 2019, the Credit Facility can be used to fund working capital needs and for general corporate purposes. The interest rate under the Credit Facility is, at the Corporation's option, either LIBOR plus 4.00% or ABR plus 3.00%. The applicable commitment fee on the Credit Facility is based on a first lien leverage ratio of 3.75 to 1.00 and could range from 0.375% to 0.50%. Borrowings under the Credit Facility are subject to the satisfaction of customary conditions, including the absence of a default or an event of default and compliance with certain representations and warranties.

As at December 31, 2017 and December 31, 2016 there were no amounts outstanding under the Credit Facility. However, in connection with the Kentucky Proceeding (as defined in note 30 below) on February 22, 2016, the Corporation filed a notice of appeal to the Kentucky Court of Appeals and posted a $100 million supersedeas bond to stay enforcement of the order for damages during the pendency of the appeals process. The posting of the bond required the delivery of cash collateral in the amount of $40 million and letters of credit in the aggregate amount of $30 million (collectively, the "Kentucky Bond Collateral"), thereby reducing the availability under the Credit Facility to $70 million as of the date hereof.

19. LONG-TERM DEBT

The following is a summary of long-term debt outstanding at December 31, 2017, 2016 and 2015 (all capitalised terms used in the table below relating to such long-term debt are defined below in this note):

	Interest rate	December 31, 2017, Principal outstanding balance in local denominated currency 000's	December 31, 2017 Carrying amount $000's	December 31, 2016, Principal outstanding balance in local denominated currency 000's	December 31, 2016 Carrying amount $000's	December 31, 2015, Principal outstanding balance in local denominated currency 000's	December 31, 2015 Carrying amount $000's
USD First Lien Term Loan	4.83%	1,895,654	1,848,397	2,021,097	1,965,928	2,041,616	1,978,763
EUR First Lien Term Loan	3.75%	382,222	453,540	286,143	296,198	289,048	307,584
USD Second Lien Term Loan	8.33%	95,000	56,632	210,000	166,453	210,000	161,524
CDN 2013 Debentures	7.50%	—	—	—	—	30,000	21,556
Total long-term debt ...			**2,358,569**		**2,428,579**		**2,469,427**
Current portion			4,990		47,750		32,889
Non-current portion			2,353,579		2,380,829		2,436,538

During the year ended December 31, 2017, the Corporation incurred the following interest on its then-outstanding long-term debt:

	Effective interest rate	Interest $000's	Interest Accretion $000's	Total Interest $000's
USD First Lien Term Loan	5.54%	76,851	11,817	88,668
EUR First Lien Term Loan	4.37%	16,824	1,271	18,095
USD Second Lien Term Loan	16.05%	14,340	5,179	19,519
Total		**108,015**	**18,267**	**126,282**

During the year ended December 31, 2016, the Corporation incurred the following interest on its then-outstanding long-term debt:

	Effective interest rate	Interest $000's	Interest Accretion $000's	Total Interest $000's
USD First Lien Term Loan	5.71%	95,356	7,721	103,077
EUR First Lien Term Loan	5.68%	16,950	1,241	18,191
USD Second Lien Term Loan	13.26%	17,082	4,929	22,011
CDN 2013 Debentures	7.50%	—	125	125
Total		**129,388**	**14,016**	**143,404**

The Corporation's debt balance for the year ended December 31, 2017 was as follows:

	Opening Balance $000's	Principal Movements $000's	Transaction costs $000's	Accretion $000's	Translation $000's	Total $000's	Current $000's	Long-term $000's
USD First Lien Term Loan	1,965,928	(125,442)	(3,906)	11,817	—	1,848,397	7,042	1,841,355
EUR First Lien Term Loan	296,198	100,529	(829)	1,271	56,371	453,540	3,299	450,241
USD Second Lien Term Loan	166,453	(115,000)	—	5,179	—	56,632	(5,351)	61,983
Total	**2,428,579**	**(139,913)**	**(4,735)**	**18,267**	**56,371**	**2,358,569**	**4,990**	**2,353,579**

The Corporation's debt balance for the year ended December 31, 2016 was as follows:

	Opening Balance $000's	Principal Movements $000's	Transaction costs $000's	Accretion $000's	Translation $000's	Total $000's	Current $000's	Long-term $000's
USD First Lien Term Loan	1,978,763	(20,587)	—	7,752	—	1,965,928	45,848	1,920,080
EUR First Lien Term Loan	307,584	(3,204)	—	1,241	(9,423)	296,198	7,512	288,686
USD Second Lien Term Loan	161,524	—	—	4,929	—	166,453	(5,610)	172,063
CDN 2013 Debentures	21,556	(22,561)	—	—	1,005	—	—	—
Total	**2,469,427**	**(46,352)**	—	**13,922**	**(8,418)**	**2,428,579**	**47,750**	**2,380,829**

The principal repayments of the Corporation's currently outstanding long-term debt over the next five years, as adjusted for revised estimates of excess cash flow allocations to the principal repayment of the First Lien Term Loans, amount to the following:

	1 Year $000's	2 Years $000's	3 Years $000's	4 Years $000's	5 Years $000's
USD First Lien Term Loan	19,443	19,443	19,443	1,837,326	—
EUR First Lien Term Loan	4,709	4,709	4,709	444,960	—
USD Second Lien Term Loan	—	—	—	—	95,000
Total	**24,152**	**24,152**	**24,152**	**2,282,286**	**95,000**

(a) First and Second Lien Term Loans

On August 1, 2014, the Corporation completed the Stars Interactive Group Acquisition, which was partly financed through the issuance of long-term debt, allocated into first and second lien term loans. Giving effect to a previously disclosed refinancing in August 2015 (the "**Refinancing**"), and the Repricing (as defined below), as at December 31, 2017, the first lien term loans consisted of a $1.85 billion first lien term loan priced at LIBOR plus 3.50% (the "**USD First Lien Term Loan**") and a €378 million seven-year first lien term loan priced at EURIBOR plus 3.75% (the "**EUR First Lien Term Loan**" and, together with the USD First Lien Term Loan, the "**First Lien Term Loans**"), with 1.00% LIBOR and 0% EURIBOR floors respectively, and each repayable on August 22, 2021. Also without giving effect to the Refinancing, Repricing and Prepayments (as defined below), as at December 31, 2017, the second lien term loan consisted of a $95 million loan priced at LIBOR plus 7.00%, with a 1.00% LIBOR floor and repayable on August 1, 2022 (the "**USD Second Lien Term Loan**").

On March 3, 2017, the Corporation completed the repricing and retranching of the First Lien Term Loans and amended the applicable credit agreement (collectively, the "Repricing"). The Repricing included reducing the applicable interest rate margin on the First Lien Term Loans by 0.5% to LIBOR plus 3.5% with a LIBOR floor of 1% to EURIBOR plus 3.75% with a 0% EURIBOR floor, respectively, and retranching such loans by raising €100 million of incremental debt on the EUR First Lien Term Loan and using the proceeds to reduce the USD First Lien Term Loan by $106 million. The Corporation and the lenders also amended the credit agreement for the First Lien Term Loans to, among other things, reflect the Repricing and waive the required 2016 and 2017 excess cash flow repayments (as defined and described in the credit agreement) previously due on March 31, 2017 and March 31, 2018, respectively.

The Repricing has been accounted for as a debt modification as the terms of the amended credit agreement were not considered to be substantially different than the previous terms and as a result there was no significant impact on the carrying amount.

On August 8, 2017, and September 20, 2017, the Corporation made principal prepayments without penalty (the "**Prepayments**") of $40 million and $75 million, respectively, under the USD Second Lien Term Loan using cash on its balance sheet, cash flow from operations, or a combination thereof.

First Lien Term Loans

Except as set forth above, the Corporation is required to allocate up to 50% of the excess cash flow of the Corporation to the principal repayment of the First Lien Term Loans. Excess cash flow is referred to as EBITDA of Stars Group Holdings B.V. on a consolidated basis for such excess cash flow period (i.e., each fiscal year commencing with the fiscal year ending on December 31, 2015), minus, without duplication, debt service, capital expenditures, permitted business acquisitions and investments, taxes paid in cash, increases in working capital, cash expenditures in respect of swap agreements, any extraordinary, unusual or nonrecurring loss, income or gain on asset dispositions, and plus, without any duplication, decreases in working capital, capital expenditures funded with the proceeds of the issuance of debt or the issuance of equity, cash payments received in respect of swap agreements, any extraordinary, unusual or nonrecurring gain realised in cash and cash interest income to the extent deducted in the computation of EBITDA.

The percentage allocated to the principal repayment can fluctuate based on the following:

- If the total secured leverage ratio at the end of the applicable excess cash flow period is less than or equal to 4.75 to 1.00 but is greater than 4.00 to 1.00, the repayments will be 25% of the excess cash flow.
- If the total secured leverage ratio at the end of the applicable excess cash flow period is less than or equal to 4.00 to 1.00, the repayment will be 0% of the excess cash flow.

The agreement for the First Lien Term Loans restricts Stars Group Holdings B.V. and its subsidiaries from, among other things, incurring additional debt or granting additional liens on its assets and equity, distributing equity interests and distributing any assets to third parties.

S*econd Lien Term Loan*

Giving effect to the Refinancing and Prepayments, the principal balance of the USD Second Lien Term Loan decreased during the year, with $95 million outstanding at December 31, 2017. The applicable and effective interest rates are noted in the tables above.

(b) 2013 Debentures

On February 7, 2013, the Corporation closed a private placement of units, issuing and selling 30,000 units at a price of CDN $1,000 per unit for aggregate gross proceeds of CDN $30 million. Each unit consisted of certain non-convertible subordinated debentures (the "**CDN 2013 Debentures**") and non-transferable Common Share purchase warrants. The CDN 2013 Debentures matured on January 31, 2016 and CDN $30 million was repaid on February 1, 2016 and the then-remaining outstanding warrants expired on January 31, 2016. As of such date, the Corporation had no further obligations under or with respect to the same.

20. CAPITAL MANAGEMENT

The Corporation's objective in managing capital is to ensure a sufficient liquidity position to manage its business and growth objectives while maximising return to shareholders through the optimization of debt and equity. On an ongoing basis, liquidity is necessary to finance its marketing activities, research and development activities, general and administrative expenses, working capital and overall capital expenditures.

The Corporation has historically financed its liquidity needs, primarily through borrowings, hybrid instruments and issuance of capital stock. Since the Stars Interactive Group Acquisition, the Corporation has met all its current liquidity requirements from the cash flow generated from operations.

The capital structure of the Corporation and its subsidiaries consists of net debt, which includes long-term debt, and is offset by cash balances, and total equity attributable to shareholders. The Corporation's capital management objectives are to optimise its capital structure with a view to both deleverage existing operations and minimise dilution by focusing on, among other things, improving profitability, repaying debt and undertaking stock buy-back programs.

For additional information regarding the Corporation's liquidity risk, see note 31.

21. DERIVATIVES

The Corporation is exposed to interest rate and currency risk. The Corporation uses derivative financial instruments for risk management purposes and anticipates that such instruments will mitigate interest rate and currency risk, as applicable. 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.

Cash flow hedge accounting

On March 2, 2015, a subsidiary of the Corporation entered into cross-currency interest rate swap agreements (the "**March 2015 Swap Agreements**"). A USD notional amount of $1.74 billion was designated in cash flow hedge relationships to hedge the interest rate and foreign exchange risk of the USD First Lien Term Loan bearing a minimum floating interest rate of 5.0% (USD three-month LIBOR plus a 4.0% margin, with a LIBOR floor of 1.0%). The March 2015 Swap Agreements, which mature in August 2019, fixed the Euro to USD exchange rate at 1.1102 and fixed the Euro interest payments at an average rate of 4.6016%.

In connection with the Refinancing (see note 19), a subsidiary of the Corporation entered into two additional cross-currency interest rate swap agreements to hedge the interest rate and foreign exchange risk, effective August 12, 2015, for a USD notional amount of $325 million (the "**August 2015 Swap Agreements**" and together with the March 2015 Swap Agreements, the "Swap Agreements" or "CCIRS"). A portion of the August 2015 Swap Agreements (USD notional amount of $302 million) was designated in cash flow hedge relationships to hedge the interest rate and foreign exchange risk of the USD First Lien Term Loan bearing a minimum floating interest rate of 5.0% (USD three-month LIBOR plus a 4.0% margin, with a LIBOR floor of 1.0%). The August 2015 Swap Agreements, which mature in August 2019, fixed the Euro to USD exchange rate of 1.094 and fixed the Euro interest payments at an average rate of 4.657%. During the year ended December 31, 2017, the Corporation unwound and settled a notional principal amount of $616.54 million of the CCIRS for a gain of $13.9 million.

As part of the Repricing (see note 19), the Corporation reduced the applicable interest rate margin on the First Lien Term Loans by 50 basis points to LIBOR plus 350 basis points with a LIBOR floor of 100 basis points. As a result, the Corporation de-designated and re-designated the applicable hedging instruments in new hedge accounting relationships. An amount of $17.53 million was recognised as Financial expenses during the year ended December 31, 2017 relating to the amortization of the Other comprehensive income balance brought forward from the previous hedge accounting relationship.

During the year ended December 31, 2017, there was no ineffectiveness with respect to the cash flow hedge (December 31, 2016 – ineffectiveness gain of $470,000) recognised in financial expenses. At the end of 2017, there were forward contracts to sell USD and purchase a notional amount of GBP67.5 million to hedge the Corporation's exposure to GBP expenses in 2018. These contracts have been designated as cashflow hedges. There were no equivalent contracts outstanding at the end of 2016.

During the year ended December 31, 2017, $16.58 million (December 31, 2016—$7.75 million) was reclassified from "Reserves" to the consolidated statements of earnings as Financial expenses. The fair value of the Swap Agreements in hedging relationships included in the derivative liabilities of the Corporation as at December 31, 2017 was $111.76 million (December 31, 2016 – derivative asset of $52.04 million).

Net investment hedge accounting

During the year ended December 31, 2017 and during a portion of the year ended December 31, 2016, the Corporation designated a portion of the USD First Lien Term Loan, its entire principal amount of the USD Second Lien Term Loan and its then-outstanding deferred consideration (i.e., the deferred purchase price for the Stars Interactive Group Acquisition) as a foreign exchange hedge of its net investment in its foreign operations. Accordingly, the portion of the losses arising from the translation of the USD-denominated liabilities (net of transaction costs) that was determined to be an effective hedge during the period was recognised in other comprehensive income under the heading foreign currency translation reserve, offsetting a portion of the losses arising from translation of the Corporation's net investment in its foreign operations.

During the years ended December 31, 2017 and December 31, 2016, there was no ineffectiveness with respect to the net investment hedge.

For the year ended December 31, 2017, the Corporation recorded an unrealised exchange loss on translation of $134.72 million (December 31, 2016 – $48.29 million) in the "Cumulative translation adjustment" in reserves related to the translation of a portion of the USD First Lien Term Loan, USD Second Lien Term Loan and the deferred consideration.

Derivative instruments without hedge accounting

At December 31, 2017, the Corporation had a series of forward foreign exchange contracts in place to protect against the translation of non-USD monetary balance sheet items. These contracts had a maturity date of January 31, 2018. As at December 31, 2016, the Corporation had a series of forward foreign exchange contracts to sell USD for Euros. These economic hedges are intended to mitigate the impact of the fluctuation of the USD to Euro exchange rates on foreign currency liabilities. The series of contracts were for the sale of $ 125.52 million for €114.34 million at a rate of $1.0978 to €1.0000 with a maturity date of March 31, 2017.

For the year ended December 31, 2017, the Corporation recognised a loss of $7.11 million. For the year ended December 31, 2016, the Corporation recognised a realised loss in income on forward foreign exchange contracts of $1.47 million and an unrealised loss in income of $4.92 million.

Put liabilities

In connection with the July 31, 2015 acquisition of Stars Fantasy Sports Subco, LLC ("**Stars Fantasy**"), which currently provides software development and related services and support to the Corporation's *BetStars* brand, the Corporation granted a put option to the sellers whereby such sellers had the right, but not the obligation, to sell to the Corporation all the equity interests then held by such sellers. During the year ended December 31, 2017, the Corporation acquired the remaining equity interests from the sellers for an amount of $5.95 million. At December 31, 2016 the derivative was recorded at the present value of $5.59 million. The put option was categorised as a Level 3 within the fair value hierarchy and used a 5.7% discount rate to determine its fair value.

The following table summarises the fair value of derivatives as at December 31, 2017 and 2016 and the change in fair value for the years ended December 31, 2017 and 2016:

Derivative Assets	**Forward Contracts $000's**	**Cross-currency interest rate swap contracts $000's**	**Currency options $000's**	**Total $000's**
Opening balance, as at January 1, 2016	4,012	9,473	—	13,485
Unrealised (loss) gain in fair value	(4,012)	42,565	—	38,553
Total derivative asset as at December 31, 2016	—	**52,038**	—	**52,038**
Acquisition	—	—	906	906
Realised gain	—	—	(375)	(375)
Settlement	—	(13,904)	726	(13,178)
Unrealised gain (loss) in fair value	2,037	(38,134)	(1,257)	(37,354)
Total derivative asset as at December 31, 2017	2,037	**—**	—	**2,037**
Current portion	2,037	—	—	**2,037**
Non-current portion	—	—	—	—

Derivative Assets	**Forward Contracts $000's**	**Cross-currency interest rate swap contracts $000's**	**Currency options $000's**	**Total $000's**
Opening balance, as at January 1, 2016	**2,184**	**16,538**	**6,102**	**24,824**
Unrealised (loss) gain in fair value	3,106	(16,538)	(815)	(14,247)
Accretion	—	—	307	307
Translation	(368)	—	—	(368)
Total derivative liability as at December 31, 2016	**4,922**	**—**	**5,594**	**10,516**
Unrealised (gain) loss in fair value	(1,826)	110,855	—	109,029
Realised gain	(2,829)	—	—	(2,829)
Settlement	(177)	—	(5,594	(5,771)
Translation	(90)	907	—	817
Total derivative liability as at December 31, 2017	**—**	**111,762**	**—**	**111,762**
Current portion	—	—	—	—
Non-current portion	—	111,762	—	111,762

22. COMMITMENTS

The Group as Lessee

At December 31, 2017, the Corporation's future minimum lease payments under non-cancellable operating leases and other obligations aggregate to $61.6 million and are payable as follows:

	Within one year $000's	Later than one year but not later than 5 years $000's	More than 5 years $000's
Rent	9,400	28,323	23,828
Other	18	—	—
Total	9,418	28,323	23,828

The Group as Lessor

At December 31, 2017, the Corporation's future minimum lease receipts under non-cancellable operating leases aggregate to $17.6 million and are receivable as follows;

	Within one year $000's	Later than one year but not later than 5 years $000's	More than 5 years $000's
Rent	1,964	7,855	7,806
Total	1,964	7,855	7,806

23. OTHER PAYABLES

The Corporation's other payables at December 31, 2017 primarily comprise customer rewards and value-added tax ("**VAT**") as described below. The customer rewards relate to the Stars Rewards cross vertical loyalty program Stars Rewards include randomised rewards, such as "Stars Coins", which can be used to make a wide variety of purchases and entry into tournaments, in lieu of cash. The VAT payable primarily relates to a provision for VAT for prior periods which has arisen following recent engagement with the Swiss tax authority on the application of the law.

	As at December 31,	
	2017 $000's	2016 $000's
Austria gaming duty	—	7,245
VAT payable	12,990	—
Customer rewards	29,508	40,396
Brokerage account payable	—	7,397
Bonuses payable to employees	195	1,550
Other payables	21	—
Total current portion of other payable	**42,714**	**56,588**

24. PROVISIONS

The provisions in the consolidated statements of financial position include, among other items, the provision for jackpots, which are repayable in accordance with applicable terms and conditions, the provision for the then-outstanding deferred consideration primarily relating to the deferred payment for the Stars Interactive Group Acquisition and the minimum revenue guarantee or EBITDA support agreement, as applicable, in connection with the sale of WagerLogic, the Chartwell/Cryptologic Sale and the Innova Offering (see notes 4 and 12). The minimum revenue guarantee is a quarterly payment, which is not contingent on future events.

Deferred Consideration

The purchase price for the Stars Interactive Group Acquisition included a deferred payment of $400 million payable on February 1, 2017. The fair value of the deferred payment as at December 31, 2016 of $195.51 million was recorded in Provisions. The fair value measurement at December 31, 2016 was calculated utilising a discounted cash flow approach using a 6% discount rate and categorised as a Level 3 within the fair value hierarchy. A 1% change in the discount rate would have impacted the value by $9.4 million. The Corporation paid the remaining balance of the deferred consideration in full during the year ended December 31, 2017.

The carrying amounts and the movements in the provisions during the year ended December 31, 2017 and 2016 are as follows:

	Player bonuses and jackpots $000's	Deferred consideration (*) $000's	Minimum revenue guarantee $000's	Other $000's	Total $000's
Balance at January 1, 2016	**2,688**	**382,728**	**19,395**	**1,087**	**405,898**
Adjustment to provision recognised	13,885	—	5,762	4,613	24,260
Payments	(15,013)	(200,000)	(8,998)	(5,700)	(229,711)
Accretion of discount	—	22,277	1,095	—	23,372
Gain on settlement of deferred consideration	—	(2,466)	—	—	(2,466)
Foreign exchange translation losses (gains)	11	(24)	382	—	369
Balance at December 31, 2016	**1,571**	**202,515**	**17,636**	**—**	**221,722**
Adjustment to provision recognised	48,146	(815)	(121)	—	47,210
Payments	(44,121)	(197,510)	(9,311)	—	(250,942)
Accretion of discount	—	2,048	839	—	2,887
Reclassification	(1,444)	—	—	—	(1,444)
Foreign exchange translation losses	113	62	1,075	—	1,250
Balance at December 31, 2017	**4,265**	**6,300**	**10,118**	**—**	**20,683**
Current portion at December 31, 2016	1,571	202,515	8,694	—	212,780
Non-current portion at December 31, 2016	—	—	8,942	—	8,942
Current portion at December 31, 2017	4,265	6,300	7,025	—	17,590
Non-current portion at December 31, 2017	—	—	3,093	—	3,093

(*) Deferred consideration of $6.30 million as at December 31, 2017 was recognised on acquisition of Diamond Game and is contingent on future events.

The payout of player bonuses and jackpots are dependent on when a player decides to cash out his or her winnings or deposits or when a player hits a jackpot.

25. CUSTOMER DEPOSITS

The Corporation holds customer deposits, along with winnings and any bonuses in trust accounts from which money may not be removed if it would result in a shortfall of such deposits. These deposits are included in current assets in the consolidated statements of financial position under Cash - customer deposits and Current investments – customer deposits and includes cash and short term, highly liquid investments. Customer deposits are segregated as follows:

	As at December 31,	
	2017 $000's	2016 $000's
Cash - customer deposits	227,098	138,225
Current investments - customer deposits	122,668	228,510
Total	349,766	366,735
Customer deposits liability	349,766	366,735

Customer deposit liabilities relate to customer deposits which are held in multiple bank and investment accounts that are segregated from those holding operational funds.

26. SHARE CAPITAL

The authorised share capital of the Corporation consists of an unlimited number of Common Shares, with no par value, and an unlimited number of convertible preferred shares ("**Preferred Shares**"), with no par value, issuable in series. As at December 31, 2017, 147,947,874 shares were issued and fully paid (December 31, 2016 - 145,101,127).

	Common Shares Number	Preferred Shares Number	Common Shares $000's	Preferred Shares $000's
Opening balance, as at January 1, 2016	**133,426,193**	**1,139,249**	**887,015**	**684,385**
Exercise of stock options	408,359	—	1,215	—
Exercise of warrants	11,266,575	—	290,174	—
Ending balance, as at December 31, 2016	**145,101,127**	**1,139,249**	**1,178,404**	**684,385**
Exercise of stock options and other equity awards	2,923,184	—	21,923	—
Repurchase of Common Shares	(76,437)	—	(493)	—
Ending balance, as at December 31, 2017	**147,947,874**	**1,139,249**	**1,199,834**	**684,385**

As at December 31, 2017, the Preferred Shares are convertible into 58,084,801 Common Shares (December 31, 2016 – 54,750,496). The Preferred Shares rank senior to the Common Shares with respect to amounts payable in the event of its liquidation, dissolution or winding-up. The Preferred Shares are not entitled to receive dividends and have no voting rights (or any related notice rights, including notice of shareholder meetings) except with respect to amendments to the terms of the Preferred Shares or as otherwise required under applicable laws. Each Preferred Share is convertible at the holder's option at any time in whole or in part, initially into 41.67 Common Shares (the "Conversion Ratio"), based on an initial conversion price of CDN $24.00 per Common Share (the "Initial Conversion Price"). The Conversion Ratio will be adjusted each February 1 and August 1 by multiplying the Conversion Ratio then in effect immediately prior to such adjustment by 1.03.

The Corporation may give notice to holders of Preferred Shares to force conversion (in whole or in part under certain circumstances) if the following two conditions are satisfied: (i) the closing share price of the Common Shares has been in excess of 175% of the Initial Conversion Price on any 20 trading days within a 30 consecutive day period, and (ii) except in certain circumstances, the average daily volume on any 20 trading days within the 30 consecutive day period referred to above was at least 1.75 million Common Shares. Any mandatory conversion will also be subject to specified regulatory and consent conditions.

The Preferred Shares also contain anti-dilution Conversion Ratio adjustments for certain dividends or distributions (cash, shares or otherwise), share splits, share combinations, below-market equity issuances, or rights, options or warrant issuances, tender offer or exchange offer payments, and reorganization events. In addition, upon a "fundamental change", additional Common Shares may be issuable to holders of Preferred Shares as a premium. Under the terms of the Preferred Shares, for so long as each of GSO Capital Partners LP ("**GSO**") and BlackRock Financial Management, Inc. ("**BlackRock**") holds 50% or more of the Preferred Shares issued to it on August 1, 2014, the Corporation undertakes:

- not to incur indebtedness unless (i) the ratio of Consolidated Net Debt to LTM EBITDA (as each term is defined in the Corporation's current articles) would be 6.7 to 1 or less on a pro forma basis, or (ii) such indebtedness is Permitted Debt (as defined in the Corporation's current articles);
- not to issue equity securities ranking equal or superior to the Preferred Shares;
- not to make acquisitions that (i) individually exceed US$250.0 million, or (ii) since August 1, 2014, total US$500.0 million or more (subject to specified ordinary course of business and consent exceptions);
- (i) not to require a mandatory conversion of Preferred Shares if such mandatory conversion would require a regulatory filing or waiver for any holder of Preferred Shares in excess of that required for an institutional investor waiver in the State of New Jersey, and (ii) to notify GSO and BlackRock in

writing at least 60 days prior to any action that will require a regulatory filing or waiver for any holder of Preferred Shares in excess of that required for an institutional investor waiver in New Jersey;

- to cooperate with holders of Preferred Shares in connection with anti-trust or competition filings relating to their investment in the Corporation and/or conversion of Preferred Shares;
- to maintain the listing of the Common Shares on the Nasdaq; and
- to comply with the Corporation's continuous disclosure requirements and provisions of the registration rights agreement to which it is a party.

If the Corporation fails to comply with these undertakings, the Conversion Ratio may be increased between a range of 2% and 6% per annum, depending on which undertaking is breached, for each year in which the breach occurs.

During the year ended December 31, 2017:

- the Corporation issued nil Common Shares as a result of the exercise of warrants.
- the Corporation issued 2,899,184 Common Shares for cash consideration of $16.63 million as a result of the exercise of stock options and other equity awards. The exercised stock options and other equity awards were initially valued at $5.26 million using the Black-Scholes valuation model. Upon the exercise of stock options and other equity awards, the value originally allocated to the stock options and other equity awards in reserves was reallocated to the Common Shares so issued.

During the year ended December 31, 2016:

- the Corporation issued 11,266,575 Common Shares for cash consideration of $1.29 million as a result of the exercise of warrants. The exercised warrants were initially valued at $288.98 million using the Black-Scholes valuation model. Upon the exercise of the warrants, the value originally allocated to the warrants in reserves was reallocated to the Common Shares so issued.
- the Corporation issued 408,359 Common Shares for cash consideration of $921,000 as a result of the exercise of stock options. The exercised stock options were valued at $294,000 using the Black-Scholes valuation model. Upon the exercise of the stock options, the value originally allocated to the stock options in reserves was reallocated to the Common Shares so issued.

27. RESERVES

The following table highlights the classes of reserves included in the Corporation's equity:

	Warrants $000's	Equity awards $000's	Treasury shares $000's	Cumulative translation adjustments $000's	Available-for-sale investments $000's	Derivatives $000's	Other $000's	Total $000's
Balance – January 1, 2016	**303,620**	**21,147**	**(30,035)**	**54,202**	**(12,282)**	**(56,937)**	**1,249**	**280,964**
Cumulative translation adjustments	—	—	—	22,969	—	—	—	22,969
Stock-based compensation	—	10,289	—	—	—	—	—	10,289
Exercise of warrants	(288,982)	—	—	—	—	—	—	(288,982)
Exercise of stock options	—	(294)	—	—	—	—	—	(294)
Realised gains (losses)	—	—	—	—	4,394	(42,263)	—	(37,869)
Unrealised (losses) gains	—	—	—	—	(2,095)	50,865	—	48,770
Balance – December 31, 2016	**14,638**	**31,142**	**(30,035)**	**77,171**	**(9,983)**	**(48,335)**	**1,249**	**35,847**
Cumulative translation adjustments	—	—	—	(189,012)	—	—	—	(189,012)
Stock-based compensation	—	10,622	—	—	—	—	—	10,622
Exercise of equity awards	—	(5,258)	—	—	—	—	—	(5,258)
Realised (losses) gains	—	—	—	—	(37,090)	160,069	—	122,979
Unrealised gains (losses)	—	—	—	—	32,474	(151,311)	—	(118,837)
Reclassification (see below)	50	—	—	(8,868)	9,197	—	(379)	—
Deferred Tax on stock-based compensation	—	359	—	—	—	—	—	359
Other	—	—	493	—	—	5,594	(5,127)	960
Balance – December 31, 2017	**14,688**	**36,865**	**(29,542)**	**(120,709)**	**(5,402)**	**(33,983)**	**(4,257)**	**(142,340)**

During the year ended December 31, 2017, the principal reclassification made by the Corporation was $9.19 million from the Cumulative translation adjustments reserves to the "available-for-sale investments" reserve to correct an error in the recording of the change in valuation of the available-for-sale investments as at December 31, 2015. The reclassification in the period does not impact the Corporation's net assets as at December 31, 2015, December 31, 2016 or December 31, 2017 or Net earnings for the years ending December 31, 2015, December 31, 2016 or December 31, 2017. There was also no impact to Total comprehensive income as reported for the year ending December 31, 2015. For the year ending December 31, 2015, the loss in fair value reported in the available-for-sale investments in Other comprehensive income of $17.02 million was overstated by $9.19 million and the unrealised foreign currency translation gain from continuing operations reported as $81.58 million was overstated by $9.19 million.

Treasury Shares

Chartwell acquisition "sunset" clause

The Corporation cancelled 76,437 common shares related to the acquisition of Chartwell in 2011 that were unclaimed and surrendered to the Corporation. These securities were cancelled due to the expiration of the "sunset" provisions set forth in the arrangement agreement for the purchase, which provided for the cancellation of a right of the holder to receive cash consideration, for any certificates formerly representing Chartwell shares that were not deposited with all other documents as required by the applicable plan arrangement on or before the fourth anniversary of the date of purchase. The difference between the aggregate purchase price and the book value of the reclaimed shares was accounted for in the Treasury shares account in Reserves within Equity during the first quarter of 2017.

Share repurchase under 2015 Normal Course Issuer Bid ("NCIB")

On February 13, 2015, the TSX approved the Corporation's 2015 NCIB to purchase for cancellation up to 6,644,737 common shares, representing approximately 5% of the Corporation's issued and outstanding common shares as of January 26, 2015. The Corporation purchased and cancelled an aggregate of 1,455,300 common shares pursuant to the 2015 NCIB for an aggregate purchase price of approximately CDN $45.5 million. The 2015 NCIB terminated on February 17, 2016.

Cumulative Translation Adjustments

Exchange differences relating to the translation of the net assets of the Corporation's foreign operations from their functional currency into the Corporation's presentational currency are recognised directly in the Cumulative translation adjustment reserve.

Available-for-sale Investments

This reserve recognises the realised and unrealised gain and loss movements in the available-for-sale investments that are held by the Corporation. See note 28.

Derivatives

This reserve recognises the realised and unrealised gain and loss movements in the hedge instruments held by the Corporation. See note 28.

Stock Options

See note 2 for details on Stock Options.

The following table provides information about outstanding stock options issued under the Plans:

	As at December 31, 2017		As at December 31, 2016	
	Number of options	Weighted average exercise price CDN $	Number of options	Weighted average exercise price CDN $
Beginning balance	10,358,475	20.54	12,000,819	20.69
Transactions during the period:				
Issued	202,000	18.30	65,000	20.35
Exercised	(2,899,184)	7.47	(408,359)	3.01
Forfeited	(785,675)	27.56	(1,298,985)	27.45
Ending balance	**6,875,616**	**25.24**	**10,358,475**	**20.54**

During the year ended December 31, 2017, the Corporation granted an aggregate of 202,000 stock options under the Plans.

The outstanding stock options issued under the Plans are exercisable at prices ranging from CDN$2.85 to CDN$35.30 per share and have a weighted average contractual term of 4.08 years.

The weighted average share price of options exercised during the year ended December 31, 2017 was CDN$7.47 (December 31, 2016 – CDN$3.01).

A summary of exercisable options per stock option grant under the Plans is as follows:

	Outstanding options		Exercisable options	
Exercise prices CDN $	Number of options	Weighted average outstanding maturity period (years)	Number of options	Exercise price CDN $
2.85 to 7.95	402,066	0 to 3	402,066	2.85 to 7.95
8.43 to 35.30	6,245,050	3 to 5	3,986,875	18.48 to 35.30
16.00 to 18.30	228,500	5 to 7	10,000	16
	6,875,616	**4.08**	**4,398,941**	**25.16**

The Corporation recorded a compensation expense for the year ended December 31, 2017 of $10.6 million (December 31, 2016 – $10.29 million). As at December 31, 2017, the Corporation had $4.3 million of compensation expense related to the issuance of stock options to be recorded in future periods.

The stock options issued during the years ended December 31, 2017 and 2016 were accounted for at their grant date fair value of $579,000 and $209,000, respectively, as determined by the Black-Scholes valuation model using the following weighted-average assumptions:

	2017	2016
Expected volatility	55%	54%
Expected life	4.75 years	4.75 years
Expected forfeiture rate	17%	17%
Risk-free interest rate	1.02%	1.07%
Dividend yield	Nil	Nil
Weighted average share price	CDN $18.30	CDN $20.35
Weighted average fair value of options at grant date	CDN $4.46	CDN $4.31

The expected life of the options is estimated using the average of the vesting period and the contractual life of the options. The expected volatility is estimated based on the Corporation's public trading history on the TSX for the last 4.75 years. Expected forfeiture rate is estimated based on a combination of historical forfeiture rates and expected turnover rates.

RSUs

The following table provides information about outstanding RSUs issued by the Corporation under the 2015 Equity Incentive Plan. See note 2 for details on RSUs.

	2017 No. of units	Weighted Average Exercise Price
Balance as at January 1, 2017	—	—
Issued	153,064	$22.41
Exercised	(12,000)	$21.80
Forfeited	—	—
Balance as at December 31, 2017	**141,064**	

PSUs

The following table provides information about outstanding PSUs issued and potential additional PSUs issuable by the Corporation under the 2015 Equity Incentive Plan. See note 2 for details on PSUs.

	2017 No. of units	Weighted Average Exercise Price
Balance as at January 1, 2017	—	—
Issued	282,036	$22.47
Exercised	—	—
Forfeited	—	—
Balance as at December 31, 2017	**282,036**	

RSs

The following table provides information about outstanding RSs issued by the Corporation under the 2015 Equity Incentive Plan. See note 2 for details on RSs.

	2017 No. of units	Weighted Average Exercise Price
Balance as at January 1, 2017	—	—
Issued	12,000	$21.80
Exercised	(12,000)	$21.80
Forfeited	—	—
Balance as at December 31, 2017	—	

DSUs

The following table provides information about outstanding DSUs issued by the Corporation under the 2015 Equity Incentive Plan. See note 2 for details on DSUs

	2017 No. of units	Weighted Average Exercise Price
Balance as at January 1, 2017	—	—
Issued	92,703	$15.26
Exercised	—	—
Forfeited	—	—
Balance as at December 31, 2017	92,703	

Dividend Equivalents

During the year ended December 31, 2017, no dividends were declared.

Warrants

The following table provides information about outstanding warrants at December 31, 2017 and 2016

	As at December 31, 2017		As at December 31, 2016	
	Number of warrants	Weighted average exercise price CDN $	Number of warrants	Weighted average exercise price CDN $
Beginning balance	4,000,000	19.17	15,274,584	5.14
Issued	—	—	—	—
Exercised	—	—	(11,273,902)	0.16
Expired	—	—	(682)	6.25
Ending balance	**4,000,000**	**19.17**	**4,000,000**	**19.17**

The following table provides information about outstanding warrants per particular warrant grant:

Grant date	Expiry date	Number of warrants	Exercise price CDN $
May 15, 2014	May 15, 2024	4,000,000	19.17
		4,000,000	**19.17**

The warrants issued in 2014 were accounted for at their grant date fair value, as determined by the Black-Scholes valuation model using the following weighted-average assumptions:

	2014
Expected volatility	60%
Expected life	10 years
Expected forfeiture rate	0%
Risk-free interest rate	1.17%
Dividend yield	Nil
Weighted average fair value of warrants at grant date	CDN $28.64

28. FAIR VALUE

The Corporation determined that the carrying values of its short-term financial assets and liabilities approximate their fair value because of the relatively short periods to maturity of these instruments and low risk of credit.

Certain of the Corporation's financial assets and liabilities are measured at fair value at the end of each reporting period. The following table provides information about how the fair values of these financial assets and liabilities are determined as at each of December 31, 2017 and December 31, 2016

	As at December 31, 2017			
	Fair value & carrying value $000's	**Level 1 $000's**	**Level 2 $000's**	**Level 3 $000's**
Funds - Available-for-sale	7,045	7,045	—	—
Bonds - Available-for-sale	115,343	115,343	—	—
Equity in private companies - Available-for-sale	6,981	—	—	6,981
Equity in quoted companies - Available-for-sale	281	281	—	—
Total available-for-sale	**129,650**	**122,669**	**—**	**6,981**
Derivatives	2,037	—	2,037	—
Total financial assets	**131,687**	**122,669**	**2,037**	**6,981**
Derivatives	111,762	—	111,762	—
Total financial liabilities	**111,762**	**—**	**111,762**	**—**

	As at December 31, 2016			
	Fair value & carrying value $000's	**Level 1 $000's**	**Level 2 $000's**	**Level 3 $000's**
Funds - Available-for-sale	58,518	58,518	—	—
Bonds - Available-for-sale	98,605	98,605	—	—
Equity in private companies - Available-for-sale	6,921	—	—	6,921
Equity in quoted companies - Available-for-sale	115,480	115,480	—	—
Total available-for-sale	**279,524**	**272,603**	**—**	**6,921**
Equity in quoted companies – Fair value through profit/loss	8,328	—	—	8,328
Debentures – Fair value through profit/loss	7,556	—	7,556	—
Total fair value through profit/loss	**15,884**	**—**	**7,556**	**8,328**
Derivatives	52,038	—	52,038	—
Total financial assets	**347,446**	**272,603**	**59,594**	**15,249**
Derivatives	10,516	—	4,922	5,594
Provisions	195,506	—	—	195,506
Total financial liabilities	**206,022**	**—**	**4,922**	**201,100**

Refer to note 31 for details on credit risk for the above financial assets.

The fair values of other financial assets and liabilities measured at amortised cost on the consolidated statements of financial position as at each of December 31, 2017, and December 31, 2016 are as follows:

	As at December 31, 2017			
	Fair value $000's	**Level 1 $000's**	**Level 2 $000's**	**Level 3 $000's**
First Lien Term Loans	2,370,335	2,370,335	—	—
USD Second Lien Term Loan	95,713	95,713	—	—
Total financial liabilities	**2,466,048**	**2,466,048**	**—**	**—**

	As at December 31, 2016			
	Fair value $000's	**Level 1 $000's**	**Level 2 $000's**	**Level 3 $000's**
Promissory note	4,827	—	—	4,827
Total financial assets	**4,827**	**—**	**—**	**4,827**
First Lien Term Loans	2,336,792	2,336,792	—	—
USD Second Lien Term Loan	209,870	209,870	—	—
Total financial liabilities	**2,546,662**	**2,546,662**	**—**	**—**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When measuring the fair value of an asset or a liability, the Corporation uses market observable data to the extent possible. If the fair value of an asset or a liability is not directly observable, it is estimated by the Corporation using valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs (e.g., by the use of the market comparable approach that reflects recent transaction prices for similar items, discounted cash flow analysis, or option pricing models refined to reflect the Corporation's specific circumstances). Inputs used are consistent with the characteristics of the asset or liability that market participants would take into account.

For the Corporation's financial instruments which are recognised in the consolidated statements of financial position at fair value, the fair value measurements are categorised based on the lowest level input that is significant to the fair value measurement in its entirety and the degree to which the inputs are observable. The significance levels are classified as follows in the fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 – Inputs for the asset or liability that are not based on observable market data.

Transfers between levels of the fair value hierarchy are recognised by the Corporation at the end of the reporting period during which the transfer occurred as part of its periodic review of fair values. There were transfers out of Level 3 and into Level 2 during Q3 2017 in respect of the NYX Sub Preferred Shares (see Level 3 fair value table below). Following this transfer, the Corporation sold the NYX Sub Preferred Shares as part of its disposition of all its NYX Gaming Group investments to Scientific Games during the year ended December 31, 2017 (note 7).

Valuation of Level 2 fair values

Derivative Financial Instruments

Currently, the Corporation uses cross currency swap and interest rate swap agreements to manage its interest rate and foreign currency risk and foreign currency forward and option contracts to manage foreign currency risk. The valuation of these instruments is determined using widely accepted valuation techniques including discounted cash flow analysis on 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, including interest rate curves, spot and forward rates, as well as option volatility.

To comply with the provisions of IFRS 13, Fair value measurement, the Corporation incorporates credit valuation adjustments to appropriately reflect both its own non-performance risk and the respective 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 Corporation has considered the impact of netting and any applicable credit enhancements, such as collateral postings, thresholds, mutual puts, and guarantees.

Although the Corporation has determined that the majority of the inputs used to value its derivatives fall within Level 2 (excluding, as at December 31, 2016, the put option in relation to Stars Fantasy) 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. However, as of December 31, 2017 and December 31, 2016, the Corporation has assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions and has determined that the credit valuation adjustments are not significant to the overall valuation of its derivatives. As a result, the Corporation has determined that its derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy. The put option in relation to Stars Fantasy, previously classified as Level 3 in the fair value hierarchy, was settled during the year end December 31, 2017.

NYX Sub Preferred Shares

The Corporation changed its valuation methodology for the NYX Sub Preferred Shares from a binomial valuation approach to a net present value approach using a discount rate of 2.3%, during the period ended September 30, 2017, based on the offer price from Scientific Games. Prior to this the investment was classified as a Level 3 financial asset (2016: Level 3 financial asset). The Corporation disposed of all its investments in NYX Gaming Group during the period ended December 31, 2017 (see note 13).

Reconciliation of Level 3 fair values

Some of the Corporation'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 December 31, 2016 and December 31, 2017, for each Level 3 asset or liability the valuation techniques and key inputs used by the Corporation were as follows:

- Equity in private companies (Level 3 Asset): Given the nature of the investee's business, there is no readily available market data to carry an extensive valuation. The Corporation assesses for impairment on an annual basis using latest management budgets, long-term revenue growth rates and pre-tax operating margins.

- Promissory note (Level 3 Promissory note): The Corporation received the full balance of the Promissory note during the year ended December 31, 2017 (2016 – 11.3% discount rate).

- Deferred consideration (Level 3 Liability): The Corporation paid the remaining balance of the deferred consideration for the Stars Interactive Group Acquisition in full during the year ended December 31, 2017. See also note 24.

- Stars Fantasy put option (Level 3 Liability): The option was exercised during the year ended December 31, 2017. See also note 21.

- Innova EBITDA support agreement (Level 3 Liability): As previously disclosed, in connection with the Innova Offering, the Corporation entered into an EBITDA support agreement with Innova. The Corporation uses a net present value approach for the Innova EBITDA support agreement using a 5.7% discount rate (2016 – 5.7% discount rate). The higher the discount rate, the lower the fair value. If the discount rate was 3.9% higher/lower while all other variables were held constant, the carrying amount would decrease/increase by CDN$0.1 million. See also note 24.

- Licensing Agreement (Level 3 Liability): As previously disclosed, in connection with the Chartwell/Cryptologic Sale, a subsidiary of the Corporation entered into the Licensing Agreement. The Corporation uses a net present value approach for the Licensing Agreement using a 5.7% discount rate, 9% revenue share percentage and long-term revenue forecast (2016 – 5.7% and 9%

respectively). The higher the discount rate, the lower the fair value. If the discount rate was 3.9% higher/lower while all other variables were held constant, the carrying amount would decrease/ increase by CDN$0.15 million. See also note 13.

The following table shows a reconciliation from opening balances to the closing balances for Level 3 fair values:

	Level 3 Asset $000's	Level 3 Promissory note $000's
Balance – January 1, 2016	**27,679**	**7,700**
Loss included in gain (loss) from investments	(14,124)	—
Interest and accretion included in income from investments and financial expenses	—	888
Purchases	11,754	—
Sales	(2,566)	—
Reclassification	501	—
Conversion of Level 3 instruments	(8,377)	—
Loss on settlement	—	(3,761)
Unrealised gain included in other comprehensive income	382	—
Balance – December 31, 2016	**15,249**	**4,827**
Gain included in income from investments	(398)	—
Interest accretion included in financial expenses	—	256
Gain on settlement	—	3,001
Settlement of promissory note	—	(8,084)
Unrealised gain included in other comprehensive income	656	—
NYX Sub Preferred Shares transfer out of Level 3 (see notes above)	(8,526)	—
Balance – December 31, 2017	**6,981**	—

	Level 3 Liability $000's
Balance – January 1, 2016	**380,680**
Accretion	22,887
Repayment of deferred consideration	(200,000)
Gain on settlement of deferred consideration	(2,467)
Balance – December 31, 2016	**201,100**
Accretion	2,048
Repayment of deferred consideration	(197,510)
Gain on settlement of deferred consideration	(44)
Settlement of put liability	(5,594)
Balance – December 31, 2017	—

29. STATEMENT OF CASH-FLOWS

Changes in non-cash operating elements of working capital

	Year Ended December 31,	
	2017 $000's	2016 $000's
Accounts receivable	(6,708)	(15,262)
Prepaid expenses	(6,243)	5,065
Accounts payable and accrued liabilities	6,931	(26,349)
Provisions	2,666	4,174
Other	(447)	353
Total	**(3,801)**	**(32,019)**

Changes in liabilities arising from financing activities

The table below details changes in the Corporation's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those which cash flows were, or future cash flows will be, classified in the Corporation's consolidated statement of cash flows as net cash flows from financing activities.

	January 1, 2017 $000's	Financing cash flows $000's	The effect of changes in foreign exchange rates $000's	Other changes $000's	December 31, 2017 $000's
Settlement of margin	7,397	(7,602)	205	—	—
Deferred Consideration	195,506	(197,510)	—	2,004	—
Long-term debt	2,428,579	(144,632)	56,371	18,252	2,358,570
Balance – December 31, 2017	**2,631,482**	**(349,744)**	**56,576**	**20,256**	**2,358,570**

30. CONTINGENT LIABILITIES

As part of management's ongoing regulatory compliance and operational risk assessment process, management monitors legal and regulatory developments and proceedings, and their potential impact on the business.

Kentucky

In particular, prior to the Stars Interactive Group Acquisition, the Commonwealth of Kentucky, ex. rel. J. Michael Brown, Secretary of the Justice and Public Safety Cabinet, filed a legal proceeding against Oldford Group and certain affiliates thereof (the "**Oldford Parties**") and various other defendants (the "**Kentucky Proceeding**"), pursuant to which the Commonwealth sought to recover alleged gambling losses on behalf of Kentucky residents who played real-money poker on the PokerStars website during the period between October 12, 2006 and April 15, 2011. On August 12, 2015, the trial court in the Kentucky Proceeding entered a default judgment against the Oldford Parties following certain alleged discovery failures, including by certain former owners of Oldford Group., and partial summary judgment on liability in favor of the Commonwealth. On December 23, 2015, the trial court entered an order for damages in the amount of approximately $290 million, which the trial court trebled to approximately $870 million. The Corporation believes the action is frivolous and will vigorously dispute the liability and therefore no provision has been recorded regarding this matter. The Corporation, through certain subsidiaries, has filed a notice of appeal to the Kentucky Court of Appeals and posted a $100 million supersedeas bond to stay enforcement of the order for damages during the pendency of the appeals process, which the Corporation continues to pursue. The posting of the bond required the delivery of cash collateral in the amount of $40 million and letters of credit in the aggregate amount of $30 million Kentucky Bond Collateral, thereby reducing the availability under the Credit Facility to $70 million as of the date hereof. To the extent the Oldford Parties may be ultimately obligated to pay any amounts pursuant to a final adjudication following exhaustion of all appeals and other legal options, the Corporation intends to seek recovery against the former owners of Oldford Group Ltd. There can be no assurance that the Corporation will be successful in its defense or that any such amounts will be recovered or reimbursed by the former owners of the Oldford Group or otherwise.

In addition, there are also two currently pending class action complaints (one in the State of New Jersey, United States and one in Quebec, Canada) against the Corporation and certain other defendants, each of which were filed during the year ended December 31, 2016 and generally allege, among other things, that the Corporation violated certain securities laws by misrepresenting or failing to disclose information related to the charges made by the Autorité des marchés financiers against the former Chief Executive Officer (the Quebec class action also alleges that the Corporation did not properly disclose that it had inadequate or ineffective internal controls and that one or more of its directors and its former Chief Executive Officer were in breach of its Code of Business Conduct). The class actions seek damages stemming from losses that the plaintiffs claim to have suffered as a result of the foregoing. The Corporation believes that the class actions are without merit and intends to vigorously defend itself against them; however, there can be no assurance that the Corporation will be successful in its defense. No provision has been recorded regarding these matters.

Given the nature of the legal and regulatory landscape of the industry in which it operates, from time to time the Corporation has also received notices, communications and legal actions from regulatory authorities in various jurisdictions and other parties in respect of its activities. The Corporation has taken legal advice as to the manner in which it should respond and the likelihood of success of such actions. Based on this advice and the nature of the actions, no provisions have been recorded with respect to any such legal or regulatory notices, communications or actions for the year ended December 31, 2017.

31. FINANCIAL INSTRUMENTS

Foreign Exchange Risk

As at December 31, 2017, the Corporation's significant foreign exchange currency exposure on its financial instruments by currency was as follows (in U.S. dollar equivalents):

	CDN $000's	EUR $000's	GBP $000's
Cash	12,735	94,674	6,655
Restricted cash	—	925	—
Available-for-sale investments	—	7,460	—
Accounts receivable	8,519	48,207	9,594
Derivatives	6	(176)	2,308
Accounts payable and accrued liabilities	(12,247)	(37,126)	(24,816)
Other payables	(21)	(8,192)	—
Long-term debt	—	(445,322)	—
Derivatives	—	(111,762)	—
Customer deposits	(1,984)	(75,416)	(6,360)

The table below details the effect on earnings before tax of a 10% strengthening or weakening of the USD exchange rate at the balance sheet date for balance sheet items denominated in CDN, EUR and GBP:

Currency	10% Strengthening (weakening) $000's
CDN	701
EUR	(52,673)
GBP	(1,262)

The table below details the effect on equity of a 10% strengthening or weakening of the EUR:USD exchange rate on the cross currency interest rate swaps that hedge the USD First Lien Term Loan. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

	Equity $000's	Equity $000's
	- 10%	+ 10%
EUR:USD exchange rate	(121,958)	110,871

Interest Rate Risk

The Corporation's exposure to changes in interest rates (particularly, fluctuations in LIBOR) relates primarily to interest paid on the Corporation's long-term indebtedness, as well as the interest earned on and market value of its cash and available-for-sale investments. The Corporation is also exposed to fair value interest rate risk with respect to its USD First Lien Term Loan, which it attempts to mitigate by hedging through the Swap Agreements that fix the interest rate on the same. The Corporation is also exposed to cash flow interest rate risk on the unhedged elements of the USD First Lien Term Loan, the EUR First Lien Term Loan and the USD Second Lien Term Loan which bear interest at variable rates.

The table below details the effect on earnings before tax of a 100 basis points strengthening or weakening of the LIBOR and EURIBOR interest rates on these loans. 100 basis points sensitivity is the sensitivity rate used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates:

	Net earnings (loss) $000's	
	- 100 bps	**+ 100 bps**
LIBOR	1,751	(9,200)
EURIBOR	—	(3,388)

The USD First Lien Term Loan and the USD Second Lien Term Loan each have a floor of 1.00% for the LIBOR and as such, the interest rate cannot decrease below 4.50% and 8.00% respectively. The EUR First Lien Term Loan has a floor of 0% for the EURIBOR and as such, the interest rate cannot decrease below 3.75%. Management monitors movements in the interest rates by reviewing the EURIBOR and LIBOR on a quarterly basis.

The table below details the effect on equity of a 100 basis points strengthening or weakening of the LIBOR and EURIBOR interest rates on the valuations of the cross currency swaps that hedge the USD First Lien Term Loan. 100 basis points is the sensitivity rate used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates:

	Equity $000's	
	- 100 bps	**+ 100 bps**
LIBOR	18,665	(18,256)
EURIBOR	(5,778)	3,480

Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Corporation. The Corporation has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Corporation's policy is to transact wherever possible with investment grade counterparties. This information is supplied by independent rating agencies where available, and if not available, the Corporation uses other publicly available financial information and its own trading records to rate its major customers. The Corporation's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is managed by the Corporation's treasury and finance groups in accordance with the Corporation's treasury investment policy, which was approved by the Corporation's Audit Committee.

Trade receivables consist of a large number of customers, spread across geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

TSG does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. TSG defines counterparties as having similar characteristics if they are related entities.

The credit risk on banks, available-for-sale investments and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The Corporation's treasury investment policy and related strategy is focused on the preservation of capital and supporting its liquidity requirements, not on generating trading profits.

Trade receivables include amounts that are past due at the end of the reporting period for which the Corporation has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable.

Age of receivables that are past due but not impaired:

	As at December 31,	
	2017 $000's	**2016 $000's**
Past due less than 181 days	1,707	217
Past due more than 181 days	879	163
Total	**2,586**	**380**

The allowance for doubtful accounts is $166,000 as at December 31, 2017 (December 31, 2016 – $309,000).

Age of impaired trade receivables:

	As at December 31,	
	2017 $000's	**2016 $000's**
Past due less than 181 days	—	—
Past due more than 181 days	166	309
Total past due	**166**	**309**

Liquidity Risk

Liquidity risk is the Corporation's ability to meet its financial obligations when they come due. The Corporation is exposed to liquidity risk with respect to its contractual obligations and financial liabilities. The Corporation manages liquidity risk by continuously monitoring forecasted and actual cash flows and matching maturity profiles of financial assets and liabilities. The Corporation's objective is to maintain a balance between continuity of funding and flexibility through borrowing facilities available through the Corporation's banks and other lenders. The Corporation's policy is to seek to ensure adequate funding is available from operations, established lending facilities and other sources, including the debt and equity capital markets, as required.

The Corporation's principal sources of liquidity are its cash generated from operations and certain other currently available funds. Currently available funds consist primarily of cash on deposit with banks and available-for-sale investments, which are comprised primarily of certain highly liquid, short-term investments, including debt securities and funds. Generally, following the Stars Interactive Group Acquisition, the Corporation's working capital needs are minimal over the year as the gaming business requires customers to deposit funds prior to playing or participating in its real-money product offerings. The Corporation believes that such deposits are typically converted to revenue efficiently and on a timely basis such that operating expenditures are sufficiently covered. Management is also of the opinion that investing is a key element necessary for the continued growth of the Corporation's customer base and the future development of new and innovative products and services. Based on the Corporation's currently available funds, funds available from the Credit Facility and its ability to access the debt and equity capital markets, if necessary, management believes that the Corporation will have the cash resources necessary to satisfy current obligations and working capital needs, and fund currently planned development activities and other capital expenditures for at least the next 12 months. Notwithstanding, as a result of, among other things, the state of capital markets and the Corporation's ability to access them on favorable terms, if at all, micro and macro-economic downturns, and contractions of the Corporation's operations may influence its ability to liquidate its available-for-sale investments or otherwise secure the capital resources required to satisfy current or future obligations (including, without limitation, those set forth below) and fund future projects, strategic initiatives and support growth.

Customer deposit liabilities relate to customer deposits which are held in multiple bank accounts and highly liquid investments which are segregated from those holding operational funds. These deposits are included in current assets in the consolidated statements of financial position under Cash and cash equivalents – customer deposits and Current investments – customer deposits (see note 25).

The following table provides information about the terms of the Corporation's financial obligations and liabilities:

	On demand $000's	Less than 1 year $000's	2 to 5 years $000's	Greater than 5 years $000's
Accounts payable and accrued liabilities	101,169	48,496	1,808	—
Other payables	42,498	216	—	—
Customer deposits	349,766	—	—	—
Derivatives	—	—	111,762	—
Provisions	—	17,590	3,093	—
Long-term debt*	—	150,026	2,752,467	—
Total	**493,433**	**216,328**	**2,869,130**	—

* Includes principal and interest

32. RELATED PARTY TRANSACTIONS

Key management of the Corporation includes the members of the Board, the Chief Executive Officer, Chief Financial Officer, Chief Technology Officer, Executive Vice-President and Chief Legal Officer, and certain other key members, which include certain members of management of the Corporation's subsidiaries.

The compensation of such key management for the years ended December 31, 2017 and 2016 included the following:

	Year Ended December 31,	
	2017 $000's	2016 $000's
Salaries, bonuses and short-term employee benefits	4,514	5,559
Director retainers	729	1,316
Stock-based payments	3,799	2,245
	9,042	**9,120**

The remuneration of the Chief Executive Officer, Chief Financial Officer, Chief Technology Officer, Chief Operating Officer, Chief Corporate Development Officer, Executive Vice-President and Chief Legal Officer consists primarily of a salary, cash bonuses and share-based awards. Director retainers include both retainers, committee fees and share-based awards.

33. SUBSEQUENT EVENTS

As previously disclosed on February 27, 2018, to further diversify the Corporation's business geographically and expand its online sports betting product offerings, it acquired a 62% equity interest in CrownBet Holdings Pty Limited ("**CrownBet**"), an Australian-based online sportsbook, from Crown Resorts Limited for an aggregate amount of $117.7 million using cash on its consolidated statement of financial position.

On March 6, 2018, the Corporation also entered into agreements to increase its equity interest in CrownBet from 62% to 80% and for CrownBet to acquire William Hill Australia Holdings Pty Ltd, ("**William Hill Australia**"), an Australian-based online sportsbook. The aggregate purchase price for both transactions will be approximately $315 million, of which $234 million will be payable in cash for William Hill Australia and the remainder will be payable in approximately 3.1 million newly-issued Common Shares. The management team of CrownBet will be entitled to an additional payment of up to $182 million in 2020 subject to certain performance conditions and payable in cash, additional Common Shares or a combination thereof, at the Corporation's discretion. To finance the cash portion of the purchase price for the transactions, the Corporation obtained committed financing for a $325 million incremental USD First Lien Term Loan. The Corporation currently expects the transactions to close in April 2018.

Under the transaction agreements, the Corporation is entitled to appoint a majority of the directors on the board of directors of CrownBet.

Due to the proximity of the Corporation's acquisition of a majority equity interest in CrownBet and its entering into agreements to increase its equity interest in CrownBet and for CrownBet to acquire William Hill Australia, to the approval of the Corporation's consolidated financial statements for the year ended December 31, 2017, it is not possible for the Corporation to complete the initial accounting for such transactions, including disclosure details of goodwill, fair value of consideration (actual and contingent), assets and liabilities assumed, contingent liabilities recognised, transactions recognised separately, non-controlling interests and the impact on the amounts reported in the statement of comprehensive income.

SECTION D

HISTORICAL FINANCIAL INFORMATION RELATING TO SBG FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Note to Flutter Shareholders

The historical financial information and all accompanying notes contained in this Section D of Part IV (*Historical Financial Information for the TSG Group*) relate to the financial year ended 30 June 2018 and may no longer be correct as of the date of this Circular. Please refer to Section A of this Part IV (*Historical Financial Information for the TSG Group*) for the most recent audited financial information for the TSG Group as at 31 December 2019.

All definitions and cross-references contained in this Section D of Part IV (*Historical Financial Information for the TSG Group*) shall apply only to this Section D and not to any other section of this Circular.

INDEPENDENT AUDITORS REPORT 2018 OF SBG

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 June 2018 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of (Jersey) Law 1991.

We have audited the financial statements of Cyan Blue Topco Limited (the 'parent company') and its subsidiaries (the 'group') which comprise:

- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement; and
- the related notes 1 to 33.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework".

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (FRC's) Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the Directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

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

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

We have nothing to report in respect of these matters.

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements

Matters on which we are required to report by exception

Under (Jersey) Law 1991 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the company's members, as a body, in accordance with (Jersey) Law 1991. 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 this report, or for the opinions we have formed.

Simon Manning FCA

for and on behalf of Deloitte LLP

Leeds, United Kingdom

23 August 2018

DIRECTORS AND OFFICERS

DIRECTORS

The present Directors of Cyan Blue Topco Limited (“**the Company**”) and those Directors who served during the year and subsequently are as follows:

C Hansen (resigned 10 July 2018)

R Hooper (resigned 10 July 2018)

N Clarry (resigned 10 July 2018)

A Griffith (resigned 10 July 2018)

S Van Rooyen (resigned 10 July 2018)

R Lucas (resigned 10 July 2018)

IDF Proctor

R Flint

N Le Roux (resigned 10 July 2018)

P Roy (resigned 10 July 2018)

J Cosnett (appointed 10 July 2018)

C Patton (appointed 10 July 2018)

COMPANY SECRETARY

SJ Secretaries Limited

REGISTERED OFFICE

1 Waverley Place

Union Street

St Helier

Jersey JE1 1SG

AUDITOR

Deloitte LLP

Leeds

United Kingdom

STRATEGIC REPORT

The Directors present their Strategic Report and Directors' Report on the affairs of Cyan Blue Topco Limited and its subsidiary companies ("the **Group**"), together with the audited financial statements and Auditor's Report for the year ended 30 June 2018.

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

The Sky Betting and Gaming business, defined as Hestview Limited, Bonne Terre Limited and the trade and assets of the Oddschecker business is the principal trade within the Group and revenues and profits associated with these are presented in the consolidated financial statements.

During the current year the Group continued to expand its betting and gaming operations in Italy and Germany. Up to 31 December 2017 the Italian branch offered online and mobile device bookmaking, as well as casino operations. From 1 January 2018, the provision of this service switched to the UK operations of the Company, with the Italian branch continuing to provide certain in country support to the UK in respect of the Italian operation's product. The German branch provides in country support functions to a fellow group company, Cyan Blue International Limited, which is the licensed bookmaker for the German market.

The Group's principal activities in the current and prior year are as follows:

- licensed bookmaker, which is offered under the Sky Bet name via the internet and mobile platforms;
- operation of internet and mobile gaming under the names Sky Vegas, Sky Casino, Sky Poker and Sky Bingo;
- development and integration of gambling games for leading suppliers within the online and mobile gaming market under the name of Core Gaming; and
- provision of online betting and gaming related information and content to customers under the name Oddschecker.

Key strategic areas of focus in which the Group is engaged include: to continue to develop customer driven marketing; to continue to build on the Group's social responsibility tools to be a market leader in this area; to develop mobile offerings and focus on growing this platform; and to continue to develop leading edge products.

On 5 January 2018, the ordinary shares and the convertible preference shares held in NYX Digital Gaming (OB) Holdings Limited were sold for £24.4m, resulting in a gain on disposal of £2.1m recognised in the statement of comprehensive income.

On 21 April 2018, TSG Inc. announced that it had signed a definitive agreement to acquire the Company from CVC Capital Partners and Sky plc for $4.7bn. The acquisition completed on 10 July 2018 and TSG Inc. (a company incorporated in Canada) became the ultimate controlling party from that date.

FINANCIAL PERFORMANCE

The Directors are satisfied with the performance of the Group during the year, which is in line with forecast and they expect these activities to continue for the foreseeable future. The Directors are not aware, at the date of this report, of any likely major changes in the Group's activities in the next year. See note 33 for narrative of TSG acquisition.

The audited financial statements for the year ended 30 June 2018 are set out below. The loss after taxation for the year was £15.3 million (2017: loss after tax of £6.0 million). Net liabilities at the Balance Sheet date were £564.4 million (2017: net liabilities of £52.7 million). The Group's net liabilities increased by £511.6 million in the year primarily due to the loss after tax of £15.3 million and the payment of dividends of £540.3 million. The Directors paid the dividend to shareholders reflecting the improved operational performance of the business and were satisfied with the solvency of the business to make this payment.

Revenue has increased by 30% to £670.5 million driven by continued growth in customer numbers and average revenue per customer. Operating expenses have increased by £106.5 million compared to the prior year, primarily driven professional fees of £48.8 million (which resulted in a capital contribution, see note 24) incurred in relation to the acquisition of Cyan Blue Topco Limited by TSG as well as an increase in marketing and administration costs in the year. The increase is also a result of increased growth in revenue which has led to larger duty payments, revenue share payments and affiliate spend.

KEY PERFORMANCE INDICATORS (KPIS)

The principal KPIs used to manage the Group's performance are:

	Year ended 30 June 2018 £'000	Year ended 30 June 2017 £'000
Sportsbook revenue	430,586	313,577
Gaming revenue	239,880	202,188
Total revenue	**670,466**	**515,765**

Sportsbook revenue - Digital sports betting services. This includes all UK and International sports betting as well as revenue and costs derived from the Oddschecker and Sportinglife websites.

Gaming revenue - Digital gaming services. This includes all UK gaming as well as revenues and costs associated with the game development within Core Gaming.

	Year ended 30 June 2018 £'000	Year ended 30 June 2017 £'000
Operating profit	86,719	68,574
Depreciation and amortisation	73,142	70,902
Impairments of intangible assets	–	6,336
EBITDA	**159,861**	**145,812**

The Group's EBITDA prior to the costs of acquisition by TSG of £48.8 million is £210,661,000 (2017: £145,812,000).

Principal risks and uncertainties

The principal risk facing the Group is the risk of technology failure and as such the Group continues to increasingly invest in areas which address both the reliability and scalability of its systems.

Credit risk

The Group's principal assets are cash. The Group's credit risk is primarily attributable to these balances, however the Group does not have any significant concentrations of credit risk, with exposure spread over a number of financial institutions.

Liquidity risk

The Group generates strong operational cash flows and it is expected that sufficient funds will be available for ongoing operations and future developments. In the year the Group refinanced raising £819.7 million of debt, subsequently this was re-priced in March 2018. Subsequent to the year end the Group's debt was repaid through the issue of share capital and the Company is now funded by intercompany loans from TSG. See note 33.

Interest rate and foreign currency rate risk

The Group is exposed to fluctuations in interest rates due on a £437 million bank loan within Cyan Blue Holdco 3 Limited which attracts interest at 4.25% above 3 month LIBOR. The Company manages this risk with two interest rate swaps, both for £150 million which the Company pays at 1.42% and 1.43% and receives LIBOR.

The Group is exposed to fluctuations in exchange rates and interest rates on $499 million bank loan within Cyan Blue Holdco 3 Limited which attracts interest at 2.75% above 3 month USD LIBOR (on initial principal of $500 million). The Company manages this risk with four cross currency swaps to hedge exposure to future interest rate and foreign currency rate exposure. Three of these are for $150 million and swap floating USD interest rate for fixed GBP interest rate of 4.27%, 4.28% and 4.28%. The fourth swap agreement is for $52.5 million and swaps floating USD interest rate for fixed GBP interest rate at 4.03%. Following the acquisition of the Group the swaps have been novated to Stars Group Holdings BV, a Netherlands based subsidiary of TSG Inc. See note 32, events after the balance sheet.

Other risks

The Directors have considered other risks facing the Group. Operating in a highly competitive sector there is the risk that market share may be lost to fellow operators. The Group does, however, increasingly invest heavily in marketing and technology to support the expansion of the product offering and the Directors remain confident that the Group is well positioned to compete in the online market.

The online gambling market is a highly regulated sector; there is the risk that new regulatory requirements have a negative impact on Group operations and or profitability. Compliance with regulation is constantly monitored and the Group has direct dialogue with its regulators; this, along with the Group's compliance record gives the Directors confidence this risk is appropriately managed.

There is a risk that SBG's online operations will be targeted by a malicious external party with the objective of disrupting business services and/or obtaining unauthorised access to data. These third party attacks are increasingly sophisticated. The impact of a data leakage event will increase significantly with the implementation of the General Data Protection Regulation. Cyber security mitigations undergo continual review to ensure that our controls are sufficient to mitigate the risks in this area. We engage with third party specialists to ensure we understand the latest security developments.

Approved by the board and authorised for issue,

IDF Proctor

23 August 2018

The Directors present their Directors' Report on the affairs of the Group below. The business review, dividends, financial instruments, principal activities, principal risks and uncertainties and KPIs have been disclosed in the Strategic report above.

Directors

A list of Directors who served during and after the year can be found in the Directors and Officers section above.

Going concern

The Group's business activities, together with the factors likely to affect its future development and performance, are set out in the Strategic Report. The strategic report details the financial position of the Group, as well as the Group's objectives and policies, the principal risks and uncertainties facing the business and details of its exposures to credit risk and liquidity risk.

The Directors have reviewed the financial position of the Group, the forecasted cash flows and the availability of financing facilities to the Group and they have formed a judgement at the time of approving the financial statements that the Group will have access to adequate resources to continue in operational existence for the foreseeable future. In making this assessment, the Directors have considered the going concern status for a period of at least 12 months from the date of signing the financial statements and evaluated sensitivities to the Group's business plan. Further, the Directors have considered the availability of funding from TSG Inc.

The Group was in a net liabilities position as at 30 June 2018 due to interest payable on shareholder and external funding. The Group's external funding was repaid on 10 July 2018 following the issue of new share capital which moved the Group into a net assets position. See note 32 regarding the post balance sheet acquisition of the Group by TSG Inc.

The Group generates strong cash flows and it is expected that sufficient funds will be available for ongoing operations and future developments.

Accordingly, the Directors continue to adopt the going concern basis in preparing the financial statements.

Research and development

The Group carries out research and development as part of its activity to stay at the forefront of the betting and gaming industry. This includes, amongst other things, the development of new betting and gaming products and markets, new and improved ways for customers to interact and more efficient ways of working for both customer journeys and business processes.

Subsequent events

Subsequent events are disclosed in note 33.

Dividends

During the current year the Group paid a dividend of £540.3 million (Year ended 2017: £nil). The Directors do not propose a final dividend (2017: nil).

Employees

The Group continues to support equal opportunities in respect of recruitment, career progression and employee management processes. Consideration is given to all applicants for employment, irrespective of any protected characteristics as detailed in the Equality Act 2010. It is the policy of the Group to treat disabled persons fairly by making reasonable adjustments to the workplace and business processes. Likewise, in the event of a member of staff becoming disabled, every effort is made to ensure that their employment within the Group can continue. Support is also given to internal applicants in moving to new jobs in other parts of the organisation.

The Chief Executive Officer and other members of the executive and management team conducted a number of staff briefings throughout the year that keep our people fully informed and updated on business activities. The Group's intranet and regular email communication are used on a routine basis to keep employees informed about important business issues, the progress being made on key corporate programmes, and other changes affecting the Group, its employees and other stakeholders.

Charitable donations

The Group actively provides meaningful encouragement to help our people give something back to the community. This includes a match funding programme, as well as enabling each employee to take time out of the business to volunteer. During the year the Group made charitable donations of £977,000 (year ended 30 June 2017: £305,000).

Approved by the Board and authorised for issue,

IDF Proctor

23 August 2018

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the Group financial statements, International Accounting Standard 1 requires that the Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance; and
- make an assessment of the Group's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Year ended 30 June 2018	Restated (see note 1) Year ended 30 June 2017
		£'000	£'000
Revenue	2	**670,466**	**515,765**
Cost of sales		(170,334)	(140,232)
Gross profit		**500,132**	**375,533**
Operating expenses	3	(413,413)	(306,959)
Operating profit		**86,719**	**68,574**
Revaluation gain /(loss) on financial instruments measured at fair value	4	7,757	(2,464)
Investment income	5	3,267	1,670
Finance costs	5	(91,901)	(70,811)
Profit/(loss) before tax	6	**5,842**	**(3,031)**
Tax expense	8	(21,124)	(2,964)
Loss for the year attributable to equity shareholders		**(15,282)**	**(5,995)**
Other comprehensive income/(loss):			
Items that may subsequently be reclassified to profit or loss			
Change in value of available-for-sale financial assets	25	1,179	(1,106)
Gain on cash flow hedges		21,700	–
Reclassification adjustment of de-designated cash flow hedge		(21,700)	–
Transfer to statement of comprehensive income	25	166	–
Other comprehensive profit/(loss) for the year, net of tax		**1,345**	**(1,106)**
Total comprehensive loss for the year attributable to the equity shareholders		**(13,937)**	**(7,101)**

The accompanying notes are an integral part of this Consolidated Statement of Comprehensive Income.

All results relate to continuing operations.

Consolidated balance sheet

	Notes	2018 £'000	2017 £'000
Non-current assets			
Goodwill	9	320,015	320,015
Other investments	13	–	20,053
Intangible assets	10	418,859	465,097
Property, plant and equipment	11	14,255	13,180
Derivative financial instruments	14	4,947	42
Trade and other receivables	15	–	1,520
Deferred tax	20	1,041	–
		759,117	**819,907**
Current assets			
Trade and other receivables	16	69,077	16,344
Cash and cash equivalents	26	220,134	122,790
Total assets		**1,048,328**	**959,041**
Current liabilities			
Trade and other payables	17	(191,084)	(121,104)
Current tax		(17,198)	(5,877)
Provisions	18	(10,172)	(10,229)
		(218,454)	(137,210)
Non-current liabilities			
Borrowings	19	(1,327,325)	(792,381)
Provisions	18	(1,094)	(1,861)
Deferred tax	20	(62,386)	(72,182)
Derivative financial instruments	14	(3,419)	(8,147)
Total liabilities		**(1,612,678)**	**(1,011,781)**
Equity			
Share capital	22	(10)	(10)
Share premium	23	(937)	(937)
Other reserves	24	(43,444)	(777)
Accumulated losses		608,741	53,119
Available-for-sale reserve	25	–	1,345
Total deficit attributable to equity shareholders		**564,350**	**52,740**
Total liabilities and shareholders' deficit		**(1,048,328)**	**(959,041)**

The accompanying notes are an integral part of this Consolidated Balance Sheet.

These financial statements of Cyan Blue Topco Limited, registered number 116297 were approved by the Board of Directors and authorised for issue on 23 August 2018. They were signed on its behalf by:

IDF Proctor

Director

COMPANY BALANCE SHEET

	Notes	2018 £'000	2017 £'000
Non-current assets			
Investments in subsidiaries	12	850	850
Amounts due from Group undertakings falling due in more than one year	15	–	430,636
		850	431,486
Current assets			
Trade and other receivables	16	44,144	1,366
Cash and cash equivalents		3,514	7,646
Total assets		48,508	440,498
Current liabilities			
Trade and other payables	17	(46,942)	(414)
		(46,942)	(414)
Non-current liabilities			
Borrowings	19	(506,575)	(460,763)
Total liabilities		(553,517)	(461,177)
Equity			
Share capital	22	(10)	(10)
Share premium	23	(937)	(937)
Other reserves	24	(42,644)	23
Accumulated losses		548,600	21,603
Total equity attributable to equity shareholders		505,009	20,679
Total liabilities and shareholders' deficit		(48,508)	(440,498)

The accompanying notes are an integral part of this Company Balance Sheet.

The Company reported a loss for the financial year ended 30 June 2018 of £13,343,000 (2017: £3,534,000).

These financial statements of Cyan Blue Topco Limited, registered number 116297 were approved by the Board of Directors and authorised for issue on 23 August 2018. They were signed on its behalf by:

IDF Proctor

Director

CONSOLIDATED CASH FLOW STATEMENT

	Notes	2018 £'000	2017 £'000
Net cash from operating activities	26	**200,584**	**141,751**
Cash flows used in investing activities			
Interest received		318	241
Purchase of property, plant and equipment		(6,290)	(9,321)
Purchase of intangible assets		(21,943)	(23,352)
Disposal of investments	13	24,408	–
Net cash used in investing activities		**(3,507)**	**(32,432)**
Cash flows used in financing activities			
Bank interest paid		(29,342)	(23,809)
Repayment of loan		(377,953)	(83,083)
New bank loan raised		847,902	–
Dividends paid[1]		(540,340)	–
Net cash used in financing activities		**(99,733)**	**(106,892)**
Net increase in cash and cash equivalents		**97,344**	**2,427**
Cash and cash equivalents at the beginning of the year		**122,790**	**120,363**
Cash and cash equivalents at the end of the year		**220,134**	**122,790**

(1) On 14 September 2017 the Group paid a dividend to its equity shareholders of £540.3 million.

The accompanying notes are an integral part of this Consolidated Cash Flow Statement. All results relate to continuing operations.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital £'000	Share premium £'000	Other reserves £'000	Accumulated losses £'000	AFS reserve £'000	Total shareholder's deficit £'000
At 1 July 2016	**10**	**937**	**(23)**	**(47,124)**	**(239)**	**(46,439)**
Capital contribution	–	–	800	–	–	800
Other comprehensive loss	–	–	–	–	(1,106)	(1,106)
Loss for the year	–	–	–	(5,995)	–	(5,995)
Total comprehensive loss for the year	–	–	–	(5,995)	(1,106)	(7,101)
At 30 June 2017	**10**	**937**	**777**	**(53,119)**	**(1,345)**	**(52,740)**
Capital contribution	–	–	42,667	–	–	42,667
Dividends (note 31)	–	–	–	(540,340)	–	(540,340)
Other comprehensive gain	–	–	–	–	1,345	1,345
Loss for the year	–	–	–	(15,282)	–	(15,282)
Total comprehensive loss for the year	–	–	–	(15,282)	1,345	(13,937)
At 30 June 2018	**10**	**937**	**43,444**	**(608,741)**	**–**	**(564,350)**

The accompanying notes are an integral part of this Consolidated Statement of Changes in Equity.

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2018

	Share capital £'000	Share premium £'000	Other reserves £'000	Accumulated losses £'000	Total shareholder's deficit £'000
At 1 July 2016	**10**	**937**	**(23)**	**(18,069)**	**(17,145)**
Total comprehensive loss for the year	-	-	-	(3,534)	(3,534)
At 30 June 2017	**10**	**937**	**(23)**	**(21,603)**	**(20,679)**
Capital contribution	-	-	42,667	-	42,667
Total comprehensive income for the year	-	-	-	13,343	13,343
Dividends (note 31)	-	-	-	(540,340)	(540,340)
At 30 June 2018	10	937	42,644	(548,600)	(505,009)

The accompanying notes are an integral part of this Company Statement of Changes in Equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

General information

Cyan Blue Topco Limited is a company incorporated in Jersey under the Companies (Jersey) Law 1991 which is limited by shares. The address of the registered office is given above. The principal activities of the Company and its subsidiaries (the "**Group**") and the nature of the Group's operations are set out in the Strategic Report above.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates.

The principal accounting policies are summarised below. All of these have been applied consistently throughout the current and prior year with the exception of the presentational adjustment described below.

a) Basis of preparation

The financial statements have been prepared on a going concern basis (as set out in the Directors' Report) and on a historical cost basis, except for the remeasurement to fair value of financial instruments, as described in the accounting policies below.

The Directors considered a fairer presentation was to include an additional disclosure on the Statement of Comprehensive Income to reclassify certain amounts from Operating Expenses to Cost of Sales 2018: £170,334,000 (2017: £140,232,000).

In the prior year (and preceding years) the Group's policy was to maintain a 52 or 53 week fiscal year ending on the Sunday nearest to 30 June in each year. During the current year, the Group changed its policy to maintain a 52 or 53 week fiscal year ending on the Thursday nearest to 30 June in each year. In fiscal year 2018, this date was 28 June 2018 (fiscal year 2017: 29 June 2017, 52 week year). Since this is within seven days of 30 June each year, the requirements of the Companies (Jersey) Law 1991 with regard to the dating of the financial statements continue to be met.

Group

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as adopted by the European Union ("**EU**") and the Companies (Jersey) Law 1991.

Company

The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. Accordingly, in the year ended 30 June 2018 the Company prepared its financial statements in accordance with the Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) as issued by the Financial Reporting Council.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, disclosure of standards not yet effective and presentation of related party transactions.

b) Basis of consolidation

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in the Consolidated Statement of Comprehensive Income ("**SCI**") from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

c) Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of assets transferred to the Group, liabilities incurred by the Group and the equity interest issued by the Group in exchange for control of the acquire. Acquisition related costs are recognised in the SCI as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements which are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in the SCI as a bargain purchase gain.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (12 months from the acquisition date), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as at the acquisition date that, if known, would have affected the amounts recognised on that date.

d) Goodwill

Goodwill is initially recognised and measured as set out above.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash generating units expected to benefit from the synergies of the combination. Cash generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

The process performed and the results of this are set out in note 9.

e) Leases

The Group only has operating leases. Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

f) Retirement benefit costs

Payments to defined contribution retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

g) Intangible assets and Property, Plant and Equipment ("PPE")

i. Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation of an intangible asset begins from the start of the month nearest to when the asset is available for use and is recognised on a straight line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following conditions have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Any other development expenditure is recognised in operating expense as incurred. Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Other intangible assets, which are acquired by the Group separately or through a business combination, are stated at cost or fair value, respectively, less accumulated amortisation and impairment losses, other than those that are classified as held for sale, which are stated at the lower of carrying amount and fair value less costs to sell. Intangible assets acquired in a business combination are recognised separately from goodwill.

The Group's intangible assets are amortised in line with accounting policy below.

Internally generated intangible assets	4 years
Customer relationships	8-16 years
Technology	5-10 years
Other intangible assets	3-25 years

ii. Property, plant and equipment

Owned PPE is stated at cost, net of accumulated depreciation and any impairment losses, see accounting policy i), other than those items that are classified as held for sale, which are stated at the lower of carrying amount and fair value less costs to sell. When an item of PPE comprises major components having different useful economic lives, the components are accounted for as separate items of PPE.

The cost of PPE is depreciated in operating expense on a straight-line basis over its estimated useful life. Principal useful economic lives used for this purpose are:

Equipment, furniture and fixtures	4 -10 years

h) Financial instruments

Financial assets and liabilities are initially recognised at fair value plus any directly attributable transaction costs. At each Balance Sheet date, the Group assesses whether there is any objective evidence that any financial asset is impaired. Financial assets and liabilities are recognised on the Balance Sheet when the Group becomes a party to the contractual provisions of the financial asset or liability. Financial assets are derecognised from the Balance Sheet when the Group's contractual rights to the cash flows expire or the Group transfers substantially all the risks and rewards of the financial asset. Financial liabilities are derecognised from the Balance Sheet when the obligation specified in the contract is discharged, cancelled or expires.

i. Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value plus transaction costs, except for those financial assets classified at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' ("**FVTPL**"); 'held-to-maturity' investments, 'available-for-sale' ("**AFS**"); financial assets; and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

ii. Available-for-sale investments

Equity investments intended to be held for an indefinite period are classified as available-for-sale investments. They are carried at fair value with movements in the fair value being recognised directly in the available-for-sale reserve.

Available-for-sale investments are included within non-current assets unless the carrying value is expected to be recovered principally through sale rather than continued use in which case they are included in current assets. On disposal the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had previously been recognised directly in reserves is recognised in the SCI.

iii. Loans and receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments and, where no stated interest rate is applicable, are measured at the original invoice amount, if the effect of

discounting is immaterial. Where discounting is material, trade and other receivables are measured at amortised cost using the effective interest rate method. An allowance account is maintained to reduce the carrying value of trade and other receivables for impairment losses identified from objective evidence, with movements in the allowance account, either from increased impairment losses or reversals of impairment losses, being recognised in the SCI.

iv. Effective interest rate method

The effective interest rate method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

v. Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each Balance Sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the differences between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the SCI.

vi. Cash and cash equivalents

Cash and cash equivalents include cash in hand, bank accounts, deposits receivable on demand and deposits with maturity dates of three months or less from the date of inception. Bank overdrafts that are repayable on demand and which form an integral part of the Group's cash management are included as a component of cash and cash equivalents where offset conditions are met.

vii. Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

viii. Other financial liabilities

Trade and other payables are non-derivative financial liabilities and are measured at amortised cost using the effective interest rate method. Trade and other payables with no stated interest rate are measured at the original invoice amount if the effect of discounting is immaterial.

The effective interest rate method is a method of calculating the amortised cost of a financial liability and of allocating 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, where appropriate, a shorter period, to the net carrying amount on initial recognition.

ix. Derivatives

Derivative are held at fair value from the date on which the derivative contract is entered into. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under IFRS 13 *Fair Value Measurement.* Further information about valuation techniques are included in note 21.

i) Impairment

At each Balance Sheet date the Group reviews the carrying amounts of all its assets excluding financial assets (see accounting policy h) and deferred taxation (see accounting policy l) to determine whether there is any indication that any of those assets have suffered an impairment loss.

An impairment is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. The recoverable amount is the greater of net selling price, defined as the fair value less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which to which the asset belongs.

An impairment loss for an individual asset or cash generating unit shall be reversed if there has been a change in estimates used to determine the recoverable amount since the last impairment loss was recognised and is only reversed 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.

j) Provisions

Provisions are recognised when the Group has a probable, present legal or constructive obligation to make a transfer of economic benefits as a result of past events where a reliable estimate is available. The amounts recognised represent the Group's best estimate of the transfer of benefits that will be required to settle the obligation as of the Balance Sheet date. Provisions are discounted if the effect of the time value of money is material using a pre-tax market rate adjusted for risks specific to the liability.

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

k) Revenue recognition

Revenue, which excludes value added tax, represents the gross inflow of economic benefit from the Group's operating activities. The Group's main sources of revenue are recognised as follows:

- Betting revenues are recognised in accordance with IAS 18 'Revenue' ('IAS 18'). All revenues therefore represent income in the period for betting activities, defined as amounts staked by customers less betting payouts and free bet costs. Ante-post bets (bets staked but not settled) are excluded from revenue and are deferred on the balance sheet in trade and other payables until the event to which they relate has concluded, at which time they are matched with any related payouts. The liability is revalued to fair value at each balance sheet date, in accordance with IAS 39 'Financial Instruments Recognition and Measurement' ('IAS 39'), with any gain or loss recognised in the SCI.

- Gaming revenues represents net customer losses in the period in respect of the online and mobile telephone gaming, poker and bingo operations. Revenues generated through the principal activities of providing online betting and gaming related information and content to customers are recognised in the period in which the service has been provided.

- Revenues generated through revenue share activities, such as the provision of online content, are recognised in the period in which the service has been provided.

l) Tax, including deferred tax

The tax expense represents the sum of the tax currently payable and deferred tax. The Group's liability for current tax is based on taxable profits for the year, and is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and liabilities are recognised using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the Balance Sheet and the corresponding tax bases used in the computation of taxable profits. Temporary differences arising from goodwill and the initial recognition of assets or liabilities that affect neither accounting profit nor taxable profit are not provided for.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and adjusted to reflect an amount that is probable to be realised based on the weight of all available evidence. Deferred tax is calculated at the rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax assets and liabilities are not discounted. Deferred tax is charged or credited in the statement of comprehensive income, except where it relates to items charged or credited directly to equity, in which case the deferred tax is also included within equity. Deferred tax assets and liabilities are offset when there is a legal enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same authority and the Company intends to settle its current tax assets and liabilities on a net basis.

m) Adoption of new and revised Standards

The Group has adopted IAS 7, IAS 12 and annual improvements to IFRS 2014-2016 cycle. None of these have a material impact on the financial statements.

The Group has not yet adopted certain new standards, amendments and interpretations to existing standards, which have been published but are only effective for our accounting periods beginning on or after 1 July 2018 or later periods. These new pronouncements are listed below:

- IFRS 9 Financial Instruments (2014) (effective from 1 July 2018)
- IFRS 15 Revenue from Contracts with Customers (effective from 1 July 2018)
- IFRIC 22 (effective from 1 July 2018)
- Annual Improvements 2014-2016 Cycle – Amendments to IFRS 1 and IAS 28 (effective from 1 July 2018)
- Amendments to IFRS 2 - Classification and Measurement of Share-based Payment Transactions (effective from 1 July 2018)
- Amendments to IAS 40 - Transfers of Investment Property (effective from 1 July 2018)
- IFRS 16 Leases (effective from 1 July 2019)
- IFRIC 23 (effective from 1 July 2019)
- Amendments to IAS 28 - Long-term Interests in Associates and Joint Ventures (effective from 1 July 2019)
- Annual Improvements 2015-2017 Cycle – Amendments to IFRS 3, IAS 12 and IAS 23 (effective from 1 July 2019)

The Directors are currently evaluating the impact of the adoption of these standards, amendments and interpretations in future periods. The following standards impact the results as set out below and affect the disclosure requirements in future periods:

IFRS 15

When IFRS 15 is adopted, it can be applied either on a fully retrospective basis, requiring the restatement of the comparative periods presented in the financial statements, or with the cumulative impact of IFRS 15

applied as an adjustment to equity on the date of adoption; when the latter approach is applied, it is necessary to disclose the impact of IFRS 15 on each line item in the financial statements in the reporting period.

IFRS 15 provides a single, principles-based five-step model to be applied to all contracts with customers:

- Identify the contract with the customer;
- Identify the performance obligations in the contract, introducing the new concept of 'distinct';
- Determining the transaction price;
- Allocating the transaction price to the performance obligations in the contracts, on a relative stand-alone selling price basis; and
- Recognise revenue when (or as) the entity satisfies its performance obligation.

IFRS 15 also introduces new guidance on, amongst other areas, combining contracts, discounts, variable consideration, contract modifications and requires that certain costs incurred in obtaining and fulfilling customer contracts be deferred on the SFP and amortised over the period an entity expects to benefit from the customer relationship.

In the current year, the Group has conducted a detailed accounting review of the impact of IFRS 15 across the products and services within the Group's revenue streams. The Group has determined that the impact of IFRS 15 will not be material.

IFRS 9

When IFRS 9 is adopted the standard is expected to impact the classification and measurement of financial instruments and is expected to require certain additional disclosures. IFRS 9 should be applied subject to certain exemptions. The standard introduces the following:

- An 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for the credit event to have occurred before a credit loss is recognised.
- A new hedge accounting model that is designed to more closely align with how entities undertake risk management activities when hedging financial and non-financial risk exposures.
- A logical approach for the classification of financial assets, driven by cash flow characteristics and the business model in which an asset is held.
- Embedded derivatives are no longer separated from financial asset hosts.

The Group have reviewed the impact of IFRS 9 impacting from 1 July 2018 with the only material impact being as follows:

During the year to 30 June 2018 the Group refinanced and under IAS 39 classified as a non-substantial modification. The treatment of a non-substantial modification differs under IFRS 9. The adjustment required on transition to IFRS 9 on the USD loan was £2.2m. On the GBP loan, the adjustment required on transition to IFRS 9 was £7.8m with the opposite side being posted to reserves.

IFRS 16

When IFRS 16 is adopted, it can be applied either on a fully retrospective basis, requiring the restatement of the comparative periods presented in the financial statements, or with the cumulative retrospective impact of IFRS 16 applied as an adjustment to equity on the date of adoption; when the latter approach is applied it is necessary to disclose the impact of IFRS 16 on each line item in the financial statements in the reporting period. The Group has not yet determined which method will be adopted.

IFRS 16 replaces IAS 17 'Leases' and will primarily change lease accounting for lessees; lessor accounting under IFRS 16 is expected to be similar to lease accounting under IAS 17. Lessee accounting under IFRS 16 will be similar in many respects to existing IAS 17 accounting for finance leases, but is expected to be substantively different to existing accounting for operating leases.

Where a contract meets IFRS 16's definition of a lease and new associated guidance, where the Group acts as a lessee, lease agreements will give rise to the recognition of a non-current asset representing the right to use the leased item, and a loan obligation for future lease payables on the Group's SFP.

Lease costs will be recognised in the form of depreciation of the right to use asset and interest on the lease liability, which may impact the phasing of operating profit and profit before tax, compared to existing cost profiles and presentation in SCI, and will also impact the classification of associated cash flows.

The Group is still in the process of quantifying the implications of this standard. However, qualitatively the Group expects the following impacts:

- There is expected to be an increase in total assets, as leased assets which are currently accounted for off the SFP (i.e. classified as operating leases under IAS 17) will be recognised on the SFP. The biggest asset category impacted for the Group is expected to be land and buildings.
- There is expected to be an increase in debt, as liabilities relating to existing operating leases are recognised.
- Operating lease expenditure will be reclassified and split between depreciation and finance costs. Therefore operating profit will increase. Future depreciation and finance costs for our historic leases are also affected by our choice of transition method, which is still under review.
- There may be a corresponding effect on tax balances in relation to all of the above impacts.

n) Interest income

Interest income is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

o) Critical accounting judgements and key sources of estimation uncertainty

Included below are critical judgements that the Directors have made in the process of applying the Group's accounting policies and that have most significant effect on the amounts recognised in the financial statements. Additionally the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year, are discussed below:

Critical accounting judgements

i Impairment of goodwill

Calculations of the value in use of the cash generating units to which goodwill are associated are used to evaluate whether an impairment has arisen. Such calculations involve estimates of the future forecast cash flows and selecting an appropriate discount rate. Note 9 provides information on the assumptions used and sets out the impact of changes in these assumptions.

Judgement is required in identifying the cash generating units to which the goodwill is associated for the purposes of goodwill impairment testing. Identification of cash generating units involves the assessment of whether assets or groups of assets generate cash flows that are largely independent. Goodwill is then allocated to each identified cash generating unit that is expected to benefit from the synergies of the business combination from which the goodwill has arisen.

Key sources of estimation uncertainty

i. Revenue Recognition

Revenue, which excludes value added tax, represents the gross inflow of economic benefit from the Group's operating activities. Revenue is measured at the fair value of the consideration received or receivable. Selecting the appropriate timing for, and amount of, revenue to be recognised requires judgement.

The key area of judgement within revenue recognition is in relation to unsettled bets at year end. These require a number of key assumptions and judgements to be made in order to determine the appropriate revenue recognition.

ii. Measurement at fair value

A number of the Group's accounting policies require the measurement of fair values, specifically for financial assets and liabilities including the free bets creditor and antepost liability. Fair value measurement requires an element of judgement in determining the most relevant inputs and valuation techniques.

When measuring the fair value, the Group uses market observable data as far as possible and it categorises the fair values into the different levels in the fair value hierarchy based on the inputs used. The fair value hierarchy is as follows;

- Level 1 fair value measurements are those derived from quoted process (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

Further information about the assumptions used in measuring fair values are included in note 21.

2. REVENUE

Revenue, which excludes value added tax, represents the gross inflow of economic benefit from the Group's operating activities. Revenue is measured at the fair value of the consideration received or receivable. The majority of customers are based in the UK and as such no geographical split has been provided.

	Year ended 30 June 2018 £'000	Year ended 30 June 2017 £'000
Sports Book revenue	406,510	297,399
Gaming revenue	239,244	200,949
Oddschecker	21,132	17,417
International	3,580	–
	670,466	**515,765**

All revenue relates to the rendering of digital betting and gaming services and is all from continued operations.

The Group has two reportable divisions which are defined based on product type and reflects how the Group's operations are monitored and managed. In addition there are head office costs which include costs associated with International sports betting.

The Group is organised as follows;

Reportable Division	Description
Betting	Digital sports betting services. This includes all UK and International sports betting as well as revenue and costs derived from the Oddschecker and Sportinglife websites.
Gaming	Digital gaming services. This includes all UK gaming as well as revenues and costs associated with the games development within Core Gaming.

The following table provides an analysis of the Group's divisional information for the year to 30 June 2017:

	Betting £'000	Gaming £'000	Head Office £'000	Total Group £'000
Revenue	314,816	200,949	–	515,765
Adjusted EBITDA	119,497	95,378	(69,061)	145,814
Depreciation	(2,039)	(1,758)	–	(3,797)
Amortisation	(28,187)	(24,094)	(14,824)	(67,105)
Impairment	(6,305)	(33)	–	(6,338)
Investment income	–	–	1,670	1,670
Finance costs	–	–	(70,811)	(70,811)
Revaluation of financial instruments measured at fair value	–	–	(2,464)	(2,464)
Profit/(loss) before tax	**82,966**	**69,493**	**(155,490)**	**(3,031)**

The following table provides an analysis of the Group's divisional information for the year to 30 June 2018:

	Betting £'000	Gaming £'000	Head Office £'000	Total Group £'000
Revenue	430,586	239,880	-	670,466
Adjusted EBITDA	184,390	109,434	(135,893)	157,931
Depreciation	(359)	(2,224)	(2,378)	(4,961)
Amortisation	(4,076)	(2,980)	(61,125)	(68,181)
Disposals	(215)	-	2,145	1,930
Investment income	-	-	3,267	3,267
Finance costs	-	-	(91,901)	(91,901)
Revaluation of financial instruments measured at fair value	-	-	7,757	7,757
Profit/(loss) before tax	**179,740**	**104,230**	**(278,128)**	**5,842**

The accounting policies of the reportable division are the same as the Group's accounting policies described in note 1. Segmental profit represents the profit earned by each division without the allocation of finance costs, revaluation gains and losses, investment income, tax expense and non-directly attributable administration costs.

3. OPERATING EXPENSES

	Year ended 30 June 2018 £'000	Year ended 30 June 2017 £'000
Marketing	144,938	118,246
Administration	246,114	171,621
Development expenditure	22,361	17,092
	413,413	**306,959**

Administration costs include £48.8 million of costs related to the acquisition by TSG Inc. (2017: £nil).

Amortisation is included within Administration expenses.

4. REVALUATION ON FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

	Year ended 30 June 2018 £'000	Year ended 30 June 2017 £'000
Fair value losses on financial assets(i)	264	2,089
Fair value (gains)/losses on financial liabilities(ii)	(8,021)	375
	(7,757)	**2,464**

(i) The fair value loss on financial assets relates to the revaluation of certain assets within the investment in NYX, see note 13 and 14.

(ii) The fair value gain on financial liabilities relates to the revaluation of rate interest hedging instruments, see note 14.

5. INVESTMENT INCOME AND FINANCE COSTS

a) Investment income	Year ended 30 June 2018 £'000	Year ended 30 June 2017 £'000
Bank interest income	318	240
Investment income from equity investment	697	1,323
Loan interest income	107	107
Profit on disposal of investment	2,145	–
	3,267	**1,670**

b) Finance costs	Year ended 30 June 2018 £'000	Year ended 30 June 2017 £'000
Bank interest expense	46,089	22,225
Intercompany interest on loan with immediate parent	35,235	32,372
Related party loan interest expense	9,911	15,480
Preference share coupon expense	666	734
	91,901	**70,811**

6. PROFIT/(LOSS) BEFORE TAX

Profit/(loss) before tax is stated after charging:	Year ended 30 June 2018 £'000	Year ended 30 June 2017 £'000
Depreciation of property, plant and equipment (note 11)	4,961	3,797
Amortisation of intangible assets (note 10)	68,181	67,105
Impairment of intangible assets (note 10)	–	6,336
Development expenditure (note 3)	22,361	17,092
Marketing costs (note 3)	144,938	118,246
Staff costs (note 7)	73,998	54,135
Lease expense (note 28)	3,448	3,032
License, feed and content costs	29,870	16,000
Foreign exchange losses	252	363
Transaction costs	48,762	–

Auditor's remuneration

The analysis of auditor's remuneration is as follows:

	Year ended 30 June 2018 £'000	Year ended 30 June 2017 £'000
Fees payable to the auditor for the audit of the Group's financial statements	10	8
Fees payable to the auditor for other services to the Group		
- Audit of the Company's subsidiaries	139	167
- Tax advisory fees	–	1
- Other audit related non audit services	235	–
- Other advisory fees	980	240
Total auditor's remuneration	**1,364**	**416**

No amounts for other services are payable to the auditor.

7. EMPLOYEE BENEFITS AND KEY MANAGEMENT COMPENSATION

a) Employee benefits for the Group during the year

	Year ended 30 June 2018	Year ended 30 June 2017
Average number of employees – non technology	1,056	881
Average number of employees – technology	353	257
	1,409	**1,138**

Their aggregate remuneration comprised:

	Year ended 30 June 2018 £'000	**Year ended 30 June 2017 £'000**
Wages and salaries	63,885	44,678
Social security costs	6,305	5,137
Redundancy costs	1,156	2,054
Other pension costs	2,652	2,266
	73,998	**54,135**

Wages and salaries includes amounts paid in respect of bonuses, allowances and other staff benefits.

b) Director emoluments

	Year ended 30 June 2018 £'000	**Year ended 30 June 2017 £'000**
Emoluments	1,283	1,147
Pension contributions	51	39
	1,334	**1,186**

Not all Directors of the Company are remunerated by Group companies. The emoluments detailed above relate to 4 of the Company Directors, all are paid by Hestview Limited, a subsidiary undertaking of the Company for their services as Directors of the Company and the Group, it is not possible to disaggregate this in respect of services to the Company.

The aggregate of the emoluments of the highest paid Director for the year was £648,000 (Year ended 30 June 2017: £549,000) and Company pension contributions of £30,000 (Year ended 30 June 2017: £22,000) were made to a money purchase pension plan in the year.

The number of Directors who have benefits accruing under the money purchase pension scheme is two (2017: two).

8. TAX

a) Tax recognised in the Statement of Comprehensive Income	**Year ended 30 June 2018 £'000**	**Year ended 30 June 2017 £'000**
Current tax expense		
Current period	31,473	17,206
Adjustment in respect of prior period	488	(927)
Total current tax expense	**31,961**	**16,279**
Deferred tax expense		
Origination and reversal of temporary differences	(10,331)	(11,447)
Adjustment in prior period provision	121	134
Effect of tax rate change	(627)	(2,002)
Total deferred tax credit	**(10,837)**	**(13,315)**
Total tax expense	**21,124**	**2,964**

Changes were enacted in the Finance (No 2) Act 2015, which reduced the main rate of UK corporation tax from 20% to 19% with effect from 1 April 2017 and then from 19% to 18% with effect from 1 April 2020. In UK Finance Act 2016, a further change was enacted which reduced the main rate of UK corporation tax to 17% with effect from 1 April 2020. Deferred tax balances at 30 June 2018 have been measured at 17.5% (2017: 17.7%).

b) Reconciliation of effective tax rate

The tax expense for the year is higher (Year ended 30 June 2017: higher) than the expense that would have been charged using the standard rate of corporation tax in Jersey at 30 June 2018 of 0% (Year ended 30 June 2017: 0%) applied to the profit before tax. The differences are explained below:

	Year ended 30 June 2018 £'000	Year ended 30 June 2017 £'000
Profit/(loss) before tax	5,842	(3,031)
Profit/(loss) before tax multiplied by standard rate of corporation tax in Jersey of 0%	–	–
Effects of:		
Tax expense in higher rate jurisdictions	19,102	697
Expenses not deductible for tax purposes	1,956	4,754
Ineligible depreciation	84	324
Adjustment in respect of qualifying R&D expenditure	–	(67)
Adjustment in respect of prior periods	609	(793)
Effect of tax rate change in higher rate jurisdictions	(627)	(1,931)
Unutilised tax losses not recognised for deferred tax	–	(20)
Total tax expense	**21,124**	**2,964**

9. GOODWILL GROUP

	Goodwill £'000
Cost and carrying amounts	
At 1 July 2016	**320,455**
Goodwill adjustment relating to previous acquisitions	(440)
At 30 June 2017 and 30 June 2018	**320,015**

Goodwill of £319.2 million was generated during the year ended 30 June 2015 when the Group acquired Sky Betting and Gaming. It is composed of a number of elements including workforce, future technology and future customers of both Sky Betting and Gaming and Oddschecker. The goodwill is not expected to be deductible for income tax purposes.

Goodwill of £1.3 million was generated during the year ended 30 June 2016 when the Group acquired Core Gaming Limited in June 2016. The goodwill is not expected to be deductible for income tax purposes.

The adjustment to goodwill in the year ended 30 June 2017 reflected new information obtained about facts and circumstances that existed at the acquisition date.

	2018 £'000	2017 £'000
Sports Book	145,283	145,283
Gaming	139,432	139,432
Oddschecker	35,300	35,300
	320,015	320,015

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units ("**CGUs**") that are expected to benefit from the business combination. The carrying amount of goodwill has been allocated to 3 CGUs on the basis that these represent the lowest level at which goodwill is monitored for internal management purposes, and are not larger than the operating segments.

The recoverable amounts of the CGUs is determined as the higher of fair value less cost to sell and value in use. Value in use calculations were used to value all 3 of the CGUs at 30 June 2018 as a fair value was not readily available.

The key assumptions for the value in use calculations are those regarding the discount rates and growth rates. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs and the group of units. The growth rates are based on industry growth forecasts. The rates used to discount the forecast cash flows for the CGUs are based upon the Group's weighted average cost of capital ("**WACC**") and are as follows:

	2018	**2017**
Sports Book	8.4%	9.1%
Gaming	8.4%	9.1%
Oddschecker	10.3%	8.4%

The Group prepares cash flow forecasts derived from the most recent 5 year financial budgets approved by management and extrapolates cash flows based on a 2% growth rate into perpetuity, which is based on current management expectations and industry specific data.

The Group has conducted a sensitivity analysis on the impairment test of each CGU. The Directors believe that any reasonably possible change in the key assumptions on which the recoverable amount of Goodwill in all 3 CGUs are based would not cause the carrying value to exceed the recoverable amount of the CGU.

10. INTANGIBLE ASSETS

	Internally generated intangible assets £'000	**Customer relationships £'000**	**Technology £'000**	**Other intangible assets £'000**	**Total £'000**
Cost					
At 1 July 2016	**20,958**	**425,200**	**36,200**	**107,841**	**590,199**
Additions	18,090	-	-	5,262	23,352
Disposals	-	-	-	(225)	(225)
Impairment	(6,952)	-	-	(810)	(7,762)
At 30 June 2017	**32,096**	**425,200**	**36,200**	**112,068**	**605,564**
Additions	18,553	-	-	3,390	21,943
Disposals	(3,629)	-	-	(1,430)	(5,059)
At 30 June 2018	**47,020**	**425,200**	**36,200**	**114,028**	**622,448**
Amortisation					
At 1 July 2016	**3,475**	**48,043**	**8,699**	**14,796**	**75,013**
Amortisation	7,332	40,024	7,120	12,629	67,105
Disposals	-	-	-	(225)	(225)
Impairment	(1,227)	-	-	(199)	(1,426)
At 30 June 2017	**9,580**	**88,067**	**15,819**	**27,001**	**140,467**
Amortisation	9,235	40,024	7,120	11,802	68,181
Disposals	(3,629)	-	-	(1,430)	(5,059)
At 30 June 2018	**15,186**	**128,091**	**22,939**	**37,373**	**203,590**
Carrying amounts					
At 30 June 2018	**31,834**	**297,109**	**13,261**	**76,655**	**418,859**
At 30 June 2017	22,516	337,133	20,381	85,067	465,097
At 1 July 2016	17,483	377,157	27,501	93,045	515,186

Included in the amortisation charge above is amortisation relating to the intangible assets identified in the acquisition of Sky Betting and Gaming and Core Gaming Limited, as well as the amortisation on the Sky brand licence. The amortisation charge relating to these assets ("**PPA amortisation**") was £55.7 million in the year ended 30 June 2018, and £57.2 million in the year ended 30 June 2017.

The estimated future amortisation expense on intangible assets with finite lives for each of the next five years is set out below. It is likely that amortisation will vary from the figures below as the estimate does not include the impact of any future investments, disposals or capital expenditure.

	2019 £'000	2020 £'000	2021 £'000	2022 £'000	2023 £'000
Estimated amortisation expense	64,949	60,923	51,164	45,925	39,144

In FY16, within the Betting CGU, the Group started developing a new platform from which to launch their Italy product. This platform was developed in house however following a review of the operating model for the Italy product and the assets capitalised in relation to it, £6.3 million of assets in relation to this project were impaired at 30 June 2017 (£7.8m of cost less £1.5m of accumulated amortisation) as result of the carrying amount exceeding the present value of the estimated future cash flows. No other impairments were recognised in any of the other reported periods.

11. PROPERTY, PLANT AND EQUIPMENT

Group

	Equipment, furniture and fixtures £'000
Cost	
At 1 July 2016	**9,846**
Additions	9,321
Disposals	(125)
At 30 June 2017	**19,042**
Additions	6,290
Disposals	(2,796)
At 30 June 2018	**22,536**
At 1 July 2016	**2,098**
Depreciation expense	3,797
Disposals	(33)
At 30 June 2017	**5,862**
Depreciation expense	4,961
Disposals	(2,542)
At 30 June 2018	**8,281**
Carrying amounts	
At 30 June 2018	**14,255**
At 30 June 2017	13,180
At 1 July 2016	7,748

12. INVESTMENTS IN SUBSIDIARIES

Company

	Investments £'000
Investment in Cyan Blue VLNCo Limited	**850**

The Group consists of a parent company, Cyan Blue Topco Limited, incorporated on the Island of Jersey and a number of subsidiaries held directly and indirectly by Cyan Blue Topco Limited.

Details of the direct subsidiary at 30 June 2018 are as follows:

Name	Place of incorporation	Proportion of ownership interest %	Proportion of voting power held %	Principal Activity
Cyan Blue VLNCo Limited	Jersey	100	100	Financing company

Details of the indirect subsidiaries at 30 June 2018 are as follows:

Name	Place of incorporation	Proportion of ownership interest %	Proportion of voting power held %	Principal Activity
Hestview Limited[1]	England and Wales	100	100	Online bookmaker
Bonne Terre Limited[2]	Alderney	100	100	Digital gaming provider
Cyan Blue Odds Limited[3]	Alderney	100	100	Online odds comparison provider
Cyan Blue Odds Australia PTY Limited[vii]	Australia	100	100	Service entity
Cyan Blue Bidco Limited[4]	England and Wales	100	100	Holding company
Cyan Blue IPco Limited[5]	Guernsey	100	100	Intellectual property holding company
Cyan Blue Holdco 4 Limited[v]	Jersey	100	100	Holding company
Cyan Blue Holdco 3 Limited[v]	Jersey	100	100	Financing company
Cyan Blue Holdco 2 Limited[v]	Jersey	100	100	Holding company
Cyan Blue Holdco 1 Limited[v]	Jersey	100	100	Holding company
Cyan Blue Core Limited[i]	England and Wales	100	100	Holding company
Core Gaming Limited[i]	England and Wales	100	100	Online gaming developer
Cyan Blue International Holdings Limited[vi]	Malta	100	100	Holding company
Cyan Blue International Limited[vi]	Malta	100	100	Licenced bookmaker

The investments in subsidiaries are all stated at cost less provision for impairment.

[1] Registered office: 2 Wellington Place, Leeds, LS1 4AP United Kingdom

[2] Registered office: Office 1, 1 The Crusher, Braye Harbour, GY9 3XX, Alderney

[3] Registered office: Century House, 12 Victoria Street, GY9 3UF, Alderney

[4] Registered office: Weighbridge House, Le Pollet, St Peter Port, GY1 1WL, Guernsey

[5] Registered office: 1 Waverley Place, Union Street, St Helier, JE1 1SG, Jersey

[vi] Registered office: Vincenti Buildings, 28/19 (suite No. 1983), Strait Street, Valletta, VLT 1432, Malta

[vii] Registered office: 25 Burton Street, Glebe, NSW 2037, Australia

13. OTHER INVESTMENTS

Group

	2018 **£'000**	2017 £'000
Equity investment	-	1,154
Preference shares	-	18,899
	-	20,053

During the year ended 30 June 2016 the Group acquired £2.5 million of ordinary shares in NYX. This investment included warrants 2018: £nil (2017: £nil) giving the Group the option to acquire further shares up to 3 years post acquisition. The ordinary shares were classified as available-for-sale and accounted for at fair value under IAS 39 Financial Instruments: Recognition and Measurement.

During the year ended 30 June 2016 the Group invested in £20 million convertible preference shares issued by a subsidiary of NYX. The value of these convertible preference shares was split into a debt element comprising the underlying preference shares and an embedded derivative element comprising the conversion option. The conversion option related to both a put and call option. The put option gave NYX the right to force the conversion of the preference shares in the event that the ordinary share price exceeded a specified amount. The call option enabled the Group to force the conversion of the preference shares after a standstill period. The preference shares were classified as loans and receivables (see above) and the conversion option classified as FVTPL.

On 5 January 2018, the ordinary shares and the convertible preference shares were sold for £24.4 million, resulting in a gain on disposal of £2.1 million recognised in the statement of comprehensive income.

14. DERIVATIVES FINANCIAL INSTRUMENTS

Group

	2018	2017
Assets	**£'000**	£'000
Fair value of NYX ordinary and preference shares	**-**	42
Fair value of cross currency swaps(i)	**4,947**	-
Liabilities		
Fair value of interest rate swaps(ii)	**(3,419)**	(8,147)
Antepost	**(10,733)**	(6,228)

(i) On 25 August 2017 the Group entered into three agreements to swap floating interest rate for fixed interest rate to hedge exposure to future interest rate and foreign currency rate exposure of the new $450 million of external debt. All 3 swap agreements expire in June 2020. On 2 March 2018 the Group entered into an arrangement to swap floating USD interest rate for fixed GBP interest rate to hedge exposure to future interest rate and foreign currency rate exposure of the $52.5m of external debt raised in March 2018. The agreement expires in June 2021.

As a result of the proposed acquisition by TSG Inc the Group de-designated its cash flow hedges in April 2018.

(ii) On 7 July 2015 the Group entered into two agreements to swap floating interest rate for fixed interest rate to hedge any exposure to future interest rate increases. Both agreements are for £150 million with the floating interest rate fixed and payable at 1.42% and 1.43% respectively. The swaps have since been novated post year end as set out on note 33.

(iii) See note 21.

15. TRADE AND OTHER RECEIVABLES: AMOUNTS FALLING DUE IN MORE THAN ONE YEAR

Group

	2018	2017
	£'000	£'000
Other receivables	-	1,520

Company

	2018 £'000	2017 £'000
Loans due from Group undertakings	-	345,717
Accrued interest on loans due from Group undertakings	-	84,919
	-	430,636

On 19 March 2015 the Company loaned £345.7 million of unsecured shareholder loan from Cyan Blue VLNCo Limited. The loan attracted interest at 10.0% per annum and the interest was not payable until redemption on 18 March 2055. The loan was fully repaid on 14 September 2017.

16. TRADE AND OTHER RECEIVABLES: AMOUNTS FALLING DUE WITHIN ONE YEAR

Group

	2018 £'000	2017 £'000
Gross trade receivables	**2,986**	1,605
Less: provision for impairment of receivables	**(42)**	(107)
Net trade receivables	**2,944**	1,498
Prepayments and accrued income	**15,872**	12,374
Other receivables	**50,261**	2,472
	69,077	16,344

The Directors consider that the carrying amount of trade and other receivables approximates to their fair values.

Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

The Group does not hold any collateral or other credit enhancements over any of its trade receivables nor does it have a legal right of offset against any amounts owed by the Group to the counterparty.

For trade receivables that are neither past due nor impaired, the Directors have assessed that there is no change in the credit quality from the date credit was initially granted and the amounts are still considered recoverable.

Other receivables increase driven by £42.7m capital contribution from Shareholders, see note 24.

The below tables provide an analysis of amounts overdue:

Ageing of trade receivables

2018

	Amounts due < 30 days £'000	**Amounts due 30-60 days £'000**	**Amounts due 61-90 days**	**Amounts due 91-120 days**	**Amounts due 121-180 days**	**Amounts due 181+ days**	**Total amount due £'000**
Gross receivable	344	26	9	1	11	7	398
Provision for impairment of receivable	(17)	(1)	(5)	(1)	(10)	(7)	(41)
Net trade receivables	327	25	4	—	1	—	357

Ageing of trade receivables

2017

	Amounts due < 30 days £'000	Amounts due 30-60 days £'000	Amounts due 61-90 days	Amounts due 91-120 days	Amounts due 121-180 days	Amounts due 181+ days	Total amount due £'000
Gross receivable	125	37	2	1	-	-	165
Provision for impairment of receivable	(67)	(37)	(2)	(1)	-	-	(107)
Net trade receivables	58	**-**	-	-	-	-	58

Movement in allowance for doubtful debts:	**Year ended 30 June 2018 £'000**	Year ended 30 June 2017 £'000
Balance at the beginning of the period	**(107)**	(93)
Impairment losses recognised	**-**	(14)
Reclassified to accrued income	**65**	-
Balance at the end of the period	**(42)**	(107)

In determining the recoverability of a trade receivable the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited.

Company	**2018 £'000**	2017 £'000
Amounts owed by Group Companies	**294**	274
Other receivables	**43,850**	1,092
	44,144	1,366

Other receivables increase is driven by £42.7m capital contribution from Shareholders, see note 24.

17. TRADE AND OTHER PAYABLES: AMOUNTS FALLING DUE WITHIN ONE YEAR

Group	**2018 £'000**	2017 £'000
Trade payables	**3,253**	6,415
Other taxation and security	**34,808**	27,319
Accruals	**111,116**	54,282
Deferred income	**278**	379
Other payables	**41,629**	32,709
	191,084	121,104

The Directors consider that the carrying amount of trade and other payables approximates to their fair values. Included within Other payables is an amount of £30.8 million (2017: £25.9 million) in respect of amounts due to customers representing deposits received and customer winnings. Accruals include £45.3 million (2017: £nil) of transaction costs associated with the sale to TSG.

Company	**2018 £'000**	2017 £'000
Trade payables	**105**	36
Accruals	**45,690**	73
Amounts owed to Group companies	**1,147**	305
	46,942	414

Accruals increase is driven by professional fees incurred as part of TSG acquisition, see note 33.

18. PROVISIONS

Group

	At 1 July 2016 £'000	Provided during the year £'000	Utilised during the year £'000	At 30 June 2017 £'000	**Provided during the year £'000**	**Utilised during the year £'000**	**At 30 June 2018 £'000**
Current liabilities							
Provision for onerous lease (i)	356	338	(387)	307	**746**	**(1,053)**	**-**
Provision for jackpot payments (ii)	6,336	10,486	(10,666)	6,156	**14,569**	**(14,389)**	**6,336**
Provision for redundancies (iv)	-	1,047	-	1,047	**1,156**	**(1,035)**	**1,168**
Other provisions (v)	1,370	1,407	(58)	2,719	**2,077**	**(2,128)**	**2,668**
	8,062	13,278	(11,111)	10,229	**18,156**	**(18,213)**	**10,172**
Non-current liabilities							
Provision for onerous lease (i)	1,228	-	(338)	890	**-**	**(890)**	**-**
Provision for dilapidations (iii)	560	411	-	971	**123**	**-**	**1,094**
	1,788	411	(338)	1,861	**123**	**(890)**	**1,094**

(i) The onerous lease provision relates to the unavoidable costs of properties, which are no longer occupied by the Group.

(ii) The jackpot payment provision relates to funds held in jackpots within games of which the payout date is unknown. The provision is expect to be fully utilised in a period of more than one year.

(iii) The dilapidations provision relates to expected costs payable in relation to dilapidations of leased buildings at the end of the leased term. The provision will be fully utilised by 2026.

(iv) The redundancy provision relates predominately to restructuring in the Group. The redundancy provision will be fully utilised within the next 12 months.

(v) Other provisions primarily relate to amounts expected to be paid in respect of third party games content.

19. BORROWINGS

Group

Unsecured borrowings at amortised cost	**2018 £'000**	2017 £'000
Loans with Group's immediate parent (i)	**283,688**	336,762
Accrued interest on loans with Company's immediate parent (i)	**104,918**	16,607
Loans with related parties (ii)	**104,202**	94,729
Accrued interest on loans with related parties (ii)	**5,110**	4,671
Preference shares owed to Cyan Blue Manco Limited (iii)	**6,456**	6,456
Accrued coupon on preference shares (iii)	**2,201**	1,538
Total unsecured	**506,575**	460,763
Secured borrowings at amortised cost		
Bank loans (iv)	**820,750**	331,618
Total secured	**820,750**	331,618
Total borrowings	**1,327,325**	792,381

Company	2018 £'000	2017 £'000
Unsecured borrowings at amortised cost		
Loans with Company's immediate parent (i)	**283,688**	336,762
Accrued interest on loans with Company's immediate parent (i)	**104,918**	16,607
Loans with related parties (ii)	**104,202**	94,729
Accrued interest on loans with related parties (ii)	**5,110**	4,671
Preference shares owed to Cyan Blue Manco Limited (iii)	**6,456**	6,456
Accrued coupon on preference shares (iii)	**2,201**	1,538
Total borrowings	**506,575**	460,763

The Directors consider that the carrying amount of borrowings approximates to their fair values.

The key features of the borrowings are as follows:

(i) The loans with the Group's immediate parent relate to amounts payable to Cyan Blue Jerseyco Limited of £283.7 million (2017: £336.8 million) (payable by Cyan Blue Topco Limited). Interest is payable at 10% per annum. Interest is payable in the form of PIK notes which are issued at 31 December each year and subsequently attract interest at 10% per annum. The repayment date is 19 March 2055.

(ii) The loans with related parties include amounts payable to the Sky plc group of £104.2 million (2017: £94.7 million) due from Cyan Blue Topco Limited with interest payable at 10% per annum. Unpaid interest accrues and compounds onto the principal amount at 31 December each year, until the repayment date on 18 March 2022.

(iii) The preference shares issued by Cyan Blue Topco Limited to Cyan Blue Manco Limited of £6.5m with interest payable at 10% per annum compounding on the 19 March of each year until the repayment data in March 2055.

(iv) During the year the bank loan of £340.0 million plus accrued interest due was repaid. Two new loans were raised during the same period, £475 million with interest payable at a floating rate of 4.25%+3 month GBP LIBOR and $450 million with interest payable of 3.5% +3 month USD LIBOR. Both loans expire in August 2024. On 5 March 2018, the Company agreed a number of amendments to the Credit Agreement including repricing of the USD tranche to 2.75% + USD LIBOR and increasing the USD tranche to $500 million and reducing the Sterling loan principal to £437m. The incremental USD debt was used to pay partially repay the GBP tranche.

20. DEFERRED TAX

Recognised deferred tax (assets)/liabilities

	Fixed assets £'000	Intangibles £'000	Short-term temporary differences £'000	Tax losses £'000	Total £'000
At 1 July 2016	**21**	**86,461**	**(984)**	**(1)**	**85,497**
Prior year adjustment	(516)	154	496	-	134
Deferred tax credit in profit and loss account	(387)	(12,955)	(107)	-	(13,449)
At 30 June 2017	**(882)**	**73,660**	**(595)**	**(1)**	**72,182**
Prior year adjustment	362	(300)	58	1	121
Deferred tax (credit)/expense in profit and loss account	(245)	(10,974)	261	-	(10,958)
At 30 June 2018	**(765)**	**62,386**	**(276)**	**-**	**61,345**

Deferred tax assets have been recognised in respect of fixed asset and short term timing differences on the basis that the Director's deem it probable that the companies in which these assets reside will have sufficient taxable profits against which these assets can be utilised. The Group has unutilised tax losses

carried forward of £1,198,000 (30 June 2017: £968,000) and Research and Development Expenditure Credits carried forward of £4,000 (30 June 2017: £8,000). Deferred tax assets have not been recognised in respect of either these tax losses or tax credits on the basis that the companies in which they reside are not expected to be able to utilise them in the foreseeable future.

21. FINANCIAL INSTRUMENTS

a) Significant accounting policies

Details of the significant accounting policies and methods adopted for each class of financial asset, financial liability and equity instrument are disclosed in note 1.

b) Categories of financial instruments

	2018 £'000	2017 £'000
Financial assets		
Cash and bank balances	**220,134**	122,790
Loans and receivables ("**L&R**")	**56,261**	24,389
Fair value through profit and loss ("**FVTPL**")	**4,947**	42
Available-for-sale ("**AFS**")	**-**	1,154
Financial liabilities		
Amortised cost	**1,522,257**	858,686
Fair value through profit and loss ("**FVTPL**")	**14,152**	16,175

c) Financial risk management objectives

The Group monitors and manages the financial risks relating to its operations. As set out in the Strategic Report above, these risks include liquidity risk, credit risk and interest rate risk.

d) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by monitoring the maturity profiles of financial assets and liabilities and by continuously monitoring forecast and actual cash flows.

The following table analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Carrying amount £'000	**Contractual cash flows £'000**	**Less than 12 months £'000**	**Between one and two years £'000**	**Between two and five years £'000**	**More than five years £'000**
At 30 June 2018						
Non-interest bearing	**206,518**	**206,518**	**205,424**	**290**	**408**	**396**
Variable interest rate instruments	**820,750**	**806,218**	**39,557**	**37,578**	**101,089**	**627,994**
Fixed interest rate instruments	**506,574**	**12,954,354**	**-**	**-**	**-**	**12,954,354**
Interest rate swaps	**3,419**	**3,419**	**920**	**920**	**1,579**	**-**
At 30 June 2017						
Non-interest bearing	133,194	133,194	131,333	311	1,154	396
Variable interest rate instruments	331,618	417,954	19,648	15,708	382,598	-
Fixed interest rate instruments	460,732	12,954,354	-	-	-	12,954,354
Interest rate swaps	8,147	8,147	1,727	1,727	4,693	-

e) Credit risk

The Group is exposed to default risk amounting to cash and cash equivalents of £220.1 million (2017: £122.8 million).

The Group's maximum exposure to credit risk on trade receivables is the carrying amount disclosed in note 16.

f) Interest rate and foreign currency risk

The Group is exposed to fluctuations in interest rates on a £437 million bank loan within Cyan Blue Holdco 3 Limited which attracts interest at 4.25% above 3 month LIBOR. The Company manages this risk with two interest rate swaps, both for £150 million which the Company pays at 1.42% and 1.43% and receives LIBOR.

The Group is exposed to fluctuations in exchange rates and interest rates on a $499 million bank loan within Cyan Blue Holdco 3 Limited which attracts interest at 2.75% above 3 month USD LIBOR. The Company manages this risk with four cross currency swaps. Three of these are for $150 million and swap floating USD interest rate for fixed GBP interest rate of 4.27%, 4.28% and 4.28%. The fourth swap agreement is for $52.5 million and swaps floating USD interest rate for fixed GBP interest rate at 4.03% to hedge exposure to future interest rate and foreign currency rate exposure. (See note 33, events after the balance sheet).

g) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of net debt (borrowings disclosed in note 19 after deducting cash and bank balances) and equity of the Group (comprising issued capital, and retained earnings).

h) Fair value of financial instruments

Fair value of financial instruments carried at amortised cost

The Directors consider that the carrying amounts of the financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair value.

Fair value measurements recognised in the Balance Sheet

The following tables provide an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

Level 1 fair value measurements are those derived from quoted process (unadjusted) in active markets for identical assets or liabilities;

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

2018	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
FVTPL assets				
Cross currency swaps	-	4,947	-	4,947
FVTPL liabilities				
Interest rate swaps	-	3,419	-	3,419
Antepost and freebet creditors	-	-	10,733	10,733
	-	**3,419**	**10,733**	**14,152**

2017

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
FVTPL assets				
Equity option contracts	-	-	42	42
AFS assets				
Equity investment	1,154	-	-	1,154
	1,154	**-**	**42**	**1,196**
FVTPL liabilities				
Interest rate swaps	-	8,147	-	8,147
Contingent consideration	-	-	1,800	1,800
Antepost and freebet creditors	-	-	6,228	6,228
	-	**8,147**	**8,028**	**16,175**

Valuation techniques and assumptions applied for the purposes of measuring fair value

The contingent consideration has been valued using a discounted cashflow forecast. The unobservable inputs in determining the fair value are the discount rate and forecast cashflow information. The discount rates have been determined using market information and benchmarking. The forecasts have been developed for management based on the most recent information on company trading and performance.

The antepost and freebet creditors, measured at FVTPL have been valued based on internally generated expectations.

The equity option contracts have been valued using the Black Scholes method. On 5 January, NYX Gaming Group was acquired by Scientific Games via a scheme of arrangement. As a result of this, the Group redeemed its convertible preferences shares in NYX for £22.0 million and, under the terms of the scheme of arrangement, received $(CAD) 4.0 million for its Ordinary Shares in NYX. The Group had fair valued the equity investment based on the trading price of the investment on the open market until sold on 5 January 2018.

The Group has valued the interest rate and cross currency swap contracts using publically available information about the business and industry which is not directly related to the asset or liability being valued. This information is used to derive forward curves, including adjustments for the Group's credit risk, from which the swap contract value is estimated.

Ante post bets are a liability arising from an open position at the period end date in accordance with the Group's accounting policy for derivative financial instruments. Ante post bets at the yearend totalled £9 million (2017: £3 million) and are classified as current liabilities within other payables.

Ante post bet liabilities are valued using methods and inputs that are not based upon observable market data and all fair value movements on the balance are recognised in revenue in the Income Statement. Reasonably possible changes to assumptions or inputs could lead to material changes in the fair value determined (see note 1), although the final value will be determined by future sporting results. The principal assumptions relate to anticipated gross win margins on unsettled bets.

22. SHARE CAPITAL

Group and Company

	2018 £'000	2017 £'000
Authorised, allotted, called-up and fully paid		
712,966 A1 Ordinary shares of £0.01 each (2017: 712,966)	**7**	7
200,556 A2 Ordinary shares of £0.01 each (2017: 200,556)	**2**	2
14,578 B Ordinary shares of £0.01 each (2017: 15,366)	**-**	-
1,657 Deferred B Ordinary shares of £0.01 each (2017: 841)	**-**	-
75,000 C Ordinary shares of £0.01 each (2017: 75,000)	**1**	1
100 Contingent value shares of £0.01 each (2017: 200)	**-**	-
	10	10

The Group's ordinary shares carry no right to fixed income.

In September 2017 100 of the 200 contingent value shares were bought back and redeemed.

23. SHARE PREMIUM

Group and Company	**2018 £'000**	2017 £'000
Premium arising on issue of equity shares		
712,966 A1 Ordinary shares with premium of £0.99 (2017: 712,966)	**706**	706
200,556 A2 Ordinary shares with premium of £0.99 (2017: 200,556)	**199**	199
5,486 B Ordinary shares with premium of £0.99 (2017: 5,486)	**5**	5
896 Deferred B Ordinary shares with premium of £0.99 (2017: 896)	**2**	2
75,000 C Ordinary shares with premium of £0.99 (2017: 25,012)	**25**	25
	937	937

The share premium reserve represents the amount paid by the Shareholders in excess of the nominal value of the shares purchased.

24. OTHER RESERVES

Group	Total £'000
At 1 July 2017	777
Capital contribution	42,667
At 30 June 2018	**43,444**

Company	Total £'000
At 1 July 2017	(23)
Capital contribution	42,667
At 30 June 2018	**42,644**

During the prior year the Sky plc group provided the Group with a £0.8 million early repayment discount due to the early repayment of the loan provided to Cyan Blue VLNCo Limited (see note 19). This was recognised as a capital contribution in the Group.

The current year capital contribution relates to professional fees incurred by the Company associated with the acquisition by TSG Inc. which the shareholders have agreed to fund.

25. AVAILABLE-FOR-SALE RESERVE

	2018 £'000	2017 £'000
Balance brought forward at 1 July	**1,345**	239
Revaluation on equity investment (note 13)	**(1,179)**	1,106
Disposal of equity investment	**(166)**	-
	-	1,345

The Available-for-sale reserve represented the revaluation of ordinary shares acquired in NYX (see note 13), which were classified as available for sale assets.

26. NOTES TO THE CASH FLOW STATEMENT

Group

Reconciliation of profit/(loss) before taxation to cash generated from operations

	Year ended 30 June 2018 £'000	Year ended 30 June 2017 £'000
Profit/(loss) before taxation	**5,842**	(3,031)
Depreciation of property, plant and equipment	**4,961**	3,797
Amortisation of intangible assets	**68,181**	67,105
Impairment of intangible assets	**-**	6,336
Loss on sale of PPE	**254**	92
Foreign exchange loss	**(252)**	(363)
Revaluation (gain)/loss	**(7,757)**	2,464
Net finance costs	**90,777**	69,141
Other gains and losses	**-**	48
Profit on disposal of investment	**(2,312)**	-
	159,694	145,589
Increase in trade and other receivables	**(8,438)**	(4,632)
Increase in trade and other payables	**70,791**	13,389
(Increase)/decrease in provisions	**(823)**	2,241
Cash generated from operations	**221,224**	156,587
Income taxes paid	**(20,640)**	(14,836)
Net cash from operations	**200,584**	141,751

Cash and cash equivalents

	2018 £'000	2017 £'000
Cash at bank	**188,713**	96,580
Cash held by third parties	**100**	317
Ring-fenced customer account balances	**31,321**	25,893
	220,134	122,790

Cash and cash equivalents comprise cash held by the Group. This amount includes £31.3 million (2017: £25.9 million) of customer funds. Cash and cash equivalents at the end of the reporting period as shown in the consolidated cash flow statement £220.1 million (2017: £122.8 million) reconciles to the related items in the Consolidated Balance Sheet position.

27. TRANSACTIONS WITH RELATED PARTIES

The tables below set out the related party transactions and year end balances between the Group and its related parties.

Transactions with Sky plc group

At the balance sheet date, Sky plc group had a 20% interest in the Sky Betting and Gaming business. The Group continues to purchase goods and services from companies that form part of the Sky plc group at arm's length prices.

	Year ended 30 June 2018 £'000	Year ended 30 June 2017 £'000
Marketing services from Sky plc group	**34,379**	38,857
Technology services from Sky plc group	**240**	1,117

During the current year the Group received income for platform services provided to the Sky plc group.

	Year ended 30 June 2018 £'000	Year ended 30 June 2017 £'000
Other income	**635**	638

The amount outstanding with Sky plc group at the end of the year was £4.4 million (2017: £9.8 million).

Sky plc had invested in the Group in the form of shareholder loan notes and the following table details the interest costs charged to the Group during the year.

	Year ended 30 June 2018 £'000	Year ended 30 June 2017 £'000
Interest payable on Loan note issued to Cyan Blue VLNCo Limited	**-**	6,355
Interest payable on Loan note issued to Cyan Blue Topco Limited	**9,912**	9,106

The table below details the amounts outstanding on the Balance Sheet at the year end due to Sky plc group.

	2018 £'000	2017 £'000
Payable due to group recharges and trading	**4,444**	9,771
Loan note issued to Cyan Blue Topco Limited	**104,202**	94,729
Accrued interest on loan note to Cyan Blue Topco Limited	**5,110**	4,671

Transactions with Openbet

On 16 May 2016 the Group invested £22.5 million in NYX (see note 13) through convertible preference shares in a subsidiary company and ordinary shares in NYX. NYX owns Openbet which is the Group's platform provider. The Group has charged £4.5 million of costs relating to Openbet through the consolidated statement of comprehensive income up to the point of sale of the Group's interest in NYX on 5 January 2018 (year ended 30 June 2017: £10.2 million).

Transactions with Cryptologic

On 16 May 2016 the Group invested £22.5 million in NYX (see note 13) through convertible preference shares in a subsidiary company and ordinary share in NYX. NYX owns Cryptologic who supply games to the Group.

Employee Benefit Trust

A number of employees of Group companies have invested in the Group through the Employee Benefit Trust. During the 48 week period to 30 June 2015 the parent company issued a loan to the Employee Benefit Trust. This loan is interest bearing at a rate of 10% and is repayable on demand.

Interest charged on the loan to the Employee Benefit Trust during the year is detailed below:

	Year ended 30 June 2018 £'000	Year ended 30 June 2017 £'000
Interest income on Loan	**107**	99

As at the Balance Sheet date the Group had an outstanding balance due to the Employee Benefit Trust of £1.2 million (30 June 2017: £1.1 million).

Key Management Personnel

The remuneration of the 4 Directors, who are key management personnel of the Group, is disclosed in note 7.

Other

At the year end outstanding from Shareholders' was a balance of £42.7 million in relation to the capital contribution, see note 24.

28. OPERATING LEASE ARRANGEMENTS

	Year ended 30 June 2018 £'000	Year ended 30 June 2017 £'000
Lease payments under operating leases recognised as an expense in the year	**3,448**	3,032

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2018 £'000	2017 £'000
Within one year	**4,117**	2,725
In second to fifth year inclusive	**11,374**	8,453
After five years	**3,342**	3,946

Operating lease payments represent rentals payable by the Group for certain of its office properties.

29. FINANCIAL COMMITMENTS

	2018 £'000	2017 £'000
Contracted for but not provided for	**25,645**	22,089

The financial commitments detailed above include amounts for technology and IT contracts.

30. RETIREMENT BENEFIT SCHEMES

The Group participates in a defined contribution retirement benefit scheme for all qualifying employees of the subsidiary Hestview Limited. The assets of the schemes are held separately from those of the Group in funds under the control of trustees. Where there are employees who leave the schemes prior to vesting fully, the contributions payable by the Group are reduced by the amount of forfeited contributions. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The total cost charged to income of £2.7 million (year ended 30 June 2017: £2.3 million) represents contributions payable to these schemes by the Group at rates specified in the rules of the schemes. As at 30 June 2018, contributions of £0.6 million (2017: £0.4 million) due in respect of the current reporting period had not been paid over to the schemes.

31. DIVIDENDS

	2018 £'000	2017 £'000
Dividends declared and paid during the year	**540,340**	-

32. ULTIMATE CONTROLLING PARTY

Prior to 10 July 2018, the ultimate controlling party was CVC Capital Partners. The Company's immediate parent was Cyan Blue Jerseyco Limited a company incorporated in Jersey, number 116296. Its registered address is 1 Waverley Place, Union Street, St Helier, Jersey, JE1 1SG.

On 21 April 2018, TSG Inc. announced that it had signed a definitive agreement to acquire Sky Betting and Gaming from CVC and Sky Plc for $4.7bn. The acquisition completed on 10 July and TSG Inc. (a company incorporated in Canada) became the ultimate controlling party from that date. The immediate parent company from 10 July is Stars Group Holdings (UK) Limited a company incorporated in England and Wales, number 11316497. Its registered address is 10th Floor The Met Building, 22 Percy Street, London, United Kingdom, W1T 2BU.

33. EVENTS AFTER THE BALANCE SHEET DATE

As described above, on 21 April 2018, TSG Inc. announced that it signed a definitive agreement to acquire the Company from CVC Capital Partners and Sky plc for $4.7bn. The acquisition completed on 10 July 2018.

As part of the acquisition the following changes to the Group's financing structure took place:

1. The external bank debt including all interest accrued to 10 July 2018 of £437,648,967 and $498,226,193 held in Cyan Blue Holdco 3 Limited was repaid in full.

2. All interest rate and cross currency derivative contracts held in Cyan Blue Holdco 3 Limited were novated at market value to Stars Group Holdings BV, a Netherlands based subsidiary of TSG Inc.

3. The Note C shareholder loan between Cyan Bidco Limited and Cyan Blue Holdco 3 Limited was repaid in full, including all accrued interest to 10 July 2018.

4. All shareholder loans held in Cyan Blue Topco Limited, due to Sky UK plc and Cyan Blue Jerseyco Limited were repaid in full, including all interest accrued to 10 July 2018.

5. All preference shares held in Cyan Blue Topco Limited, due to Cyan Blue Manco Limited were repaid in full, including all interest accrued to 10 July 2018.

6. The Employee Benefit Trust loan along with accrued interest of £1.2m was repaid on 10 July 2018.

To fund the repayment of the debt noted above Cyan Blue Topco Limited issued a share to Stars Group Holdings (UK) Limited with a nominal value of £0.01 for £1,272,935,591.64. The Group is now funded by intercompany loans.

SECTION E

HISTORICAL FINANCIAL INFORMATION RELATING TO SBG FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

Note to Flutter Shareholders

The historical financial information and all accompanying notes contained in this Section E of Part IV (*Historical Financial Information for the TSG Group*) relate to the financial year ended 30 June 2017 and may no longer be correct as of the date of this Circular. Please refer to Section A of this Part IV (*Historical Financial Information for the TSG Group*) for the most recent audited financial information for the TSG Group as at 31 December 2019.

All definitions and cross-references contained in this Section E of Part IV (*Historical Financial Information for the TSG Group*) shall apply only to this Section E and not to any other section of this Circular.

INDEPENDENT AUDITORS REPORT 2017 OF SBG

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 June 2017 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of (Jersey) Law 1991.

We have audited the financial statements of Cyan Blue Holdco 2 Limited (the 'parent company') and its subsidiaries (the 'group') which comprise:

- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement;
- the statement of accounting policies; and
- the related notes 1 to 32.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework".

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt

the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

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

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

We have nothing to report in respect of these matters.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with (Jersey) Law 1991. 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 this report, or for the opinions we have formed.

Report on other legal and regulatory requirements

Matters on which we are required to report by exception

Under (Jersey) Law 1991 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Simon Manning FCA (Senior Statutory Auditor)

for and on behalf of Deloitte LLP

Statutory Auditor

Leeds, United Kingdom

September 2017

DIRECTORS AND OFFICERS

DIRECTORS

The present directors of Cyan Blue Topco Limited ("the **Company**") and those Directors who served during the year are as follows:

C Hansen

R Hooper

N Clarry

A Griffith

S Van Rooyen

R Lucas

IDF Proctor

R Flint

N Le Roux

P Roy

COMPANY SECRETARY

SJ Secretaries Limited

REGISTERED OFFICE

1 Waverley Place

Union Street

St Helier

Jersey JE1 1SG

AUDITOR

Deloitte LLP

Statutory Auditor

Leeds

United Kingdom

STRATEGIC REPORT

The Directors present their Strategic Report and Directors' Report on the affairs of Cyan Blue Topco Limited and its subsidiary companies ("the **Group**"), together with the audited financial statements and Auditor's Report for the year ended 30 June 2017.

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

The Company was incorporated on 28 July 2014. On 19 March 2015 the Group acquired 100% of the Sky Betting and Gaming business, defined as Hestview Limited, Bonne Terre Limited and the trade and assets of the Oddschecker business. This is the principal trade within the Group and revenues and profits associated with these are presented in the consolidated financial statements.

During the prior year the Group acquired Core Gaming Limited, for a total consideration of £4 million including £1.8 million of deferred consideration, and made an investment into the NYX Gaming Group ("**NYX**"), a global gaming provider based in Canada.

During the current year the Group expanded its betting and gaming operations to Italy and Germany. The Italy and Germany operations are included within two branches of Hestview Limited. Italy started trading in the current year and Germany is due to commence trading during the year ended 30 June 2018.

The Group's principal activities in the current and prior year are as follows:

- licensed bookmaker, which is offered under the SkyBet name via the internet and mobile platforms;
- operation of internet and mobile gaming under the names Sky Vegas, Sky Casino, Sky Poker and Sky Bingo;
- development and integration of gambling games for leading suppliers within the online and mobile gaming market under the name of Core Gaming; and
- provision of online betting and gaming related information and content to customers under the name Oddschecker.

Key strategic areas of focus in which the Group is engaged include: to continue to develop customer driven marketing; to continue to build on the Group's social responsibility tools to be a market leader in this area; to develop mobile offerings and focus on growing this platform; and to continue to develop leading edge products.

FINANCIAL PERFORMANCE

The Directors are satisfied with the performance of the Group during the year, which is in line with forecast and they expect these activities to continue for the foreseeable future. The Directors are not aware, at the date of this report, of any likely major changes in the Group's activities in the next year.

The audited financial statements for the year ended 30 June 2017 are set out below. The loss after taxation for the year was £6.0 million (2016: loss after tax of £33.5 million). Net liabilities at the Balance Sheet date were £52.7 million (2016: net liabilities of £46.4 million).

The loss after tax for the year is a predominantly a result of £515.8 million of revenue recognised, offset by £447.2 million of operating expenses and £70.8 million of finance costs. Revenue has increased by £142.2 million compared to the prior year as a result of the continuing improvement of the Group's trading performance. Operating expenses have increased by £117.0 million compared to the prior year, primarily driven by an increase in marketing and administration costs in the year. These increases are a result of increased growth in revenue which has led to larger duty payments, revenue share payments and affiliate spend, as well as additional expenditure this year associated with the launch of the Italian branch.

KEY PERFORMANCE INDICATORS (KPIS)

The principal key performance indicators used to manage the Group's performance are:

	Year ended 30 June 2017 £'000	Year ended 30 June 2016 £'000
Sportsbook revenue	**313,577**	214,139
Gaming revenue	**202,188**	159,460
Total revenue	**515,765**	373,599

	Year ended 30 June 2017 £'000	Year ended 30 June 2016 £'000
Operating profit	**68,574**	43,381
Depreciation and amortisation	**70,902**	62,049
Impairments of intangible assets	**6,336**	-
EBITDA	**145,812**	105,430

The year ended 30 June 2016 includes results from Core Gaming Limited from 6 to 30 June 2016. The year ended 30 June 2017 includes results from Core Gaming Limited for the full year.

Principal risks and uncertainties

The principal risk facing the Group is the risk of technology failure and as such the Group continues to increasingly invest in areas which address both the reliability and scalability of its systems.

Credit risk

The Group's principal assets are cash. The Group's credit risk is primarily attributable to these balances, however the Group does not have any significant concentrations of credit risk, with exposure spread over a large number of financial institutions.

Liquidity risk

The Group generates strong operational cash flows and it is expected that sufficient funds will be available for ongoing operations and future developments. Liquidity requirements that cannot be met from operational cash flow or existing cash resources would be satisfied by drawings under the Group's revolving credit facility. The Group has access to an undrawn £35 million revolving credit facility which is due to expire on 25 August 2023.

Interest rate risk

The Group has financial exposure to UK interest rates as the Group has bank borrowings which pay interest at a floating rate. The Group has reduced its exposure by entering in to two interest rate swap agreements and the Group's Treasury function continues to monitor the Group's exposure to fluctuations in interest rates.

Other risks

The Directors have considered other risks facing the Group. Operating in a highly competitive sector there is the risk that market share may be lost to fellow operators. The Group does, however, increasingly invest heavily in marketing and technology to support the expansion of the product offering and the Directors remain confident that the Group is well positioned to compete in the online and mobile markets.

The online gambling market is a highly regulated sector; there is the risk that new license requirements have a negative impact on Group operations and or profitability. Compliance with regulation is constantly monitored and the Group has direct dialogue with its regulators; this along with the Group's compliance record gives the Directors confidence this risk is appropriately managed.

The Directors do not believe the business is exposed to cash flow risk or price risk.

By Order of the Board,

IDF Proctor

September 2017

DIRECTORS' REPORT

The Directors present their Directors' Report on the affairs of the Group below. The business review, principal activities, principal risks and uncertainties and KPIs have been disclosed in the Strategic Report, above.

Directors

A list of directors who served during and after the year can be found in the Directors and Officers section above.

Going concern

The Group's business activities, together with the factors likely to affect its future development and performance are set out in the Strategic Report. The Strategic Report details the financial position of the Group, as well as the Group's objectives and policies, the principal risks and uncertainties facing the business and details of its exposures to credit risk and liquidity risk.

The Directors have reviewed the financial position of the Group, the forecasted cash flows and the availability of financing facilities to the Group and they have formed a judgement at the time of approving the financial statements that the Group will have access to adequate resources to continue in operational existence for the foreseeable future. In making this assessment the Directors have considered the going concern status for a period of at least 12 months from the date of signing the financial statements and evaluated sensitivities to the Group's business plan.

The Group is in a net liabilities position as at 30 June 2017 due to interest payable on shareholder and external funding. Under the terms of the shareholder agreement this interest accrues and is not payable until the loan redemption date of 18 March 2055. The external funding is not due for repayment until 2024. The Group generates strong cash flows and it is expected that sufficient funds will be available for ongoing operations and future developments. The Group has access to an undrawn £35 million revolving credit facility which is due to expire on 25 August 2023.

Accordingly, the Directors continue to adopt the going concern basis in preparing the financial statements.

Dividends

During the current year the Group paid a dividend of £nil (Year ended 2016: £nil).

Employees

The Group continues to support equal opportunities in respect of recruitment, career progression and employee management processes. Consideration is given to all applicants for employment, irrespective of any protected characteristics as detailed in the Equality Act 2010. It is the policy of the Group to treat disabled persons fairly by making reasonable adjustments to the workplace and business processes. Likewise, in the event of a member of staff becoming disabled, every effort is made to ensure that their employment within the Group can continue. Support is also given to internal applicants in moving to new jobs in other parts of the organisation.

The Chief Executive Officer and other members of the executive and management team conducted a number of staff briefings throughout the year that keep our people fully informed and updated on business activities. The Group's intranet and regular email communication are used on a routine basis to keep employees informed about important business issues, the progress being made on key corporate programmes, and other changes affecting the Group, its employees and other stakeholders.

Charitable donations

The Group actively provides meaningful encouragement to help our people give something back to the community. This includes a match funding programme, as well as enabling each employee to take time out of the business to volunteer. During the year the Group made charitable donations of £305,337 (year ended 30 June 2016: £79,782).

Disclosure of information to auditors

In accordance with the provisions of the Companies (Jersey) Law 1991, each of the persons who are Directors of the Company at the date of approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and

- the Director has taken all the steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

Deloitte LLP has expressed their willingness to continue as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

By Order of the Board,

IDF Proctor

September 2017

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors' are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the Group financial statements, International Accounting Standard 1 requires that the directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance; and
- make an assessment of the Group's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	**Year ended 30 June 2017 £'000**	Year ended 30 June 2016 £'000
Revenue	2	**515,765**	373,599
Operating expenses	3	**(447,191)**	(330,218)
Operating profit		**68,574**	43,381
Revaluation on financial instruments measured at fair value	4	**(2,464)**	(10,714)
Investment income	5	**1,670**	424
Finance costs	5	**(70,811)**	(70,909)
Loss before tax	6	**(3,031)**	(37,818)
Tax (expense)/credit	8	**(2,964)**	4,338
Loss for the year attributable to equity shareholders		**(5,995)**	(33,480)
Other comprehensive income:			
Items that may subsequently be reclassified to profit or loss			
Change in value of available-for-sale financial assets	13	**(1,106)**	(239)
Other comprehensive loss for the year, net of tax		**(1,106)**	(239)
Total comprehensive loss for the year attributable to the equity shareholders		**(7,101)**	(33,719)

The accompanying notes are an integral part of this Consolidated Statement of Comprehensive Income.

All results relate to continuing operations.

CONSOLIDATED BALANCE SHEET

	Notes	**2017** **£'000**	**2016** **£'000**
Non-current assets			
Goodwill	9	**320,015**	320,455
Other investments	13	**20,053**	19,837
Intangible assets	10	**465,097**	515,186
Property, plant and equipment	11	**13,180**	7,748
Derivative financial instruments	14	**42**	2,023
Trade and other receivables	15	**1,520**	-
		819,907	865,249
Current assets			
Trade and other receivables	16	**16,344**	13,125
Cash and cash equivalents	26	**122,790**	120,363
Total assets		**959,041**	998,737
Current liabilities			
Trade and other payables	17	**(121,104)**	(107,807)
Current tax		**(5,877)**	(5,002)
Provisions	18	**(4,073)**	(1,726)
		(131,054)	(114,535)
Non-current liabilities			
Borrowings	19	**(792,381)**	(827,023)
Provisions	18	**(8,017)**	(8,124)
Deferred tax	20	**(72,182)**	(85,497)
Derivative financial instruments	14	**(8,147)**	(9,997)
Total liabilities		**(1,011,781)**	(1,045,176)
Equity			
Share capital	22	**(10)**	(10)
Share premium	23	**(937)**	(937)
Other reserves	24	**(777)**	23
Retained losses		**53,119**	47,124
Available-for-sale reserve	25	**1,345**	239
Total equity attributable to equity shareholders		**52,740**	46,439
Total liabilities and shareholders' equity		**(959,041)**	(998,737)

The accompanying notes are an integral part of this Consolidated Balance Sheet.

These financial statements of Cyan Blue Topco Limited, registered number 116297 were approved by the Board of Directors and authorised for issue on September 2017. They were signed on its behalf by:

IDF Proctor

Director

COMPANY BALANCE SHEET

	Notes	**2017 £'000**	**2016 £'000**
Non-current assets			
Investments in subsidiaries	12	**850**	850
Amounts due from Group undertakings falling due in more than one year	15	**430,636**	391,185
		431,486	392,035
Current assets			
Trade and other receivables	16	**1,366**	1,115
Cash and cash equivalents		**7,646**	8,365
Total assets		**440,498**	401,515
Current liabilities			
Trade and other payables	17	**(414)**	(112)
		(414)	(112)
Non-current liabilities			
Borrowings	19	**(460,763)**	(418,548)
Total liabilities		**(461,177)**	(418,660)
Equity			
Share capital	22	**(10)**	(10)
Share premium	23	**(937)**	(937)
Other reserves	24	**23**	23
Retained losses		**21,603**	18,069
Total equity attributable to equity shareholders		**20,679**	17,145
Total liabilities and shareholders' equity		**(440,498)**	(401,515)

The accompanying notes are an integral part of this Company Balance Sheet.

These financial statements of Cyan Blue Topco Limited, registered number 116297 were approved by the Board of Directors and authorised for issue on September 2017. They were signed on its behalf by:

IDF Proctor

Director

CONSOLIDATED CASH FLOW STATEMENT

	Note	**2017** **£'000**	2016 £'000
Net cash from operating activities	26	**141,751**	123,951
Cash flows used in investing activities			
Interest received		**241**	348
Purchase of property, plant and equipment		**(9,321)**	(4,808)
Purchase of intangible assets		**(23,352)**	(23,457)
Acquisition of subsidiaries		**-**	(1,105)
Acquisition of investments		**-**	(22,697)
Net cash used in investing activities		**(32,432)**	(51,719)
Cash flows used in financing activities			
Issue of preference shares		**-**	1,982
Bank interest paid		**(23,809)**	(25,286)
Repayment of loan		**(83,083)**	-
Net cash used in financing activities		**(106,892)**	(23,304)
Net increase in cash and cash equivalents		**2,427**	48,928
Cash and cash equivalents at the beginning of the year		**120,363**	71,435
Cash and cash equivalents at the end of the year		**122,790**	120,363

The accompanying notes are an integral part of this Consolidated Cash Flow Statement. All results relate to continuing operations.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital £'000	Share premium £'000	Other reserves £'000	Retained earnings £'000	AFS reserve £'000	Total shareholder's equity £'000
At 1 July 2015	**10**	**990**	**-**	**(13,644)**	**-**	**(12,644)**
Repurchase and sale of shares	-	(53)	(23)	-	-	(76)
Revaluation of AFS investment	-	-	-	-	(239)	(239)
Total comprehensive loss for the year	-	-	-	(33,480)	-	(33,480)
At 30 June 2016	**10**	**937**	**(23)**	**(47,124)**	**(239)**	**(46,439)**
Capital contribution	-	-	800	-	-	800
Revaluation of AFS investment	-	-	-	-	(1,106)	(1,106)
Total comprehensive loss for the year	-	-	-	(5,995)	-	(5,995)
At 30 June 2017	**10**	**937**	**777**	**(53,119)**	**(1,345)**	**(52,740)**

The accompanying notes are an integral part of this Consolidated Statement of Changes in Equity.

Company Statement of Changes in Equity

For the year ended 30 June 2017

	Share capital £'000	Share premium £'000	Other reserves £'000	Retained earnings £'000	Total shareholder's equity £'000
At 1 July 2015	**10**	**990**	**-**	**(14,674)**	**(13,674)**
Repurchase and sale of shares	-	(53)	(23)	-	(76)
Total comprehensive loss for the year	-	-	-	(3,395)	(3,395)
At 30 June 2016	**10**	**937**	**(23)**	**(18,069)**	**(17,145)**
Total comprehensive loss for the year	-	-	-	(3,534)	(3,534)
At 30 June 2017	**10**	**937**	**(23)**	**(21,603)**	**(20,679)**

The accompanying notes are an integral part of this Company Statement of Changes in Equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

General information

Cyan Blue Topco Limited is a company incorporated in Jersey under the Companies (Jersey) Law 1991. The address of the registered office is given above. The principal activities of the Company and its subsidiaries (the "**Group**") and the nature of the Group's operations are set out in the Strategic Report above.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates.

The principal accounting policies are summarised below. All of these have been applied consistently throughout the current and prior year.

a) Basis of preparation

The financial statements have been prepared on a going concern basis (as set out in the Directors' Report) and on a historical cost basis, except for the remeasurement to fair value of financial instruments, as described in the accounting policies below.

In the prior year (and preceding years) the Group's policy was to maintain a 52 or 53 week fiscal year ending on the Sunday nearest to 30 June in each year. During the current year the Group changed its policy to maintain a 52 or 53 week fiscal year ending on the Thursday nearest to 30 June in each year. In fiscal year 2017, this date was 29 June 2017 (fiscal year 2016: 26 June 2016, 52 week year). Since this is within seven days of 30 June each year, the requirements of the Companies (Jersey) Law 1991 with regard to the dating of the financial statements continue to be met.

Group

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as adopted by the European Union ("**EU**") and the Companies (Jersey) Law 1991.

Company

The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. Accordingly, in the year ended 30 June 2017 the Company prepared its financial statements in accordance with the Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) as issued by the Financial Reporting Council.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, disclosure of standards not yet effective and presentation of related party transactions.

b) Basis of consolidation

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in the Consolidated Statement of Comprehensive Income ("**SCI**") from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

c) Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of assets transferred to the Group, liabilities incurred by the Group and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition related costs are recognised in the SCI as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements which are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively; and

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in the SCI as a bargain purchase gain.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (12 months from the acquisition date), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as at the acquisition date that, if known, would have affected the amounts recognised on that date.

d) Goodwill

Goodwill is initially recognised and measured as set out above.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash generating units expected to benefit from the synergies of the combination. Cash generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

The process performed and the results of this are set out in note 9.

e) Leases

The Group only has operating leases. Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

f) Retirement benefit costs

Payments to defined contribution retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

g) Intangible assets and property, plant and equipment ("PPE")

i. Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation of an intangible asset begins from the start of the month nearest to when the asset is available for use and is recognised on a straight line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following conditions have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Any other development expenditure is recognised in operating expense as incurred. Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Other intangible assets, which are acquired by the Group separately or through a business combination, are stated at cost or fair value, respectively, less accumulated amortisation and impairment losses, other than those that are classified as held for sale, which are stated at the lower of carrying amount and fair value less costs to sell. Intangible assets acquired in a business combination are recognised separately from goodwill.

The Group's intangible assets are amortised in line with accounting policy below.

Internally generated intangible assets	4 years
Customer relationships	8-16 years
Technology	5-10 years
Other intangible assets	3-25 years

ii. Property, plant and equipment

Owned PPE is stated at cost, net of accumulated depreciation and any impairment losses, see accounting policy i), other than those items that are classified as held for sale, which are stated at the lower of carrying amount and fair value less costs to sell. When an item of PPE comprises major components having different useful economic lives, the components are accounted for as separate items of PPE.

The cost of PPE is depreciated in operating expense on a straight-line basis over its estimated useful life. Principal useful economic lives used for this purpose are:

Equipment, furniture and fixtures	4 -10 years

h) Financial instruments

Financial assets and liabilities are initially recognised at fair value plus any directly attributable transaction costs. At each Balance Sheet date, the Group assesses whether there is any objective evidence that any financial asset is impaired. Financial assets and liabilities are recognised on the Balance Sheet when the Group becomes a party to the contractual provisions of the financial asset or liability. Financial assets are derecognised from the Balance Sheet when the Group's contractual rights to the cash flows expire or the Group transfers substantially all the risks and rewards of the financial asset. Financial liabilities are derecognised from the Balance Sheet when the obligation specified in the contract is discharged, cancelled or expires.

i. Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value plus transaction costs, except for those financial assets classified at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' ("**FVTPL**"); 'held-to-maturity' investments, 'available-for-sale' ("**AFS**"); financial assets; and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

ii. Available-for-sale investments

Equity investments intended to be held for an indefinite period are classified as available-for-sale investments. They are carried at fair value with movements in the fair value being recognised directly in the available-for-sale reserve.

Available-for-sale investments are included within non-current assets unless the carrying value is expected to be recovered principally through sale rather than continued use in which case they are included in current assets. On disposal the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had previously been recognised directly in reserves is recognised in the SCI.

iii. Loans and receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments and, where no stated interest rate is applicable, are measured at the original invoice amount, if the effect of discounting is immaterial. Where discounting is material, trade and other receivables are measured at amortised cost using the effective interest rate method. An allowance account is maintained to reduce the carrying value of trade and other receivables for impairment losses identified from objective evidence, with movements in the allowance account, either from increased impairment losses or reversals of impairment losses, being recognised in the SCI.

iv. Effective interest rate method

The effective interest rate method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral

part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

v. Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each Balance Sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the differences between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the SCI.

vi. Cash and cash equivalents

Cash and cash equivalents include cash in hand, bank accounts, deposits receivable on demand and deposits with maturity dates of three months or less from the date of inception. Bank overdrafts that are repayable on demand and which form an integral part of the Group's cash management are included as a component of cash and cash equivalents where offset conditions are met.

vii. Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

viii. Other financial liabilities

Trade and other payables are non-derivative financial liabilities and are measured at amortised cost using the effective interest rate method. Trade and other payables with no stated interest rate are measured at the original invoice amount if the effect of discounting is immaterial.

The effective interest rate method is a method of calculating the amortised cost of a financial liability and of allocating 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, where appropriate, a shorter period, to the net carrying amount on initial recognition.

ix. Derivatives

Derivative are held at fair value from the date on which the derivative contract is entered into. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under IFRS 13 *Fair Value Measurement.* Further information about valuation techniques are included in note 21.

i) Impairment

At each Balance Sheet date the Group reviews the carrying amounts of all its assets excluding financial assets (see accounting policy h) and deferred taxation (see accounting policy l) to determine whether there is any indication that any of those assets have suffered an impairment loss.

An impairment is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. The recoverable amount is the greater of net selling price, defined as the fair value less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which to which the asset belongs.

An impairment loss for an individual asset or cash generating unit shall be reversed if there has been a change in estimates used to determine the recoverable amount since the last impairment loss was recognised and is only reversed 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.

j) Provisions

Provisions are recognised when the Group has a probable, present legal or constructive obligation to make a transfer of economic benefits as a result of past events where a reliable estimate is available. The amounts recognised represent the Group's best estimate of the transfer of benefits that will be required to settle the obligation as of the Balance Sheet date. Provisions are discounted if the effect of the time value of money is material using a pre-tax market rate adjusted for risks specific to the liability.

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

k) Revenue recognition

Revenue, which excludes value added tax, represents the gross inflow of economic benefit from the Group's operating activities. The Group's main sources of revenue are recognised as follows:

- Betting revenues are recognised in accordance with IAS 18 'Revenue' ('IAS 18'). All revenues therefore represent income in the period for betting activities, defined as amounts staked by customers less betting payouts and free bet costs. Ante-post bets (bets staked but not settled) are excluded from revenue and are deferred on the balance sheet in trade and other payables until the event to which they relate has concluded, at which time they are matched with any related payouts. The liability is revalued to fair value at each balance sheet date, in accordance with IAS 39 'Financial Instruments Recognition and Measurement' ('IAS 39'), with any gain or loss recognised in the SCI.

- Gaming revenues represents net customer losses in the period in respect of the on-line and mobile telephone gaming, poker and bingo operations. Revenues generated through the principal activities of providing online betting and gaming related information and content to customers are recognised in the period in which the service has been provided.

- Revenues generated through revenue share activities, such as the provision of online content, are recognised in the period in which the service has been provided.

l) Tax, including deferred tax

The tax expense represents the sum of the tax currently payable and deferred tax. The Group's liability for current tax is based on taxable profits for the year, and is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and liabilities are recognised using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the Balance Sheet and the corresponding tax bases used in the computation of taxable profits. Temporary differences arising from goodwill and the initial recognition of assets or liabilities that affect neither accounting profit nor taxable profit are not provided for.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and adjusted to reflect an amount that is probable to be realised based on the weight of all available evidence. Deferred tax is calculated at the rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax assets and liabilities are not discounted. Deferred tax is charged or credited in the profit and loss account, except where it relates to items charged or credited directly to equity, in which case the deferred tax is also included within equity. Deferred tax assets and liabilities are offset when there is a legal enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same authority and the Company intends to settle its current tax assets and liabilities on a net basis.

The carrying amount of deferred tax assets is reviewed at each Balance Sheet date and adjusted to reflect an amount that is probable to be realised based on the weight of all available evidence. Deferred tax is calculated at the rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax assets and liabilities are not discounted. Deferred tax is charged or credited in the SCI, except where it relates to items charged or credited directly to equity, in which case the deferred tax is also included within equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

m) Adoption of new and revised Standards

No new or revised standards have been adopted during the year.

The Group has not yet adopted certain new standards, amendments and interpretations to existing standards, which have been published but are only effective for our accounting periods beginning on or after 1 July 2017 or later periods. These new pronouncements are listed below:

- Amendments to IAS 12 - Recognition of Deferred Tax Assets for Unrealised Losses (effective 1 January 2017)*
- Amendments to IAS 7 - Disclosure Initiative (effective 1 January 2017)*
- Annual Improvements 2012-2014 Cycle – Amendments to IFRS 12 (effective 1 January 2017)*
- IFRS 9 Financial Instruments (2014) (effective 1 January 2018)
- IFRS 15 Revenue from Contracts with Customers (effective 1 January 2018)
- Clarifications to IFRS 15 - Revenue from Contracts with Customers (effective 1 January 2018)*
- IFRIC 22 (effective 1 January 2018)*
- Annual Improvements 2012-2014 Cycle – Amendments to IFRS 1 and IAS 28 (effective 1 January 2018)*
- Amendments to IFRS 2 - Classification and Measurement of Share-based Payment Transactions (effective 1 January 2018)*
- Amendments to IAS 40 - Transfers of Investment Property (effective 1 January 2018)*
- IFRS 16 Leases (effective 1 January 2019)*

* Not yet endorsed for use in the EU

The Directors are currently evaluating the impact of the adoption of these standards, amendments and interpretations in future periods. The following standards may have a material impact and affect disclosure requirements in future periods:

IFRS 9 – Financial Instruments – will impact the measurement and disclosures for financial instruments. Under IAS 39 Financial Instruments Recognition & Measurement the convertible preference share investment in NYX (see note 13) is currently split between the embedded derivative and the debt, with the debt being valued at amortised cost. Under IFRS 9 the whole instrument is to be valued together at fair value. Further work is required to understand the quantum of the impact on the financial statements and additional disclosure requirements.

IFRS 16 – Leases – will impact the carrying value of operating leases on the Balance Sheet. Currently the Group has a number of operating leases for rented property which are currently not reflected on the Balance Sheet, but will be recognised under IFRS 16. Further work is required to establish the quantum of the impact on the financial statements and only additional disclosure requirements.

n) Critical accounting judgements and key sources of estimation uncertainty

Included below are critical judgements that the Directors have made in the process of applying the Group's accounting policies and that have most significant effect on the amounts recognised in the financial statements. Additionally the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year, are discussed below:

Critical accounting judgements

i. Revenue Recognition

Revenue, which excludes value added tax, represents the gross inflow of economic benefit from the Group's operating activities. Revenue is measured at the fair value of the consideration received or receivable. Selecting the appropriate timing for, and amount of, revenue to be recognised requires judgement. The key area of judgement within revenue recognition is in relation to unsettled bets at year end. These require a number of key assumptions and judgements to be made in order to determine the appropriate revenue recognition.

ii. Tax

The Group's tax charge is the sum of the total current and deferred tax charges. The calculation of the Group's total tax charge necessarily involves a degree of estimation and judgement in respect of certain items whose tax treatment cannot be finally determined until resolution has been reached with the relevant tax authority or, as appropriate, through the formal legal process.

The amounts recognised in the financial statements in respect of each matter are derived from the Group's best estimation and judgement, as described above. However, the inherent uncertainty regarding the outcome of these means the eventual resolution could differ from the provision, and, in such an event, the Group would be required to make an adjustment in a subsequent period which could have a material impact on the Group's profit and or cash position.

iii. Measurement at fair value

A number of the Group's accounting policies require the measurement of fair values, specifically for financial assets and liabilities including the free bets creditor and antepost liability. Fair value measurement requires an element of judgement in determining the most relevant inputs and valuation techniques.

When measuring the fair value the Group uses market observable data as far as possible and it categorises the fair values into the different levels in the fair value hierarchy based on the inputs used. The fair value hierarchy is as follows;

- Level 1 fair value measurements are those derived from quoted process (unadjusted) in active markets for identical assets or liabilities;

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

Further information about the assumptions used in measuring fair values are included in note 21.

iv. Impairment of goodwill

Judgement is required in evaluating whether an impairment loss has arisen against the carrying amount of goodwill. This may require calculations of the recoverable amount of the cash generating units to which goodwill is associated. Such calculations may involve estimates of the net present value of future forecast cash flows and selecting an appropriate discount rate.

Judgement is required in identifying the cash generating units to which the goodwill is associated for the purposes of goodwill impairment testing. Identification of cash generating units involves the assessment of whether assets or groups of assets generate cash flows that are largely independent. Goodwill is then allocated to each identified cash generating unit that is expected to benefit from the synergies of the business combination from which the goodwill has arisen.

2. REVENUE

Revenue, which excludes value added tax, represents the gross inflow of economic benefit from the Group's operating activities. Revenue is measured at the fair value of the consideration received or receivable. The majority of customers are based in the UK and as such no geographical split has been provided.

	Year ended 30 June 2017 £'000	Year ended 30 June 2016 £'000
Sports Book revenue	**313,577**	214,139
Gaming revenue	**202,188**	159,460
	515,765	373,599

Information reported for the purposes of assessment of segment performance is focussed on the type of activity. The principal categories and the Group's reportable segments under IFRS 8 are therefore as shown in the table above.

The results for each reportable segment are as follows:

	Year ended 30 June 2017 £'000	Year ended 30 June 2016 £'000
Sports Book profit	**53,863**	59,476
Gaming profit	**43,670**	25,552
	97,533	85,028

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 1. Segmental profit represents the profit earned by each segment without the allocation of finance costs, revaluation gains and losses, investment income, tax expense and non-directly attributable administration costs.

£6.3 million of impairment losses in respect of intangible assets were recognised in the Sports Book segment in the current year. No impairment losses were recognised in respect of property, plant and equipment in any of the reportable segments during the current year.

3. OPERATING EXPENSES

	Year ended 30 June 2017 £'000	Year ended 30 June 2016 £'000
Marketing	**118,246**	79,109
Administration	**311,853**	237,526
Development expenditure	**17,092**	13,583
	447,191	330,218

4. REVALUATION ON FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

	Year ended 30 June 2017 £'000	Year ended 30 June 2016 £'000
Fair value losses on financial assets(i)	**2,089**	717
Fair value losses on financial liabilities(ii)	**375**	9,997
	2,464	10,714

(i) The fair value loss on financial assets relates to the revaluation of certain assets within the investment in NYX, see note 13 and 14.

(ii) The fair value loss on financial liabilities relates to the revaluation of interest rate hedging instruments, see note 14.

5. INVESTMENT INCOME AND FINANCE COSTS

a) Investment income

	Year ended 30 June 2017 £'000	Year ended 30 June 2016 £'000
Bank interest income	**240**	260
Investment income from equity investment	**1,323**	76
Loan interest income	**107**	88
	1,670	424

b) Finance costs

	Year ended 30 June 2017 £'000	Year ended 30 June 2016 £'000
Bank interest expense	**22,225**	26,762
Intercompany interest expense	**32,372**	29,382
Related party loan interest expense	**15,480**	14,170
Preference share coupon expense	**734**	595
	70,811	70,909

6. LOSS BEFORE TAX

Loss before tax is stated after charging:

	Year ended 30 June 2017 £'000	Year ended 30 June 2016 £'000
Depreciation of property, plant and equipment (note 11)	**3,797**	1,725
Amortisation of intangible assets (note 10)	**67,105**	60,324
Impairment of intangible assets (note 10)	**6,336**	-
Development expenditure (note 3)	**17,092**	13,583
Marketing costs (note 3)	**118,246**	79,109
Staff costs (note 7)	**54,135**	34,817
Lease expense (note 28)	**3,032**	2,492

Auditor's remuneration

The analysis of auditor's remuneration is as follows:

	Year ended 30 June 2017 £'000	Year ended 30 June 2016 £'000
Fees payable to the auditor for the audit of the Group's financial statements	**8**	8
Fees payable to the auditor for other services to the group		
- The audit of the company's subsidiaries	**167**	175
- Tax advisory fees	**1**	25
- Other advisory fees	**240**	60
Total auditor's remuneration	**416**	268

No amounts for other services are payable to the auditor.

7. EMPLOYEE BENEFITS AND KEY MANAGEMENT COMPENSATION

a) Employee benefits for the Group during the year

During the year 33 employees transferred from Core Gaming Limited to Hestview Limited on 1 March 2017, consequently all of the employees working for the Group were employed by Hestview Limited at 30 June 2017.

	Year ended 30 June 2017	Year ended 30 June 2016
Average number of employees	**1,138**	818

Their aggregate remuneration comprised:

	Year ended 30 June 2017 £'000	Year ended 30 June 2016 £'000
Wages and salaries	**44,678**	29,596
Social security costs	**5,137**	3,627
Redundancy costs	**2,054**	160
Other pension costs	**2,266**	1,434
	54,135	34,817

Wages and salaries includes amounts paid in respect of bonuses, allowances and other staff benefits.

b) Director emoluments

	Year ended 30 June 2017 £'000	Year ended 30 June 2016 £'000
Emoluments	**1,147**	1,076
Pension contributions	**39**	39
	1,186	1,115

Not all directors of the Company are remunerated by Group companies. The emoluments detailed above relate to 4 of the Company directors, all are paid by Hestview Limited, a subsidiary undertaking of the Company for their services as directors of the Company and the Group, it is not possible to disaggregate this in respect of services to the Company.

The aggregate of the emoluments of the highest paid director for the year was £549,000 (Year ended 30 June 2016: £549,000) and Company pension contributions of £22,000 (Year ended 30 June 2016: £29,000) were made to a money purchase pension plan in the year.

The number of directors who have benefits accruing under the money purchase pension scheme is two (2016: two).

8. TAX

a) Tax recognised in the Statement of Comprehensive Income

	Year ended 30 June 2017 £'000	Year ended 30 June 2016 £'000
Current tax expense		
Current period	**17,206**	12,609
RDEC notional tax restriction	**-**	10
Adjustment in respect of prior period	**(927)**	(268)
Group relief adjustment in respect of prior period	**-**	66
Total current tax expense`	**16,279**	12,417
Deferred tax expense		
Origination and reversal of temporary differences	**(11,447)**	**(10,122)**
Adjustment in prior period provision	**134**	**1,069**
Effect of tax rate change	**(2,002)**	**(7,702)**
Total deferred tax credit	**(13,315)**	(16,755)
Total tax expense/(credit)	**2,964**	(4,338)

The UK Finance Act 2016, reduced the rate of corporation tax to 17% with effect from 1 April 2020. This rate was fully enacted on 15 September 2016 and therefore was effective at the balance sheet date.

The UK Finance (No.2) Act 2015, had previously included provisions reducing the main rate of UK corporation tax to 20% effective from 1 April 2015 and to 19% with effect from 1 April 2017.

b) Reconciliation of effective tax rate

The tax expense for the year is higher (Year ended 30 June 2016: lower) than the expense that would have been charged using the standard rate of corporation tax in Jersey at 30 June 2017 of 0% (Year ended 30 June 2016: 0%) applied to the profit before tax. The differences are explained below:

	Year ended 30 June 2017 £'000	Year ended 30 June 2016 £'000
Loss before tax	**(3,031)**	(37,818)
Loss before tax multiplied by standard rate of corporation tax in Jersey of 0%	**-**	-
Effects of:		
Expected tax expense in higher rate jurisdictions	**697**	(2,657)
Expenses not deductible for tax purposes	**4,754**	5,107
Ineligible depreciation	**324**	37
Adjustment in respect of qualifying R&D expenditure	**(67)**	(50)
Adjustment in respect of prior periods	**(793)**	868
Effect of tax rate change in higher rate jurisdictions	**(1,931)**	(7,702)
RDEC notional tax restriction not recognised for deferred tax	**-**	11
Unutilised tax losses not recognised for deferred tax	**(20)**	48
Total tax expense/(credit)	**2,964**	(4,338)

9. GOODWILL

Group

	Goodwill £'000
Cost and carrying amounts	
At 1 July 2015	319,177
Acquired on acquisition of subsidiaries	1,278
At 30 June 2016	**320,455**
Goodwill adjustment relating to previous acquisitions	(440)
At 30 June 2017	**320,015**

Goodwill of £319.2 million was generated during the year ended 30 June 2015 when the Group acquired Sky Betting and Gaming, it is composed of a number of elements including workforce, future technology and future customers of both Sky Betting and Gaming & Oddschecker. The goodwill is not expected to be deductible for income tax purposes.

Goodwill of £1.3 million was generated during the year ended 30 June 2016 when the Group acquired Core Gaming Limited in June 2016. The goodwill is not expected to be deductible for income tax purposes.

The adjustment to goodwill reflects new information obtained about facts and circumstances that existed at the acquisition date.

	2017 £'000	2016 £'000
Sports Book	**145,283**	145,283
Gaming	**139,432**	139,472
Oddschecker	**35,300**	35,700
	320,015	320,455

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units ("**CGUs**") that are expected to benefit from the business combination. The carrying amount of goodwill has been allocated to 3 CGUs on the basis that these represent the lowest level at which goodwill is monitored for internal management purposes, and are not larger than the operating segments.

The recoverable amounts of the CGUs is determined as the higher of fair value less cost to sell and value in use. Value in use calculations were used to value all 3 of the CGUs at 30 June 2017 as a fair value was not readily available.

The key assumptions for the value in use calculations are those regarding the discount rates and growth rates. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs and the group of units. The growth rates are based on industry growth forecasts. The rates used to discount the forecast cash flows for the CGUs are based upon the Group's weighted average cost of capital ("**WACC**") and are as follows:

	2017	2016
Sports Book	**9.1%**	9.9%
Gaming	**9.1%**	9.9%
Oddschecker	**8.4%**	12.7%

The Group prepares cash flow forecasts derived from the most recent 5 year financial budgets approved by management and extrapolates cash flows based on a 2% growth rate into perpetuity, which is based on current management expectations and industry specific data.

The Group has conducted a sensitivity analysis on the impairment test of the CGUs carrying value.

- Sports Book CGU: Based on the value in use a fall in the forecast cashflows of 73.4% would result in an impairment at 30 June 2017.

- Gaming CGU: Based on the value in use a fall in the forecast cashflows of 40.6% would result in an impairment at 30 June 2017.

- Oddschecker CGU: Based on the value in use a fall in the forecast cashflows of 9.7% would result in an impairment at 30 June 2017.

10. INTANGIBLE ASSETS

Group	Internally generated intangible assets £'000	Customer relationships £'000	Technology £'000	Other intangible assets £'000	Total £'000
Cost					
At 1 July 2015	**7,260**	**425,200**	**36,200**	**97,644**	**566,304**
Acquired with acquisition of subsidiary	3,166	-	-	-	3,166
Additions	11,740	-	-	11,717	23,457
Disposals	-	-	-	(41)	(41)
At 30 June 2016	**22,166**	**425,200**	**36,200**	**109,320**	**592,886**
Additions	18,090	-	-	5,262	23,352
Disposals	-	-	-	(225)	(225)
Impairment	(6,952)	-	-	(810)	(7,762)
At 30 June 2017	**33,304**	**425,200**	**36,200**	**113,547**	**608,251**
Amortisation					
At 1 July 2015	**1,601**	**10,006**	**1,780**	**3,989**	**17,376**
Amortisation	3,082	38,037	6,919	12,286	60,324
At 30 June 2016	**4,683**	**48,043**	**8,699**	**16,275**	**77,700**
Amortisation	7,332	40,024	7,120	12,629	67,105
Disposals	-	-	-	(225)	(225)
Impairment	(1,227)	-	-	(199)	(1,426)
At 30 June 2017	**10,788**	**88,067**	**15,819**	**28,480**	**143,154**
Carrying amounts					
At 30 June 2017	**22,516**	**337,133**	**20,381**	**85,067**	**465,097**
At 30 June 2016	17,483	377,157	27,501	93,045	515,186
At 1 July 2015	5,659	415,194	34,420	93,655	548,928

The Group's internally-generated intangible assets relate to software development. The Group's other intangible assets includes external spend on software, software licenses, and copyright licenses.

Following a review of the assets capitalised in relation to the development of the Italian platform £6.3 million of impairment losses were recognised in the year as result of the carrying amount exceeding the present value of the estimated future cash flows.

The estimated future amortisation expense on intangible assets with finite lives for each of the next five years is set out below. It is likely that amortisation will vary from the figures below as the estimate does not include the impact of any future investments, disposals or capital expenditure.

	2018 £'000	2019 £'000	2020 £'000	2021 £'000	2022 £'000
Estimated amortisation expense	65,672	59,582	55,795	45,857	43,308

11. PROPERTY, PLANT AND EQUIPMENT

Group	**Equipment, furniture and fixtures £'000**
Cost	
At 1 July 2015	**6,427**
Acquired with acquisition of subsidiary	4
Additions	4,808
Disposals	(119)
At 30 June 2016	**11,120**
Additions	9,321
Disposals	(125)
At 30 June 2017	**20,316**
Depreciation	
At 1 July 2015	**1,647**
Depreciation expense	1,725
At 30 June 2016	**3,372**
Depreciation expense	3,797
Disposals	(33)
At 30 June 2016	**7,136**
Carrying amounts	
At 30 June 2017	**13,180**
At 30 June 2016	7,748
At 1 July 2015	4,780

12. INVESTMENTS IN SUBSIDIARIES

Company	**Investments £'000**
Investment in Cyan Blue VLNCo Limited	**850**

The Group consists of a parent company, Cyan Blue Topco Limited, incorporated on the Island of Jersey and a number of subsidiaries held directly and indirectly by Cyan Blue Topco Limited.

Details of the direct subsidiary at 30 June 2017 are as follows:

Name	**Place of incorporation**	**Proportion of ownership interest %**	**Proportion of voting power held %**	**Principal Activity**
Cyan Blue VLNCo Limited	Jersey	100	100	Financing company

Details of the indirect subsidiaries at 30 June 2017 are as follows:

Name	Place of incorporation	Proportion of ownership interest %	Proportion of voting power held %	Principal Activity
Hestview Limited[1]	England and Wales	100	100	Licenced bookmaker
Bonne Terre Limited[2]	Alderney	100	100	Internet and mobile gaming provider
Cyan Blue Odds Limited[3]	Alderney	100	100	Online odds comparison provider
Cyan Blue Bidco Limited[1]	9England and Wales	100	100	Holding company
Cyan Blue IPco Limited[4]	10Guernsey	100	100	Intellectual property holding company
Cyan Blue Holdco 4 Limited[5]	Jersey	100	100	Holding company
Cyan Blue Holdco 3 Limited[5]	Jersey	100	100	Financing company
Cyan Blue Holdco 2 Limited[5]	Jersey	100	100	Holding company
Cyan Blue Holdco 1 Limited[5]	Jersey	100	100	Holding company
Cyan Blue Core Limited[1]	England and Wales	100	100	Holding company
Core Gaming Limited[1]	England and Wales	100	100	Online gaming developer
Cyan Blue International Holdings Limited[6]	Malta	100	100	Holding company
Cyan Blue International Limited[6]	Malta	100	100	Licenced bookmaker

The investments in subsidiaries are all stated at cost less provision for impairment.

[1] Registered office: 2 Wellington Place, Leeds, LS1 4AP United Kingdom

[2] Registered office: Office 1, 1 The Crusher, Braye Harbour, GY9 3XX, Alderney

[3] Registered office: Century House, 12 Victoria Street, GY9 3UF, Alderney

[4] Registered office: Weighbridge House, Le Pollet, St Peter Port, GY1 1WL, Guernsey

[5] Registered office: 1 Waverley Place, Union Street, St Helier, JE1 1SG, Jersey

[6] Registered office: Vincenti Buildings, 28/19 (suite No. 1983), Strait Street, Valletta, VLT 1432, Malta

13. OTHER INVESTMENTS

Group

	2017 £'000	2016 £'000
Equity investment	**1,154**	2,260
Preference shares	**18,899**	17,577
	20,053	19,837

During the prior year the Group acquired £2.5 million of ordinary shares in NYX. This investment included warrants giving the Group the option to acquire further shares up to 3 years post acquisition. The ordinary shares have been classified as available-for-sale and accounted for at fair value under IAS 39 Financial Instruments: Recognition and Measurement. At 30 June 2016 the value of the ordinary shares were £2.3 million and at the 30 June 2017 the value of the ordinary shares were £1.2 million, resulting in a movement of £1.1 million in the year. The warrants have been treated as a derivative and classified as FVTPL (see note 14).

During the prior year the Group invested in £20 million convertible preference shares issued by a subsidiary of NYX. The preference shares have been classified as loans and receivables with the embedded derivative separately identifiable and valued (see note 14). The conversion option has been classified as FVTPL.

14. DERIVATIVES FINANCIAL INSTRUMENTS

Group

	2017 £'000	2016 £'000
Assets		
Fair value of NYX ordinary and preference shares(i)	**42**	2,023
Liabilities		
Fair value of interest rate swaps(ii)	**(8,147)**	(9,997)

(i) The ordinary and preference shares in NYX relates to the warrants over the ordinary shares and the option element of the convertible preference shares. See note 21 for details of the valuation method used.

(ii) On 7 July 2015 the Group entered into two agreements to swap floating interest rate for fixed interest rate to hedge any exposure to future interest rate increases. Both agreements are for £150 million with the floating interest rate fixed and payable at 1.42% and 1.43% respectively.

15. TRADE AND OTHER RECEIVABLES: AMOUNTS FALLING DUE IN MORE THAN ONE YEAR

Group

	2017 £'000	2016 £'000
Other receivables	**1,520**	-

Company

	2017 £'000	2016 £'000
Loans due from Group undertakings	**345,717**	345,717
Accrued interest on loans due from Group undertakings	**84,919**	45,468
	430,636	391,185

On 19 March 2015 the Company was issued £345.7 million of unsecured shareholder loan from Cyan Blue VLNCo Limited. The loan attracts interest at 10.0% per annum and the interest is not payable until redemption on 18 March 2055.

16. TRADE AND OTHER RECEIVABLES: AMOUNTS FALLING DUE WITHIN ONE YEAR

Group

	2017 £'000	2016 £'000
Gross trade receivables	**1,605**	1,459
Less: provision for impairment of receivables	**(107)**	(93)
Net trade receivables	**1,498**	1,366
Prepayments and accrued income	**12,374**	9,564
Other receivables	**2,472**	2,195
	16,344	13,125

The Directors consider that the carrying amount of trade and other receivables approximates to their fair values.

Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

The Group does not hold any collateral or other credit enhancements over any of its trade receivables nor does it have a legal right of offset against any amounts owed by the Group to the counterparty.

For trade receivables that are neither past due nor impaired, the Directors have assessed that there is no change in the credit quality from the date credit was initially granted and the amounts are still considered recoverable.

Ageing of trade receivables

2017	Amounts due < 30 days £'000	Amounts due 30-60 days £'000	Total amount due £'000
Gross receivable	125	40	165
Provision for impairment of receivable	(67)	(40)	(107)
Net trade receivables	**58**	**-**	**58**

Ageing of trade receivables

2016	Amounts due < 30 days £'000	Amounts due 30-60 days £'000	Total amount due £'000
Gross receivable	268	144	412
Provision for impairment of receivable	-	(93)	(93)
Net trade receivables	**268**	**51**	**319**

Movement in allowance for doubtful debts:	**Year ended 30 June 2017 £'000**	Year ended 30 June 2016 £'000
Balance at the beginning of the period	**(93)**	(200)
Impairment losses recognised	**(14)**	-
Reclassified to accrued income	**-**	107
Balance at the end of the period	**(107)**	(93)

In determining the recoverability of a trade receivable the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited.

Company	**2017 £'000**	**2016 £'000**
Amounts owed by Group Companies	**274**	-
Other receivables	**1,092**	1,115
	1,366	**1,115**

17. TRADE AND OTHER PAYABLES: AMOUNTS FALLING DUE WITHIN ONE YEAR

Group	**2017 £'000**	2016 £'000
Trade payables	**6,415**	6,507
Other taxation and security	**27,319**	19,838
Accruals and deferred income	**54,661**	51,495
Other payables	**32,709**	29,967
	121,104	107,807

The Directors consider that the carrying amount of trade and other payables approximates to their fair values. Included within Other payables is an amount of £25.9 million (2016: £18.5 million) in respect of amounts due to customers representing deposits received and customer winnings.

Company	**2017 £'000**	2016 £'000
Trade payables	**36**	94
Accruals and deferred income	**73**	18
Amounts owed to Group companies	**305**	-
	414	112

18. PROVISIONS

Group

	At 1 July 2015 £'000	Provided during the year £'000	Utilised during the year £'000	At 30 June 2016 £'000	**Provided during the year £'000**	**Utilised during the year £'000**	**At 30 June 2017 £'000**
Current liabilities							
Provision for onerous lease (i)	55	340	(39)	356	**338**	**(387)**	**307**
Provision for redundancies (iv)	-	-	-	-	**1,047**	**-**	**1,047**
Other provisions (v)	-	1,370	-	1,370	**1,407**	**(58)**	**2,719**
	55	1,710	(39)	1,726	**2,792**	**(445)**	**4,073**
Non-current liabilities							
Provision for onerous lease (i)	1,006	563	(341)	1,228	**-**	**(338)**	**890**
Provision for jackpot payments (ii)	5,279	9,072	(8,015)	6,336	**10,486**	**(10,666)**	**6,156**
Provision for dilapidations (iii)	320	240	-	560	**411**	**-**	**971**
	6,605	9,875	(8,356)	8,124	**10,897**	**(11,004)**	**8,017**

(i) The onerous contract provision relates to the unavoidable costs of properties, which are no longer occupied by the Group. The provision will be fully utilised by 2021.

(ii) The jackpot payment provision relates to funds held in jackpots within games of which the payout date is unknown. The provision is expected to be fully utilised in a period of more than one year.

(iii) The dilapidations provision relates to expected costs payable in relation to dilapidations of leased buildings at the end of the leased term. The provision will be fully utilised by 2026.

(iv) The redundancy provision relates predominately to restructuring in the Group. The redundancy provision will be fully utilised within the next 12 months.

(v) Other provisions primarily relate to amounts expected to be paid in respect of third party games content.

Borrowings

Group	**2017 £'000**	2016 £'000
Unsecured borrowings at amortised cost		
Loans with Company's immediate parent (i)	**336,762**	306,071
Accrued interest on loans with Company's immediate parent (i)	**16,607**	14,927
Loans with related parties (ii)	**94,729**	160,625
Accrued interest on loans with related parties (ii)	**4,671**	7,179
Preference shares owed to Cyan Blue Manco Limited (iii)	**6,456**	6,455
Accrued coupon on preference shares (iii)	**1,538**	801
Total unsecured	**460,763**	496,058
Secured borrowings at amortised cost		
Bank loans (iv)	**331,618**	330,965
Total secured	**331,618**	330,965
Total borrowings	**792,381**	827,023

Company

	2017 £'000	2016 £'000
Unsecured borrowings at amortised cost		
Loans with Company's immediate parent (i)	**336,762**	306,071
Accrued interest on loans with Company's immediate parent (i)	**16,607**	14,927
Loans with related parties (ii)	**94,729**	86,096
Accrued interest on loans with related parties (ii)	**4,671**	4,198
Preference shares owed to Cyan Blue Manco Limited (iii)	**6,456**	6,455
Accrued coupon on preference shares (iii)	**1,538**	801
Total borrowings	**460,763**	418,548

The Directors consider that the carrying amount of borrowings approximates to their fair values.

The key features of the borrowings are as follows;

(i) The loans with the Company's immediate parent relate to amounts payable to Cyan Blue Jerseyco Limited of £336.8 million (2016: £306.1 million) (payable by Cyan Blue Topco Limited). Interest is payable at 10% per annum. Interest is payable in the form of PIK notes which are issued at 31 December each year and subsequently attract interest at 10% per annum. The repayment date is 19 March 2055.

(ii) The loans with related parties include amounts payable to the Sky plc group of £94.7 million (2016: £86.1 million) due from Cyan Blue Topco Limited with interest payable at 10% per annum. Unpaid interest accrues and compounds onto the principal amount at 31 December each year, until the repayment date on 18 March 2022. In the prior year there was an additional amount payable to Sky plc group of £74.5 million due from Cyan Blue VLNCo Limited with interest payable at 8.2% per annum, this loan was repaid on 27 June 2017.

(iii) The preference shares issued by Cyan Blue Topco Limited to Cyan Blue Manco Limited accrue a coupon of 10% per annum. The coupon is not payable but compounds annually on 19 March each year until the redemption date of 19 March 2055.

(iv) The bank loan of £340.0 million net of set up fees was taken out on 19 March 2015 and is repayable on 18 March 2022. Interest is payable at a floating rate on 31 March, 30 June, 30 September and 31 December each year.

20. DEFERRED TAX

Recognised deferred tax (assets)/liabilities

	Fixed assets £'000	**Intangibles £'000**	**Short-term temporary differences £'000**	**Tax losses £'000**	**Total £'000**
At 1 July 2015	**(333)**	**102,765**	**(784)**	**-**	**101,648**
Adjustment to the b/f balance	28	(28)	-	-	-
Prior year adjustment	-	675	566	-	1,241
Acquired in the period	2	-	-	-	2
Arising on business combination	-	601	-	-	601
Deferred tax credit/(expense) in profit and loss account	324	(17,552)	(766)	(1)	(17,995)
At 30 June 2016	**21**	**86,461**	**(984)**	**(1)**	**85,497**
Prior year adjustment	(516)	154	496	-	134
Deferred tax credit/(expense) in profit and loss account	(387)	(12,955)	(107)	-	(13,449)
At 30 June 2017	**(882)**	**73,660**	**(595)**	**(1)**	**72,182**

Deferred tax assets have been recognised in respect of PPE and short term timing differences on the basis that management deem it probable that the UK resident companies in which these assets reside will have sufficient taxable profits against which these assets can be utilised. The Group has unutilised tax losses and Research and Development Expenditure Credits carried forward of £968,000 (30 June 2016: £797,000) and £8,000 (30 June 2016: £10,000) respectively. Deferred tax assets have not been recognised in respect of either these tax losses or tax credits on the basis that the companies in which they reside are not expected to be able to utilise them in the foreseeable future.

21. FINANCIAL INSTRUMENTS

a) Significant accounting policies

Details of the significant accounting policies and methods adopted for each class of financial asset, financial liability and equity instrument are disclosed in note 1.

b) Categories of financial instruments

	2017 £'000	2016 £'000
Financial assets		
Cash and bank balances	**122,790**	120,363
Loans and receivables ("**L&R**")	**24,389**	21,437
Fair value through profit and loss ("**FVTPL**")	**42**	2,023
Available-for-sale ("**AFS**")	**1,154**	2,260
Financial liabilities		
Amortised cost	**858,686**	935,038
Fair value through profit and loss ("**FVTPL**")	**16,175**	19,638

c) Financial risk management objectives

The Group monitors and manages the financial risks relating to its operations. As set out in the Strategic Report above, these risks include liquidity risk, credit risk and interest rate risk.

d) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by monitoring the maturity profiles of financial assets and liabilities and by continuously monitoring forecast and actual cash flows. At 30 June 2017 the Group had available undrawn committed borrowing facilities of £35 million.

The following table analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Carrying amount £'000	**Contractual cash flows £'000**	**Less than 12 months £'000**	**Between one and two years £'000**	**Between two and five years £'000**	**More than five years £'000**
At 30 June 2017						
Non-interest bearing	**133,194**	**133,194**	**131,333**	**311**	**1,154**	**396**
Variable interest rate instruments	**331,618**	**417,954**	**19,648**	**15,708**	**382,598**	**-**
Fixed interest rate instruments	**460,732**	**12,954,354**	**-**	**-**	**-**	**12,954,354**
Interest rate swaps	**8,147**	**8,147**	**1,727**	**1,727**	**4,693**	**-**
At 30 June 2016						
Non-interest bearing	116,261	116,261	113,819	1,227	655	560
Variable interest rate instruments	330,965	461,445	21,250	21,250	63,750	355,195
Fixed interest rate instruments	496,047	13,068,477	-	-	-	13,068,477
Interest rate swaps	9,997	9,997	1,738	1,738	5,217	1,304

e) Credit risk

The Group is exposed to default risk amounting to cash and cash equivalents of £122.8 million (2016: £120.4 million).

The Group's maximum exposure to credit risk on trade receivables is the carrying amount disclosed in note 16.

f) Interest rate risk

The Group is exposed to interest rate risk because entities in the Group have bank borrowings at a floating rate. This predominantly relates to the £331.6 million bank loan within Cyan Blue Holdco 3 Limited which pays interest at a floating rate (see note 19). To mitigate the risk of interest rate exposure on this loan the Group entered into two agreements to swap a floating interest rate for a fixed rate on 7 July 2015. Both agreements are for £150 million with the floating interest rate fixed and payable at 1.42% and 1.43%. The sensitivity analysis below has been determined based on the exposure to interest rates at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at balance sheet date was outstanding for the whole period. If interest rates had been 1 per cent higher and all other variables were held constant, the Group's profit for the year ended 30 June 2017 would decrease by £0.5 million (year ended 30 June 2016: increase by £1.1 million). If interest rates had been 1 per cent lower the Group's profits would increase by £0.4 million (year ended 30 June 2016: decrease by £2.9 million). These movements are driven by the interaction between the loan and the interest rate swaps, with the bank loan having a floor of 1% for LIBOR but the interest rate swaps not.

g) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged since inception.

The capital structure of the Group consists of net debt (borrowings disclosed in note 19 after deducting cash and bank balances) and equity of the Group (comprising issued capital, and retained earnings).

h) Fair value of financial instruments

Fair value of financial instruments carried at amortised cost

The directors consider that the carrying amounts of the financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair value.

Fair value measurements recognised in the Balance Sheet

The following tables provide an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

Level 1 fair value measurements are those derived from quoted process (unadjusted) in active markets for identical assets or liabilities;

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
FVTPL assets				
Equity option contracts	-	-	42	42
AFS assets				
Equity investment	1,154	-	-	1,154
	1,154	**-**	**42**	**1,196**
FVTPL liabilities				
Interest rate swaps	-	8,147	-	8,147
Contingent consideration	-	-	1,800	1,800
Other creditors measured at FVTPL	-	-	6,228	6,228
	-	**8,147**	**8,028**	**16,175**

Valuation techniques and assumptions applied for the purposes of measuring fair value

The Group has fair valued the equity investment based on the trading price of the investment on the open market.

The Group has valued the interest rate swap contracts using publicly available information about the business and industry which is not directly related to the asset or liability being valued.

The equity option contracts, as detailed in note 14, have been valued using the Black Scholes method. Significant judgement has been used in terms of the volatility rate and forecasts of likely NYX trading activities and performance.

The following sensitivity analysis has been performed:

- Volatility – if the volatility percentage is increased by 1% the value of the option at 30 June 2017 would be £19,000 higher. If the volatility percentage was 1% lower the value of the option would be £15,000 lower.

- NYX performance – the current valuation assumes the NYX trading will meet the criteria at some point in the future to enable NYX to exercise their put option. If that assumption were not made the value of the option at 30 June 2017 would be £3,000 higher.

The contingent consideration is payable based on the enhanced performance of the Group due to the acquisition of Core Gaming Limited. The value recognised at the year end is based on the amount which would be payable if the most recent forecasts are achieved. The unobservable inputs in determining the fair value is the forecast performance. These forecasts have been developed for management based on the most recent information on company trading and performance.

The other creditors measured at FVTPL have been valued based on internally generated expectations.

22. SHARE CAPITAL

Group and Company

	2017 £'000	2016 £'000
Authorised, allotted, called-up and fully paid		
712,966 A1 Ordinary shares of £0.01 each (2016: 712,966)	**7**	7
200,556 A2 Ordinary shares of £0.01 each (2016: 200,556)	**2**	2
14,127 B Ordinary shares of £0.01 each (2016: 14,127)	**-**	-
896 Deferred B Ordinary shares of £0.01 each (2016: 2,108)	**-**	-
75,000 C Ordinary shares of £0.01 each (2016: 75,000)	**1**	1
200 Contingent value shares of £0.01 each (2016: 200)	**-**	-
	10	10

The Group's ordinary shares carry no right to fixed income.

23. SHARE PREMIUM

Group and Company

	2017 £'000	2016 £'000
Premium arising on issue of equity shares		
712,966 A1 Ordinary shares with premium of £0.99 (2016: 712,966)	**706**	706
200,556 A2 Ordinary shares with premium of £0.99 (2016: 200,556)	**199**	199
5,486 B Ordinary shares with premium of £0.99 (2016: 5,486)	**5**	5
896 Deferred B Ordinary shares with premium of £0.99 (2016: 2,108)	**2**	2
25,012 C Ordinary shares with premium of £0.99 (2016: 25,012)	**25**	25
	937	937

The share premium reserve represents the amount paid by the Shareholders in excess of the nominal value of the shares purchased.

24. OTHER RESERVES

Group

	Total £'000
At 1 July 2016	(23)
Capital contribution	800
At 30 June 2017	**777**

Company

	Total £'000
At 30 June 2016 and 30 June 2017	**(23)**

During the prior year Cyan Blue Topco Limited undertook a share buyback of 8,641 B Ordinary Shares and 49,988 C Ordinary Shares at a premium of £1.39. This created the additional reserve above.

During the current year the Sky plc group provided the Group with a £0.8 million early repayment discount due to the repayment of the loan provided to Cyan Blue VLNCo Limited (see note 19), this was recognised as a capital contribution in the Group.

25. AVAILABLE-FOR-SALE RESERVE

	2017 £'000	2016 £'000
Balance brought forward at 1 July	**239**	-
Revaluation on equity investment (note 13)	**1,106**	239
	1,345	239

The Available-for-sale reserve represents the revaluation of ordinary shares acquired in NYX (see note 13), which have been classified as available for sale assets.

26. NOTES TO THE CASH FLOW STATEMENT

Group

Reconciliation of profit before taxation to cash generated from operations

	Year ended 30 June 2017 £'000	Year ended 30 June 2016 £'000
Loss before taxation	**(3,031)**	(37,818)
Depreciation of property, plant and equipment	**3,797**	1,725
Amortisation of intangible assets	**67,105**	60,324
Impairment of intangible assets	**6,336**	-
Loss on sale of PPE	**92**	160
Foreign exchange loss	**(363)**	199
Revaluation loss	**2,464**	10,714
Net finance costs	**69,141**	70,485
Other gains and losses	**48**	-
	145,589	105,789
Increase in trade and other receivables	**(4,632)**	(444)
Increase in trade and other payables	**13,389**	28,131
Increase in provisions	**2,241**	3,189
Cash generated from operations	**156,587**	136,665
Income taxes paid	**(14,836)**	(12,714)
Net cash from operations	**141,751**	123,951

Cash and cash equivalents

	2017 £'000	2016 £'000
Cash at bank	**93,980**	96,896
Cash held by third parties	**317**	333
Ring-fenced customer account balances	**28,493**	23,132
Petty cash	**-**	2
	122,790	120,363

Cash and cash equivalents comprise cash held by the Group. This amount includes £28.5 million (2016: £23.1 million) of customer funds. Cash and cash equivalents at the end of the reporting period as shown in the consolidated cash flow statement £122.8 million (2016: £120.4 million)) reconciles to the related items in the Consolidated Balance Sheet position.

27. TRANSACTIONS WITH RELATED PARTIES

The tables below set out the related party transactions and year end balances between the Group and its related parties.

Transactions with Sky plc group

The Sky plc group has retained a 20% interest in the Sky Betting and Gaming business. The Group continues to purchase goods and services from companies that form part of the Sky plc group at arm's length prices.

	Year ended 30 June 2017 £'000	Year ended 30 June 2017 £'000
Marketing services from Sky plc group	**38,857**	18,995
Technology services from Sky plc group	**1,117**	662

The Sky plc group continues to support the Group and has paid the following on behalf of the Group and recharged at cost. From 29 February 2016 payroll was brought in-house, at which point the recharge from Sky plc for payroll ceased. Payroll costs for the current year relate only to adjustments to previous amounts recharged.

	Year ended 30 June 2017 £'000	Year ended 30 June 2016 £'000
Recharge of payroll costs from Sky plc group	**48**	26,414
Recharge of other costs from Sky plc group	**108**	2,403

During the current year the Group received income for platform services provided to the Sky plc group.

	Year ended 30 June 2017 £'000	Year ended 30 June 2016 £'000
Other income	**638**	-

The amount outstanding with Sky plc group at the end of the year was £9.8 million (2016: £3.4 million).

Sky plc has invested in the group in the form of shareholder loan notes and the following table details the interest costs charged to the Group during the year.

	Year ended 30 June 2017 £'000	Year ended 30 June 2016 £'000
Interest payable on Loan note issued to Cyan Blue VLNCo Ltd	**6,355**	5,905
Interest payable on Loan note issued to Cyan Blue Topco Ltd	**9,106**	8,265

Year end balances

The table below details the amounts outstanding on the Balance Sheet at the year end due to Sky plc group.

	2017 £'000	2016 £'000
Payable due to group recharges and trading	**9,771**	9,123
Loan note issued to Cyan Blue VLNCo Ltd	**-**	74,529
Accrued interest on loan note to Cyan Blue VLNCo Ltd	**-**	2,980
Loan note issued to Cyan Blue Topco Ltd	**94,729**	86,096
Accrued interest on loan note to Cyan Blue Topco Ltd	**4,671**	4,198

In the prior year there was a £74.5 million loan plus accured interest payable to Sky plc group due from Cyan Blue VLNCo Limited with interest payable at 8.2% per annum, this loan was repaid in full on 27 June 2017.

Transactions with Openbet

On 16 May 2016 the Group invested £22.5 million in NYX (see note 13) through convertible preference shares in a subsidiary company and ordinary shares in NYX. NYX own Openbet which is the Group's platform provider. The Group has charged £10.2 million of costs relating to Openbet through the consolidated comprehensive income statement (16 May 2016 to 30 June 2016: £0.5 million). At the year end the creditor balance was £0.1 million (2016: £0.1 million).

Transactions with Cryptologic

On 16 May 2016 the Group invested £22.5 million in NYX (see note 13) through convertible preference shares in a subsidiary company and ordinary share in NYX. NYX own Cryptologic who supply games to the Group. From 16 May 2016 the Group had £nil of charges through the profit and loss for payments of revenue share to Cryptologic (30 June 2016: £96). At the year end the Group had a creditor balance of £nil (30 June 2016: £1,153).

Employee Benefit Trust

A number of employees of Group companies have invested in the Group through the Employee Benefit Trust. During the 48 week period to 30 June 2015 the parent company issued a loan to the Employee Benefit Trust. This loan is interest bearing at a rate of 10% and is repayable on demand.

Interest charged on the loan to the Employee Benefit Trust during the year is detailed below:

	Year ended 30 June 2017 £'000	Year ended 30 June 2016 £'000
Interest income on Loan	**99**	88

As at the Balance Sheet date the Group had an outstanding balance due to the Employee Benefit Trust of £1.1 million (30 June 2016: £0.9 million).

Key Management Personnel

The remuneration of the 4 Directors, who are key management personnel of the Group, is disclosed in note 7.

28. OPERATING LEASE ARRANGEMENTS

	Year ended 30 June 2017 £'000	Year ended 30 June 2016 £'000
Lease payments under operating leases recognised as an expense in the year	**3,032**	2,492

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2017 £'000	2016 £'000
Within one year	**2,725**	2,609
In second to fifth year inclusive	**8,453**	8,936
After five years	**3,946**	4,989

Operating lease payments represent rentals payable by the group for certain of its office properties.

29. FINANCIAL COMMITMENTS

	2017 £'000	2016 £'000
Contracted for but not provided for	**22,089**	**24,665**

The financial commitments detailed above include amounts for technology and IT contracts.

30. RETIREMENT BENEFIT SCHEMES

The Group participates in a defined contribution retirement benefit scheme for all qualifying employees of the subsidiary Hestview Limited. The assets of the schemes are held separately from those of the Group in funds under the control of trustees. Where there are employees who leave the schemes prior to vesting fully, the contributions payable by the Group are reduced by the amount of forfeited contributions. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The total cost charged to income of £2.3 million (year ended 30 June 2016: £1.4 million) represents contributions payable to these schemes by the group at rates specified in the rules of the schemes. As at 30 June 2017, contributions of £0.4 million (2016: £0.3 million) due in respect of the current reporting period had not been paid over to the schemes.

31. ULTIMATE CONTROLLING PARTY

The ultimate controlling party is CVC Capital Partners. The Company's immediate parent is Cyan Blue Jerseyco Limited a company incorporated in Jersey, number 116296.

32. EVENTS AFTER THE BALANCE SHEET DATE

On 25 August 2017 the Group raised £475.0 million and $450.0 million of external debt with an expiry date of August 2024, entered in to 3 new swap agreements to hedge the exposure to future interest rate and foreign currency rate exposure of the new $450.0 million of external debt and fully repaid the current bank loan.

On 14 September 2017 the Company received a dividend of £95.8 million from Cyan Blue VLNCo Limited. Additionally on 14 September 2017 Cyan Blue Topco Limited declared and paid dividends totalling £540.3 million.

PART V
UNAUDITED PRO FORMA FINANCIAL INFORMATION FOR THE COMBINED GROUP

SECTION A

UNAUDITED PRO FORMA FINANCIAL INFORMATION RELATING TO THE COMBINED GROUP

Set out below is the consolidated pro forma income statement of the Combined Group for the year ended 31 December 2019 and the consolidated pro forma statement of net assets of the Combined Group as at 31 December 2019 (the "**pro forma financial information**"). The pro forma financial information is unaudited.

The unaudited consolidated pro forma income statement of the Combined Group has been prepared to illustrate the effect of the Combination on the earnings of Flutter as if the Combination had taken place on 1 January 2019.

The unaudited consolidated pro forma statement of net assets of the Combined Group has been prepared to illustrate the effect of the Combination on the consolidated net assets of Flutter as at 31 December 2019 as if the Combination had taken place on that date.

The pro forma financial information has been prepared on the basis set out in the notes below and is based on the audited income statement and statement of financial position of Flutter for the year ended 31 December 2019 and the audited statement of earnings (loss) and statement of financial position of TSG for the year ended 31 December 2019.

The pro forma financial information has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and therefore does not represent the Combined Group's actual financial position or results. In addition, the unaudited pro forma consolidated income statement set out below does not reflect any expected cost savings or other synergies which the Combined Group expect to realise following Completion.

The pro forma financial information has been prepared in accordance with the requirements of paragraphs 1 to 3 of Annex 20 of Commission Delegated Regulation (EU) 2019/980 and has been prepared in a manner consistent with the accounting policies of Flutter for the financial year ended 31 December 2019.

Shareholders should read the whole of this document and not rely solely on the pro forma financial information contained in this Part V (*Unaudited Pro Forma Financial Information of the Combined Group*).

KPMG's report on the unaudited pro forma financial information is set out in Section B (*Accountant's Report on the Unaudited Pro Forma Financial Information*) of this Part V.

Unaudited pro forma income statement of the Combined Group for the year ended 31 December 2019

	Income statement of Flutter for the year ended 31 December 2019	Income statement of TSG for the year ended 31 December 2019	Income statement of TSG for the year ended 31 December 2019	Pro forma adjustments Cost of transaction	Pro forma income statement for Flutter for the year ended 31 December 2019 as if Completion had occurred
	£'m Note 1	$'m Note 2	£'m Note 2	£'m Note 3	£'m
Revenue	2,140.0	2,528.5	1,980.3	-	4,120.3
Cost of sales	(650.2)	(693.1)	(542.8)	-	(1,193.0)
Gross profit	**1,489.8**	**1,835.4**	**1,437.5**	**-**	**2,927.3**
Operating costs	(1,339.9)	(1,571.2)	(1,230.6)	(58.3)	(2,628.7)
Operating profit	149.9	264.2	206.9	(58.3)	298.5
Finance income/(expense) (net)	(14.2)	(202.5)	(158.6)	-	(172.8)
Profit before tax	**135.7**	**61.7**	**48.3**	**(58.3)**	**125.7**
Income tax (expense)/credit	(23.8)	0.2	0.2	-	(23.6)
Profit for the year	**111.9**	**61.9**	**48.5**	**(58.3)**	**102.1**

Notes to the unaudited pro forma statement of comprehensive income of the Combined Group

1. The consolidated financial information relating to Flutter has been extracted without adjustment from the audited consolidated income statement of Flutter for the year ended 31 December 2019 as contained in the Flutter 2019 Financial Statements.

2. The consolidated financial information relating to TSG has been extracted without adjustment from the audited consolidated statement of earnings/(loss) of TSG for the year ended 31 December 2019 as contained in the TSG 2019 Financial Statements and converted to pounds sterling at $1.2768:£1, being the annual average $:£ exchange rate over 2019.

3. Transaction costs have been estimated at £84.0 million, principally comprising financial advisory, legal/anti-trust, accounting, admission and other costs, of which £25.7 million had been expensed in 2019. The adjustment to the income statement is related to the transaction costs of £58.3 million that have not been recorded in either Flutter's financial information for the year ended 31 December 2019 or in TSG's financial information for the year ended 31 December 2019. No tax benefit has been assumed for the transaction costs. This adjustment does not have a continuing impact on the Combined Group.

4. Certain figures contained in this table have been subject to rounding adjustments. Accordingly, in certain instances, the sum of the numbers in a column or row may not conform exactly to the total figure given for that column or row.

Unaudited pro forma statement of net assets of the Combined Group as at 31 December 2019

	Net asset statement of Flutter as at 31 December 2019	Net asset statement of TSG as at 31 December 2019	Net asset statement of TSG as at 31 December 2019	Pro forma adjustments		Pro Forma statement of net assets of Flutter as at year ended 31 December 2019 as if Completion had occurred
				Costs of transaction	Goodwill	
	£'m	$'m	£'m	£'m	£'m	£'m
	Note 1	Note 2	Note 2	Note 3	Note 4	
Assets						
Non-current assets						
Property plant and equipment	298.2	139.2	105.4	-	-	403.6
Intangible assets	558.5	4,550.2	3,446.1	-	-	4,004.6
Goodwill	4,120.3	5,349.0	4,051.0	-	2,621.0	10,792.3
Other	62.4	259.8	196.7	-	-	259.1
Total non-current assets	**5,039.4**	**10,298.2**	**7,799.2**	**-**	**2,621.0**	**15,459.6**
Current assets						
Trade and other receivables	64.6	240.3	182.0	-	-	246.6
Financial assets—restricted cash	189.1	307.3	232.7	-	-	421.8
Current investments – customer deposits	-	109.0	82.6	-	-	82.6
Cash and cash equivalents	108.1	321.0	243.1	(58.3)	-	292.9
Total current assets	**361.8**	**977.6**	**740.4**	**(58.3)**	**-**	**1,043.9**
Total assets	**5,401.2**	**11,275.8**	**8,539.6**	**(58.3)**	**2,621.0**	**16,503.5**
Current liabilities						
Trade and other payables	548.8	972.2	736.3	-	-	1,285.1
Derivative financial liabilities	20.4	17.6	13.3	-	-	33.7
Provisions	2.9	64.9	49.1	-	-	52.0
Current tax payable	20.0	40.8	30.9	-	-	50.9
Lease liabilities	38.4	19.6	14.8	-	-	53.2
Borrowings	255.0	35.8	27.1	-	-	282.1
Total current liabilities	**885.5**	**1,150.9**	**871.6**	**-**	**-**	**1,757.1**
Non-current liabilities						
Trade and other payable	11.5	1.8	1.4	-	-	12.9
Derivative financial liabilities	0.7	95.9	72.6	-	-	73.3
Provisions	1.1	2.9	2.2	-	-	3.3
Current tax payable	-	21.6	16.4	-	-	16.4
Lease liabilities	132.1	35.7	27.0	-	-	159.1
Borrowings	115.7	4,895.4	3,707.5	-	-	3,823.2
Deferred income taxes	65.0	552.1	418.1	-	-	483.1
Total non-current liabilities	**326.1**	**5,605.4**	**4,245.2**	**-**	**-**	**4,571.3**
Total liabilities	**1,211.6**	**6,756.3**	**5,116.8**	**-**	**-**	**6,328.4**
Net assets/(liabilities)	**4,189.6**	**4,519.5**	**3,422.8**	**(58.3)**	**2,621.0**	**10,175.1**

Notes to the unaudited pro forma statement of net assets of the Combined Group:

1. The consolidated financial information relating to Flutter has been extracted without adjustment from the audited consolidated statement of financial position of Flutter as at 31 December 2019 as contained in the Flutter 2019 Financial Statements.

2. The consolidated financial information relating to TSG has been extracted without adjustment from the audited consolidated statement of financial position of TSG as at 31 December 2019 as published in the TSG 2019 Financial Statements and converted to pounds sterling at $1.3204:£1, being the mid-spot $:£ exchange rate as at 31 December 2019.

3. Transaction costs, principally comprising financial advisory, legal/anti-trust, accounting, admission and other costs, have been estimated at £84.0 million, of which £25.7 million had been expensed in 2019.

4. The unaudited pro forma statement of net assets has been prepared on the basis that the Combination will be treated as an acquisition of TSG by Flutter in accordance with IFRS 3 *Business Combinations* as though completion of the Combination occurred on 31 December 2019. The pro forma statement of net assets does not reflect any fair value adjustments to the acquired assets and liabilities required under IFRS 3 as the fair value measurement of these items can only be performed subsequent to completion of the Combination.

For the purposes of the pro forma statement of net assets, the excess purchase consideration over the carrying amount of the net assets acquired, in each case calculated as at 31 December 2019, has been attributed to goodwill and no pro forma impairment charge has been applied to the goodwill balance in the period presented. Following completion of the Combination, any fair value adjustments will be calculated by reference to applicable values at the Effective Date. When finalised following the completion of the Combination, the fair value adjustments may be material. The pro forma goodwill arising as though completion of the Combination occurred on 31 December 2019 has been calculated as follows:

	£'m
Share consideration[(1)]	6,043.8
Less carrying amount of net assets acquired	(3,422.8)
Goodwill (before measurement of the net assets acquired and liabilities at their fair value)	2,621.0

Notes:

(1) The estimated consideration of £6,043.8 million comprises the value of newly issued ordinary shares plus the portion of replacement Stars Options and Stars Equity Awards that are unvested and is determined as follows:

		£'m (except for per share amounts)
Number of The Stars Group number of Common shares outstanding as at December 31, 2019 extracted without adjustment from The Stars Group's audited financial statements for the year ended December 31, 2019	288,564,432	
Exchange ratio	0.2253	
Total number of newly-issued ordinary shares	65,013,567	
Closing Price of Flutter Shares at December 31, 2019	£92.24	
Value of newly-issued ordinary shares		5,996.9
Assumption of unvested employee incentive awards		46.9
Estimated consideration		6,043.8

5. Certain figures contained in the tables above have been subject to rounding adjustments. Accordingly, in certain instances, the sum of the numbers in a column or row may not conform exactly to the total figure given for that column or row.

SECTION B

ACCOUNTANTS' REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION FOR THE COMBINED GROUP

The Directors and the Proposed Directors
Flutter Entertainment plc
Belfield Office Park
Beech Hill Road
Clonskeagh
Dublin 4

27 March 2019

Dear Sir or Madam:

Flutter Entertainment plc

We report on the pro forma financial information (the "**pro forma financial information**") set out in Part V (*Unaudited Pro Forma Financial Information of the Combined Group*) of the Company's Class 1 circular dated 27 March 2020 (the "**Circular**") which has been prepared on the basis described in the notes thereto, for illustrative purposes only, to provide information about how the proposed acquisition of The Stars Group Inc. by Flutter Entertainment plc (the "**Company**") might have affected the financial information presented on the basis of the accounting policies adopted by the Company in preparing the financial statements for the year ended 31 December 2019. This report is required by Section 3 of Annex 20 of Commission Delegated Regulation (EU) 2019/980 (the "**PR Regulation**") as applied by paragraph 13.3.3R of the Listing Rules of the Financial Conduct Authority (the "**FCA**") (the "**UK Listing Rules**") and is given for the purpose of complying with those paragraphs and for no other purpose.

Responsibilities

It is the responsibility of the directors of the Company to prepare the pro forma financial information in accordance with Section 3 of Annex 20 of the PR Regulation as applied by paragraph 13.3.3R of the UK Listing Rules.

It is our responsibility to form an opinion, as required by Section 3 of Annex 20 of the PR Regulation as applied by paragraph 13.3.3R of the UK Listing Rules, as to the proper compilation of the pro forma financial information and to report that opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the pro forma financial information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and which we may have to ordinary shareholders as a result of the inclusion of this report in the Circular, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with UK Listing Rule 13.4.1R(6), consenting to its inclusion in the Circular.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board of the United Kingdom and Ireland. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro forma financial information with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the pro forma financial information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Opinion

In our opinion:

a) the pro forma financial information has been properly compiled on the basis stated; and

b) such basis is consistent with the accounting policies of the Company.

Yours faithfully

KPMG
Chartered Accountants
Dublin, Ireland

PART VI
ADDITIONAL INFORMATION

1. Responsibility

The Company and the Directors, whose names appear below, accept responsibility for the information contained in this Circular. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. Directors

2.1 The Directors are as follows:

Gary McGann**(Chair)*
Peter Jackson (*Chief Executive Officer)*
Jonathan Hill (*Chief Financial Officer*)
Ian Dyson* (*Senior Independent Director*)
Jan Bolz*
Zillah Byng-Thorne*
Michael Cawley*
Nancy Cruickshank*
Andrew Higginson*
Peter Rigby*
Emer Timmons*

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* denotes Non-Executive Director

3. Directors' interests and service contracts

3.1 As at the Latest Practicable Date and on Completion, the interests of the Directors, and of their connected persons in the issued ordinary share capital of the Company are set out below:

(a) Interests in Flutter Shares (beneficial unless otherwise indicated):

Name	Number of shares as at Latest Practicable Date	Number of shares on Completion
Gary McGann	3,260	3,260
Peter Jackson	7,437	7,437
Jonathan Hill	1,700	1,700
Ian Dyson	3,163	3,163
Jan Bolz	0	0
Zillah Byng-Thorne	1,266	1,266
Michael Cawley	3,600	3,600
Nancy Cruickshank	0	0
Andrew Higginson	0	0
Peter Rigby	126	126
Emer Timmons	0	0

(b) Directors' share options as at the Latest Practicable Date under Flutter Share Plans:

Director	Name of Scheme	Grants Outstanding	Grant Date	Exercise Price (£/€)	Vesting Date
Peter Jackson	Flutter 2015 Restricted Share Plan	9,190	12 March 2018	0.00	03 December 2018, 03 December 2019 & 03 December 2020
Peter Jackson	Flutter 2015 Long Term Incentive Plan	27,261	12 March 2018	0.00	12 March 2021
Peter Jackson	Flutter Sharesave Scheme	329	12 October 2018	£54.68	01 December 2021
Peter Jackson	Flutter 2015 Deferred Share Incentive Plan	3,545	11 March 2019	0.00	11 March 2020 & 11 March 2021
Peter Jackson	Long Term Incentive Plan	37,983	11 March 2019	0.00	11 March 2022
Peter Jackson	Flutter 2015 Deferred Share Incentive Plan	3,911	3 March 2020	0.00	3 March 2021 & 3 March 2022
Jonathan Hill	Flutter 2015 Long Term Incentive Plan	14,181	22 October 2018	0.00	22 October 2021
Jonathan Hill	Flutter 2015 Restricted Share Plan	2,006	22 October 2018	0.00	22 October 2019 & 22 October 2020
Jonathan Hill	Flutter 2015 Long Term Incentive Plan	20,361	11 March 2019	0.00	11 March 2022
Jonathan Hill	Flutter Sharesave Scheme	286	11 October 2019	€62.74	1 December 2022
Jonathan Hill	Flutter 2015 Deferred Share Incentive Plan	2,484	3 March 2020	0.00	3 March 2021 & 3 March 2022

3.2 Details of service contracts and letters of appointment in place for current Directors:

Name	Date of first appointment to current position	Expiry date of current appointment
Gary McGann	1 July 2015	N/A
Peter Jackson	8 January 2018	N/A
Jonathan Hill	22 October 2018	N/A
Ian Dyson	2 February 2016	N/A
Jan Bolz	6 September 2017	N/A
Zillah Byng-Thorne	2 February 2016	N/A
Michael Cawley	17 July 2013	N/A
Nancy Cruickshank	15 May 2019	N/A
Andrew Higginson	2 October 2019	N/A
Peter Rigby	2 February 2016	N/A
Emer Timmons	17 May 2017	N/A

Non-executive Directors

The non-executive Directors do not have service contracts but have letters of appointment. The letters of appointment are available for inspection at the Company's registered office. Non-executive Directors are currently appointed for an initial three-year term subject to satisfactory performance and annual re-election by Flutter Shareholders at annual general meetings. A non-executive Director's appointment may be terminated at any time by either the Company or the non-executive Director. No notice of resignation is required. A non-executive Director's term of office is subject to his or her annual re-election by shareholders and their letter of appointment does not provide for any compensation for loss of office (other than fees accrued and expenses incurred up to the date of termination). The proposed non-executive Directors (Divyesh (Dave) Gadhia, Rafael (Rafi) Ashkenazi, Alfred F. Hurley, Jr, David Lazzarato and Mary Turner) will enter into letters of appointments in line with these terms.

In addition to his appointment as a non-executive Director, Mr Ashkenazi will be engaged as a consultant to the Company with effect from Completion, advising the Company on integration matters relating to the Combination

and advising the Chief Executive Officer on strategy for poker and TSG's other businesses contributed to the Combined Group. Under the consultancy arrangement, Mr Ashkenazi will be entitled to receive £250,000 per annum in respect of consulting fees. Mr Ashkenazi's consultancy will be terminated as soon as he ceases to be a non-executive Director, be terminable at any time by mutual agreement between the Company and Mr Ashkenazi, and in any case will be terminated no later than the date of Flutter's 2021 annual general meeting. Mr Ashkenazi will not be entitled to any contractual termination payment other than fees accrued up to the date of termination.

Executive Directors

The notice period for Peter Jackson is 12 months. The notice period for Jonathan Hill is 12 months. Neither incumbent executive Director is entitled to any contractual termination payment other than for payment in lieu of notice, which includes salary, contractual benefits and pension contributions that would have been payable during the notice period only.

4. Major shareholders

As at the Latest Practicable Date, the Company had been notified of the interests in Flutter Shares as set out in columns A and B below, in each case amounting to more than 3% of its issued share capital. Certain indicative interests of these shareholders in Flutter Shares as at Completion are set out in columns C and D below.

Name	Number of Flutter Shares at date of Notification	Reported Holding as a percentage of current issued share capital	Number of Flutter Shares at Completion(3)(4)(5)(6)	Reported Holding as a percentage of issued share capital at Completion(3)(4)(5)(6)
The Capital Group of Companies Inc.[(1)]	14,305,994	18.25%	19,310,629	13.34%
Parvus Asset Management Europe Limited[(2)]	8,695,282	11.09%	8,695,282	6.00%
Massachusetts Financial Services Company	6,249,597	7.97%	6,249,597	4.32%
HSBC Holdings PLC	5,582,116	7.12%	5,582,116	3.85%
BlackRock, Inc.	4,801,693	6.13%	5,882,966	4.06%
Caledonia Private Investments Pty Limited	3,992,140	5.09%	16,141,644	11.15%
Citigroup Global Markets Limited	3,772,073	4.81%	6,064,814	4.19%
David Power	3,472,822	4.43%	3,472,822	2.40%
Marathon Asset Management LLP	2,411,233	3.08%	2,411,233	1.67%

Notes:

(1) As notified by The Capital Group Companies, Inc, EuroPacific Growth Fund ("**EUPAC**") and Capital World Growth and Income Fund ("**WGI**") are mutual funds registered in the United States that are interested in 8.00%, 4.94% and 4.28% respectively of Flutter's Shares. Their voting rights have been delegated to Capital Research and Management Company ("**CRMC**"). CRMC's holdings under management are reported in aggregate by The Capital Group Companies, Inc. Accordingly, EUPAC's and WGI's interests are included in the 18.25% interest of The Capital Group Companies, Inc.

(2) Parvus Asset Management Europe Limited is the holder of a derivative position in Flutter Shares via equity swap.

(3) Figures are based on the fully diluted ordinary share capital of the Company and the fully diluted share capital of TSG, in each case excluding any out of the money options. Figures assume that the number of Flutter Shares and/or TSG Shares held by the relevant Flutter Shareholder will not change between the date of such shareholder's disclosure and Completion.

(4) Figures are indicative only and such shareholders' interests in Flutter Shares as at Completion are likely to differ from the interests set out in this table.

(5) The indicative interests in Flutter Shares of The Capital Group of Companies Inc., BlackRock Inc., Citigroup Global Markets Limited and Caledonia Private Investments Pty Limited reflected in columns C and D also take into account these shareholders' (and Citigroup Inc's) interests in TSG Shares, based on the interests disclosed to TSG through Bloomberg as at the Latest Practicable Date, of approximately 31.5% of the issued ordinary share capital of TSG, which will be exchanged for New Flutter Shares on Completion.

(6) If the Combination becomes effective, it is expected that up to 66,531,782 New Flutter Shares will be issued to TSG Shareholders. Columns C and D above also show the TSG Shareholders who, based on the interests disclosed to TSG through Bloomberg as at the Latest Practicable Date, would be interested in 3% or more of Flutter's enlarged issued ordinary share capital at Completion (The Capital Group of Companies Inc., BlackRock Inc., Citigroup Global Markets Limited and Caledonia Private Investments Pty Limited).

Save as set out above, the Company is not aware of any person other than a Director who is directly or indirectly interested in 3% or more of the issued ordinary share capital of the Company.

5. Consents

Goldman Sachs has given and has not withdrawn its written consent to the inclusion in this Circular of its name and references thereto in the form and context in which it appears.

PJT Partners has given and has not withdrawn its written consent to the inclusion in this Circular of its name and references thereto in the form and context in which it appears.

KPMG has given and not withdrawn its written consent to the inclusion in this Circular of its report set out in Part V (*Unaudited Pro Forma Financial Information*) and references to its name in the form and context in which it appears.

6. Material contracts

6.1 Material contracts to which Flutter is a party

Set out below is a summary of each material contract, other than contracts entered into in the ordinary course of business, to which Flutter or any member of the Flutter Group is a party, for the two years immediately preceding the date of this Circular as well as a summary of any other contract (not being a contract entered into in the ordinary course of business) entered into by any member of the Flutter Group which contains any provision under which any member of the Flutter Group has any obligation or entitlement which is material to the group as at the date of this Circular:

(a) the Arrangement Agreement, the terms of which are summarised in Part II (*Principal Terms and Conditions of the Combination*) of this Circular;

(b) the binding FOX term sheet between Flutter, FSG Services LLC and TSG Interactive, the terms of which are summarised in Part II (*Principal Terms and Conditions of the Combination*) of this Circular (the ***FOX Term Sheet***);

(c) the binding Fastball term sheet between Flutter and Fastball Holdings LLC, the terms of which are summarised in Part II (*Principal Terms and Conditions of the Combination*) of this Circular (the ***Fastball Term Sheet***);

(d) the binding Boyd term sheet between Flutter and Boyd Interactive Gaming LLC, the terms of which are summarised in Part II (*Principal Terms and Conditions of the Combination*) of this Circular (the ***Boyd Term Sheet***, together with the FOX Term Sheet and the Fastball Term Sheet, the ***Terms Sheets***); and

(e) the sale and purchase agreement dated 31 January 2019 between Atlas Holdings LLC (a wholly-owned subsidiary of Flutter) and amongst others, City Loft LLC, for the acquisition by Atlas Holdings LLC from City Loft LLC of a 51% stake in Atlas LLC, a holding company for the Adjarabet business, a leader in online betting and gaming in the regulated Georgian market. The initial cash consideration paid by the Flutter Group for the 51% stake was £101 million, subject to a working capital adjustment. At the same time, Atlas Holdings LLC entered into a shareholders agreement with, amongst others, City Loft LLC which included both: (i) arrangements for the on-going governance of the Adjarabet business, including certain customary minority protections for City Loft LLC as well as certain obligations and restrictions on the parties in respect of their holdings in Atlas LLC; and (ii) a mechanism, consisting of call and put options, which enables the Flutter Group (via Atlas Holdings LLC) to acquire the remaining 49% of Atlas LLC after a period of approximately three years (extendable with the agreement of both parties) at a valuation

equivalent to seven times the 2021 EBITDA of the Adjarabet business, adjusted for net debt. The call/put option consideration can be settled, at the Flutter Group's election, in cash or Flutter shares (at the prevailing mid-market price). The terms of the acquisition contained customary protections for Atlas Holdings LLC including certain indemnities, customary warranties and representations from City Loft LLC as well as certain post-closing protective covenants including a restrictive covenant and non-solicit obligations given by City Loft LLC to Atlas Holdings LLC for a period of two years;

(f) the agreements dated 23 May 2018, 10 July 2018 and 17 October 2018 entered into by TSE Holdings Limited (a wholly-owned subsidiary of Flutter), including a Stockholder Agreement, a Limited Liability Company Agreement and an Investor Members Agreement (including amendments to certain of such agreements) with, amongst others, Fastball Holdings LLC, Boyd Interactive Gaming LLC and FanDuel Group Parent LLC, pursuant to which the Flutter Group's US business was merged with the FanDuel business. The Flutter Group also agreed to make a cash contribution to the FanDuel Group of US$158 million for the purposes of paying down debt and providing working capital. The merger was conditional on certain regulatory approvals and was completed on 10 July 2018. Following certain amendments to these agreements, the proportions of equity ownership of FanDuel Group Parent LLC as between TSE Holdings Limited, Fastball Holdings LLC and Boyd Interactive Gaming LLC was approximately 58%, 37% and 5% respectively. These agreements (as amended) contain arrangements for the on-going governance of the FanDuel business, including certain minority protections for Fastball Holdings LLC and Boyd Interactive Gaming LLC as well as certain obligations and restrictions on the parties in respect of their holdings in FanDuel Group Parent LLC. The agreements also contain mechanisms, consisting of put and call options, which enable the Flutter Group (via TSE Holdings Limited) to acquire the remaining approximately 42% of FanDuel Group Parent LLC. In the case of the 37% owned by Fastball Holdings LLC, the put and call options expire in July 2021 (as to 18.5%) and July 2023 (as to the remaining 18.5%); in the case of the 5% owned by Boyd Interactive Gaming LLC, the put and call options expire in August 2028. The consideration payable by TSE Holdings Limited will be calculated by reference to the prevailing market value of the FanDuel business at the relevant times and can be settled, at the Flutter Group's election, either in cash or Flutter Shares (at the prevailing mid-market price); and

(g) the Revolving Credit Facility Agreement and the Term Loan Facility Agreement, the terms of which are summarised below.

Finance Agreements

Revolving Credit Facility Agreement

Flutter and certain of its subsidiaries entered into a revolving credit facility agreement originally dated 18 May 2015 with Barclays Bank PLC as co-ordinating mandated lead arranger, Barclays Bank PLC and Lloyds Bank plc as mandated lead arrangers, Lloyds Bank plc as agent and the financial institutions specified therein as original lenders, as amended and restated pursuant to the terms of amendment and restatement agreements dated 26 April 2018 and 10 May 2019. Pursuant to the current terms of the Revolving Credit Facility Agreement, Flutter can avail of a multicurrency revolving credit facility in an aggregate amount of up to £450 million to fund the general corporate purposes of the Flutter Group. The term of the revolving credit facility expires on 28 April 2023, however, Flutter intends to prepay and cancel the facility made available under the Revolving Credit Facility Agreement on the Effective Date (at which point the facilities under the TLA/RCF Facilities Agreement (please see below) are expected to be available.

The Revolving Credit Facility Agreement contains customary representations, undertakings, events of default and prepayment events. Financial covenants apply and are tested twice-yearly. Interest is payable at the end of each interest period in respect of the amounts then drawn under the Revolving Credit Facility Agreement and is calculated as the percentage rate per annum which is the aggregate of a margin plus EURIBOR (in the case of a loan in euro), BBSY Bid (in the case of a loan in Australian dollars) or LIBOR (in relation to any other loan). The margin is subject to a margin ratchet based on the ratio of consolidated net borrowings of the Flutter Group to Underlying EBITDA (pre-IFRS 16) of the Flutter Group. Commitment fees are chargeable in respect of undrawn commitments and the fee is based on a percentage of the applicable margin. Default interest is chargeable in respect of amounts due but unpaid, as is customary.

Term Loan Facility Agreement

Flutter and certain of its subsidiaries entered into a £250 million term loan facility agreement dated 10 May 2019 arranged by Barclays Bank Ireland PLC, Lloyds Bank plc, Banco Santander S.A., London Branch, National Australia Bank Limited, Allied Irish Banks, plc, Ulster Bank Ireland Designated Activity Company and The Governor and Company of the Bank of Ireland as mandated lead arrangers, Lloyds Bank plc as agent and the financial institutions specified therein as original lenders. The term loan facility is made available for an original term of 18 months with two extension options available to Flutter to extend the term for up to an additional 12-month period, at the absolute discretion of the lenders. The term loan facility is made available to fund the general corporate purposes of the Flutter Group, however, Flutter intends to prepay and cancel the facility made available under the Term Loan Facility Agreement on the Effective Date (at which point the facilities under the TLA/RCF Facilities Agreement (please see below) are expected to be available).

The Term Loan Facility Agreement contains customary representations, undertakings, events of default and prepayment events. The cash proceeds (net of fees and properly incurred transaction costs and expenses) of any debt capital markets issue received by any member of the Flutter Group must be applied in prepayment of the term loan facility. Financial covenants apply and are tested twice-yearly. Interest is payable at the end of each interest period in respect of the amount drawn under the Term Loan Facility Agreement and is calculated as the percentage rate per annum which is the aggregate of a margin plus LIBOR. The margin is subject to gradual increase throughout the term and extended term of the Term Loan Facility Agreement. Default interest is chargeable in respect of amounts due but unpaid, as is customary.

TLA/RCF Facilities Agreement

Flutter and certain of its subsidiaries entered into a £1,300,000,000 term loan and revolving credit facilities agreement dated 11 March 2020 arranged by Banco Santander S.A., London Branch and National Westminster Bank plc as global coordinators and Banco Santander, S.A., London Branch, Ulster Bank Ireland Designated Activity Company, Barclays Bank plc, Deutsche Bank AG, London Branch, and J.P. Morgan Securities plc as mandated lead arrangers, Lloyds Bank plc as agent, and the financial institutions specified therein as original lenders (the "**TLA/RCF Facilities Agreement**"). The term loan and revolving credit facilities made available under the TLA/RCF Facilities Agreement are contingent on completion of the Combination and repayable in full on the fifth anniversary of the first utilisation of those facilities (which is expected to be the Effective Date). The term loan facility is made available for the refinancing of existing indebtedness of the Flutter Group and the TSG Group and the payment, in each case, of related fees, costs and expenses. The revolving credit facility is made available for the general corporate purposes of the Flutter Group (including, once fully combined, the TSG Group) including, but not limited to, refinancing existing financial indebtedness of the borrowers and guarantors under the TLA/RCF Facilities Agreement.

The TLA/RCF Facilities Agreement contains customary representations, undertakings, events of default and prepayment events. A net total leverage ratio financial covenant applies and is tested twice-yearly. Interest is payable at the end of each interest period in respect of the amounts drawn under either facility and is calculated as the percentage rate per annum which is the aggregate of a fixed margin plus EURIBOR (in the case of loans denominated in euro), BBSY Bid (in the case of loans denominated in Australian dollars) or LIBOR (in relation to any other loan). Default interest is chargeable in respect of amounts due but unpaid, as is customary.

6.2 **Material contracts to which TSG is a party**

Set out below is a summary of each material contract, other than contracts entered into in the ordinary course of business, to which TSG or any member of the TSG Group is a party, for the two years immediately preceding the date of this Circular as well as a summary of any other contract (not being a contract entered into in the ordinary course of business) entered into by any member of the TSG Group which contains any provision under which any member of the TSG Group has any obligation or entitlement which is material to the group as at the date of this Circular.

Arrangement Agreement

TSG is a party to the Arrangement Agreement, the terms of which are summarised in Part II (*Principal Terms and Conditions of the Combination*) of this Circular.

SBG sale and purchase deed

TSG was a party to a sale and purchase deed dated 21 April 2018 relating to the acquisition by the TSG Group of SBG from Cyan Blue JerseyCo Limited (the holding vehicle for investment funds and vehicles advised by affiliates of CVC Capital Partners Limited), Sky UK Limited (a subsidiary of Sky plc) and certain management shareholders. Under the terms of the sale and purchase deed and based on the closing price of TSG's common shares on 20 April 2018, the transaction had an enterprise value of approximately $4.7 billion, of which $3.6 billion was payable by TSG in cash. The remainder of the consideration was paid by TSG through the issue of new TSG shares representing approximately 20% of TSG's issued and outstanding shares at the time of completion of the transaction. As part of the transaction, TSG became owner of the SBG Business and, subject to certain amendments, retained SBG's rights under certain commercial, licensing and marketing arrangements with Sky. The transaction was completed on 10 July 2018 and TSG is not subject to any material ongoing obligations under the sale and purchase deed.

TSG Senior Note Indenture

On 10 July 2018, two subsidiaries of TSG, Stars Group Holdings B.V. and Stars Group (US) Co-Borrower, LLC (the ***TSG Note Issuers***) issued the 7% senior notes due 2026 at par in an aggregate principal amount of $1.00 billion (the ***TSG Senior Notes***). The TSG Senior Notes mature on 15 July 2026. Interest on the TSG Senior Notes is payable semi-annually on 15 January and 15 July of each year, commencing on 15 January 2019. The TSG Senior Notes are the senior unsecured obligations of the TSG Note Issuers, are guaranteed by certain of the TSG Note Issuer's subsidiaries and rank equally in right of payment with all of the TSG Note Issuers' existing and future senior indebtedness.

The indenture governing the TSG Senior Notes (the ***TSG Senior Note Indenture***) provides the holders of the TSG Senior Notes with customary rights, including the right to require Stars Group Holdings B.V. to offer to repurchase the TSG Senior Notes in certain limited circumstances and it also provides the TSG Note Issuers with the right to redeem some or all of the TSG Senior Notes at defined redemption prices based on when the redemption occurs. The TSG Senior Notes include, among other terms and conditions, certain customary limitations on the TSG Note Issuers' ability to take certain actions or engage in certain activities. As at the Latest Practicable Date, the aggregate principal amount of outstanding TSG Senior Notes is $1.00 billion.

TSG syndicated facility agreement

In connection with the SBG Acquisition, certain subsidiaries of TSG, its lenders, Deutsche Bank AG New York Branch, as administrative agent, and certain other parties entered into a new credit agreement (the ***Credit Agreement***) for the TSG First Lien Term Loans and the TSG Revolving Facility (each as defined below) to, among other things, reflect the transactions described below and add certain operational and financial flexibility, particularly as it relates to Stars Group Holdings B.V. on a combined basis following the SBG Acquisition. The Credit Agreement limits Stars Group Holdings B.V. 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 exceptions. The Credit Agreement also provides for customary mandatory prepayments, including a customary excess cash flow sweep if certain conditions are met.

On 10 July 2018, as part of financing the SBG Acquisition, Stars Group Holdings B.V. replaced its previous revolving facility with a new first lien revolving facility of $700 million (the ***TSG Revolving Facility***). Maturing on 10 July 2023, the TSG Revolving Facility includes a margin of 3.25% for borrowings which is subject to leverage-based step-downs. The commitment fee on the TSG Revolving Facility varies from 0.250% to 0.375% based on first lien leverage. Borrowings under the TSG Revolving Facility are subject to the satisfaction of customary conditions, including the absence of a default and compliance with certain representations and warranties. The TSG Revolving Facility requires, subject to a testing threshold, that Stars Group Holdings B.V. comply on a quarterly basis with a maximum net first lien senior secured leverage ratio of 6.75 to 1.00. The TSG Revolving Facility can be used for working capital needs and for

general corporate purposes. It is a requirement of the utilisation of the facilities under the TLA/RCF Facilities Agreement that the TSG Revolving Facility is cancelled in full. As at 31 December 2019, there were no amounts outstanding under the TSG Revolving Facility. As disclosed in further detail in Note 17 to the TSG 2019 Financial Statements, TSG had $74.0 million of letters of credit issued but undrawn as of 31 December 2019 under the TSG Revolving Facility. This position remains unchanged as at the Latest Practicable Date.

Also on 10 July 2018, as part of financing the SBG Acquisition, Stars Group Holdings B.V. repaid its previous first lien term loans and issued new first lien term loans of $3.575 billion priced at LIBOR plus 3.50% (the ***USD First Lien Term Loan***) and new EUR first lien term loans of €850 million priced at EURIBOR plus 3.75% (the ***EUR First Lien Term Loan*** and, together with the USD First Lien Term Loan, the ***TSG First Lien Term Loans***), each with a maturity date of 10 July 2025 and a LIBOR and EURIBOR floor, as applicable, of 0%. Starting on the last day of the first fiscal quarter ending after 10 July 2018, the USD First Lien Term Loan requires scheduled quarterly principal payments in amounts equal to 0.25% of the aggregate principal amount of the USD First Lien Term Loan, with the balance due at maturity. There is no amortisation on the EUR First Lien Term Loan and the principal is due at maturity. During the year ended 31 December 2019, TSG made voluntary prepayments totalling $450 million on its USD First Lien Term Loan, and in February 2020 TSG prepaid a further $100 million, including accrued and unpaid interest.

TSG deed of variation and amendment

TSG and a number of its subsidiaries (including SBG) entered into a deed of variation and amendment with the Sky group dated 10 July 2018 (the ***Sky Deed of Variation***) in connection with the SBG Acquisition. The Sky Deed of Variation amended each of the Sky Brand Licence, Sky Advertising Agreement and Sky Commercial Relationship Agreement, as defined below, providing TSG and its relevant subsidiaries with rights and obligations under those Sky group agreements as summarised below.

TSG brand licence agreement

A subsidiary of TSG is a licensee under a brand licence agreement with the Sky group dated 19 March 2015 (the ***Sky Brand Licence***). The Sky Brand Licence grants one or more subsidiaries of TSG exclusive brand IP rights in relation to betting and gaming products and non-exclusive rights in connection with certain other entertainment activities such as free-to-play games. The subsidiary of TSG has secured certain limited rights to use the SBG brands in conjunction with the brands of TSG in the approved territories where the use of the Sky brand is permitted. The licence is currently limited to the UK, Ireland, Italy, Germany, Channel Islands and Isle of Man, however there is a contractual process to extend the licence to new jurisdictions with Sky's consent.

The Sky Brand Licence has an initial term of 25 years from 19 March 2015 and may be extended for any additional period if agreed between the parties. Each of TSG and Sky possesses termination rights in respect of certain triggering events, such as material breach by the other party, which are generally subject to applicable remedy periods and escalation procedures. On expiry of the initial term, each party must use reasonable endeavours to agree to an extended term. Post-termination or on expiry, Sky is not entitled to use the brand or grant any third party the right to use the brand for betting or gaming for five years from expiry and three years from the date of termination if Sky terminates. There is no such restriction on Sky if TSG terminates the agreement.

TSG advertising services agreement

TSG's subsidiary SBG is party to an advertising services agreement with Sky dated 19 March 2015 (the ***Sky Advertising Agreement***). The Sky Advertising Agreement relates to the purchasing of advertising across all Sky platforms, consistent with the rights granted under the Sky CRA (as defined below). Under the Sky Advertising Agreement, SBG commits to spending advertising revenue with Sky in return for certain discounts for fixed periods of time. If SBG fails to meet the minimum spend requirement, SBG forgoes any rights to the discount for the remainder of the contractual term.

Under the Sky Advertising Agreement, SBG has the exclusive right to advertise for betting and gaming on Sky Sports digital platforms until the expiration of the exclusivity period under the Sky CRA, provided SBG's minimum qualifying spend is achieved. SBG has non-exclusive rights on other digital Sky platforms

(i.e. non-sports). SBG also benefits from annual digital advertising discounts in consideration for meeting the minimum annual spend commitments. This discount agreement relating to digital advertising expires on the earlier of 25 years from 19 March 2015 and the date when the Sky CRA terminates or expires. Sky may terminate the Sky Advertising Agreement for material breach by SBG, subject to a remedy period and certain escalation procedures.

The Sky Advertising Agreement also covers airtime advertising which may be procured by SBG on a non-exclusive basis. Similar to digital advertising, SBG also benefits from an annual airtime discount in consideration for meeting the minimum annual spend commitments. This discount agreement relating to airtime advertising expires 30 June 2022.

TSG has also secured rights to utilise the benefits of the Sky Advertising Agreement in relation to the promotion of the brands of TSG in the UK and the Republic of Ireland in certain circumstances in substitution for the brands of SBG, subject to Sky's prior approval.

TSG commercial relationship agreement

TSG's subsidiary SBG is party to a commercial relationship agreement with Sky dated 19 March 2015, as amended, (the ***Sky Commercial Relationship Agreement*** or ***Sky CRA***), pursuant to which Sky appointed SBG as its exclusive partner for betting and gaming activities on the Sky Sports platforms in, among other jurisdictions, the UK and Ireland, and both parties have agreed to continue to undertake certain marketing and cross-promotional activities on such platforms. Under the Sky CRA, the parties have agreed to cooperate in good faith to maximise the value of their commercial relationships, including, but not limited to, their broadcasting relationship, free-to-play games, platforms relationship, further future developments, joint initiatives and personality promotions.

The Sky CRA includes an initial five year exclusivity period commencing on and from the date on which TSG acquired SBG (with SBG's option to renew for an additional five year period) where Sky exclusively supplies to SBG in the relevant territories exposure across its platforms, including digital integration and inventory, promotional opportunities, screen space, access to personalities, personnel, assets and services and rights in relation to betting and gaming activities. The Sky CRA will continue in force until the expiry or termination of the Sky Brand Licence for each relevant territory.

Agreements relating to FOX Bet

TSG is party to a commercial agreement (the ***FOX Bet Commercial Agreement***) and a trademark and brand licence agreement (the ***FOX Bet Trademark Agreement***), each dated 8 May 2019, with FSG Services LLC, FOX Sports 1 LLC and TSG Interactive, and TSG Interactive is party to a forward subscription and contribution agreement dated 8 May 2019 (the ***FOX Bet Subscription Agreement***) with FSG Services LLC. The FOX Bet Commercial Agreement, FOX Bet Trademark Agreement and the FOX Bet Subscription Agreement (collectively, the ***FOX Bet Agreements***) govern the ownership and operation of FOX Bet, TSG's national media and sports wagering partnership in the U.S.

The FOX Bet Commercial Agreement and FOX Bet Trademark Agreement each have a term of up to 25 years, under which FOX Sports has granted to TSG Interactive an exclusive license for the use of certain FOX Sports trademarks for a range of immersive games and online sports wagering, and certain exclusive advertising and editorial integration rights on certain FOX Sports broadcast media and digital assets. The FOX Bet Trademark Agreement also governs TSG Interactive's key rights with respect to the current and potential future uses of the FOX trademarks and certain restrictions on FOX's activities relating to any competitors of the FOX Bet brand. Under the FOX Bet Agreements, FOX Sports is entitled to receive certain brand license, integration and affiliate fees.

In addition, during the term of the FOX Bet Commercial Agreement, TSG has agreed to a minimum annual advertising commitment on certain FOX media assets. Prior to the tenth anniversary of the FOX Bet Commercial Agreement, and subject to certain conditions and applicable gaming regulatory approvals, FOX Sports has the right acquire up to a 50% equity stake in TSG's U.S. business.

Under the terms of the FOX Bet Subscription Agreement, TSG Interactive agreed to exclusivity provisions restricting its involvement with any businesses competing with FOX Bet anywhere in the U.S. As summarised in the paragraph entitled "Term Sheets" in paragraph 4 of Part II (*Principal Terms and*

Conditions of the Combination) of this Circular, certain of these exclusivity provisions have been waived by the FOX Term Sheet.

Concurrent with the entering into of the FOX Bet Agreements, Fox Corporation acquired 14,352,331 newly issued common shares in TSG, representing 4.99% of TSG's then issued and outstanding common shares, at a price of $16.4408 per share, the prevailing market price leading up to the commencement of exclusive negotiations.

7. Litigation

7.1 Litigation in respect of the Flutter Group

Save as described below, there are no legal or arbitration proceedings, including governmental proceedings, pending or known by the Flutter Group to be contemplated which may or have had in the recent past a significant effect on the financial position or profitability of the Flutter Group taken as a whole.

In December 2018, the Greek tax authorities issued the Flutter Group with a tax assessment for the financial years ending 31 December 2012, 2013 and 2014, relating to paddypower.com's Greek interim licence. This assessment concluded that the Flutter Group is liable to pay €15 million in taxes including penalties and interest. This represents a multiple of the total cumulative revenues ever generated by paddypower.com in Greece. The Flutter Group has since paid the Greek tax liability (including interest and penalties) and, following the rejection of the Flutter Group's initial appeal against the assessments by the Greek Dispute Resolution Directorate, the Flutter Group filed an appeal with the Athens Administrative Court of Appeal in June 2019, which is scheduled to hear the case in September 2020.

In February 2019, the Hessen Fiscal Court in Germany provided the Flutter Group with its decision relating to the Flutter Group's appeal of a 2012 German tax assessment relating to the Betfair Exchange, which operated in Germany until November 2012. In its February 2019 decision, the Fiscal Court found against the Flutter Group and deemed that a tax liability of approximately €40 million is payable (including accrued interest) by the Flutter Group. This represents a multiple of the revenues generated by the Betfair Exchange in Germany during the assessment period. The Flutter Group has since paid the German tax liability but has also filed an appeal of the decision of the Hessen Fiscal Court to the German Federal Tax Court in June 2019.

The Flutter Group strongly disputes the basis of these assessments and, in line with the legal and tax advice it has received, is confident in its grounds of appeal. Accordingly, the Flutter Group has recorded as a receivable the amounts paid in 2019.

7.2 Litigation in respect of the TSG Group

Save as described below, there are no legal or arbitration proceedings, including governmental proceedings, pending or known by the Flutter Group to be contemplated which may or have had in the recent past a significant effect on the financial position or profitability of the TSG Group taken as a whole.

Kentucky Proceedings

Prior to the acquisition of Stars Interactive Group by TSG, the Commonwealth of Kentucky filed a legal proceeding against Stars Interactive Group, then named Oldford Group Limited, and certain affiliates thereof (the ***Oldford Parties***) and various other defendants (the ***Kentucky Proceeding***), pursuant to which the Commonwealth of Kentucky sought to recover alleged gambling losses on behalf of Kentucky residents who played real-money poker on the PokerStars website during the period between 12 October 2006 and 15 April 2011. Oldford Group Limited was acquired by a wholly-owned subsidiary of TSG in 2014. On 12 August 2015, the trial court in the Kentucky Proceeding entered a default judgment against the Oldford Parties following certain alleged discovery failures, including by certain former owners of Stars Interactive Group, and partial summary judgment on liability in favour of the Commonwealth of Kentucky. On 23 December 2015, the trial court entered an order for damages in the amount of approximately $290 million, which the trial court trebled to approximately $870 million.

TSG, through certain subsidiaries, filed a notice of appeal to the Kentucky Court of Appeals and posted a $100 million supersedes bond to stay enforcement of the order for damages during the pendency of the appeals process. In connection with the posting of the bond, TSG delivered cash collateral in the amount of $5 million and letters of credit in the aggregate amount of $65 million. On 21 December 2018, the Kentucky Court of Appeals ruled in TSG's favour and reversed in its entirety the $870 million judgment issued against TSG by the trial court judge in December 2015.

On 18 January 2019, the Commonwealth of Kentucky filed a motion for discretionary review with the Kentucky Supreme Court asking the court to determine if it will hear an appeal of the decision issued by the Kentucky Court of Appeals. On 11 April 2019, the Kentucky Supreme Court granted discretionary review of the Kentucky Court of Appeals' ruling in TSG's favour.

In late-January 2016, pursuant to and in accordance with the procedures set forth in the merger agreement governing the acquisition of Stars Interactive Group, a subsidiary of TSG submitted a notice of claim to the sellers' representative and escrow agent seeking indemnification for losses and potential losses caused by breaches under the merger agreement and requesting, among other things, that the escrow agent retain the then-remaining balance of the escrow fund established under the merger agreement in an aggregate amount equal to $300 million. Since 2016, the escrow fund was reduced according to the settlement of certain of the claims and on 30 September 2019 the parties settled the remaining disputed claim regarding the Kentucky Proceedings and the escrow agent released the remaining funds to a payment agent designated by the former owners of Stars Interactive Group.

Foreign payments matter

The TSG Board, with the involvement of external counsel, is undertaking a review of whether TSG or any of its subsidiaries or personnel has made improper payments, directly or through external consultants, to governmental officials in certain jurisdictions outside of Canada and the United States.

This review includes reviewing historic and current operations, reviewing TSG's use of external consultants in foreign markets, and revising internal policies, controls and procedures relating to its global anti-corruption compliance programme. As a result of this review, TSG initially voluntarily contacted the Royal Canadian Mounted Police (***RCMP***) in Canada and the DOJ and SEC in the United States in 2016. These authorities are investigating these matters and TSG continues to cooperate with them, including, without limitation, by responding to information requests from the RCMP, the DOJ and the SEC, and voluntarily providing records and information to these authorities. This review and cooperation is ongoing.

TSG cannot predict at this time the outcome or impact of the government investigations or its own internal review or the costs which may be incurred.

Quebec Class Action

On or about 25 July 2018, a re-re-amended motion for authorisation of a class action and for authorisation to bring an action pursuant to Quebec securities law (the ***Re-Re-Amended Derome Class Action***), *Derome* v. *TSG Inc. et al.* (Case No. 500-06-000785), was filed in the Superior Court of Quebec, Province of Quebec, Canada, District of Montreal, amending a prior class action complaint previously filed in early 2016. The Re-Re-Amended Derome Class Action names TSG, its former Chief Executive Officer, Mr. David Baazov, its former Chief Financial Officer, Mr. Daniel Sebag, TSG's Executive Chairman, Mr. Gadhia and former directors Mr. Harlan Goodson and General Wesley K. Clark, as defendants. It was filed by an individual shareholder on behalf of himself and a class of persons, composed of a sub-class of primary market purchasers and a sub-class of secondary market purchasers, who purchased TSG's securities between 31 March 2014 and 22 March 2016 (the day before the announcement of the filing of charges brought by the AMF against Mr. Baazov).

The plaintiff generally alleged that throughout the class period above the defendants violated certain Canadian securities laws by misrepresenting or failing to disclose (or acquiescing in the same), among other things, that Mr. Baazov allegedly was engaged in an insider trading scheme which allegedly made possible certain acquisitions of TSG. The plaintiff also alleged that TSG did not properly disclose that it had inadequate or ineffective internal controls, that one or more of its directors and Mr. Baazov were in breach of TSG's Code of Business Conduct and that certain public statements made by TSG in respect of the AMF Investigation were false or misleading.

The Re-Re-Amended Derome Class Action sought damages stemming from losses the plaintiffs claim to have suffered as a result of the foregoing. On 25 November 2019, the parties entered into a settlement agreement with respect to a settlement of the Re-Re-Amended Derome Class Action, which is subject to court approval and will be funded entirely by TSG's insurance carriers.

Preferred shares matter

On 18 July 2018, TSG implemented a previously announced mandatory conversion of all of its then issued and outstanding preferred shares and issued 51,996,623 new TSG Shares to the holders thereof. Prior to completion of the conversion, Polar Multi-Strategy Master Fund (and certain affiliated funds) and Verition Canada Master Fund Ltd. applied to the Ontario Superior Court of Justice for a declaration that the mandatory conversion would contravene TSG's articles of continuance. On 17 July 2018, the Ontario Superior Court ruled in favour of TSG and dismissed the application. As a result, TSG proceeded with the conversion. The applicants subsequently appealed the Ontario Superior Court decision and, in the appeals sought, among other relief, rescission of the conversion or potential damages and costs. On 9 September 2019, TSG entered into minutes of settlement with respect to the appeal of the Ontario Superior Court of Justice's prior dismissal of the application, and on 23 September 2019, the Court of Appeal for Ontario entered an order dismissing the appeal with prejudice. The matter was subsequently settled for $32.5 million.

8. Working capital

Flutter is of the opinion that, taking into account the Combined Group's cash resources and available bank facilities, the Combined Group has sufficient working capital for its present requirements, that is, for at least the next twelve months from the date of this Circular.

9. No significant changes

9.1 No significant changes in respect of the Flutter Group

Save as set out in paragraph 14 of Part I (*Letter from the Chair of Flutter*) in relation to the impact of COVID-19, there has been no significant change in the financial position or financial performance of the Flutter Group since 31 December 2019 (being the date to which the latest published financial information of Flutter was prepared).

9.2 No significant changes in respect of the TSG Group

Save as set out in paragraph 14 of Part I (*Letter from the Chair of Flutter*) in relation to the impact of COVID-19, there has been no significant change in the financial position or the financial performance of the TSG Group since 31 December 2019 (being the date to which the latest published financial information of TSG was prepared).

10. Related party transactions

There have been no related party transactions that the Flutter Group has entered into during the period between 31 December 2019, being the date to which the latest audited financial statements were published, and the date of this Circular save for continuing arrangements with Directors and key management personnel of the nature disclosed in Note 31 of the Flutter 2019 Annual Report and Accounts.

11. Incorporation by reference

Your attention is drawn to the documents on page 381 which are incorporated by reference into this Circular.

12. Documents available for inspection

Copies of the following documents will be available for inspection during normal business hours on weekdays (Saturdays, Sundays and public holidays excepted) at the registered office of the Company, at the offices of Arthur Cox, Ten Earlsfort Terrace, Dublin 2, D02 T380, Ireland and on Flutter's website (www.flutter.com) from the date of this Circular up to and including the date of the EGM:

(a) the constitution of the Company (which comprises the memorandum of association of the Company and the Articles);

(b) the report from KPMG set out in Part V (*Unaudited Pro Forma Financial Information*);

(c) the documents which are incorporated by reference in this Circular as set forth on page 381 (*Documents Incorporated by Reference*);

(d) this Circular;

(e) the Flutter "Management Discussion and Analysis" section of the TSG Circular;

(f) the written consents referred to in paragraph 5 of this Part VI; and

(g) the Arrangement Agreement.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents, which Flutter has filed with the FCA, are incorporated in and taken to form an integral part of this Circular:

- Flutter 2019 Annual Report and Accounts, accessible at http://www.flutter.com/investor-relations/annual-report;
- Flutter 2018 Annual Report and Accounts, accessible at http://www.flutter.com/investor-relations/annual-reports;
- Flutter 2017 Annual Report and Accounts, accessible at http://www.flutter.com/investor-relations/annual-reports;
- Announcement dated 2 October 2019, accessible at http://www.flutter.com/investors/regulatory-news; and
- Prospectus dated 27 March 2020, accessible at https://www.flutter.com/investors/proposed-combination-with-the-stars-group.

The following table indicates where information required pursuant to the Listing Rules to be disclosed in this Circular can be found in the documents incorporated by reference referred to above. The information incorporated by reference that is not referred to in the table below is considered additional information and is not required pursuant to the Listing Rules. Prospective investors should read this Circular and the documents incorporated herein by reference in their entirety before making any investment decision in relation to the exchange offer.

Reference document(s)	Information incorporated by reference into this Circular	Page numbers in reference document
Flutter 2019 Annual Report and Accounts	Independent Auditor's Report	98-102
	Consolidated Income Statement	103
	Consolidated Statement of Other Comprehensive Income	104
	Consolidated Statement of Financial Position	105
	Consolidated Statement of Cash Flows	106
	Consolidated Statement of Changes in Equity	107-108
	Notes to the Consolidated Financial Statements	109-162
	Flutter Group Entities	160
	Company Balance Sheet	163
	Executive Directors' service agreements	82
	Non-executive Directors' letters of appointment	83
Flutter 2018 Annual Report and Accounts	Independent Auditor's Report	102-106
	Consolidated Income Statement	107
	Consolidated Statement of Comprehensive Income	108
	Consolidated Statement of Financial Position	109
	Consolidated Statement of Cash Flows	110
	Consolidated Statement of Changes in Equity	111-112
	Notes to the Consolidated Financial Statements	113-163
	Company Balance Sheet	164
Flutter 2017 Annual Report and Accounts	Independent Auditor's Report	98
	Consolidated Income Statement	103
	Consolidated Statement of Comprehensive Income	104
	Consolidated Statement of Financial Position	105
	Consolidated Statement of Cash Flows	106
	Consolidated Statement of Changes in Equity	107
	Notes to the Consolidated Financial Statements	111-155
	Company Balance Sheet	156

Any statement contained in this Circular or in a document incorporated by reference into this Circular will be deemed to be modified or superseded for the purposes of this Circular to the extent that a statement contained in any subsequent document modifies or supersedes that statement. Any statement that is modified or superseded in this manner will no longer be a part of this Circular, except as modified or superseded.

Information contained on the Company's website http://www.flutter.com shall not form part of this Circular unless specifically incorporated by reference.

PART VII
DEFINITIONS

The following definitions apply throughout this Circular and accompanying Form of Proxy, unless the context otherwise requires:

"**£, GBP, Pound Sterling, pence** or **p**"	the lawful currency of the UK
"**$, USD, US$** or **US dollar**"	The lawful currency of the United States
"**Acquisition Proposal**"	has the meaning given to it in the Arrangement Agreement
"**Active Customer**"	with respect to Flutter, those customers who have deposited real money and have bet in the relevant reporting period. With respect to TSG, a customer who played or used one of TSG's real-money offerings at least once during the applicable period, and excludes duplicate counting even if that customer is active across multiple lines of operation (i.e. poker, gaming and/or betting)
"**Adjarabet**"	the betting brand and business in Georgia and Armenia in which Flutter has an initial 51% controlling stake
"**Adjusted EBITDA**"	TSG defines Adjusted EBITDA as net earnings before financial expenses, income taxes expense (recovery), depreciation and amortisation, stock-based compensation, restructuring, net earnings (loss) on associate and certain other items. Adjusted EBITDA is a non-IFRS measure
"**Admission**"	the Flutter Shares being admitted to: (i) listing on the premium listing segment of the Official List of the FCA and to the secondary listing segment on the Official List of Euronext Dublin; and (ii) trading on the London Stock Exchange's main securities market for listed securities and on the Euronext Dublin Market operated by Euronext Dublin
"**AMF**"	the *Autorité des marchés financiers* (Quebec), the organisation responsible for financial regulation in the Canadian province of Québec
"**AMF Investigation**"	the AMF's investigation of trading activities in TSG securities surrounding TSG's announcement of the acquisition of Stars Interactive Group, which investigation closed on 6 June 2019
"**Arrangement**"	the arrangement pursuant to section 182 of the OBCA on the terms and subject to the conditions set out in the Plan of Arrangement, pursuant to which Flutter shall acquire the entire issued and outstanding share capital of TSG, subject to any amendments or variations to the Plan of Arrangement made in accordance with the terms of the Plan of Arrangement or made at the direction of the Court in the Final Order (provided that any such amendment or variation is acceptable to Flutter and TSG, each acting reasonably)
"**Arrangement Agreement**"	the arrangement agreement entered into by TSG and Flutter on 2 October 2019 in connection with the Combination, as amended
"**Articles**"	the articles of association of the Company from time to time
"**Articles of Arrangement**"	the articles of arrangement in respect of the Combination to be sent to the OBCA Director after the Final Order is made which shall include the Plan of Arrangement and otherwise be in a form and content satisfactory to Flutter and TSG, each acting reasonably
"**Australian dollar**" or "**AUD**"	the lawful currency of Australia
"**BBSY Bid**"	the Australian interbank market bid rate
"**BEAT**"	base erosion anti-abuse tax
"**BEPS**"	base erosion and profit shifting
"**BEPS 2.0**"	the new BEPS programme announced by the OECD in January 2019

"**BetEasy**" or "**TSGA**"	the operations of TSG Australia Pty Ltd, incoprorated in Australia, and its subsidiaries and affiliates
"**Betfair**"	the online gambling company incorporated in the UK, wholly-owned by Flutter
"**Betfair Exchange**"	the Betfair betting exchange, which is based on the concepts and systems underpinning an order-based stock exchange model and which enables customers to bet at odds sought by themselves or offered by other customers instead of against a traditional bookmaker
"**BetStars**"	an online betting service operated internationally by the TSG Group
"**Boyd Term Sheet**"	has the meaning given in paragraph 6.1 of Part VI (*Additional Information*) of this Circular
"**Canadian dollar**" or "**C$**"	the lawful currency of Canada
"**Canadian Securities Administrators**"	British Columbia Securities Commission, Alberta Securities Commission, Financial and Consumer Affairs Authority of Saskatchewan, The Manitoba Securities Commission, Ontario Securities Commission, AMF, Nova Scotia Securities Commission, Financial and Consumer Services Commission (New Brunswick), Office of the Superintendent of Securities (Prince Edward Island), Office of the Superintendent of Securities Service Newfoundland and Labrador, Office of the Superintendent of Securities (Yukon Territory), Office of the Superintendent of Securities (Northwest Territories) and Nunavut Securities Office
"**Central Bank**"	the Central Bank of Ireland
"**Certificate of Arrangement**"	the certificate of arrangement giving effect to the Combination, issued pursuant to subsection 183(2) of the Business Corporations Act (Ontario) after the Articles of Arrangement have been filed
"**Circular**"	this document, including the Notice of EGM
"**Class 1 Transaction**"	has the meaning given to it in the Listing Rules
"**Combination**"	the recommended all-share combination of Flutter and TSG to be implemented through an acquisition of the entire issued and to be issued share capital of TSG by Flutter pursuant to the Plan of Arrangement
"**Combination Resolutions**"	Resolution 1 and Resolution 2
"**Combined Group**"	the combined Flutter Group and TSG Group following Completion
"**Commonwealth of Kentucky**"	the Commonwealth of Kentucky of the United States
"**Companies Act 2014**"	the Companies Act 2014 of Ireland, and every statutory modification and re-enactment of such legislation for the time being in force
"**Company**" or "**Flutter**"	Flutter Entertainment plc
"**Completion**"	the Combination having become Effective
"**Conditions**"	the conditions of the Combination as set out in Article 6 of the Arrangement Agreement
"**Court**"	the Ontario Superior Court of Justice (Commercial List) in Ontario, Canada or other court, as applicable
"**COVID-19**"	the recent outbreak of a novel coronavirus (SARS-CoV-2) and related respiratory disease (coronavirus disease (COVID-19)
"**Credit Agreement**"	has the meaning given to it in the sub-paragraph entitled "*TSG syndicated facility agreement*" in paragraph 6.2 of Part VI (*Additional Information*) of this Circular

"**CREST**"	the relevant system (as defined in the CREST Regulations) in respect of which Euroclear UK & Ireland Limited is the operator (as defined in the CREST Regulations) in accordance with which securities may be held and transferred in uncertificated form
"**CREST Proxy Instruction**"	the instruction whereby CREST members can send a CREST message appointing a proxy for the meeting and instructing the proxy on how to vote
"**CREST Regulations**"	the Companies Act 1990 (Uncertificated Securities) Regulations 1996 (SI 68/1996) of Ireland (as amended)
"**CRMC**"	Capital Research and Management Company
"**Disclosure and Transparency Rules**"	the Disclosure and Transparency Rules of the FCA in its capacity as the UK Listing Authority under FSMA and contained in the UK Listing Authority's publication of the same name
"**DST**"	digital services tax
"**EBITDA**"	Flutter defines EBITDA as profit for the year before depreciation, amortisation, impairmanet, financial income, financial expense and tax expense/credit. The basis of calculation of EBITDA (including a reconcilation to IFRS-compliant measures) is contained in Flutter's consolidated income statement in the Flutter 2019 Financial Statements which are incorporated by reference into this Circular (investors are directed to page 103 of the Flutter Annual Report 2019 which is available at https://www.flutter.com/investor-relations/annual-reports)
"**Effective**"	the Combination having become effective pursuant to the terms of the Plan of Arrangement
"**Effective Date**"	the date of Completion
"**Effective Time**"	03:00 a.m. (Eastern time) on the Effective Date, or such other time as the parties agree to in writing before the Effective Date in accordance with the terms of the Arrangement Agreement
"**EU**"	the European Union
"**EUPAC**"	EuroPacific Growth Fund
"**EU Prospectus Regulation**"	Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC
"**EUR First Lien Term Loan**"	has the meaning given to it in the sub-paragraph entitled "*TSG syndicated facility agreement*" in paragraph 6.2 of Part VI (*Additional Information*) of this Circular
"**EURIBOR**"	the Euro Interbank Offered Rate
"**Euro**" or "**€**"	to the lawful currency of participating member states of the European Union
"**Euronext Dublin**"	The Irish Stock Exchange plc, trading as Euronext Dublin
"**Euronext Dublin Market**"	the Euronext Dublin Market, operated by Euronext Dublin
"**Exchange Ratio**"	0.2253 of a New Flutter Share for each TSG Share held
"**Extraordinary General Meeting**" or "**EGM**"	the extraordinary general meeting of the Company convened for 11.00 a.m. on 21 April 2020, or any adjournment thereof, as set out in the Notice of EGM
"**FanDuel**"	the US-based bookmaker and daily fantasy sports provider, majority owned by Flutter
"**FanDuel Group**"	Flutter's US division, following the acquisition of FanDuel

"**Fastball Term Sheet**"	has the meaning given in paragraph 6.1 of Part VI (*Additional Information*) of this Circular
"**FCA**"	the Financial Conduct Authority or its successor from time to time
"**Filing Date**"	the date on which the Articles of Arrangement are filed with the OBCA Director, as set out in the Arrangement Agreement
"**Final 2019 Dividend**"	the final dividend of 133 pence per Flutter Share declared by the Flutter Board for the financial year ended 31 December 2019, in the form of ordinary shares of Flutter, to be approved by a requisite majority of the Flutter Shareholders at Flutter's 2020 annual general meeting
"**Final Order**"	the final order of the Court pursuant to section 182(5) of the OBCA in a form acceptable to Flutter and TSG, each acting reasonably, approving the Arrangement, as such order may be amended, modified, supplemented or varied by the Court (with the consent of Flutter and TSG, each acting reasonably) at any time prior to the Effective Date or, if appealed, then, unless such appeal is withdrawn, abandoned or denied, as affirmed or as amended (provided that any such amendment is acceptable to Flutter and TSG, each acting reasonably) on appeal
"**Flutter**"	Flutter Entertainment plc, incorporated in Ireland with registered number 16956
"**Flutter 2017 Annual Report and Accounts**"	the Flutter annual report and accounts for the financial year ended 31 December 2017
"**Flutter 2018 Annual Report and Accounts**"	the Flutter annual report and accounts for the financial year ended 31 December 2018
"**Flutter 2019 Annual Report and Accounts**"	the Flutter annual report and accounts for the financial year ended 31 December 2019
"**Flutter 2019 Financial Statements**"	the audited consolidated financial statements of Flutter for the financial year ended 31 December 2019 as set out on pages 97 - 166 of the Flutter 2019 Annual Report and Accounts which are incorporated by reference into this Circular
"**Flutter Ancillary Resolutions**"	Resolutions 3 to 5
"**Flutter Board**" or "**Directors**"	the directors of the Company as at the date of this Circular, whose names are set out on page 3
"**Flutter Board at Completion**"	the proposed board of directors of Flutter immediately following Completion, further details of which are set out in this Circular
"**Flutter Group**"	Flutter and its subsidiary undertakings and associated undertakings
"**Flutter Share Plans**"	the Betfair Group plc 2009 Long Term Incentive Plan, the Betfair Group plc Deferred Share Incentive Plan, the Flutter Entertainment plc Sharesave Scheme (together with the Australia, Bulgaria, Gibraltar, Italy, Malta, Portugal, Romania, UK and US Schedules), the Flutter Entertainment plc 2015 Long Term Incentive Plan (together with the Australian and US Appendices and the Clawback Appendix); the Flutter Entertainment plc 2015 Medium Term Incentive Plan (together with the Australian and US Appendices and the Clawback Appendix); the Flutter Entertainment plc 2015 Deferred Share Incentive Plan (together with the Australian and US Appendices and the Clawback Appendix), the Flutter Entertainment plc 2015 Restricted Share Plan (together with the Australian and US Appendices and the Clawback Appendix) and the TSE Holdings Ltd FanDuel Group Parent LLC Non-Resident Employee Share Award Agreements, each as amended, operated by the Flutter Group
"**Flutter Shareholders**"	holders of Flutter Shares from time to time

"**Flutter Shares**"	ordinary shares of €0.09 each in the capital of Flutter which, following Admission, will include the New Flutter Shares
"**Form of Proxy**"	the form of proxy accompanying this Circular for use by Flutter Shareholders at the EGM
"**FOX**"	FOX Corporation
"**FOX Bet**"	an online and mobile sports betting product developed between TSG and FOX Sports
"**FOX Bet Agreements**"	has the meaning given to it in the sub-paragraph entitled "*Agreements relating to FOX Bet*" in paragraph 6.2 of Part VI (*Additional Information*) of this Circular
"**FOX Bet Commercial Agreement**"	has the meaning given to it in the sub-paragraph entitled "*Agreements relating to FOX Bet*" in paragraph 6.2 of Part VI (*Additional Information*) of this Circular
"**FOX Bet Subscription Agreement**"	has the meaning given to it in the sub-paragraph entitled "*Agreements relating to FOX Bet*" in paragraph 6.2 of Part VI (*Additional Information*) of this Circular
"**FOX Bet Trademark Agreement**"	has the meaning given to it in the sub-paragraph entitled "*Agreements relating to FOX Bet*" in paragraph 6.2 of Part VI (*Additional Information*) of this Circular
"**FOX Sports**"	the sports programming division of FOX;
"**FOX Sports Super 6**"	a nationwide (excluding Washington) free-to-play game in the United States that awards cash prizes to players who correctly predict the outcome of sports games launched by FOX Bet
"**FOX Term Sheet**"	has the meaning given in paragraph 6.1 of Part VI (*Additional Information*) of this Circular
"**FSMA**"	the Financial Services and Markets Act 2000, as amended
"**Full Tilt**"	an Irish online poker cardroom and online casino owned by TSG
"**GDPR**"	the General Data Protection Regulation (Regulation (EU) 2016/679)
"**GILTI**"	global intangible low-taxed income
"**Goldman Sachs**"	Goldman Sachs International
"**IFRS**"	International Financial Reporting Standards
"**Interim Order**"	the interim order of the Court pursuant to section 182(5) of the OBCA providing for, among other things, the calling and holding of the TSG Shareholder Meeting, as the same may be amended by the Court with the consent of Flutter and TSG, each acting reasonably
"**Ireland**"	Ireland excluding Northern Ireland and the word "**Irish**" shall be construed accordingly
"**Irish High Court**"	the High Court of Ireland
"**Irish Listing Rules**"	Book I: Harmonised Rules of the Euronext Rule Book and Book II: Listing Rules of Euronext Dublin, taken together
"**Irish Market Abuse Law**"	has the meaning specified in section 1365(1) of the Companies Act 2014
"**Irish Prospectus Regulations**"	the European Union (Prospectus) Regulations 2019 (SI No 380/2019)
"**ISP**"	internet service provider
"**Kentucky Proceeding**"	has the meaning given to it in paragraph 7.2 of Part VI (*Additional Information*) of this Circular
"**Latest Practicable Date**"	close of business on 25 March 2020, being the latest practicable date prior to the publication of this Circular
"**LIBOR**"	the British Bankers' Association London Interbank Offered Rate

"**Listing Rules**"	the rules and regulations made by the FCA under Part VI of the FSMA and contained in the FCA's publication of the same name
"**London Stock Exchange**"	the London Stock Exchange plc
"**Long Stop Date**"	31 October 2020 or such later date as may be extended by: (i) either of Flutter or TSG, for up to two consecutive periods of 90 days in circumstances where certain regulatory approvals and gaming consents remain outstanding when all other Conditions have been satisfied or waived; or (ii) mutual consent of both Flutter and TSG
"**Market Abuse Regulation**"	Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (market abuse regulation) and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC
"**Material Adverse Effect**"	has the meaning given to it in the Arrangement Agreement
"**Market Conduct Rules**"	the Central Bank (Investment Market Conduct) Rules 2019 (SI No 366/2018), as amended from time to time
"**MNC**"	multi-national company
"**NASDAQ**"	the NASDAQ Global Select Market
"**Net Debt**"	Flutter defines Net Debt as cash and cash equivalents (comprised of gross cash, excluding customer balances), less gross borrowings (comprised of amounts outstanding under Flutter's term loan facility, revolving credit facility, overdraft and accrued interest on borrowings)
"**Net Debt to Underlying EBITDA (pre-IFRS 16) ratio**"	Flutter defines Net Debt to Underlying EBITDA- ratio (pre-IFRS 16) as Net Debt divided by Underlying EBITDA (pre-IFRS 16)
"**New Flutter Shares**"	the new Flutter Shares to be issued credited as fully paid pursuant to the Combination
"**Notice of EGM**"	the notice of the EGM set out in Part VIII (*Notice of Extraordinary General Meeting*) of this Circular
"**OBCA**"	the Business Corporations Act (Ontario)
"**OBCA Director**"	the Director appointed pursuant to section 278 of the OBCA
"**Oddschecker**"	an odds comparison website owned by TSG
"**OECD**"	the Organisation for Economic Cooperation and Development
"**Official List**"	the Official List of the FCA or the Official List of Euronext Dublin (as applicable)
"**Oldford Parties**"	has the meaning given to it in paragraph 7.2 of Part VI (*Additional Information*) of this Circular
"**PJT Partners**"	PJT Partners (UK) Ltd
"**Plan of Arrangement**"	the plan of arrangement substantially in the form and content set forth in Schedule A to the Arrangement Agreement, and any amendments or variations thereto made in accordance with the Arrangement Agreement and the Plan of Arrangement or upon the direction of the Court in the Final Order with the consent of TSG and Flutter, each acting reasonably
"**PokerStars**"	an online poker cardroom owned by TSG
"**PokerStars Casino**"	PokerStars' online casino platform offering games including blackjack and roulette
"**PRA**"	Prudential Regulation Authority

"**Prospectus**"	the prospectus to be published by Flutter in connection with Admission
"**RCMP**"	the Royal Canadian Mounted Police, the federal and national police service of Canada
"**Re-Re-Amended Derome Class Action**"	*Derome* v. *TSG Inc. et al.* (Case No. 500-06-000785), a re-re-amended motion for authorisation of a class action and for authorisation to bring an action pursuant to Quebec securities law filed in the Superior Court of Quebec on or about 25 July 2018 in Province of Quebec, Canada, District of Montreal, amending a prior class action complaint previously filed in early 2016
"**Regulatory Information Service**"	a regulatory information services authorised by the FCA to receive, process and disseminate regulatory information in respect of listed companies, as defined in the UK Listing Rules
"**Resolutions**"	the resolutions to be proposed at the EGM, the text of which is set out in the notice convening the EGM at page 393 of this Circular
"**Resolution 1**"	the resolution to be proposed at the EGM to approve the Combination, being resolution 1 as set out in the Notice of EGM, with any permitted amendments thereto
"**Resolution 2**"	the resolution to be proposed at the EGM to authorise the directors of Flutter to allot New Flutter Shares for the purposes of the Combination, being resolution 2 as set out in the Notice of EGM, with any permitted amendments thereto
"**Resolution 3**"	the resolution to be proposed at the EGM, being resolution 3 as set out in the Notice of EGM, with any permitted amendments thereto
"**Resolution 4**"	the resolution to be proposed at the EGM, being resolution 4 as set out in the Notice of EGM, with any permitted amendments thereto
"**Resolution 5**"	the resolution to be proposed at the EGM, being resolution 5 as set out in the Notice of EGM, with any permitted amendments thereto
"**Resolution 6**"	the resolution to be proposed at the EGM, being resolution 6 as set out in the Notice of EGM, with any permitted amendments thereto
"**Revolving Credit Facility Agreement**"	the revolving credit facility agreement originally dated 18 May 2015 between, among others, the Company as a borrower and Lloyds Bank plc as agent of the finance parties specified therein, as amended and restated pursuant to the terms of amendment and restatement agreements dated 26 April 2018 and 10 May 2019
"**SBG Acquisition**"	the acquisition of SBG by a subsidiary of TSG
"**SBG Business**"	the businesses operated by SBG at the time of the SBG Acquisition, including Sky Bet, Sky Bingo, Sky Casino, Sky Poker and Sky Vegas
"**Securities Act**"	the US Securities Act of 1933, as amended, and the rules and regulations made thereunder
"**Sky**"	Sky Limited, a company incorporated in the UK
"**Sky Advertising Agreement**"	the advertising services agreement dated as of 19 March 2015 between Sky UK Limited and Bonne Terre Limited, as amended
"**Sky Bet**"	SBG's online betting brand
"**Sky Betting and Gaming**" or "**SBG**"	Cyan Blue Topco Limited, a UK-based gambling company indirectly owned by TSG and its subsidiaries and affiliates
"**Sky Bingo**"	SBG's online bingo brand

"**Sky Brand Licence**"...............................	the brand licence agreement dated 19 March 2015 between Sky plc, Sky UK Limited, Sky International AG, Sky Italian Holdings S.P.A. and TSG's subsidiary Cyan Blue IPCO Limited
"**Sky Casino**"...	SBG's online casino brand
"**Sky Commercial Relationship Agreement**" or "**Sky CRA**"	the commercial relationship agreement dated 19 March 2015 between Sky UK Limited and Bonne Terre Limited
"**Sky Deed of Variation**"	has the meaning given to it in the sub-paragraph entitled "*TSG deed of variation and amendment*" in paragraph 6.2 of Part VI (*Additional Information*) of this Circular
"**Sky Poker**"	SBG's online poker brand
"**Sky Vegas**"	SBG's online gaming brand
"**Sportsbet**"	Flutter's Australian subsidiary, Sportsbet Pty Limtied with regsitered number 088326612
"**Stars Interactive Group**"........................	Stars Interactive Holdings (IOM) Limited, previously named Oldford Group Limited, and its subsidiaries and affiliates
"**Superior Proposal**"................................	has the meaning given to it in the Arrangement Agreement
"**Term Loan Facility Agreement**"	the £250,000,000 term loan facility agreement dated 10 May 2019 between, among others, the Company as a borrower and Lloyds Bank plc as agent of the finance parties specified therein
"**Term Sheets**".......................................	has the meaning given in paragraph 6.1 of Part VI (*Additional Information*) of this Circular
"**TLA/RCF Facilities Agreement**"............	the term loan A and revolving credit facility agreement dated 11 March 2020 between, among others, the Company as a borrower and Lloyds Bank plc as agent of the finance parties specified therein
"**Transparency Regulations and Rules**"	the Transparency (Directive 2004/109/EC) Regulations 2007 (SI No 277 of 2007) as amended by the Transparency (Directive 2004/109/EC) Regulations 2017 (SI No 336 of 2017) and Part 2 of the Market Conduct Rules
"**TSG**"	TSG Inc., a corporation existing under the laws of the Province of Ontario
"**TSG 2019 Financial Statements**"............	the audited consolidated financial statements of TSG for the financial year ended 31 December 2019 as set out in Section A of Part IV (*Historical Financial Information for the TSG Group*) of this Circular
"**TSG AIF**"	the TSG Group's annual information form for the year ended 31 December 2019
"**TSG Board**"	the board of directors of TSG from time to time, comprising, at the date of this Circular, Divyesh (Dave) Gadhia, Rafael (Rafi) Ashkenazi, Alfred F. Hurley, David Lazzarato, Eugene O. Roman and Mary Turner
"**TSG Circular**"	the notice of the TSG Shareholder Meeting and accompanying management information circular, including all schedules, appendices and exhibits thereto and enclosures therewith, including information incorporated therein, to be sent to the TSG Shareholder in connection with the TSG Shareholder Meeting, as amended, supplemented or otherwise modified from time to time
"**TSG Dissent Rights**".............................	the rights of dissent in respect of the Arrangement granted to the registered TSG Shareholders pursuant to the Interim Order and the Plan of Arrangement, and as described in the Plan of Arrangement
"**TSG Dissenting Shareholder**"	a registered TSG Shareholder who has duly and validly exercised its TSG Dissent Rights pursuant to the Plan of Arrangement and has not withdrawn or been deemed to have withdrawn such exercise of TSG Dissent Rights, but only in respect of the TSG Shares for which TSG Dissent Rights have been validly exercised by such registered TSG Shareholder

"**TSG DSUs**"	deferred share units issued under the TSG Equity Plan
"**TSG Employee Stock Purchase Plan**"	TSG Inc. Stock Purchase Plan, dated 2 August 2017, as may be amended from time to time
"**TSG Equity Awards**"............................	each TSG RSU, TSG DSU, TSG PSU, or similar interest covering TSG Shares granted pursuant to the TSG Equity Plan, but not including a TSG Option
"**TSG Equity Plan**"	the equity incentive plan dated 22 June 2015, as amended, of TSG
"**TSG First Lien Term Loan**"	has the meaning given to it in the sub-paragraph entitled "*TSG syndicated facility agreement*" in paragraph 6.2 of Part VI (*Additional Information*) of this Circular
"**TSG Group**"..	TSG and its subsidiary undertakings and associated undertakings
"**TSG Interactive**"..................................	TSG Interactive US Services Ltd
"**TSG Note Issuers**"................................	Stars Group Holdings B.V. and Stars Group (US) Co-Borrower, LLC
"**TSG Option Plan**"................................	the stock option plan dated 21 July 2010, as amended, of TSG
"**TSG Options**"	the options to purchase TSG Shares granted under the TSG Share Plans
"**TSG PSUs**"..	performance share units issued under the TSG Equity Plan
"**TSG PSUs 2017**"	TSG PSUs issued in calendar year 2017
"**TSG PSUs 2018**"	TSG PSUs issued in calendar year 2018
"**TSG PSUs 2019**"	TSG PSUs issued in calendar year 2019
"**TSG Resolution**"	the special resolution of the TSG Shareholders approving the Combination and the Plan of Arrangement to be considered at the TSG Shareholder Meeting
"**TSG Revolving Facility**"	has the meaning given to it in the sub-paragraph entitled "*TSG syndicated facility agreement*" in paragraph 6.2 of Part VI (*Additional Information*) of this Circular
"**TSG RSUs**"	restricted share units issued under the TSG Equity Plan
"**TSG Senior Note Indenture**"	the indenture governing the TSG Senior Notes dated 10 July 2018
"**TSG Senior Notes**"	the senior notes issued by the TSG Notes Issuers due 2026 at par in an aggregate principal amount of $1.00 billion
"**TSG Share Plans**"	the TSG Option Plan and the TSG Equity Plan
"**TSG Shareholder Meeting**"	the special meeting of TSG Shareholders, including any adjournment or postponement thereof, to be called and held in accordance with the Interim Order to consider the TSG Resolution
"**TSG Shareholders**"	holders of TSG Shares from time to time
"**TSG Shares**"..	the common shares in the capital of TSG
"**TSX**"	Toronto Stock Exchange
"**TVG**"	Flutter's US online horseracing advanced deposit wagering business
"**UK Corporate Governance Code**"...........	the UK Corporate Governance Code, published by the Financial Reporting Council
"**Underlying Earnings Per Share**"............	Flutter defines Underlying Earnings Per Share as earnings per share, adjusted to exclude separately disclosed items that are not part of the usual business activity of the Flutter Group and are also excluded when internally evaluating performance

"**Underlying EBITDA**"	Flutter defines Underlying EBITDA as EBITDA, adjusted to exclude separately disclosed items that are not part of the usual business activity of the Flutter Group and that are also excluded when internally evaluating performance. Separately disclosed items in respect of the years ended 31 December 2019 and 31 December 2018 are described in more detail in Note 4 to the Flutter 2019 Financial Statements and Note 4 to the Flutter 2018 Financial Statements. The basis of calculation of Underlying EBITDA (including a reconciliation to IFRS-compliant measures) is contained in Flutter's consolidated income statement in the Flutter 2019 Financial Statements (where it is referred to as EBITDA before separately disclosed items) which are incorporated by reference into this Circular (investors are directed to page 103 of the Flutter Annual Report 2019 which is available at https://www.flutter.com/investor-relations/annual-reports)
"**Underlying EBITDA (pre-IFRS 16)**"	Flutter defines Underlying EBITDA (pre-IFRS 16) as Underlying EBITDA, adjusted to include lease expenses from leases previously categorised as operating leases prior to the introduction of IFRS 16 within the calculation of Underlying EBITDA. The basis of calculation of Underlying EBITDA (pre-IFRS 16) (including a reconciliation to IFRS-compliant measures) is contained on page 44 of the Flutter Annual Report 2019 which is available at https://www.flutter.com/investor-relations/annual-reports
"**United Kingdom**" or "**UK**"	the United Kingdom of Great Britain and Northern Ireland
"**US Exchange Act**"	the United States Securities Exchange Act of 1934
"**USD First Lien Term Loan**"	has the meaning given to it in the sub-paragraph entitled "*TSG syndicated facility agreement*" in paragraph 6.2 of Part VI (*Additional Information*) of this Circular
"**VAT**"	value added tax
"**WGI**"	World Growth and Income Fund

PART VIII
FLUTTER ENTERTAINMENT PLC
NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting ("**EGM**") of Flutter Entertainment plc (the "**Company**") will be held at 11.00 a.m. on 21 April 2020 at Arthur Cox, Ten Earlsfort Terrace, Dublin 2, D02 T380, Ireland for the purpose of considering and, if thought fit, passing the following resolutions:

Resolutions

1. **As an ordinary resolution**

"That, subject to and conditional on the passing of resolution 2 set out in this Notice, the proposed recommended all-share combination between the Company and The Stars Group Inc. on the terms, and subject to the conditions, of the Arrangement Agreement (as defined in the circular of the Company to its shareholders dated 27 March 2020 (the "**Circular**")) including any ancillary or associated agreements contemplated by the Arrangement Agreement and/or described in the Circular (the "**Combination**"), which constitutes a reverse takeover for the purpose of the Listing Rules of the United Kingdom Financial Conduct Authority, be and is hereby approved and the board of directors of the Company (or any duly authorised committee thereof) be and is hereby authorised:

(a) to do or procure to be done all such acts and things on behalf of the Company and any of its subsidiaries as the directors (or any duly authorised committee thereof) consider necessary, desirable or expedient to implement, or otherwise in connection with, the Combination; and

(b) to agree such modifications, variations, revisions, waivers, extensions, additions or amendments to any of the terms and conditions of the Combination and/or to any documents relating to it, as the directors (or any duly authorised committee thereof) may in their absolute discretion think fit, provided such modifications, variations, revisions, waivers, extensions, additions or amendments are not of a material nature."

2. **As an ordinary resolution**

"That, subject to and conditional on the passing of resolution 1 set out in this Notice, and in addition, and without prejudice, to all existing authorities given to the directors of the Company for the purposes of section 1021 of the Companies Act 2014, the directors of the Company be and are hereby generally and unconditionally authorised to exercise all powers of the Company to allot relevant securities (within the meaning of section 1021 of the Companies Act 2014) up to an aggregate nominal amount of €5,987,861 (66,531,782 ordinary shares of €0.09 each ("**Ordinary Shares**")), being the Ordinary Shares to be allotted pursuant to the Combination; and the authority hereby conferred shall expire on the Long Stop Date (as defined in the Circular), save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry, and the directors may allot any such securities in pursuance of any such offer or agreement as if the authority hereby conferred had not expired."

3. **As an ordinary resolution**

"That, subject to and conditional on completion of the Combination, for the purpose of Article 79 of the Articles of Association of the Company, the number of directors of the Company shall be not more than fifteen nor less than four, unless otherwise determined by the Company in general meeting."

4. **As an ordinary resolution**

"That, subject to and conditional on completion of the Combination, for the purposes of Article 125 of the Articles of Association of the Company, the capitalisation of any amount standing to the credit of the merger reserve account of the Company resulting from the issuance of New Flutter Shares (as defined in the Circular) pursuant to the Combination for the purpose of applying such sum in paying up in full unissued

shares to be allotted as fully paid bonus shares in accordance with the said Article 125 (the "**Capitalisation**") be and is hereby approved and the board of directors of the Company, acting through one or more of the Company's directors, be and is hereby authorised to determine, on behalf of the Company, the amount of the Capitalisation, to determine whether or not to proceed with the Capitalisation and to implement any such Capitalisation in accordance with the provisions of Article 126 of the Articles of Association of the Company."

5. As a special resolution

"That, subject to and conditional on completion of the Combination, the Capitalisation occurring and the confirmation of the High Court pursuant to sections 84 and 85 of the Companies Act 2014:

(a) in accordance with section 84 of the Companies Act 2014, the company capital of the Company be reduced by the cancellation of up to the entire amount of the undenominated capital standing to the credit of the Company's share premium account arising from the Capitalisation and the reserve resulting from the cancellation of such undenominated capital shall be treated as profits available for distribution as defined by section 117 of the Companies Act 2014; and

(b) the board of directors of the Company, acting through one or more of the Company's directors, be and is hereby authorised to determine, on behalf of the Company, the amount of undenominated capital to be reduced pursuant to paragraph (a) of this resolution, provided such amount shall not exceed the amount of undenominated capital created by the Capitalisation, and to proceed to seek the confirmation of the High Court to such reduction of company capital pursuant to sections 84 and 85 of the Companies Act 2014 or to determine not to proceed to seek the confirmation of the High Court at all."

6. As a special resolution

"That Article 60(a) of the Articles of Association of the Company shall be amended to replace the words "ten persons entitled to vote" with "two persons entitled to vote"."

By order of the board of the Company

Edward Traynor.......................................	Registered Office:
Company Secretary	Belfield Office Park
	Beech Hill Road
	Clonskeagh
	Dublin 4
	DO4 V972
	Ireland

27 March 2020

Notes

(1) Any member entitled to attend, speak and vote at the EGM is entitled to appoint a proxy (who need not be a member of the Company) to attend, speak and vote in his/her place. Completion of a Form of Proxy will not affect the right of a member to attend, speak and vote at the EGM in person. A shareholder may appoint more than one proxy to attend and vote at the EGM provided each proxy is appointed to exercise rights attached to different shares held by that shareholder. Should you wish to appoint more than one proxy, please read carefully the explanatory notes accompanying the Form of Proxy. A member may appoint a proxy or proxies electronically by logging on to the website of the registrar, Link Registrars Limited: www.fluttershares.com. Shareholders will be asked to enter the Investor Code (IVC) as printed on their Form of Proxy and agree to certain conditions.

(2) Holders of ordinary shares are entitled to attend and vote at general meetings of the Company (including this EGM). In accordance with the Articles of Association of the Company, notice is hereby given that all resolutions at the EGM are to be decided by way of poll. On a poll vote, every member present in person or by proxy has one vote for every ordinary share of which he/she is the holder. Pursuant to section 190(b) of the Companies Act 2014, where a poll is taken at the EGM, a shareholder, present in person or by proxy, holding more than one share need not cast all of his/her votes in the same way.

(3) As a shareholder, you have several ways to exercise your right to vote:

(a) by attending the EGM in person; or

(b) by appointing (either electronically or by returning a completed Form of Proxy) the Chair of the board of directors of the Company (the "**Board**") or any other person appointed by the Board or another person as a proxy (who need not be a member of the Company) to vote on your behalf; or

(c) by appointing a proxy via the CREST system if you hold your shares in CREST.

(4) If you wish to appoint a proxy other than the Chair of the Board or any other person appointed by the Board, please insert his/her name in the space provided on your Form of Proxy and delete "the Chair of the board of directors of the Company (the "Board") or any other person appointed by the Board" on your Form of Proxy and initial the changes to your Form of Proxy. Please indicate how you wish your proxy to vote by placing an "X" in the relevant boxes on the Form of Proxy. If no specific instructions are given, the proxy will vote or withhold your vote at his/her discretion. The Vote Withheld option is provided to enable you to abstain on any particular resolution. It should be noted, however, that it is not a vote in law and will not be counted in the calculation of the proportion of votes for and against the resolution. Unless otherwise directed and in respect of any other resolutions moved during the EGM, the proxy will vote as he/she thinks fit or abstain from voting.

(5) In the case of joint holders, the vote of the senior holder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other registered holder(s) and, for this purpose, seniority will be determined by the order in which the names stand in the register of members in respect of the joint holding.

(6) To be valid, Forms of Proxy, completed in accordance with the instructions printed thereon, must be lodged with the Company's registrar, Link Registrars Limited, either to P.O. Box 1110, Maynooth, Co. Kildare, Ireland (if delivered by post) or to Link Registrars Limited, Level 2, Block C, Maynooth Business Campus, Maynooth, Co Kildare, W23 F854, Ireland (if delivered by hand or received by the Company at its registered office), by no later than 11.00 a.m. on 19 April 2020 (or, in the case of an adjournment, no later than 48 hours before the time fixed for holding the adjourned meeting).

(7) CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) thereof by using the procedures described in the CREST manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST Proxy Instruction must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by Link Registrars Limited (CREST Participant ID 8RA56) by 11.00 a.m. on 19 April 2020 (or, in the case of an adjournment, no later than 48 hours before the time fixed for holding the adjourned meeting). For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which Link Registrars Limited is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s)), to procure that his CREST sponsor or voting service provider(s) take(s) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35 (5)(a) of the CREST Regulations.

(8) Pursuant to section 1105(2) of the Companies Act 2014 and Regulation 14 of the Companies Act 1990 (Uncertificated Securities) Regulations 1996, the Company hereby specifies that only those shareholders

registered in the register of members of the Company as at 7.00 p.m. on 19 April 2020 (or, in the case of an adjournment, 7.00 p.m. on the day that is two days before the date of the adjourned EGM) shall be entitled to attend, speak, ask questions and vote at the EGM in respect of the number of shares registered in their name at that time. Changes to entries on the register of members after the above-mentioned deadline shall be disregarded in determining the right of any person to attend and vote at the EGM.

(9) Pursuant to section 1104(b) of the Companies Act 2014 and subject to any contrary provision in company law, shareholders, holding at least 3% of the Company's issued share capital representing at least 3% of the voting rights of all shareholders who have a right to vote at the EGM, have the right to table a draft resolution for an item on the agenda, of the EGM. Shareholders are reminded that there are provisions in company law which impose other conditions on the right of shareholders to propose resolutions at the general meeting of a company.

(10) Pursuant to section 1107 of the Companies Act 2014, shareholders have a right to ask questions related to items on the EGM agenda and to have such questions answered by the Company subject to any reasonable measures the Company may take to ensure the identification of Shareholders. An answer is not required if an answer has already been given on the Company's website in the form of a "Q&A" or (b) it would interfere unduly with preparation for the meeting or the confidentiality or business interests of the Company or (c) it appears to the Chair that it is undesirable in the interests of good order of the meeting that the question be answered.

(11) A copy of this Notice of EGM and copies of documentation relating to the EGM, including Forms of Proxy, are available on the Company's website www.flutter.com. To access these documents, select "Proposed combination with The Stars Group" in the Investors section of the website. If you have not received a Form of Proxy, or should you wish to be sent copies of the documents relating to the EGM, you may request this by telephoning the Company's registrar on +353 1 553 0050, emailing cosec@flutter.com or by writing to the Company Secretary at the Company's registered office.

(12) Certain items will not be permitted in the EGM. These include cameras, recording equipment, items of any nature with the potential to cause disorder and such other items as the Chair of the EGM may specify. The Company reserves the right to confiscate these items for the duration of the EGM if they are used to record or otherwise disrupt the EGM.