

**18**

**A YEAR OF TRANSFORMATION**

# ANOTHER STRONG PERFORMANCE

## OVERVIEW

Chairman's introduction 02



For more information on GVC see at a glance on page 4.



Read more about our top stories of 2018 on pages 13 to 23.

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**2018 was a transformational year for the Group with the completion of the Ladbrokes Coral acquisition in March making the Group the largest online-led sports-betting and gaming operator in the world.**

**Excellent operational execution, effective marketing and a strong World Cup helped both the legacy GVC and the acquired Ladbrokes Coral businesses perform ahead of expectations and materially ahead of the market, delivering market share gains in all our major territories.**



Read more about our corporate social responsibility on page 42.



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For more information on GVC's activities and performance, please visit our website: [gvc-plc.com](http://gvc-plc.com)

“2018 WAS A **TRANSFORMATIONAL** YEAR IN WHICH WE CONTINUED TO DELIVER A **VERY STRONG** FINANCIAL PERFORMANCE.”

**Lee Feldman**  
Non-executive Chairman  
5 March 2019



**2018 was a momentous year for the Group, with the acquisition of the Ladbrokes Coral Group on 28 March making the enlarged GVC Group the world's largest online-led sports-betting and gaming company.**

The acquisition has greatly strengthened the Group through the addition of a strong portfolio of brands in well-established markets, leading marketing expertise and the addition of some very talented people. Combined with the existing GVC brands and operational expertise that has already proved so successful, and supported by our leading proprietary technology stack, the enlarged group is very well placed to continue to grow at market leading rates. The repeal of the Professional and Amateur Sports Protection Act (PASPA) legislation in the US in May, effectively enabling each state to legislate and regulate sports-betting for the first time,

is an enormous opportunity. In July, the Group entered into a joint-venture with MGM Resorts to operate online sports-betting and gaming and retail sport-betting operations in the US, as and when states regulate. The combination of brands, technology and market access of the two parent companies provide the opportunity to build a world-class operation in the US.

#### Integration update

The acquisition of the Ladbrokes Coral business completed on 28th March 2018 and the integration of that business is already well progressed. We expect to deliver significant benefits from integrating the Ladbrokes Coral businesses; we have announced £130m cost synergies and we will also benefit from the implementation of best-of-both operational practices. The initial phase of the integration, primarily the implementation of new management and employee structures, has gone well, and it is very pleasing to see the culture of the Ladbrokes Coral businesses fit-in very well with that of the existing GVC business. A key part of the integration is technology, and the migration of the Ladbrokes Coral UK online businesses onto the GVC technology platform. It was pleasing to announce in February that we have reached an agreement with Playtech PLC that will enable us greater flexibility and support for this transition.

#### Financial performance

The performance of the Group in 2018 was very strong. Proforma NGR was 9% ahead on a proforma basis, and underlying proforma EBITDA before separately disclosed items was 13% ahead. Growth in Online was particularly strong, with NGR up 19% and underlying EBITDA also up 19%. This growth was delivered across all our major geographies and brands, with double digit growth NGR in the UK, Germany, Australia, Italy, and Brazil and also in our global partypoker brand. Group proforma underlying operating profit was 19% ahead and we are pleased to announce a second interim dividend of 16p, taking the total 2018 dividend to 32p, an increase of 7% on 2018.

### Corporate activity

Other corporate activity by the Group included the acquisition in May of 51% of Crystalbet, one of the Georgia's leading online sports-betting and gaming operators, with an option to buy the remaining 49% in 2021. The performance of the Crystalbet business post acquisition has been outstanding, and demonstrates the expertise the Group has in identifying acquisitions that are significantly value-enhancing. In November the Group announced the acquisition of Neds, an online sports-betting operator in Australia. This acquisition provides further scale to our existing fast-growing Ladbrokes Australia business in what is a core market for the Group.

### Responsible Gambling

As an industry leader in the markets in which we operate, our commitment to responsible gambling and social responsibility is of paramount importance. We have announced a number of responsible gambling research and education initiatives, backed by a major increase in the level of investment in this area to twice the contribution called for by the sector's responsible gambling organisations. We have also announced a multi-million pound investment into a new community programme that will deliver grants to local good causes who promote grassroots sports and tackle men's health issues, and a three-year partnership with SportsAid, which will deliver funding for 50 aspiring Olympians across the UK.

In the UK, we whole-heartedly support the decision by the Remote Gaming Association of online operators to restrict all TV betting advertising around live-sport in 2019. We will continue to work closely with the Gambling Commission in the UK and support their efforts to provide a safe environment for customers to enjoy their gambling experience.

### Board

As the business evolves, becoming significantly larger and more geographically diversified, it has been important to ensure that the board composition reflects this. In June, Virginia McDowell joined the board as an Independent Non-executive Director. Virginia brings a wealth of industry experience, having worked in the US gaming market for 35 years, most recently as the CEO of NASDAQ listed Isle of Capri Casinos. Also in June, Will Whitehorn stepped down as senior Non-executive Director, with existing

Non-executive Director Stephen Morana taking on that role. In September, Pierre Bouchut joined the board as an Independent Non-executive Director and took the role of Audit Committee Chairman. Pierre has a wealth of experience in senior finance and operational roles at a number of multinational businesses including CFO at Delhaize and Carrefour. He is currently a Non-executive Director and chairman of the audit committee at Hammerson plc and Firmenich SA. In December we announced the resignation of Karl Diacono as Non-executive Director after 10 years serving in that role.

I would like to thank Karl and Will for their service and contribution over their period of board membership. They have both been with us through an exciting corporate journey.

Finally, Chief Financial Officer Paul Bowtell stepped down from his role on 5 March 2019 following seven years as CFO of first Gala Coral, then Ladbrokes Coral plc and then GVC. Paul has left in order to take up a role with Alchemy Partners, the private equity firm. Paul is replaced as Chief Financial Officer by Rob Wood. Rob has been with the group for 7 years and was the CFO of the Ladbrokes Coral UK Retail business having originally joined Coral Retail as the Business Development and Strategy Director.

Rob is a great addition to the Board and his appointment demonstrates the strong bench of talent within GVC. I would like to thank Paul for his invaluable contribution over the years to Gala Coral, Ladbrokes Coral and GVC. I wish him well with his new role.

2018 was a transformational year for the Group, which continued to deliver a very strong financial performance. The combination of our brands, technology, marketing capability and people, alongside our scale, geographic diversification and M&A expertise leaves the Group in a very good position to deliver shareholder value.

GVC will post its 2018 Annual Report to shareholders in the week commencing 29 April 2019 and will be uploaded on our website from that date. The AGM will be held on 5 June 2019.

**Lee Feldman**  
Non-executive Chairman  
5 March 2019

### NGR\*

(£m)

Annual growth

# 3,571.4

+9%

2017: 3,288.1

### Underlying EBITDA\*

(£m)

Annual growth

# 755.3

+13%

2017: 666.5

### Operating Profit\*

(£m)

Annual growth

# 610.1

+19%

2017: 514.1

\* The Group's proforma results are unaudited and presented as if the current Group, post the acquisition of Ladbrokes Coral Group plc, had existed since 1 January 2017. As such, it excludes the results of the Turkish business which was discontinued during 2017 and the 360 shops that the Ladbrokes Coral Group plc was required to divest on the merger of Ladbrokes PLC and the Coral Group. The results of Crystalbet and Neds are included from the dates of acquisition (11 April 2018 and 28 November 2018 respectively) and the results of Kalixa are excluded from the date of disposal (31 May 2017).

# A TRULY GLOBAL OPERATOR

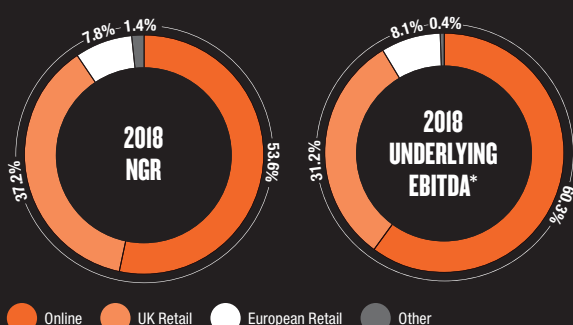
## OUR PURPOSE

**TO PROVIDE THE BEST  
IN CLASS EXPERIENCE  
WHERE PEOPLE CAN ENJOY  
GAMBLING RESPONSIBLY**

## OUR VISION

Our strategy is to build further scale and international diversification through leveraging our proven proprietary technology, established brands and high quality personnel. In an increasingly competitive and regulated industry, we believe scale and diversification will enable us to continue to create shareholder value through capital and income growth.

## OUR DIVISIONS



● Online
 ● UK Retail
 ● European Retail
 ● Other

\* Proforma results are presented as if the current Group, post the acquisition of Ladbrokes Coral Group plc, had existed since 1 Jan 2017. The results of Crystalbet and Neds are included from the date of acquisition (11 April 2018 and 28 November 2018 respectively) and the results of Kalixa are excluded from the date of disposal (31 May 2017).



Read more on [page 33](#).

## GLOBAL SCALE

**>50**

Licences in 20+ jurisdictions

**>20**

Offices worldwide

**>25,000**

Employees and contractors

**19**

Global brands in...

**21**

Languages and...

**19**

Currencies

## MEMBER OF

**FTSE 250**

STRONG BRANDS



LEADING MARKET POSITIONS

ONLINE

**£8.8BN WAGERS**  
PROCESSED IN 2018

- UK #4
- GERMANY #1
- ITALY #3
- AUSTRALIA #3
- BRAZIL #1
- POKER #2

RETAIL

**>7,000 GLOBAL OUTLETS**  
PROCESSING £3.6BN WAGERS IN 2018

- UK #1
- BELGIUM #1
- SPAIN #1
- ITALY #3
- IRELAND #3



PROVEN TECHNOLOGY

We operate a unique proprietary technology platform across all of our product verticals.

**99.88%**

Platform availability

**1,000+**

Technology engineers

**900+**

Games

**28m**

Average casino spins a day

**+**  
Read more on page 32.

# Q&A WITH OUR CEO

**Kenneth Alexander**  
Chief Executive  
5 March 2019

**Q: How is the integration of Ladbrokes Coral progressing?**

**A:** We are delighted with the way the integration is proceeding. Having completed major integrations in the past in the shape of Sportingbet and bwin.party, we've learnt that the first six months are critical to making them a success. You need to identify the best people and ensure they are in the right positions, provide them with the tools they need to execute and then give the freedom to do just that.

With Ladbrokes Coral we inherited a business that was in good shape with a quality management team and the initial stages of the integration could not have gone better operationally.

We are not complacent however and we remain focused on making a success of the migration and in particular the next key hurdle which will be the migration of the Ladbrokes Coral businesses on to our proprietary platform.

**Q: What surprised you in a positive or negative way? What was the biggest challenge?**

**A:** On the plus side, we have been pleasantly surprised by just how good the cultural fit has been between the two sides of the business. That has definitely made the whole integration process much easier. In terms of challenges, there is never any shortage of those but one of the most important was in creating a structure for the enlarged Group without distracting from the day-to-day operations in what was a critically important World Cup year. From that perspective it was a great success.

**Q: The US opportunity seems very exciting. How big an opportunity is this for the Group?**

**A:** In the medium to long term, it is huge. The US market has the potential to be the largest regulated sports-betting market in the world and as I have said on many occasions, our objective is to have a leading position in that market. The structure we have created has put us in the ideal position to deliver on that ambition.

**Q: Why did you decide a partnership with MGM was the best way to enter the market?**

**A:** They really have everything we were looking for in a partner. They are a world leading entertainment business, perhaps the most trusted name in gaming, with the highest quality brands and management and strong sports connectivity. When you combine that with our technology and experience in successfully building online gaming businesses across multiple markets, it creates a formidable combination. The 50:50 structure we have created perfectly aligns our interest and that of our mutual shareholders.

**Q: How long will it take before we start to see the US market take-off?**

**A:** It's going to be a three-to-five year journey before we see the majority of US states regulating sport-betting. In the shorter term we're expecting some of heavily populated North Eastern states such as New York, to regulate maybe the end of 2019 or into 2020.





# “2018 WAS A STRONG YEAR WITH OUTSTANDING PERFORMANCE.”

## Q: Online growth has been particularly strong in 2018 – what were the key drivers of that growth?

**A:** It comes down to getting the fundamentals of our business right and giving customers what they want. We've enhanced the product offer with new features in our sports-betting and poker products and have expanded our casino and gaming portfolio with a great raft of new content.

Our trading operations are also crucial to the success of our digital business. We have built one of the best trading teams in the industry and they have been key to maintaining and improving our margins. Of course the marketing of our product is also fundamental to growth and again I think this is something we are doing better than the competition. Crucially, we believe in local execution of our strategy. We operate in over 20 countries and our teams know the markets in which they operate inside-out.

## Q: How important is it to own your own technology?

**A:** It's absolutely critical. It really sets us apart from our competitors. In some ways we underestimated what we had got with the acquisition of bwin.party and the proprietary tech they had built. We are still discovering the full extent of its capabilities even today. In many ways it makes us the masters of our own destiny by providing the ability to efficiently build scale, to quickly adapt to regulatory change or enter new markets and to deploy new product across multiple brands and territories.

## Q: Having completed the acquisition of Ladbrokes Coral, are you looking at any other M&A targets?

**A:** We are always looking for opportunities that we think would deliver increased shareholder value. In addition to Ladbrokes Coral, over the past year we also acquired a great business in Neds International in Australia as well as a majority stake in Crystalbet based in the fully regulated market of the Republic of Georgia. It is these types of bolt-on acquisitions where we can add value, build scale or enter a new market that are most attractive to us in the short term.

## Q: The industry has come under increasing scrutiny over the social responsibility of its business model, is it doing enough to address concerns of regulators and the wider public?

**A:** I think it's fair to say that the industry has made mistakes in the past and has been too slow to respond to calls for improvements. We are absolutely clear that this has to change and we are committed to leading the industry in driving up standards to ensure we make a positive impact on society. That is why over the past year we have launched a new CSR strategy which outlines our commitments to providing a safer gambling environment, be a responsible employer and contribute to the communities in which we operate.

Of course warm words are not enough on their own. We have backed up our aspirations with meaningful changes which have included leading the industry in agreeing a ban on pre-watershed advertising around sports in the UK, doubling our financial commitment to research, education and treatment measures into problem gambling and creating a working environment where all of our people can thrive.

## Q: What do you enjoy most about your role?

**A:** For all its challenges, this is a fantastic industry to work in and I firmly believe GVC is the best operator in the sector. We provide great entertainment to millions of customers around the world I wouldn't want to be anywhere else.

### A summary of our performance in 2018 is shown below:

Year ended 31 December	Reported <sup>1</sup>		Proforma <sup>2</sup>			
	2018 £m	2017 £m	2018 £m	2017 £m	Change %	Constant currency <sup>3</sup> %
Net gaming revenue (NGR)	2,979.5	815.9	3,571.4	3,288.1	9	9
Revenue	2,935.2	789.9	3,523.6	3,247.6	8	9
Gross profit	2,004.2	575.3	2,404.4	2,256.3	7	
Underlying EBITDA <sup>4</sup>	640.8	211.3	755.3	666.5	13	
Underlying operating profit <sup>5</sup>	520.8	169.2	610.1	514.1	19	
Underlying profit before tax <sup>5</sup>	434.6	151.0				
Loss after tax	(56.4)	(34.9)				
Diluted EPS (p)	(12.2)	(11.6)				
Continuing adjusted diluted EPS <sup>6</sup> (p)	76.3	43.6				
Total Dividend per share (p)	32.0	29.8				

- 2018 and 2017 reported results are audited and reflect the acquisition of the Ladbrokes Coral Group plc on 28 March 2018.
- The Group's proforma results are unaudited and presented as if the current Group, post the acquisition of Ladbrokes Coral Group plc, had existed since 1 Jan 2017. As such, it excludes the results of the Turkish business which was discontinued during 2017 and the 360 shops that the Ladbrokes Coral Group plc was required to divest on the merger of Ladbrokes PLC and the Coral Group. The results of Crystalbet and Neds are included from the dates of acquisition (11 April 2018 and 28 November 2018 respectively) and the results of Kalixa are excluded from the date of disposal (31 May 2017).
- Growth on a constant currency basis is calculated by translating both current and prior year performance at the 2018 exchange rates.
- Stated pre separately disclosed items and shared based payments.
- Stated pre separately disclosed items.
- Adjusted for the impact of separately disclosed items, foreign exchange movements on financial indebtedness and gains on derivative financial instruments (see note 25 in the year end financial statements).

# CHIEF EXECUTIVE'S REVIEW

**2018 WAS A TRANSFORMATIONAL YEAR, WITH THE GROUP BECOMING THE WORLD'S LARGEST ONLINE-LED SPORTS-BETTING AND GAMING OPERATOR FOLLOWING THE ACQUISITION OF THE LADBROKES CORAL GROUP ON 28 MARCH 2018.**

**The Group's global footprint was further enhanced by the announcement of a US joint venture with MGM Resorts on 30 July, and also the acquisitions of the Neds International online sports-betting business in Australia and a controlling interest in Crystalbet, one of Georgia's leading online sport-betting and gaming operators. The performance of both the legacy GVC and the acquired Ladbrokes Coral businesses was excellent with good momentum across all our major business units.**

On a proforma basis Group NGR was 9% ahead of last year. Before the impact of separately disclosed items, Group underlying EBITDA was 13% ahead and Group underlying operating profit was up 19%. On a reported basis, Group underlying profit before tax was £434.6m (2017: £151.0m), and after charging separately disclosed items of £434.2m (2017: £158.8m), Group loss after tax was £56.4m (2017: £34.9m). Adjusted diluted EPS of 76.3p grew by 75%. The Group will pay a second interim dividend of 16p, taking the total 2018 dividend to 32p, an increase of 7% year-on-year. Going forward, the Group has committed to minimum annual dividend growth of 10%. Net debt at 31 December was £1,896.6m representing 2.5x net debt to proforma underlying EBITDA. After absorbing the expected EBITDA impact arising from the cut in B2 stakes to £2 in April 2019, leverage is expected to increase to 3.0x in 2019, after which the Group expects to de-lever by at least 0.5x in each subsequent year.

Online NGR was 19% ahead of last year with growth across all our main brands. The legacy GVC brands continued the strong growth reported throughout 2016 and 2017 driven by the ongoing turnaround of the bwin and partypoker brands. Performance in the Ladbrokes Coral UK online brands was particularly pleasing; Coral.co.uk continues to outperform the market while the growth rate in Ladbrokes.com is very encouraging. It is early days, but there is no doubt that a reinvigoration of the Ladbrokes brand provides a significant opportunity for the Group. The Group took market share in Australia, while the performance in Eurobet.it was also a real positive.

UK Retail NGR was 3% down on a like-for-like basis and 5% on a total basis. Like-for-like OTC wagers were 6% down, in-line with long term trends, and like-for-like OTC NGR was 7% behind. Like-for-like Machines NGR was marginally ahead with growth accelerating in Q4 following the roll-out of new machines cabinets to the Coral and Ladbrokes estates. The UK Retail business faces its biggest challenge with the imminent cut in B2 maximum stakes to £2 on 1 April 2019, which will result in a significant number of shop closures. The estimated adverse Group EBITDA impact of this change is expected to be £135m in 2019, reducing to £120m within 2 years of implementation. Detailed planning and robust mitigation strategies mean the transition to a smaller, right-sized and more sustainable estate can be achieved as smoothly as possible. The UK Retail estate remains a key contributor to UK online growth with customers able to sign-up in shop to Coral.co.uk and Ladbrokes.com through the Coral Connect and Ladbrokes Grid multi-channel offerings. Our commitment to UK Retail is demonstrated by ongoing investment in new machines units, new Self Service Betting Terminals ("SSBTs") and the EPOS2 shop till system, all of which help support the profitability of the business.

European Retail NGR was 16% ahead of last year driven by good volume growth, with OTC wagers 11% ahead. Performance was strong across all the divisions with Eurobet Italy NGR 18% ahead, Ladbrokes Belgium NGR 15% ahead and Ladbrokes Republic of Ireland NGR 10% ahead.

### Integration

The integration of the Ladbrokes Coral Group is progressing well, managed by a team with a wealth of integration and platform migration experience. The integration plan is underpinned by three key principles: firstly, to ensure maximum efficiencies are achieved through both the delivery of cost savings and through sharing best practice operations across the legacy GVC and the acquired Ladbrokes Coral businesses. Secondly, to ensure ongoing growth in the business is not adversely impacted by any integration decisions, and finally, to minimise the impact of the integration on both our customers and our employees.

The Group announced that the Ladbrokes Coral deal would deliver cost synergies of at least £130m and capital expenditure synergies of at least £30m, to be fully delivered by 2022. Around a third of the synergies will be delivered in technology, with the majority being realised when the Ladbrokes and Coral UK online businesses migrate from existing third party technology platforms onto the GVC wholly owned technology platform. New product development will be a priority ahead of the migration, ensuring that growth in the businesses can continue unhindered. Following the announcement of an agreement with Playtech plc, we now have the flexibility to migrate the UK platforms at an earlier date than 2021, and we have commenced.

### US joint-venture

The repeal of the Professional and Amateur Sports Protection Act (PASPA) by the US Supreme Court in May is potentially the biggest single development in sports-betting since online sports-betting in the UK became lawful over 20 years ago. The Group has entered into a joint-venture with MGM Resorts to offer online and retail sports-betting in states as they regulate. We believe the journey to the majority of US states being regulated will take between three and five years, and the immediate focus for the Group is ensuring the structure for a successful business is implemented. MGM's brand and market access, and GVC's technology and sports-betting experience is a powerful combination that will enable the joint venture to capitalise on this very significant opportunity and be a leading player in this new market.

### Corporate activity

In addition to the purchase of Ladbrokes Coral in 2018, the Group undertook a number of other acquisitions. Neds International was acquired in November for an initial consideration of £40m, strengthening our position in Australia, a fast growing market where scale is increasingly important. In April, the Group completed the acquisition of 51% of the Crystalbet Group in Georgia for £36m with an option to buy the remaining 49% in 2021. Post acquisition, the performance of the Crystalbet business has been exceptional, with GVC being able to support a very strong local management team with additional product and support. The Group also acquired two small financial trading businesses during the year, helping deliver greater scale to the existing Intertrader business and broaden the Group's financials trading product range. These acquisitions demonstrate the Group's ability to identify acquisitions that are significantly value-enhancing, and we see further opportunities for value-add "bolt-on" acquisitions in both new and existing regulated territories.

\* The Group's proforma results are unaudited and presented as if the current Group, post the acquisition of Ladbrokes Coral Group plc, had existed since 1 Jan 2017. As such, it excludes the results of the Turkish business which was discontinued during 2017 and the 360 shops that the Ladbrokes Coral Group plc was required to divest on the merger of Ladbrokes PLC and the Coral Group. The results of Crystalbet and Neds are included from the dates of acquisition (11 April 2018 and 28 November 2018 respectively) and the results of Kalixa are excluded from the date of disposal (31 May 2017).

### Online

(£m)

Proforma NGR\*

**1,915.1**

**+19%**

2017: 1,603.8

### UK Retail

(£m)

Proforma NGR/Revenue\*

**1,328.0**

**-5%**

2017: 1,39.1

### European Retail

(£m)

Proforma Underlying Profit\*

**278.8**

**+16%**

2017: 240.9

### Group

(£m)

Proforma Underlying EBITDA\*

**755.3**

**+13%**

2017: 666.5

# KEY ENABLERS

## Technology

Ownership of all elements of our technology platform is a significant competitive advantage. Our technology platform is highly flexible and enables us to release new products and features quickly and make rapid changes to the customer user-journey. Our scalable platform has the capacity to manage major increases in volume at minimal incremental cost. The technology platform serves the legacy GVC business very well and has been fundamental in enabling us to execute our operational delivery and grow the business. The migration of both the Ladbrokes Coral UK online businesses and our US joint venture's online operations onto the GVC technology will bring these benefits to the wider Group.



Read more about our technology platform on [page 32](#).



## Brands and Marketing

The Group now operates 19 brands across multiple territories world-wide. Our brands are well established with high levels of customer recognition, helping consolidate our leading positions in the markets in which we operate in. In particular our multi-channel sports brands (Eurobet, Ladbrokes, Coral) drive faster online growth through cost effective customer recruitment in our retail estates. 2018 saw the launch of new brand campaigns for our main sports-betting online brands ahead of the World Cup. These campaigns resonated well with customers and helped underpin the strong growth in these brands. The enlarged Group now has powerful marketing capability at its disposal, including Return-on-Investment driven analysis and real-time Customer Relationship Management tools. 2018 saw the start of the sharing of "best-of-both" marketing execution between the legacy GVC and Ladbrokes Coral businesses, and a real opportunity lies with the full deployment of this capability across the Group as the businesses come together.



Read more about our brands and marketing on [page 14](#).



## Product

The Group has continued to deliver a strong pipeline of new product and features, helping ensure that the integration of the Ladbrokes Coral business does not come at the expense of business-as-usual operations. Our gaming offering contains the best of both in-house developed and third party content, helping deliver high levels of cross-sell from sports into gaming, while our leading live casino offering is evolving to focus on delivering a more market specific experience. Sports developments included the expansion of our "build-a-bet" offering across brands and improved "stream-and-bet" capability. The Group's ability to "develop once and deploy multiple times" will be further enhanced following the migration of the UK online businesses onto the Group's own technology platform.



Read more about our product development on [pages 20 to 21](#).



## People

Throughout every major acquisition, we have added to the quality and depth of our people, and that has continued with the acquisition of the Ladbrokes Coral Group. The enlarged Group has a management team with a depth and range of experience and capabilities that will enable the excellent operational performance of the business to continue, whilst ensuring the businesses are effectively integrated and our ability to engage in opportunities in new and existing markets is not compromised. As always, our people are key to our success.



Read more about our commitment to social responsibility on [pages 46 to 47](#).



# “WE’VE GOT GREAT TECHNOLOGY AND **HIGHLY TALENTED PEOPLE WITH UNRIVALLED EXPERIENCE.**”

## Regulation

The Group operates across multiple territories and therefore faces into a range of regulatory opportunities and headwinds.

The biggest regulatory news in 2018 was the repeal of PASPA in the US, enabling individual US states to fully regulate both online and retail sports-betting for the first time. The US sports-betting opportunity is significant, and through our joint-venture with MGM Resorts we believe that we are in a very good position to capitalise.

Late in 2018, the Brazilian Parliament authorised the Brazilian Government to regulate both online and retail sports-betting, a process that is expected to take at least two years. A regulated and sensibly taxed Brazilian market represents another major opportunity for the Group.

The Dutch Parliament approved new online gambling regulation on 19 February 2019 – the law will open up the Dutch online gambling market to foreign operators subject to obtaining a local licence and paying a 29 per cent GGR tax. The law permits online sports-betting, casino and poker. First licences under the new regulation are currently expected to be awarded on 1 January 2021.

Also during the year, Spain reduced its online gambling tax rates from 25% to 20% of gross gaming revenue and the Swedish regulatory process concluded with the Group being one of the successful recipients of the new online sports-betting and gaming licences being issued on 1 January 2019.

In the UK, the cut in maximum B2 stakes to £2 will be implemented on 1 April 2019. The business has planned extensively for this material change and we are confident that we can smoothly transition to a smaller estate with a greater share of the market over a period of up to two years. On the same date, Remote Gaming Duty, which is applicable to online gaming gross gaming revenues, will increase from 15% to 21%.

Throughout 2018 the majority of states in Australia confirmed that they were implementing an online Point of Consumption tax applied to sports-betting gross gaming revenue. This tax was effective from 1 July 2017 in South Australia, 1 October 2018 in Queensland, and 1 January 2019 in Victoria, New South Wales, ACT and Western Australia. The blended rate for the Group is 11.5%. Despite this headwind, Australia remains an important, and profitable, territory for us, where we expect to continue to outperform the market.

The ban on foreign operators offering online sports-betting services in Switzerland became effective on 1 January 2019. Licences for online gaming operators will require a partnership with a land-based casino, and are not expected to be issued until the second half of the year at the earliest. Therefore the Group has withdrawn its brands from both the online sports-betting and online gaming markets.

In January 2018, the Group announced that it had received a tax audit assessment for €186.8m from the Greek Audit Centre for Large Enterprises in respect of 2010 and 2011. In the Directors’ opinion, the assessment contained material errors, a view supported by expert tax advice, and was out of all proportion to the size of the Group’s Greek business at the time.

An appeal has been filed with the Administrative Court of Appeal in Athens and we expect our legal case regarding the 2010/11 tax years to be heard in the current year. The Directors remain highly confident that the Appeal Court will also find that the assessment is out of all proportion to the size of the Group’s Greek business at the time.

In order to enable the Group’s subsidiary to trade normally whilst the appeal process takes place, the Group has entered into a payment scheme with the Greek tax authority whereby payments are held on account. The Group continues to pay the monthly instalments for the 2010 and 2011 assessment, and as at 31 December 2018, had paid £87.5m under this scheme. Of this amount, £41.4m has been recorded as a receivable on the balance sheet and the remainder expensed through the income statement (see below). In the event of a successful appeal, recovery of the debtor will be through either a repayment or an ability to offset other tax liabilities.

During the fourth quarter of 2018, the Group made progress in understanding the Greek tax authorities’ position on potential tax for years subsequent to 2011, through the ongoing tax audit work in respect of these years. The Greek tax authorities have requested, and the Group has provided, a significant amount of information. The nature of these enquiries from the tax authorities, refreshed external tax advice received by the Group, and our observations of the experience of other operators, have helped the Group understand better the approach being taken by the Greek tax authorities in relation to these years. As a result, the Group has recognised a charge of £186.8m, representing the Group’s best estimate of the liability for all years from 2010 to 2017. To date £20.3m has been paid by the Group in relation to years subsequent to 2011.

The statutory window in Greece for the tax authorities to conclude their audit work is generally six years from the end of the relevant tax year. As such, both the timing and the conclusions of the tax audits for 2012 to 2017, and any associated tax payments, remains uncertain.

In Italy, the new Government implemented legislation that prohibits all forms of promotion of sports-betting and gaming. The full restrictions come into place on 1 July 2019, and while this will undoubtedly impact overall market growth, we expect to capture online market share, by virtue of our 840-strong retail estate offering a well-established and effective multi-channel solution.

The direction of regulation on a global scale is making the GVC business model increasingly relevant. Scale, international diversification and proprietary technology are valuable assets as barriers to entry in many markets increase. The Group continues to leverage the benefits of its operating model, outgrowing the market while absorbing regulatory headwinds and exploiting regulatory opportunities.

# “OUR AMBITION IS TO BE THE SAFEST AND MOST TRUSTED OPERATOR IN THE WORLD.”

## Brexit

The UK and Gibraltar are scheduled to leave the EU on 29 March 2019 and the Group has identified a number of issues arising from Brexit. Firstly, for legal and regulatory reasons, the Group companies providing our gambling offering to customers in the EU need to be established and licensed in an EU member state. Secondly, under the regulations of some EU countries, the servers hosting our online gambling platform need to be located in an EU member state.

In order to satisfy these requirements, the Group has implemented plans (or, where the timescale allows, has prepared detailed plans that are ready to implement) that involve operating those parts of our business which have customers in the EU under Malta online gambling licenses, and locating servers hosting our online gambling platform in the Republic of Ireland. Our online businesses will continue to be headquartered in Gibraltar and these plans will not have a significant impact on the number of our employees in Gibraltar.

Finally, the Group has made practical contingency arrangements to help employees who live in Spain but work in Gibraltar should there be a significant increase in delays crossing Gibraltar's border with Spain after Brexit.

## Safer Gambling and CSR

The transformation of GVC over the past three years into a global leader in sports-betting and gaming, with over 25,000 employees, has brought with it a commensurate expansion in the requirements of the business to be a leader in the area of corporate social responsibility.

In order to provide the necessary oversight and leadership we established a Board level Corporate Social Responsibility Committee, chaired by Virginia McDowell. We also appointed a Head of CSR, to coordinate our approach with stakeholders across the business and a new Director of Responsible Gambling to help us realise our ambition to be the safest and most trusted operator in the world.

In October 2018, we unveiled our new CSR strategy “Fair Play” which comprises three principal pillars; Safer Gambling, Responsible Employer and Responsible Communities. Under each of these pillars we have rolled-out a number of policies including; a new Group-wide Code of Conduct; a new Diversity and Inclusion (D&I) strategy, with a three-year roadmap towards making us a more inclusive business; the relaunch of the Ladbrokes Coral Trust with major campaigns for The Bobby Moore Fund and Alzheimer's Research UK; a strategic three-year partnership with SportsAid and the establishment of a new GVC Community Fund launching in 2019, backed by an investment of £2m.

Arguably our most important CSR strategic pillar is Safer Gambling. We believe the key to establishing a safer environment for customers to enjoy the services we provide is by working constructively with both national regulators, including the UK Gambling Commission, and our industry peers. We have taken a leading role in cross-industry bodies including the Senet Group and the Remote Gaming Association (RGA), through which we agreed a pre-watershed “whistle-to-whistle” ban on broadcast advertising around sport in the UK, effective from August 2019.

Through such dialogue, we have developed a comprehensive plan called “Changing for the Better”, with the aim to lead the industry in minimising the potential for harm while maximising our collective understanding of the issues associated with problem gambling. The campaign is made-up of a number of key commitments, each backed by substantive initiatives. Highlights include; a five-year, multi-million pound research project with the Division on Addiction, a Harvard Medical School teaching hospital; the roll-out of youth-focused education programmes with GamCare and EPIC Risk Management; the introduction of improved player protection tools; a doubling of donations to organisations focused on research and education into problem gambling and its treatments; and improvements to our product design.

The vast majority of consumers enjoy the industry's products and services, but it is imperative that operators work with regulators and governments to provide a safe environment for all and one that encourages consumers to stay within a regulated arena.

At the end of 2018 we published the Group's first CSR Report which will be refreshed within the Group's forthcoming 2018 Annual Report. We are pleased to report that this increased focus on CSR initiatives has been recognised by two of the leading Environmental, Social, and Governance (ESG) indices. In September 2018 GVC was admitted to the Dow Jones Sustainability Index, while in January 2019 the Group joined the FTSE4Good Index. Both of these admissions followed extensive independent reviews of the Group's ESG policies and practices.

## Current trading and outlook

For the period 1 January 2019 to 24 February 2019:

Trading in the period was strong. Group NGR was 11% ahead of the same period last year. Online NGR was 22% ahead, European Retail 9% ahead and UK Retail LFL NGR 2% behind. This represents an excellent start to the year, and at this early stage, the Board is confident of delivering EBITDA and operating profit in-line with expectations.

## Kenneth Alexander

Chief Executive  
5 March 2019

“2018 WAS A STRONG YEAR WITH  
**OUTSTANDING** PERFORMANCE.”

**Lee Feldman**  
Non-executive Chairman

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# TOP STORIES OF 2018

## THE ENLARGED GVC GROUP NOW OPERATES 19 LEADING BRANDS IN MULTIPLE COUNTRIES ACROSS THE WORLD.

All of our major brands are well established in the regions in which they operate and enjoy high levels of consumer awareness helped by a loyal customer base and innovative marketing.

Operating a portfolio of leading brands provides the Group with a number of operational advantages:

- Well established brands act as barriers to entry
- Operating multiple brands in one market provides an opportunity for customers to move between our brands
- Many of our brands have a distinctive offer and appeal, specifically tailored to local market
- Omni-channel sports brands (Eurobet, Ladbrokes, Coral) drive faster online growth through cost effective online sign-ups in shop

The Group has a proven track record of innovative marketing helping drive market-leading performance and revitalising underperforming brands.

The Group posted a strong 2018 performance in all its major territories, outperforming the market and growing market share. This strong growth is driven by the effectiveness of the GVC online operating model, which leverages the Group's leading proprietary technology and product development capability, applying central marketing expertise alongside local operational execution. Combined with the benefits of scale and geographic diversification, along with the opportunities provided by the integration of the Ladbrokes Coral business and our sports-betting joint-venture in the US with MGM Resorts, the Group is well placed to continue to outperform the market and make further market share gains.

# GLOBAL BRANDS WINNING MARKET SHARE

**+11%**  
NGR GROWTH

Gala Bingo: is the second largest player in the online bingo market in the UK. Customers can participate in scheduled bingo sessions or play slots games and roulette (including live roulette).



**+12%**  
NGR GROWTH

Ladbrokes: an established force on the UK high street for over 50 years and with a growing online and multi-channel presence, the Ladbrokes brand is one of the most recognised in the UK.



Read more about the industry in which we operate on pages 24 to 25.



**+23%**  
NGR GROWTH

bwin: one of Europe's leading online betting brands and is synonymous with sports. It has leading positions in several markets including Germany, Belgium, France, Italy and Spain.



**+61%**  
NGR GROWTH

CrystalBet: launched in 2011, is fully licensed by, and operates in, the Republic of Georgia, where it has a 24% share of the market. It offers sports betting, poker and a range of casino games.



**Market share growth**

	Market position	Proforma NGR growth*
<b>UK</b>	4	
Ladbrokes		+12%
Coral		+16%
Gala Bingo		+11%
<b>GERMANY</b>	1	
bwin		+23%
<b>AUSTRALIA</b>	3	
Ladbrokes		+17%
<b>ITALY</b>	3	
Eurobet		+17%
bwin/Gioco Digitale/ Eurobet		+11%
<b>BRAZIL</b>	1	
Sportingbet/Betboo		+33%
<b>PARTYPOKER</b>	2	
partypoker		+42%

\* FY2018 to FY2017 on a constant currency basis.



**Full House**

partypoker continued its renaissance in 2018, delivering a 42% growth in NGR on a constant currency basis. The brand's resurgence came on the back of a series of improvements to its product offer and the continued success of partypokerLIVE, which has grown into the world's largest poker tour, guaranteeing over \$70,000,000 in prize pools for the 2018/2019 season. In November 2018, partypoker was named Poker Operator of the Year, for the second year running at the prestigious EGR annual industry awards.

**TO BE ABLE TO TEAM UP WITH A PARTNER OF MGM'S PEDIGREE AND KNOWLEDGE IN THE US, IS A REAL OPPORTUNITY FOR GVC.**

14 May 2018 signalled the beginning of a new era in the sports-betting in the US with the repeal of the Professional and Amateur Sports Protection Act (PASPA) by the US Supreme Court. Prior to the repeal only limited sports-betting opportunities existed in the US, primarily in Nevada. Post the repeal of PASPA, all states are now able to legislate and regulate both land-based and online sports-betting. Several states, including New Jersey, Pennsylvania and Mississippi have already launched online and retail sports betting and estimates for the potential size of the overall US market range from £5bn to £20bn – in all cases making it what would be the largest regulated sports-betting market in the world.

#### **US Sports – bet-in-play:**

Bet-in-play has been one of the main drivers of growth in European online markets over the last five years, with around 70% of football bets now being placed in-play. The structure of American football, Baseball, Basketball and Ice Hockey, all high scoring, played over long periods and with multiple breaks in play make these sports ideal for customers to utilise bet-in-play opportunities, adding to the potential growth in size of the US sports-betting market.

# JOINT



#### **playMGM**

Sitting on GVC's proprietary, end-to-end, retail and digital technology platform, playMGM is the joint venture's primary sports and igaming brand. The joint venture, named Roar, has access to MGM's 31+ million-member M life database, and Roar's players will have access to exciting rewards at MGM casinos, hotels, restaurants and events. Leveraging these assets, as well as strategic market access partnerships, Roar aims to be the number one sports-betting and online gaming provider in the US.

**Joint venture with MGM Resorts:**

30 July 2018, GVC announced a joint-venture with MGM Resorts to provide sports-betting services in the US. GVC will provide its expertise in running both online and retail sports-betting, including trading, risk management, online marketing and customer acquisition and retention.

The joint-venture will also use the GVC technology platform, leveraging the highly scalable and cost-efficient platform.

MGM will provide licences to operate in each of the states in which it is located, and in other states through deals with other third party land-based casinos. MGM will also provide its brand "playMGM" as the primary brand for the joint-venture.

The MGM brand is recognised world-wide as one of the leading leisure and entertainment brands, and combined with GVC's technology and sports-betting know-how, the joint-venture is very well placed to take market share.

Whilst the opportunity is significant, we expect it to take between 3-5 years before the sports-betting market is fully up-and-running across the majority of states, with that timescale being largely determined by the rate at which states legislate. 2019 could see several large states, including New York, legislate with the majority of others expected in 2020 and 2021.

The focus of the joint-venture in 2019 is to put the building blocks in place for a successful long-term operation. Adam Greenblatt (previously Director of Strategy and M&A at GVC) was appointed as CEO in October 2018. The Joint venture will be located in New Jersey, and the new offices were opened in 2019. A key milestone will be the launch of the playMGM online offering on the GVC technology platform.



Read more about changes to our regulatory environment on [pages 26 to 27](#).

# FAVOURITES

**WE ARE COMMITTED TO BEING LEADERS IN SAFER BETTING AND GAMING PRACTICES. MAINTAINING A REPUTATION FOR FAIRNESS AND INTEGRITY AND STRENGTHENING OUR CUSTOMER FOCUS ARE ALL VITAL TO GROWING OUR BUSINESS.**

That is why in February 2019 we launched our new global safer gambling strategy, that we call Changing for the Better. The guiding principle of the strategy is to further establish GVC as the most trusted and enjoyable betting operator in the world. The campaign comprises of seven pillars, each of which have substantive projects attached:

# CHANGING FOR THE BETTOR

## 1.

### **Understanding the problem and best solutions**

Including a five-year, multi-million pound research project with the Division on Addiction, Cambridge Health Alliance, a Harvard Medical School teaching hospital (further details below).

## 2.

### **Educating our key stakeholders**

Including the national roll out of youth education programmes with the charity GamCare in the UK – the largest project of its kind in the UK, as well as a state-school awareness campaign with EPIC Risk Management.

## 3.

### **Promoting responsible attitudes**

Leading the industry in recently agreeing a ban on pre-watershed gambling adverts on television, around live sports.

## 4.

### **Empowering customers**

Rolling out the Senet 'markers of harm' algorithm to all UK facing parts of the business.

## 5.

### **Funding treatment for those in need**

Doubling our donation to research, education and treatment on problem gambling to 0.2% of gross gaming revenue (GGR).

## 6.

### **Championing responsible product design**

Developing more responsible product design principles.

## 7.

### **Drive cultural change within our business**

Ensuring that a safer gambling approach underpins all aspects of our business.



Fundamental to GVC's commitment to better understand and reduce the potential for problem gambling behaviour to develop will be investment in rigorous research. Accordingly, the Group will be investing \$5m into a new partnership with Harvard Medical School's Division on Addiction over the next five years. GVC will provide Harvard faculty at the Division with access to anonymised player data across a range of its brands, sports-betting, and gaming products.

The research will be broad ranging, focusing on a number of areas including, but not limited to:

- Patterns of normal internet gambling behaviour
- Behavioural markers of gambling problems among internet players generally and on specific betting and game types
- Cross-product analyses
- Cross-brand analyses
- The effects of the expansion of gambling in new markets

Within this approach, researchers will seek to evaluate the effectiveness of algorithms used by GVC and other operators to detect at-risk behaviours, assess the effectiveness of intervention messaging and the impact of operator's responsible gaming tools.



Read more about our commitment to social responsibility on [pages 42 to 53](#).



# FIT

## FOR THE FUTURE

**£40M**

Investment over the last two years into a new Retail back office and shop till system.

**6,800**

Equinox machines installed to provide our customers with a line-up of the leading gaming content in the industry.

# CORAL

**WHILE THE MAJORITY OF OUR REVENUES (2018: PROFORMA 53%) ARE DERIVED ONLINE, OUR RETAIL OPERATIONS ARE A CORE CONTRIBUTOR TO THE OVERALL GROUP (2018: PROFORMA NGR £1.6BN, PROFORMA EBITDA £317.1M), AND – PARTICULARLY IN THE UK – ARE AMONGST OUR MOST RECOGNISABLE ASSETS.**

Through the historic Ladbrokes and Coral brands, GVC is the UK's largest high street bookmaker, which employed 18,000 people across more than 3,500 shops in 2018.

As noted above (page 11), the reduction in maximum stakes permissible on FOBT machines from £100 to £2, which will be introduced in 1 April 2019 will lead to a reshaping of our retail estate and the closure of around 1,000 shops. We have put in place detailed planning to help manage this change and, where possible, minimise job losses and retain as many of our best people as possible. To enable our UK Retail business to manage these changes we have instigated a modernisation plan, we call Fit for the Future.

We continue to invest in new product. In-house developed Self Service Betting Terminals ("SSBTS") were successfully trialed in a number of shops in 2018. We will build on this encouraging start by rolling-out the new terminals across our estate over the next 18 months. We have also introduced gaming machines units to provide our customers with a line-up of the leading gaming content in the industry.

We have backed our commitment to the UK Retail business with a £40m investment in a new back office and shop till system. The new system provides a much simpler and efficient process for shop staff and will include vastly improved safer gambling tools, including the option for in-shop facial recognition to assist in player behaviour tracking.

Both the Coral and Ladbrokes estates have been at the forefront of the multi-channel customer journey, offering players a seamless transition between online and retail through the industry leading Coral Connect and Ladbrokes Grid offerings. These multi-channel offerings highlight the importance of UK Retail to a multi-channel business and have been major drivers of the successful growth of the Ladbrokes and Coral online businesses. Post the shop closure programme, the Ladbrokes and Coral estates will continue to provide a key role in acquiring new online customers and servicing existing customers.

Throughout this change, our priority remains to provide a safe environment for customers to enjoy their betting experiences. We have a relentless focus on responsible gaming and in the last year alone have launched a number of initiatives to ensure that any signs of problem gambling are identified early and acted upon. The shop environment should be a great place to spend time for both our customers and our staff, and as well as making improvements to our customer offer, we have continued to invest in safety and security upgrades to ensure this.

Simpler and efficient process for shop staff

Vastly improved safer gambling tools

In-shop facial recognition to assist in player behaviour tracking

# 40

In-house developed Self Service Betting Terminals ("SSBTS") were successfully trialed in a number of shops in 2018

THE  
**GRID**

### Market leading multi-channel offering

Our unique market-leading Connect and Grid multi-channel offerings are a core part of our Retail offering. Connect and Grid allow customers to sign-up to the Coral and Ladbrokes online offerings, and seamlessly access their wallet across all products in-store and online. The Connect and Grid offerings are market leading and will be a major advantage in gaining market share post the B2 stakes restrictions in April.

# INTEGRATION ON TARGET





**THE GROUP'S ABILITY TO EFFICIENTLY INTEGRATE BUSINESSES, LARGE AND SMALL WAS DEMONSTRATED FOLLOWING THE LANDMARK ACQUISITION OF LADBROKES CORAL GROUP FOLLOWED BY THE STRATEGIC "BOLT-ON" ADDITIONS OF NEDS INTERNATIONAL (AUSTRALIA) AND A MAJORITY STAKE IN CRYSTALBET (REPUBLIC OF GEORGIA).**

Under the leadership of Shay Segev (Joint COO) the integration team have worked quickly to establish clear integration plans and timelines. These plans are underpinned by three key principles: firstly, to ensure maximum efficiencies are achieved through the delivery of cost savings but also through sharing best practice operations across the legacy GVC business and the acquired businesses. Secondly, to ensure ongoing growth in the business is not adversely impacted by any integration decisions, and finally to minimise the impact on both our employees and our customers.

### Focus on Ladbrokes Coral

#### Technology:

Around a third of the synergies resulting from the Ladbrokes Coral acquisition will be delivered via Technology, with the majority being realised when the Ladbrokes and Coral UK online businesses migrate from the existing third party technology platforms onto the GVC proprietary technology platform.

The GVC team have significant experience of online platform migrations, having successfully migrated multiple major businesses and brands onto the GVC technology platform over the last four years, and this experience will be important in ensuring the customer user experience is not impacted in any way during or after the migration. New product development remains a priority ahead of the migration, ensuring that growth in the businesses can continue unhindered.

#### Marketing:

The Group has identified savings that can be made on its marketing spend through optimising existing contracts and by utilising its increased scale to negotiate improved deals on new contracts.

The advanced marketing techniques that are already deployed in the Ladbrokes Coral business will, over time, be deployed to parts of the legacy GVC business, while the GVC businesses' brand marketing expertise will be used to help the continued reinvigoration of the Ladbrokes brand in the UK.

#### Operational and Support Functions:

The integration plan will deliver a business that is supported by an efficient, flexible and fit for purpose operational and support function. Cost savings will be realised across a number of functions as the Ladbrokes Coral business is fully integrated into the GVC Group.

Efficiencies will be realised as we move to one Trading and Risk Management function and also one Customer Support function. Savings will be also be realised across the majority of support function including HR, Finance and other Corporate functions.

## LADBROKES CORAL

GROUP

### Cost savings

	Cost Synergies (£m)	
	Cumulative Exit Run Rate	Cumulative realised in Year
2018	8.0	5.0
2019	35.0	16.0 – 26.0
2020	78.0	52.0 – 62.0
2021	130.0	104.0 – 114.0
2022	130.0	130

The integration programme commenced in earnest immediately after the acquisition of Ladbrokes Coral was completed, allowing the Group to access benefits including:

- GVC cross-selling expertise applied to the Ladbrokes and Coral brands
- Coral marketing tools rolled out in bwin Germany
- Alignment of the Ladbrokes Coral customer service journey to GVC processes, providing a quicker and more user-friendly customer experience



Read more about our strategic vision on [page 30](#).



### Platform for success

A key part of the integration of the Ladbrokes Coral businesses will be the migration of the UK-facing online brands onto the GVC technology platform. Following the announcement of an agreement with Playtech plc in February 2019, The Group has commenced planning for the migration in the near future.

The transfer of these businesses onto the GVC technology stack will release numerous benefits to the Ladbrokes, Coral and Gala brands including access to a wider range of products, improved user experience and a faster route to market for new product and user experience updates. Operating all of our brands on one platform will enable all parts of our online business to easily share leading product and best-in-class operations.

# THE INDUSTRY IN WHICH WE OPERATE

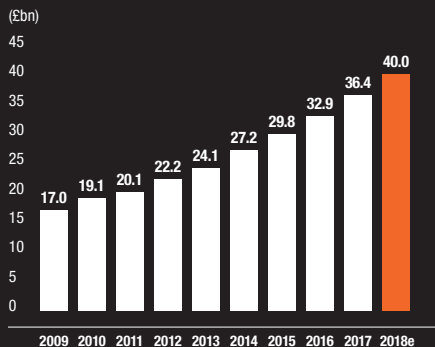


## GLOBAL ONLINE GROWTH

GVC Group operates in the global online gaming market which is estimated to be worth c£40bn in 2018. Over the past ten years the global online gaming grew at 10% CAGR and the market growth from 2017 to 2018 was also 10%.

10%

The global online market grew at 10% CAGR over the last 10 years.

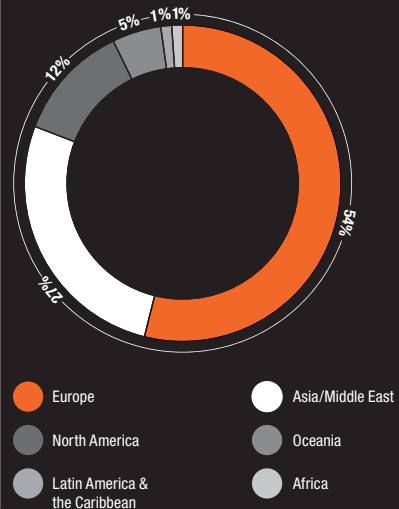


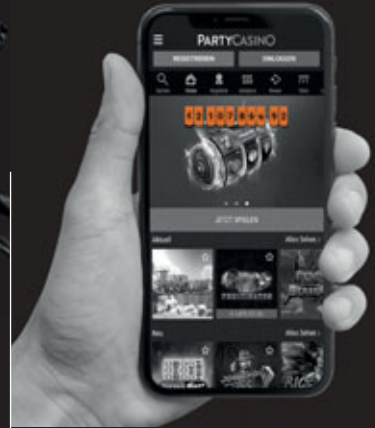
## ONLINE EUROPE

Geographically the Online European market is the largest at 54% of the total online global market in 2018 which grew year-on-year at 12%. GVC Group's Online proforma NGR in Europe represents over 75% of total Group Online in 2018. The next largest market is the unregulated Asia market which represents 27% of the global total followed by North America (12%), Oceania (5%), Latin America (1%), and Africa (1%). GVC also has online operations in Australia, Brazil and the US.

54%

Europe makes up more than half of the global online gaming market.



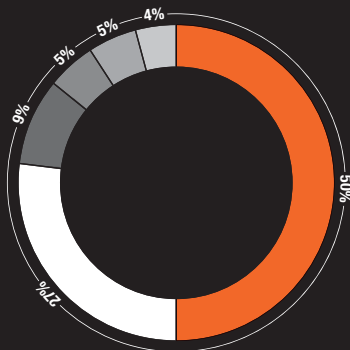


## ONLINE MARKET BY PRODUCT

Online growth has been driven by continued product development across all areas. Online betting, casino, bingo and poker represent 86% of total online gaming revenue which are all offerings the Group delivers.

# 86%

Online betting, casino, bingo and poker made up 86% of all online gambling in 2018, betting and casino were forecast to grow at 10% globally.



- Betting
- Casino
- State lotteries
- Poker
- Skill/Other Gaming/Commercial Lotteries
- Bingo

## RETAIL

Key retail countries GVC operates in includes UK, Italy, Belgium and Republic of Ireland (ROI).

The UK Retail market (excluding lotteries) is estimated to be worth £6bn in 2018. Over the last 10 years the market remains flat with growth in machines offset by the decline in betting. UK Retail betting sector is dominated by four operators which account for 87% of all betting shops. GVC Group operates via the two brands Ladbrokes and Coral as the number one operator.

The Italian betting retail market is estimated to be worth £1bn in 2018. GVC operates via the Eurobet brand as the 3rd largest operator in the market for over the counter sports betting in Italy.

The Belgium and ROI betting market is much smaller estimated to be worth £0.4bn and £0.2bn respectively in 2018. GVC operates in Belgium and ROI via the Ladbrokes brand as the largest operator in Belgium and third largest in ROI.

# 87%

Four operators account for over 85% of all UK betting shops.

	Total market size - £bn	Betting	Casino	Machines	Bingo	Lottery
UK	8.6	16%	14%	33%	4%	32%
Italy	15.3	7%	1%	53%	3%	36%
ROI	1.0	40%	4%	25%	3%	28%
Belgium	1.1	16%	9%	33%	0%	42%

(GVC areas of operations highlighted in orange)

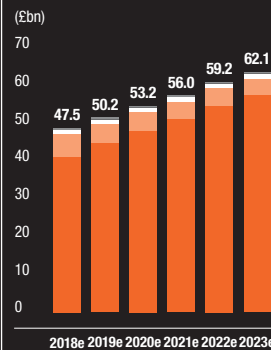
## FORECAST

The Online gaming market is forecasted to grow at 7% CAGR over the next five years driven by product innovation, mobile growth and US regulation of both online and retail sports-betting.

UK Retail betting and gaming is forecasted to decline 6% CAGR between 2018 to 2023 attributed to the anticipated decline in betting and the change to £2 B2 stakes to be implemented April 2019. Refer to "Retail Fit for the Future" on page 21 for further details. In our smaller Retail betting businesses, forecasted growth in Italy, Belgium and ROI is low single digits over the next five years.

# 7%

7% Online gaming is forecast to grow at 7% CAGR between 2018 and 2023.



- Global Online
- Belgium Retail (Betting)
- UK Retail (Betting & Gaming)
- ROI Retail (Betting)
- Italy Retail (Betting)

# REGULATORY UPDATE

## IN 2018, MORE THAN 90% OF GROUP REVENUE WAS GENERATED FROM REGULATED (INCLUDING THOSE IN THE PROCESS OF REGULATING) AND/OR TAXED MARKETS. BELOW WE HIGHLIGHT REGULATORY DEVELOPMENTS IN SOME OF OUR KEY MARKETS.

Gaming is not only a highly regulated industry but it is also one in which regulation evolves rapidly. Good legislation can lead to more stable markets, encourage responsible operators to increase investment and enhance the customer experience and protection. Equally, poorly considered legislation can discourage responsible operators from investment and drive consumers into the hands of those with no regard for responsible gaming. Being a global operator we ultimately face both good and bad legislation. However, a common theme across nearly all markets are rising barriers to market entry, underpinning the Group's strategy of scale, diversification and proprietary technology.



The UK is the Group's largest single market (2018: 57% of revenue) and in 2018 there were a number of significant regulatory developments that will impact the business in 2019 and beyond. In December of last year, the UK Government enacted legislation capping maximum stakes on machines in retail betting offices at £2. A reduction in max stakes to £2 was the base case scenario in the offer for Ladbrokes Coral. The new cap comes into force on 1 April 2019. Remote Gaming Duty in the UK will also rise to 21% from 15% on 1 April 2019.



Italy (2018: 8% of revenue) saw a new Government introduce significant restrictions around the marketing of gaming and betting products, to be fully implemented by 1 July 2019. Whilst the scale of the restrictions are not desirable, our Italian business benefits from a multi-channel approach and the presence of over 850 branded retail outlets. Italy is a market with good demand for gaming and betting products and we don't expect this to materially change, although smaller operators are likely to find it increasingly difficult to compete. Therefore, as one of the leading players we expect to accelerate market share gains. Gaming taxes in Italy were increased as of 1 January 2019, with online sports moving to 24% (22%), retail sports 20% (18%) and online gaming 25% (20%).



Australia (2018: 5% of revenue) saw the individual states confirm their respective point of consumption tax rates. The rates ranged from 8%-15%, with the blended rate for the Group being approximately 11.5%. Australia remains a strong growth market as sports betting shifts from land-based to online. Ladbrokes Australia has continued to grow market share and the acquisition of Neds International created a top three player in an increasingly consolidated market.



In Brazil legislation passed late in the year that will for the first time create a fully regulated sports betting market both offline and online. The legislation is likely to take 2-4 years to fully implement. A regulated and sensibly taxed market is an exciting prospect for consumers and operators alike.



During 2018, Spain reduced online gaming tax to 20% of gross gaming revenue from 25%.



In Belgium VAT was removed from online gaming revenues.

# 2018 TOTAL INTERACTIVE GROSS GAMING REVENUE

# £40BN



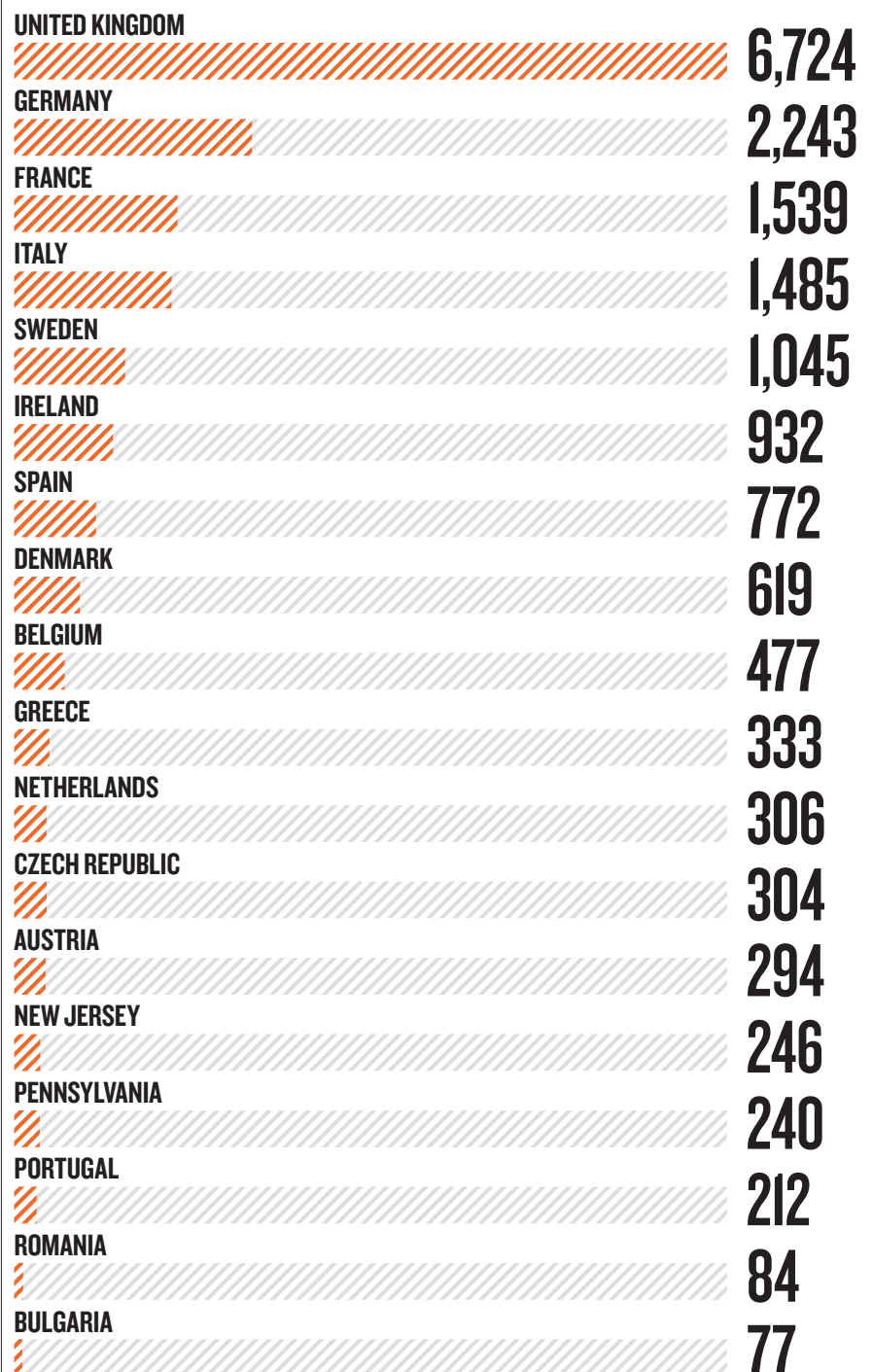
In 2018, the Group was also awarded an online licence in the newly regulated Swedish market. Subsequently bwin and PartyPoker were launched under the new licences on 1 January 2019 (the first day the new licences became active).



New regulation in Switzerland means that from the 1st January 2019, only licensed lotteries will be able to offer sports betting in the country, whilst online gaming licences will only be available to land-based casinos.



Undoubtedly the most exciting development in 2018 was the Supreme Court decision in the US to repeal PASPA, all enabling states to regulate sports betting for the first time. This development could lead to the creation of the largest regulated online sports betting market in the world. Through the joint venture (Roar) with MGM Resorts, GVC has positioned itself to be a major player in the US. More detail on the US opportunity can be found on pages 16 and 17.



# HOW WE CREATE VALUE

## WHAT WE NEED

### BRANDS

Our brands are amongst the most popular in the industry.

+ Read more on page 14.

### PEOPLE

We have been successful in attracting the brightest and the best from within and beyond the gaming industry.

+ Read more on page 46.

### TECHNOLOGY

We operate a unique proprietary technology platform that sets us apart from our competitors and allows us to control our product development.

+ Read more on page 32.

### RELATIONSHIPS

We are partnered with the best and most innovative companies around the world.

+ Read more on page 16.

### SCALE

We have the scale and diversity required to succeed across multiple products and territories.

+ Read more on page 4.

### FINANCIALS

Our excellent financial performance, provides a flexible base from which to invest and succeed.

+ Read more on page 34.

## WHAT WE DO

### BRAND EXPERIENCE

#### GREAT FAMILY OF BRANDS

+ Read more on page 5

#### BEST IN CLASS GAMBLING EXPERIENCE

#### RESPONSIBLE GAMBLING

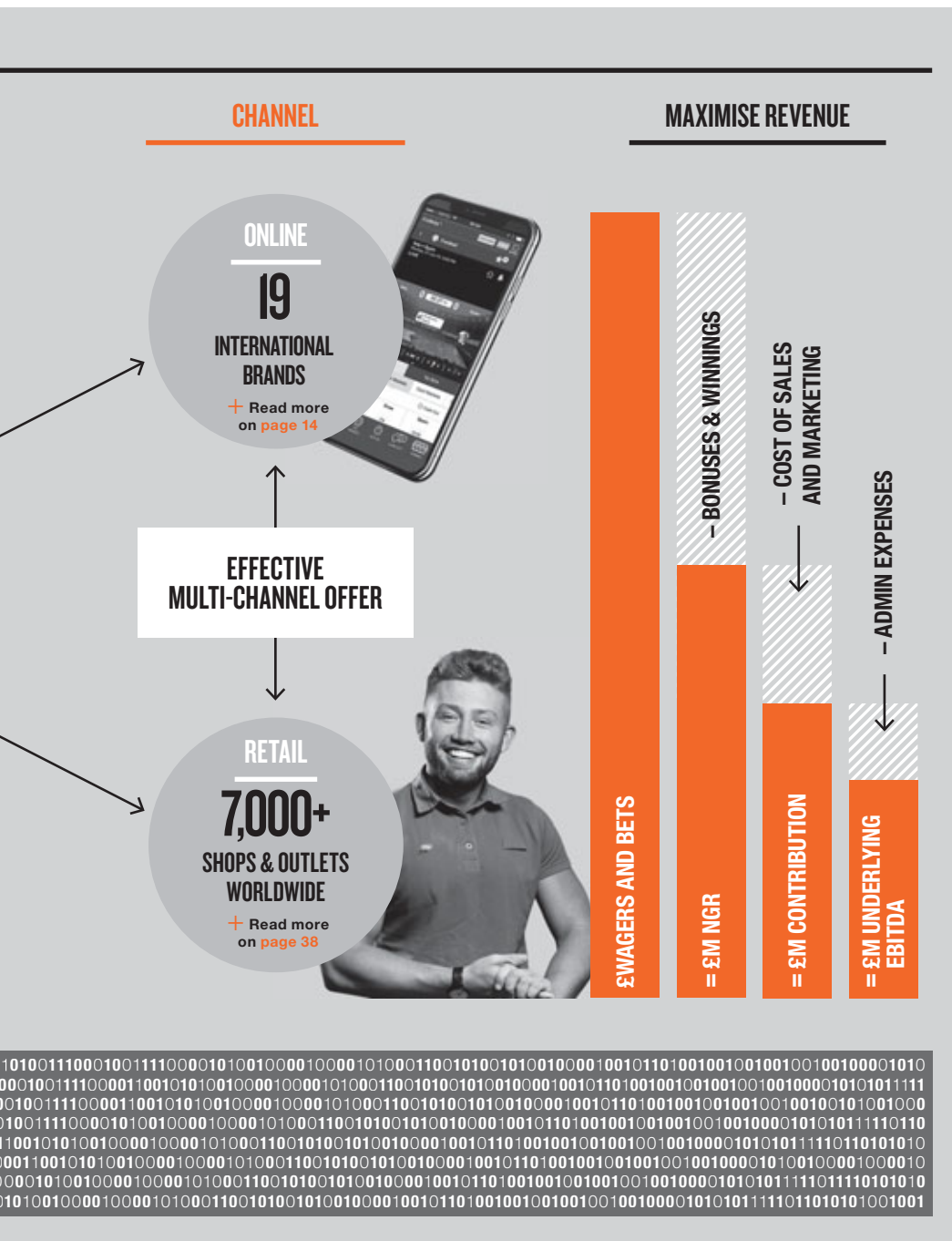
+ Read more on page 44

### MARKETING

#### STRONG, EFFECTIVE MARKETING

We leverage the popularity of our brands through sophisticated CRM systems and the expertise of our marketeers.

## OUR PROPRIETARY TECHNOLOGY PLATFORM



**THE VALUE WE CREATE**

**FINANCIAL**

**POSITIVE RETURNS**

Everything we do is ultimately focused on delivering value to our shareholders.

+ Read more on page 54.

**DIVIDENDS**

We are committed to rewarding our shareholders with a progressive dividend policy.

+ Read more on page 55.

**NON-FINANCIAL**

**GREAT PLACE TO WORK**

We aim to be a destination employer, attracting the best talent.

+ Read more on page 46.

**BEST GAMBLING EXPERIENCE**

We are focused on delivering our customers a great product.

+ Read more on page 10.

**RESPONSIBLE GAMBLING**

We are committed to providing a safe and secure environment for our customers to play in.

+ Read more on page 44.

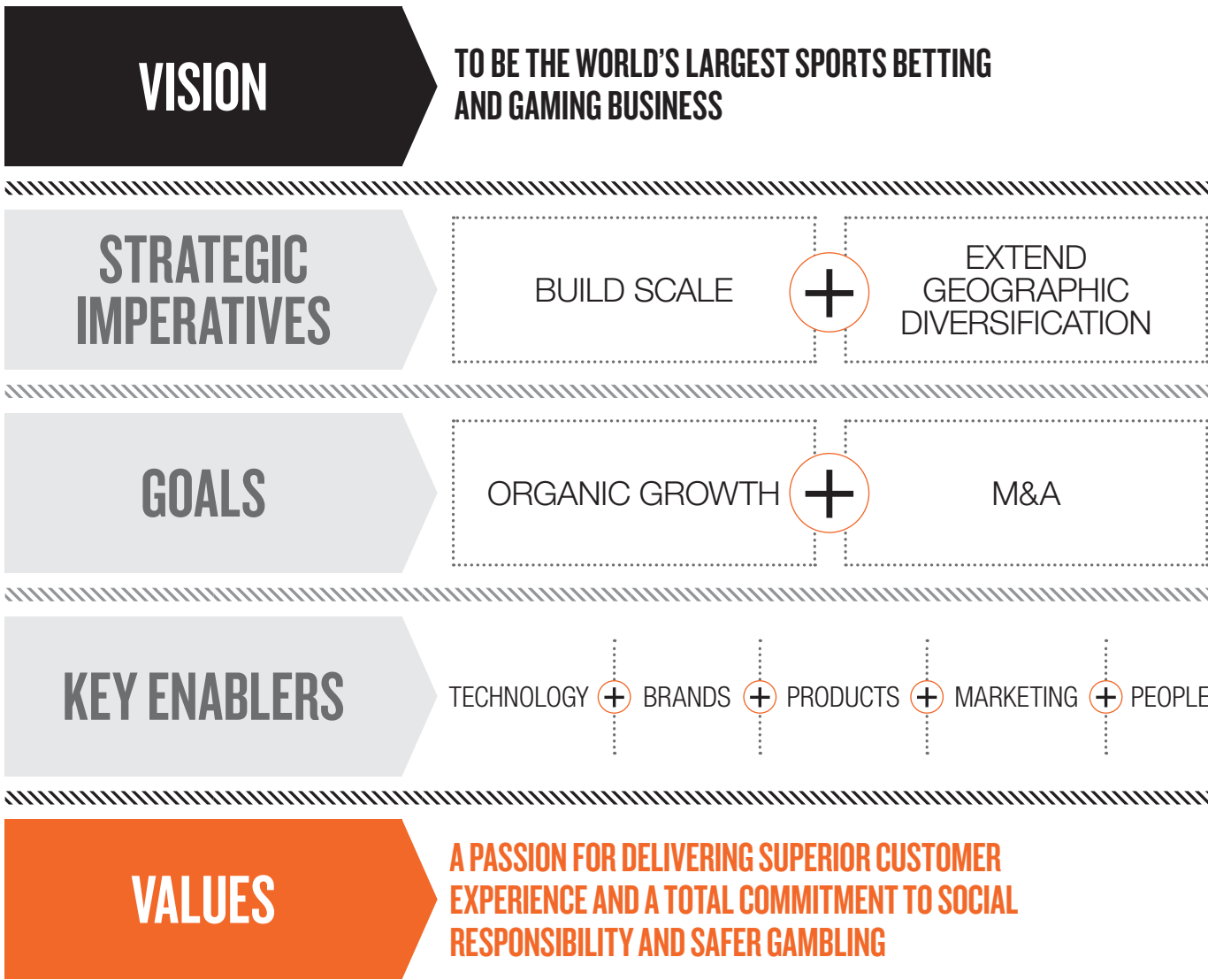
**COMMUNITY ACTIVITY**

We actively support the communities in which we operate.

+ Read more on page 48.

# VISION AND STRATEGY

Our strategy is to increase our scale and international diversification through leveraging our proven proprietary technology, established brands and high quality personnel. In an increasingly competitive and regulated industry, we believe scale and diversification will enable us to continue to create shareholder value through capital and income growth.



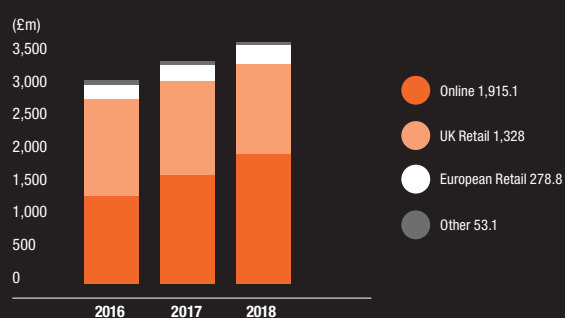


# MEASURING OUR SUCCESS

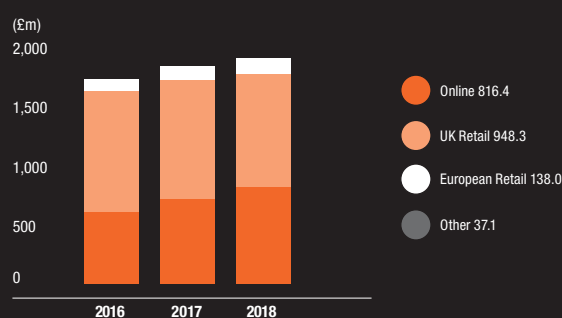
Our key performance indicators used to assess the performance of the business include; Net Gaming Revenue (revenue before deducting VAT); Contribution (revenue less betting taxes, payment service provider fees, software royalties, revenue share and marketing costs); Underlying EBITDA (earnings before interest, taxation, depreciation, amortisation, share based payments, joint venture, separately disclosed items).

The charts show the performance of the Group against these measures on a proforma basis, as if the current Group, post the acquisition of Ladbrokes Coral Group plc, had existed since 1 Jan 2017. The results of Crystalbet and Neds International are included from the date of acquisition (11 April 2018 and 28 November 2018 respectively) and the results of Kalixa are excluded from the date of disposal (31 May 2017).

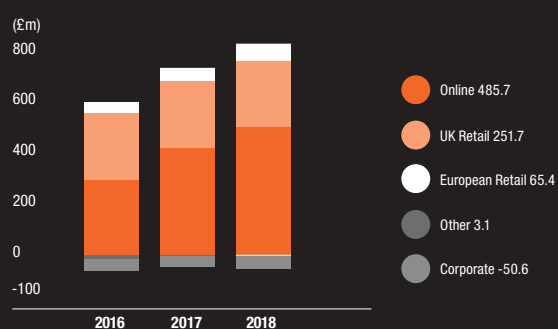
## NGR\*



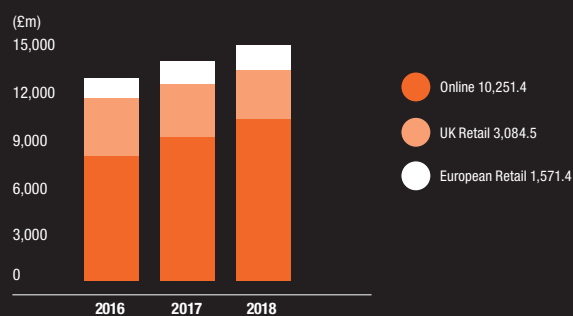
## CONTRIBUTION



## UNDERLYING EBITDA\*\*



## SPORTS WAGERS



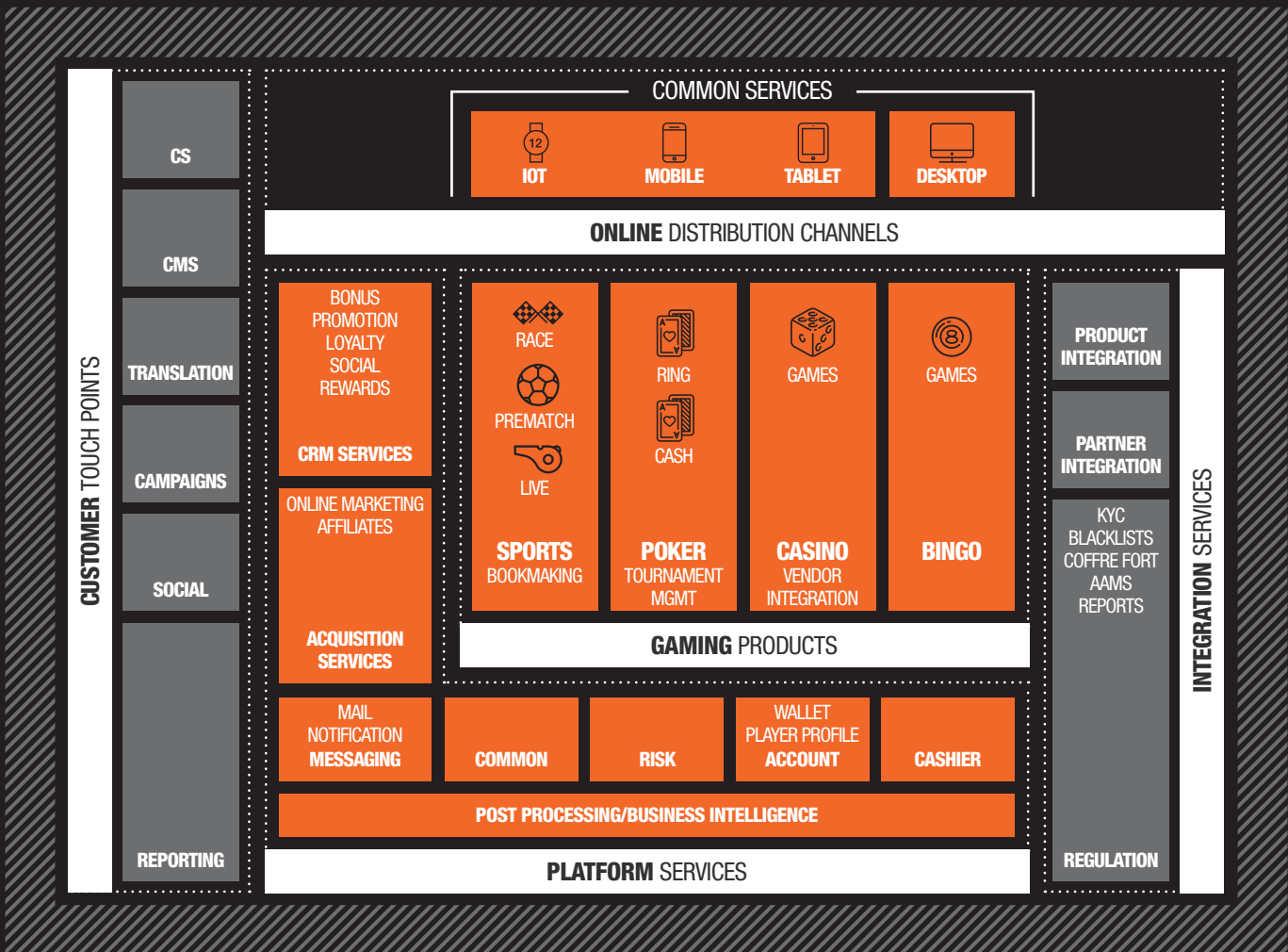
\* excluding internal revenue elimination.

\*\* excluding corporate costs.

# PROVEN TECHNOLOGY PLATFORM

Our market-leading proprietary technology supports our strategic ambition. It enables us to continue to drive product development without relying on third parties and to enter new markets and/or adapt to regulatory changes. It ensures we offer our customers distinct, best in class products and services.

Our technology also has proven scalability in terms of both geographic diversification and volume. This give us flexibility when it comes to organic expansion, but it also presents the opportunity for substantial value creation through M&A such as the recent Ladbrokes Coral acquisition.



# BUSINESS REVIEW

## FINANCIAL RESULTS AND THE USE OF NON-GAAP MEASURES

The reported statutory results for the year ended 31 December 2018 reflect the acquisition of Ladbrokes Coral Group which took place at the close of business on 28 March 2018 and therefore include the results of the Ladbrokes Coral Group from that date only. As such, 2017 reflects the trading for GVC Holdings PLC only as this was prior to acquisition of the Ladbrokes Coral Group.

In order to aid the comparison of year-on-year results, the Directors have deemed it appropriate to provide and analyse proforma results for the combined Group as if it had existed from 1 January 2017. Given the changes in capital structure arising from the acquisition of the Ladbrokes Coral Group, the historical interest, tax and dividend charges are not deemed to be meaningful. As a result, proforma results have only been provided down to operating profit.

Proforma results exclude the results of the Turkish business which was discontinued during 2017 and the 360 shops that the Ladbrokes Coral Group was required to divest on the merger of Ladbrokes and Coral. As a result of IFRS 3 requirements to fair value acquired businesses, proforma depreciation and amortisation charges for the year ended 31 December 2017 and the first 3 months of 2018 may not be comparable with those arising post the acquisition. Therefore, the Directors believe that the provision of underlying EBITDA within the proforma and segmental information, is appropriate as it aids the comparability of “underlying” profit whilst the IFRS 3 impact on depreciation and amortisation annualises. Contribution, which represents gross profit less marketing cost, is a key measure used by the Group in assessing the Online business. Like-for-like is a measure used in UK Retail to measure performance of the shops that have been open in both 2017 and 2018. Both are industry-standard measures.

### The Group operates through five segments:

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Online

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UK Retail

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European Retail

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Other

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Corporate

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# BUSINESS REVIEW

## CONTINUED

The tables below reconcile the reported results to the proforma information for FY 2018 and FY 2017, the latter of which was previously reported in Euros rather than the Group's new reporting currency which is GBP.

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

	Previously reported results in EUR <sup>3</sup>	Restated reported results <sup>4,5</sup>	Ladbrokes Coral trading pre acquisition <sup>6</sup>	Proforma results (unaudited)
<b>2017 results<sup>1</sup></b>				
Net gaming revenue	925.6	815.9	2,472.2	3,288.1
Revenue	896.1	789.9	2,457.7	3,247.6
Gross profit	652.7	575.3	1,681.0	2,256.3
Contribution	454.4	400.7	1,472.1	1,872.8
Underlying EBITDA	239.5	211.3	455.2	666.5
Share based payments	(17.7)	(15.5)	(5.2)	(20.7)
Underlying depreciation & amortisation <sup>7</sup>	(30.0)	(26.7)	(110.3)	(137.0)
Share of JV income	0.1	0.1	5.2	5.3
Underlying group operating profit	191.9	169.2	344.9	514.1

#### Notes

1. Excludes the impact of separately disclosed items.
2. Represents the trading results for the Ladbrokes Coral Group plc for the period 1 January 2018 to 28 March 2018 pre separately disclosed items.
3. Includes a gross profit figure not previously reported.
4. Translated at a rate of GBP1.00:EUR1.13.
5. Excludes the results of the Turkish business included in the 2017 reported figures but now classified as discontinued.
6. Represents the trading results for the Ladbrokes Coral Group plc for the year ended 31 December 2017 pre separately disclosed items and excluding the 360 shops that the Ladbrokes Coral Group was required to sell as part of the merger of Ladbrokes PLC and the Coral Group.
7. Depreciation and amortisation previously reported included amortisation of acquired intangibles of €121.0m which are now classified separately within the income statement.

# BUSINESS REVIEW

## GROUP

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

### Group

Year ended 31 December	Reported results <sup>1</sup>			Proforma results <sup>2</sup>			
	2018 £m	2017 £m	Change %	2018 £m	2017 £m	Change %	Constant currency <sup>3</sup> %
<b>NGR</b>	<b>2,979.5</b>	815.9	265%	<b>3,571.4</b>	3,288.1	9%	9%
VAT/GST	<b>(44.3)</b>	(26.0)	(70%)	<b>(47.8)</b>	(40.5)	(18%)	(21%)
<b>Revenue</b>	<b>2,935.2</b>	789.9	272%	<b>3,523.6</b>	3,247.6	8%	9%
<b>Gross profit</b>	<b>2,004.2</b>	575.3	248%	<b>2,404.4</b>	2,256.3	7%	
<b>Contribution</b>	<b>1,598.8</b>	400.7	299%	<b>1,939.8</b>	1,872.8	4%	
<b>Operating costs</b>	<b>(958.0)</b>	(189.4)	(406%)	<b>(1,184.5)</b>	(1,206.3)	2%	
<b>Underlying EBITDA<sup>4,6</sup></b>	<b>640.8</b>	211.3	203%	<b>755.3</b>	666.5	13%	
Share based payments	<b>(10.7)</b>	(15.5)	31%	<b>(11.7)</b>	(20.7)	43%	
Underlying depreciation and amortisation	<b>(117.7)</b>	(26.7)	(341%)	<b>(141.7)</b>	(137.0)	(3%)	
Share of JV income	<b>8.4</b>	0.1	n/m	<b>8.2</b>	5.3	55%	
<b>Underlying operating profit<sup>5</sup></b>	<b>520.8</b>	169.2	208%	<b>610.1</b>	514.1	19%	

#### Notes

- 2018 and 2017 reported results reflect the acquisition of the Ladbrokes Coral Group plc on 28 March 2018.
- The Group's proforma results are unaudited and presented as if the current Group, post the acquisition of Ladbrokes Coral Group plc, had existed since 1 January 2017. As such, it excludes the results of the Turkish business which was discontinued during 2017 and the 360 shops that the Ladbrokes Coral Group plc was required to divest on the merger of Ladbrokes PLC and the Coral Group. The results of Crystalbet and Neds are included from the dates of acquisition (11 April 2018 and 28 November 2018 respectively) and the results of Kalixa are excluded from the date of disposal (31 May 2017).
- Growth on a constant currency basis is calculated by translating both current and prior year performance at the 2018 exchange rates.
- Stated pre separately disclosed items and shared based payments.
- Stated pre separately disclosed items.
- Statutory administrative costs represent marketing, operating costs, share based payments and depreciation and amortisation.

#### Reported results<sup>1</sup>

Revenue increased by 272% to £2,935.2m and underlying EBITDA<sup>4</sup> increased by 203% to £640.8m reflecting both the continued growth in the legacy GVC business and the impact of the nine months of trading for the Ladbrokes Coral business post acquisition. Underlying operating profit<sup>5</sup> of £520.8m was 208% ahead of last year and operating profit post separately disclosed items of £67.3m was £71.7m ahead of 2017.

#### Proforma results<sup>2</sup>

Revenue of £3,523.6m was 8% ahead of last year driven by a strong performance in Online and European Retail. The World Cup contributed £64.1m of NGR pre-substitution. Operating costs were 2% lower driven by good cost control, the delivery of synergies from the merger of Ladbrokes and Coral and shop closures in UK Retail, resulting in underlying EBITDA<sup>4</sup> increasing by 13% to £755.3m. Share based payments were 43% lower than last year helping underlying operating profit<sup>5</sup> increase by 19% to £610.1m, with underlying operating profit<sup>5</sup> margin improving from 15.6% to 17.1%.

# BUSINESS REVIEW

## ONLINE

### Online

Year ended 31 December	Reported results <sup>1</sup>			Proforma results <sup>2</sup>			
	2018 £m	2017 £m	Change %	2018 £m	2017 £m	Change %	Constant currency <sup>3</sup> %
<b>Sports wagers</b>							
Sports brands	8,783.7	3,336.8	163%	10,182.1	9,035.5	13%	14%
Games brands	69.3	61.5	13%	69.3	61.5	13%	14%
<b>Total Sports wagers</b>	<b>8,853.0</b>	<b>3,398.3</b>	<b>161%</b>	<b>10,251.4</b>	<b>9,097.0</b>	<b>13%</b>	<b>14%</b>
<b>Sports margin</b>							
Sports brands	10.6%	10.8%	(0.2pp)	10.5%	10.1%	0.4pp	0.4pp
Games brands	9.8%	8.3%	1.5pp	9.8%	8.3%	1.5pp	1.5pp
Sports brands NGR							
Sports NGR	725.2	292.0	148%	829.3	708.3	17%	19%
Games NGR	638.8	293.1	118%	710.4	570.1	25%	25%
	1,364.0	585.1	133%	1,539.7	1,278.4	20%	22%
Games brands NGR							
Sports NGR	6.1	4.2	45%	6.1	4.2	45%	47%
Games NGR	319.3	197.4	62%	345.3	299.8	15%	16%
	325.4	201.6	61%	351.4	304.0	16%	16%
B2B NGR	23.3	14.5	61%	24.0	20.4	18%	18%
<b>Total NGR</b>	<b>1,712.7</b>	<b>801.2</b>	<b>114%</b>	<b>1,915.1</b>	<b>1,602.8</b>	<b>19%</b>	<b>21%</b>
VAT/GST	(44.3)	(26.0)	(70%)	(47.8)	(40.5)	(18%)	(21%)
<b>Revenue</b>	<b>1,668.4</b>	<b>775.2</b>	<b>115%</b>	<b>1,867.3</b>	<b>1,562.3</b>	<b>20%</b>	<b>21%</b>
<b>Gross profit</b>	<b>1,134.9</b>	<b>571.1</b>	<b>99%</b>	<b>1,265.0</b>	<b>1,083.8</b>	<b>17%</b>	
<b>Contribution</b>	<b>742.8</b>	<b>399.0</b>	<b>86%</b>	<b>816.4</b>	<b>717.9</b>	<b>14%</b>	
<i>Contribution margin</i>	<b>43.4%</b>	<b>49.8%</b>	<b>(6.4pp)</b>	<b>42.6%</b>	<b>44.8%</b>	<b>(2.2pp)</b>	
<b>Operating costs</b>	<b>(299.4)</b>	<b>(161.5)</b>	<b>(85%)</b>	<b>(330.7)</b>	<b>(311.0)</b>	<b>(6%)</b>	
<b>Underlying EBITDA<sup>4</sup></b>	<b>443.4</b>	<b>237.5</b>	<b>87%</b>	<b>485.7</b>	<b>406.9</b>	<b>19%</b>	
Share based payments	(2.4)	(4.8)	50%	(2.8)	(6.2)	55%	
Underlying depreciation and amortisation	(70.7)	(26.7)	(165%)	(82.2)	(67.9)	(21%)	
Share of JV income	0.8	0.1	700%	0.5	0.1	400%	
<b>Underlying operating profit<sup>5</sup></b>	<b>371.1</b>	<b>206.1</b>	<b>80%</b>	<b>401.2</b>	<b>332.9</b>	<b>21%</b>	

#### Notes

- 2018 and 2017 reported results reflect the acquisition of the Ladbrokes Coral Group plc on 28 March 2018.
- The Group's proforma results are unaudited and presented as if the current Group, post the acquisition of Ladbrokes Coral Group plc, had existed since 1 January 2017. As such, it excludes the results of the Turkish business which was discontinued during 2017 and the 360 shops that the Ladbrokes Coral Group plc was required to divest on the merger of Ladbrokes PLC and the Coral Group. The results of Crystalbet and Neds are included from the dates of acquisition (11 April 2018 and 28 November 2018 respectively) and the results of Kalixa are excluded from the date of disposal (31 May 2017).
- Growth on a constant currency basis is calculated by translating both current and prior year performance at the 2018 exchange rates.
- Stated pre separately disclosed items and shared based payments.
- Stated pre separately disclosed items.

*Reported results<sup>1</sup>*

On a reported basis, revenue of £1,668.4m was 115% ahead of last year and underlying EBITDA<sup>4</sup> of £443.4m was 87% ahead reflecting continued growth in the legacy GVC business and the reporting period containing nine months of trading of the Ladbrokes Coral Group post acquisition. Underlying operating profit<sup>5</sup> of £371.1m was 80% ahead of 2017, and an operating loss post separately disclosed items of £132.4m was £230.2m lower than last year.

*Proforma results<sup>2</sup>*

Online growth was very strong with NGR 19% ahead (cc +21%) driven by good underlying growth in all material markets and also by a positive World Cup. Underlying EBITDA<sup>4</sup> of £485.7m was 19% ahead and underlying operating profit of £401.2m was 21% ahead.

Sports brands NGR was 20% ahead (cc +22%) of last year with sports brands sports NGR 17% ahead (cc +19%). Sports wagers were 13% up (cc +14%) and sports gross win margin of 10.5% was 0.4pp ahead of last year.

Legacy GVC sports brands NGR was 27% ahead with strong growth across all major territories including Germany, Italy and Brazil, benefiting from new sports product, a strong pipeline of new games, high levels of cross-sell and a successful World Cup. The bwin “Who Stole The Cup” World Cup marketing campaign featuring Maradona drove high levels of customer engagement into the second half of the year. The acquired Crystalbet business performed very well with NGR 61% ahead of last year, contributing 6.6pp to legacy GVC sports brands NGR growth.

The acquired Ladbrokes Coral sports brands also performed well with NGR up 15%. In the UK, Coral.co.uk continued its strong performance with NGR up 16% helped by leading real-time CRM capability. Growth in Ladbrokes.com of 12% (H2 +17%) was particularly pleasing as the brand started to benefit from the corrective action taken by management in the prior year, including the application of a more Return-on-Investment driven marketing approach. New brand marketing for both Coral “The Smart Money’s on Coral” and Ladbrokes “Bettors of Britain”, launched ahead of the World Cup, helped drive volumes in the second half of the year.

In Australia, Ladbrokes.com.au NGR was 17% ahead of last year on a constant currency basis, and continued to take market share. Sports wagers were 20% up, partly offset by sports gross win margin of 10.7% which was 0.5pp behind. The acquisition of the Neds online sports-betting business in November gives the Australian business additional scale, the ability to run a dual brand strategy and access to leading technology and people.

In Italy, Eurobet.it NGR was 20% ahead with sports wagers up 11% and sports margins up 0.2pp. The Eurobet business enters 2019 ready to take market share, leveraging the Eurobet Retail multi-channel offering, ahead of the marketing restrictions that come into place in the second half of the year.

Overall sports brands gaming NGR was 25% ahead, with growth driven by new slots content, improved cross-sell, an expanded live casino offering and improved user-journeys.

Games brands NGR was 16% ahead, driven by partypoker NGR growth of 40%, Gala brands NGR growth of 11% and GVC casino brands NGR growth of 14%. Partypoker continues to benefit from the investment in live-events, pooled liquidity in France and Spain and ongoing user-experience enhancements. Improved customer journeys and bonus optimisation, combined with the high profile sponsorship of “The Chase” underpinned the strong growth in the Gala brands, while targeted new gaming content and more personalised customer experiences were key in delivering growth in the GVC casino brands. The Foxy bingo brand migrated to the proprietary bingo platform in November, and post-migration performance has been positive.

Contribution margin of 42.6% was down 2.2pp, driven by increased taxes in the UK (POCT applied to gaming gross gaming revenue from October 2017) and Australian POCT (Queensland and South Australia), the recording in cost of sales of some payment processing costs that were previously recorded in operating costs prior to the disposal of Kalixa, and increased marketing investment in Q4.

Operating costs were 6% higher than the prior year reflecting growth in the business, investment in IT and inclusion of Crystalbet costs, partially offset by the delivery of Ladbrokes Coral merger synergies.

**Outlook**

The continued growth in the business demonstrates the effectiveness of the GVC online operating model – leveraging the Group’s leading proprietary technology and product development capability, combined with central marketing expertise alongside local operational execution. As the integration of the Ladbrokes Coral business continues, the sharing of “best-of-both” operational practice will accelerate, alongside the pooling of both sports and gaming products across brands, starting with the deployment of the full Ladbrokes Coral and GVC gaming product ranges across all brands in the first half of 2019. With the good momentum in the business continuing into 2019, we are confident in our target of double-digit online NGR growth.

# BUSINESS REVIEW

## UK RETAIL

### UK Retail

Year ended 31 December	Reported results <sup>1</sup>			Proforma results <sup>2</sup>			
	2018 £m	2017 £m	Change %	2018 £m	2017 £m	Change %	Constant currency <sup>3</sup> %
<b>OTC wagers</b>	<b>2,372.2</b>	–	–	<b>3,084.5</b>	3,344.1	(8%)	n/a
<b>OTC margin</b>	<b>17.8%</b>	–	–	<b>17.9%</b>	18.2%	(0.3pp)	n/a
Sports NGR/Revenue	<b>417.7</b>	–	–	<b>547.3</b>	601.8	(9%)	n/a
Machines NGR/Revenue	<b>597.2</b>	–	–	<b>780.7</b>	789.3	(1%)	n/a
<b>Total NGR/Revenue</b>	<b>1,014.9</b>	–	–	<b>1,328.0</b>	1,391.1	(5%)	n/a
<b>Gross profit</b>	<b>725.7</b>	–	–	<b>952.2</b>	1,007.4	(5%)	
<b>Contribution</b>	<b>723.1</b>	–	–	<b>948.3</b>	997.6	(5%)	
<i>Contribution margin</i>	<b>71.2%</b>	–	–	<b>71.4%</b>	71.7%	(0.3pp)	
<b>Operating costs</b>	<b>(529.7)</b>	–	–	<b>(696.6)</b>	(741.0)	6%	
<b>Underlying EBITDA<sup>4</sup></b>	<b>193.4</b>	–	–	<b>251.7</b>	256.6	(2%)	
Share based payments	<b>(0.1)</b>	–	–	<b>(0.3)</b>	(1.6)	81%	
Underlying depreciation and amortisation	<b>(32.4)</b>	–	–	<b>(40.2)</b>	(55.2)	27%	
Share of JV income	–	–	–	–	–	–	
<b>Underlying operating profit<sup>5</sup></b>	<b>160.9</b>	–	–	<b>211.2</b>	199.8	6%	

#### Reported results<sup>1</sup>

On a reported basis, revenue was £1,014.9m and underlying EBITDA<sup>4</sup> was £193.4m reflecting the results for the nine months of trading of Ladbrokes Coral Group plc post acquisition. Underlying operating profit<sup>5</sup> was £160.9m, and £110.4m after charging separately disclosed items.

#### Proforma results<sup>2</sup>

UK Retail like-for-like<sup>6</sup> NGR was 3% behind last year and 5% behind on a total basis. Underlying EBITDA<sup>4</sup> of £251.7m was 2% behind. A 27% reduction in underlying depreciation and amortisation as a result of an impairment in 2017 following the anticipated FOBT stakes restriction helped drive underlying operating profit<sup>5</sup> 6% ahead at £211.2m.

OTC wagers were 8% behind last year and 6% behind on a like-for-like basis, in line with longer term trends, with the positive impacts of the World Cup and a full year of horse racing content, offset by the negative impact of the prior year comparative period benefiting from wager-enhancing best-price guarantee offers. SSBT wagers continue to grow and now represent over 50% of football wagers.

OTC gross win margin was 17.9% was 0.3pp behind last year.

Horse racing gross win margins were 0.4pp ahead of last year with a positive Cheltenham broadly offset by the well-backed Tiger Roll winning the Grand National. Football gross win margin was 1.8pp behind, with the benefit of a good World Cup offset by the bookmaker-friendly football results in Q4 2017.

Machines NGR was marginally ahead on a like-for-like<sup>6</sup> basis and 1% behind on a total basis. Customer demand was undoubtedly adversely impacted by the negative coverage of FOBTs in the first half of the year. During the second half, new Equinox cabinets were rolled out across the estate. The new cabinets helped drive like-for-like<sup>6</sup> Machines NGR 3% ahead in Q4. Importantly, the majority of this growth was driven by B3 content, which will not be impacted by the impending Triennial measures.

Our unique market-leading Connect and Grid multi-channel products are a core part of our Retail offering. Connect and Grid allow customers to sign-up online to Coral.co.uk and Ladbrokes.com, and seamlessly access their wallet across all products in-store and online. The Connect and Grid offerings are market leading and will be a major advantage in gaining market share post the B2 stakes restrictions in April.

#### Notes

- 2018 and 2017 reported results reflect the acquisition of the Ladbrokes Coral Group plc on 28 March 2018.
- The Group's proforma results are unaudited and presented as if the current Group, post the acquisition of Ladbrokes Coral Group plc, had existed since 1 January 2017. As such, it excludes the results of the Turkish business which was discontinued during 2017 and the 360 shops that the Ladbrokes Coral Group plc was required to divest on the merger of Ladbrokes PLC and the Coral Group. The results of Crystalbet and Neds are included from the dates of acquisition (11 April 2018 and 28 November 2018 respectively) and the results of Kalixa are excluded from the date of disposal (31 May 2017).
- Growth on a constant currency basis is calculated by translating both current and prior year performance at the 2018 exchange rates.
- Stated pre separately disclosed items and shared based payments.
- Stated pre separately disclosed items.
- UK Retail numbers are quoted on a LFL basis. During the year ended 31 December 2018 there was an average of 3,524 shops in the estate, compared to an average of 3,618 in the prior year.



During the year we invested over £20m in our new shop till system "EPOS2". The benefits of this new system are wide ranging, including a more efficient and easier to use back-office process, consistency across the Ladbrokes and Coral estates, and the capability to implement some powerful responsible gambling measures, such as facial recognition, that will make tracking player behaviour and identifying excluded players much easier. At the end of December the EPOS2 system was live in over 80 shops, with the full roll-out due to complete during 2019.

During the year we successfully trialed in-house developed SSBTs in 11 shops. This footprint will be increased over time, complementing the existing BGT offering. Additionally, increased investment in new SSBT hardware will help ensure that revenue recapture from B2 players is maximised.

Contribution margin of 71.4% was 0.3pp lower than last year driven by a higher mix of machines NGR and also the recording of new revenue share based content costs in costs of sales.

Operating costs were 6% lower, driven by tight cost control, on-going shop closures and the delivery of synergies arising from the Ladbrokes Coral merger. During the year 95 shops were closed, and 3 shops were opened. At the end of the year there were 3,475 shops in the estate (2017: 3,567).

### Outlook

Following the conclusion of the Triennial Review into gaming machines stakes and prizes, the maximum stake on B2 content will be reduced to £2 on 1 April 2019. We anticipate that this will result in the closure of up to a thousand shops. Investment in new machines, new SSBTs and EPOS2, combined with the competitive advantage of our unique multi-channel offer, means the UK Retail business is in very good shape as it faces into the post Triennial world, and we are confident that both Ladbrokes and Coral will be market share winners.

# BUSINESS REVIEW

## EUROPEAN RETAIL

### European Retail

Year ended 31 December	Reported results <sup>1</sup>			Proforma results <sup>2</sup>			
	2018 £m	2017 £m	Change %	2018 £m	2017 £m	Change %	Constant currency <sup>3</sup> %
<b>OTC wagers</b>	<b>1,216.4</b>	–	–	<b>1,571.4</b>	1,419.7	11%	9%
<b>OTC margin</b>	<b>17.3%</b>	–	–	<b>17.7%</b>	17.1%	0.6pp	0.6pp
Sports NGR/Revenue	<b>158.6</b>	–	–	<b>210.2</b>	182.7	15%	13%
Other OTC NGR/Revenue	<b>51.1</b>	–	–	<b>66.0</b>	55.8	18%	16%
Machines NGR/Revenue	<b>2.0</b>	–	–	<b>2.6</b>	2.4	8%	6%
<b>Total NGR/Revenue</b>	<b>211.7</b>	–	–	<b>278.8</b>	240.9	16%	14%
<b>Gross profit</b>	<b>109.9</b>	–	–	<b>145.7</b>	125.1	16%	
<b>Contribution</b>	<b>103.4</b>	–	–	<b>138.0</b>	120.8	14%	
<i>Contribution margin</i>	<b>48.8%</b>	–	–	<b>49.5%</b>	50.1%	(0.6pp)	
<b>Operating costs</b>	<b>(54.3)</b>	–	–	<b>(72.6)</b>	(72.2)	(1%)	
<b>Underlying EBITDA<sup>4</sup></b>	<b>49.1</b>	–	–	<b>65.4</b>	48.6	35%	
Share based payments	<b>(0.1)</b>	–	–	<b>(0.1)</b>	(0.1)	0%	
Underlying depreciation and amortisation	<b>(14.0)</b>	–	–	<b>(18.3)</b>	(12.2)	(50%)	
Share of JV income	<b>2.7</b>	–	–	<b>2.6</b>	2.1	24%	
<b>Underlying operating profit<sup>5</sup></b>	<b>37.7</b>	–	–	<b>49.6</b>	38.4	29%	

#### Notes

1. 2018 and 2017 reported results reflect the acquisition of the Ladbrokes Coral Group plc on 28 March 2018.

2. The Group's proforma results are unaudited and presented as if the current Group, post the acquisition of Ladbrokes Coral Group plc, had existed since 1 January 2017. As such, it excludes the results of the Turkish business which was discontinued during 2017 and the 360 shops that the Ladbrokes Coral Group plc was required to divest on the merger of Ladbrokes PLC and the Coral Group. The results of Crystalbet and Neds are included from the dates of acquisition (11 April 2018 and 28 November 2018 respectively) and the results of Kalixa are excluded from the date of disposal (31 May 2017).

3. Growth on a constant currency basis is calculated by translating both current and prior year performance at the 2018 exchange rates.

4. Stated pre separately disclosed items and shared based payments.

5. Stated pre separately disclosed items.

#### Reported results<sup>1</sup>

On a reported basis, revenue was £211.7m and underlying EBITDA<sup>4</sup> was £49.1m reflecting the results for the nine months of trading of Ladbrokes Coral Group plc post acquisition. Underlying operating profit<sup>5</sup> was £37.7m and was £30.7m after charging separately disclosed items.

#### Proforma results<sup>2</sup>

European Retail NGR of £278.8m was 16% ahead of last year (+14% cc). Underlying EBITDA<sup>4</sup> of £65.4m was 35% ahead and underlying operating profit<sup>5</sup> of £49.6m was 29% ahead.

OTC wagers were 11% ahead (+9% cc) driven by growth in Eurobet Italy where football wagers grew by 13%, the acquisition of 26 shops in Ladbrokes Belgium and the benefit of the World Cup. An OTC margin of 17.7% was 0.6pp ahead driven by football margins 1.6pp ahead. Other OTC growth of 18% (+16% cc) was primarily driven by growth in Virtual in Eurobet Italy and in Ladbrokes Belgium, where the legal framework for virtual betting was fully approved by the Belgium Government in May.

Contribution margin of 49.5% was 0.6pp lower than the prior year due to increased marketing investment in Italy ahead of advertising restrictions due to come into force in the second half of 2019. Operating costs were 1% higher with the increased costs from the enlarged estate in Ladbrokes Belgium largely offset by tight cost control.

As at 31 December 2018 there were a total of 1,677 outlets/shops. Italy 851 (2017: 845), Belgium shops 321, outlets 364 (2017: shops 299; outlets 244) and Ireland 141 (2017: 141).

#### Outlook

In Italy, we will continue to invest in marketing in the first half of 2019 preceding the full advertising restrictions that will come in to place from July. Eurobet's brand visibility in the market, with over 850 Eurobet branded shops, and a leading multi-channel offering means we are very confident of gaining online market share post the advertising ban. In Belgium, we continue to look for opportunities to expand the estate through the acquisition of independent shops, the development of newsagent networks and through an increase in machines density.

# BUSINESS REVIEW

## OTHER/CORPORATE

### Other

Year ended 31 December	Reported results <sup>1</sup>			Proforma results <sup>2</sup>			
	2018 £m	2017 £m	Change %	2018 £m	2017 £m	Change %	Constant currency <sup>3</sup> %
<b>NGR/Revenue</b>	<b>43.8</b>	14.7	198%	<b>53.1</b>	56.7	(6%)	(6%)
<b>Gross profit</b>	<b>33.7</b>	4.2	702%	<b>41.5</b>	40.0	4%	
<b>Contribution</b>	<b>29.5</b>	1.7	1635%	<b>37.1</b>	36.5	2%	
<b>Underlying EBITDA<sup>4</sup></b>	<b>2.3</b>	(6.0)	138%	<b>3.1</b>	(0.3)	1133%	
Share based payments	–	–	–	–	(0.1)	100%	
Underlying depreciation and amortisation	<b>(0.4)</b>	–	–	<b>(0.6)</b>	(0.5)	(20%)	
Share of JV income	<b>4.9</b>	–	–	<b>5.1</b>	3.1	65%	
<b>Underlying operating profit<sup>5</sup></b>	<b>6.8</b>	(6.0)	212%	<b>7.6</b>	2.2	245%	

#### Reported Results<sup>1</sup>

On a reported basis, NGR of £43.8m was 198% up on the prior year and underlying EBITDA<sup>4</sup> of £2.3m was 138% up reflecting the sale of Kalixa in 2017 and the nine months of trading of Ladbrokes Coral post acquisition. Underlying operating profit<sup>5</sup> of £6.8m was £12.8m ahead of 2017 and operating profit after charging separately disclosed items of £6.8m was £15.3m ahead.

#### Proforma Results<sup>2</sup>

NGR of £53.1m was 6% behind last year due to the disposal of Kalixa in May 2017. Excluding Kalixa, NGR was 4% ahead, with growth in Intertrader financials (NGR +30%) partly offset by Telebet where NGR was 26% down. Underlying EBITDA<sup>4</sup> of £3.1m was £3.4m ahead of last year and underlying operating profit<sup>5</sup> of £7.6m was £5.4m ahead.

### Corporate

Year ended 31 December	Reported results <sup>1</sup>			Proforma results <sup>2</sup>			
	2018 £m	2017 £m	Change %	2018 £m	2017 £m	Change %	Constant currency <sup>3</sup> %
<b>Underlying EBITDA<sup>4</sup></b>	<b>(47.4)</b>	(20.2)	(135%)	<b>(50.6)</b>	(45.3)	(12%)	
Share based payments	<b>(8.1)</b>	(10.7)	24%	<b>(8.5)</b>	(12.7)	33%	
Underlying depreciation and amortisation	<b>(0.2)</b>	–	–	<b>(0.4)</b>	(1.2)	67%	
Share of JV income	–	–	–	–	–	–	
<b>Underlying operating profit<sup>5</sup></b>	<b>(55.7)</b>	(30.9)	(80%)	<b>(59.5)</b>	(59.2)	(1%)	

#### Notes

- 2018 and 2017 reported results reflect the acquisition of the Ladbrokes Coral Group plc on 28 March 2018.
- The Group's proforma results are unaudited and presented as if the current Group, post the acquisition of Ladbrokes Coral Group plc, had existed since 1 January 2017. As such, it excludes the results of the Turkish business which was discontinued during 2017 and the 360 shops that the Ladbrokes Coral Group plc was required to divest on the merger of Ladbrokes PLC and the Coral Group. The results of Crystalbet and Neds are included from the dates of acquisition (11 April 2018 and 28 November 2018 respectively) and the results of Kalixa are excluded from the date of disposal (31 May 2017).
- Growth on a constant currency basis is calculated by translating both current and prior year performance at the 2018 exchange rates.
- Stated pre separately disclosed items and shared based payments.
- Stated pre separately disclosed items.

#### Reported results<sup>1</sup>

On a reported basis, Corporate costs of £47.4m were 135% higher than last year, and after share based payments and depreciation and amortisation, were £55.7m, an increase of 80% reflecting the inclusion of Ladbrokes Coral results post acquisition. After charging separately disclosed items operating profit of £51.8m was £145.5m ahead of 2017.

#### Proforma results<sup>2</sup>

On a proforma basis Corporate costs of £50.6m increased by £5.3m. The rise was driven by a one-off credit arising in the prior year and increased staff bonus costs, due to strong performance of the Group, partly offset by the synergies arising from the merger of Ladbrokes and Coral and the subsequent GVC acquisition of Ladbrokes Coral. After the cost of share based payments and depreciation and amortisation, total corporate costs were £59.5m, an increase of £0.3m driven by reduced share based payments following the vesting of a number of legacy schemes in 2017.

# RESPONSIBLE GAMING

GVC CSR STRATEGY

## FAIR PLAY

growing a global socially responsible and sustainable betting and gaming business

✓  
**SAFER GAMBLING**  
P44

✓  
**RESPONSIBLE EMPLOYER**  
P46

✓  
**RESPONSIBLE COMMUNITIES & MARKETS**  
P48

**UNDERSTANDING OUR IMPACT AND MINIMISING HARM**

**REWARDING LEISURE EXPERIENCE**

**RESPONDING TO IMBALANCE**

**PROVIDING QUALITY EMPLOYMENT**

**RESPONDING TO SOCIETAL NEEDS**

**POSITIVE ECONOMIC FOOTPRINT**

### BUILT ON RESPONSIBLE BUSINESS OPERATIONS

ETHICS

COMPLIANCE

H & S

SECURITY

ENVIRONMENT

DATA PROTECTION

AML/FRAUD

SUPPLIERS

# “LONG-TERM RETURNS FOR OUR SHAREHOLDERS ARE FOUNDED ON PRINCIPLES OF INTEGRITY AND FAIR PLAY.”

AS ONE OF THE WORLD'S LARGEST AND MOST SUCCESSFUL BETTING AND GAMING COMPANIES, WE AIM TO MEET THE HIGHEST STANDARDS IN EVERYTHING WE DO, FROM THE WAY WE RUN OUR BUSINESS AND MANAGE OUR FINANCIAL AFFAIRS, TO HOW WE SUPPORT OUR PEOPLE, OUR CUSTOMERS AND THE COMMUNITIES WE WORK IN.

## Our approach

Some of those standards are legal requirements, but others simply depend on acting honestly, openly and with integrity. Ultimately, our success and our reputation depend on how we conduct ourselves both as individuals and as a business. We can only deliver short and long-term returns for our shareholders if our business is founded on principles of integrity and fair play.

Last year we developed a group-wide CSR strategy based on three important pillars for our business: providing a **Safer Gambling** environment, being a **Responsible Employer**, and enabling a positive impact on our communities and in the markets we serve – **Responsible Communities & Markets**. These three pillars are supported by our Responsible Business Operations, providing the day-to-day foundation on which we run our business.

The last few years have been extremely busy for GVC as the Company has transformed in size and scale. Our strategic M&A activity and exceptional financial performance have taken us from an AIM-listed company in 2014, with a market capitalisation of less than £285m and employee numbers in the low-hundreds, to FTSE 250 company valued at over £5bn, employing a workforce of more than 25,000 at the end of 2018.

In Ladbrokes Coral, GVC acquired two of the most well established brands in the gaming industry. We have been working on uniting the group functions, exploring where best-practice can be shared between our brands and teams, and have made significant progress in the integration of the businesses (see pages 22 to 23).

The betting and gaming industry continues to face intense political and media pressure, particularly in the UK. The UK Government's Triennial review has seen a cut to the maximum stake on B2 gaming machines from £100 to £2, while remote gaming duty has increased to 21%. As detailed on pages 20 to 21 this will have a significant impact on the shape of our retail estate and will inevitably lead to significant shop closures.

Following the outcome of the Triennial review, there have been increasing calls for additional responsible gambling measures to be implemented online, and both the

UK Government and the UK Gambling Commission expect the industry to step up its game in this area. We have embraced that challenge, launching our new global safer gambling strategy – *Changing for the Better* – in early 2019. The strategy comprises of seven pillars with tangible initiatives associated with each (see pages 18 to 19 for more details).

Our new CSR Governance structure has been developed and we have established the Board Corporate Social Responsibility Committee. This Committee provides guidance for the business on our CSR strategy, agrees targets and monitors our performance across the company. A Steering Group oversees implementation of the CSR strategy and will co-ordinate delivery across all operating units and central functions.

As part of our CSR programme, we keep abreast of developments in the responsible investment market and monitor the environmental, social and governance policies (“ESG”) and standards of our largest investors. We review their reports on GVC with interest and work hard to ensure that our CSR priorities and reporting reflect their expectations.

In line with this process we have actively engaged with key ESG indices and are pleased to report that following respective annual reviews, GVC has been admitted to both the FTSE4Good and Dow Jones Sustainability Indices (DJSI). We are proud to have been awarded a Bronze Class distinction by RobecoSAM in recognition of our excellent sustainability performance. We will continue to engage with these and other ESG indices going forward.

In June 2018 we launched our new GVC Code of Conduct, summarising the standards, principles and policies that underpin GVC and what we expect from everyone who works for us or does business with us. The code outlines the Ten Guiding Principles on which we operate. The Code of Conduct is now being built into our employee induction and training processes to ensure all employees are fully aware of what is expected of them and what they, in return, can expect from the business.

# RESPONSIBLE GAMING CONTINUED

## SAFER GAMBLING

**AT GVC, WE ARE COMMITTED TO BEING LEADERS IN SAFER GAMBLING PRACTICES.**

**MAINTAINING A REPUTATION FOR FAIRNESS AND INTEGRITY AND STRENGTHENING OUR CUSTOMER FOCUS ARE ALL VITAL TO GROWING OUR BUSINESS.**



To find out more about our approach to safer gambling visit our website: [gvc-plc.com](http://gvc-plc.com)

Our approach to safer gambling ensures that we maintain best practice standards across the business and, where possible, the industry as a whole. GVC is fully aligned with the UK Gambling Commission's principal objectives to ensure that gambling is;

- crime free;
- fair and open; and
- children and vulnerable people are protected.

As outlined on pages 18 to 19 we launched our *Changing for the Bettor* strategy in February 2019 to help us raise our standards further.

### Providing an exciting and fair leisure experience

Gambling is an exciting adult leisure pursuit and we want our customers to enjoy betting and gaming with us. We have a globally diverse customer base, from all economic groups. At GVC, we are committed to offering the best customer experience, so we put customers at the heart of our business, providing them with an enjoyable, efficient, secure, fair and socially responsible service. Our employees are trained to support this commitment, and to check our performance, we continually seek the views of our customers and encourage feedback on our employees and services.

In our UK retail business, for example, we monitor customer satisfaction through feedback, complaints and independent audit as an integral part of our employee incentive and reward programmes. This has huge benefits for the business since we know that the higher scoring shops in terms of customer satisfaction also perform better in financial terms.

### Promoting responsible gambling behaviours

We strive to keep our customers informed and able to control their gambling behaviour, by providing adequate information on how to gamble responsibly, regular messages about their spending history, and tools to help customers better control their activity, e.g. by setting limits on spend.

All of our customer facing colleagues are trained to promote responsible gambling behaviours, to intervene when they spot the signs of problem gambling and to support our customers when they run into difficulties. We undertake a central analysis of customer spending to spot signs of abnormal activity, and our digital algorithms and alerting systems help our teams to identify "at risk" behaviour.

In Q4 2018, we announced a multi-year agreement with EPIC Risk Management (EPIC), an independent gambling harm minimisation consultancy. In addition to extensive safer gambling training activities internally, the agreement includes the delivery of face-to-face gambling awareness and education programme for school children. Courses will be delivered to school children, across UK state schools, with the aim of enabling them to make more informed decisions around gambling upon reaching the age of 18. The two-year programme will be independently evaluated by academic experts.

2018 saw the number of self-exclusions more than doubling. We see this as an indicator that our systems are working and that awareness-levels around safer gambling are on the increase. The launch of GamStop, the UK national online self-exclusion scheme, also played a part in increasing the numbers. The number of customer interactions regarding problem gambling also increased significantly, as we unified our approach across the Group. GVC employees will always encourage individuals with a potential gambling problem to seek advice and further help from the various national gambling helplines, including GamCare in the UK, which we support

We continue to fund research into responsible gambling behaviours, doubling our donation to research, education and treatment on problem gambling to 0.2% of gross gaming revenue from 2019. As part of *Changing for the Bettor* strategy outlined above, we will be investing \$5m into a new partnership with Harvard Medical School's Division on Addiction over a five-year period. GVC will provide Harvard faculty at the Division with access to anonymised player data across a range of its brands, sports betting and gaming products

The research will be broad ranging, focusing on a number of areas including, but not limited to:

- Patterns of normal internet gambling behaviour
- Behavioural markers of gambling problems among internet players generally and on specific betting and game types
- Cross-product analyses
- Cross-brand analyses
- The effects of the expansion of gambling in new markets

Within this approach, researchers will seek to evaluate the effectiveness of algorithms used by GVC and other operators to detect at-risk behaviours, assess the effectiveness of intervention messaging and the impact

of operator's safer gambling tools. The research findings will be publicly available and, importantly, subject to academic peer review.

Where possible, we work with the rest of our industry on responsible gambling issues and are active participants of the Association of British Bookmakers ("ABB"), the European Gaming and Betting Association ("EGBA") and the Remote Gambling Association ("RGA").

In 2018 we also joined the US National Council on Problem Gambling's ("NCPG") President's Circle. GVC has made a long-term commitment to NPGC, which is the world's longest established NGO dedicated to addressing issues surrounding problem gambling.

Through its membership of the President's Circle, GVC will support NCPG's ability to promote responsible gaming behaviours and address areas of problem gambling. In addition, GVC will help to fund "The National Survey of Gambling in America", a major new study which aims to identify the prevalence of gambling within the US and establish a baseline for the levels of problem gambling behaviour. Through the research it is hoped that all stakeholders will be able to gain a better understanding of the issue.

Ladbrokes and Coral were founding members of the UK industry self-regulatory body The Senet Group, to which GVC now belongs. This is an independent body set up to promote responsible gambling standards across the industry and share best practice

We support the Senet Group's responsible gambling advertising campaigns and provided a further £735,000 in 2018 to support this. More than 80% of regular gamblers are aware of the "When the Fun Stops, Stop" campaign and more than 75% of players and the public at large are familiar with the key tips used in the campaign; to only gamble what you can afford, to set limits and not to chase losses.

In October 2018, we were a major supporter of the Industry Group of Responsible Gambling's ("IGRG") Responsible Gambling week, raising awareness amongst customers and the wider public about how to gamble responsibly, the tools that are available to keep gambling safe and fun, and where help and support are available for those who need it.

This was also widely supported by our employees in all of our retail stores and offices.

We also promote multiple harm minimisation initiatives through spending more than £2.5m in support of responsible gambling and gaming charities. These include in the UK, the Responsible Gambling Trust (now operating as GambleAware), GamCare, Young Gamblers Education Trust (YGAM), the UK National Problem Gambling Clinic, the Gordon Moody Association and other national gaming addiction and support charities in Austria, the Spielsuchthilfe Gemeinnuetziger Verein, and in Spain, FERREJ.

#### Keeping crime out of gambling

One of the important risks to the health of our employees and our customers are breaches of security on our premises, such as robbery and theft. We have invested heavily in CCTV across all of our estate, both to help reduce the number of incidents and to help protect employees and customers. Reducing crime and anti-social behaviour across our businesses remains a key priority for us.

Our efforts across our retail estate have, to date, been focused on monitoring customer conduct, defusing anti-social behaviour and avoiding potential machine damage. During 2018 we were pleased to see the number of robberies and robbery attempts decrease by a quarter across our UK retail estate.

GVC Group is committed to ensuring that money launderers, terrorists, those financing terrorism and other criminals, cannot launder the proceeds of crime through its products or services. We have scrutinised abnormal customer betting and gaming activities both in our shops and online in order to spot gambling related crime (such as fraud and money laundering). We have also continued to be vigilant and active on all matters relating to sporting integrity.

Our dedicated Anti-Money Laundering (AML) teams ensure compliance with AML and anti-terrorism financing legislation wherever we operate. We have established a comprehensive compliance programme, including detection and monitoring systems across all our business activities. All relevant staff are trained regularly in the GVC AML processes and procedures covering: what

# 100%

The Dow Jones Sustainability Index gave GVC a maximum rating for our anti-crime policy and measures

MEMBER OF  
Dow Jones  
Sustainability Indices  
In Collaboration with RobecoSAM

# -31%

Customer complaints for the combined Group fell by 31% in 2018

money laundering is and what incidents they may detect that could constitute money laundering within the GVC Group, to whom suspicious cases should be reported, the roles of Money Laundering Reporting Officers and AML Investigators. Where possible, we work in partnership with local authorities and other bodies to ensure gambling remains crime free.

Our UK partners include Crimestoppers, the Association of Business Crime Partnerships and the Safe Bet Alliance (SBA). We also continue to support the SBA's National Standards for Bookmakers.

### Key performance indicators – measuring our performance in responsible gambling

	2018 Group total <sup>1</sup>	2017 Group total <sup>1</sup>	2016 Group total <sup>1</sup>
Cash and in-kind contributions towards responsible gambling charities	£2,506,000	£2,334,777	£1,792,500
Customer interactions regarding problem gambling	1,124,079	302,609	357,144
Customer complaints	13,503	19,690	24,323
Customer complaints which specifically relate to a gambling transaction	2,771	4,668	5,121
Self-exclusions made	334,765	164,178	141,087
Burglaries and burglary attempts	127	95	87
Shop robberies and robbery attempts	163	222*	n/a
Street robberies	9	14	12
DJSI rating of our anti-crime policy and measures	100%	100%	100%

1. Proforma figures for both GVC and Ladbrokes Coral combined business for the relevant calendar year.

2. Shop robberies and robbery attempts restated to reflect updated methodology that includes robbery attempts in addition to shop robberies.

# RESPONSIBLE GAMING CONTINUED

## RESPONSIBLE EMPLOYER

# OUR PEOPLE PLAN



**OUR PEOPLE ARE OUR GREATEST ASSET. WE AIM TO BE A DESTINATION EMPLOYER FOR TALENTED AND PASSIONATE INDIVIDUALS. AT GVC, WE NEED A HIGH LEVEL OF COMPETENCE ACROSS THE BUSINESS TO MEET OUR BUSINESS GOALS AND TO RESPOND TO THE EVER CHANGING MARKETS WE OPERATE IN.**

We are an international business with more than 25,000 colleagues in 20 countries worldwide, 77% of whom are employed in Great Britain. We generate employment and tax revenue wherever we do business and in 2018, GVC group paid a total of over £627m in wages, salaries and pension contributions.

#### **Best practice employment standards and frameworks**

The acquisition of Ladbrokes Coral, and the consequent 890% increase in employee numbers, has prompted us to review our workplace standards and policies across our global businesses. This work is ongoing, and we will be able to report further next year.

Our new GVC Code of (Conduct <https://gvc-plc.com/wp-content/uploads/2018/07/CodeofConduct.pdf>), summarises the standards, principles and policies that underpin the way we operate at GVC and what we expect from everyone who works for us or does business with us. This forms the backbone of our global employee framework and is consistent with the International Labour Organisation core labour standards and supports the Universal Declaration on Human Rights.

Throughout the past year we have begun the integration of the new people plan Ladbrokes Coral initiated as part of the *Fit for the Future* campaign (see pages 20 to 21). The people plan was designed to support our colleagues

throughout their employee journey and help them develop and progress their careers:

- The first part of the plan is to ensure we have the right operating model, with everyone clear on roles and responsibilities.
- We will then focus on recruiting the right people into the business and ensure that all new starters get the right induction into the business and feel supported as they start their journey with us.
- We are concluding the roll-out of a two-day face to face induction programme to train all new shop colleagues on aspects of running our shops, serving our customers, important aspects of Health and Safety and their role in promoting responsible gambling.
- Our structured training programme, *Foundations*, will support our colleagues to be great in their roles, and our development programme, *Advance*, will help those that want to grow in their careers and move to their careers upwards.
- Communication is an important part of our plan, ensuring that the key messages reach our colleagues, so they are clear about their objectives and feel a part of GVC.
- We then focus on Performance Development, and creating a highly supportive, highly challenging environment where colleagues can shine.



- And finally, recognising and rewarding great performance.

### Enabling a rewarding and inclusive environment

GVC is an inclusive, people-driven business. As our international operations grow, we recognise the need to identify, retain and promote talent from a variety of backgrounds. Whilst 49% of our employees across the business are female, only 22% are currently represented at the most senior levels. This represents an improvement of 13% since 2016, but we recognise we still have work to do.

In 2018 we launched our international Diversity and Inclusion (D&I) strategy, which outlines a 3-year roadmap towards a more inclusive business. We are initially focusing on gender equality and in March we established an internal global women's network through our GVC intranet site. We have trained over 250 of our senior leaders in understanding

unconscious bias and inclusive leadership and in July we launched Horizon, our group-wide females in leadership programme. This will be supported in 2019 by a new mentoring programme, return to work initiatives, and a focus on encouraging more women into digital and technology roles.

This year we will also broaden the programme to address wider diversity characteristics such as ethnicity, sexual orientation and disability. We have also engaged our Ladbrokes Coral colleagues on HR policies and practices through a recent staff survey and held dedicated focus groups across offices in Gibraltar, Ireland and the UK. In 2019 we will be conducting a global all employee engagement survey.

GVC is a flexible employer that enables people to work around their existing commitments. During 2018, over 42% of our UK colleagues chose to work part time, to accommodate childcare arrangements, studying or other

# 25,000+

employees, our people are our greatest asset. We aim to be a destination employer for talented and passionate people. At GVC, we need a high level of competence across the business to meet our business goals and to respond to the ever changing markets we operate in.

personal responsibilities. At the start of 2019 we began the roll-out of enhanced maternity and parental leave provisions. We will also be re-launching a programme of flexible working and encouraging new models of working in both our retail and digital businesses.

## Key performance indicators – measuring our performance in responsible employment

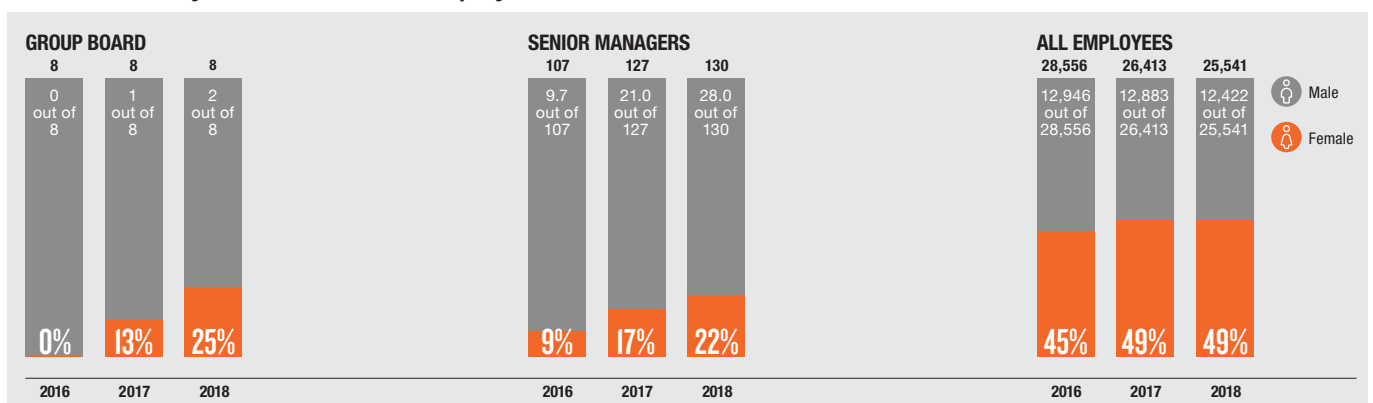
	2018 Group total <sup>1</sup>	2017 Group total <sup>1</sup>	2016 Group total <sup>1</sup>
Employees worldwide	25,541	26,413	28,556
Female employees <sup>1</sup>	12,422	12,883	12,946
Proportion of female employees	49%	49%	45%
Part-time employees (GB only)	10,497	10,657	15,525
Proportion of part-time employees	42%	46%	n/a
Median Hourly pay difference between male and female colleagues (Gender Pay Gap) <sup>2</sup>	2.9%	2.5% <sup>3</sup>	n/a
Mean Hourly pay difference between male and female colleagues (Gender Pay Gap) <sup>2</sup>	17.0%	15.5% <sup>3</sup>	n/a
Median bonus pay difference between male and female colleagues <sup>2</sup>	25.0%	25.0% <sup>3</sup>	n/a
Mean bonus pay difference between male and female colleagues <sup>2</sup>	84.5%	75.0% <sup>3</sup>	n/a

1. Proforma figures for both GVC and Ladbrokes Coral combined businesses for the relevant calendar year.

2. Disclosure includes all colleagues based in Great Britain employed as at 5 April 2018 by GVC Holdings PLC or its subsidiary employing entities.

3. Disclosure includes all colleagues based in Great Britain employed in April 2017 by Coral Group Trading Ltd, Coral Racing Ltd (CRL), Ladbrokes Betting & Gaming Ltd (LBGL) and Ladbrokes Coral Group plc.

## Gender Diversity – females as % of employees



# RESPONSIBLE GAMING CONTINUED

## RESPONSIBLE COMMUNITIES & MARKETS

**OUR IMPACT ON SOCIETY GOES BEYOND OUR COMMERCIAL OPERATIONS AND DEMONSTRATES OUR INTENTION TO BE A POWERFUL FORCE FOR GOOD IN THE COMMUNITIES IN WHICH WE OPERATE AND SERVE. GVC GROUP HAS OFFICES IN 20 COUNTRIES, SERVING CUSTOMERS AROUND THE WORLD.**

We contribute to the local economy through employment and taxes, and by directly supporting the communities in which we are located. In the UK, Ladbrokes Coral is present in nearly every town and major city, representing 76% of our employment base. Although our markets are global, 90% of our employees are located across Europe, and it is there where we have the greatest economic impact.

### Contributing to the economy by paying taxes and levies

During 2018 we paid around £949m in taxes and levies in 20 countries. Within our retail estate, the presence of bookmakers also has a positive economic impact on local high streets. For example, a survey by ESA Retail found that 89% of betting shop customers in the UK combine their trip with visits to other local businesses, and more than half of the respondents said they usually spend more than £10 in other local shops during these trips. Having said that, with millions of customers located around the world, our social responsibilities extend beyond the local communities where we have a physical presence.

### Engaging with and investing in our local communities

By making both financial and pro bono contributions through employee involvement, our principal aim is to support the immediate and future needs of people around the world.

During 2018, more than £3.1m was donated by the GVC Group to numerous international charitable causes, including responsible gambling charities. As a part of this, over £119,000 was spent to help prevent crime and anti-social behaviour and support victims of crime in our communities.

Our GVC pro bono volunteering programme was originally set up in 2008 by bwin.party. All office-based employees are able to spend up to two full working days annually helping with projects in their local community. The programme has now become an integral part of staff development and employee engagement, with increasing employee participation rates year-on-year.

In addition the Ladbrokes Coral Trust continues to grow and develop, having raised almost £10m for charities across the UK since its first inception in 2003.

### Key performance indicators – measuring our performance in communities and markets

	2018 Group total <sup>1</sup>	2017 Group total <sup>1</sup>	2016 Group total <sup>1</sup>
Proforma Net gaming revenue (NGR)	£3,571.4m	£3,288m	£2,999m
Proforma Underlying EBITDA	£755.3m	£666.5m	£523.4m
Taxes paid <sup>2</sup>	£949m	£797m	n/a
Wages and salaries <sup>3</sup>	£627.1m	£678.5m	n/a
Cash and in-kind contributions towards responsible gambling charities	£2.5m	£2.3m	£1.6m

1. Proforma figures for both GVC and Ladbrokes Coral combined businesses for the relevant calendar year.

2. Includes corporation tax, business rates, foreign tax, Machine Games Duty (MGD), Amusement Machine Licence Duty (AML), employers, National Insurance Contributions (NIC), VAT, and other duties and levies.

3. Including pension contributions and share based payment costs.

During 2018 we reviewed the impact of our operations in some of the key markets we serve, for example the UK and Germany, and have developed a new community investment strategy. The community investment strategy is backed by the launch of our GVC Community Fund, with £2m of seed funding to support charitable causes. Run and administered by the UK Community Foundation, the Fund will focus its financial support around the key themes of men's health, grass roots sport and women's sports. In addition, during 2018, GVC launched an ambitious three-year partnership with SportsAid to support the next generation of British athletes. The partnership will see 50 of the country's brightest sporting prospects receive direct funding, recognition and personal development opportunities annually. We have also made a commitment to support the German Athlete's Association with an annual donation of €200,000.



▲ A strategic partnership with SportsAid which will support both talented individuals and national sporting excellence programmes in the lead up to the next Olympics.

▼ At GVC we are committed to offering the best customer experience and so we put customers at the heart of our business.

**£10M**

raised for the Ladbrokes Coral Trust over 15 years. This was originally founded in 2003 and over the past 15 years has raised and distributed over £10 million to registered UK charities.



▼ We donated £240,000 to GamStop, the national online self-exclusion scheme for UK gamblers.



▼ We engage with and invest in our local communities and respond to local and national societal needs.

**£2M**

pledged for the new GVC Community Fund to support charitable causes. At GVC we are committed to contributing to the economy, the industry and the society in which we operate and where our customers are located.



# RESPONSIBLE GAMING CONTINUED

## RESPONSIBLE BUSINESS OPERATIONS

**BEHAVING RESPONSIBLY IS A PRIORITY FOR GVC AND A RANGE OF RESPONSIBLE BUSINESS OPERATIONS UNDERPIN OUR CSR STRATEGY. THESE ACTIVITIES RANGE FROM REDUCING OUR ENVIRONMENTAL IMPACT TO SAFEGUARDING DATA PRIVACY. EACH OF THESE ACTIVITIES IS A FUNDAMENTAL BUILDING BLOCK OF A WELL-RUN BUSINESS AND SUPPORTS OUR LICENCE TO OPERATE.**

### Integrating our businesses

Since the acquisition, we have been working to integrate GVC's responsible business approach with Ladbrokes Corals'. Capitalising on the opportunity to take learnings from both operations and create policies, processes and commitments to responsible business that work well across the new Group.

The first step was to develop a new Code of Conduct, released in June 2018. The Code lays out GVC's commitments across key responsible business topics, like financial conduct and bribery and corruption, and articulating what actions employees need to take to support this. We will continue to build a transparent approach to responsible business as we develop an integrated whistleblowing code and supplier code during 2019.

### Protecting our customers and keeping our data safe

Having effective data and information security systems in place is only a first step to protecting our customer and corporate information. Human behaviour can be the biggest threat to maintaining cyber security.

The new EU-wide General Data Protection Regulation (GDPR) came into force in May 2018. In the run-up to this date, we established a GDPR steering committee, led by the Group Director of Legal, Regulatory & Company Secretariat to focus our work and ensure compliance. Adhering to the new rules

will be an ongoing effort on our part with our Technology Governance team continuously assessing the risks and controls around security and IT operations alongside the Internal Audit function. Training on GDPR and cyber risks was a big theme in 2018 and will continue to be so in 2019.

### Financial Conduct

GVC aims to create the highest standards of financial conduct across the business, both through robust policies and systems and working to create a culture of responsibility. We run a suite of targeted training courses to help our employees spot money laundering and fraud in their day-to-day work, particularly for the UK retail business.

Through the Ladbrokes Coral business we have also taken a proactive approach to financial conduct. Working with the UK Government as part of a large multi-agency intelligence network, of partners sharing intelligence on organised crime (GAIN). Ladbrokes Coral was also a founding member of the Gambling Anti-Money Laundering Group (GAMLG), a UK industry collaboration in response to the 4th EU money laundering directive.

### Key performance indicators – measuring our performance in our business operations

	2018 Group total <sup>1</sup>	2017 Group total <sup>1</sup>	2016 Group total <sup>1</sup>
Whistle-blowing incidents reported and investigated	2	25	13
Employee accidents <sup>2</sup>	297	140	n/a
Employee reportable incidents <sup>2</sup>	12	0	n/a
Public accidents	287	235	n/a
Public reportable incidents	3	0	n/a
Energy (kWh) <sup>3</sup>	155,771,722	184,901,000	196,796,108
GHG emissions (tonnes CO <sub>2</sub> e) <sup>3/4</sup>	46,572	64,628	80,589
GGHG efficiency (tonnes CO <sub>2</sub> e per employee)	1.8	2.4	2.8
Water use (cubic metres) <sup>5</sup>	434,475	569,980	294,791
Waste (tonnes) <sup>5</sup>	13,811	8,587	161

1. Proforma figures for both GVC and Ladbrokes Coral combined businesses for the relevant calendar year.

2. Employee health and safety data is for offices based in UK, Gibraltar and Vienna.

3. Emissions from our global operations include those arising from our businesses in Austria, Belgium, Bulgaria, Gibraltar, India, Ireland, Italy, Spain, UK, Ukraine. This makes up 95% of our overall headcount.

4. Based on UK Defra/BEIS greenhouse gas reporting; conversion factors 2017; except for overseas electricity conversion factors which are based on IEA/OECD CO<sub>2</sub> emissions from fuel Combustion 2017. Includes Scope 1: Direct emissions from the combustion of fuel, and Scope 2: Indirect emissions from the purchase of electricity. Excluding fugitive emissions from refrigerants, which represent less than 2% of GHG emissions from our business operations.

5. Waste and water data is sourced from our operations in Austria, Bulgaria, Gibraltar, India, UK, Ukraine. This makes up 85% of our overall headcount.

**Health, Safety, Security and Environmental management**

Health, Safety, Security and Environmental management (HSSE) are important priorities for us. We are taking steps to encourage a positive health and safety culture throughout the business and to maintain a safe environment for our customers and colleagues.

Created in 2017, our HSSE policy and management framework is now integrated fully across GVC's operations, supported by Group HSSE standards and performance targets.

The management system is based on a proactive and predictive risk approach where we can identify risks early, allowing us to make changes to our management system controls as needed.

The system enables us to:

- Protect the health, safety, well-being and security of our colleagues, suppliers and other persons who can be affected by our operations;
- Reduce our environmental impacts
- Ensure that the GVC Group is compliant with legal and other requirements;
- Set and monitor performance targets related to HSSE performance; and
- Establish long-term partnerships with suppliers who share our commitment to HSSE.

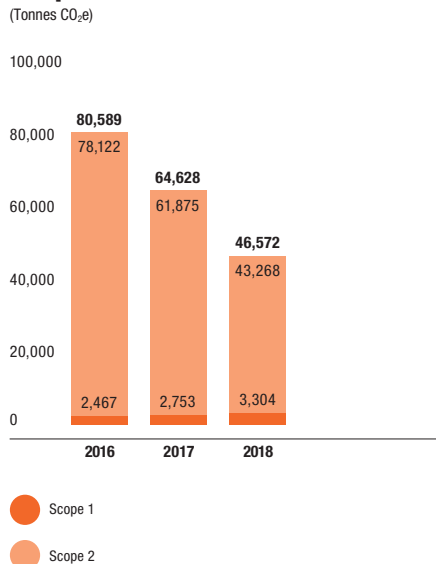
**Environment**

GVC and Ladbrokes Coral have been monitoring and reducing our environmental impact over the long term. Historically the primary focus for both companies has been reducing their carbon footprint, which continues to be the most significant environmental impact across the Group. We also look at the wider environmental picture, monitoring and reducing water use and waste across our major offices and retail estate.

Going forward GVC, will continue to adopt low carbon technology, capture energy savings and reduce our emissions. We particularly focus on electricity and gas used on our premises and in our data centres, which together make up the bulk of our carbon footprint. Having established the baseline, we have a three-year target of reducing the Group's greenhouse gas emissions on a per capita basis by 15%.

We have used the integration of Ladbrokes Coral businesses into GVC to identify opportunities for reducing our carbon footprint. Carbon reduction has been a long-term strategy for Ladbrokes Coral, having had emissions targets in place since 2008. At GVC we maintain the focus and have adopted a strategic approach to our scope 3 carbon emissions from external data centres. As part of the acquisition, we have started work on merging data centres, to unlock cost and carbon savings.

**Scope 1 and 2 emissions chart**



**-15%**

reduction in the Group's greenhouse gas emissions on a per capita basis.



**Sourcing responsibly and engaging with our suppliers**

Modern slavery and human trafficking are on the increase, and slavery has become an important issue in several countries in which GVC operates. At GVC, we take this issue very seriously and prohibit all forms of slavery, both in our own organisation and in our supply chains. This is reinforced by our Codes of Conduct, our Environmental, Social, and Ethical Purchasing Policy, and will soon be explicitly referenced in all our terms of engagement for suppliers and business partners. We will publish our second Modern Slavery Statement in 2019, offering a more comprehensive report on progress than in 2018.

Although we have put in place steps to prevent modern slavery within our own business and supply chain, we believe that we are at a low risk due to the nature of our business and the skill levels required from our employees and business partners. GVC is an entertainment business, selling experiences rather than physical products. Our workforce is highly skilled, due to the technical and highly regulated nature of our offering, and we have a relatively small supply chain compared to other high street retail businesses. We do not use temporary labour in our shops or offices, and any temporary contractors at our head offices are highly skilled and vetted before being appointed.

# RESPONSIBLE GAMING CONTINUED

## OBJECTIVES FOR 2019

OUR OBJECTIVES FOR THE YEAR AHEAD ARE ALL ABOUT **BUILDING A FIRM FOUNDATION FOR MAXIMISING OUR POSITIVE IMPACTS AND MAKING QUANTITATIVE COMMITMENTS IN FUTURE YEARS.**

# 0.2%

of UK GGR pledged to problem gambling research, education and treatment bodies.

# £2M

funding for the GVC Community Fund.



strategic partnership supporting both talented individuals and national sporting excellence programmes.

### Safer gambling

- Doubling the amount we donate to problem gambling research, education and treatment bodies to 0.2% of UK gross gaming revenue;
- Bedding-in our CSR governance and delivery structure, from the Board CSR Committee to operational teams;
- Starting the provision of safer gambling awareness and education programmes for school children through our partnership with EPIC;
- Establishing a unified, company-wide approach to responsible gaming and betting, including policies and standards, monitoring systems and training programmes;
- Building relationships with partner organisations across our markets of operation to jointly tackle key responsible gaming and betting issues, and understanding where further research is needed;
- Pioneering new approaches to transparent reporting on responsible gaming and betting, developing robust metrics in partnership with our peers; and
- Developing our partnership with Harvard Medical School to better understand and reduce the potential for problem gambling behaviour through rigorous research.

### Responsible employer

- Creating a "one GVC" culture across the company, harmonising policies and developing our employer proposition around a shared set of values and opportunities;
- Embedding and broadening our initiatives to continuously strive to make GVC an inclusive employer of choice where people can succeed and progress in a meritocracy; A company where "everyone is in the game";
- Rolling out best practice benefits schemes to support employee wellbeing and achieve high levels of retention; and
- From April 2019, we will implement the UK Government legislation relating to FOBT limits. We are determined to implement these difficult and unprecedented changes by treating our colleagues with integrity. We also aim to retain our best people in the business. To do this we are actively involving our people through frequent employee forums, nationally and regionally, across our retail business.

### Responsible communities and markets

- Launching the GVC Community Fund with £2m of seed funding, which will be used to invest in our communities and support local initiatives that matter to our customers and employees;
- Implementing the strategic partnership with SportsAid which will support both talented individuals and national sporting excellence programmes in the lead up to the next Olympics; and
- Naming two multi-year strategic partners for the Ladbrokes Coral Charitable Trust, who we will support through fundraising across our estate of UK bookmaking shops.

### Responsible business operations

- Identifying further key actions to reduce our greenhouse gas emissions footprint;
- Launching company-wide policies and systems around core compliance issues, including codes of conduct, whistleblowing, AML, data protection and security; and
- Streamlining our approach to supplier management, ensuring our value chain partners share our high social and environmental standards.

# RESPONSIBLE GAMING CONTINUED

## CORPORATE SOCIAL RESPONSIBILITY ("CSR") COMMITTEE REPORT

In June 2018 the Board appointed the CSR Committee. In recognition of the increased scale and complexity of the Group, with licenses in more than 20 jurisdictions and the number of employees increasing from 3,000 to more than 25,000 the Board considered it appropriate to delegate oversight of matters relating to regulatory compliance, AML, responsible gaming, health and safety, environmental impact, data protection and diversity in the workplace to this new committee. The terms of reference for the CSR Committee are available on GVC's corporate website at:



<https://gvc-plc.com/wp-content/uploads/2018/06/CSR-Committee-Terms-of-Reference.pdf>

### Membership and attendance

The following Directors are members of the CSR Committee and they each attended the following number of meetings in 2018:

Member	Number of meetings entitled to attend	Number of meetings attended
Virginia McDowell (Chair)	4	4
Jane Anscombe	4	4
Kenneth Alexander	4	4
Lee Feldman	4	4
Stephen Morana	4	4

Peter Isola succeeded Lee Feldman as a member of the CSR Committee on 27 February 2019.

The terms of reference require a majority of the committee members to be independent directors.

The Company Secretary attends all CSR Committee meetings to record the minutes and provide advice to the Directors. The Head of CSR and Directors of Responsible Gaming, AML, International and UK Compliance along with the Group HR Director are normally invited to attend each meeting and the Chief Privacy Officer and Group Health, Safety, Security and Environment ("HSSE") Director may be invited to attend from time to time to participate in discussions about data protection and HSSE matters respectively.

### Business during the year

As can be seen from the CSR report (pages 42 to 52) 2018 was an exceptionally busy year for the Group. Despite only being established in June, the committee still met four times last year.

Following the acquisition of the Ladbrokes Coral business, the Group became the largest licensed operator in the UK market and is licensed in more than 20 jurisdictions. As a result the Committee has spent a considerable amount of time reviewing the compliance governance arrangements of the combined Group and the changes made to the Compliance, AML and Responsible Gaming teams. At each meeting the Committee members receive AML, compliance and regulatory assurance reports from the executive responsible for managing these areas to discuss integration plans and issues with the Directors.

2018 was a huge year for data privacy and protection with the introduction in May of the General Data Protection Regulation in the European Union. We recruited a new Chief Privacy Officer and have built up a privacy legal team to support the Group's effective management of the information we hold. The Chief Privacy Officer is invited to attend committee meetings to update the Directors on developments in this critical area.

With the number of Group employees climbing from 3,000 to more than 25,000 in 2018 with the combination with Ladbrokes Coral, there has been a greater focus on our strategy for fostering greater diversity and inclusion practices into the business. The Group HR Director supported by the CEO has been managing this project and been attending our committee meetings to discuss the strategy and implementation to ensure the Group remains focused on this matter.

Given the huge increase in employees and a much larger footprint, particularly in the UK following the acquisition of the Ladbrokes and Coral retail businesses, the Committee has been engaging with the Group HSSE Director to understand the health and safety, security and environmental risks attaching to our complex business and the plans to effectively mitigate these risks. The Group HSSE Director provides update reports to the committee and attends meetings to discuss these areas with the Directors.

Going into 2019, we are at an exciting time for this young committee as we roll-out and develop our responsible gaming strategy, "Changing for the Better" and seek to be the world's most trusted betting and gaming operator.

**Virginia McDowell**  
CSR Committee Chair  
5 March 2019

# REPORT OF THE CHIEF FINANCIAL OFFICER

**GROUP PROFORMA  
UNDERLYING OPERATING  
PROFIT OF £610.1M WAS £96.0M  
OR 19% AHEAD DRIVEN BY  
UNDERLYING EBITDA GROWTH  
OF £88.8M.**

**Paul Bowtell**  
Chief Financial Officer  
5 March 2019



## **NGR and revenue**

Group reported NGR was 265% ahead and revenue was 272% ahead due the inclusion of nine months of trading of Ladbrokes Coral Group plc post acquisition in the current year. Group proforma NGR was 9% ahead and revenue was 8% ahead. Further details are provided in the Business Review section.

## **Underlying operating profit<sup>5</sup>**

Group reported underlying operating profit<sup>5</sup> was £520.8m (2017: £169.2m) as a result of underlying EBITDA<sup>4</sup> of £640.8m (2017: £211.3m), £10.7m of share based payments costs (2017: £15.5m), £117.7m of underlying depreciation and amortisation (2017: £26.7m) and £8.4m of JV income (2017: £0.1m). This growth is driven by the inclusion of nine months of trading of Ladbrokes Coral Group plc post acquisition in the current year and the continued growth of the legacy GVC businesses.

Group proforma underlying operating profit<sup>5</sup> of £610.1m was £96.0m or 19% ahead of prior year which was driven by underlying EBITDA<sup>4</sup> growth of £88.8m, savings in share based payment costs of £9.0m, increase in JV income of £2.9m, offset by an increase in depreciation and amortisation of £4.7m.

## **Financing costs**

Net finance costs of £86.2m includes £63.9m of interest payable (2017: £19.3m) and £81.7m (2017: £nil) of foreign exchange losses on financing facilities partly offset by £58.3m (2017: £nil) of gains on derivative financial instruments, which are intended to hedge a proportion of the Group's foreign exchange exposure, and £1.1m (2017: £1.1m) of interest receivable.

The increase in interest payable of £44.6m is driven by the new financing facilities taken as part of the acquisition of the Ladbrokes Coral Group. Whilst the Group has experienced £81.7m of foreign exchange losses on its debt facilities during the year, £58.3m of this has been mitigated through gains in financial derivatives that were taken out to hedge the exposure to the US dollar. The Group is left with residual GBP/Euro foreign exchange risk in its financing facilities, however, this is largely offset by the net asset position on the Group's European subsidiaries.



Year ended 31 December	Reported results <sup>1</sup>			Proforma results <sup>2</sup>			
	2018 £m	2017 £m	Change %	2018 £m	2017 £m	Change %	Constant currency <sup>3</sup> %
<b>NGR<sup>6</sup></b>	<b>2,979.5</b>	815.9	265%	<b>3,571.4</b>	3,288.1	9%	9%
<b>REVENUE</b>	<b>2,935.2</b>	789.9	272%	<b>3,523.6</b>	3,247.6	8%	9%
<b>GROSS PROFIT</b>	<b>2,004.2</b>	575.3	248%	<b>2,404.4</b>	2,256.3	7%	
<b>CONTRIBUTION</b>	<b>1,598.8</b>	400.7	299%	<b>1,939.8</b>	1,872.8	4%	
<i>Contribution Margin</i>	<b>53.7%</b>	49.1%	4.6pp	<b>54.3%</b>	57.0%	(2.7pp)	
<b>UNDERLYING EBITDA<sup>4</sup></b>	<b>640.8</b>	211.3	203%	<b>755.3</b>	666.5	13%	
Share based payments	(10.7)	(15.5)	31%	(11.7)	(20.7)	43%	
Underlying depreciation and amortisation	(117.7)	(26.7)	(341%)	(141.7)	(137.0)	(3%)	
Share of JV income	8.4	0.1	n/m	8.2	5.3	55%	
<b>UNDERLYING OPERATING PROFIT<sup>5</sup></b>	<b>520.8</b>	169.2	208%	<b>610.1</b>	514.1	19%	
Net finance costs	(86.2)	(18.2)	(374%)				
<b>PROFIT BEFORE TAX PRE SEPARATELY DISCLOSED ITEMS</b>							
Separately disclosed items	434.6	151.0	188%				
Amortisation of acquired intangibles	(322.5)	(106.5)	(203%)				
Other	(131.0)	(67.1)	(95%)				
<b>LOSS BEFORE TAX</b>	<b>(18.9)</b>	(22.6)	16%				
Tax	(37.5)	1.7	n/m				
<b>LOSS AFTER TAX FROM CONTINUING OPERATIONS</b>	<b>(56.4)</b>	(20.9)	(170%)				
Discontinued operations	-	(14.0)	n/m				
<b>LOSS PROFIT AFTER TAX</b>	<b>(56.4)</b>	(34.9)	(62%)				

#### Separately disclosed items

Items separately disclosed before tax for the year ended 31 December amount to a £453.5m charge (2017: £173.6m) and relate primarily to the amortisation of acquired intangibles, costs associated with Greek Tax assessments (see note 32), costs associated with the acquisition of the Ladbrokes Coral Group and other smaller acquisitions, and impairment of UK Retail shop assets following the decision by the UK Government to bring the £2 FOBT stakes restriction forward to 1 April 2019.

This has been partially offset by a £192.5m credit reflecting the net release of contingent consideration provisions, primarily relating to the Contingent Value Right ("CVR"), which was extinguished following the enactment of legislation on the £2 FOBT stakes restriction. The table below summarises the items recorded for both 2018 and 2017:

Separately disclosed items	2018 £m	2017 £m
Amortisation of acquired intangibles	(322.5)	(106.5)
Greek Tax	(186.8)	-
Corporate Transaction costs	(64.4)	(6.8)
Impairment loss	(41.3)	(1.4)
Integration costs	(14.5)	(21.1)
Legal and onerous contract provisions	(9.2)	(1.9)
Other one-off items	(7.3)	(5.5)
Movement in fair value of contingent consideration	192.5	(30.4)
	<b>(453.5)</b>	<b>(173.6)</b>

#### Profit before tax

Profit before tax and separately disclosed items was £434.6m (2017: £151.0m) reflecting the year-on-year growth in the business and the acquisition of the Ladbrokes Coral Group and other smaller acquisitions. After charging separately disclosed items, the Group recorded a pre-tax loss of £18.9m (2017: £22.6m).

#### Taxation

The tax charge for the year ended 31 December was £37.5m (2017: £1.7m credit) reflecting a £56.8m charge on underlying trading (2017: £16.2m) and a £19.3m credit on separately disclosed items (2017: £17.9m credit). The underlying tax charge reflects a 13% effective tax rate.

#### Dividends

A second interim dividend of 16.0p per share was declared, taking the total 2018 dividend to 32.0p, an increase of 7% on the prior year.

# REPORT OF THE CHIEF FINANCIAL OFFICER CONTINUED

## Cashflow

Year ended 31 December	2018 £m	2017 £m
<b>UNDERLYING EBITDA<sup>4</sup></b>	<b>640.8</b>	211.3
Underlying working capital	(24.8)	14.1
Capital expenditure/Investment in JVs	(214.2)	(33.1)
Finance lease repayments	(1.1)	–
Interest paid	(55.5)	(37.0)
Corporate taxes	(43.5)	(13.1)
<b>FREE CASHFLOW</b>	<b>301.7</b>	142.2
Greek tax	(108.8)	–
Other separately disclosed items	(109.9)	(27.6)
Disposal proceeds	–	27.1
Acquisitions (net of cash acquired)	(522.6)	(32.3)
Net movement on debt and costs of debt issuance	701.1	(76.2)
Equity issue	26.2	41.5
Dividends received from associates	9.4	–
Dividends paid	(142.7)	(120.0)
<b>NET CASHFLOW</b>	<b>154.4</b>	(45.3)
Foreign exchange	(2.5)	2.5
<b>NET CASH GENERATED</b>	<b>151.9</b>	(42.8)
Cash and cash equivalents at beginning of period	270.0	312.8
<b>CASH AND CASH EQUIVALENTS AT THE END OF PERIOD</b>	<b>421.9</b>	270.0

The Group generated a net cash inflow of £154.4m (2017: £45.3m outflow). During the period, which contains the results and cashflows of Ladbrokes Coral post acquisition, the Group generated underlying EBITDA<sup>4</sup> of £640.8m (2017: £211.3m), incurred £214.2m (2017: £33.1m) of capital investment costs, including the investment in the US joint venture, and had a working capital outflow of £24.8m (2017: £14.1m inflow). The working capital outflow in the year is primarily as a result of timing differences caused by the acquisition of the Ladbrokes Coral business. The Group also paid £55.5m in interest (2017: £37.0m), £43.5m in corporate taxes (2017: £13.1m) and £1.1m in finance lease repayments (2017: £nil) resulting in a free cash inflow of £301.7m (2017: £142.2m).

The Group paid £218.7m (2017: £27.6m) in relation to items that have been separately disclosed in the period. These payments relate to £108.8m of Greek Tax payments (see note 32) and £109.9m of payments primarily consisting of fees associated with the acquisition of Ladbrokes Coral and Crystalbet, costs relating to the integration of the businesses post the Ladbrokes Coral acquisition and payments against onerous leases. The net cash cost of the acquisitions in the year (net of cash within acquired businesses) amounted to £522.6m (2017: £32.3m), the majority of which related to Ladbrokes Coral (see note 16). The Group raised £1,398.0m of new debt to fund the acquisitions and repaid £660.2m of the existing Ladbrokes Coral debt. £32.0m of fees were incurred in raising the new debt and £4.7m of debt repayments have been made since the acquisition. During the prior year the Group made a net repayment of debt of £76.2m.

During the year the Group also raised £26.2m from the issue of share capital (2017: £41.5m) and received £9.4m (2017: £nil) in dividends from associates. Cash dividends of £142.7m (2017: £120.0m) were paid in the period including £1.4m to non-controlling interest and £2.5m in dividend credits on options.

## Net debt and liquidity

As at 31 December 2018, accounting net debt was £1,813.5m and adjusted net debt was £1,896.6m, representing a net debt to proforma underlying EBITDA ratio of 2.5x.

	Par value	Issue costs/ Premium	Total
Bonds	(500.0)	(32.0)	(532.0)
Term loans	(1,727.8)	32.4	(1,695.4)
Interest accrual	(8.0)	–	(8.09)
Sub-total	(2,235.8)	0.4	(2,235.4)
Cash			421.9
<b>ACCOUNTING NET DEBT</b>			<b>(1,813.5)</b>
Cash held on behalf of customers			(312.5)
Fair value of swaps held against debt instruments			43.3
Short term investments			96.2
Balances held with payment service providers			89.9
<b>ADJUSTED NET DEBT</b>			<b>(1,896.6)</b>

## Dividend timetable

5 March 2019	Dividend declared
14 March 2019	Ex-dividend date
15 March 2019	Record date
25 April 2019	Payment

## Going Concern

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

## Notes

- 2018 and 2017 reported results are unaudited and reflect the acquisition of the Ladbrokes Coral Group plc on 28 March 2018.
- The Group's proforma results are unaudited and presented as if the current Group, post the acquisition of Ladbrokes Coral Group plc, had existed since 1 January 2017. As such, it excludes the results of the Turkish business which was discontinued during 2017 and the 360 shops that the Ladbrokes Coral Group plc was required to divest on the merger of Ladbrokes PLC and the Coral Group. The results of Crystalbet and Neds are included from the date of acquisition (11 April 2018 and 22 November 2018 respectively) and the results of Kalixa are excluded from the date of disposal (31 May 2017).
- Growth on a constant currency basis is calculated by translating both current and prior year performance at the 2018 exchange rates.
- Stated pre separately disclosed items and shared based payments.
- Stated pre separately disclosed items.

**Paul Bowtell**  
Chief Financial Officer  
5 March 2019

# RISK GOVERNANCE AND RESPONSIBILITIES



## THE BOARD

- Overall responsibility for risk management as an integral part of strategic planning.
- Formal review of risks twice yearly.
- Setting clear policies on acceptable levels of risk.
- Bi-annual assessment of the effectiveness of the Internal Controls System.



## AUDIT COMMITTEE

- Responsible for assessing the scope and effectiveness of the systems established to identify, assess, manage and monitor risks.
- Reviews reports from Internal Audit and external audit (KPMG).
- Internal audit function has an annual audit programme that addresses most of the principal risks as well as other operational and business risks which include periodic monitoring of mitigating actions.

## SENIOR EXECUTIVES

- Executive Directors and senior executives identify key risks and make recommendations on the overall approach to risk management.
- Reviews overall assessment of likely risks.
- Responsible for enforcing risk management as an integral part of the Group's internal control, planning and approval process.
- Each key risk is assigned Executive Committee member ownership.

## RISK COMMITTEE

- Constitutes Group and divisional executives and senior managers.
- Responsible for maintaining the PLC risk register including periodic monitoring of the mitigating actions as well as the likelihood and consequence of each risk.
- Meets four times a year.
- Business units report into the Risk Committee.

# PRINCIPAL RISKS

## Risk management process and methodology

The effective understanding, acceptance and management of risk are fundamental to the strategy of the Group. Over the course of the year, the Group has looked to improve its risk management capabilities and enhance its ability to identify, evaluate and monitor principal risks.

We have adopted an integrated and proactive approach to our risk management and responsibilities, and we continue to seek improvement in our ability to detect, understand and debate our risk. An initial version of an Enterprise Risk Management (ERM) Framework has been established for the newly formed Group, which includes an assessment of the Groups tolerance to risk. Over the course of the coming year we will look to further enhance this framework and develop our assessment of the Groups risk appetite. The ERM Framework is the vehicle which defines and delivers risk management across the business and includes a risk scoring matrix to ensure a consistent approach and risk indicators which help to monitor progress.

The Risk Committee considers identified risks to the business but focuses on the principal risks.

For each risk identified within the impact areas the likelihood, consequence, risk owner (Executive Committee member) and operational lead are identified by the Risk Committee.

The risk owner and operational lead suggest the appropriate mitigating control and actions which are reviewed for appropriateness and monitored regularly by the Risk Committee.

Throughout the year the risk management approach will be subject to continuous review and updated to reflect new and developing issues which might impact business strategy.

Emerging or topical risks are examined to understand the significance to the business. Risks are identified and monitored through risk registers at the Group level and within key business units, ensuring both a top down and bottom up approach.

## How risks are measured




As part of the risk management process, risks identified are measured against a defined set of criteria, in particular:

- The potential impact to the Group should the risk materialise:
  - The impact of each risk is measured with reference to the financial implications (EBITDA and cash), its potential operational impact, the effect on the reputation of our brands and whether or not it affects our commitment to health and safety. The impact is measured on a scale, where 1 is low, with limited damage to a minor stakeholder, and 5 being severe, which may have a substantial impact on the Group affecting many key stakeholders.
- The likelihood of the risk materialising:
  - The extent to which an event is likely to occur is scored from 1-5, 1 being remote i.e. very unlikely to occur and 5 being probable i.e. where it has the potential to occur or has already happened.

The product of both scores gives rise to the risk score that determines the relative importance of the individual risk.

## Principal risks

The principal risks and uncertainties, which are considered to have a material impact on the Group's long-term performance and achievement of strategy, are set out on the table below. The risks represent a snapshot at this point in time, and as the environment we operate in is constantly evolving, new risks may arise, the potential impact of known risks may increase or decrease, and our assessment of a risk may change. They do not include all those risks associated with Group's activities and are not set out in any order of priority. This is not intended to be an exhaustive and extensive analysis of all risks which may affect the Group.

KEY:  Risk increased  Risk decreased  Risk static  New risk

**RISK 1:  
DATA BREACH  
AND CYBER SECURITY**

**Risk category:**

- Technology
- Legal and regulatory
- Reputational
- Financial



**Principal risk/uncertainty**

The Group processes sensitive personal customer data (including name, address, age, bank details and betting and gaming history) as part of its business and therefore must comply with strict data protection and privacy laws in all jurisdictions in which the Group operates. The Group is exposed to the risk that this data could be wrongfully obtained through either a cyber-attack or a breach in data security. This could result in prosecutions including financial penalties and the loss of the goodwill of its customers.

**How we manage and mitigate the risk**

The Group dedicates significant resources to ensure security arrangements and systems are up to date to cope with emerging threats. Sophisticated hardware and security mechanisms are used to ensure all sensitive and confidential data is fully encrypted.

GVC is committed to maintain its ISO 27001:2013 Information Security Management System certification and during the year, harmonised security policies across the wider Group. Moving forward, the ISO standard will be evaluated across the enlarged Group and applied where deemed relevant.

A Data Privacy team, led by the Group's Chief Privacy Officer, was established during the year, tasked with aligning the enlarged Group's data privacy strategy and governance structure, providing regular updates to the Group's Corporate Social Responsibility Committee (page 53).

**Strategic relevance**

Crystallisation could lead to significant reputational and operational issues that limit the Groups ability to drive Online growth and deliver technology synergies.

**RISK 2:  
TECHNOLOGY FAILURE**

**Risk category:**

- Technology
- Legal and regulatory
- Reputational
- Financial



**Principal risk/uncertainty**

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

**How we manage and mitigate the risk**

The Group's technology resilience levels continue to mature across all sites and various platforms, through lessons learnt from testing procedures and/ or service outages. Service reliability improvement is a key driver across the Group's product offering and forms a fundamental facet of the Group's technology integration objectives for 2019.

**Strategic relevance**

Significant technology failings or product outage is likely to impact the Groups ability to attract and retain the customers required to deliver the Groups growth strategy.

**RISK 3:  
TAXES, LAWS, REGULATIONS,  
LICENSING AND REGULATORY  
COMPLIANCE**

**Risk category:**

- Commercial
- Reputational
- Legal and regulatory
- Financial



**Principal risk/uncertainty**

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

**How we manage and mitigate the risk**

The Group closely monitors regulatory, legislative and fiscal developments in key markets allowing the Group to assess, adapt and takes the necessary action where appropriate.

Management take external advice, which incorporates risk evaluation of individual territories. It also engages in promoting licensing solutions that provide commercially viable opportunities for online gaming operators.

Regulatory updates are provided on a weekly basis to senior management with updates provided to the Board of Directors at every board meeting.

**Strategic relevance**

Whilst changing regulatory and tax regimes offer opportunities to the Group as well as posing risks, a significant adverse change in jurisdictions in which the Group operates could have a significant impact on the Groups future profitability and cash generation.

# PRINCIPAL RISKS CONTINUED

KEY:  Risk increased  Risk decreased  Risk static  New risk

## RISK 4: IMPOSITION OF ADDITIONAL GAMING OR OTHER INDIRECT TAXES

### Risk category:

- Commercial
- Legal and regulatory
- Financial



### Principal risk/uncertainty

Revenues earned from customers located in a particular jurisdiction may give rise to further taxes in that jurisdiction. If additional taxes are levied, this may have a material adverse effect on the amount of tax payable by the Group.

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

### How we manage and mitigate the risk

The Group's tax strategy is approved annually by the Board of Directors. Responsibility for the execution of the Group's tax strategy is managed by the Board.

The Group's geographical diversity and the nature of taxation surrounding our industry have resulted in considerable complexity in our tax affairs. In order to mitigate the risks that arise, the Group actively identifies, evaluates, manages and monitors its tax risks and the geographies in which it operates. The Group has an appropriately qualified and resourced tax team to manage its tax affairs. In addition, where there is significant uncertainty or complexity in relation to a tax risk, the Group may use the services of external, expert tax advisors.

### Strategic relevance

Short notice, adverse changes in the tax regimes in the territories in which the Group operates may impact our brand reputation and future profitability.

## RISK 5: INCREASED COST OF PRODUCT

### Risk category:

- Commercial
- Financial



### Principal risk/uncertainty

The Group is subject to certain arrangements intended to support industries in which it operates. Examples are the horseracing and the voluntary greyhound racing levies, which respectively support the British horseracing and greyhound industries. In addition, the Group enters into contracts for the distribution of television pictures, audio and other data that are broadcast across the various routes to market. A number of these are under negotiation at any one time.

### How we manage and mitigate the risk

Senior management engages regularly with the relevant trade associations and the principal bodies of sport and event industries with regard to sports rights payments, including the statutory horse racing levy, animal welfare and other issues.

### Strategic relevance

Material increases in the cost of content may reduce the Groups ability to deliver cost savings through the integration program.

## RISK 6: TRADING, LIABILITY MANAGEMENT AND PRICING

### Risk category:

- Commercial
- Operational
- Strategic



### Principal risk/uncertainty

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

### How we manage and mitigate the risk

The Group has acquired some of the leading expertise in trading liability management and the enlarged Group's trading team has developed the skills and systems to be able to offer a wide range of betting opportunities.

Events are priced in order to achieve an average return to the bookmaker over a large number of events and therefore, over the long term. The Group's gross win percentage has remained fairly constant. Executive management monitor the gross win margin on a daily basis in order to ensure the long-term target is achieved.

### Strategic relevance

A run of customer favourable results as a result of the mismanagement of the trading book could significantly impact the groups in year profitability.

## RISK 7: HEALTH AND SAFETY

### Risk category:

- Operational
- Reputational



### Principal risk/uncertainty

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

### How we manage and mitigate the risk

GVC's Retail and European business segments have numerous policies and procedures in place. Annual training and communication plans to all staff within these segments, as well as specific communications to staff across the wider Group continue to take place. The Group's Corporate Social Responsibility Committee also oversee all aspects of Health, Safety, Security and Environmental concerns.

### Strategic relevance

Breaches in the Group's Health and Safety policies could lead to significant reputational damage as well as raising issues in the Groups commitment to the health and safety of its colleagues.

## RISK 8: LOSS OF KEY LOCATIONS

### Risk category:

- Operational



### Principal risk/uncertainty

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

### How we manage and mitigate the risk

Existing continuity plans and arrangements for off-site data storage, alternative system availability and remote working for key operational colleagues and senior management are subject to ongoing review following the recent acquisition of Ladbrokes Coral.

### Strategic relevance

Loss of a key location could impact the Groups ability to offer product to its customers impacting its ability to generate revenues.

## RISK 9: SYNERGY DELIVERY/FAILURE TO INTEGRATE

### Risk category:

- Operational
- Financial



### Principal risk/uncertainty

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

### How we manage and mitigate the risk

Integration workstreams began during the course of 2018 and this remains a strategic focus of the Group moving forward. The Group's budgeting process incorporates synergy delivery and the integration team capture and monitor progress across these workstreams.

### Strategic relevance

Failure to achieve the Group's synergy/operational integration targets could significantly impact future growth forecasts and the Group's strategy to deploy the proprietary technology across all brands.

# PRINCIPAL RISKS CONTINUED

KEY:  Risk increased  Risk decreased  Risk static  New risk

## RISK 10: RECRUITMENT AND RETENTION OF KEY EMPLOYEES

### Risk category:

- Operational



### Principal risk/uncertainty

Our people are our greatest asset. We aim to be an employer of choice for talented and passionate people and we need a high level of competence across the business to meet our objectives and respond to changing market needs.

### How we manage and mitigate the risk

Performance Management, Development, Reward and Recognition systems and, as part of the merger, we are aligning terms and conditions wherever appropriate.

Implementation of “best practice employment standards frameworks” and “enabling a rewarding and inclusive environment” initiatives as part of our people plan underpin our responsible employer strategy.

### Strategic relevance

A pre-requisite to achieving all of our strategic priorities is ensuring we have the right people with the right skills, deployed within the right area of the business. Failing to recruit/retain the best people could significantly impact the Group achieving all of its strategic objectives.

### Long-term viability statement

In accordance with provision C2.2 of the 2014 revision of the Corporate Governance Code, the Directors have assessed the prospects and viability of the GVC Holdings PLC Group over a longer period than the 12 months required by the “Going Concern” provision. The Directors have concluded that three years was an appropriate period for assessment as this is aligned to the Group’s strategic planning process and is considered to be the period for which reliable estimates can be made for variations in both industry and customer dynamics, regulatory change, technological advancements and the economic backdrop in the Gambling industry.

The objectives of the strategic planning process are to further develop the businesses understanding of the markets in which it operates, assess the risks and opportunities facing the business and develop a Group-wide strategy and associated financial forecasts. The Directors have utilised these strategic forecasts, the 2019 Board approved budget and the current financial position of the Group to assess the potential impact on viability of certain severe, but plausible, “risk events” arising which represent the crystallisation of the Group’s principal risks and uncertainties as identified on pages 58 to 62 of this Annual Report.

The financial impact of these risk events have been assessed both individually and in combination and include:

- The impact of a significant change in the Group’s duty profile, including further changes in UK RGD, additional taxation in key geographies and changes to the Group’s VAT status in the UK
- Significant changes in the regulatory environment including, gaming restrictions in key markets and further focus on AML legislation in the UK by the Gambling Commission
- Cyber security failings and major disruption in supplier/customer contracts
- Downturn in trading due to a run of customer friendly results and a failure to adequately integrate the two businesses

The Directors have performed reverse stress tests to assess the level of liquidity and covenant headroom in the underlying forecasts as well as considering the potential impacts of Brexit in forming their view on viability.

Based on the results of this analysis and the mitigating actions available to the business, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three year assessment period except in the event of severe, improbable, combinations of its principal risks arising.

The going concern statement is contained on page 56 of this Annual Report

The Strategic Report was approved by the Board and has been signed on its behalf by the Company Secretary.

**By order of the Board.**



# GOVERNANCE AT WORK

The Board looks to encourage a culture of strong governance across the business, and continues to adopt the principles of good governance by adhering to the requirements of the UK Corporate Governance Code.

**The Board is collectively responsible to the Company's shareholders for creating and preserving the long-term success and performance of the business.**

**We will be reporting in compliance with the 2016 Corporate Governance Code, but where practical will align some content to recognise the new July 2018 code.**

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# CORPORATE GOVERNANCE REPORT

## CHAIRMAN'S GOVERNANCE STATEMENT

**GVC IS NOW IN THE THIRD YEAR OF ITS GOVERNANCE JOURNEY SINCE JOINING THE MAIN MARKET IN 2016. AS THE GROUP HAS GROWN WE HAVE SOUGHT TO UPGRADE OUR CORPORATE GOVERNANCE PRACTISES TO ADDRESS THE ADDITIONAL COMPLEXITY OF THE GROUP AND TO MEET STAKEHOLDER EXPECTATIONS.**

**Lee Feldman**  
Chairman  
5 March 2019



### Board changes

In 2018 we have continued the process of refreshing the Board as we grow, this has involved some key announcements about changes to the membership of the Board including:

In June we announced the appointment of Virginia McDowell as an independent Non-executive Director. Virginia has more than 35 years of experience in the US gambling industry, having been the President and CEO of publicly listed Isle of Capri Casinos until her retirement in 2016 and she remains the Vice-Chair of Global Gaming Women, a non-profit organisation with a mission to support, inspire and influence the development of women in the gaming industry through education and mentoring.

In September we announced the appointment of Pierre Bouchut as a Non-executive Director and the new Chairman of the Audit Committee. Pierre has 40 years in senior management roles in finance, European retail and European property. He was previously the COO for Europe and Indonesia at Koninklijke Ahold Delhaize N.V. and the CFO at Delhaize Group SA, Carrefour SA, Schneider Electric SA and Casino (1995-2003), where he also served as CEO. He is a Non-executive Director and Chairman of the Audit Committee at Hammerson plc and Firmenich SA and a Director and Chairman of the Audit, Accounts and Risks Committee of Albioma SA. He is also a Non-executive Director of GeoPost SA.

Pierre succeeded Stephen Morana as Chairman of the Audit Committee, a position he had held since his appointment to the Board in February 2016 and the change was made following Stephen succeeding Will Whitehorn as the Senior Independent Director in June. Will had offered to step down as a Director to help GVC deliver on its commitment, as detailed in our 2017 annual report, to bring greater diversity and international perspective to the composition of the Board.

In October we announced that our CFO, Paul Bowtell, would be leaving GVC in March 2019 to take up a new position in private equity. The Board wishes Paul well with his new role and welcomes Rob Wood, GVC's Deputy CFO, who steps up as Paul's successor in March. Rob's appointment demonstrates the strong bench of talent within GVC; and

In December Karl Diacono stepped down as a Non-executive Director after ten years of service to GVC. I'd like to take the opportunity again to thank him for his contribution.

The Nominations Committee is in the process of identifying another new independent Non-executive Director, commentary on which is contained in my Nominations Committee Report on pages 74 and 75.

As a result of these changes, the Board now consists of myself as Chairman, two Executive Directors and five Non-executive Directors the Board regards as independent and, as disclosed above and in the Nominations Committee Report we are looking to appoint a further independent Non-executive Director. The Nominations Committee is cognisant of the expectations of shareholders that ideally women should form at least one third of the membership of the Board.

Biographies for the existing Directors are contained on pages 66 and 67.

## 2018 AGM and Shareholder Engagement

At the 2018 AGM a significant minority of shareholders voted against the approval of the 2017 Directors' Remuneration Report and also the re-appointment of Peter Isola, a Non-executive Director. We engaged with shareholders in the lead up to the 2018 AGM and later in the year when the Senior Independent Director and I conducted a corporate governance roadshow amongst our largest shareholders. I would like to thank all the shareholders that took up our invitation for their feedback.

Jane Anscombe, GVC's Remuneration Committee Chair, sets out in her statement on pages 82 to 102 the areas of concern some of our shareholders have with our remuneration practices. Whilst we understand these issues, it is important that shareholders recognise how far GVC has come. Jane has done a sterling job since she joined the Board in 2017, leading the Group's huge transition from a highly entrepreneurial incentive approach, using fair market value options to a new remuneration policy and incentive plans that are in line with the expected practices of large listed companies. I appreciate executive remuneration remains a concern for all UK stakeholders and I will ensure we continue to engage with shareholders about any concerns around our remuneration practices and seek to strike a balance between meeting shareholder expectations, whilst retaining our executive management team and appropriately incentivising them to continue to drive strong long-term shareholder returns.

Peter Isola was re-appointed at last year's AGM with 57% of the vote, however, we were surprised by the 43% vote against. This stemmed from some of the key proxy voting agencies changing their stance in respect of the previous two years to Peter's independence on the basis the Group had paid a Gibraltar law firm associated with Peter £63,199, although this was half what GVC had paid the law firm in the previous year. It is important for those not familiar with Gibraltar to understand that the jurisdiction has a very limited number of legal firms that can service the largest Gibraltar licensed gambling operator and the country is critical to our online gambling business. Pragmatically the Board felt that in the circumstances this should not undermine Peter's independence, particularly in light of proxy advisor commentary in previous years and the level of fees was actually reduced and was not material.

The Board, however, accepts the concerns expressed last year and Peter stepped down from the Remuneration Committee immediately and the Group no longer retains his law firm for any work. In the circumstances, the Board continues to regard Peter as independent and his contributions, particularly on regulatory and Gibraltar matters, especially in the context of BREXIT, are important and valued. Despite the Board's judgement, Peter will not serve as a member of the Audit and Remuneration Committees for the time-being to allay any shareholder concerns regarding the independence of these committees.

Following on from the extensive corporate governance roadshow that our Senior Independent Director and myself conducted in the Autumn of 2018 (as outlined on page 93 we will be engaging extensively with shareholders again ahead of our 2019 AGM on 5 June.

## CSR Committee

In June the Board formed a new committee, the Corporate Social Responsibility or CSR Committee. In recognition of the increased scale and complexity of the Group, with licenses in more than 20 jurisdictions and the number of employees increasing from 3,000 to more than 25,000 the Board considered it appropriate to delegate oversight of matters relating to regulatory compliance, AML, responsible gaming, health and safety, environmental impact, data protection and diversity in the workplace to this new committee. The committee is chaired by Virginia McDowell. A report from the CSR Committee can be found on page 53.

## Engagement

As we head into the busy AGM season, I appreciate our shareholders will be swamped with the need to digest numerous annual reports, AGM notices and proxy advisor reports. I and my fellow Directors and the Company Secretary are available to discuss any matters shareholders may have about GVC's governance and remuneration practices. In particular I would welcome shareholders engaging with us as soon as possible should they be considering voting against any of the resolutions due to be put forward at the AGM on 5 June.

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### Lee Feldman

Chairman  
5 March 2019

# LEADERSHIP EXPERIENCE ACROSS THE BOARD



## Lee Feldman

### Non-executive Chairman of the Board

Lee joined the GVC Group in December 2004 and became Chairman in 2008. He is the Managing Partner of Twin Lakes Capital, a private equity firm focused on branded consumer products, media and business services. From 2008 to 2015, he was also the Chief Executive Officer of Aurora Brands: the owner of both MacKenzie-Childs and Jay Strongwater, the iconic American luxury home furnishings and personal accessories companies. Lee was appointed the Chief Executive Officer of Aurora Brands when Twin Lakes led the acquisition of the business. He is also a member of the Board of Directors of LRN Corporation and TLH Beauty LLC.

Prior to co-founding Twin Lakes, Lee was a partner in Softbank Capital Partners. He has a B.A. and J.D. from Columbia University.

- Nominations Committee (Chair)



## Kenneth Alexander

### Chief Executive Officer

Kenneth joined GVC as its Chief Executive Officer in March 2007. On the re-domiciliation of Gaming VC Holdings S.A. to the Isle of Man and its renaming as GVC Holdings PLC, he became a Director of GVC Holdings PLC in January 2010. He was formerly Finance Director, then Managing Director, of the European operations of Sportingbet plc, which he joined in 2000. He is a member of the Institute of Chartered Accountants of Scotland and previously worked for Grant Thornton UK LLP.

- CSR Committee



## Paul Bowtell

### Chief Financial Officer

Paul joined GVC in March 2018 on completion of GVC's acquisition of Ladbrokes Coral where he was the CFO. Previously he had joined Gala Coral Group in October 2011 as CFO. Prior to that he was Chief Finance Officer of First Choice Holidays PLC and became Chief Financial Officer of TUI Travel PLC after its merger with First Choice Holidays PLC. He previously held a number of senior positions with Centrica, WHSmith and Forte. Paul is also Chairman of Alua Hotels, a privately owned company. Paul is a Chartered Accountant.



## Jane Anscombe

### Independent Non-executive Director

Jane joined the GVC Board in June 2017. She has more than 30 years of experience in the gaming, leisure and entertainment sectors, primarily as an equity research analyst. She retired from equity research in spring 2017 having been a gaming and entertainment analyst at Edison Investment Research since its formation in 2003.

Prior to that she was an independent equity research analyst from 1999 to 2003, and before that a leisure sector analyst at Investec Henderson Crosthwaite from 1998 to 1999. Prior to this Jane served as the Director of Investor Relations at Carlton Communications plc from 1997 to 1998,

having joined from The Rank Group plc where she was the Director of Investor Relations between 1993 and 1997. From 1981 to 1993, Jane was an equity research analyst at de Zoete & Bevan and then Barclays de Zoete Wedd, where she was a Director of BZW Research Ltd.

- Remuneration Committee (Chair)
- Nominations Committee
- CSR Committee



## Pierre Bouchut

### Independent Non-executive Director

Pierre Bouchut joined the GVC Board on 13 September 2018. Pierre has over 40 years of experience in senior management roles across finance, European retail and European property. He is a Non-executive Director and chairman of the audit committee at Hammerson plc and Firmenich SA and a Director and Chairman of the Audit, Accounts and Risks Committee of Albioma SA. He is also a Non-executive Director of GeoPost SA.

Previously Pierre was the chief operating officer for Europe and Indonesia at Koninklijke Ahold Delhaize N.V. (2016-2018), chief financial officer at Delhaize Group SA (2012-2016), Carrefour SA (2009-2012),

Schneider Electric SA (2005-2009) and Casino (1995-2003), where he also served as the chief executive officer from 2003 to 2005. He has also been a Non-executive Director of La Rinascente SPA and a non-executive member of the advisory boards of Qualium Investissement and Lombard Odier Asset Management (Switzerland) SA.

- Audit Committee (Chair)



## Peter Isola

### Independent Non-executive Director

Peter Isola joined the GVC Board in 2016 following the move to the Main Market of the London Stock Exchange as an expert in gaming law and regulation with experience advising numerous e-commerce clients. Peter Isola is the Senior Partner of ISOLAS, Gibraltar's longest established law firm. He is a Gibraltarian, domiciled in Gibraltar, and in 1982 was called to the Bar of England and Wales and also Gibraltar. Peter has worked in the gaming and financial services sector all of his professional life and is widely recognised and respected as a leading expert in gaming and regulation. Peter is a former President of the Gibraltar Chamber of Commerce

and advises the Government of Gibraltar on a number of committees in both financial services and gaming. He is also a Director of a number of Gibraltar regulated firms in financial services, gaming and e-commerce including the Gibraltar International Bank and Broadband Gibraltar Limited. He was appointed a Commissioner to the Gibraltar Financial Services Commission in March 2017.

- CSR Committee



## Stephen Morana

### Senior Independent Non-executive Director

Stephen Morana joined the GVC Board on 2 February 2016 and is widely recognised for his e-commerce expertise, particularly as a specialist in the online gaming sector having spent ten years as part of the management team at Betfair plc. Stephen joined Betfair in 2002, becoming Chief Financial Officer in 2006 and also served as Interim Chief Executive Officer in 2012. After Betfair, Stephen spent over three years at Zoopla Property Group Plc as Chief Financial Officer, where he helped them join the FTSE 250 in June 2014.

Stephen joined the Board of GVC following the successful acquisition of bwin.party digital

entertainment plc and the enlarged Group's move to the Main Market of the London Stock Exchange. Stephen was until recently a Non-executive Director and Audit Committee Chairman of boohoo.com plc, the high growth fast fashion business. Stephen is a member of the Institute of Chartered Accountants in England and Wales and an alumnus of the executive management programme at INSEAD.

- Audit Committee
- Remuneration Committee
- CSR Committee
- Nominations Committee



## Virginia McDowell

### Independent Non-executive Director

Virginia joined GVC in June 2018. She has 35 years of experience working in the US gaming industry and is the current Vice Chairperson of Global Gaming Women, a non-profit organisation with a mission to support, inspire and influence the development of women in the gaming industry through education and mentoring.

Virginia was the President and CEO of Isle of Capri Casinos, Inc. in the United States from 2011 until her retirement in 2016, and the president and COO of Isle of Capri from 2007 to 2011. Prior to this she was the Chief Information Officer at Trump Entertainment Resorts from 2005 to 2007 and Senior Vice President

of operations, sales and marketing at Argosy Gaming Company from 1997 until that business was acquired in 2005. From 1984 to 1996 Virginia was promoted through various roles in Tropicana Casino and Resort before departing as Vice President of business development in 1996.

- Audit Committee
- Remuneration Committee
- CSR Committee (Chair)

# LEADERSHIP CORPORATE GOVERNANCE OVERVIEW

## HOW IS THE BOARD ORGANISED AND DOES IT OVERSEE MANAGEMENT?

### CEO

- Runs the Company's business.
- Proposes and develops GVC's strategy and overall commercial objectives in conjunction with the Chairman.
- Responsible, with the senior executive team for implementing the decisions of the Board and its committees.
- Promotes and conducts affairs of GVC with the highest standards of integrity, probity and corporate governance.
- Manages the leadership team and promotes the strategic mission and goals to all employees.
- Engages with external stakeholders to explain the corporate goals and progress of the business strategy.



### CFO

- Ensures future business decisions are grounded in solid financial criteria.
- Provides insight and analysis to support the CEO and senior executive team.
- Leads key initiatives in finance that support overall strategic goals.
- Funds, enables and executes the strategy set by the CEO.
- Develops and defines the overall strategy of the organisation.
- Presents the organisation's progress on strategic goals to external stakeholders.

### CHAIRMAN

- Oversees the effective running of the Board.
- Ensures that the Board as a whole plays a full and constructive part in the development and determination of GVC's strategy and overall commercial objectives.
- Acts as a guardian of the Board's decision-making.
- Promotes the highest standards of integrity, probity and corporate governance throughout the Company and particularly at Board level.
- Oversees the effective engagement with the Company's various stakeholders.

### SID

As well as performing the normal duties expected of a NED, the SID also:

- Is available to shareholders if they have concerns which contact through the Chairman, CFO or CEO has failed to resolve or for which contact is inappropriate.
- Leads the NEDs in evaluating performance of the Chairman, taking into account the views of Executive Directors.
- Maintains sufficient contact with shareholders to understand their issues and concerns.
- Performs such other tasks and responsibilities as may be contemplated by the code or best practice from time to time.

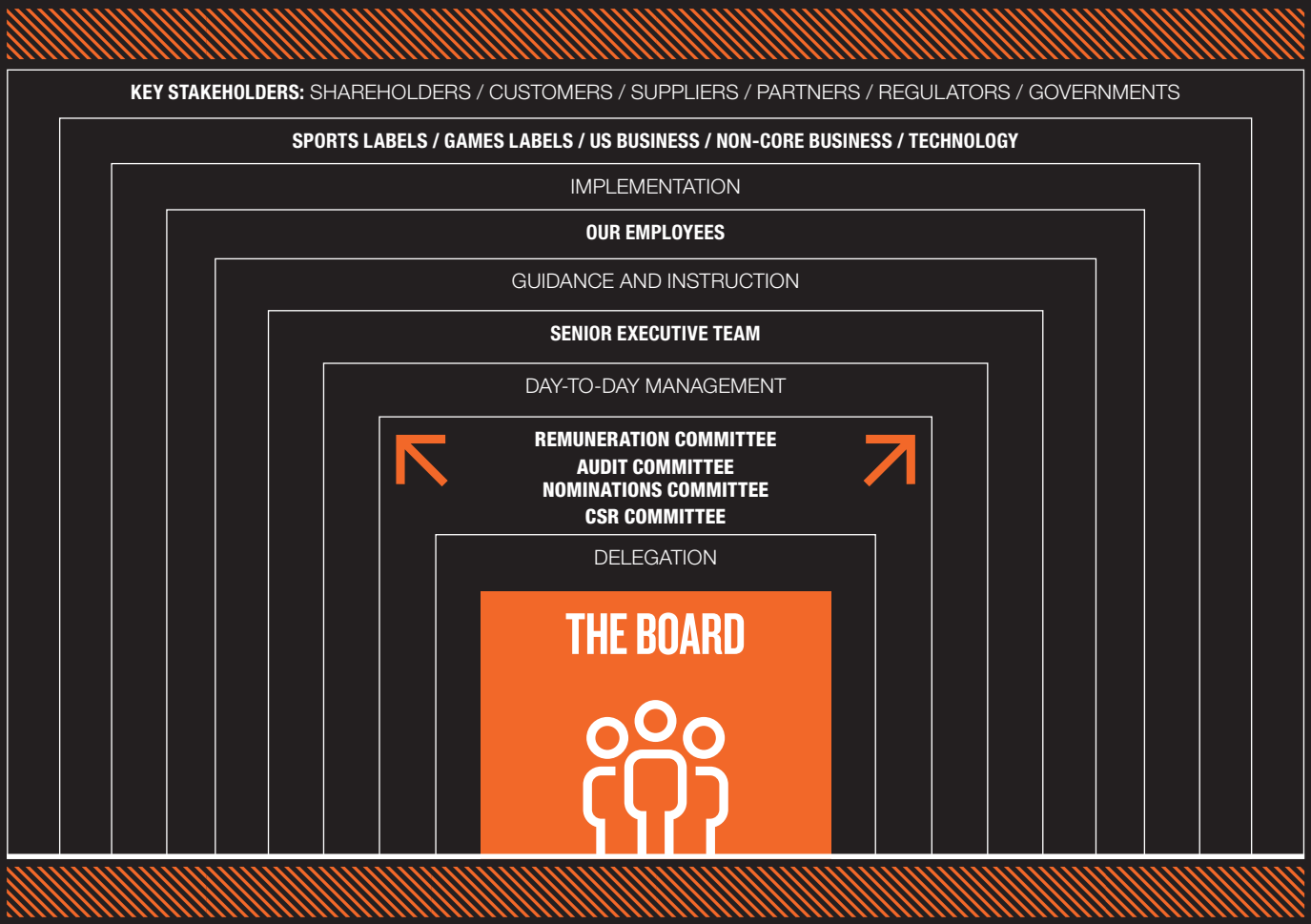
### NED

- Constructively challenges and contributes to the development of strategy.
- Scrutinises the performance of management in meeting agreed goals and objectives and monitors the reporting of performance.
- Satisfies themselves that financial information is accurate and that both controls and the systems of risk management are robust and defensible.
- Is responsible for determining appropriate levels of remuneration of Executive Directors and has a prime role in succession planning, appointing and where necessary removing senior management.



## THE ROLES OF THE BOARD

The graphic below illustrates how the Board executes its duties through a structured cascade of responsibilities across the Group.



As can be seen from the diagram above, the division of responsibilities between the Chairman and Chief Executive is clearly established and their respective roles are set out in writing and agreed by the Board.

The Board currently comprises of eight Directors and their biographies are set out on pages 66 and 67.

The Directors have adopted a formal schedule of matters reserved to the Board, setting out which issues must be referred to the Board for decision. These can be categorised into a number of key areas including but not limited to:

- long-term business plan, strategy, budgets and forecasts;
- restructuring or reorganisation of the Group and material acquisitions and disposals;
- the Group's finance, banking and capital structure arrangements;
- approval of capital expenditure and financial guarantees above certain levels;
- financial reporting (interim and annual financial results and interim management statements);
- dividend policy;
- Shareholder circulars, convening of shareholder meetings and stock exchange announcements;
- approval of the Group's remuneration policy (following recommendations from the Remuneration Committee);
- approval of the Group's risk management and control framework and the appointment/re-appointment of the external auditors (following recommendations from the Audit Committee); and
- approval of the Group's policies in relation to corporate and social responsibility, health and safety and the environment.

In addition, the Board has adopted a delegation of authority mandate which sets out the levels of authority for the Executive Directors and employees below Board level to follow when managing the Group's business day-to-day.

# LEADERSHIP CORPORATE GOVERNANCE OVERVIEW

## UK Corporate Governance Code

The Directors confirm that throughout 2018 and to date GVC complied with the main principles and recommendations of the UK Corporate Governance Code (the "Code") published in April 2016 by the Financial Reporting Council. The Code is available online at [www.frc.org.uk](http://www.frc.org.uk). The FRC published an updated Code in July 2018 for accounting periods beginning on or after 1 January 2019, so the Company will report on its compliance with the latest version of the Code next year.

## Meeting and Exceeding Best Practice

The Board feel that the size, structure and diversity of the Board is consistent with best practice in all the key areas including in the following regards: The roles of the CEO and Chairman are separate and distinct; there is a majority of the Board whom are independent; the Chairman was independent upon appointment; there is an independent Senior Non-executive Director; the Audit and Remuneration Committees are 100% independent, with executives only attending on invitation; and all Directors hold themselves accountable to shareholder by putting themselves up for annual election.

## KNOWLEDGE AND EXPERIENCE

The Directors have a wide range of backgrounds and extensive knowledge of many sectors:

- Accountancy
- Business development
- Consumer branding
- E-commerce
- Electronic payments
- Energy
- Entertainment
- Equity research
- Finance and investment
- Land-based gaming
- Law and regulation
- Online gambling
- Property
- Retail
- Technology
- Travel and leisure

## Diversity

The Board's membership is diverse geographically, with nationals from France, Gibraltar, UK and the USA. This aids the Board's discussions and decision-making process given our businesses offer into international markets and operate out of 20 countries.

Over the last eight years UK listed companies have been encouraged to appoint more women as Directors, in recognition that more than half the world's population is female and they may facilitate a better board decision-making process, with more insightful and balanced deliberations. The GVC Board supports the rationale for seeking greater gender diversity on boards of Directors and considers this diversity matter during the recruitment process. In 2018 a second woman was appointed to the Board, Virginia McDowell, resulting now in women making up 25% of the Board. Gender remains one of the key areas of consideration for the Nominations Committee and the Board, together with a candidate's experience, knowledge and skills.

## The Committees

The Board is required to present a fair, balanced and understandable assessment of the Company's position and prospects.

This responsibility to present a fair, balanced and understandable assessment extends to interim and other price-sensitive public reports and reports to regulators, as well as to information required to be presented by statutory requirements. The Board is also responsible for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives and as a consequence it has to maintain sound risk management and internal control systems.

The Board has appointed a committee of independent Directors, the Audit Committee, to monitor these areas and report and make recommendations to the Board. Please see the Audit Committee Report on pages 76 to 81. The new Audit Committee Chairman joined the Group in September 2018 and presents the Audit Committee's Report on pages 76 to 81.

The Board has adopted a formal and transparent procedure for the appointment of new Directors by appointing a Nominations Committee to lead the process of appointment and make recommendations to the Board. The Nominations Committee also advises the Board on its structure, size, composition and matters of Director and senior management succession. A report from the Nominations Committee on its work appears on pages 74 and 75.

The Board is responsible for setting the levels of remuneration for the Executive Directors and the senior executive team. It is required to set remuneration to be sufficient to attract, retain and motivate Directors of the quality required to run the Company successfully, but should avoid paying more than is necessary for this purpose. The Board has delegated these remuneration matters to a committee of independent Non-executive Directors, the Remuneration Committee. The Directors' Remuneration Report prepared by the Remuneration Committee is set out on pages 82 to 102. The fees paid to the Non-executive Directors are a matter for the Board on a recommendation from the Executive Directors.

As described on page 65, the Board appointed a CSR Committee in 2018. This new committee has oversight of matters relating to regulatory compliance, AML, responsible gaming, health and safety, environmental impact, data protection and diversity in the workplace to this new committee. A report from the CSR Committee can be found on page 53.



# DIVISION OF RESPONSIBILITY

## Composition

The Board has a majority of independent Non-executive Directors. Drawing on their various backgrounds and extensive executive and business experience, the Non-executive Directors engage with the Executive Directors, who manage the day-to-day business, in formulating the direction and strategy of the Company. The Non-executive Directors oversee the implementation of this strategy and challenge management when appropriate. In accordance with the UK Corporate Governance Code, a majority of the Directors, excluding the Chairman, are deemed to be independent, helping to ensure the Company is run in the interests of all shareholders. The Chairman was deemed to be independent on appointment.

<b>CHAIRMAN</b> <b>LEE FELDMAN</b>	
Independent	Non-independent
Jane Anscombe (Remuneration Committee Chair)	Kenneth Alexander (CEO)
Pierre Bouchut (Audit Committee Chairman)	Paul Bowtell (CFO)
Virginia McDowell (CSR Committee Chair)	
Peter Isola	
Stephen Morana (Senior Independent Director)	

## Tenure and succession

To ensure the independent Directors continue to be independent in character and judgement, the UK Corporate Governance Code recommends that Non-executive Directors should not serve for more than nine years from the date on which they are first elected by shareholders. The tenures of the current Directors deemed by the Board to be independent are as follows:

Director	First election	Tenure
Jane Anscombe	2018	1.5
Pierre Bouchut	2019	0.5
Virginia McDowell	2019	0.8
Peter Isola	2016	3.0
Stephen Morana	2016	3.0

During 2018 the following five changes to the Board's membership occurred:

1. March: Paul Bowtell succeeded Paul Miles as GVC's CFO following the acquisition of Ladbrokes Coral;
2. June: Will Whitehorn stepped down from the Board as the Senior Independent Director and Stephen Morana took on this role;
3. June: Virginia McDowell was appointed to the Board as an independent Non-executive Director and Chair of the CSR Committee;
4. September: Pierre Bouchut was appointed to the Board as an independent Non-executive Director and Chairman of the Audit Committee, succeeding Stephen Morana in this role; and
5. December: Karl Diacono retired as a Non-executive Director, having served on the Board for ten years.

## Regular meetings

During 2018 the Board had four face-to-face meetings scheduled, held in March, June, September and December. Attendance at these meetings was as follows:

Director	Meetings entitled to attend	Meetings actually attended
Kenneth Alexander	4	4
Jane Anscombe	4	4
Pierre Bouchut	1	1
Paul Bowtell	3	3
Karl Diacono	4	4
Lee Feldman	4	4
Peter Isola	4	4
Virginia McDowell	3	3
Paul Miles	1	1
Stephen Morana	4	4
Will Whitehorn	1	1

These Board meetings covered the following areas of business:

- The acquisition and integration of Ladbrokes Coral;
- The acquisition of Crystalbet;
- The appointment of two new independent Non-executive Directors;
- Regular reports from the Executive Directors;
- Regular reports from the senior executive team on operations, business integration, product development, regulatory developments, litigation and investor relations;
- 2017 audited Annual Report and results announcement;
- Bolt-on acquisition opportunities;
- Preparation for and feedback from 2018 AGM;
- Refinancing the Group through the debt market;
- The Greek tax appeal;
- US licensing;
- The feedback from a corporate governance roadshow; and
- Reports from the Chairs of the Audit, CSR, Remuneration and Nominations Committees.

In addition to the scheduled meetings described above, 18 ad hoc Board meetings were also convened at short notice in 2018, to deal with the following matters:

- The acquisition of Ladbrokes Coral and the debt refinancing;
- MGM US joint venture;
- Insurance options for the CVR;
- Business acquisitions by InterTrader; and
- Gaming licence applications.

Board meetings are usually held in Gibraltar, where the Group's online gambling business is headquartered. The Articles of Association of GVC, which is incorporated in the Isle of Man prevent any Board or Board Committee meeting from being held in the United Kingdom.

# COMPOSITION, SUCCESSION AND EVALUATION

## Meetings without Executive Directors present

The UK Corporate Governance Code recommends that the Chairman meets with the Non-executive Directors without the Executive Directors present at least once a year. This meeting normally happens in connection with the annual Board performance evaluation process, however, it is not unusual for the Chairman to conduct these meetings more frequently, particularly if the Company is contemplating a significant transaction. The Chairman reports back to the full Board any recommendations arising from these meetings.

## Information and support

Working with the Chairman the Company Secretary ensures good information flows within the Board and its committees and between senior management and the Non-executive Directors. The Company Secretary is the guardian of all Board procedures and advises the Chairman and other Directors when required. Agendas and accompanying reports are prepared for each Board or committee meeting and circulated via a secure data-room in advance of each meeting. Between scheduled meetings, Directors are updated on business developments with email reports, management accounts and regulatory updates and, where necessary, the Chairman of the Board or the Chairman of a committee will convene a conference call to discuss and reach agreement on material urgent matters.

The Company Secretary is available to all Directors to offer guidance and advice on corporate governance, company law and share plan matters. The Company Secretary presents a report at each Board meeting updating the Directors on share capital and shareholder changes, Group corporate structure changes and corporate governance developments. GVC's Head of Legal is also available to all Directors to provide advice on general legal and regulatory issues. In addition, a formal procedure has also been adopted allowing Directors to seek independent professional advice where they believe it is necessary in order for them to fulfil their duties to the Company. Board committees are also authorised by the Board under their terms of reference to retain external advice as required for each committee to carry out its duties.

## Induction and training

A full induction programme is provided to new Directors, which is specifically tailored to the needs and experience of the new Director and the committees on which they sit. The programme provides corporate governance information provided by the Company Secretary which is both general in nature (e.g. UK Corporate Governance Code, remuneration best practice) and specific to the Company (e.g. the risk register, Schedule of Matters Reserved to the Board, etc.). New Directors may also meet with the Company's external auditors and advisers as part of the induction process. After the induction programme from time to time the Company Secretary notifies Directors of courses and seminars conducted by corporate governance bodies and professional advisers that Directors may find helpful.

## Board performance evaluation

In accordance with best practice, the Board conducts an evaluation of the performance of the Board, its committees, individuals and the Chairman. For this year a third party advisory firm, Lintstock Limited has been engaged to facilitate the exercise. This will require each Director to complete a series of questions online. Lintstock will collate the answers and then interview each Director, before then collating a report. The report will be circulated to all Directors and then the Chairman will discuss the results of the Board, individual and committee performance evaluations with the Board and with individual

Directors where necessary. Possible options for addressing any issues arising from the review are considered and action agreed by the Board. The SID meets with the Non-executive Directors to review the results of the evaluation of the Chairman's performance. The SID then discusses with the Chairman these results and any further feedback from the Non-executive Directors. The Board is currently going through the performance evaluation process and the actions agreed to be taken following the evaluation feedback being reviewed and discussed will be published in the Chairman's letter accompanying the 2019 AGM notice.

## 2019 AGM

A separate notice convening the AGM on Wednesday 5 June 2019 will be dispatched to shareholders more than 20 working days before the AGM. The AGM notice will describe each item of business, which will be dealt with by its own separate resolution. All the Directors will each stand for re-appointment and there will be separate resolution proposed for each re-appointment. All Directors will be present at the AGM to answer questions from those shareholders that attend. In accordance with best practice, the Chairman will exercise his discretion under the articles and call for all resolutions to be decided on by a poll vote rather than a show of hands. The voting results will be announced via a regulatory news service and published on GVC's corporate website shortly after the AGM closes.

## Shareholder engagement

The Company keeps shareholders informed of business developments via its Annual Report, half-year statement and trading update announcements. In addition, other price sensitive information is publicly disclosed via a regulatory news service. All these items of information are available on the Company's corporate website, [www.gvc-plc.com](http://www.gvc-plc.com). The website also contains other information about the Group and its business.

Throughout the year the CEO, CFO and Director of Investor Relations meet with shareholders on request or via organised investor roadshows supported by GVC's brokers, as well as by attending and presenting at industry and investor conferences. During 2018 there were more than 700 such meetings, hosted in the UK, mainland Europe and the US. In addition the Chairman and Senior Independent Director conducted a corporate governance roadshow in November 2018 and feedback from that exercise is set out on page 93. The Senior Independent Director is available to shareholders if they have concerns which contact through the Chairman, CEO or CFO fails to resolve or, where contact with those individuals is inappropriate. Major shareholders also have the opportunity to meet newly appointed Non-executive Directors should they wish, but in practice our shareholders have not to date taken up this offer

## GVC's shareholders

As at 1 March 2019, GVC's major shareholders were:

Shareholder	Number of Shares	% of Issued Share Capital & Total Voting Rights
Capital Group	75,008,444	12.89%
Standard Life Aberdeen	55,347,260	9.51%
BlackRock	32,006,969	5.50%
Merian Global Investors	28,885,405	4.96%

Note:  
As at 1 March 2019 the Company had 581,870,271 shares in issue. Each share carries the right to one vote.

During 2018 the Company issued a total of 278,143,796 new ordinary shares. 271,816,558 shares were issued to the Ladbrokes Coral shareholders in consideration for GVC acquiring that group, with an additional 6,327,238 new shares issued as a result of Directors and employees exercising various Company share plan awards.

The Company did not acquire any of its shares in 2018.

## Directors' report other disclosures

### Customer and creditor payment policy

The Group is committed to prompt payment of customer cash-out requests and maintains adequate cash reserves to cover customer withdrawals and balances. Normally payments will be made to customers within seven days of receiving a customer instruction. In the case of other creditors, it is the Group's policy to agree terms at the outset of a transaction and ensure compliance with such agreed terms. In the event that an invoice is contested then the Group informs the supplier without delay and seeks to settle the dispute quickly.

### Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in this Annual Report in the sections preceding this governance report. The financial position of the Group, its cashflow, liquidity position and borrowings are set out in the aforementioned section. In addition, notes to the financial statements on pages 88 to 118 includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of financial instruments and hedging activities; and its exposures to credit risk and liquidity risk. The Group has considerable financial resources together with a large number of players and long-term contracts with a number of corporate customers and suppliers across different geographic areas and industries. As a consequence, the Directors believe the Group is well placed to manage its business risks successfully in the context of the current economic outlook. After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report.

### Statement of Directors' Responsibilities in respect of the annual report and the financial statements

The Directors are responsible for preparing the Annual Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) as applicable to an Isle of Man company and applicable law and have elected to prepare the parent Company financial statements in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework as applicable to an Isle of Man company. 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 Group and parent Company and of their profit or loss for that period. In preparing each of the Group and parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent Company financial statements, state whether applicable UK accounting standards, including FRS 101 Reduced Disclosure Framework, have been followed, subject to any material departures disclosed and explained in the parent Company financial statements;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Isle of Man Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' Report and a Corporate Governance Statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### Responsibility statement of the Directors in respect of the annual financial report

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and
- the strategic report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's position and performance, business model and strategy.

**Lee Feldman**

Chairman

5 March 2019

# NOMINATIONS COMMITTEE REPORT

**THE BOARD HAS ADOPTED A FORMAL AND TRANSPARENT PROCEDURE FOR THE APPOINTMENT OF NEW DIRECTORS TO THE BOARD BY APPOINTING A NOMINATIONS COMMITTEE TO LEAD THE PROCESS OF APPOINTMENT AND MAKE RECOMMENDATIONS TO THE BOARD.**

**Lee Feldman**  
Chairman  
5 March 2019



The Nominations Committee also advises the Board on its structure, size, composition and matters of Director and senior management succession. The terms of reference for the Nominations Committee are available on GVC's corporate website at

<https://gvc-plc.com/wp-content/uploads/2017/07/Nomination-Committee-tor.pdf>

## Membership and attendance

The following Directors are or were members of the Nominations Committee in the period 1 January 2018 to date and they each attended the following number of meetings:

Member	Number of meetings entitled to attend	Number of meetings attended
Lee Feldman	3	3
Jane Anscombe	3	3
Stephen Morana	1	1
Will Whitehorn*	2	1

\* Note: Will Whitehorn stepped down from the Board on 6 June 2018.

The Company Secretary attends all Nominations Committees to record meetings and provide advice to the Directors. The CEO is normally invited to attend each meeting and the Group HR Director may be invited to attend from time-to-time to participate in discussions about succession planning.

## Business during the year

During 2018 the main areas of business for the Nominations Committee were:

- The recruitment of three new independent Non-executive Directors; and
- Succession planning, particularly in relation to the change of CFO.

Supported by the independent recruitment firm, Russell Reynolds, the Nominations Committee successfully selected Virginia McDowell in June and Pierre Bouchut in September and the Board accepted the Nominations Committee's recommendation and made these appointments in those respective months.

The search for the third Non-executive Director is well advanced and is being undertaken to find a successor for Karl Diacono who retired last December after 10 years' of service. A number of candidates have been interviewed and the Nominations Committee expects to make a recommendation to the Board later in the year.

The Nominations Committee has spent a considerable amount of time during 2018 reviewing and feeding into the succession plans for the Board members and senior executives. This proved to be extremely worthwhile when in the autumn our current CFO indicated he was considering leaving to take up a new opportunity in private equity. By running through the succession work that had already been done and engaging Russell Reynolds to do some further benchmarking of external and internal candidates, the Nominations Committee was able to recommend that Rob Wood, the Ladbrokes Coral Retail CFO be appointed CFO if Paul Bowtell decided to leave GVC.

As part of the development of the Group's succession plans, the Nominations Committee has directed the Group HR Director to ensure that these plans also address succession below the senior executive team and that sufficient training and mentoring is provided to assist colleagues to step up into the shoes of their predecessors.

Throughout any recruitment process the Nominations Committee operates within the parameters of the Company's diversity policy. The diversity policy ensures the Group engages trains and promotes employees on the basis of their capabilities, qualifications and experience. The policy forbids discrimination or pressure to discriminate by its employees or others acting on the Group's behalf or their employees, contractors or customers in respect of age, gender, sexual orientation, race, ethnic origin, marital status or civil partnership, nationality, disabilities, political or religious beliefs, or on any other criteria unrelated to an individual's ability to perform the duties. The policy also sets out how the diversity guidelines impact recruitment, selection and promotion, learning and development, the management of part-time workers and individual employee responsibilities for ensuring enforcement and compliance with the policy. Owing to the breadth of diversity existing across the Group, diversity ratios or objectives have not been set.

The UK Corporate Governance Code (the "Code") was updated in July 2018 and this applies to listed companies reporting in respect of accounting periods beginning on or after 1 January 2019. One of the new recommendations is that the tenure of the chairman of the board should not exceed nine years. As I have been a Director of GVC since 2004 and Chairman since 2008 my tenure could become an issue under the forthcoming version of the Code which will be in full effect for GVC in 2020. In preparation for this the Senior Independent Director is leading the debate with the Board about this governance development and he reports below on this matter.

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**Lee Feldman**

Chairman of the Nominations Committee  
5 March 2019

**Statement on Chairman's Succession**

In July 2018, the update to the Code saw a change in recommended practice regarding a Chairman's tenure, with the move towards a Chairman stepping down after nine years of service. Lee Feldman has been the Chairman of GVC since 2008, so his tenure exceeds the new recommended maximum duration.

As Senior Independent Director, I have led the Board discussion on this matter as we try and find a balance between adherence with the Code, and doing what is best for the business and shareholders. Whilst it is the Board's aim to comply with the Code's recommendations, the overriding duty is to ensure that any action taken to comply is in the Company's best interests overall.

There are a number of factors that we as a Board need to take into account when reviewing this issue:

- The successes that GVC has seen under Lee's tenure, including sector leading returns on investment, an ambitious M&A strategy and an exciting new Joint Venture in the US;
- The improvements in our corporate governance processes and controls over the last few years as we moved to a full listing;
- The lack of "muscle memory" in our current non executive Board members, all of whom have been appointed within the last three years; and
- A new CFO joining the Board – whilst we are very lucky to have someone of Rob Wood's calibre within the business, this will be his first PLC role.

In November 2018, I met with the majority of our largest shareholders and had detailed conversations on this matter. I received very strong feedback that, although they believe that over time we do need to find a successor to Lee, they would be very concerned were we to prioritise compliance with the Code to the detriment of the business, especially given the above factors.

To that end, we believe that non-compliance with this aspect of the updated Code at this time is preferable given the unique circumstances the business faces, and the value-add that Lee continues to bring in the role as Chairman. That said, we will look to commence a search for a new Chairman during the course of the next year. We believe that this is the right decision for all stakeholders, and I will continue to maintain dialogue with shareholders on this issue.

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**Stephen Morana**

Senior Independent Director  
5 March 2019

# AUDIT COMMITTEE REPORT

## MEMBERS

### PIERRE BOUCHUT – CHAIRMAN

(APPOINTED 13 SEPTEMBER 2018)

**STEPHEN MORANA** (FORMER CHAIRMAN)

**KARL DIACONO** (STEPPED DOWN 13 SEPTEMBER 2018)

**WILL WHITEHORN** (STEPPED DOWN 20 JUNE 2018)

**VIRGINIA MCDOWELL** (APPOINTED 6 JUNE 2018)

### PIERRE BOUCHUT IS REGARDED AS THE AUDIT COMMITTEE MEMBER WITH RECENT AND RELEVANT FINANCIAL AND RETAIL EXPERIENCE

#### Composition and constitution

The Audit Committee oversees the Group's financial reporting and internal controls and provides a formal reporting link with the external auditors. The Committee's Terms of Reference, which are reviewed annually, are available on the Company's website, <https://gvc-plc.com/wp-content/uploads/2018/09/Audit-Committee-Terms-of-Reference-GVC-Sept-amendment.pdf>

The Audit Committee currently comprises three members, all of whom are Independent Non-executive Directors. Appointments to the Committee are made by the Board at the recommendation of the Nomination Committee, which consults with the Chairman of the Audit Committee. The Board has satisfied itself that the Committee's membership includes at least one Director with recent and relevant financial experience and have competence in accounting and/or auditing and that all members are financially literate and have experience of corporate financial matters. All Directors on joining the Board are given specific sector training to ensure competence relevant to the business, in addition to the other skills they bring to the Board and Committees.

## MAIN RESPONSIBILITIES OF THE COMMITTEE

- Monitors the integrity of GVC Holdings PLC's financial statements and any formal announcements relating to the Company's financial performance and reviews, and challenges, where necessary, the significant financial reporting issues and judgements in relation to the half-year and annual financial statements before these are submitted to the Board for final approval;
- Makes recommendations to the Board concerning any proposed, new or amended accounting policies;
- Oversees the relationship with the Group's external auditor including reviewing the annual external audit plan and audit findings;
- Recommends the audit fee to the Board and sets the Group's policy on the provision of non-audit services by the external auditor;
- Reviews and monitors the external auditor's independence and objectivity, and the effectiveness of the audit process;
- Monitors and reviews the internal audit programme and its effectiveness;
- Monitors and reviews GVC's systems for internal control, financial reporting and risk management;
- Reviews internal audit reports covering the various areas and activities of the business and ensures the business responds to the recommendations made; and
- Assesses and reports on the Group's viability in line with the UK Code requirements, prior to being submitted to the Board for approval.

#### Meeting attendance

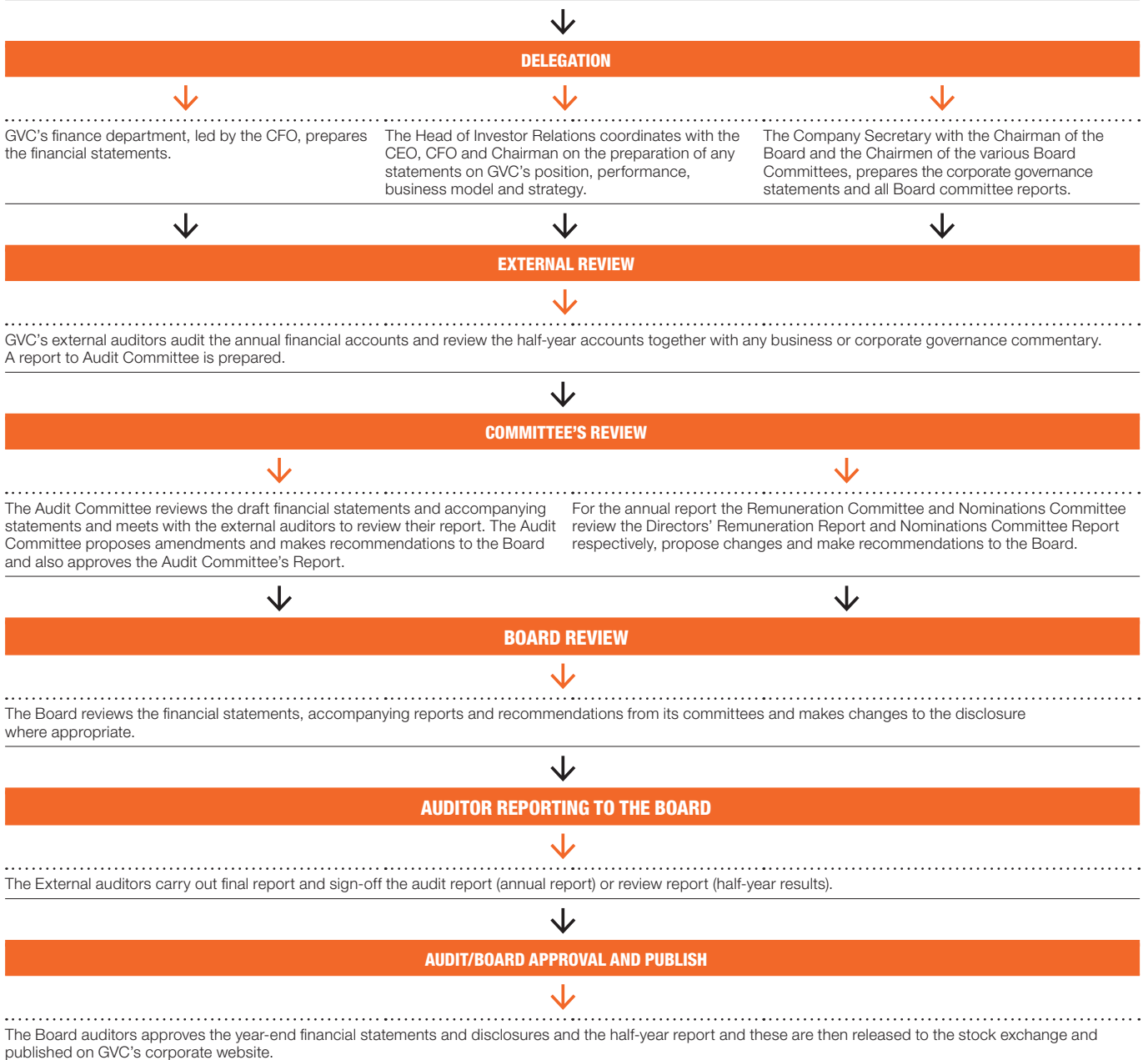
The Audit Committee met four times in 2018. Other Directors, including the Chief Financial Officer, attend the Audit Committee meetings by invitation. The Committee has also met for private discussions with the external auditor, whose representatives attend all of its meetings, together with Internal Audit.

Details of the number of Committee meetings held during the year and the attendance of Committee members is shown below:

Director	Meetings entitled to attend	Meetings actually attended
Pierre Bouchut	1	1
Stephen Morana	4	4
Karl Diacono	3	3
Will Whitehorn	2	1
Virginia McDowell	2	2

## RESPONSIBILITY FOR THE GVC FINANCIAL STATEMENTS

The Board is ultimately responsible for presenting a fair, balanced and understandable assessment of GVC's position and prospects, which extends to the half-year and annual financial statements.



In respect of the financial statements and accompanying reports for the year ended 31 December 2018, the Company has followed the process detailed above. In doing so the Directors confirm that they have reviewed the complete 2018 Annual Report and considered that taken as a whole, the report is fair, balanced and understandable and provides the information necessary for GVC's shareholders to assess the Company's performance, business model and strategy.

# AUDIT COMMITTEE REPORT CONTINUED

## Accounting and key areas of judgement

Throughout the course of the year, the Audit Committee determined the following areas of the financial statements were of significant interest. These issues were discussed with management and the external auditors to ensure that the required level of disclosure has been provided and that appropriate rigour has been applied where any judgement may be exercised.

MATTER CONSIDERED	ACTION
<p><b>IFRS 3 fair value exercise of the Ladbrokes Coral business</b></p> <p>The GVC Group completed the acquisition of the Ladbrokes Coral Group, Neds International, a majority shareholding of Mars LLC (referred to as "Crystalbet") and a number of other smaller acquisitions during the year, as detailed in note 31 to the financial statements. Included within the IFRS 3 fair value exercise undertaken are a number of judgements including the value of acquired intangibles (£2,507.6m) and goodwill (£2,366.7m).</p>	<p>The Audit Committee have reviewed the judgements made in connection with the accounting treatment, to determine whether the assets and liabilities recognised in the financial statements are carried at an appropriate fair value. In assessing the valuations, the Committee have reviewed the working papers provided by management and its advisers in relation to the fair value exercise and has assessed the assumptions used and conclusions reached. The Committee has also considered the conclusions reached by KPMG on their work in this area and have concluded that the treatment within the financial statements is appropriate.</p>
<p><b>Provision for historical tax claims</b></p> <p>During the current year, the Group has recognised a provision of £119.4m in respect of potential historical tax liabilities in Greece. In quantifying the provision recorded, management have made certain judgements over the likely settlement.</p>	<p>In assessing the provision recorded by management, the Committee have assessed the basis for the provision and the advice received by the Group's legal advisors over the likely liability. The Committee have also reviewed the analysis prepared by KPMG and are satisfied that the approach adopted and the disclosure provided is appropriate.</p>
<p><b>Separately disclosed items and proforma information</b></p> <p>The Group separately discloses certain items in order to allow a clearer understanding of the underlying trading performance of the business. In 2018, the Group has recorded a net charge in respect of items which have been separately disclosed of £434.2m in the Income Statement.</p> <p>In addition, given the financial statements only include trading since the date of acquisition for the acquired Ladbrokes Coral business, proforma financial information has been provided within the Annual Report and Accounts to assist in the articulation of the underlying business performance.</p>	<p>As part of their assessment that the treatment of separately disclosed items in the financial statements is appropriate, the Committee have considered each of the items disclosed separately and challenged, where necessary, the treatment adopted by management. The Committee has also considered the conclusions reached by KPMG as part of its audit in this area and are satisfied with the disclosure adopted.</p> <p>Management's use of proforma information in explaining the underlying business performance has also been considered by the Committee, as have KPMG's views on the use of proforma information and non-GAAP measures. The Committee has also considered the prominence given to non-GAAP measures compared to statutory measures and is satisfied with the balance of the disclosure provided.</p>
<p><b>Carrying value of long-lived assets and depreciable lives</b></p> <p>The Group has significant value in enduring and indefinite life assets such as licenses in the Retail estate and goodwill which need to be reviewed for impairment. In 2018, the Group has recognised an impairment charge against the assets in the Retail estate of £40.1m.</p>	<p>The carrying value of all enduring and indefinite life assets are tested for impairment annually. In reaching their conclusion that the treatment adopted is appropriate, the Committee have reviewed the forecasts, key assumptions and methodology adopted by management in determining the impairment charges required in the 2018 financial statements.</p> <p>As part of this process and in reaching their conclusion that the current charges and disclosure are appropriate, the Committee have also reviewed KPMG's audit findings.</p>
<p><b>Contingent consideration</b></p> <p>Included within the Group Balance Sheet as at 31 December 2018 is contingent consideration of £109.2m, which has been calculated based on potential future profitability.</p>	<p>The Committee have reviewed the process and judgements taken by management in determining the likely pay-out under the contingent consideration agreements as well as the findings of the KPMG audit and are satisfied that the liabilities recognised are appropriate given the circumstances.</p>



### External auditors

During the year ended 31 December 2018, KPMG LLP was appointed under an engagement letter to act as auditor to enable the Company to meet its obligations to prepare financial statements in accordance with the Listing Rules. The 2018 financial year-end serves as KPMG LLP's inaugural financial reporting period as the Group's external auditor, following the conclusion of an external audit tender process in 2018, with Mike Harper as the lead audit partner.

A resolution will be proposed at the 2019 AGM to re-appoint KPMG LLP as the external auditors.

### Policy on external audit tender

The UK Corporate Governance Code recommends that FTSE 350 companies put their external audit out to tender at least once every ten years. The EU Audit Regulation, effective across all Member States from the 17 June 2016, enforces mandatory audit firm rotation after a period of maximum tenure, set at 20 years.

GVC last ran a competitive audit tender process in 2017, however, in light of the discussions to acquire Ladbrokes Coral, the Audit Committee put a final decision on the external audit of the Company on hold for the 2017 year end, with Grant Thornton continuing in office.

Following the completion of the acquisition of the Ladbrokes Coral Group, the audit tender process was concluded, where, from the four original participating firms who had submitted written proposals in July 2017, two were shortlisted. Having evaluated both of these firms and considered their independence to act in the capacity as Group external auditor, the Audit Committee recommended to the Board that KPMG LLP be appointed for the 2018 year-end.

The 2018 financial year-end serves as KPMG LLP's inaugural financial reporting period as the Group's external auditor, and, having carried out a tender process in 2017, the Audit Committee, and the Board intend on putting the external audit out to tender at least once every ten years, in line with the guidance provided by the Financial Reporting Council, the EU Regulation and the Statutory Audit Services Order. The Audit Committee continues to follow an Auditor Rotation and Tendering Policy (which was first adopted in 2017).

### Effectiveness of the external audit process

The Audit Committee is committed to ensuring that the external audit process remains effective on a continuing basis. In particular, throughout the year the Audit Committee paid specific attention to the following areas:

- Reviewing that safeguards put in place by the incumbent auditor against independence threats are sufficient and comprehensive;
- Ensuring that the quality and transparency of communications with the external auditors are timely, clear, concise and relevant and that any suggestions for improvements or changes are constructive;
- Exercising professional scepticism, including but not limited to, looking at contrary evidence, the reliability of evidence, the appropriateness and accuracy of management responses to queries, considering potential fraud and the need for additional procedures and the willingness of the auditor to challenge management assumptions; and
- Considering if the quality of the audit engagement team is sufficient and appropriate – including the continuity of appropriate industry, sector and technical expertise (including new areas of activity by the client and changes in regulation or professional standards) and whether it has exercised sufficient objectivity to mitigate any independence and familiarity threats.

Feedback is provided to the external auditor at every instance by the Audit Committee and through one-to-one discussions between the Chairman of the Audit Committee and the audit firm partner.

# AUDIT COMMITTEE REPORT CONTINUED

## Non-audit services provided by the external auditor

The Audit Committee has established a policy regarding the appointment of external auditors to perform non-audit services for the Group and keeps this under continual review, receiving a report at each Audit Committee meeting. This policy dictates that in the Company's financial year, the total fees for non-audit services provided by the external auditors, excluding non-audit fees for due diligence for acquisitions and other specific matters noted below, should not exceed 70% of the average of the total fees for audit services they provided in the preceding 3-year period. In the year ended 31 December 2018, the total non-audit fees as a percentage of the audit fees paid to the external auditors was 18%.

In addition to their statutory duties, KPMG LLP is also employed where, as a result of their position as auditors or for their specific expertise, they either must, or the Audit Committee accepts they are best placed to, perform the work in question. This is primarily work in relation to matters such as shareholder circulars, Group borrowings, regulatory filings and certain business acquisitions and disposals. In such circumstances the Audit Committee will separately review the specific service requirements and consider any impact on objectivity and independence of the auditors and any appropriate safeguards to this. As such the Audit Committee believes it appropriate for these non-audit services to be excluded from the 70% cap set out above. In the year ended 31 December 2018 the total fees paid to the external auditors in respect of due diligence for acquisitions was £0.1m.

## Internal audit and its effectiveness

The Board delegates responsibility for reviewing the effectiveness of the Group's systems of internal control to the Audit Committee. This covers all material controls including financial, operational and compliance controls and risk management systems.

The Group's Internal Audit function forms the primary source of internal assurance via the delivery of the Internal Audit Plan, which is structured to align with the Group's strategic priorities and key risks and is developed by Internal Audit with input from management and the Audit Committee.

Its mission is to provide independent, objective assurance and consulting services designed to add and protect value by improving the Group's operations. Internal Audit assists the Group to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Through its work, Internal Audit provides assurance to the Board, through the Audit Committee, that effective and efficient control processes are in place to identify and manage business risks that may prevent the business from achieving its objectives. The scope of this work includes:

- Providing assurance to the Board and executive management that effective systems and controls are in place and are being operated to manage all significant risks within the financial and business systems operated within the Group;
- Assisting the business in fulfilling its corporate governance responsibilities;
- Supporting operational management by providing best practice advice on internal controls, including practical recommendations to mitigate control weaknesses identified during the review process;
- Promoting effective control at reasonable cost and assisting management generally in the pursuit of value for money (e.g. by providing practical recommendations to improve the efficiency of the financial and business processes operated by the business); and
- Carry out ad-hoc investigations based on any allegations made through the Whistleblowing Policy or as requested or directed by the Audit Committee and/or executive management.

Recommendations arising from Internal Audit reviews are communicated to the relevant business area for implementation of appropriate corrective measures, with results reported to the Audit Committee.

The work completed by Internal Audit during the year focused on key areas of the Group (disclosed on pages 57 to 62 under principal risks), which included:

- Reviews of Anti-money Laundering and Social Responsibility Processes across the business units;
- Key financial control reviews across the business, inclusive of the Group's finance back-office support function based in Hyderabad, India;
- Operating review of the Group's Italian Retail and Online businesses;
- Licensing compliance frameworks across UK Retail and Online business segments;
- Online marketing and affiliate management processes across the UK Online business;
- Identity and Access Management review throughout the UK Online and Retail infrastructure; and
- UK Retail and Online GDPR readiness assessment.

In addition to the above, the Group formed a Regulatory Assurance function during the latter half of the year, reporting into the Group Director of Internal Audit. The Regulatory Assurance team has been set up to ensure that there are regular, ongoing monitoring programmes across regulatory processes, such as anti-money laundering, responsible gambling and Retail license obligations. Other regulated activities under scope include marketing compliance and affiliate management. A periodic review of key compliance activities aims to maintain ongoing oversight of controls on behalf of internal and external stakeholders.

The Board, with the support of the Audit Committee, has completed its annual review of the effectiveness of the internal system of control, and whilst they are satisfied that it is robust there are areas which could be improved and these have been incorporated into the 2019 Audit Plan. The areas which will be subject to focus in 2019 are:

- System access controls;
- Harmonisation and standardisation of the control environment in the combined business;
- Management of cyber-security and control structures;
- Ongoing compliance assurance over key regulations including gambling and responsibility requirements, anti money laundering, marketing and GDPR; and
- Effective implementation of key strategic projects and delivery of robust control environments.

The Directors acknowledge that, whilst GVC's system of internal control can reduce the probability of business risks impeding the Company in achieving its objectives, it cannot eliminate these risks and can therefore provide only reasonable, not absolute, assurance against material misstatement or loss. The Directors also acknowledge that the business faces several risks as a direct result of the integration of its various operations. This means that in 2019 there will be more focus on areas of the business affected by integration where changes in systems, personnel or processes could lead to weaknesses in internal controls during the ongoing transitional period.

### Whistleblowing policy

The Group adopted and published a formal "whistleblowing" procedure by which employees can, in confidence, raise concerns about possible improprieties in financial or other matters. This procedure is set out in the Group's Code of Conduct, which was re-launched across the enlarged Group during the year.

The Company seeks the highest ethical standards in carrying out its various business activities, and corrupt practices of any sort will not be tolerated. The Company is committed to tackling malpractice and it is the personal responsibility of every employee of the Group to manage and reduce the risk of malpractice in their business.

The Company actively encourages individuals, where they believe that malpractice has taken place, to make protected disclosures either internally to the Audit Committee or externally through the outsourced service provider, Expolink. Employees will be protected where they have reasonable grounds to believe that their employer, another worker or a third party has committed serious malpractice and make a disclosure in good faith.

The Group has a written policy available to all employees on the Group's intranet and approved by the Audit Committee, which sets out the type of disclosure which is protected and also specifies to whom disclosures should be made and the process that will be followed.

The Audit Committee is satisfied that robust and appropriate arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow-up action.

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### Pierre Bouchut

Chairman of the Audit Committee  
5 March 2019

# REMUNERATION: DIRECTORS' REMUNERATION REPORT

for the year ended 31 December 2018

## STRUCTURE OF THE DIRECTORS' REMUNERATION REPORT:

**FOR 2018 WE HAVE MADE SOME CHANGES TO THE FORMAT OF OUR DIRECTOR'S REMUNERATION REPORT, INCLUDING NEW SUMMARY "AT A GLANCE" AND ALL-EMPLOYEE REMUNERATION SECTIONS. WE HOPE THAT SHAREHOLDERS FIND THESE CHANGES HELPFUL AND INFORMATIVE.**

**Jane Anscombe**  
Chair of the Remuneration Committee  
5 March 2019



### **PART A – ANNUAL STATEMENT FROM THE REMUNERATION COMMITTEE CHAIR**

Outlines the key remuneration developments at GVC during 2018, including performance context for the year and looks ahead to 2019. Includes frequently asked questions

[+ Read more on page 82.](#)

### **PART B – OUR REMUNERATION AT A GLANCE**

Provides a summary of key 2018 remuneration outcomes

[+ Read more on page 86.](#)

### **PART C – APPROACH TO DIRECTORS' REMUNERATION**

Summary of the remuneration framework in place for Executive Directors at GVC, as approved by shareholders at our 2017 General Meeting, and how this aligns with our approach for all our employees

[+ Read more on page 88.](#)

### **PART D – ALL-EMPLOYEE REMUNERATION**

Overview of the approach to remuneration across the Group

[+ Read more on page 90.](#)

### **PART E – ANNUAL REPORT ON DIRECTORS' REMUNERATION**

Presents remuneration outcomes for 2018 and how we intend to apply the Policy in 2019

[+ Read more on page 92.](#)

## PART A – ANNUAL STATEMENT FROM THE REMUNERATION COMMITTEE CHAIR

As the Chair of the Remuneration Committee (“the Committee”), I am pleased to present the Board’s report on remuneration policy and practice for the year ended 31 December 2018. GVC is an Isle of Man incorporated company but the Committee has voluntarily chosen to comply with the Regulations and associated voting requirements of The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (“the Regulations”).

### How the business has developed

Over the last few years the Company has transformed the size and scope of its operations, growing rapidly over this period and transitioning from AIM to the Main Market. GVC is now the largest listed online-led sports-betting and gaming operator by revenue with, in addition, a substantial retail estate. Our recent evolution has been driven by strong underlying organic growth, supported by the acquisitions of bwin.party digital entertainment (“bwin.party”) in 2016 and Ladbrokes Coral in 2018, which have significantly increased GVC’s scale and diversification, broadened our product range and strengthened our proprietary technology. Target synergies of €125m from bwin.party were successfully delivered and we have made a good start integrating Ladbrokes Coral and working towards the £130m of identified cost synergies. A measure of the growth in the scale and complexity of our operations is the increase in our employee headcount during 2018, from circa 3,000 to over 25,000.

The sustained performance and growth of GVC is testament to our highly talented CEO and senior executive, and the efforts of the colleagues in their teams. It is a measure of Kenneth Alexander’s success that £1 invested in GVC at the time of his appointment as CEO in March 2007 would have been worth £25.67 at the end of 2018, assuming dividend reinvestment

### Legacy awards

The single figure of remuneration for our CEO and Chairman of the Board (“Chairman”) was high in 2018. The high single figure is largely driven by the vesting of the final tranches of awards under the 2015 LTIP, made at the time of the bwin.party acquisition in 2016. The value of those awards reflects the value created for our shareholders since that time. 2018 is the last year in which those awards will vest and the single figure will be substantially lower in 2019.

Much has changed at GVC since 2016, including the appointment of a new Remuneration Committee. We implemented a new Remuneration Policy in December 2017, which substantially reduced the CEO’s incentive opportunity to more UK-typical levels. Likewise, the Chairman is now on a standard fee-only arrangement. Our remuneration framework is now aligned with typical UK practice.

During 2018 the CEO and Chairman exercised the final tranches of their 2015 LTIP awards. As a result their beneficial shareholdings increased to 2.73m shares and 1.19m shares, respectively (after selling sufficient shares to cover the exercise price and applicable taxes). For the CEO, this translates into a beneficial shareholding of 1,936% of salary, creating substantial and continued alignment with shareholders.

### Our current approach

As mentioned above, our approach to remuneration has evolved in recent years. The Committee has at all points sought to balance our wish to align with UK best practice remuneration and corporate governance standards, with the need to appropriately reward and retain this team during a period of significant business development. The Remuneration Policy was approved by shareholders in December 2017 and we are well-positioned against many of the new provisions of the UK Corporate Governance Code, including on pensions and our remit as a Committee.

The online gaming industry is extremely competitive, with a relatively small talent pool across both public and private companies internationally. Within this context, the Committee recognises the critical need to retain our key talent to drive future growth within this industry, particularly given the ongoing regulatory change and challenge.

### 2018 Group performance

It was another year of strong performance for GVC. The Executive Directors and senior management team have continued to drive the Group’s strategy to extend its position in the sports-betting and gaming sectors. Proforma Group Net Gaming Revenue (“NGR”) increased by 9% in 2018 within which our Online operations increased their NGR by 19%, materially outperforming the market and taking share in all of our major territories in a business where scale counts. Proforma underlying EBITDA increased by 13% and good progress is being made in achieving the priorities from the Ladbrokes Coral integration.

Key 2018 performance highlights include:

- Proforma Net Gaming Revenue\* up 9% to £3,571m;
- Proforma underlying EBITDA up 13% to £755m;
- Adjusted diluted EPS of 76.3 pence, up 51%;
- Dividends of 32.0 pence per share declared in respect of 2018, 7% higher than in 2017;
- New 50/50 joint venture with MGM Resorts International to create a world-class sports betting and online gaming platform in the US; and
- New Corporate and Social Responsibility (CSR) Board committee established with a strategy based on three important pillars: providing responsible gambling; being a responsible employer and enabling a positive impact on our communities and markets (see the separate CSR report).

\* Proforma as if the current Group, post the acquisition of the Ladbrokes Coral Group, had existed since 1 January 2017 (please see the CFO’s Review for further details).

# REMUNERATION: DIRECTORS' REMUNERATION REPORT CONTINUED

for the year ended 31 December 2018

## Shareholder engagement

We remain committed to maintaining an open and transparent engagement with our shareholders. As such, the Board was naturally disappointed with the overall voting outcome of 56.06% in favour of the 2017 Remuneration Report. We had consulted extensively with shareholders during autumn 2017, and feedback from these discussions had demonstrated strong support for the future direction and structure of the Company's remuneration practices. However, we understand that ultimately a number of shareholders felt unable to support the report, primarily due to the value of awards vesting under legacy arrangements and transition arrangements put in place for our Chairman.

Following the vote, the Chairman and Senior Independent Director conducted a corporate governance roadshow with a number of our largest institutional shareholders during autumn 2018, which included frank and open discussions on remuneration. These discussions were fed back to the Committee, which discussed the feedback at length.

I would like to thank shareholders for the helpful and constructive feedback which we received both at these meetings, as well as over the last 18 months. We recognise the importance of a strong relationship with all our stakeholders and will continue to engage with shareholders in the lead up to our AGM in June 2019.

## 2018 executive remuneration outcomes

Our key financial performance indicator, underlying proforma EBITDA increased by 13% to £755m on a proforma basis. This was ahead of the £741m target as set by the Committee for the enlarged Group as soon as practicable after the acquisition of Ladbrokes Coral. This performance reflected strong operational management and the early benefits of the Ladbrokes Coral acquisition, and was achieved despite well-publicised regulatory headwinds in many of our markets. As a result, the level of bonus pay-out to the Executive Directors was 91.5% of maximum. The Committee reflected on this outcome and assessed whether it was appropriate given GVC's wider performance, taking into account relevant considerations including progress against environmental, social and governance (ESG) criteria including responsible gambling. The Committee was satisfied that 2018 was another strong year for the Company, and as such there was no need to apply any discretionary adjustment to this outcome.

The LTIP gains captured in the single figure of total remuneration reflect the returns made by investors. From the date of grant in February 2016 to the time that the final LTIP award vested in August 2018, GVC's total shareholder return rose by more than 130%, compared to 26% for the FTSE 350.

**CEO salary increase:** The Ladbrokes Coral acquisition marked a very material change in the size and scope of GVC. The business more than doubled in size (in terms of EBITDA), and we are proud that the number of GVC employees has increased from circa 3,000 to over 25,000. These changes have led to a substantial increase in the complexity and responsibilities of the CEO's role. The Committee recognises that executive pay remains an area of intense focus in the UK, and therefore did not take the decision to consider a change to the CEO's salary as a result of these developments lightly. We were conscious though of the critical need to do the right thing for the long-term success of GVC, and to ensure that we retained the services of an individual who is widely considered to be a leading figure in the sector; is best-placed to navigate the Group through regulatory changes in the UK and elsewhere; and is able to take advantage of new international opportunities including the United States. We had extensive discussions on this issue, as a Committee and with the

Board. As a result of these discussions, and with the full support of the Board, the Committee was of the view that there was a critical need to increase the CEO's salary to £950,000 per annum. Only £800,000 of this salary will be used to calculate his incentive opportunities (with the remaining £150,000 not being "eligible" for incentive pay). The CEO will not receive any increase in 2019. Also, there is no provision in our policy for executive pension arrangements.

## Looking ahead to 2019

GVC's underlying trading remains strong, with proforma net gaming revenue 11% higher in the period to 24 February 2019, and the Board is confident the Group is well placed for future growth. However the Group faces a number of material regulatory headwinds during 2019, notably the implementation of the UK Triennial Review ("TR") and increase in Remote Gaming Duty ("RGD") in April 2019. As discussed in the CEO's Review, the reduction in maximum stakes on "B2" machines to £2 per spin is expected to cut our EBITDA by £135m in 2019. The Committee has taken account of such large regulatory changes, which are outside management's control, when setting remuneration for 2019. However, it will carefully monitor management's progress against published targets for mitigating actions.

Given the increase made to the CEO's salary in 2018 and the fact that the CFO has only recently been appointed, there will be no change to Executive Directors' salaries in 2019. The structure of the annual bonus plan is unchanged and will continue to be linked to financial performance. However, in addition to underlying EBITDA we have added net debt as a financial performance measure, which we believe is appropriate given the increased debt/leverage post the Ladbrokes Coral transaction and investor focus on this metric.

There will be no changes to the measures used under our LTIP, as underlying cumulative EPS remains our most appropriate measure of bottom-line financial performance, while relative TSR provides strong alignment to our shareholders. The Committee aims to set stretching targets that require strong outperformance for maximum vesting, yet remain realistic in the context of the significant regulatory headwinds we face during 2019. The Committee recognises that the 2019 LTIP EPS targets are in absolute terms slightly below those for the 2018 LTIP, but considers that in the current environment, and particularly with implementation of the UK Triennial Review and Remote Gaming Duty in April 2019, the targets represent at least an equivalent stretch to those set in prior years. The targets will require management to deliver strong underlying growth and achieve ambitious published targets to mitigate the impact of the Triennial Review and achieve Ladbrokes Coral acquisition synergies.

Our current Remuneration Policy was approved by shareholders in December 2017, and we therefore expect to seek approval for a new Policy at our AGM in 2020. We anticipate that we will review the current Policy during the second half of 2019, with a view to consulting with shareholders later in the year should any material changes to the current Policy be proposed.

## Corporate Governance

The Financial Reporting Council published a new UK Corporate Governance Code ("Code") during 2018, which applies to GVC with effect from the 2019 financial year. The Committee welcomes the new Code and during the latter half of 2018 held discussions as to how those provisions that GVC did not already satisfy could be implemented in the most effective manner for the Company and our stakeholders. The Committee is pleased to note that in several areas of the Code practice at GVC is already well-aligned, including pension provision, incentive structures, the Committee's remit, and our oversight of wider employee pay and conditions (see below for more details).

Over the course of 2019, we will continue to monitor how practice develops in these areas, especially in relation to post termination shareholding policies, and work towards implementing the new requirements in the most effective manner for GVC, particularly as we look towards renewing our Policy in 2020. Further details will be provided in next year's report.

## All employee remuneration

During 2018 the Committee received updates on all employee remuneration and discussed material changes to remuneration arrangements, including the introduction of new incentive plans from 2019. The Committee will continue to review reward harmonisation activity as the Ladbrokes Coral integration progresses.

2018 is the first year that the Group has been required to disclose its gender pay gap. Our median hourly pay difference between male and female colleagues is 2.9% which compares favourably with the UK median pay gap of 17.9% across all sectors. However, we are working hard to improve it, including our aim to increase female representation at our senior levels. The full report, including details on the initiatives we have underway to close our gender pay gap, is available on our website ([gvc-plc.com](http://gvc-plc.com)).

## Board and Committee changes

As a result of the acquisition of Ladbrokes Coral, Paul Miles stepped down as an Executive Director in March 2018. Details of Paul Miles' termination arrangements were published on the Group's website in Q2 2018 and further information is contained in Part E of the Directors' Remuneration Report. In October 2018, it was announced that Paul Bowtell would retire as Chief Financial Officer in March 2019 and be replaced by Rob Wood, the Deputy CFO at that time.

Paul Bowtell's leaving arrangements, summary details which were posted on our corporate website in October 2018, are fully in line with the terms of his contract and our Remuneration Policy. Rob's salary on appointment to the Board shall be £400,000, 39% below that for Paul Bowtell, reflecting that he currently has less experience as a Group CFO. All elements of the package are aligned with the terms of our Remuneration Policy, including maximum bonus and LTIP opportunities of 200% and 250% of salary, respectively, and pension provision in line with UK statutory minima.

Details of Paul's retirement arrangements and Rob's package on his appointment to the Board are also set out in Part E.

In June 2018, Peter Isola and Will Whitehorn stepped down as Committee members and I would like to thank them for their respective contributions. I was pleased to welcome Virginia McDowell as a new Committee member following her appointment as a Non-executive Director.

## Conclusion

GVC continued to grow strongly during 2018, with proforma underlying EBITDA up by 13% and Online market share gains in all key territories. As a Committee we have sought to make decisions which effectively drive and support this growth, balanced with our desire to reflect UK best practice remuneration and corporate governance standards. Going forward, our remuneration framework and opportunities are aligned with typical UK practice and the Committee will continue to ensure that it sets stretching targets under these plans, such that good pay-outs will only occur where warranted by strong performance.

I hope that you find the report clear and informative, and that the Committee has your support for our Remuneration Report at the forthcoming AGM.

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## Jane Ancombe

Chair of the Remuneration Committee  
5 March 2019

# REMUNERATION: DIRECTORS' REMUNERATION REPORT CONTINUED

for the year ended 31 December 2018

## PART B – OUR REMUNERATION AT A GLANCE

### Summary of the Executive Directors' remuneration policy

At the December 2017 General Meeting, an updated Directors' remuneration policy was approved by shareholders, including new incentive plans in line with UK best practice.

- Incentivises Executive Directors to execute the strategy and create value for shareholders.
- Annual bonus based on stretching financial performance measures, with half of any pay-out deferred for three years.

- Long-term incentive plan based on stretching financial and shareholder return measures, creating long-term alignment with shareholders, and with an additional two-year holding period post-vesting.
- No provision for executive pension arrangements.
- Malus and clawback provisions on all variable pay.
- Above-market shareholding guidelines, with Executive Directors being required to retain 50% of all net-of-tax shares vesting from incentive plans until they meet the guideline.

### Executive Directors' remuneration structure in 2019

	2019	2020	2021	2022	2023	2024	2025	Implementation for 2019
<b>SALARY</b>								<ul style="list-style-type: none"> <li>■ Kenneth Alexander – £950,000, only £800,000 of this salary will be used to calculate his incentive opportunities.</li> <li>■ Rob Wood – £400,000.</li> </ul>
<b>BENEFITS</b>								<ul style="list-style-type: none"> <li>■ No change in how policy operated.</li> <li>■ Continue to receive standard benefits such as medical and life insurance cover, car or and accommodation allowance.</li> <li>■ All employees have the opportunity to participate in a Company-provided pension in line with statutory requirements (i.e. from April employer contribution of 3% if employee contributes 5%). Kenneth Alexander has opted out of the plan.</li> </ul>
<b>ANNUAL BONUS</b>								<ul style="list-style-type: none"> <li>■ Maximum entitlements unchanged.</li> <li>■ Kenneth Alexander (250% of salary) and Rob Wood (200% of salary).</li> <li>■ Dividends accrue on any vested deferred shares for three years.</li> <li>■ Based on stretching financial performance for 2019, 70% underlying EBITDA and 30% net debt.</li> <li>■ Targets are considered commercially sensitive but will be disclosed in full in the 2019 DDR.</li> </ul>
<b>LTIP</b>								<ul style="list-style-type: none"> <li>■ Kenneth Alexander (300% of salary) and Rob Wood (250% of salary).</li> <li>■ For 2019 LTIP awards will be subject to stretching cumulative EPS and relative TSR performance targets measured over 2019-21, with shares vesting subject to a further two-year holding period.</li> <li>■ Dividends accrue on any vested LTIP and are delivered in shares.</li> </ul>



### Executive Directors' variable remuneration in 2018

As a result of the Group's 2018 financial performance, the annual bonus outcome was 91.5% of the maximum and results in the following bonus awards for Executive Directors. The Committee considered that this outcome was appropriate in the context of GVC's overall performance and that of the Executive Directors during the year. Half of each Executive Directors' bonus is deferred for three years. Executive Directors will also receive an LTIP award in March 2019 subject to relative TSR and cumulative EPS performance measures.

	K Alexander	P Bowtell
Performance outcome (% of max)	91.5%	91.5%
Maximum award (% of salary)	250%	200%
2018 annual bonus (£'000)	£1,778	£738
2018 annual bonus deferral	50%	50%
2019 LTIP award (% of salary)	300%	N/A
2019 LTIP award (face value)	£2.4m	N/A

### Executive Directors' single total figure of remuneration

	K Alexander	P Bowtell
2018 total remuneration (£'000s)	19,100	1,240
2018 total remuneration excluding legacy 2015 LTIP (£'000s)	2,736	1,240
Year on year change	4.5%	N/A

The CEO's total remuneration includes the vested value of legacy awards under the 2015 LTIP, granted at the time of the acquisition of bwin.party. Under the 2015 LTIP, awards vested in tranches until August 2018. The "single figure" values reflect the growth in share price between 2016 and the vesting dates in 2018. The new policy remuneration framework adopted in 2017 will result in much lower levels of total vested remuneration from 2019.

### Additional information

	Percentage/Ratio
CEO shareholding requirement (% of salary)	400%
CEO's actual shareholding as a proportion of his salary	1,936%
Median gender pay gap	2.9%
Median gender bonus pay gap	25.0%

# REMUNERATION: DIRECTORS' REMUNERATION REPORT CONTINUED

for the year ended 31 December 2018

## PART C – APPROACH TO DIRECTORS' REMUNERATION

### Directors' Remuneration Policy

The Company's Directors' Remuneration Policy was approved at the General Meeting on 14 December 2017. The full Remuneration Policy can be found on pages 20 to 30 of the Notice of the General Meeting (<https://gvc-plc.com/wp-content/uploads/2017/12/GVC-EGM-Notice-2017.pdf>). The table below presents a summary of the Policy:

Element	Approach
<b>SALARY</b>	<p>An Executive Director's salary is set on appointment and reviewed annually or when there is a change in position or responsibility. When determining an appropriate level of salary, the Committee considers:</p> <ul style="list-style-type: none"> <li>■ Remuneration practices within the Group;</li> <li>■ The general performance of the Group;</li> <li>■ Salaries within the ranges paid by the companies in the comparator group used for remuneration benchmarking (when the Committee determines it is appropriate to carry out a benchmarking exercise);</li> <li>■ Any change in scope, role and responsibilities;</li> <li>■ The experience of the relevant Director; and</li> <li>■ The economic environment.</li> </ul> <p>Individuals who are recruited or promoted to the Board may, on occasion, have their salaries set below the targeted policy level until they become established in their role. Subsequent increases in their salary may be higher than normal until the target positioning is achieved.</p>
<b>BENEFITS</b>	Benefits include, but are not limited to, private health insurance, life insurance, car and accommodation allowances.
<b>PENSION</b>	The Company does not currently have a separate pension arrangement for Executive Directors. It does however provide the opportunity for all employees to participate in a Company-provided pension in line with statutory requirements.
<b>ANNUAL BONUS</b>	<p>Awards made annually based on the achievement of a combination of financial and non-financial performance measures. Half of the bonus is paid immediately following the end of the financial year, while half is deferred into shares which will vest at the end of three years subject to continued employment.</p> <p>Maximum annual incentive opportunity of 250% of salary for CEO and 200% of salary for CFO.</p> <p>Threshold and target performance are equal to 25% and 60% of the maximum opportunity, respectively.</p> <p>Malus and clawback provisions apply.</p>
<b>LONG-TERM INCENTIVE PLAN ("LTIP")</b>	<p>Annual awards of conditional awards or nil-cost options, which vest after three years subject to achievement of performance measures. For awards granted to Executive Directors, a two-year holding period (on a net basis) follows the three-year vesting period.</p> <p>Maximum opportunity of 300% of salary for the CEO and 250% of salary for the CFO.</p> <p>Threshold performance is equal to 25% of the opportunity granted, performance below which will result in zero vesting.</p> <p>There is straight-line vesting between threshold performance and maximum performance.</p> <p>Awards vest based on performance against stretching targets, measured over a three-year performance period.</p>
<b>SHAREHOLDING GUIDELINES</b>	<p>Executive Directors are subject to formal shareholding requirements, ensuring that their interests are closely aligned to those of shareholders. These are currently 400% of salary for the CEO and 200% for the CFO.</p> <p>The shareholding should be built up over a five-year period and maintained until retirement, and until an Executive Director meets their shareholding requirement, they are required to retain 50% of the post-tax number of vested shares from the Company incentive plans.</p> <p>Adherence to these guidelines is a condition of continued participation in the equity incentive arrangements.</p>
<b>INTERNAL PROMOTIONS</b>	<p>Where an executive is promoted onto the Board, there shall be no retrospective application of the Directors' remuneration policy in relation to subsisting incentive awards or remuneration arrangements.</p> <p>Prevailing elements of the remuneration package for an existing colleague are honoured and form part of his or her ongoing remuneration</p>
<b>NON-EXECUTIVE DIRECTOR FEES</b>	<p>Non-executive Directors are paid an annual fee and additional fees for chairmanship and membership of committees.</p> <p>The Chairman receives an "all-in" fee and does not receive any additional compensation for membership of committees.</p>

### Illustrative remuneration scenarios for Executive Directors

The Group's remuneration policy results in a significant proportion of the remuneration received by Executive Directors being dependent on Group performance. The chart below shows how total pay for the Executive Directors is expected to vary under three different performance scenarios (minimum, target and maximum).

#### MINIMUM:

Comprised of salary (as at 1 January 2019) and cash benefits.

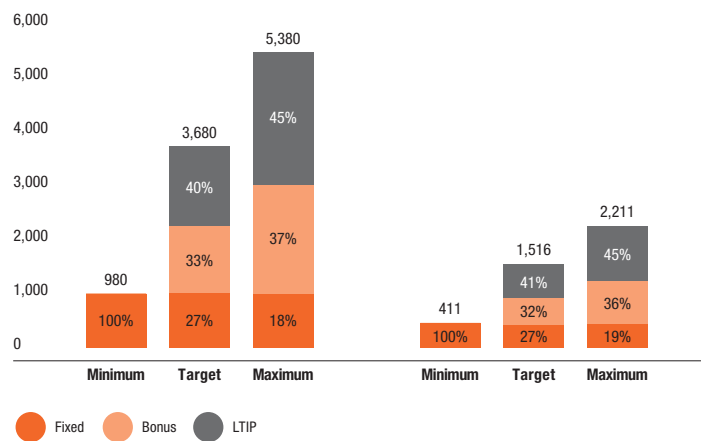
#### TARGET:

Comprised of fixed pay and the target value of bonus (i.e. 60% of maximum opportunity) and 62.5% of normal LTIP awards vesting (i.e. midpoint between threshold (25%) and maximum (100%)).

#### MAXIMUM:

Comprised of fixed pay and the maximum value of bonus and full vesting of normal LTIP awards.

### Remuneration (£000)



### Alignment between the Directors' remuneration approach and that of other colleagues

The Executive Directors' remuneration policy was designed to be aligned with the remuneration philosophy and principles that underpin remuneration for the wider Group.

When setting Executive Directors' remuneration, the Committee considered the remuneration arrangements of other senior managers and colleagues in the Group more generally to ensure that executive remuneration arrangements were appropriate in this context. GVC undertakes an annual salary review and uses this opportunity to review remuneration in line with the market. When determining salary increases for GVC, the Committee considers the outcome of the wider pay review for the Group. In addition, pension arrangements for the Executive Directors are fully aligned with those for our wider workforce.

The Committee does not consult colleagues directly regarding Executive Directors' remuneration. However, the Company periodically seeks views of colleagues (through employee forums and surveys) in respect of their experience of working at GVC, including the structure of remuneration. In light of the new UK Corporate Governance Code requirements, we plan in 2019, to review how we ensure that colleagues' views flow into Board and Committee discussions.

# REMUNERATION: DIRECTORS' REMUNERATION REPORT CONTINUED

for the year ended 31 December 2018






## PART D – ALL EMPLOYEE REMUNERATION Remuneration principles

The Group believes in fairness throughout the organisation. The Group operates a number of general principles applied to all levels. They are as follows:

- we will provide a competitive package compared to the relevant market for each colleague;
- we will ensure colleagues can share in the success of the business, where appropriate, through performance-based variable remuneration; and
- we aim for transparency and a fair cascade of remuneration throughout the Group.

### Remuneration approach for all employees

Colleagues typically receive salary, pension and other benefits, with most colleagues also eligible to be considered for discretionary incentives. Within this there are some country variations based on statutory requirements and market practice.

Element	Principle	Operation
 <b>SALARY</b>	A competitive pay package	Reflecting individuals' skills and experience. Reviewed annually against market information and in the context of performance and or affordability.
 <b>PENSION</b>	An opportunity to save for the future	Colleagues may have access to country specific company funded pension plan, with details depending on local market practice.  Reflective of our workforce profile, whereby a large proportion are young, historically pension contributions in GVC have tended to be provided at the statutory level with greater emphasis placed on other elements of remuneration. This is in line with the remuneration approach for Executive Directors.
 <b>BENEFITS</b>	A tailored benefit offering	Colleagues may have access to country specific company funded benefits such as private medical insurance, life assurance and cash allowances, depending on local market practice. The cost of providing the benefits is defined and controlled.  In some markets, GVC provides access to retail and childcare vouchers to support a positive work-life balance.  Colleagues who are relocated or spend a substantial portion of their time in more than one jurisdiction for business purposes may be provided with mobility benefits. If colleagues incur tax charges when travelling overseas in performance of their duties, these costs may be met by the Group.
 <b>ANNUAL INCENTIVES</b>		Most colleagues are eligible to be considered for an annual bonus or other incentive (based on role and determined by business performance) (see page 91).
 <b>LONG-TERM INCENTIVES</b>		Senior colleagues are eligible to participate in a long-term incentive plan which has the same performance measures as for Executive Directors.

## Committee oversight of all employee remuneration

During 2018 the Committee received updates on key activities and discussed material changes to remuneration arrangements.

- Review **reward harmonisation** activity following the acquisition of Ladbrokes Coral:
  - Policy harmonisation such as paid maternity leave and redundancy.
  - Incentive plan; design, participation and pay-out (see inset below).
  - Developing a consistent starter reward framework and deciding what reward elements to harmonise for existing colleagues.
  - Benefits: vendor harmonisation and harmonisation in terms of benefit eligibility and in the case of medical and other insurances, alignment of cover.
- In December the Committee reviewed the Group's plans for the annual salary review including proposals to harmonise the effective dates and approach across the legacy Ladbrokes Coral and GVC businesses. For 2019 it has been agreed that a uniform flat percentage increase will be applied to eligible colleagues, effective 1 January 2019.
- In terms of **pensions**, Legacy Ladbrokes and Gala Coral defined benefit plans in the UK are well funded and GVC does not currently need to make deficit payments.

Legislation requires all UK employers to enrol automatically eligible employees into a qualifying pension scheme. In 2019 there will be significant pension communications with UK colleagues relating to further changes in the minimum contribution rates and any re-enrolment of Ladbrokes Coral colleagues who have opted out.

### Review of all employee incentives

During 2018 the Committee reviewed the Group's all-employee incentive arrangements. At the start of 2019, the Group has implemented changes to its discretionary annual bonus plan as part of the harmonisation of incentives following the Ladbrokes Coral acquisition. The changes will simplify the arrangements, increase transparency and strengthen the link between financial performance and pay-out.

The design of plans has been aligned, as far as possible, with those for the Executive Directors to ensure consistency across the organisation and delivery of strategic goals. In establishing a harmonised approach, GVC has sought to:

- Retain a focus on local performance, with pay-out in part linked to divisional profitability;
- Pivot to underlying EBITDA (GVC previously used NGR as the all-employee bonus plan measure). The Committee had considered whether to include non-financial measures. Although it will keep this under review over the coming years, at this stage the primary focus was to keep the plan structure simple; and
- Harmonise pay-out curves across the businesses, moving to 25% being payable for threshold performance and 100% for stretch performance.

## Gender pay gap reporting

The UK Government introduced new reporting regulations under the Equality Act 2010 requiring companies with over 250 employees to disclose their gender pay gap annually from April 2017. 2018 is the first year that GVC has had a requirement to publish its results. The report for the year ending 5 April 2018 together with contextual information and detail on the initiatives we have underway to close our gender pay gap, can be viewed on the Corporate website.

Our median hourly pay difference between male and female colleagues is 2.9%. This compares favourably with the UK median pay gap of 17.9% across all sectors (source: Office for National Statistics, October 2018). However, we wanted to understand what's driving our pay gap and understand what we can do to improve it. As a result of this work, it is clear that the gap is largely a function of lower female representation at our senior levels. We recognise this and are challenging ourselves to change this over time.

Our median bonus pay gap is 25.0%, which is primarily due to a higher proportion of males at the higher grades and higher bonus levels.

# REMUNERATION: DIRECTORS' REMUNERATION REPORT CONTINUED

for the year ended 31 December 2018

## PART E – ANNUAL REPORT ON DIRECTORS' REMUNERATION

The 2018 Annual Report on Remuneration contains details on the remuneration paid and awarded to Directors during the financial year ended 31 December 2018. This report has been prepared in accordance with the provisions of the Companies Act 2016 and the Regulations. An advisory resolution to approve the Annual Report on Remuneration and the Annual Statement will be put to shareholders at the AGM on June 2019.

### The Remuneration Committee (“the Committee”)

<b>COMMITTEE MEMBERS DURING 2018</b>	Independent	Number of meetings in year held during tenure	Meetings attended
J Anscombe	Yes	4	4
P Isola	Yes	2	2
V McDowell	Yes	2	2
S Morana	Yes	4	4
W Whitehorn	Yes	1	1

1. Virginia McDowell was appointed to the Committee on 6 June 2018

2. Peter Isola and Will Whitehorn ceased to be members of the Remuneration Committee on 6 June 2018

None of the Committee members or attendees is involved in any Committee decisions from which they may financially benefit personally (other than as shareholders) in the decisions made by the Committee.

The Chief Executive Officer, Chief Financial Officer, Group HR Director and the Director of Reward may attend meetings at the invitation of the Committee but are not present when their own remuneration is being discussed. The Company Secretary acts as the secretary to the Committee.

### Committee role and focus

The Committee is responsible for recommending to the Board the remuneration policy for Executive Directors and the senior management and for setting the remuneration packages for each Executive Director. The Committee also has oversight of the remuneration policy for all employees. The written Terms of Reference of the Committee are available on the Company's website and from the Company on request.

During the year, there were four scheduled Committee meetings. The matters covered included:

- Discussing shareholder feedback during the year in relation to Directors' remuneration;
- Determining the pay-outs from the annual bonus arrangements for 2017;
- Reviewing the satisfaction of the TSR performance measure attached to the legacy share awards;
- Approving the 2018 annual bonus plan targets;
- Approving of the 2018 LTIP awards and their associated performance measures and targets;
- Reviewing senior executives' remuneration arrangements following the Ladbrokes Coral acquisition;
- Approving the termination arrangements for Paul Miles and Paul Bowtell;
- Approving the remuneration arrangements for Rob Wood, the incoming CFO;
- Approving the future design of Group-wide incentive arrangements across the enlarged company following the acquisition of Ladbrokes Coral; and
- Reviewing broader all employee remuneration arrangements including reward harmonisation across the enlarged group following the Ladbrokes Coral acquisition, pensions, the annual salary review and ESG activity including health and safety.

In addition, the Committee met in February 2019 to consider (and, where appropriate, approve):

- the draft 2018 Annual Report on Remuneration and draft 2018 Gender Pay Gap report;
- 2019 salary increases for senior executives;
- the extent to which the 2018 bonus plan performance measures had been satisfied; and
- the measures and associated targets for both a) 2019 annual bonus plan and b) 2019 LTIP.

## Advice to the Committee

Advisers are appointed independently by the Remuneration Committee, which reviews its selection periodically. During the year the Committee undertook a review of advisers and Deloitte LLP was appointed as adviser, replacing PwC (avoiding any potential conflict with PwC's then role as Ladbrokes Coral's auditor).

The total fee paid to PwC in respect of 2018 (on an agreed per diem basis) was £43,900, which exclusively relates to advice to the Committee relating to Executive Directors' remuneration and the provision of Total Shareholder Return monitoring updates. The total fee paid to Deloitte in respect of 2018 was £97,650, on a time and materials basis. Deloitte's advice includes reviewing the remuneration policy, support on shareholder consultation exercises, pay benchmarking and the provision of general guidance on market and best practice. Deloitte LLP also provided a range of tax and advisory services to GVC during the year, including advice on various aspects of the GVC acquisition of Ladbrokes Coral and the subsequent combination of the businesses, support in certain technology areas and support for the business's internal audit function. PwC and Deloitte are signatories to the Code of Conduct for Remuneration Consultants in the UK, details of which can be found on the Remuneration Consultants Group's website at [www.remunerationconsultantsgroup.com](http://www.remunerationconsultantsgroup.com).

Management's advice to the Committee was also supported by a) the provision of market data from Deloitte and Willis Towers Watson and b) legal advice from Addleshaw Goddard.

## Shareholder voting and consideration of shareholder views

We remain committed to taking into consideration shareholder views on our remuneration policy and practices. The Committee chair and the Senior Independent Director maintain contact, as required, with the Company's principal shareholders about all relevant remuneration issues. Ongoing dialogue with our shareholders on executive remuneration is important to us, with feedback being presented to and discussed by the Committee, where it is used to inform future decision making.

The 2017 Chairman's Annual Statement and the Annual Report on Remuneration were subject to an advisory vote at the Annual General Meeting (AGM) on 6 June 2018. The updated Directors' Remuneration Policy was put to a binding vote at the General Meeting on 14 December 2017.

Resolution	Date	Votes for	Votes cast	Votes against	Votes cast	Votes cast in total	Issued share capital voted	Votes withheld
To approve the Directors' Remuneration Report	June 2018	229,161,012	56.1%	179,626,226	43.9%	408,787,238	70.7%	476,595
To approve the updated Directors' Remuneration Policy	December 2017	148,035,292	72.5%	56,145,802	27.5%	204,181,094	67.2%	11,018
To approve the Directors' Remuneration Policy	June 2017	205,214,885	90.2%	22,361,595	9.8%	227,576,480	75.7%	5,674

While the vote on 2017 Remuneration Report was passed by shareholders at the June 2018 AGM, a significant majority did not support the resolution. The Committee was, of course, disappointed by the vote and acknowledges this feedback, thanking those shareholders who spoke with the Company and explained their reasons for not being able to support this resolution. The Committee has always sought to balance the views we have heard from shareholders with the clear need to appropriately reward and retain our successful management team.

Since the June 2018 vote, the Company Chairman and the Senior Independent Director have conducted a corporate governance roadshow with a number of our largest institutional shareholders, at which we had a frank and open discussion on remuneration at GVC. These discussions highlighted that shareholders' primary concern centred on legacy arrangements for the CEO and Chairman. These arrangements are now fully vested and do not form part of our ongoing Remuneration Policy, which is aligned with UK best practice expectations.

## Priorities for 2019

Specific priorities for the Committee in 2019, in addition to its usual scheduled activities, will be:

- Overseeing progress made under the harmonisation of remuneration across the Group following the acquisition of Ladbrokes Coral; and
- Considering any further steps which are required to respond to the new UK Corporate Governance Code, including our approach to post-employment shareholding requirements.

# REMUNERATION: DIRECTORS' REMUNERATION REPORT CONTINUED

for the year ended 31 December 2018

## Single figure remuneration table (audited)

The remuneration of Directors showing the breakdown between components with comparative figures for the prior Financial Year is shown below. Figures provided have been calculated in accordance with Regulations. Further information on the component elements is provided in subsequent sections.

The Committee recognises that the "single figures" of total remuneration shown for the Chairman and CEO are substantial. These primarily relate to legacy awards made under the 2015 LTIP at the time of the acquisition of bwin.party, coupled with our strong share price performance over the vesting period. Our new policy framework will result in significantly lower levels of total remuneration from 2019 onwards.

		Base salary/fees £000	Taxable benefits £000	Annual bonus £000	Long-term incentive £000	Pension £000	Total £000	Legacy awards £000	Total including legacy awards £000
<b>Executive Directors</b>									
Kenneth Alexander	<b>2018</b>	858	99	1,778	–	–	2,736	16,364	19,100
	2017	739	98	1,846	–	–	2,683	15,594	18,277
Paul Bowtell	<b>2018</b>	492	10	738	–	–	1,240	–	1,240
	2017	–	–	–	–	–	0	–	0
Paul Miles	<b>2018</b>	89	1	163	–	1	254	211	465
	2017	303	4	353	–	3	664	831	1,495
<b>Chairman and Non-executive Directors</b>									
Lee Feldman	<b>2018</b>	350	–	–	–	–	350	8,182	8,532
	2017	1,090	–	–	–	–	1,090	7,797	8,887
Jane Anscombe	<b>2018</b>	111	–	–	–	–	111	–	111
	2017	59	–	–	–	–	59	–	59
Pierre Bouchut	<b>2018</b>	33	–	–	–	–	33	–	33
	2017	–	–	–	–	–	0	–	0
Karl Diacono	<b>2018</b>	88	–	–	–	–	88	–	88
	2017	88	–	–	–	–	88	–	88
Peter Isola	<b>2018</b>	88	–	–	–	–	88	–	88
	2017	88	–	–	–	–	88	–	88
Virginia McDowell	<b>2018</b>	63	–	–	–	–	63	–	63
	2017	–	–	–	–	–	0	–	0
Stephen Morana	<b>2018</b>	142	–	–	–	–	142	–	142
	2017	84	–	–	–	–	84	–	84
Norbert Teufelberger	<b>2018</b>	16	–	–	–	–	16	–	16
	2017	176	–	–	–	–	176	322	498
Will Whitehorn	<b>2018</b>	106	–	–	–	–	106	–	106
	2017	120	–	–	–	–	120	–	120

- All figures are in £'000s. 2017 figures were previously reported in euros and have been converted into sterling using an average 2017 rate of 1.13452.
- Norbert Teufelberger, Paul Miles, Will Whitehorn and Karl Diacono stepped down as Directors on 2 February, 29 March, 6 June and 21 December 2018 respectively.
- Virginia McDowell and Pierre Bouchut were appointed Directors on 6 June and 13 September 2018 respectively. Paul Bowtell was appointed a Director on 29 March 2018. The above table shows his GVC Holdings PLC remuneration which became effective from 1 April 2018.



## Notes to the single figure remuneration table

- Kenneth Alexander's salary** was increased on 15 June 2018 from £750,000 to £950,000, of which £800,000 is eligible to be used for the purposes of calculating incentive opportunities.
- As outlined in the 2017 Directors' Remuneration Report, **Paul Bowtell's salary** comprises a salary of £656,000, of which £535,500 is eligible to be used for the purposes of calculating incentive opportunities, with the additional £120,500 reflecting the pension provision which he used to receive in the role at Ladbrokes Coral.
- Lee Feldman's fee** for 2017 included an additional one-off fee of £950,000 which post tax had to be invested in GVC shares which are subject to forfeiture. The forfeiture risk on 50% of the shares falls away on the second anniversary of payment and on the balance on the third anniversary.
- Executive Directors' taxable benefits** include private medical and life insurance. Paul Bowtell received a car allowance of £12,500 p.a. (as provided under his previous Ladbrokes Coral contract) and Kenneth Alexander received a housing allowance of £30,000 p.a. and reimbursement of certain travel expenses incurred in undertaking his duties as a Director. The table above includes these expenses and the tax contribution (restated for 2017).
- Executive Directors' annual bonuses** in respect of 2018 performance are delivered 50% in cash and 50% in deferred shares. More information on the performance measure used to determine the bonus level is set out below.
- The single figure table includes the value of any **"legacy" 2015 LTIP share option arrangements** which have vested while the individual was a Director of GVC Holdings PLC. During the year ending 31 December 2018, share awards granted under legacy arrangements vested as shown below. The awards vested as GVC's Total Shareholder Return ranked above the median of the FTSE 250 over the measurement period (i.e. grant date until the relevant vesting date).

Director	Unexercised shares under option	Face value of award	Vesting date	Shares vesting	Exercise price	Share price on vesting	Value of award included in single figure
K Alexander	2,932,689	14,986,041	2.2.18	977,563	4.22	9.1	4,770,507
			2.5.18	977,563	4.22	8.95	4,623,873
			2.8.18	977,563	4.22	11.35	6,970,024
L Feldman	1,466,343	7,493,013	2.2.18	488,781	4.67*	9.1	2,385,251
			2.5.18	488,781	4.67*	8.95	2,311,934
			2.8.18	488,781	4.67*	11.35	3,485,009
						8,182,194	
P Miles	116,664	849,314	2.2.18	38,888	4.22**	9.1	211,162
N Teufelberger	28,574	146,013	2.2.18	28,574	4.22	9.1	139,441

\* Due to certain limitations associated with the grant of options to individuals subject to US federal income taxes, L Feldman's option was granted at a higher exercise price which represented the market value of GVC shares when the plan became effective, which was £4.67. To compensate for the higher exercise price, the Company agreed to pay him a cash bonus equivalent to the difference between £4.67 and £4.22, payable over the vesting period. In 2018 he received a cash bonus of £659,855 and this amount has been included in the single figure table above. L Feldman is required to invest half of the cash bonus (after taxes) into GVC shares.

\*\* The rules of the option granted to P Miles provided for the strike price to be adjusted to take account of dividends paid in the vesting period, so the effective exercise price of this option was £3.67.

# REMUNERATION: DIRECTORS' REMUNERATION REPORT CONTINUED

for the year ended 31 December 2018

## 2018 Annual bonus plan

### Target setting

Consistent with the statement made in last year's Directors' Remuneration Report, the CEO and CFO's 2018 annual bonus plan targets were set as soon as practicable following the completion of the acquisition of Ladbrokes Coral. The Committee considered that underlying EBITDA remained the most appropriate measure of financial performance for the Company, consistent with 2017 and with the intention expressed in the December 2017 General Meeting notice.

The targets set out below were calibrated by reference to a) internal forecasts covering the enlarged group and b) analyst consensus forecasts which were issued following the publication of GVC's trading update and historic proforma financials on 25 May 2018.

	Threshold	Target	Stretch
Underlying EBITDA* (£m)	722.5	741	759.5
Variance from target	97.5%	–	102.5%
Indicative bonus pay-out (as a % of entitlement)	25%	60%	100%

\* Underlying EBITDA, and excluding joint ventures.

The target range was considered appropriate for 2018 given that the targets were formally set part way through the year following the completion of the Ladbrokes Coral acquisition, and as soon as a consensus view had formed following the transaction. The range takes into account the acquisition of a significant business and ongoing market and regulatory headwinds.

### Year-end assessment of performance

At the end of 2018, the Committee reviewed the Group's financial performance and the achievement against strategic priorities.

The following table summarises the outcome of the Committee's decision.

	K Alexander	P Bowtell	P Miles
Performance outcome (0/100)	91.5%	91.5%	91.5%
Maximum opportunity as a % of salary	250%	200%	200%
Annual bonus as a % of salary	229%	183%	183%
Bonusable salary paid during 2018 (£)	777,397	403,459	89,338
2018 bonus (£)	1,778,296	738,330	163,488

1. Kenneth Alexander's salary was increased from £750,000 to £950,000 on 15 June. However, the salary which is applicable for incentive purposes was restricted to £800,000
2. Paul Miles was eligible for a Directors' annual bonus for the period he served as an Executive Director i.e. three months. Paul Bowtell was eligible for a Directors' annual bonus for the period he served as an Executive Director i.e. nine months.
3. 2018 bonuses are delivered 50% in cash and 50% in shares deferred for three years. Deferred share awards shall be granted in March 2019. In accordance with the bonus plan rules, the number of shares under each deferred award shall be calculated based on the three-month average share price ending on 31 December 2018, which was 813.54p.

The Committee carefully considered the proposed outcome in the context of GVC's underlying financial, operational and strategic progress during 2018. Taking all factors into account, including the individual performance of the Executive Directors, the Committee considered that the mechanical outcome under the annual bonus was reasonable and supportable within this context and decided that no upwards or downwards discretion was required.

## 2018 Long Term Incentive Plan (“LTIP”)

### Selection of measures and calibration of the targets

The 2018 Committee determined that the 2018 LTIP should be based on the same measures as in 2017, being cumulative EPS and relative total shareholder return (TSR). The former represents a key financial indicator of performance for GVC, while the latter reflects our returns to shareholders over the period.

Measure	Weighting	Target	Vesting
Cumulative earnings per share (“EPS”)	50%	<ul style="list-style-type: none"> <li>■ 191 pence</li> <li>■ 224 pence</li> </ul>	<ul style="list-style-type: none"> <li>■ 25%</li> <li>■ 100%</li> <li>■ Straight line interpolation between the two points</li> </ul>
Relative Total Shareholder Return (“TSR”) vs FTSE 51-150	50%	<ul style="list-style-type: none"> <li>■ Equal to median</li> <li>■ Upper quartile or higher</li> <li>■ Median to Upper quartile</li> </ul>	<ul style="list-style-type: none"> <li>■ 25%</li> <li>■ 100%</li> <li>■ Straight line interpolation between the two points</li> </ul>

In setting appropriately stretching EPS targets, the Committee reviews internal forecasts, consensus, and analyst guidance. Ordinarily, the Committee would look to set targets in Q1 of the financial year. However, given the size and impact of the Ladbrokes Coral acquisition on the business, it took time for financial forecasts for the enlarged group to be finalised and for market consensus to emerge in July 2018. At that point, there still remained significant uncertainty around the timing and content of UK Government decisions regarding fixed odds betting terminals (“FOBT”) and UK gaming tax (“RGD”), which represented a step-change in regulation for the group. The Committee anchored the targets against the summer 2018 internal and external forecasts but took the decision to wait until Q4 2018 to finalise the targets, when it was able to make a mechanical adjustment for the Government’s final decision in November 2018 on the TR and RGD implementation date (1 April 2019) and tax rate (21%) versus prior consensus assumptions of January 2020 and 20% respectively. The adjustment resulted in a final target range for the cumulative EPS element of the 2018 award of 191 pence to 224 pence.

These targets are designed to be challenging but realistic, within the context of the Group’s financial plan, strategic priorities and the outlook for our markets. The EPS targets were materially higher than those set for the 2017 LTIP (180 cents to 214 cents), demonstrating continued growth expectations despite a number of regulatory challenges.

Relative TSR is measured against the FTSE 51–150 (previously FTSE 250 for the 2017 LTIP).

Inevitably there are several factors which cannot be known at the time targets are originally set and could impact the 2018 LTIP. These factors might include the impact of corporate activity, material regulatory or tax changes, joint ventures and accounting changes. In each case the Committee retains discretion whether and, if so, how a) to adjust targets post grant and/or b) to take impact into account when determining performance outcome.

### Share awards granted during 2018

Name	Award type	Grant date	Face value of award	Shares awarded	Percentage of award vesting at threshold performance %	Maximum percentage of face value that could vest %	Performance conditions
K Alexander	2017 deferral	20-Sep-18	£913,750	100,576	N/A	N/A	N/A
K Alexander	2018 LTIP	20-Sep-18	£2,250,000	225,338	25	100	See below
P Bowtell	2018 LTIP	20-Sep-18	£1,338,750	134,076	25	100	See below

- Consistent with the Directors’ remuneration policy, 50% of Group CEO’s annual bonus is deferred in shares. The above deferred bonus award has been granted in respect of the Group CEO’s annual bonus for the 2017 financial year. This award will normally vest on 20 September 2021, being the third anniversary of the award date, subject to continuous employment. The number of shares was calculated in line with the Plan rules based on a share price of £9.0851 (an average price measured over the last three months of the financial year to which the bonus award relates). The number of shares is also stated in the 2017 Directors’ Remuneration Report (page 63).
- The LTIP awards were granted on 20 September 2018. The performance period is 1 January 2017 to 31 December 2019 and the conditions are set out below. Awards will vest, subject to the level of performance achieved, on 20 September 2020. The share price used to determine the face value was £9.985p.

# REMUNERATION: DIRECTORS' REMUNERATION REPORT CONTINUED

for the year ended 31 December 2018

## Payments for loss of office and payments to past Executive Directors (audited)

**Paul Miles** stepped down as a Director of GVC Holdings PLC on 29 March 2018. The remuneration he received when he was an Executive Director is set out in the single figure table. As outlined in the disclosure on the Group's website, Paul Miles was treated in accordance with his contract of employment. He received on termination a payment in lieu of notice (£357,350), representing his salary over the remainder of his notice period. He was conferred eligible leaver status to allow him to retain his unexercised long-term incentive award, granted in December 2017, post his termination. This award will continue to vest over the original vesting period i.e. there is no acceleration of vesting, and the award will remain subject to a) malus (i.e. the potential claw-back of any unvested element), b) the future satisfaction of performance measures and c) time apportionment based on service. Paul Miles remained eligible to receive an annual bonus in respect of 2018, pro rata for the period of service.

As already outlined on the Group's website, **Paul Bowtell** retired as a Director and remained an employee until 5 March 2019, working on a variety of integration projects and undertaking an orderly handover and transition of responsibilities. The Committee determined that the following termination arrangements were fair and reasonable, consistent with the Directors' Remuneration Policy and in line with his contractual entitlements.

- He remained eligible to receive an annual bonus in respect of 2018, but will not be eligible for a 2019 annual bonus.
- No payment in lieu of notice is payable.
- He has been conferred eligible leaver status to allow him to retain his unexercised 2018 long-term incentive plan award post his termination. This award will continue to vest over the original vesting period i.e. there is no acceleration of vesting, and the award will remain subject to a) malus (i.e. the potential claw-back of any unvested element), b) the future satisfaction of performance measures, c) time apportionment based on service and d) the post vesting holding period.

## Executive Directors' service contracts and external appointments

Executive Directors have rolling contracts, terminable by either party giving the appropriate notice.

Director	Contract date	Arrangement	Notice period
K Alexander	8 February 2018	Service contract	12 months
R Wood	17 October 2018	Service contract	12 months

Paul Bowtell, who retired as a Director on 5 March 2019, held two Non-executive Directorships at other organisations during 2018. These were Alua Hotels for which the fees retained were €26,667 and Townends & Stirling Ackroyd for which he received £29,000 in fees.

**CEO pay versus Group performance**

**Summary of performance**

The graph below shows the value of £100 invested in GVC Holdings PLC since obtaining main market listing on 1 February 2016 compared with the value of £100 invested in the FTSE 250 index and the FTSE 350 Travel and Leisure Index. The FTSE 250 index has been chosen on the basis that GVC was still part of the index at the start of 2018 and only became a constituent of the FTSE 100 in September 2018.

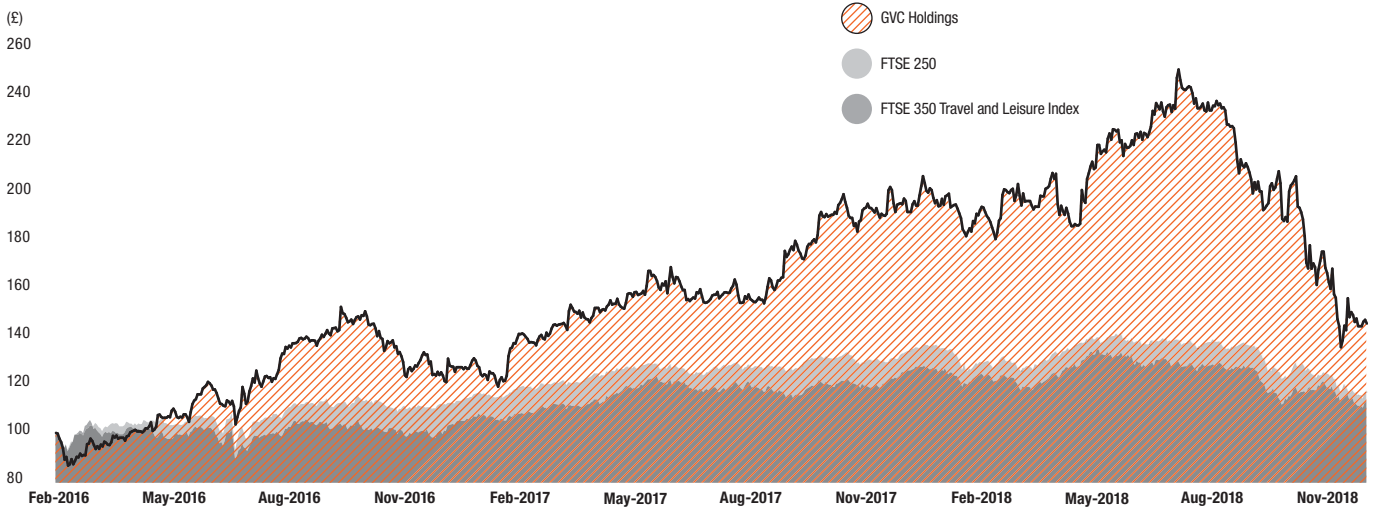
Significant regulatory headwinds in the second half of 2018 impacted the UK gaming sector and led to a fall in our share price. Despite the challenges, it is reassuring that our shares continued to out-perform our gaming sector peer group over this time.

Source: Datastream

	December 2018	December 2017	December 2016	December 2015
	<b>K Alexander</b>	<b>K Alexander</b>	<b>K Alexander</b>	<b>K Alexander</b>
Role	CEO	CEO	CEO	CEO
Single figure of total remuneration (£m)		18.21	17.83	3.41
Annual Bonus pay-out (% maximum)		100	–	–
LTIP vesting (% maximum)	–	–	–	–
Legacy award vesting (% maximum)	100%	100%	100%	100%

Figures for 2015-2017 were previously reported in euros and have been converted into sterling using an average rate for the relevant year.

**GVC HOLDINGS VS FTSE 250 VS FTSE 350**



Source: Datastream

# REMUNERATION: DIRECTORS' REMUNERATION REPORT CONTINUED

for the year ended 31 December 2018

## The percentage change in remuneration of the CEO and all employees

The following table sets out the percentage change in the remuneration between 2017 and 2018 for the CEO and for UK-based GVC colleagues, which we believe represents the most appropriate comparator group for reward purposes.

Remuneration element	CEO % change	All employee % change
Salary	14%	16%
Taxable benefits	1%	16%
Annual bonus (increase on pay-out versus opportunity)	0%	0%

- The percentage changes for the CEO have been determined as follows: a) salary: the percentage change in salary paid in sterling in 2017 and 2018; b) benefits: taxable benefits as set out in the single figure table; and c) bonus: the difference in the payout as a percentage of the maximum (100%).
- The CEO's annual salary increased to £950,000 on 15 June 2018 reflecting his increased responsibilities and scope of role following the Ladbrokes Coral acquisition. There has been no change in eligibility for the CEO's core benefits such as life, medical and housing between 2017 and 2018, with the above percentage change relating to premium increases.
- To provide an appropriate basis of comparison year on year the employee data is based on colleagues employed by UK employing entities owned by GVC in both 2017 and 2018 i.e. Ladbrokes Coral entities are not included. In 2017 and 2018 the GVC all employee discretionary bonus plan paid out at 100% of maximum opportunity i.e. no increase year on year.

## Relative importance of the spend on pay

The table below sets out the overall spend on pay for all employees compared with the returns distributed to shareholders.

Significant distributions	2018	2017	% change
Staff costs (£m)	498.8	123.9	303%
Distributions to shareholders (£m)	138.8	120.0	16%

- 2017 figures previously reported in euros converted into sterling using an average 2017 rate of 1.13452
- The increase in staff costs reflects the acquisition of Ladbrokes Coral.

## Implementation of the remuneration policy for Executive Directors in 2019

A summary of how the Executive Directors' remuneration policy will be implemented in 2019.

Element	Approach
<b>SALARY</b>	<ul style="list-style-type: none"> <li>■ Kenneth Alexander remains on £950,000 of which £800,000 is the salary to be used in the calculation of incentive opportunities.</li> <li>■ Rob Wood's salary on appointment to the Board was £400,000.</li> <li>■ Paul Bowtell's salary, until his retirement from the Board on 5 March remained £656,000.</li> </ul>
<b>BENEFITS</b>	<ul style="list-style-type: none"> <li>■ No change in how policy operated.</li> <li>■ Benefits include, but are not limited to, private health insurance, life insurance and accommodation allowances.</li> <li>■ Continue to receive standard benefits such as medical and life assurance cover.</li> <li>■ Rob Wood receives a car allowance of £10,700 (which he previously received under his Ladbrokes Coral contract).</li> <li>■ All employees have opportunity to participate in a Company-provided pension in line with statutory requirements (i.e. from April employer contribution of 3% if employee contributes 5%). Kenneth Alexander has opted out of the plan.</li> </ul>
<b>ANNUAL BONUS</b>	<ul style="list-style-type: none"> <li>■ Kenneth Alexander: 250% of salary and Rob Wood: 200% of salary.</li> <li>■ Threshold performance delivers 25% of award, target performance delivers 60% and stretch performance 100%.</li> <li>■ Awarded in March 2020 following the year end. 50% paid in cash and 50% deferred in shares for three years.</li> <li>■ Dividends accrue on any vested deferred shares and are delivered in shares.</li> <li>■ Stretching financial performance measures: for 2019, 70% underlying EBITDA and 30% net debt.</li> <li>■ Targets are considered commercially sensitive but will be disclosed in full in the 2019 DRR.</li> </ul>
<b>LTIP</b>	<ul style="list-style-type: none"> <li>■ Kenneth Alexander: 300% of salary and Rob Wood: 250% of salary<sup>1</sup>.</li> <li>■ Performance measures and targets are set out below.</li> <li>■ 2019 LTIP awards will be subject to stretching cumulative EPS and relative TSR performance targets measured over 2019-2021, with any shares vesting subject to a further two-year holding period.</li> <li>■ Dividends accrue on vested LTIP and are delivered in shares.</li> </ul>
<b>SHAREHOLDING REQUIREMENT</b>	<ul style="list-style-type: none"> <li>■ 400% of salary for the CEO (unchanged).</li> <li>■ 200% of salary for the CFO (unchanged).</li> </ul>

- LTIP awards are expected to be granted in March 2019 to Kenneth Alexander and Rob Wood with a face value of £2.4m and £1.0m respectively, equivalent to 300% and 250% of base salary respectively. The awards vest after three years subject to the following performance conditions and are subject to two year holding period post vest.

The Committee reviewed the appropriate performance metrics for the 2019 bonus plan. Underlying EBITDA was considered to remain the most appropriate profit metric, with the benefit of simplicity during a period of reward harmonisation across the enlarged group. However, the Committee determined that, given the level of debt post the Ladbrokes Coral acquisition and investor focus on leverage ratios (net debt/underlying EBITDA), net debt should also be included as a second financial performance measure. As a result, the annual bonus will be based on underlying EBITDA (70%) and net debt (30%).

The annual bonus target range takes into account the Group's annual financial plan and its priorities, in the context of the economic and regulatory environment, together with analyst consensus forecasts. The Committee considers such targets to be commercially sensitive and that it would be detrimental to the interests of the Group to disclose them before the end of the year.

The Committee considered that underlying cumulative EPS and relative TSR remain the most appropriate measures for the 2019 LTIP. There are no changes proposed to the relative TSR measure.

The Committee carefully considered the positioning of the underlying cumulative EPS targets for the 2019 award. It is recognised that the range of 184 pence to 214 pence is about 4% lower than the range set for the 2018 LTIP. The Committee is of the view that in the current environment, and particularly with implementation of the UK TR and RGD in April 2019, these targets represent at least an equivalent stretch to those set in prior years. The targets will require management to deliver strong underlying growth and achieve ambitious published targets for TR mitigation and Ladbrokes Coral acquisition synergies. As for the 2018 award, the 2019 targets do not include earnings from the Group's US joint venture as it is too early for the Committee to sensibly judge the way in which US markets will open up for the Group, and how soon. If necessary the Committee may apply discretion at the end of the LTIP period to take into account the Group's performance in this important new market.

Measure	Weighting	Target	Vesting
Cumulative earnings per share ("EPS")	50%	<ul style="list-style-type: none"> <li>■ 184 pence</li> <li>■ 214 pence</li> </ul>	<ul style="list-style-type: none"> <li>■ 25%</li> <li>■ 100%</li> <li>■ Straight line interpolation between the two pts</li> </ul>
Relative Total Shareholder Return vs FTSE 51-150	50%	<ul style="list-style-type: none"> <li>■ Equal to median</li> <li>■ Upper quartile or higher</li> <li>■ Median to Upper quartile</li> </ul>	<ul style="list-style-type: none"> <li>■ 25%</li> <li>■ 100%</li> <li>■ Straight line interpolation between the two pts</li> </ul>

### Shareholdings and share interests (audited)

Executive Directors are required to maintain a shareholding as determined by the Committee. Executive Directors are expected to build up their shareholding over a period of five years from the date of appointment as an Executive Director (or, if later, from the date of any change to the terms of the shareholding requirement). Shares that count towards the requirement are beneficially owned shares and any vested share awards subject to a holding period. The current shareholding requirements are:

- Group Chief Executive: 4x base salary.
- Chief Financial Officer: 2x base salary.

The Committee plans to adopt a formal post-termination Executive Directors' shareholding policy during 2019. Executive Directors already have some interest after a departure by virtue of: a) the requirement to defer 50% of the annual bonus in shares, and b) the application of a two-year LTIP holding period post vesting. A Director afforded eligible leaver status would continue to have alignment with shareholders for an extended period post-departure through their existing awards.

During 2018 the CEO and Chairman exercised their 2015 LTIP awards, selling only sufficient shares to cover the award exercise price and applicable taxes. As a result, their beneficial shareholdings increased by 0.83 million shares and 0.45 million shares, to 2.73 million shares and 1.19m million shares respectively. As at 31 December 2018 the value of the CEO's and Chairman's shareholdings were £18.4m and £8.0m respectively, representing 1,936% of the CEO's annual salary and 2,286% of the Chairman's annual fee. These shareholdings demonstrate that the CEO and Chairman's interests are closely aligned with those of GVC's shareholders.

# REMUNERATION: DIRECTORS' REMUNERATION REPORT CONTINUED

for the year ended 31 December 2018

Directors' share interests as at 31 December 2018 are set out below:

Director	Number of beneficially owned shares	% of base salary/fee	Alignment to shareholding requirement	Interests in share awards		Interests in share options		Total interests at 31 December 2018
				Total interests subject to conditions	Total vested interests unexercised	Total interests subject to conditions	Total interests unexercised	
K Alexander	2,728,141	1,936	Exceeded	325,914	–	242,587	–	3,296,642
P Bowtell	387,438	398	Exceeded	134,076	–	–	–	521,514
L Feldman	1,187,408	2,286	N/A	–	–	–	–	–
J Anscombe	5,169	N/A	N/A	–	–	–	–	5,169
P Bouchut	–	N/A	N/A	–	–	–	–	–
P Isola	–	N/A	N/A	–	–	–	–	–
V McDowell	–	N/A	N/A	–	–	–	–	–
S Morana	14,759	N/A	N/A	–	–	–	–	14,759

1. Beneficial interests include shares held directly or indirectly by connected persons. There were no changes in the interests in ordinary shares or share awards between the 31 December 2018 and the date this report was signed off.

## Chairman and Non-executive Directors' fees

The following fees applied in 2018 to Non-executive Directors

	As at 1 January 2018	As at 1 January 2019
Chairman	£350,000	£350,000
Senior independent Non-executive Director	£155,000	£155,000
Board member	€100,000	€100,000
Additional fee for chairmanship of Audit, Remuneration or Corporate Social Responsibility Committee	€25,000	€25,000

In February 2016 following the completion of the bwin.party acquisition, the Chairman was granted a one-off award under the 2015 LTIP. Although no further awards were granted, this one-off legacy award has vested in tranches over a 30-month period up to and including August 2018. His fee, currently £350,000, is now the only element of remuneration from GVC.

## Implementation of the remuneration policy for Non-executive Directors in 2019

There are no proposed changes as to how the policy will be implemented in 2019.

## Chairman and Non-executive Directors' letters of appointment

Non-executive Directors do not have service contracts but are appointed under letters of appointment. Apart from the Chairman of the Board, each Non-executive Director is subject to an initial three-year term subject to annual re-election at the Company's AGM. The Chairman's contract was standardised during 2017, when non-standard cessation of employment and change of control provisions were removed. All service contracts and letters of appointment are available for viewing at the Company's registered office and at the AGM.

Director	Date appointed	Arrangement	Notice period/unexpired term
L Feldman	December 2004	Letter of appointment	12 months
J Anscombe	20 June 2017	Letter of appointment: three-year period	Remaining period
P Bouchut	13 September 2018	Letter of appointment: three-year period	Remaining period
P Isola	2 February 2016	Letter of appointment: three-year period	Remaining period
V McDowell	6 June 2018	Letter of appointment: three-year period	Remaining period
S Morana	2 February 2016	Letter of appointment: three-year period	Remaining period

## Jane Anscombe

Chair of the Remuneration Committee  
5 March 2019



# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GVC HOLDINGS PLC

## 1 OUR OPINION IS UNMODIFIED

We have audited the financial statements of GVC Holdings PLC ("the Company") and its subsidiaries ("the Group") for the year ended 31 December 2018 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cashflows, the Company Balance Sheet, the Company Statement of Changes in Equity, and the related notes, including the accounting policies in note 4.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 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 as adopted by the European Union (IFRS as adopted by the EU);
- the parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- the financial statements have been prepared in accordance with the requirements of the Isle of Man Companies Act 2006.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law.

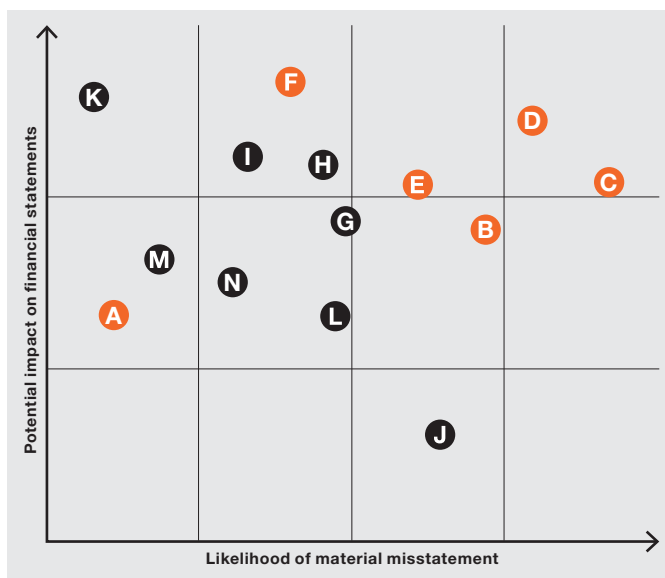
Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

## 2 KEY AUDIT MATTERS INCLUDING OUR ASSESSMENT OF RISKS OF MATERIAL MISSTATEMENT

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters. In arriving at our audit opinion above, the key audit matters, in decreasing order of audit significance, were as follows:

## DYNAMIC AUDIT PLANNING TOOL

(Relative significance of audit risks before taking account of controls)



● Key audit matters ● Other risks

- A** The impact of uncertainties due to the UK exiting the European Union on our audit
- B** Revenue recognition from online operations
- C** Gaming taxes in immature markets
- D** Acquisition accounting of Ladbrokes Coral Group Plc
- E** Disclosure of alternative performance measures
- F** Valuation of investments and receivables (Parent Company only)
- G** Impairment of goodwill, intangibles and PPE of Ladbrokes Coral Group Plc
- H** Valuation of defined benefit pension
- I** Management override of controls
- J** Disclosure – impact of new standards
- K** Going concern
- L** Direct taxation
- M** Provisions for litigation and claims
- N** Onerous leases

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GVC HOLDINGS PLC CONTINUED

## A The impact of uncertainties due to the UK exiting the European Union on our audit

Refer to page 12 (Chief Executive's review), page 62 (viability statement) and page 65 (Corporate Governance report).

**The risk (Unprecedented levels of uncertainty)** – All audits assess and challenge the reasonableness of estimates, in particular as described in the acquisition accounting of Ladbrokes Coral Group Plc below, and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Group's future prospects and performance.

In addition, we are required to consider the other information presented in the Annual Report including the principal risks disclosure and the viability statement and to consider the Directors' statement that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

Brexit is one of the most significant economic events for the UK and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown.

**Our response** – We developed a standardised firm-wide approach to the consideration of the uncertainties arising from Brexit in planning and performing our audits. Our procedures included:

- **Our Brexit knowledge** – We considered the Directors' assessment of Brexit-related sources of risk for the Group's business and financial resources compared with our own understanding of the risks. We considered the Directors' plans to take action to mitigate the risks.
- **Sensitivity analysis** – When addressing acquisition accounting of Ladbrokes Coral Group Plc and other areas that depend on forecasts, we compared the Directors' sensitivity analysis to our assessment of the worst reasonably possible, known adverse scenario resulting from Brexit uncertainty and, where forecasts cash flows are required to be discounted, considered adjustments to discount rates for the level of remaining uncertainty.
- **Assessing transparency** – As well as assessing individual disclosures as part of our procedures on acquisition accounting of Ladbrokes Coral Group Plc we considered all of the Brexit related disclosures together, including those in the strategic report, comparing the overall picture against our understanding of the risks.

**Our results** – As reported under the acquisition accounting of Ladbrokes Coral Group Plc, we found the resulting estimates and related disclosures explaining the acquisition accounting of Ladbrokes Coral Group Plc to be balanced. We also found the disclosures relating to the possible impact of Brexit and relating to going concern to be proportionate. We found that management's assessment that Brexit is unlikely to have a material impact on the Group's ability to continue as a going concern to be balanced. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

## B Revenue recognition from online operations (£1,668.4 million)

Refer to page 120 (accounting policy) and pages 122 to 123 (financial disclosures).

**The risk (Data capture and processing)** – The Group has a number of income streams across its online operations, and the accuracy and completeness of the amounts recognized from these income streams is largely dependent on the effectiveness of the operational and anti-fraud controls in place. Revenue streams for many of the Group's products are computed on highly-complex IT systems, with a number of different bases for calculating revenue. In particular, there is a risk that the Group's in-house developed IT systems, which aim to correctly calculate commission revenues and appropriate wins and losses, as applicable, may not be configured correctly from the outset such that commissions or winning and losing bets are calculated incorrectly.

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

**Our response** – Our procedures included:

- **Control operation and reperformance:** We utilised our own IT specialists to assess the general IT controls related to access to programs and data, program change and development and computer operations by evaluating account set-up and termination of users, password restrictions, access reviews, users with super-user access, program change and development process controls and integration monitoring, and tested whether any unauthorised changes had been made to the system. We assessed the overall IT environment, including: security policies and procedures, IT organisational structure, strategy and reporting, disaster recovery and back-up testing.
- Our own IT specialists also tested the configuration of the system which monitors the information transfer between key IT systems. In addition, our own IT specialists tested the effectiveness of the IT controls of the online betting environment (when hosted in-house) by observing bets placed from the customer-facing systems and tracing the transactions to the platform (betting engine), and then from the data warehouse (storage) to the financial information systems (accounting records) to assess whether the information is passed appropriately from one system to another.
- Where systems are hosted by third parties, we obtained an understanding of the nature of the services being provided. We performed audit procedures to assess whether the third party services were operating as intended. We tested the effectiveness of IT controls related to the interface between the third party systems to the Company's data warehouse.
- **Data comparisons:** Where GITCs were not designed and implemented effectively over in-house managed systems handling the transfer of data, we compared the amounts of revenue in the accounting records against the amounts reported in the platform (source data) for each month and by label and fully reconciled the information between systems.
- **Test of details (tracing and vouching):** We assessed the appropriateness of revenue recognised by tracing a sample of betting transactions through the online betting systems or to third party systems (when outsourced), and assessing that they are appropriately recorded within the financial information systems

at the transaction level. We also vouched a sample of betting transactions recognised in the period from the accounting records back to source data and reperformed the outcome of the transaction against the client's result. Where the IT controls of the online betting environment were not designed or implemented effectively, we increased our substantive testing due to the results of our controls testing, as applicable.

- We then assessed the appropriateness of cash transferred between the payment service providers to corporate cash by reconciling the total revenue amounts reported by key IT systems to the amount transferred from the payment service provider to corporate cash; and tested a sample of these settlements by agreeing the amounts to the relevant bank information. We also tested a sample of items comprising the customer liability balance and agreed the amounts recorded to the individual customer wallet at the end of the financial period.
- **Enquiry of payment service providers (PSPs):** We obtained external confirmation of client funds held in the PSPs and reconciled the obtained bank balance confirmation to the customers' betting accounts.
- **Assessing transparency:** We also considered the adequacy of the Group's disclosures in respect of revenue.

**Our results** – Our testing identified weaknesses in the design of IT General Controls for some of the Group's IT systems. As a result we expanded the extent of our detailed testing over and above that originally planned. In some instances it was not possible to gain the evidence required to rely on certain IT systems and in response to this for the Online revenue streams affected we performed additional substantive testing to reconcile all revenue data recorded in the general ledger to the transactions in the operating system. This additional testing identified no errors in the recording of revenue transactions for the Online businesses.

### **C Gaming taxes in immature markets (£186.8 million)**

Refer to page 78 (Audit Committee Report), page 116 (accounting policy) and page 152 (financial disclosures).

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

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

**Our response** – Our procedures included:

- **Enquiry of management:** We made enquiries of management to identify jurisdictions where potential exposure to announced changes in indirect tax and duty regimes is material.
- **Test of details:** We reviewed management's calculation of gaming tax and duty costs in the period and provisions at the period end and validated that the relevant calculations had been performed accurately using the appropriate tax/duty rates.

- **Assessment of third party experts:** We assessed the competence and objectivity of third party experts engaged by the Group to advise on the legal position of any claims received by tax authorities.

- **Our tax expertise:** We utilised our own indirect tax specialists in relevant markets to determine whether advice received from third party experts is reasonable given the correspondence with the tax authorities and interpretation of the relevant legislation.

- **Assessing transparency:** We considered the appropriateness of the judgments taken and adequacy of the Group's disclosures in respect of key tax exposures, notably in relation to ongoing discussions with the Greek tax authorities.

**Our results** – In determining the treatment of gaming taxes there is room for judgment and we found that within that, the group's judgment was balanced.

In particular, with respect to the accounting for Greek Tax we note that the outcome could vary significantly in the future as more information becomes available. Our testing did not identify any indicators of management bias in the estimation of the Greek gaming tax charge and related provisions. We found that the disclosures relating to Greek gaming taxes were light in the context of the level of uncertainty and size of the charge and related provisions.

### **D Acquisition accounting of Ladbrokes Coral Group Plc (£3,344.7 million)**

Refer to page 78 (Audit Committee Report), page 116 and 117 (accounting policy) and pages 149 and 150 (financial disclosures).

**The risk (Valuation of intangible assets and fair value adjustments)** – The valuation of intangible assets involves significant judgment as it requires management's use of assumptions including revenue growth, theoretical royalty rates used to value trade names, customer churn rates and the application of a discount rate that is reflective of the risks of the business.

Other fair value adjustments, including those for provisions and onerous leases, involve a high degree of judgment.

The level of judgment involved in the fair value exercise from the Ladbrokes Coral Group Plc acquisition is heightened by the uncertainty facing the UK Retail business in light of the triennial review.

**Our response** – Our procedures included:

- **Test of details:** We reviewed management's calculation of the valuation of intangible assets and challenged their assumptions for the fair value adjustments to assess whether the valuation is appropriate.
- We assessed the reasonableness of the cash flows used in valuation models considering historical performance, accuracy of budgets and forecasts and key assumptions adopted (in particular around the calculation of the likely impact of the triennial review).
- We reviewed the other key inputs used in valuation models and re-performed valuation calculations.
- We evaluated the appropriateness of the other fair value adjustments and considered whether there are indicators of bias in either alignment to existing Group accounting policies or seeking to achieve certain post-acquisition outcomes.
- We considered management's justification for the amount of residual goodwill in the context of consideration and the fair value adjustments applied.

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GVC HOLDINGS PLC CONTINUED

- **Our valuations specialist:** We utilised our own valuation experts to assist in challenging management on the completeness of the identified intangible assets and the appropriateness of the valuation method adopted.
- **Assessment of third party experts:** We assessed the competence and objectivity of the third party valuation experts engaged by the Group.
- **Assessing transparency:** We assessed the completeness and appropriateness of disclosures.

**Our results** – We found that the intangible assets identified were typical of similar transactions in the sector and the valuation bases were in accordance with accounting standards. We have no concerns with the basis on which the valuer had been instructed by the Group and found that the valuer was objective and competent and the estimates used in the valuations were balanced.

Our testing identified that a key judgment made by management was that certain brands in the UK have indefinite lives and we consider that this judgment is balanced based on the longevity of those brands and their prominence in the sector.

We identified no indicators of management bias in our work over the acquisition accounting for Ladbrokes Coral Group Plc and we found the disclosures to be proportionate given the importance of the acquisition to the Group.

## **E** Disclosure of alternative performance measures

Refer to page 78 (Audit Committee Report), pages 115 and 116 (accounting policy) and page 123 (financial disclosures).

**The risk (Disclosure of adjusting items and alternative performance measures)** – The disclosure of adjusting items and alternative performance measures (“APMs”) is subjective.

There is a risk that items are classified as adjusting on an inconsistent basis (both within the period and between periods) and that clear and accurate explanation of adjusting items is not given in order to manipulate the presentation of performance of the business.

There is also a risk that undue prominence is given to non-GAAP measures.

**Our response** – Our procedures included:

- **Test of details:** We reviewed management’s calculations of alternative performance measures to validate the accuracy of the disclosures.
- We challenged management’s classification of adjusting items and validated that they were outside the normal course of business and that presentation was on a consistent basis with prior periods.
- We agreed items separately disclosed to appropriate documentation and verified that they had been captured accurately.
- **Assessing transparency:** We reviewed the disclosure in the annual report and considered whether appropriate prominence had been given to GAAP measures and whether explanations of adjusting items and reconciliations of APMs and GAAP measures were clear and accurate.

**Our results** – We consider that there is proportionate disclosure of the nature and amounts of the APMs, adjusting items and proforma information to allow shareholders to understand the performance of the Group.

## **F** Valuation of investments and receivables (Parent Company only)

Refer to pages 164 and 166 (Company accounting policy) and pages 166 and 167 (Company financial disclosures).

**The risk (Carrying value of parent Company’s investments and receivables are not recoverable)** – The carrying amount of the parent Company’s investments in and debt due from entities operating in the Group is significant and at risk of irrecoverability.

The impairment test is subjective due to the inherent uncertainty in judgments and estimates used.

**Our response** – Our procedures included:

- **Benchmarking assumptions:** We challenged the assumptions used in the cash flows included in the budgets based on our knowledge of the Group and the markets in which the subsidiaries operate.
- **Historical comparisons:** We assessed the reasonableness of the budgets by considering the historical accuracy of the previous forecasts.
- **Our sector experience:** We evaluated the current level of trading, including identifying any indications of a downturn in activity, by examining the post year end management accounts and considering our knowledge of the Group and the market.
- **Assessing transparency:** We assessed the adequacy of the parent Company’s disclosures in respect of investments in subsidiaries/ group debtor balances.

**Our results** – We found the Company’s assessment of the recoverability of the investments in subsidiaries and intercompany receivables to be balanced.

In reaching our audit opinion on the financial statements we took into account the findings that we describe above and those for other, lower risk areas. Overall the findings from across the whole audit are that the financial statements are balanced and provide proportionate disclosures. Having assessed these findings and evaluated uncorrected misstatements in the context of materiality and considered the qualitative aspects of the financial statements as a whole, we have not modified our opinion on the financial statements.

## **3 OUR APPLICATION OF MATERIALITY AND AN OVERVIEW OF THE SCOPE OF OUR AUDIT**

### Materiality

Materiality for the Group financial statements as a whole was set at £20 million, determined with reference to a benchmark of Group revenue of which it represents 0.7%. Turnover was considered to be an appropriate benchmark due to the volatility of the result for the Group and the level of non-underlying items.

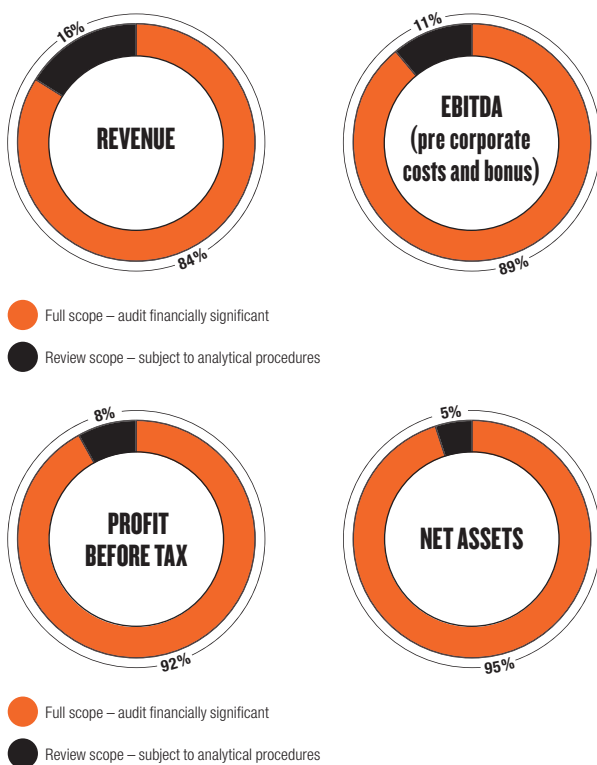
Materiality for the parent Company financial statements as a whole was set at £18 million, determined with reference to a benchmark of total assets and chosen to be lower than materiality for the Group financial statements as a whole. It represents 0.3% of total assets.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £1 million, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the group’s five components, we subjected four to full scope audits for group purposes. We conducted reviews of financial information (including enquiry) at one further non-significant component.

The component for which we performed a review of financial information (including enquiry) was not individually significant enough to require an audit for group reporting purposes but a review was performed in order to provide further coverage over the group's results

The components within the scope of our work accounted for the percentages illustrated below.



#### 4 WE HAVE NOTHING TO REPORT ON GOING CONCERN

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or the Group or to cease their operations, and as they have concluded that the Company's and the Group's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgments that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group and the Company will continue in operation.

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Group's and Company's business model, including the impact of Brexit, and analysed how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period. We evaluated those risks and concluded that they were not significant enough to require us to perform additional audit procedures.

Based on this work, we are required to report to you if:

- we have anything to add or draw attention to in relation to the Directors' statement in Note 2 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group's use of the basis for a period of at least twelve months from the date of approval of the financial statements.

We have nothing to report in these respects, and we did not identify going concern as a key audit matter.

#### 5 WE HAVE NOTHING TO REPORT ON THE OTHER INFORMATION IN THE ANNUAL REPORT

The Directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

#### Strategic report and Directors' report

The Directors are responsible for the other information, which comprises the Directors' report and strategic report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge.

Based solely on that work:

- we have not identified material misstatements in the other information; and
- in our opinion the information given in the Directors' report for the financial year is consistent with the financial statements.

#### Directors' Remuneration Report

In addition to our audit of the financial statements, the Directors have engaged us to audit the information in the Directors' Remuneration Report that is described as having been audited, which the Directors have decided to prepare as if the Company was required to comply with the requirements of Schedule 8 to The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008 No. 410) made under the UK Companies Act 2006.

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

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GVC HOLDINGS PLC CONTINUED

## Disclosures of principal risks and longer-term viability

Based on the knowledge we acquired during our financial statements audit, we have nothing material to add or draw attention to in relation to:

- the Directors' confirmation within the long term viability statement on page 62 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risks disclosures describing these risks and explaining how they are being managed and mitigated; and
- the Directors' explanation in the long-term viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgments that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Company's longer-term viability.

## Corporate governance disclosures

We are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the Directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy; or
- the section of the annual report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We are required to report to you if the Corporate Governance Statement does not properly disclose a departure from the eleven provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

## 6 RESPECTIVE RESPONSIBILITIES

### Directors' responsibilities

As explained more fully in their statement set out on page 73, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and 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 they 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

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 other irregularities (see below), or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

## 7 THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

This report is made solely to the Company's members, as a body, in accordance with Section 80 (c) of the Isle of Man Companies Act 2006 and the terms of our engagement. 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 the further matters we are required to state to them in accordance with the terms agreed with the Company 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.

### Michael Harper

for and on behalf of KPMG LLP, Statutory Auditor Chartered Accountants

15 Canada Square  
London  
E14 5GL  
5 March 2019

# FINANCIAL STATEMENTS

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# CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2018

	Notes	2018			Re-presented 2017		
		Underlying items £m	Separately disclosed items (note 6) £m	Total £m	Underlying items £m	Separately disclosed items (note 6) £m	Total £m
<b>Net Gaming Revenue</b>		<b>2,979.5</b>	<b>–</b>	<b>2,979.5</b>	815.9	–	815.9
<b>VAT/GST</b>		<b>(44.3)</b>	<b>–</b>	<b>(44.3)</b>	(26.0)	–	(26.0)
<b>Revenue</b>	5	<b>2,935.2</b>	<b>–</b>	<b>2,935.2</b>	789.9	–	789.9
Cost of sales	7	<b>(931.0)</b>	<b>–</b>	<b>(931.0)</b>	(214.6)	–	(214.6)
<b>Gross profit</b>		<b>2,004.2</b>	<b>–</b>	<b>2,004.2</b>	575.3	–	575.3
Administrative costs	7	<b>(1,491.8)</b>	<b>(453.5)</b>	<b>(1,945.3)</b>	(406.2)	(173.6)	(579.8)
<b>Contribution</b>		<b>1,598.8</b>	<b>–</b>	<b>1,598.8</b>	400.7	–	400.7
Administrative costs excluding marketing		<b>(1,086.4)</b>	<b>(453.5)</b>	<b>(1,539.9)</b>	(231.6)	(173.6)	(405.2)
<b>Group operating profit/(loss) before share of results from joint ventures and associates</b>		<b>512.4</b>	<b>(453.5)</b>	<b>58.9</b>	169.1	(173.6)	(4.5)
Share of results from joint ventures and associates	17, 18	<b>8.4</b>	<b>–</b>	<b>8.4</b>	0.1	–	0.1
<b>Group operating profit/(loss)</b>		<b>520.8</b>	<b>(453.5)</b>	<b>67.3</b>	169.2	(173.6)	(4.4)
Finance expense	8	<b>(63.9)</b>	<b>–</b>	<b>(63.9)</b>	(19.3)	–	(19.3)
Finance income	8	<b>1.1</b>	<b>–</b>	<b>1.1</b>	1.1	–	1.1
Gain arising from change in fair value of financial instruments	8	<b>58.3</b>	<b>–</b>	<b>58.3</b>	–	–	–
Losses arising from foreign exchange on debt instruments	8	<b>(81.7)</b>	<b>–</b>	<b>(81.7)</b>	–	–	–
<b>Profit/(loss) before tax</b>		<b>434.6</b>	<b>(453.5)</b>	<b>(18.9)</b>	151.0	(173.6)	(22.6)
Income tax (expense)/income	10	<b>(56.8)</b>	<b>19.3</b>	<b>(37.5)</b>	(16.2)	17.9	1.7
<b>Profit/(loss) from continuing operations</b>		<b>377.8</b>	<b>(434.2)</b>	<b>(56.4)</b>	134.8	(155.7)	(20.9)
Profit/(loss) for the year from discontinued operations after tax		<b>–</b>	<b>–</b>	<b>–</b>	(10.9)	(3.1)	(14.0)
<b>Profit/(loss) for the year</b>		<b>377.8</b>	<b>(434.2)</b>	<b>(56.4)</b>	123.9	(158.8)	(34.9)
Attributable to:							
Equity holders of the parent		<b>371.7</b>	<b>(434.2)</b>	<b>(62.5)</b>	124.1	(158.8)	(34.7)
Non-controlling interests		<b>6.1</b>	<b>–</b>	<b>6.1</b>	(0.2)	–	(0.2)
		<b>377.8</b>	<b>(434.2)</b>	<b>(56.4)</b>	123.9	(158.8)	(34.9)
Earnings per share on profit/(loss) for the year from continuing and discontinued operations – from continuing operations	12	<b>76.9p</b>		<b>(12.2)p</b>	45.1p		(6.9)p
From profit/(loss) for the year <sup>1</sup>		<b>76.9p</b>		<b>(12.2)p</b>	41.5p		(11.6)p
Diluted earnings per share on profit/(loss) for the year from continuing and discontinued operations – from continuing operations	12	<b>76.3p</b>		<b>(12.2)p</b>	43.6p		(6.9)p
From profit/(loss) for the year <sup>1</sup>		<b>76.3p</b>		<b>(12.2)p</b>	40.0p		(11.6)p
Proposed dividends	11			<b>16.0p</b>			
<b>Memo</b>							
<b>Underlying EBITDA</b>		<b>640.8</b>	<b>(89.7)</b>	<b>551.1</b>	211.3	(67.1)	144.2
Share based payments		<b>(10.7)</b>	<b>–</b>	<b>(10.7)</b>	(15.5)	–	(15.5)
Depreciation, amortisation and impairment		<b>(117.7)</b>	<b>(363.8)</b>	<b>(481.5)</b>	(26.7)	(106.5)	(133.2)
Share of results from joint ventures and associates		<b>8.4</b>	<b>–</b>	<b>8.4</b>	0.1	–	0.1
<b>Group operating profit/(loss)</b>		<b>520.8</b>	<b>(453.5)</b>	<b>67.3</b>	169.2	(173.6)	(4.4)

1. The calculation of underlying earnings per share has been adjusted for separately disclosed items, and for the removal of foreign exchange volatility arising on financial instruments as it provides a better understanding of the underlying performance of the Group. See note 12 for further details.

The notes on pages 115 to 161 form an integral part of these consolidated financial statements.



# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2018

	Notes	2018 £m	Re-presented 2017 £m
Loss for the year		(56.4)	(34.9)
Other comprehensive income:			
<i>Items that may be reclassified to profit or loss:</i>			
Currency differences on translation of foreign operations		44.7	45.4
Total items that may be reclassified to profit or loss		44.7	45.4
<i>Items that will not be reclassified to profit or loss:</i>			
Re-measurement of defined benefit pension scheme	29	(10.9)	–
Tax on re-measurement of defined benefit pension scheme	10	3.8	–
Share of associate other comprehensive income	18	0.2	–
Re-measurement of financial assets at fair value through other comprehensive income		–	0.3
Total items that will not be reclassified to profit or loss		(6.9)	0.3
Other comprehensive income for the year, net of tax		37.8	45.7
<b>Total comprehensive (expense)/income for the year</b>		<b>(18.6)</b>	<b>10.8</b>
Attributable to:			
Equity holders of the parent		(24.7)	11.0
Non-controlling interests		6.1	(0.2)

The notes on pages 115 to 161 form an integral part of these consolidated financial statements.

# CONSOLIDATED BALANCE SHEET

for the year ended 31 December 2018

	Notes	2018 £m	Re-presented 2017 £m	Re-presented 2016 £m
<b>Assets</b>				
<b>Non-current assets</b>				
Goodwill	14	3,332.4	972.4	929.3
Intangible assets	14	2,795.6	388.6	442.5
Property, plant and equipment	16	195.6	14.4	16.7
Interest in joint venture	17	46.1	–	–
Interest in associates and other investments	18	26.0	4.0	3.1
Other financial assets	25	1.5	1.7	4.4
Deferred tax assets	10	76.5	0.8	–
Retirement benefit asset	29	168.2	–	–
		<b>6,641.9</b>	<b>1,381.9</b>	<b>1,396.0</b>
<b>Current assets</b>				
Trade and other receivables	19	403.0	100.6	89.6
Income and other taxes recoverable		30.3	1.6	5.7
Derivative financial instruments	25	43.3	–	22.3
Other financial assets	25	3.4	2.2	–
Short-term investments	20	2.6	4.4	4.6
Cash and cash equivalents	20	421.9	270.0	302.4
		<b>904.5</b>	<b>378.8</b>	<b>424.6</b>
Assets in disposal group classified as held for sale		–	–	50.9
<b>Total assets</b>		<b>7,546.4</b>	<b>1,760.7</b>	<b>1,871.5</b>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Trade and other payables	21	(638.3)	(164.7)	(139.7)
Balances with customers		(312.5)	(101.7)	(93.3)
Interest bearing loans and borrowings	22	(14.3)	(0.2)	(343.9)
Corporate tax liabilities		(42.5)	(10.5)	(15.5)
Provisions	23	(160.5)	(1.1)	(1.0)
Other financial liabilities	25	(16.3)	(11.1)	(2.2)
		<b>(1,184.4)</b>	<b>(289.3)</b>	<b>(595.6)</b>
<b>Non-current liabilities</b>				
Interest bearing loans and borrowings	22	(2,221.1)	(262.3)	–
Deferred tax liabilities	10	(452.8)	(47.2)	(55.9)
Provisions	23	(56.6)	(5.1)	(5.9)
Other financial liabilities	25	(143.5)	(20.4)	(3.8)
		<b>(2,874.0)</b>	<b>(335.0)</b>	<b>(65.6)</b>
Liabilities in disposal group classified as held for sale		–	–	(19.3)
<b>Total liabilities</b>		<b>(4,058.4)</b>	<b>(624.3)</b>	<b>(680.5)</b>
<b>Net assets</b>		<b>3,488.0</b>	<b>1,136.4</b>	<b>1,191.0</b>
<b>Equity</b>				
Issued share capital	27	4.8	2.3	2.2
Share Premium		1,196.5	1,170.4	1,129.0
Merger Reserve		2,527.4	34.5	34.5
Translation reserve		212.6	167.9	122.5
Retained earnings		(491.5)	(237.2)	(95.9)
<b>Equity shareholders' funds</b>		<b>3,449.8</b>	<b>1,137.9</b>	<b>1,192.3</b>
Non-controlling interests	34	38.2	(1.5)	(1.3)
<b>Total shareholders' equity</b>		<b>3,488.0</b>	<b>1,136.4</b>	<b>1,191.0</b>

The financial statements on pages 110 to 161 were approved by the Board of Directors on 5 March 2019 and signed on its behalf by:

**KJ Alexander**  
Chief Executive Officer

**P Bowtell**  
Chief Financial Officer

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2018

	Issued share capital £m	Share premium £m	Merger Reserve £m	Retained earnings £m	Fair value through OCI reserve £m	Translation reserve <sup>1</sup> £m	Equity shareholders' funds £m	Non- controlling interests £m	Total shareholders' equity £m
At 1 January 2017 (re-presented)	2.2	1,129.0	34.5	(95.9)	–	122.5	1,192.3	(1.3)	1,191.0
Loss for the year	–	–	–	(34.7)	–	–	(34.7)	(0.2)	(34.9)
Other comprehensive income	–	–	–	–	0.3	45.4	45.7	–	45.7
Transition adjustments <sup>2</sup>	–	–	–	0.3	(0.3)	–	–	–	–
Total comprehensive income	–	–	–	(34.4)	–	45.4	11.0	(0.2)	10.8
Share options exercised	0.1	41.4	–	–	–	–	41.5	–	41.5
Share based payments charge	–	–	–	13.1	–	–	13.1	–	13.1
Equity dividends (note 11)	–	–	–	(120.0)	–	–	(120.0)	–	(120.0)
At 31 December 2017 (re-presented)	2.3	1,170.4	34.5	(237.2)	–	167.9	1,137.9	(1.5)	1,136.4
At 1 January 2018	<b>2.3</b>	<b>1,170.4</b>	<b>34.5</b>	<b>(237.2)</b>	–	<b>167.9</b>	<b>1,137.9</b>	<b>(1.5)</b>	<b>1,136.4</b>
Loss for the year	–	–	–	(62.5)	–	–	(62.5)	6.1	(56.4)
Other comprehensive income	–	–	–	(6.9)	–	44.7	37.8	–	37.8
Total comprehensive income	–	–	–	(69.4)	–	44.7	(24.7)	6.1	(18.6)
Issue of shares on acquisition <sup>3</sup>	<b>2.4</b>	–	<b>2,492.9</b>	–	–	–	<b>2,495.3</b>	–	<b>2,495.3</b>
Share options exercised	<b>0.1</b>	<b>26.1</b>	–	–	–	–	<b>26.2</b>	–	<b>26.2</b>
Share based payments charge	–	–	–	2.1	–	–	2.1	–	2.1
Acquisition of investment (note 31)	–	–	–	(44.6)	–	–	(44.6)	35.0	(9.6)
Equity dividends (note 11)	–	–	–	(138.8)	–	–	(138.8)	(1.4)	(140.2)
Non-controlling interest (note 31)	–	–	–	(3.6)	–	–	(3.6)	–	(3.6)
At 31 December 2018	<b>4.8</b>	<b>1,196.5</b>	<b>2,527.4</b>	<b>(491.5)</b>	–	<b>212.6</b>	<b>3,449.8</b>	<b>38.2</b>	<b>3,488.0</b>

1. The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

2. Reclassification of income on adoption of IFRS9 see note 25 for further details.

3. On 28 March 2018, GVC Holdings PLC acquired the entire share capital of Ladbrokes Coral Group plc as described in note 31. The issue of new shares in the Company has attracted merger relief under the Companies Act 2006. £2.4m of ordinary shares has been credited to share capital and the remaining £2,492.9m has been credited to the merger reserve within equity.

The notes on pages 115 to 161 form an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2018

	Notes	2018 £m	Re-presented 2017 £m
<b>Cash generated by operations</b>	28	<b>395.5</b>	199.0
Income taxes paid		(43.5)	(13.1)
Net finance expense paid		(55.5)	(37.0)
<b>Net cash generated from operating activities</b>		<b>296.5</b>	148.9
<b>Cash flows from investing activities:</b>			
Acquisitions		(735.6)	(39.1)
Cash acquired on acquisition of businesses		213.0	6.8
Dividends received from associates		9.4	–
Purchase of intangible assets		(99.2)	(22.6)
Purchase of property, plant and equipment		(95.5)	(10.9)
Proceeds from the sale of property, plant and equipment including disposal of shops		–	27.1
Investment in joint ventures		(20.5)	–
Decrease in short-term investments		1.8	0.2
Deferred proceeds from disposal of available-for-sale assets		1.0	–
<b>Net cash used in investing activities</b>		<b>(725.6)</b>	(38.5)
<b>Cash flows from financing activities:</b>			
Proceeds from issue of ordinary shares		26.2	41.5
Net proceeds from borrowings		1,366.0	484.8
Finance lease payments		(1.1)	–
Repayment of borrowings		(664.9)	(561.0)
Equity dividends paid <sup>1</sup>		(142.7)	(120.0)
<b>Net cash generated/(used in) financing activities</b>		<b>583.5</b>	(154.7)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>154.4</b>	(44.3)
Effect of changes in foreign exchange rates		(2.5)	1.5
Cash and cash equivalents at beginning of the year <sup>2</sup>		270.0	312.8
<b>Cash and cash equivalents at end of the year</b>		<b>421.9</b>	270.0

1. Equity dividends paid are inclusive of dividend credits on share options of £2.5m (2017: £nil) and dividends paid to non-controlling interests of £1.4m (2017: £nil).

2. The cash and cash equivalents balance at the end of 2016 of £312.8m above consisted of £302.4m cash and cash equivalents as shown on the face of the consolidated statement of financial position and £10.4m of cash and cash equivalents held within assets held for sale.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2018

## 1 CORPORATE INFORMATION

GVC Holdings PLC (“the Company”) is a company incorporated and domiciled in the Isle of Man on 5 January 2010 whose shares are traded publicly. The principal activities of the Company and its subsidiaries (“the Group”) are described in the strategic report. The consolidated financial statements of the Group for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the Directors on 5 March 2019.

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

## 2 BASIS OF PREPARATION

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

The Group financial statements are prepared under the historical cost convention unless otherwise stated. The statements are also prepared on a going concern basis.

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

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

## 3 CHANGES IN ACCOUNTING POLICIES

From 1 January 2018, the Group has applied, for the first time, certain standards, interpretations and amendments being:

IFRS 9, “Financial instruments”, which addresses the classification, measurement and recognition of financial assets and liabilities was issued in July 2015. IFRS 9 retains and establishes three primary measurement categories for financial assets: amortised cost, fair value through Other Comprehensive Income (“OCI”) and fair value through Profit and Loss. The basis of the classification depends on the business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss or with an irrevocable option at inception to present changes in fair value in OCI. Fair value changes recorded through OCI are not subsequently recycled.

There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39.

For financial liabilities there were no changes to classification and measurement.

Financial assets of £2.3m, previously held as available for sale under IAS 39 are recognised as fair value through profit and loss and further financial assets of £0.6m previously held as available for sale under IAS 39 are recognised at amortised cost under IFRS 9.

The adoption of the following amendments did not have any impact on the current period or any prior period and are not likely to affect future periods:

- IFRS 15 “Revenue from Contracts with Customers”; and
- Amendments to IFRS2 “Share based payments” – Amendments to clarify the classification and measurement of share based payment transactions.

## Presentational changes

Following the acquisition of Ladbrokes Coral Group plc, a number of presentational changes have been made to the financial statements. These changes have also been reflected in the comparative information. A summary of the amendments made are as follows:

- changes to the presentation of the Income Statement and Statement of Cash Flows to report the performance of the Group in the most appropriate format;
- goodwill of £972.4m as at 31 December 2017 has been separately disclosed from intangible assets on the face of the Balance Sheet;
- progressive prize pools of £16.0m as at 31 December 2017 have been included within trade and other payables rather than disclosed on the face of the Balance Sheet;
- amortisation of acquired intangibles resulting from IFRS 3 fair value exercise of £106.5m as at 31 December 2017 is disclosed separately from underlying amortisation;
- ante-post liabilities of £2.7m as at 31 December 2017 have been recognised within other financial liabilities rather than within balances with customers; and
- at 31 December 2017, the reported net assets of the Group were €1,278.8m (2016: €1,397.3m). Following re-presentation at 31 December 2017 the net assets of the Group were £1,136.4m (2016: £1,191.0m). The loss for the year previously reported was €39.4m following re-presentation this was £34.9m accordingly the basic EPS previously reported was a loss of €0.13, following representation this was a loss of 11.6p.

Furthermore following the acquisition of Ladbrokes Coral Group plc the Group has changed its presentational currency to GBP from previous reporting currency which was Euros. In line with the requirements of IAS 21 and to assist users of the financial statements following this change, the comparative 2017 and 2016 balance sheets have been re-presented to £m using the procedures outlined below:

- assets and liabilities of foreign operations where the functional currency is other than sterling were translated into sterling at the relevant closing rates of exchange, non-sterling trading results were translated in sterling at the relevant average rates of exchange, differences arising from the retranslation of the opening net assets and the results for the year have been taken to the foreign currency translation reserve;
- all movements comprising differences on the retranslation of the opening net assets of non-sterling subsidiaries have been taken to the foreign currency translation reserve. Share capital, share premium, and other reserves were translated at the historic rates prevailing at the dates of transactions; and
- the exchange rates used to perform the translation were as follows:

Euro/sterling exchange rate	December 2017	December 2016
Closing rate	1.125	1.173
Average rate	1.135	n/a

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2018

## 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 4.1 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group at 31 December each year. The underlying financial statements of subsidiaries are prepared for the same reporting year as the Company, using consistent accounting policies. Control is achieved where the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect these returns through its power over the investee.

All intragroup transactions, balances, income and expenses are eliminated on consolidation.

Subsidiaries are consolidated, using the acquisition method of accounting, from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred from the Group.

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at fair value at the date of acquisition. Any excess of the cost of acquisition over the fair values of the separately identifiable net assets acquired is recognised as goodwill. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by the Group.

### 4.2 Critical accounting estimates and judgements

The preparation of financial information requires the use of assumptions, estimates and judgements about future conditions. Use of available information and application of judgement are inherent in the formation of estimates. Actual results in the future may differ from those reported. In this regard, management believes that the accounting policies where judgement is necessarily applied are those that relate to:

- accounting for business combinations;
- accounting for uncertain tax positions;
- separately disclosed items;
- the measurement and impairment of goodwill and other assets; and
- pension and other post-employment benefit obligations.

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

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

#### Business combinations

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

The Group then estimates the fair value of assets acquired and liabilities assumed in the business combination, including any separately identifiable intangible assets. These estimates also require inputs and assumptions including future earnings, customer attrition rates and discount rates. The Group engages external experts to support the valuation process, where appropriate. IFRS 3 "Business Combinations" allows the Group to recognise provisional fair values if the initial accounting for the business combination is incomplete. During the year the reported fair values the Group has recognised

for the Ladbrokes Coral Group acquisition were provisional. Further details of the assessment can be found in note 31.

The fair value of contingent consideration recognised in business combinations is reassessed at each reporting date, using updated inputs and assumptions based on the latest financial forecasts for the relevant business. Judgement is applied as to whether changes should be applied at the acquisition date or as post-acquisition changes. Further details of these judgements are given in note 31. Fair value movements and the unwinding of the discounting is recognised within operating expenses.

#### Accounting for uncertain tax positions

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

During the current year, the Group made a provision for a potential liability in Greece (see note 23) based on the Directors' best estimate of the likely economic outflow. However, as the statutory window in Greece for the authorities to conclude their tax audit work is generally six years from the end of the relevant tax year, both the timing and the conclusions of the tax audits, and any associated tax payments, remains uncertain.

#### Separately disclosed items

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

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

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

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

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

#### 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

##### 4.2 Critical accounting estimates and judgements continued

###### Goodwill

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

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

###### Intangible assets

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

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

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

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

###### Impairment

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

Within UK and European Retail the cash-generating units are generally an individual Licensed Betting Operator ("LBO") and therefore, impairment is first assessed at this level for licences and property, plant and equipment, with any impairment arising booked first to licences and then to property, plant and equipment.

###### Pension and other post-employment benefit obligations

There is a significant degree of estimation involved in predicting the ultimate benefits payable under defined benefit pension arrangements. The pension scheme liabilities are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. The Group's defined benefit pension schemes both have a net asset position when measured on an IAS 19 basis. Judgement is applied, based on legal, actuarial, and accounting guidance in IFRIC 14, regarding the amounts of net pension asset that is recognised in the consolidated balance sheet. Further details are given in note 29.

###### 4.3 Other accounting policies

###### Investments in joint ventures

A joint venture is an entity in which the Group holds an interest on a long-term basis and which is jointly controlled by the Group and one or more other ventures under a contractual agreement.

Joint control exists only when decisions about the relevant activities require the unanimous consent of the parties that collectively control the arrangement. In assessing this joint control no significant judgements have been necessary.

The Group's share of results of joint ventures is included in the Group consolidated income statement using the equity method of accounting. Investments in joint ventures are carried in the Group consolidated balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the entity less any impairment in value. The carrying value of investments in joint ventures includes acquired goodwill.

If the Group's share of losses in the joint venture equals or exceeds its investment in the joint venture, the Group does not recognise further losses, unless it has incurred obligations to do so or made payments on behalf of the joint venture. Further details are given in note 17.

###### Investments in associates

Associates are those businesses in which the Group has a long-term interest and is able to exercise significant influence over the financial and operational policies but does not have control or joint control over those policies.

The Group's share of results of associates is included in the Group's consolidated income statement using the equity method of accounting. Investments in associates are carried in the Group's consolidated balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the entity less any impairment in value. The carrying value of investments in associates includes acquired goodwill. If the Group's share of losses in the associate equals or exceed its investments in the associate, the Group does not recognise further losses, unless it has incurred obligations to do so or made payments on behalf of the associate. Further details are given in note 18.

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2018

## 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

### 4.3 Other accounting policies continued

#### Property, plant and equipment

Land is stated at cost less any impairment in value.

Buildings, plant and equipment are stated at cost less accumulated depreciation and any impairment in value.

Depreciation is applied using the straight line method to specific classes of asset to reduce them to their residual value over their estimated useful economic lives.

Land and buildings	Lower of 50 years, or estimated useful life of the building, or lease. Indefinite lives are attached to any freehold land held and therefore it is not depreciated
Property, plant and equipment	3-5 years
Fixtures and fittings	3-10 years

The carrying values of plant and equipment are reviewed for impairment where an indicator of impairment exists as to whether there are events or changes in circumstances indicating that the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of 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 the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Impairment losses are recognised in the consolidated income statement.

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

#### Leases

Leases that transfer to the Group substantially all the risks and rewards associated with ownership of the leased item are capitalised at the inception of the lease at the fair value of the leased item or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term.

Leases which are not capitalised are classified as operating leases. Operating lease payments, other than contingent rentals, are recognised as an expense in the consolidated income statement on a straight line basis over the lease term.

#### Cash and cash equivalents

Cash and cash equivalents consist of cash at bank and in hand, short-term deposits with an original maturity of less than three months (and customer balances).

#### Financial assets

Financial assets are recognised when the Group becomes party to the contracts that give rise to them.

The Group classifies financial assets at inception as financial assets at amortised cost, financial assets at fair value through profit or loss or financial assets at fair value through other comprehensive income.

Financial assets at amortised cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. On initial recognition, financial assets at amortised cost are measured at fair value net of transaction costs.

Trade receivables are generally accounted for at amortised cost. Expected credit losses are recognised for financial assets recorded at amortised cost, including trade receivables. Expected credit losses are calculated by using an appropriate probability of default, taking accounts of a range of possible future scenarios and applying this to the estimated exposure of the Group at the point of default.

Financial assets at fair value through profit or loss include derivative financial instruments. Financial assets through profit or loss are measured initially at fair value with transaction costs taken directly to the consolidated income statement. Subsequently, the fair values are remeasured, and gains and losses are recognised in the consolidated income statement.

Financial assets at fair value through other comprehensive income comprise equity investments that are neither designated as such on acquisition. These investments are measured initially at fair value. Subsequently, the fair values are remeasured, and gains and losses are recognised in the consolidated statement of comprehensive income.

#### Financial liabilities

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

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

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

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



## 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

### 4.3 Other accounting policies continued

#### Financial liabilities continued

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

#### Derecognition of financial assets and liabilities

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

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

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

#### Derivative financial instruments

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

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

#### Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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

#### Foreign currency translation

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

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

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

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

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

The following exchange rates were used in 2017 and 2018:

Currency	2018		2017	
	Average	Year end	Average	Year end
Euro (€)	1.130	1.113	1.135	1.125
Australian Dollar (\$)	1.781	1.810	n/a	n/a

#### Income tax

Deferred tax is provided on all temporary differences at the balance sheet date, between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences except

- on the initial recognition of goodwill;
- where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor the tax profit; and
- associated with investments in subsidiaries, joint ventures and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences and carry forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carry forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor the tax profit; and
- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2018

## 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

### 4.3 Other accounting policies continued

#### Income tax continued

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax balances are not discounted.

Interest or penalties payable and receivable in relation to income tax are recognised as an income tax expense or credit in the consolidated income statement.

Income tax expenses are recognised within profit and loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case it is recognised in other comprehensive income or directly in equity.

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- where the sales tax incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated balance sheet.

#### Pensions and other post-employment benefits

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

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

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

In accounting for the Group's defined benefit pension plans, it is necessary for management to make a number of estimates and assumptions each year. These include the discount rates, inflation rates and life expectancy. In making these estimates and assumptions, management considers advice provided by external advisers, such as actuaries. Where actual experience differs to these estimates, actuarial gains and losses are recognised directly in other comprehensive income. Refer to note 29 for details of the values of assets and obligations and key assumptions used.

Although the Group anticipates that plan surpluses will be utilised during the life of the plans to address member benefits, the Group recognises its pension surplus in full on the basis that it does not consider there to be substantive restrictions on the return of residual plan assets in the event of a winding up of the plans after all member obligations have been met.

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

#### Equity instruments

Equity instruments issued by the Company are recorded at the fair value of proceeds received net of direct issue costs.

#### Dividends

Final dividends proposed by the Board of Directors and unpaid at the year end are not recognised in the financial statements until they have been approved by shareholders at the Annual General Meeting. Interim dividends are recognised when paid.

#### Revenue

The Group reports the gains and losses on all betting and gaming activities as revenue, which is measured at the fair value of the consideration received or receivable from customers less free bets, promotions, bonuses and other fair value adjustments. Gross win includes free bets, promotions and bonuses net of VAT/GST.

For licensed betting offices ("LBOs"), on course betting, Core Telephone Betting, mobile betting, Digital businesses (including sportsbook, betting exchange, casino, games, other number bets), revenue represents gains and losses, being the amounts staked and fees received, less total payouts recognised on the settlement of the event. Open betting positions are carried at fair value and gains and losses arising on these positions are recognised in revenue. Vending income is also included within Revenue.

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

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

#### Finance expense and income

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

#### Share based payment transactions

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

The cost of equity settled transactions is measured by reference to the fair value at the date on which they are granted. Further details of which are given in note 30. In valuing equity settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of GVC Holdings PLC (market conditions).

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

## 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

### 4.3 Other accounting policies continued

#### Share based payment transactions continued

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

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share as shown in note 12.

### 4.4 Future accounting developments

The standards and interpretations that are issued, but not yet effective, excluding those relating to annual improvements, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

The new International Financial Reporting standard for leases, IFRS 16, applies to financial periods commencing on or after 1 January 2019 and replaces IAS 17. For leases previously classified as operating leases, a right of use asset and associated lease liability will be recognised going forward. As such, the Group will no longer record a lease cost in its Income Statement, but will instead recognise depreciation and interest charges.

Following a detailed review, the Group intends to adopt the modified retrospective approach. This will mean that the Group will not restate comparative periods. In applying the modified retrospective approach, the Group has elected to use the following practical expedients proposed by the standard;

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

IFRS 16 will have a material impact on the Group, primarily in the UK Retail division which holds over 3,000 property leases. The existence of a large number of leases, combined with the age of some of the leases, which span back over 50 years, was the key driver in the decision to take the modified retrospective approach.

Upon adoption of IFRS 16, it is estimated that the carrying value of property, plant and equipment as at 1 January 2019 will increase by between £240m and £270m, including c£20m reclassified from prepayments, and post a c£135m to £145m impairment, with lease liabilities increasing by between £365m and £395m. On the adoption of IFRS 16, the Group also expects to derecognise c£50m of onerous lease provisions.

Following the £2 FOBT stakes restriction, it is anticipated that up to 1,000 shops may be closed. As a result of the interaction between the Group's strategic response to the triennial review findings, potential shop closures and the accounting under IFRS 16, the potential impact of IFRS 16, as disclosed above, may be subject to change as the Group implements its post triennial strategy.

Key income statement metrics including operating profit, EBITDA and profit after tax will be affected by IFRS 16 due to the profiling of interest expenses, resulting in higher charges in the earlier years of a lease.

To provide a consistent measure of profitability and in order to aid comparison to previous years, the Group also intends to use EBITDAR as a key profit metric going forward. As a result of the impairment triggered on adoption of IFRS 16, EBITDA, operating profit and profit before tax are all expected to increase.

The following remaining other IFRSs or IFRS IC interpretations that are not yet effective are not expected to have a material impact on the Group:

IFRS3 "Business Combinations"	Amendments to clarify the definitions of a business	1 January 2020
IAS 19 "Employee Benefits"	Amendments regarding plan amendments, curtailments or settlements	
IAS 28 "Investments in associates"	Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture and amendments regarding long-term interests in associates and joint ventures	1 January 2019
IFRIC 23 "Uncertainty over Income Tax"	Clarifies the accounting for uncertainties in income taxes	1 January 2019

## 5 SEGMENT INFORMATION

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

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

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

The Executive management team of the new Group has chosen to assess the performance of operating segments based on a measure of NGR, EBITDA, gross profit, contribution and operating profit with finance costs and taxation considered for the Group as a whole. See page 33 of this annual report for further considerations of the use of Non-GAAP measures. Transfer prices between operating segments are on an arm's-length basis in a manner similar to transactions with third parties.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2018

## 5 SEGMENT INFORMATION CONTINUED

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

	Online £m	UK Retail £m	European Retail £m	All other segments £m	Corporate £m	Elimination of internal revenue £m	Total Group £m
<b>2018</b>							
NGR	1,712.7	1,014.9	211.7	43.8	-	(3.6)	2,979.5
VAT/GST	(44.3)	-	-	-	-	-	(44.3)
Revenue	1,668.4	1,014.9	211.7	43.8	-	(3.6)	2,935.2
Gross Profit	1,134.9	725.7	109.9	33.7	-	-	2,004.2
Contribution <sup>1</sup>	742.8	723.1	103.4	29.5	-	-	1,598.8
Operating costs excluding marketing costs	(299.4)	(529.7)	(54.3)	(27.2)	(47.4)	-	(958.0)
Underlying EBITDA before separately disclosed items	443.4	193.4	49.1	2.3	(47.4)	-	640.8
Share based payments	(2.4)	(0.1)	(0.1)	-	(8.1)	-	(10.7)
Depreciation and Amortisation	(70.7)	(32.4)	(14.0)	(0.4)	(0.2)	-	(117.7)
Share of joint ventures and associates	0.8	-	2.7	4.9	-	-	8.4
Operating profit/(loss) before separately disclosed items	371.1	160.9	37.7	6.8	(55.7)	-	520.8
Separately disclosed items (note 6)	(503.5)	(50.5)	(7.0)	-	107.5	-	(453.5)
Group operating profit/(loss)	(132.4)	110.4	30.7	6.8	51.8	-	67.3
Net finance expenses							(86.2)
Loss before tax							(18.9)
Income tax							(37.5)
<b>Loss for the year</b>							<b>(56.4)</b>

	Online £m	UK Retail £m	European Retail £m	All other segments £m	Corporate £m	Elimination of internal revenue £m	Total Group £m
<b>2017</b>							
NGR	801.2	-	-	14.7	-	-	815.9
VAT/GST	(26.0)	-	-	-	-	-	(26.0)
Revenue	775.2	-	-	14.7	-	-	789.9
Gross Profit	571.1	-	-	4.2	-	-	575.3
Contribution <sup>1</sup>	399.0	-	-	1.7	-	-	400.7
Operating costs excluding marketing costs	(161.5)	-	-	(7.7)	(20.2)	-	(189.4)
Underlying EBITDA before separately disclosed items	237.5	-	-	(6.0)	(20.2)	-	211.3
Share based payments	(4.8)	-	-	-	(10.7)	-	(15.5)
Depreciation and Amortisation	(26.7)	-	-	-	-	-	(26.7)
Share of joint ventures and associates	0.1	-	-	-	-	-	0.1
Operating profit/(loss) before separately disclosed items	206.1	-	-	(6.0)	(30.9)	-	169.2
Separately disclosed items (note 6)	(108.3)	-	-	(2.5)	(62.8)	-	(173.6)
Group operating profit/(loss)	97.8	-	-	(8.5)	(93.7)	-	(4.4)
Net finance expenses							(18.2)
Loss before tax							(22.6)
Income tax							1.7
<b>Loss for the year from continuing operations</b>							<b>(20.9)</b>
Loss for the year from discontinued operations after tax							(14.0)
<b>Loss for the year after discontinued operations</b>							<b>(34.9)</b>

**5 SEGMENT INFORMATION CONTINUED****Geographical information**

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

	2018 Revenue £m	2018 Non-current assets <sup>2</sup> £m	2017 Revenue £m	2017 Non-current assets <sup>2</sup> £m
United Kingdom	1,572.4	4,799.4	80.8	–
Rest of the world	1,362.8	1,596.3	709.1	1,379.4
<b>Total</b>	<b>2,935.2</b>	<b>6,395.7</b>	<b>789.9</b>	<b>1,379.4</b>

1. Contribution represents gross profit less marketing costs and is a key performance metric used by the Group, particularly in Online.

2. Non-current assets excluding other financial assets, deferred tax assets and retirement benefit assets.

**6 SEPARATELY DISCLOSED ITEMS**

	2018 £m	2017 £m
Impairment loss <sup>1</sup>	41.3	1.4
Integration costs <sup>2</sup>	14.5	21.1
Corporate transaction costs <sup>3</sup>	64.4	6.8
Profit on disposal of assets <sup>4</sup>	–	(1.9)
Legal and onerous contract provisions <sup>5</sup>	9.2	1.9
Amortisation of acquired intangibles <sup>6</sup>	322.5	106.5
Greek tax <sup>7</sup>	186.8	–
Other one-off items	7.3	7.4
Movement in fair value of contingent consideration <sup>8</sup>	(192.5)	30.4
Total before tax	453.5	173.6
Tax on separately disclosed items <sup>9</sup>	(19.3)	(17.9)
Separately disclosed items after taxation from continuing operations	434.2	155.7
Separately disclosed items from discontinued operations after tax	–	3.1
Separately disclosed items for the year	434.2	158.8

1. The impairment loss of £41.3m (2017: £1.4m) comprises £40.1m (2017: £nil) which has arisen in UK Retail following the decision to bring forward the implementation of the £2 FOBT stakes restriction from 1 October 2019 to 1 April 2019. (see notes 14 and 15 for further details), plus an additional £1.6m in relation to property, plant and equipment and software no longer used by the Group. In the prior year £1.4m of assets were impaired as part of the disposal of the Kalixa business.

2. Costs associated with the integration of the Ladbrokes Coral Group and GVC businesses, including redundancy costs arising following the merger in 2017; £21.1m arose in 2017 primarily on restructuring the business following the bwin acquisition.

3. The Group incurred £64.4m of corporate transaction costs in relation to the acquisition of Ladbrokes Coral Group plc. and other smaller acquisitions. In the prior year £6.8m of corporate transaction costs were incurred in relation to the acquisitions of Cozy Games, and Zatrix.

4. There was no profit or loss on disposals of assets in 2018 (2017: £1.9m from the disposal of Kalixa).

5. Legal and onerous contract provisions include onerous contracts that have arisen as a result of the closure of shops and other legal and tax provisions outside the ordinary course of business.

6. During the current year, the Group incurred £322.5m of amortisation charges in relation to acquired intangible assets primarily arising from the acquisitions of Ladbrokes Coral Group plc and bwin (2017: £106.5m).

7. Relates to costs anticipated in relation to the ongoing assessment of Greek Tax. See note 32 for further details.

8. The movement in fair value of contingent consideration primarily relates to the change in market value of the CVR since the date of acquisition of Ladbrokes Coral Group plc, partially offset by movements in the fair value of contingent consideration on other M&A activity from prior years. Following the enactment of the £2 stakes restriction on FOBTs the CVR is now valued at £nil and has been extinguished.

9. The tax credit on separately disclosed items of £19.3m (2017: £17.9m) represents 4.3% (2017: 10.3%) of the separately disclosed items incurred of £453.5m (2017: £173.6m). This is lower than the expected tax credit of 19.0% (2017: 19.3%) as certain corporate transaction costs and elements of integration costs and the Greek tax provision are non-deductible for tax purposes, and following a re-assessment of the recoverability of certain deferred tax assets at the year end.

Given all of the items above reflect incomes and expenditures which are either exceptional in nature or size or are associated with the amortisation of acquired intangibles they have been disclosed separately.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2018

## 7 ADMINISTRATIVE COSTS

Profit/(loss) before tax, net finance expense and separately disclosed items has been arrived at after charging:

	2018 £m	2017 £m
Betting tax and Machine Games Duty	543.6	104.4
Revenue based payments	296.1	76.7
Software royalties	63.8	31.6
Other cost of sales	27.5	1.9
Cost of sales	931.0	214.6
Salaries and payroll-related expenses (note 9)	489.0	123.9
Property expenses	159.8	11.5
Content and levy expenses	98.3	–
Marketing expenses	405.4	174.6
Depreciation and Amortisation	117.7	26.7
Other operating expenses	221.6	69.5
Administrative costs	1,491.8	406.2
Separately disclosed operating expenses before tax (note 6)	453.5	173.6
<b>Total</b>	<b>2,876.3</b>	<b>794.4</b>

Fees payable to KPMG (2017: Grant Thornton) were as follows:

	2018 £m	2017 £m
Audit and audit-related services:		
Audit of the parent Company and Group financial statements	0.6	0.8
Audit of the Company's subsidiaries	1.4	–
Audit-related assurance services	0.2	–
Non-audit services:		
Corporate finance services <sup>1</sup>	0.1	1.3
Other non-audit services	0.4	0.1
<b>Total fees</b>	<b>2.7</b>	<b>2.2</b>

1. Fees for corporate finance services relate to work undertaken on corporate transactions and work in respect of the acquisition of Ladbrokes Coral Group plc relating to support for the public reporting requirements of the deal.

**8 FINANCE EXPENSE AND INCOME**

	<b>2018</b>	2017
	<b>£m</b>	£m
Bank loans and overdrafts	<b>(63.9)</b>	(18.9)
Gains arising on financial derivatives	<b>58.3</b>	–
Fee expenses	<b>–</b>	(0.4)
Losses arising on foreign exchange on debt instruments	<b>(81.7)</b>	–
Total finance expense	<b>(87.3)</b>	(19.3)
Interest receivable	<b>0.8</b>	0.4
Other finance income	<b>0.3</b>	0.7
Total finance income	<b>1.1</b>	1.1
Net finance expense	<b>(86.2)</b>	(18.2)

**9 EMPLOYEE STAFF COSTS**

The average monthly number of employees (including Executive Directors) was:

	<b>2018</b>	2017
	<b>£m</b>	£m
Online	<b>4,180</b>	2,484
UK Retail	<b>14,053</b>	–
European Retail	<b>968</b>	–
Other	<b>422</b>	–
Corporate	<b>303</b>	75
	<b>19,926</b>	2,559

The number of people employed by the Group at 31 December 2018 was 25,565 (2017: 2,678).

	<b>2018</b>	2017
	<b>£m</b>	£m
Wages and salaries	<b>433.0</b>	98.2
Redundancy costs	<b>9.8</b>	–
Social security costs	<b>35.0</b>	9.3
Other pension costs (note 29)	<b>10.3</b>	0.9
Share based payments (note 30)	<b>10.7</b>	15.5
	<b>498.8</b>	123.9

In addition to salary, employees may qualify for various benefit schemes operated by the Group. Eligibility for benefits is normally determined according to an employee's length of service and level of responsibility. The amounts of some benefits are proportionate to individual salary.

Benefits may include insured benefits that can cover private healthcare for the employee and their immediate family, long-term disability, personal accident and death in service cover. Company cars, including fuel benefits, are provided predominantly to meet job requirements but also to certain executives.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2018

## 10 INCOME TAX EXPENSE/(CREDIT)

Analysis of expense/(credit) for the year:

	2018 £m	2017 £m
Current income tax:		
– UK	5.5	2.1
– overseas	43.5	8.2
– adjustments in respect of previous years	(2.6)	1.2
Deferred tax:		
– relating to origination and reversal of temporary differences	(8.9)	(13.2)
– adjustments in respect of previous years	–	–
Income tax expense/(credit) reported in the income statement	37.5	(1.7)
Deferred tax charged directly to other comprehensive income	(3.8)	–

A reconciliation of income tax charge/(credit) applicable to loss before tax at the UK statutory income tax rate to the income tax credit for the years ended 31 December 2018 and 31 December 2017 is as follows:

	2018 £m	2017 £m
Loss before tax	(18.9)	(22.6)
Corporation tax credit thereon at 19.00% (2017: 19.25%)	(3.6)	(4.3)
Adjusted for the effects of:		
– Higher effective tax rates on overseas earnings	(31.3)	(25.4)
– Non-deductible expenses	52.6	8.7
– Fair value adjustment to contingent consideration	5.1	–
– Release of Contingent Value Rights asset	2.2	–
– Increase in unrecognised tax losses asset	13.5	19.3
– Difference in current and deferred tax rates	1.7	(0.4)
– Other	(0.1)	(0.8)
Adjustments in respect of prior years:		
– Overseas current tax adjustments	3.2	1.2
– UK current tax adjustments	(5.8)	–
Income tax expense/(credit)	37.5	(1.7)
Reported as:		
– expense in consolidated income statement (before separately disclosed items)	56.8	16.2
– expense/(credit) in consolidated income statement (tax on separately disclosed items) (note 6)	(19.3)	(17.9)
Income tax expense/(credit)	37.5	(1.7)



**10 INCOME TAX EXPENSE/(CREDIT) CONTINUED****Deferred tax**

Deferred tax at 31 December relates to the following:

	Deferred tax liabilities		Deferred tax assets	
	2018 £m	2017 £m	2018 £m	2017 £m
Property, plant and equipment	-	-	(36.4)	-
Intangible assets & goodwill	389.1	44.6	(18.8)	-
Retirement benefit assets	58.9	-	-	-
Losses	-	-	(19.8)	-
Other temporary difference	4.8	2.6	(1.5)	(0.8)
Deferred tax liabilities/(assets)	452.8	47.2	(76.5)	(0.8)

Movements in deferred tax during the year ended 31 December 2018 were recognised as follows:

Net deferred tax liabilities/(assets):

	Property, plant and equipment £m	Intangible assets & goodwill £m	Retirement benefit assets £m	Losses £m	Share based payments £m	Other temporary differences £m	Total £m
At 1 January 2017	-	53.5	-	-	-	2.4	55.9
Income statement	-	(11.0)	-	-	-	(0.6)	(11.6)
Acquired through business combinations	-	2.1	-	-	-	-	2.1
At 31 December 2017	-	44.6	-	-	-	1.8	46.4
Income statement	1.6	(54.2)	(0.3)	42.3	-	1.7	(8.9)
Other comprehensive income	-	-	(3.8)	-	-	-	(3.8)
Acquired through business combinations	(38.0)	379.9	63.0	(62.1)	-	(0.2)	342.6
At 31 December 2018	(36.4)	370.3	58.9	(19.8)	-	3.3	376.3

Amounts presented on the consolidated balance sheet:

	2018 £m	2017 £m
Deferred tax liabilities	452.8	47.2
Deferred tax assets	(76.5)	(0.8)
Net deferred tax liability	376.3	46.4

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

As at 31 December 2018, the Group had £275.7m (2017: £157.7m) of unrecognised deferred tax assets, consisting of £4.4m of accelerated capital allowances (2017: £4.4m) £44.0m of capital losses (2017: £3.4m) and £227.3m of trading losses (2017: £3.4m). These assets have not been recognised as they are not expected to be utilised in the foreseeable future.

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

The Group has a number of historical unresolved UK tax matters, in respect of which all amounts are fully provided, and all taxes have been paid. Whilst certain of these matters may be resolved within the next 12 months, it is unknown whether the resolution will be in the Group's favour.

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2018

## 11 DIVIDENDS

Pence per share	2018 pence	2017 pence	2018 Shares in issue number	2017 Shares in issue number
Prior year final dividend paid	15.2	12.5	303.7	293.5
Interim dividend paid <sup>1</sup>	16.0	13.1	578.8	296.6
Second interim dividend paid	–	14.6	–	301.0

1. The interim dividend paid in 2018 of 16.0p relates wholly to the 2018 financial year, whereas the interim dividend in 2017 of 13.1p was deferred from the 2016 year.

A proposed second interim dividend of 16.0p (2017: 15.2p) per share, amounting to £93.1m (2017: £46.2m) in respect of the year ended 31 December 2018 was proposed by the Directors on 5 March 2019. The estimated total amount payable in respect of the final dividend is based on the expected number of shares in issue on 14 March 2018. The 2018 interim dividend of 16.0p per share (£92.6m) was paid on 10 October 2018.

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

## 12 EARNINGS PER SHARE

Basic earnings per share has been calculated by dividing the loss for the year attributable to shareholders of the Company of £62.5m (2017: £34.7m) by the weighted average number of shares in issue during the year of 513.6m (2017: 299.2m).

At 31 December 2018, there were 581.9m €0.01 ordinary shares in issue. At 31 December 2017, there were 303.7m €0.01 ordinary shares in issue.

Given the loss for the year (2017: loss), the Group recognised a basic loss per share rather than a basic earnings per share. As such, the dilutive effects have not been considered in calculating the diluted loss or the diluted earnings before separately disclosed items.

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

### Total earnings per share

Weighted average number of shares (millions)	2018	2017
Shares for basic earnings per share	513.6	299.2
Potentially dilutive share options and contingently issuable shares	4.5	10.7
Shares for diluted earnings per share	518.1	309.9

	2018 £m	2017 £m
Total profit		
Profit/(loss) attributable to shareholders	(62.5)	(34.7)
– from continuing operations	(62.5)	(20.7)
– from discontinued operations	–	(14.0)
Gain arising from financial instruments	(58.3)	–
Loss arising from foreign exchange debt instruments	81.7	–
Separately disclosed items net of tax (note 6)	434.2	158.8
Adjusted profit attributable to shareholders	395.1	124.1
– from continuing operations	395.1	135.0
– from discontinued operations	–	(10.9)

**12 EARNINGS PER SHARE CONTINUED**

	Standard earnings per share		Adjusted earnings per share	
	2018	2017	2018	2017
Earnings per share (pence)				
Basic earnings per share				
– from continuing operations	(12.2)	(6.9)	76.9	45.1
– from discontinued operations	-	(4.7)	-	(3.6)
From profit/(loss) for the period	(12.2)	(11.6)	76.9	41.5
Diluted earnings per share				
– from continuing operations	(12.2)	(6.9)	76.3	43.6
– from discontinued operations	-	(4.7)	-	(3.6)
From profit/(loss) for the period	(12.2)	(11.6)	76.3	40.0

**13 DISCONTINUED ACTIVITIES AND ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE**

	Assets £m	Liabilities £m	Total £m
As at 31 December 2016	50.9	(19.3)	31.6
Trading, working capital and revaluation movements	(2.9)	(3.1)	(6.0)
Impairment of Kalixa	(1.4)	-	(1.4)
Disposal of Kalixa	(48.3)	23.1	(25.2)
Forex on discontinued operations	1.7	(0.7)	1.0
As at 31 December 2017 and 31 December 2018	-	-	-

In November 2017, the Group announced the disposal of its Turkish-facing operations to Rospo Malta Limited for performance related earn-out consideration of up to a maximum amount of €150m receivable on a monthly basis over a five-year period, although the consideration was later waived. The disposal group was reported in the prior year as a discontinued operation and the results to disposal are presented below for the eleven and a half months to disposal in 2017.

	2018 £m	2017 £m
<b>Revenue</b>	-	72.6
Cost of sales	-	(35.1)
Gross Profit	-	37.5
Administrative costs	-	(10.2)
Operating loss before joint ventures	-	27.3
Share of results from joint ventures	-	(0.3)
Profit before tax	-	27.0
Income tax expense	-	(0.4)
Profit after taxation	-	26.6
Loss on sale of the subsidiary	-	(40.6)
Loss from discontinued operations	-	(14.0)

There was no other income received which required disclosure within the statement of other comprehensive income.

No further assets are considered as held for sale as at the year end.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2018

## 14 GOODWILL AND INTANGIBLE ASSETS

	Goodwill £m	Licences £m	Software £m	Customer relationships £m	Consulting & magazine £m	Trade-marks & brand names £m	Total £m
<b>Cost</b>							
At 1 January 2017	957.7	–	233.0	169.1	4.2	164.5	1,528.5
Additions	–	–	22.6	–	–	–	22.6
Additions from business combinations	31.2	–	2.1	21.2	–	2.0	56.5
Disposals	(27.2)	–	(1.2)	–	–	–	(28.4)
Exchange adjustment	40.3	–	10.0	6.9	0.2	7.0	64.4
At 31 December 2017	1,002.0	–	266.5	197.2	4.4	173.5	1,643.6
Exchange adjustment	31.6	–	3.3	7.6	–	8.1	50.6
Additions	–	–	99.2	–	–	–	99.2
Additions from business combinations	2,328.7	15.9	151.7	739.5	–	1,779.8	5,015.6
Disposals	–	(0.1)	(5.4)	–	–	–	(5.5)
<b>At 31 December 2018</b>	<b>3,362.3</b>	<b>15.8</b>	<b>515.3</b>	<b>944.3</b>	<b>4.4</b>	<b>1,961.4</b>	<b>6,803.5</b>
<b>Accumulated amortisation and impairment</b>							
At 1 January 2017	28.4	–	74.8	36.4	4.2	12.9	156.7
Amortisation charge	–	–	65.8	40.3	–	13.2	119.3
Transfer to Assets Held for Sale	–	–	(1.2)	–	–	–	(1.2)
Exchange adjustment	1.2	–	3.8	1.9	0.2	0.7	7.8
At 31 December 2017	29.6	–	143.2	78.6	4.4	26.8	282.6
Exchange adjustment	0.3	–	2.5	2.6	–	0.5	5.9
Amortisation charge	–	0.9	121.8	231.1	–	33.6	387.4
Impairment charge	–	4.5	0.6	–	–	–	5.1
Disposals	–	(0.1)	(5.4)	–	–	–	(5.5)
<b>At 31 December 2018</b>	<b>29.9</b>	<b>5.3</b>	<b>262.7</b>	<b>312.3</b>	<b>4.4</b>	<b>60.9</b>	<b>675.5</b>
<b>Net book value</b>							
At 31 December 2017	972.4	–	123.3	118.6	–	146.7	1,361.0
<b>At 31 December 2018</b>	<b>3,332.4</b>	<b>10.5</b>	<b>252.6</b>	<b>632.0</b>	<b>–</b>	<b>1,900.5</b>	<b>6,128.0</b>

At 31 December 2018, the Group had not entered into contractual commitments for the acquisition of any intangible assets (2017: £nil).

Included within trade-marks & brand names are £1,398.3m (2017: £13.4m) of intangible assets considered to have indefinite lives. These UK Ladbrokes and Coral brands are considered to have indefinite durability that can be demonstrated and their value can be readily measured. The brands operate in longstanding and profitable market sectors. The Group has a strong position in the market and there are barriers to entry due to the requirement to demonstrate that the applicant is a fit and proper person with the “know-how” required to run such operations.

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

Licences comprise the cost of acquired betting shop licences.

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

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

Refer to notes 6 and 15 for details of the impairment charge.

## 15 IMPAIRMENT TESTING OF GOODWILL AND INDEFINITE LIFE INTANGIBLE ASSETS

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

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

For Online the CGU is the relevant geographical location or business unit and any impairments are made firstly to goodwill, next to any capitalised intangible asset and then finally to property, plant and equipment.

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

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

The pre-tax discount rate applied to cash-flow projections for UK Retail was 9.5% (2017: n/a), European Retail 9.0%-1.1% (2017: n/a) and Online 8.9%-11.3% (2017: 7.4%-9.4%). The discount rate calculation is based on the specific circumstances with reference to the WACC and risk factors expected in the industry in which the Group operates.

The value-in-use calculations use cash flows based on detailed, board approved, financial budgets prepared by management covering a three-year period. These forecasts have been extrapolated over years 4 to 8 representing a declining growth curve from year 3 until the long-term forecast growth rate is reached. The growth rates used from years 4-8 range from 0% to 16%. From year 9 onwards long-term growth rates used are between 0% and 3.0% (2017: 2%) and are based on the long-term GDP growth rate of the countries in which the relevant CGUs operate or the relevant outlook for the business. A 0% growth rate has been used for the UK Retail operating segment due to the ongoing uncertainty surrounding the outlook after the triennial implementation. An 8-year horizon is considered appropriate based on the Group's history of profit as well as the growth rates currently observed in our key markets.

In assessing the carrying value of goodwill for all CGUs, the recoverable amount was assessed with reference to the discounted cash flows discussed above and the fair value obtained from the sale of the Group to GVC Holdings PLC.

The carrying value of goodwill by segment is as follows:

<b>Goodwill</b>	<b>2018 £m</b>	2017 £m
Online	3,061.2	972.4
UK Retail	76.4	–
European Retail	163.4	–
All other segments	31.4	–
	<b>3,332.4</b>	972.4

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

### Impairment recognised during the year

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

During the year the Group has recognised an impairment charge against UK Retail of £40.1m (2017: £nil), of which £4.5m has been recorded against licenses (2017: £nil) and £35.6m against plant, property and equipment (2017: £nil). The impairment charge recognised in UK Retail in the current year is a consequence of the timing of implementation of stakes restrictions on FOBT machines in LBOs to £2 being brought forward to 1 April 2019 from 1 October 2019.

### Sensitivity analysis

A 2% decline in the long-term growth rate applied to the UK Retail cash flows (with other assumptions remaining constant) would result in an additional impairment of £3.7m to shop assets.

A 5% decrease in all cash flows used in the discounted cash flow model for the value in use calculation (with other assumptions remaining constant) would result in an additional impairment of £26.1m within Online and UK Retail.

A 0.5% increase in discount rates used in the discounted cash flow model for the value in use calculation (with all other assumptions remaining constant) would result in an additional impairment of £93.9m within Online and UK Retail.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2018

## 16 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings £m	Plant and equipment £m	Fixtures and fittings £m	Total £m
<b>Cost</b>				
At 1 January 2017	4.0	3.4	44.1	51.5
Additions	0.4	1.1	9.4	10.9
Additions from business combinations	–	–	0.2	0.2
Disposals	–	–	(0.6)	(0.6)
Exchange adjustment	0.2	0.2	1.8	2.2
At 31 December 2017	4.6	4.7	54.9	64.2
Exchange adjustment	0.5	0.4	2.2	3.1
Additions	9.5	4.6	81.4	95.5
Additions from business combinations	20.2	53.2	100.8	174.2
Disposals	(4.0)	(0.9)	(31.1)	(36.0)
<b>At 31 December 2018</b>	<b>30.8</b>	<b>62.0</b>	<b>208.2</b>	<b>301.0</b>
<b>Accumulated depreciation</b>				
At 1 January 2017	0.9	2.5	31.4	34.8
Depreciation charge	0.3	1.6	11.9	13.8
Disposals	–	–	(0.4)	(0.4)
Exchange adjustment	–	0.1	1.5	1.6
At 31 December 2017	1.2	4.2	44.4	49.8
Exchange adjustment	0.3	0.2	1.4	1.9
Depreciation charge	12.7	2.9	37.2	52.8
Disposals	(4.3)	(1.2)	(29.8)	(35.3)
Impairment charge	11.4	0.8	24.0	36.2
<b>At 31 December 2018</b>	<b>21.3</b>	<b>6.9</b>	<b>77.2</b>	<b>105.4</b>
<b>Net book value</b>				
At 31 December 2017	3.4	0.5	10.5	14.4
<b>At 31 December 2018</b>	<b>9.5</b>	<b>55.1</b>	<b>131.0</b>	<b>195.6</b>

At 31 December 2018, the Group had not entered into contractual commitments for the acquisition of any property, plant and equipment (2017: £nil).

Included within fixtures, fittings and equipment are assets in the course of construction, which are not being depreciated, of £38.4m (2017: £nil) relating predominantly to the new EPOS system in UK Retail.

An impairment charge of £36.2m has been charged against property, plant and equipment in the year. Please see notes 6 and 15 for further details.

**17 INTEREST IN JOINT VENTURE**Share of joint  
venture's net  
assets  
£m**Cost**

At 1 January 2017 and 31 December 2017	–
Acquired through business combinations	21.9
Additions	20.5
Exchange adjustment	0.3
Share of profit after tax	3.4
<b>At 31 December 2018</b>	<b>46.1</b>

The joint venture represents the Group's investment in Sportium Apuestas Deportivas S.A., an online and retail gaming business in Spain, in which it holds a 50.0% equity interest and MGM GVC Interactive LLC a newly formed joint venture set up in the US in which a 50% stake is held. Summarised financial information in respect of the joint venture's net assets is set out below:

	<b>2018 £m</b>	2017 £m
Non-current assets	<b>57.2</b>	–
Cash and cash equivalents	<b>55.0</b>	–
Other current assets	<b>10.1</b>	–
Current assets	<b>65.1</b>	–
Current liabilities	<b>(26.5)</b>	–
Non-current liabilities	<b>(3.6)</b>	–
Joint venture's net assets	<b>92.2</b>	–
Group's share of joint venture's net asset (50.0%)	<b>46.1</b>	–

	<b>2018 £m</b>	2017 £m
<b>Summarised statement of comprehensive income</b>		
Revenue	<b>83.0</b>	–
Depreciation and amortisation	<b>(6.2)</b>	–
Other operating expenses	<b>(68.0)</b>	–
Income tax credit	<b>(2.1)</b>	–
Profit for the year	<b>6.7</b>	–
Group's share of profit	<b>3.4</b>	–

There are no contingent liabilities relating to the Group's interest in the joint venture. Sportium Apuestas Deportivas S.A. is a private company and there is no quoted market price available for its shares.

The risks associated with the Group's interest in joint ventures is aligned to the same risks the Group is exposed to on the basis that they operate wholly within the betting and gaming market.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2018

## 18 INTEREST IN ASSOCIATES AND OTHER INVESTMENTS

	Share of associates' net assets £m	Other investments £m	Total £m
<b>Cost</b>			
At 1 January 2017	0.9	2.2	3.1
Share of profit after tax	0.1	–	0.1
Revaluation gain	–	0.3	0.3
Exchange adjustment	0.1	0.4	0.5
At 31 December 2017	1.1	2.9	4.0
Additions	–	–	–
Additions from business combinations	20.2	5.7	25.9
Revaluation gain	–	0.3	0.3
Share of profit after tax	5.0	–	5.0
Dividends received	(9.4)	–	(9.4)
Share of other comprehensive income	0.2	–	0.2
<b>At 31 December 2018</b>	<b>17.1</b>	<b>8.9</b>	<b>26.0</b>

### Associates

Summarised financial information in respect of the associates is set out below:

	2018 £m	2017 £m
Current assets		
Non-current assets	89.7	0.1
Current assets	13.4	2.1
Current liabilities	(34.9)	(0.2)
Non-current liabilities	(2.2)	–
Net assets	66.0	2.0
Group's share of associate net assets	17.1	1.1
Revenue for the year	192.8	2.0
Profit for the year	20.1	0.4
Other comprehensive income	0.8	–
Total comprehensive income	20.9	0.4
Group's share of associates' total comprehensive income	5.2	0.1

Further details of the Group's associates are listed in note 33.

The financial year end of Satellite Information Services (Holdings) Limited (SIS), an associate of the Group, is 31 March. The Group has included the results for SIS for the 12 months ended 31 December 2018. SIS is a private company and there is no quoted market price available for its shares.

Other investments of £8.9m (2017: £2.9m) consist of investments which have no fixed maturity date or coupon rate.

The risks associated with associate investments is considered to be aligned to the same risks the Group is exposed to on the basis that they operate wholly within the betting and gaming market



**19 TRADE AND OTHER RECEIVABLES**

	<b>2018</b>	2017
	<b>£m</b>	£m
Trade receivables	<b>5.1</b>	–
Other receivables	<b>308.9</b>	86.1
Prepayments	<b>89.0</b>	14.5
	<b>403.0</b>	100.6

Trade receivables are non-interest bearing and are generally on 30-90 day terms. Trade receivables are reviewed for impairment on an ongoing basis, taking account of the ageing of outstanding amounts and the credit profile of customers. Impaired receivables, including all trade receivables that are a year old, are provided for in an allowance account. Impaired receivables are derecognised when they are assessed as irrecoverable.

**20 CASH AND CASH EQUIVALENTS**

	<b>2018</b>	2017
	<b>£m</b>	£m
Cash and short-term deposits	<b>421.9</b>	270.0
Short-term investments	<b>2.6</b>	4.4
Total cash and cash equivalents	<b>424.5</b>	274.4

Cash and cash equivalents in the consolidated statement of cashflows comprises cash at bank with a maturity of three months or less, overdrafts net of short-term investments and includes £29.4m held in trust in respect of customers.

**21 TRADE AND OTHER PAYABLES**

Current trade and other payables comprise:

	<b>2018</b>	2017
	<b>£m</b>	£m
Trade payables	<b>48.3</b>	22.9
Other payables	<b>115.4</b>	17.4
Social security and other taxes	<b>220.4</b>	63.4
Accruals	<b>254.2</b>	61.0
	<b>638.3</b>	164.7

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2018

## 22 INTEREST BEARING LOANS AND BORROWINGS

	2018 £m	2017 £m
<b>Current</b>		
Euro denominated loans	–	0.2
USD denominated loans	6.2	–
Sterling denominated loans	8.1	–
	<b>14.3</b>	0.2
<b>Non-current</b>		
Euro denominated loans	818.8	262.3
USD denominated loans	609.1	–
Sterling denominated loans	793.2	–
	<b>2,221.1</b>	262.3

Upon completion of the Ladbrokes Coral Group plc acquisitions the Group repaid existing Ladbrokes Coral Group plc debt of £660.2m, being the amount drawn on the existing revolving credit facility and £200.0m of existing bank loans. As part of the Group's refinancing three new term loans were drawn. All three new term loans have a six-year term, with expiry at the end of March 2024. The £275.0m new term loan attracts interest of LIBOR +3.5%, the €625.0m new term loan attracts interest of EURIBOR +2.75% (with 0% floor on EURIBOR) and the US\$800.0m new term loan attracts interest of US\$ LIBOR +2.50%. (of which £4.7m has been repaid in the year).

In addition to the existing €300m term loan present in the Group at 31 December 2017, the Group obtained a revolving credit facility of £550.0m, which allows up to £495.0m to be drawn as a loan and £55.0m as letters of credit. Additionally, two Ladbrokes Coral Group plc bonds of £100.0m and £400.0m acquired remain outstanding. These two loans attract interest of 5.125% and the loans expire in September 2022 and September 2023 respectively.

As at 31 December 2018, £495.0m of committed bank facilities were undrawn (2017: £62.2m).

## 23 PROVISIONS

	Property provisions <sup>1</sup> £m	Restructuring provision <sup>2</sup> £m	Litigation and regulation provisions <sup>3</sup> £m	Total £m
At 1 January 2017	3.8	–	3.1	6.9
Utilised	(1.1)	–	–	(1.1)
Exchange adjustment	0.2	–	0.2	0.4
At 31 December 2017	2.9	–	3.3	6.2
Acquired through business combinations	<b>70.7</b>	<b>2.7</b>	<b>30.1</b>	<b>103.5</b>
Provided	<b>14.4</b>	<b>9.8</b>	<b>119.4</b>	<b>143.6</b>
Utilised	<b>(11.5)</b>	<b>(9.6)</b>	<b>(7.2)</b>	<b>(28.3)</b>
Released	<b>(8.6)</b>	–	–	<b>(8.6)</b>
Discount unwind	<b>0.6</b>	–	–	<b>0.6</b>
Exchange adjustment	<b>0.1</b>	–	–	<b>0.1</b>
<b>At 31 December 2018</b>	<b>68.6</b>	<b>2.9</b>	<b>145.6</b>	<b>217.1</b>

1. The Group is party to a number of leasehold property contracts. Provision has been made against those leases where the property is now vacant, and properties where the unavoidable costs under the lease exceed the economic benefit expected to be derived from potential sub-letting arrangements. Provisions have been based on management's best estimate of the minimum future cashflows to settle the Group's obligations, taking into account the risks associated with each obligation, discounted at a risk free interest rate. The periods of vacant property commitments range from 1 to 17 years (2017: 1 to 18 years).

2. Restructuring provisions relate to redundancy costs provided in association with merger and acquisition activities.

3. Other provisions include legal, insurance and regulatory provisions associated with certain claims and taxes. See note 32 for further information.

Of the total provisions at 31 December 2018, £160.5m (2017: £1.1m) is current and £56.6m (2017: £5.1m) is non-current.

## 24 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's treasury function provides a centralised service for the provision of finance and the management and control of liquidity, foreign exchange rates and interest rates. The function operates as a cost centre and manages the Group's treasury exposures to reduce risk in accordance with policies approved by the Board.

The Group's principal financial instruments comprise bank loans, overdrafts, loan notes, bonds, financial guarantee contracts, and cash and short-term deposits, together with certain derivative financial instruments. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial instruments such as trade receivables, trade payables and accruals that arise directly from its operations. Details of derivatives are set out in note 25.

It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken other than betting and gaming transactions and for the purposes of currency trading as part of the newly acquired Intertrader business. Activity of this nature is only undertaken by the customer and is not speculative activity of the Group. The Group's exposure to ante-post betting and gaming transactions is not significant.

The main financial risks for the Group are exchange rate risk, interest rate risk, credit risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below. The Group also monitors the market price risk arising from all financial instruments.

### Interest rate risk

The Group is exposed to interest rate risk on certain of its interest bearing loans and borrowings and on cash and cash equivalents.

The Group's policy for the year ended 31 December 2018 was to maintain a minimum of 20.0% (2017: n/a) of total borrowings at fixed interest rates to reduce its sensitivity to movement's in variable short-term interest rates. At 31 December 2018, £500.0m or 22.5% of the Group's borrowings were at fixed rates.

Interest on financial instruments at floating rates is repriced at intervals of less than six months. Interest on financial instruments at fixed rates is fixed until the maturity of the instrument.

The table below demonstrated the sensitivity to reasonably possible changes in interest rates on income for the year when this movement is applied to the carrying value of financial liabilities:

Effect on:	Profit before tax	
	2018	2017
25 basis points increase	4.8	0.7

### Foreign currency risk

Given the multi-national nature of the business, the Group is exposed to foreign exchange gains and losses on its trading activities, the net assets of its overseas subsidiaries and its non-GBP denominated financing facilities. The primary currencies that the Group is exposed to fluctuations in are the Euro, Australian Dollar and US Dollar.

Whilst the Group does not actively hedge the foreign exposure on its trading cashflows, it continuously monitors exposures to individual currencies, taking remediating actions as necessary to manage any significant risks as they arise. In the event that the Group anticipates large transactions in currencies other than GBP, then forward exchange contracts are taken out to manage the potential foreign exchange exposure.

The Group's exposure to the translation of net assets on foreign currency subsidiaries into its reporting currency are largely offset by the opposite exposure on the Group's financing facilities providing a natural economic hedge, even though the Group does not apply hedge accounting. The Group's policy on borrowings is broadly aligned to the underlying cashflows of the business.

The Group has financing facilities in GBP, Euro and US Dollars. As the Group's overseas subsidiaries largely report in Euros, the Group has taken out a swap contract to hedge the US Dollar debt into GBP and Euros in order to align the foreign currency exposure on the Group's financing facilities with that on the net assets of its subsidiaries.

A 5% weakening in the Euro would reduce Group operating profit by £13.5m and net assets by £24.0m.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2018

## 24 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES CONTINUED

### Credit risk

The Group is not subject to significant concentration of credit risk, with exposure spread across a large number of counterparties and customers.

Receivable balances are monitored on an ongoing basis. Any changes to credit terms are assessed and authorised by senior management on an individual basis.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents and a loan to a joint venture, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. Credit risk in respect of cash and cash equivalents is managed by restricting those transactions to banks that have a defined minimum credit rating and by setting an exposure ceiling per bank.

The Group also has exposure to credit risk arising from the financial guarantee contracts provided by the Group. This risk is partly mitigated by the indemnity received from Hilton Hotels Corporation for any loss incurred in connection with these guarantees. For further detail of these guarantees refer to note 25.

### Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of borrowings with a range of maturities. The Group's policy on liquidity is to ensure that there are sufficient medium-term and long-term committed borrowing facilities to meet the medium-term funding requirements. At 31 December 2018, there were undrawn committed borrowing facilities of £495.0m (2017: £62.2m). Total committed facilities had an average maturity of 5.0 years (2017: 2.9 years).

The total gross contractual undiscounted cashflows of financial liabilities, including interest payments, fall due as follows. Cashflows in respect of financial guarantee contracts reflect the probability weighted cashflows.

	On demand or within 1 year £m	1-2 years £m	2-5 years £m	> 5 years £m	Total £m
<b>2018</b>					
Interest bearing loans and borrowings	84.2	181.9	950.1	1,441.4	2,657.6
Other financial liabilities	24.2	161.2	0.6	1.4	187.4
Trade and other payables	638.3	–	–	–	638.3
<b>Total</b>	<b>746.7</b>	<b>343.1</b>	<b>950.7</b>	<b>1,442.8</b>	<b>3,483.3</b>

	On demand or within 1 year £m	1-2 years £m	2-5 years £m	> 5 years £m	Total £m
<b>2017</b>					
Interest bearing loans and borrowings	7.0	14.7	14.7	267.8	304.2
Other financial liabilities	11.5	13.0	16.2	–	40.7
Trade and other payables	164.7	–	–	–	164.7
<b>Total</b>	<b>183.2</b>	<b>27.7</b>	<b>30.9</b>	<b>267.8</b>	<b>509.6</b>

### Capital risk management

The primary objective of the Group's capital management is to ensure that it maintains a credit quality that enables the Group to raise funds at an economic interest rate and to maintain healthy capital ratios in order to support its business and maximise shareholder value. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, adjust borrowings, return capital to shareholders or issue new shares.

The Group monitors capital using a net debt to proforma EBITDA ratio (before separately disclosed items). The ratio at 31 December 2018 was 2.5 times.

The Group's funding policy is to raise funds centrally to meet the Group's anticipated requirements. These are planned so as to mature at different stages in order to reduce refinancing risk. The Board reviews the Group's capital structure and liquidity periodically.

**25 FINANCIAL INSTRUMENTS AND FAIR VALUE DISCLOSURES**

The table below analyses the Group's financial instruments into their relevant categories:

	Amortised cost £m	Assets/ (liabilities) at fair value through profit loss £m	Assets/ (liabilities) at fair value through other comprehensive income £m	Total £m
<b>31 December 2018</b>				
Assets				
Non-current:				
Other investments	1.4	2.6	4.9	8.9
Other financial assets	1.5	-	-	1.5
Current:				
Trade and other receivables	314.0	-	-	314.0
Derivative financial instruments	-	43.3	-	43.3
Other financial assets	-	3.4	-	3.4
Cash and short-term investments (including customer funds)	424.5	-	-	424.5
<b>Total</b>	<b>741.4</b>	<b>49.3</b>	<b>4.9</b>	<b>795.6</b>
Liabilities				
Current:				
Customer balances	(312.5)	-	-	(312.5)
Trade and other payables	(417.9)	-	-	(417.9)
Interest bearing loans	(14.3)	-	-	(14.3)
Other financial liabilities <sup>1</sup>	-	(16.3)	-	(16.3)
Non-current:				
Interest bearing loans and borrowings	(2,221.1)	-	-	(2,221.1)
Other financial liabilities <sup>1</sup>	(35.0)	(108.5)	-	(143.5)
<b>Total</b>	<b>(3,000.8)</b>	<b>(124.8)</b>	<b>-</b>	<b>(3,125.6)</b>
<b>Net financial assets/(liabilities)</b>	<b>(2,259.4)</b>	<b>(75.5)</b>	<b>4.9</b>	<b>(2,330.0)</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2018

## 25 FINANCIAL INSTRUMENTS AND FAIR VALUE DISCLOSURES CONTINUED

	Amortised cost £m	Assets/ (liabilities) at fair value through profit loss £m	Assets/ (liabilities) at fair value through other comprehensive income £m	Total £m
31 December 2017				
<b>Assets</b>				
Non-current:				
Other investments <sup>2</sup>	0.6	2.3	–	2.9
Other financial assets	–	1.7	–	1.7
Current:				
Trade and other receivables	86.1	–	–	86.1
Deferred and contingent consideration	–	2.2	–	2.2
Cash and short-term deposits (including customer funds)	274.4	–	–	274.4
<b>Total</b>	<b>361.1</b>	<b>6.2</b>	<b>–</b>	<b>367.3</b>
<b>Liabilities</b>				
Current:				
Customer balances	(101.7)	–	–	(101.7)
Trade and other payables	(101.3)	–	–	(101.3)
Interest bearing loans	(0.2)	–	–	(0.2)
Other financial liabilities <sup>1</sup>	–	(11.1)	–	(11.1)
Non-current:				
Interest bearing loans and borrowings	(262.3)	–	–	(262.3)
Other financial liabilities <sup>1</sup>	–	(20.4)	–	(20.4)
<b>Total</b>	<b>(465.5)</b>	<b>(31.5)</b>	<b>–</b>	<b>(497.0)</b>
<b>Net financial assets/(liabilities)</b>	<b>(104.4)</b>	<b>(25.3)</b>	<b>–</b>	<b>(129.7)</b>

1. Other financial liabilities include £109.2m deferred and contingent consideration (2017: £18.2m), £35.0m liability due to the Playtech agreement described below, £2.7m of financial guarantees, £12.9m of ante-post liabilities (2017: £2.7m) and £nil of derivative financial liabilities (2017: £10.7m).

2. Other investments at 31 December 2017 of £2.3m (2016: £1.7m) were classified as Available for Sale under the requirements of IAS 39. Following the Group's adoption of IFRS 9 Financial Instruments the investments were reclassified to Fair value through profit and loss, a further £0.6m (2016: £0.5m) were reclassified to amortised cost. This represents a change of classification only, and there is no effect on the Income Statement or Other Comprehensive Income. The value of these assets at 31 December 2018 was £3.0m

**25 FINANCIAL INSTRUMENTS AND FAIR VALUE DISCLOSURES** CONTINUED**Fair value hierarchy**

IFRS13 requires financial assets and liabilities recorded at fair value to be categorised in three levels according to the inputs used in the calculation of their fair value:

- Level 1 – uses quoted prices as the input to fair value calculations
- Level 2 – uses inputs other than quoted prices, that are observable either directly or indirectly
- Level 3 – uses inputs that are not observable

The following tables illustrate the Group's financial assets and liabilities measured at fair value after initial recognition at 31 December 2018 and 31 December 2017:

				2018
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
<b>Assets measured at fair value</b>				
Other investments	–	2.6	4.9	7.5
Derivative financial instruments	43.3	–	–	43.3
Other financial assets	–	–	3.4	3.4
<b>Total</b>	<b>43.3</b>	<b>2.6</b>	<b>8.3</b>	<b>54.2</b>
<b>Liabilities measured at fair value</b>				
Other financial liabilities	–	–	(124.8)	(124.8)
<b>Total</b>	<b>–</b>	<b>–</b>	<b>(124.8)</b>	<b>(124.8)</b>
<b>Net assets/(liabilities) measured at fair value</b>				
	<b>43.3</b>	<b>2.6</b>	<b>(116.5)</b>	<b>(70.6)</b>
2017				
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
<b>Assets measured at fair value</b>				
Other investments	–	2.3	–	2.3
Other financial assets	–	–	1.7	1.7
<b>Total</b>	<b>–</b>	<b>2.3</b>	<b>1.7</b>	<b>4.0</b>
<b>Liabilities measured at fair value</b>				
Other financial liabilities	–	–	(31.5)	(31.5)
<b>Total</b>	<b>–</b>	<b>–</b>	<b>(31.5)</b>	<b>(31.5)</b>
<b>Net assets/(liabilities) measured at fair value</b>	<b>–</b>	<b>2.3</b>	<b>(29.8)</b>	<b>(27.5)</b>

There have been no transfers of assets or liabilities recorded at fair value between the levels of the fair value hierarchy.

Included within other financial assets and derivative financial instruments measured at fair value is; the Group's currency swaps held against debt instruments £43.3m, investment in Hui 10, an equity investment measured at an initial fair value of £4.9m on 28 March 2018 and a convertible equity instrument with Visa Inc. for £2.6m (2017: £2.3m) The fair value of the investment at 31 December 2018 is not materially different to its original cost.

Other financial liabilities are valued using methods and inputs that are not based upon observable market data. There are no reasonably probable changes to assumptions or inputs that would lead to material changes in the fair value determined, although the final value will be determined by future sporting results. The principal assumptions relate to anticipated gross win margins on unsettled bets.

**Playtech**

On acquisition of the Ladbrokes Coral Group plc, the Group acquired a £35.0m payable to Playtech plc in cash paid upon the delivery of key operational milestones, or in any event with 42 months of the previous Ladbrokes Coral merger. This amount is included within non-current financial liabilities and is classified within loans at amortised cost.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2018

## 25 FINANCIAL INSTRUMENTS AND FAIR VALUE DISCLOSURES CONTINUED

### Financial guarantee contracts

Financial guarantee contracts of £2.7m (2017: £nil), were acquired through the acquisition of Ladbrokes Coral Group plc. These are classified as level 3 financial instruments as their fair value is measured using techniques where the significant inputs are not based on observable market data.

The Group has given guarantees to third parties in respect of lease liabilities of former subsidiaries within the disposed hotels division. The Group received an indemnity from Hilton Hotels Corporation (HHC), at the time of the hotels disposal, in relation to any loss the Group may subsequently incur under these third party guarantees. The guarantees expire between 2019 and 2042 and the lease liabilities comprise a combination of minimum contractual and turnover based elements.

### 26 NET DEBT

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

	2018 £m	2017 £m
Current assets		
Cash and short-term deposits <sup>1</sup>	421.9	270.0
Current liabilities		
Interest bearing loans and borrowings	(14.3)	(0.2)
Non-current liabilities		
Interest bearing loans and borrowings	(2,221.1)	(262.3)
<b>Accounting net debt</b>	<b>(1,813.5)</b>	<b>7.5</b>
Cash held on behalf of customers	(312.5)	(101.7)
Fair value swaps held against debt instruments (derivative financial assets)	43.3	–
Balances held with brokers	93.6	–
Short-term investments	2.6	4.4
Balances held with payment service providers	89.9	48.1
<b>Adjusted net debt</b>	<b>(1,896.6)</b>	<b>(41.7)</b>

### 27 SHARE CAPITAL

	Number of €0.01 ordinary shares	Total €m	Total £m
Authorised:			
At 31 December 2016 & 31 December 2017	350,000,000	3.5	2.7
Allotment of shares	423,000,000	4.2	3.7
<b>At 31 December 2018</b>	<b>773,000,000</b>	<b>7.7</b>	<b>6.4</b>
Issued and fully paid:			
At 1 January 2017	293,268,229	2.9	2.2
Exercise of share options	10,458,246	0.1	0.1
At 31 December 2017	303,726,475	3.0	2.3
Exercise of share options	3,873,132	0.1	0.1
Allotment of shares	2,444,150	–	–
Issue of shares to fund acquisition of Ladbrokes Coral Group plc	271,826,514	2.7	2.4
<b>At 31 December 2018</b>	<b>581,870,271</b>	<b>5.8</b>	<b>4.8</b>

The Company's share capital consists entirely of ordinary shares, accordingly all shares rank pari passu in all respects.

See note 30 for further information on terms and amounts of shares reserved for issue under options.



**28 NOTES TO THE STATEMENT OF CASHFLOWS****28.1 Reconciliation of profit/(loss) to net cash inflow from operating activities:**

	2018 £m	2017 £m
Profit/(loss) before tax and net finance expense including discontinued operations	67.3	(18.4)
Adjustments for:		
Impairment	41.3	1.4
Non-cash movement in fair value of contingent consideration	(192.5)	30.4
Profit on disposal	–	(1.9)
Depreciation of property, plant and equipment	52.8	13.8
Amortisation of intangible assets	387.4	119.3
Share based payments charge	6.3	15.5
(Decrease)/increase in other financial assets	(1.0)	0.2
Increase in trade and other receivables	(80.0)	(11.0)
(Decrease)/increase in other financial liabilities	(1.9)	25.5
Increase in trade and other payables	16.5	24.9
Increase/(decrease) in provisions	106.8	(0.7)
Non-cash movements relating to pensions	0.7	–
Share of results from joint venture and associate	(8.2)	–
Cash generated by operations	395.5	199.0

**28.2 Reconciliation of movements of liabilities to cashflows arising from financing activities:**

	2018 £m			2017 £m	
	Other loans and borrowings	Finance lease liabilities	Total	Other loans and borrowings	Total
Balance at 1 January	262.5	–	262.5	343.9	343.9
<b>Changes from financing cashflows</b>					
Proceeds from borrowings, net of issue costs	1,366.0	–	1,366.0	484.8	484.8
Finance lease payments	–	(1.1)	(1.1)	–	–
Repayment of borrowings	(664.9)	–	(664.9)	(561.0)	(561.0)
<b>Total changes from financing cashflows</b>	701.1	(1.1)	700.0	(76.2)	(76.2)
Changes arising from obtaining control of Ladbrokes Coral Group plc	1,197.3	1.1	1,198.4	–	–
The effect of changes in foreign exchange	66.7	–	66.7	–	–
<b>Other changes</b>					
Interest expense	58.3	–	58.3	12.5	12.5
Interest paid	(56.1)	–	(56.1)	(24.1)	(24.1)
Finance fees	5.6	–	5.6	9.1	9.1
Early exit fees	–	–	–	(2.7)	(2.7)
<b>Total other changes</b>	7.8	–	7.8	(5.2)	(5.2)
<b>Balance at 31 December</b>	<b>2,235.4</b>	<b>–</b>	<b>2,235.4</b>	262.5	262.5

Non-cash movements include amounts acquired as a result of business combinations and the amortisation of issue costs incurred in respect of debt instruments.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2018

## 29 RETIREMENT BENEFIT SCHEMES

### Defined contribution schemes

During the year the Group charged contributions of £10.3m (2017: £0.9) to the consolidated income statement in relation to the defined contribution pension schemes.

### Defined benefit plans

Judgement is applied, based on legal, actuarial, and accounting guidance in IFRIC 14, regarding the amounts of net pension asset that is recognised in the consolidated balance sheet.

The Group has two significant defined benefit plans, the Ladbrokes Pension Plan and the Gala Coral Pension Plan. Both are final salary pension plans for UK employees. These are closed to new employees and future accrual.

At retirement each member's pension is related to their final pensionable salary for the Ladbrokes Pension Plan and their "career average earnings" for the Gala Coral Pension Plan. The weighted average duration of the expected benefit payments from the Plan is around 17 years for Ladbrokes Pension Plan and 21 years for the Gala Coral Pension Plan.

The Plans' assets are held separately from those of the Group. The Plans are approved by HMRC for tax purposes, and are managed by an independent set of Trustees. The Plans are subject to UK regulations, which require the Group and Trustees to agree a funding strategy and contribution schedule at least every three years. Under the current contribution schedule in place, the Group does not pay contributions to the Ladbrokes Pension Plan or Gala Coral Pension Plan but are paying the administrative costs related to both schemes.

There is a risk to the Group that adverse circumstances could lead to a requirement for the Group to make additional contributions to recover any deficit that arises. As at the date of signing the financial statements no such event has arisen.

The results of the formal actuarial valuation as at 30 June 2018 for the Ladbrokes Pension Plan and 30 June 2018 for the Gala Coral Pension Plan were updated to 31 December 2018 by an independent qualified actuary in accordance with IAS 19 (Revised) Employee Benefits. The value of the defined benefit obligation and current service cost have been measured using the projected unit credit method, as required by IAS 19 (Revised). Actuarial gains and losses are recognised immediately through other comprehensive income.

The amounts recognised in the balance sheet are as follows:

	2018 (Coral) £m	2018 (Ladbrokes) £m	2018 Total £m	2017 (Coral) £m	2017 (Ladbrokes) £m	2017 Total £m
Present value of funded obligations	(358.9)	(316.6)	(675.5)	-	-	-
Fair value of plan assets	418.1	425.6	843.7	-	-	-
Net asset	59.2	109.0	168.2	-	-	-
Disclosed in the balance sheet as: Retirement benefit asset	59.2	109.0	168.2	-	-	-

The Group has considered the appropriate accounting treatment in respect of the pension plan surplus, taking into account the current agreement with the Trustees and concluded the recognition of the surplus is appropriate.

The amounts recognised in the income statement are as follows:

	2018 (Coral) £m	2018 (Ladbrokes) £m	2018 Total £m	2017 (Coral) £m	2017 (Ladbrokes) £m	2017 Total £m
Analysis of amounts charged to the Income Statement						
Separately disclosed items	2.2	1.9	4.1	-	-	-
Net interest on net asset	(1.0)	(2.2)	(3.2)	-	-	-
Total charge/(credit) recognised in the Income Statement	1.2	(0.3)	0.9	-	-	-

The actual return on plan assets over the year was a £27.4m loss (2017: £nil).

**29 RETIREMENT BENEFIT SCHEMES CONTINUED**

The amounts recognised in the statement of comprehensive income are as follows:

	2018 (Coral) £m	2018 (Ladbrokes) £m	2018 Total £m	2017 (Coral) £m	2017 (Ladbrokes) £m	2017 Total £m
Actual return on assets less interest on plan assets	(15.8)	(11.6)	(27.4)	-	-	-
Actuarial losses on defined benefit obligation due to changes in financial assumptions	13.0	3.5	16.5	-	-	-
Actuarial losses recognised in the statement of comprehensive income	(2.8)	(8.1)	(10.9)	-	-	-

Changes in the present value of the defined benefit obligation are as follows:

	2018 (Coral) £m	2018 (Ladbrokes) £m	2018 Total £m	2017 (Coral) £m	2017 (Ladbrokes) £m	2017 Total £m
At 1 January	-	-	-	-	-	-
On acquisition of Ladbrokes Coral Group plc	(375.3)	(323.1)	(698.4)	-	-	-
Interest on obligation	(6.8)	(5.8)	(12.6)	-	-	-
Actuarial losses due to changes in financial assumptions	13.0	3.5	16.5	-	-	-
GMP equalisation reserve	(2.2)	(1.6)	(3.8)	-	-	-
Benefits paid	12.4	10.4	22.8	-	-	-
At 31 December	(358.9)	(316.6)	(675.5)	-	-	-

Changes in the fair value of plan assets are as follows:

	2018 (Coral) £m	2018 (Ladbrokes) £m	2018 Total £m	2017 (Coral) £m	2017 (Ladbrokes) £m	2017 Total £m
At 1 January	-	-	-	-	-	-
On acquisition of Ladbrokes Coral Group plc	438.5	439.9	878.4	-	-	-
Interest on plan assets	7.8	8.0	15.8	-	-	-
Actual return less interest on plan assets	(15.8)	(11.6)	(27.4)	-	-	-
Buy in project costs	-	(0.3)	(0.3)	-	-	-
Benefits paid	(12.4)	(10.4)	(22.8)	-	-	-
At 31 December	418.1	425.6	843.7	-	-	-

The Group does not expect to contribute to either plan in 2018. The Group will however continue to meet the administrative expenses of both schemes.

The major categories of plan assets as a percentage of total plan assets are as follows:

	2018 (Coral) %	2018 (Ladbrokes) %	2017 (Coral) %	2017 (Ladbrokes) %
Equities and Diversified Growth Funds	18.4	19.8	-	-
Liability Driven Investment (%)	81.3	24.3	-	-
Cash	0.3	55.9	-	-
	-	-	-	-

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2018

## 29 RETIREMENT BENEFIT SCHEMES CONTINUED

The Plan assets are held exclusively within instruments with quoted market prices in an active market with the exception of the holdings in an insurance policy. At 31 December 2018, these represented c.0.2% of the Plan's total assets.

The Plan does not invest directly in property occupied by the Group or in financial securities issued by the Group. Although, as the Plan holds pooled investment vehicles, there may at times be indirect employer related investment. At 31 December 2018, these represented less than 0.1% of the Plan's total assets.

The investment strategy is set by the Trustees of the Plans in consultation with the Group. The current long-term strategy for the Ladbrokes Pension Plan is to invest in a matching portfolio sufficient to meet the next 15 years of cashflows with the remaining assets invested in return seeking funds. For the Gala Coral Plan the current long-term strategy is to invest in a low-risk matching bond portfolio with a relatively small investment in return seeking funds.

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages where appropriate):

	2018 (Coral) % p.a.	2018 (Ladbrokes) % p.a.	2017 (Coral) % p.a.	2017 (Ladbrokes) % p.a.
Discount rate	2.8	2.7	–	–
Price inflation (CPI)	2.2	2.2	–	–
Price inflation (RPI)	3.2	3.2	–	–
Future pension increases – LPI 5% (CPI)	3.1	3.1	–	–
– LPI 3% (RPI)	2.4	2.4	–	–
– LPI 2.5% (CPI)	2.1	2.1	–	–

For the Ladbrokes Pension Plan post-retirement mortality assumed for most members is based on the standard SAPS mortality table with the CMI 2016 projections, which takes into account future improvements, adjusted to reflect plan specific experience.

The assumption used implies that the expected lifetime of members aged 65 in 2018 is 86.6 (2017: n/a) years for males and 88.5 (2017: n/a) years for females. For members with large pensions a longer lifetime is assumed 89.1 (2017: n/a) for males and 90.0 (2017: n/a) for females.

For the Gala Coral Pension Plan post-retirement mortality assumed for most members is based on the standard SAPS mortality table with the CMI 2016 projections, which takes into account future improvements, adjusted to reflect plan specific experience.

The assumption used implies that the expected lifetime of members aged 65 in 2018 is 87.2 years for males and 88.9 years for females

Changes to the assumptions will impact the amounts recognised in the consolidated balance sheet and the consolidated income statement in respect of the Plan. For the significant assumptions, the following sensitivity analysis provides an indication of the impact on the defined benefit obligation for the year ended 31 December 2018:

	2018 (Coral) %	2018 (Ladbrokes) %	2017 (Coral) %	2017 (Ladbrokes) %
– 0.5% p.a. decrease in the discount rate	9.7	7.9	–	–
– 0.5% p.a. increase in price inflation	6.9	4.5	–	–
– One year increase in life expectancy	3.8	3.6	–	–

These sensitivities have been calculated to show the movement in the defined benefit obligation in isolation, and assuming no other changes in market conditions at the accounting date. This is unlikely in practice, for example, a change in discount rate is unlikely to occur without any movement in the value of the assets held by the Plan.

### 30 SHARE BASED PAYMENTS

The following options to purchase €0.01 Ordinary Shares in the Group were granted, exercised forfeited or existing at the year-end:

Date of grant	Exercise price	Existing at 1 January 2018	Granted in the year	Cancelled or forfeited in the year	Exercised in the year	Existing at 31 December 2018	Exercisable at 31 December 2018	Vesting criteria
2 Feb 2016	422p	2,932,691	–	–	(2,932,691)	–	–	Note a
2 Feb 2016	467p	1,466,345	–	–	(1,466,345)	–	–	Note b
2 Feb 2016	422p	57,143	–	–	(57,143)	–	–	Note c
16 Dec 2016	422p	5,026,124	–	–	(1,361,102)	3,665,022	3,665,022	Note d
30 Mar 2017	422p	675,000	–	–	(500,000)	175,000	175,000	Note d
28 Dec 2017	0p	563,627	–	–	–	563,627	–	Note e
19 Sep 2018	0p	–	1,890,211	–	–	1,890,211	–	Note f
<b>Total Schemes</b>		<b>10,720,930</b>	<b>1,890,211</b>		<b>(6,317,281)</b>	<b>6,293,860</b>	<b>3,840,022</b>	

**Note a:** 2016 LTIP Scheme – These equity settled awards were issued on completion of the acquisition of bwin.party. The options vest and became exercisable, subject to the satisfaction of a performance condition, over 30 months, with one-ninth vesting six months after the date of grant and a further ninth vesting at each subsequent quarter. The options lapse, if not exercised, on 2 February 2026. The performance condition is comparator total shareholder return (“TSR”) of the Group against the FTSE 250. Each ninth of the shares will have its TSR condition reviewed from the date of grant until the relevant testing date. To the extent the TSR is not met at that time, it is tested again the following quarter and, if necessary, at the end of the 30-month vesting period. In order to vest, the TSR of the Group must rank at median or above against the FTSE 250.

**Note b:** 2016 LTIP Scheme – These equity settled awards were issued on the same basis as the awards in note a but at a higher exercise price which represents the market value of the shares as at the date the scheme became effective. In order to compensate Lee Feldman for the higher exercise price, the Group agreed to pay him a cash bonus of £2.0m over the 30-month vesting period of the option, but only upon option vesting and satisfaction of the performance condition described above, and he has to reinvest 50% of this in GVC shares.

**Note c:** 2016 LTIP Scheme – These awards were issued on completion of the acquisition of bwin.party. The equity-settled options, which are not subject to a performance condition, vest and become exercisable over 24 months, with one-seventh vesting six months after the date of grant and a further seventh vesting at each subsequent quarter. The options lapse, if not exercised, on 2 February 2026.

**Note d:** 2016 MIP Scheme – These equity settled awards were issued on the same basis as the awards in note a.

**Note e:** 2017 LTIP Scheme – These equity settled awards were awarded to certain Directors and employees and vest over a three-year period from the date of grant. The number of awards to vest are conditional on both cumulative Earnings Per Share (“EPS”) exceeding 180 euro cents and TSR performance conditions being met which are split with equal weighting.

**Note f:** 2018 LTIP Scheme – These equity settled awards were awarded to certain Directors and employees and vest over a three-year period from the date of grant. The number of awards to vest are conditional on both cumulative three-year Earnings Per Share (“EPS”) exceeding 191p and TSR performance conditions being met which are split with equal weighting.

The charge to share based payments within the consolidated income statement in respect of these options in 2018 was £10.7m (2017: £15.5m) of which £10.2m related to equity settled options (2017: £14.6m) and £0.5m to cash settled options (2017: £0.9m).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2018

## 30 SHARE BASED PAYMENTS CONTINUED

Weighted average exercise price of options

The number and weighted average exercise prices of share options are as follows:

	Weighted average exercise price 31 December 2018	Number of options 31 December 2018	Weighted average exercise price 31 December 2017	Number of options 31 December 2017
Outstanding at the beginning of the year	416p	10,720,930	416p	22,619,227
Granted during the year	0p	1,890,211	158p	2,013,462
Exercised during the year	429p	(6,317,281)	399p	(10,379,068)
Cancelled or forfeited in the year		–	422p	(3,532,691)
Outstanding at the end of the year	263p	6,293,860	416p	10,720,930
Exercisable at the end of the year	422p	3,840,022		6,004,045

The options outstanding at 31 December 2018 have a weighted average contractual life of 5.4 years (31 December 2017: 7.8 years).

### Valuation of options

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The Group engaged third-party valuation specialists to provide a fair value for the options.

For the 2016 LTIP scheme, the expected volatilities have been calculated using historical prices for companies that were constituents of the FTSE 250 at the grant date. These options accrue dividend credits and the yield was assumed to be nil for 2016 and 10% thereafter. As the schemes vest on a staggered basis over a period of up to 30 months, the volatilities have been calculated over each relevant time period. The fair value of each phase of the options has been calculated separately, shown as a range in the table below, and the cost of each phase is allocated across the vesting period for that phase.

The 2017 and 2018 LTIP plan was valued using both a Black Scholes valuation model and Monte Carlo valuation for the cumulative EPS and TSR conditions respectively.

Fair value of share options and assumptions:

Date of grant	Share price at date of grant (£)	Exercise price (£)	Expected volatility %	Exercise multiple	Expected dividend yield	Risk free rate %	Fair value at measurement date (£)
Dec 16	6.48	4.22	28%–30%	n/a	n/a	–	1.43–1.94
Mar 17	7.28	4.22	28%–30%	n/a	n/a	–	1.88–2.39
Dec 17	9.34	–	26.6%	n/a	n/a	0.4%	7.39–9.34
Sep 18	9.98	–	27.5%–32.5%	n/a	n/a	1.3%	4.45–9.98

At 31 December 2018 the liability for cash settled options was £nil (2017: £1.4m). The movement in the year arises from the charge of cash settled options of £0.5m (2017: £0.9m) and the settlement of schemes relating to the 2016 LTIP and ASBP schemes.

### 31 BUSINESS COMBINATIONS

Business combinations are accounted for using the acquisition method. Identifiable assets and liabilities acquired and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date. The identification and valuation of intangible assets arising on business combinations is subject to a degree of judgement. In respect of the acquisition of Ladbrokes Coral Group plc, the Group engaged independent third parties, including Duff and Phelps Limited to assist with the identification and valuation process. This was performed in accordance with the Group's policies. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable assets acquired is recorded as goodwill. Costs related to the acquisition are expensed as incurred.

#### Summary of acquisitions

On 28 March 2018, GVC Holdings PLC acquired the entire share capital of Ladbrokes Coral Group plc which was effected by means of a Court-sanctioned scheme of arrangement of Ladbrokes Coral Group plc under Part 26 of the Companies Act 2006. Following consideration of IFRS 3 "Business Combinations" the Directors have determined that GVC Holdings PLC acquired Ladbrokes Coral Group plc.

Fair values were determined on the basis of an initial assessment performed by an independent professional expert.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	Provisional fair value £m	Measurement period adjustments £m	Final fair value £m
Intangible assets (excluding goodwill)	2,622.0	–	2,622.0
Property, plant and equipment	165.5	5.4	170.9
Retirement benefit asset	180.0	–	180.0
Investments	47.8	–	47.8
Other financial assets	1.4	–	1.4
Trade and other receivables	132.0	(1.5)	130.5
Cash and cash equivalents	191.8	–	191.8
Interest bearing loans and borrowings	(1,197.3)	–	(1,197.3)
Deferred tax asset	163.1	–	163.1
Deferred tax liability	(502.4)	3.5	(498.9)
Trade and other payables	(611.9)	(4.1)	(616.0)
Provisions for liabilities and charges	(96.1)	(7.4)	(103.5)
<b>Total</b>	<b>1,095.9</b>	<b>(4.1)</b>	<b>1,091.8</b>
Net assets acquired	1,095.9	(4.1)	1,091.8
Goodwill	2,248.8	4.1	2,252.9
<b>Total net assets acquired</b>	<b>3,344.7</b>	<b>–</b>	<b>3,344.7</b>
<b>Consideration:</b>			
Cash	630.4	–	630.4
Contingent value right (CVR)	219.0	–	219.0
Equity instruments (note 27)	2,495.3	–	2,495.3
<b>Total consideration</b>	<b>3,344.7</b>	<b>–</b>	<b>3,344.7</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2018

## 31 BUSINESS COMBINATIONS CONTINUED

The fair value of the CVR was based on observable market prices as at the date of the acquisition. Further details of the terms of the contingent value right can be found on the Group's website [www.gvc-plc.com](http://www.gvc-plc.com).

As part of the fair value exercise performed for the acquisition an actuarial valuation was performed over the defined benefit pension schemes acquired.

The acquired Ladbrokes Coral Group plc business contributed revenues of £1,955.9m and net profit of £294.4m excluding amortisation of acquired intangibles. If the acquisition had occurred on 1 January 2018, consolidated proforma revenue and net loss for the year ended 31 December 2018 would have been £3,523.6m and £158.2m respectively before deal related costs and the release of the contingent value rights consideration. Operating profit before separately disclosed items would have been £610.1m.

### Other acquisitions

Due to the timing of the following acquisitions in relation to the financial year end, the fair value applied to the goodwill acquired is considered to be provisional valuations.

#### Mars LLC

On 11 April 2018, the Group acquired a 51% holding in Mars LLC (hereon referred to as Crystalbet). The acquisition of the share capital resulted in control being obtained and as a result Crystalbet is consolidated as a subsidiary from this date forward. Crystalbet operates predominantly via an online platform across the sports betting and gaming markets and provides the GVC group with access into the Georgian market.

Consideration consisted of £36.4m for its 51% share in Crystalbet with £35.0 recognised as a non-controlling interest for the 49% remaining holding not acquired by the Group. In accordance with IFRS 3 "Business Combinations", the Group has fair valued the separately identifiable assets and liabilities and recognised resulting goodwill of £37.1m.

The share purchase agreement further provides an opportunity for the Group to purchase the remaining 49% of share capital, based on the satisfaction of certain second completion requirements. Based on the expectation that the second completion requirements will be met, contingent consideration was recorded at £44.6m at acquisition. The estimate of contingent consideration was based on forecast results for Crystalbet and the likely payment due under the second completion conditions.

#### Ned International Pty Limited

On 22 November 2018 the Group acquired 100% of the share capital of Ned International Pty Limited (hereon referred to as Neds). Neds operates predominantly via an online platform within the Australian market.

Total consideration was AUS\$68.0m with a further AUS\$27.0m potentially payable subject to future profits of the business. As part of the IFRS 3 fair value exercise discounted contingent consideration has been assessed as AUS\$3.0m at the date of acquisition. Goodwill of £26.1m was recorded on acquisition.

#### Sigma Booking Limited

On 7 August 2018, the Group acquired the trade and assets of Sigma Booking Limited (hereon referred to as Sigma).

Total consideration of £5.0m was paid on acquisition with up to a maximum further payment of £55.0m subject to future profits of the business. At acquisition under IFRS 3, discounted contingent consideration was assessed at £12.7m. Goodwill of £9.8m was recognised on acquisition.

#### Argon Financial Limited

On 27 November 2018, the Group acquired 100% of the share capital of Argon Financial Limited (hereon referred to as Argon).

Total consideration of £15.2m was paid on acquisition with up to a maximum further payment of £45.0m subject to future profits of the business. At acquisition under IFRS 3, discounted contingent consideration was assessed at £2.8m. Goodwill of £2.8m was recognised on acquisition.

The main factors leading to the recognition of goodwill is growth by combining business activities, a strong workforce, leveraging existing products and synergy cost savings of the merged operations.



## 32 COMMITMENTS AND CONTINGENCIES

### Operating lease commitments – Group as lessee

The Group has a number of lease agreements that, pursuant to their economic substance, qualify as non-cancellable operating lease agreements. These primarily relate to rents payable on land and buildings. The terms of the leases vary significantly but can broadly be summarised as follows:

#### Lease terms

Shop leases are typically agreed on five-year exit cycles (either expiry or break), with a maximum term length of 15 years. Some leases are shorter in duration or with earlier exits.

#### Determination of rent payments

Rent payments are based on the amount specified in the agreement.

#### Terms of renewal

The agreements are not terminated automatically after expiry of the lease term and in the majority of cases, either lease extension options have been agreed upon or there will be an opportunity to negotiate lease renewals with the lessor at market rates.

#### Restrictions

There are no restrictions imposed upon the Group concerning dividends, additional debt or further leasing under any of the existing lease arrangements.

Lease payments recognised as an expense for the year:

	2018 £m	2017 £m
Minimum lease payments	83.7	–

Future aggregate minimum rentals payable under non-cancellable operating leases at 31 December are as follows:

	2018 £m	2017 £m
Within one year	89.9	6.4
After one year but not more than five years	201.9	20.2
After five years	53.5	1.7
Total	345.3	28.3

### Operating lease commitments – Group as lessor

The Group has entered into sublease agreements for unutilised space in the UK shop estate. These non-cancellable leases have remaining lease terms of between one and nine years.

Lease receipts recognised as income for the year:

	2018 £m	2017 £m
Minimum lease receipts	1.3	–

Future minimum rentals receivable under non-cancellable operating leases at 31 December are as follows:

	2018 £m	2017 £m
Within one year	2.0	–
After one year but not more than five years	3.3	–
After five years	2.0	–
	7.3	–

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2018

## 32 COMMITMENTS AND CONTINGENCIES CONTINUED

### Contingent liabilities

Guarantees have been given in the ordinary course of business in respect of loans and derivative contracts granted to subsidiaries amounting to £503.3m (2017: £nil). Bank guarantees have been issued on behalf of subsidiaries with a value of £51.3m (2017: £nil) and the joint venture with a value of £13.9m (2017: £nil).

The Group has given guarantees to third parties in respect of lease liabilities of former subsidiaries within the disposed hotels division. See note 25 for full disclosure.

In January 2018, the Group announced that it had received a tax audit assessment for €186.8m from the Greek Audit Centre for Large Enterprises in respect of 2010 and 2011. In the Directors' opinion, the assessment contained material errors, a view supported by expert tax advice, and was out of all proportion to the size of the Group's Greek business at the time.

An appeal has been filed with the Administrative Court of Appeal in Athens and we expect our legal case regarding the 2010/11 tax years to be heard in the current year. The Directors remain highly confident that the Appeal Court will also find that the assessment is out of all proportion to the size of the Group's Greek business at the time.

In order to enable the Group's subsidiary to trade normally whilst the appeal process takes place, the Group has entered into a payment scheme with the Greek tax authority whereby payments are held on account. The Group continues to pay the monthly instalments for the 2010 and 2011 assessment, and as at 31 December 2018, had paid £87.5m under this scheme. Of this amount, £41.4m has been recorded as a receivable on the balance sheet and the remainder expensed through the income statement (see below). In the event of a successful appeal, recovery of the debtor will be through either a repayment or an ability to offset other tax liabilities.

During the fourth quarter of 2018, the Group made progress in understanding the Greek tax authorities' position on potential tax for years subsequent to 2011, through the ongoing tax audit work in respect of these years. The Greek tax authorities have requested, and the Group has provided, a significant amount of information. The nature of these enquiries from the tax authorities, refreshed external tax advice received by the Group, and our observations of the experience of other operators, have helped the Group understand better the approach being taken by the Greek tax authorities in relation to these years. As a result, the Group has recognised a charge of £186.8m, representing the Group's best estimate of the liability for all years from 2010 to 2017. To date £20.3m has been paid by the Group in relation to years subsequent to 2011.

The statutory window in Greece for the tax authorities to conclude their audit work is generally six years from the end of the relevant tax year. As such, both the timing and the conclusions of the tax audits for 2012 to 2017, and any associated tax payments, remains uncertain.

## 33 RELATED PARTY DISCLOSURES

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

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

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

	2018 £m	2017 £m
Equity investment		
– Joint venture <sup>1</sup>	44.4	–
– Associates <sup>2</sup>	20.2	–
Loans		
– Movement in loan balance with joint venture partner	1.8	–
Dividends received		
– Associates <sup>3</sup>	9.4	–
Sundry expenditure		
– Associates <sup>4</sup>	79.6	2.1

1. Equity investment in Sportium Apuestas Deportivas S.A and MGM GVC Interactive LLC.

2. Equity investment in Asia Gaming Technologies Limited, Satellite Information services (Holdings) Limited and bwin eK Neugsdorf.

3. Dividend received from Satellite Information Services (Holdings) Limited.

4. Payments in the normal course of business made to Satellite Information Services (Holdings) Limited and bwin eK Neugsdorf.

**33 RELATED PARTY DISCLOSURES CONTINUED**

Details of related party outstanding balances

	<b>2018 £m</b>	2017 £m
Loan balances outstanding		
– Joint venture	<b>1.8</b>	–
Other amounts outstanding		
– Associates	<b>0.2</b>	0.2
– Joint venture	<b>0.3</b>	–

**Terms and conditions of transactions with related parties**

Sales to, and purchases from, related parties are made at market prices and in the ordinary course of business. Outstanding balances at 31 December 2018 are unsecured and settlement occurs in cash. For the year ended 31 December 2018, the Group has not raised any provision (2017: £nil) for doubtful debts relating to amounts owed by related parties as the payment history has been good. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

**Transactions with Directors and key management personnel of the Group**

Karl Diacono is the Chief Executive Officer of Fenlex Corporate Services Limited, a corporate service provider incorporated in Malta. During the year ended 31 December 2018, Fenlex received £0.1m (2017: £0.1m) from the Group in relation to Company Secretarial and other matters arising in Malta.

Peter Isola is a partner at Isolas, a law firm in Gibraltar which charged legal expenses of £nil to the Group (2017: £0.1m).

Lee Feldman received dividends during the year of £0.2m (2016: £0.4m) in respect of his beneficial interest in the Ordinary Share capital of the Group. Lee Feldman is the Managing Partner of Twin Lakes Capital, a private equity firm based in New York. During the year ended 31 December 2018, Twin Lakes Capital received £0.4m (2017: £0.1m) in relation to office services.

Kenneth Alexander received dividends during the year of £0.3m (2016: £0.7m). The wife of Kenneth Alexander received dividends during the year of £nil (2017: £0.1m) in respect of her interest in the Ordinary Share capital of the Group.

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

	<b>2018 £m</b>	2017 £m
Short-term employee benefits	<b>11.8</b>	12.4
Share based payments	<b>20.8</b>	30.4
Total compensation paid to key management personnel	<b>32.6</b>	42.8

The consolidated financial statements include the financial statements of GVC Holdings PLC and its subsidiaries. The companies listed below are those which were part of the Group at 31 December 2018 and therefore the results, cashflows and balance sheets of all subsidiaries listed are consolidated into the Group financial statements, furthermore the results of joint ventures and associates are accounted for in accordance with the policy set out in note 4.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2018

## 33 RELATED PARTY DISCLOSURES CONTINUED

### Subsidiaries based in the United Kingdom

Registered address	Company	% equity interest	
		2018	2017
3rd Floor One New Change, London, United Kingdom, EC4M 9AF	Arbiter & Weston Limited <sup>4,5</sup>	100.0	–
	Ladbrokes Coral Group Limited	100.0	–
	Bartletts Limited <sup>5</sup>	100.0	–
	Birchgree Limited <sup>4</sup>	100.0	–
	Chequered Racing Limited <sup>5</sup>	100.0	–
	Competition Management Services Co. Limited <sup>5</sup>	97.5	–
	E.F. Politt & Son Limited <sup>5</sup>	100.0	–
	Forestal Land, Timber and Railways Company Limited (The) <sup>5</sup>	100.0	–
	Gable House Estates Limited <sup>5</sup>	100.0	–
	Ganton House Investments Limited	100.0	–
	Greatmark Limited <sup>5</sup>	100.0	–
	Hindwain Limited	100.0	–
	J. Ward Hill & Company <sup>5</sup>	100.0	–
	Jack Brown (Bookmaker) Limited	100.0	–
	Jerusalem Development (Mamilla) Co. Limited <sup>5</sup>	100.0	–
	Jerusalem Development Corporation (Holdings) Limited <sup>4,5</sup>	100.0	–
	Krullind Limited <sup>5</sup>	100.0	–
	Ladbroke & Co., Limited <sup>3,4</sup>	100.0	–
	Ladbroke (Course) Limited <sup>5</sup>	100.0	–
	Ladbroke (Rentals) Limited	100.0	–
	Ladbroke City & County Land Company Limited <sup>4,5</sup>	100.0	–
	Ladbroke Corporate Director Limited <sup>5</sup>	100.0	–
	Ladbroke Corporate Secretaries Limited <sup>5</sup>	100.0	–
	Ladbroke Dormant Holding Company Limited <sup>3,4</sup>	100.0	–
	Ladbroke Entertainments Limited <sup>3</sup>	100.0	–
	Ladbroke Group <sup>3,4</sup>	100.0	–
	Ladbroke Group Homes Limited <sup>5</sup>	100.0	–
	Ladbroke Group International <sup>5</sup>	100.0	–
	Ladbroke Group Properties Limited <sup>4,5</sup>	100.0	–
	Ladbroke Land Limited <sup>5</sup>	100.0	–
	Ladbroke Leasing (South East) Limited <sup>5</sup>	100.0	–
	Ladbroke Racing (Reading) Limited <sup>5</sup>	100.0	–
	Ladbroke Racing (South East) Limited <sup>5</sup>	100.0	–
	Ladbroke Retail Parks Limited <sup>5</sup>	100.0	–
	Ladbroke US Investments Limited <sup>4</sup>	100.0	–
	Ladbrokes (CLJEA) Limited <sup>5</sup>	100.0	–
	Ladbrokes (CLJHC) Limited <sup>5</sup>	100.0	–
	Ladbrokes (CLJSW) Limited <sup>5</sup>	100.0	–
	Ladbrokes Betting & Gaming Limited <sup>2,3,4</sup>	100.0	–
	Ladbrokes Contact Centre Limited <sup>3,5</sup>	100.0	–
Ladbrokes CPCB Limited <sup>5</sup>	100.0	–	
Ladbrokes E-Gaming Limited	100.0	–	
Ladbrokes Group Finance plc <sup>2</sup>	100.0	–	
Ladbrokes Group Holdings Limited <sup>4,5</sup>	100.0	–	
Ladbrokes Investments Holdings Limited <sup>4</sup>	100.0	–	
Ladbrokes IT & Shared Services Limited	100.0	–	

**33 RELATED PARTY DISCLOSURES CONTINUED****Subsidiaries based in the United Kingdom** continued

Registered address	Company	% equity interest	
		2018	2017
	Ladbrokes Life Benefits Trustee Limited <sup>5</sup>	100.0	–
	Ladbrokes PT Limited <sup>5</sup>	100.0	–
	Ladbrokes Trustee Company Limited	100.0	–
	Maple Court Investments Limited <sup>5</sup>	100.0	–
	Margolis and Ridley Limited <sup>4</sup>	100.0	–
	New Angel Court Limited <sup>5</sup>	100.0	–
	Paddington Casino Limited <sup>5</sup>	100.0	–
	Sabrinet Limited <sup>5</sup>	100.0	–
	Sponsio Limited <sup>4</sup>	100.0	–
	Techno Land Improvements Limited <sup>5</sup>	100.0	–
	Town and County Factors Limited <sup>2</sup>	100.0	–
	Travel Document Service <sup>4</sup>	100.0	–
	Ventmear Limited <sup>3,4</sup>	100.0	–
	Vernons Competitions Company <sup>5</sup>	100.0	–
	Arthur Prince (Turf Accountants) Limited <sup>5</sup>	100.0	–
	Bloxhams Bookmakers Limited <sup>5</sup>	100.0	–
	Brickagent Limited <sup>3</sup>	100.0	–
	CE Acquisition 1 Limited <sup>4</sup>	100.0	–
	Chas Kendall (Turf Accountant) Limited <sup>5</sup>	100.0	–
	Choicebet Limited <sup>5</sup>	100.0	–
	C L Jennings (1995) Limited <sup>5</sup>	100.0	–
	Coral (Holdings) Limited <sup>4</sup>	100.0	–
	Coral (Stoke) Limited <sup>5</sup>	100.0	–
	Coral Estates Limited	100.0	–
	Coral Eurobet Limited <sup>3</sup>	100.0	–
	Coral Eurobet Holdings Limited <sup>3,4</sup>	100.0	–
	Coral Group Limited <sup>4</sup>	100.0	–
	Coral Group Trading Limited <sup>4</sup>	100.0	–
	Coral Limited <sup>4</sup>	100.0	–
	Coral Racing Limited <sup>2,3,4</sup>	100.0	–
	Coral Stadia Limited <sup>3,4</sup>	100.0	–
	Forster's (Bookmakers) Limited <sup>5</sup>	100.0	–
	Gala Coral Nominees Limited <sup>5</sup>	100.0	–
	Gala Coral Pension Trustee Limited <sup>5</sup>	100.0	–
	Gala Coral Properties Limited <sup>5</sup>	100.0	–
	Gala Coral Secretaries Limited <sup>5</sup>	100.0	–
	J G Leisure Limited <sup>5</sup>	100.0	–
	Joe Jennings (1995) Limited <sup>5</sup>	100.0	–
	Joe Jennings Limited <sup>5</sup>	100.0	–
	Lightworld Limited <sup>4,5</sup>	100.0	–
	Reg.Boyle Limited <sup>5</sup>	100.0	–
	Reuben Page Limited <sup>4,5</sup>	100.0	–
	Romford Stadium Limited <sup>3</sup>	100.0	–
	Sports (Bookmakers) Limited <sup>5</sup>	100.0	–
	Vegas Betting Limited <sup>5</sup>	100.0	–
	GVC Marketing (UK) Limited	100.0	100.0

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2018

## 33 RELATED PARTY DISCLOSURES CONTINUED

### Subsidiaries based in the United Kingdom continued

Registered address	Company	% equity interest	
		2018	2017
	Cashcade Limited	100.0	100.0
	GVC Holdings (UK) Limited <sup>1</sup>	100.0	–
	Interactive Sports Limited	100.0	100.0
	Sporting Odds Limited	100.0	100.0
	Sportingbet (IT Services) Limited	100.0	100.0
	Sportingbet (Management Services) Limited	100.0	100.0
	Sportingbet (Product Services) Limited	100.0	100.0
	Sportingbet Holdings Limited	100.0	100.0
	Sportingbet Limited	100.0	100.0
5th Floor The Zig Zag Building, 70 Victoria street, London, United Kingdom SW1E 6SQ	Hillford Estates Limited <sup>5</sup>	97.5	–
	London & Leeds Estates Limited <sup>5</sup>	93.5	–
Bridge House, London Bridge, London, SE1 9QR	GVC Administration Services Limited	100.0	100.0
	Rousset Capital Limited	100.0	100.0
Suite A, 7th Floor City Gate East Tollhouse Hill, Nottingham Nottinghamshire NG1 5FS	D.& W.Bruce Limited <sup>5</sup>	100.0	–
77A Andersonstown Road Belfast BT11 9AH	Ladbrokes (Northern Ireland) (Holdings) Limited <sup>4</sup>	100.0	–
	Ladbrokes (Northern Ireland) Limited <sup>5</sup>	100.0	–
	North West Bookmakers Limited <sup>3</sup>	100.0	–
35 Great St. Helen's London, United Kingdom EC3A 6AP	Techno Limited	84.0	–
28 la Porte Precinct Grangemouth, FK3 8BG	Moffat Lodge Motor Inn Limited <sup>5</sup>	100.0	–

### Subsidiaries based overseas

Registered address	Company	% equity interest	
		2018	2017
Belmont Chambers Road Town Tortola British Virgin Islands	Creative Trend Limited	100.0	–
	CTL Holdings International Limited <sup>4</sup>	100.0	–
	SRL Holdings International Limited <sup>4</sup>	100.0	–
	Sunrise Resources Limited	100.0	–
Ugland House Grand Cayman, KY1-1104 Cayman Islands	Cayman Investments Number 1 <sup>4</sup>	100.0	–
	International Finance Investment <sup>4</sup>	100.0	–
13/F, Gloucester Tower The Landmark, 15 Queen's Road Central Hong Kong, China	Ladbrokes Lottery (Asia) Co. Limited	100.0	–
Holbergsgade 14, 2tv DK-1057, Copenhagen K Denmark	Ladbrokes ApS	100.0	–
Klosterstraede 23 3tv DK-1157, Copenhagen K Denmark	Sponsio Denmark A/S	100.0	–
57/63 Line Wall Road Gibraltar	Balltree (International) Limited <sup>5</sup>	100.0	–
	Bingo Marketing Limited	100.0	–
	Coral Interactive (Gibraltar) Limited <sup>2,3,4</sup>	100.0	–
	Gala Coral Interactive (Gibraltar) Limited <sup>4,5</sup>	100.0	–

**33 RELATED PARTY DISCLOSURES CONTINUED**  
**Subsidiaries based overseas continued**

Registered address	Company	% equity interest	
		2018	2017
	Gala Interactive (Gibraltar) Limited <sup>2,3,4</sup>	100.0	–
	LC International Limited <sup>2,3,4</sup>	100.0	–
	Ladbrokes Sportsbook Limited Partnership <sup>2,3</sup>	100.0	–
Inchalla, Alderney GY9 3UL, Guernsey	Exchange Platform Solutions Limited <sup>3</sup>	100.0	–
1st Floor, Otter House Naas Road Dublin 22 Ireland	Ace Racing Limited <sup>5</sup>	100.0	–
	Dara Properties Limited	100.0	–
	Gossamer Limited <sup>5</sup>	100.0	–
	Harney Bookmakers Limited <sup>5</sup>	100.0	–
	Keenan Sport & Leisure Limited <sup>5</sup>	100.0	–
	Ladbroke (Ireland) Limited <sup>2,3,4</sup>	100.0	–
	Ladbroke Leisure (Ireland) Limited <sup>2,3</sup>	100.0	–
	Ladbrokes Payments (Ireland) Limited <sup>5</sup>	100.0	–
	M D Betting Limited <sup>5</sup>	100.0	–
Arthur Cox Building Earlsfort Terrace Dublin 2, Ireland	Gala Coral Interactive (Ireland) Limited <sup>5</sup>	100.0	–
4th Floor, IFSC House Custom House Quay Dublin 1, Ireland	Ladbroke Services (Ireland) Limited	100.0	–
Menahem Begin 125 Tel Aviv, Israel	Gala Interactive (Services) Limited	100.0	–
5 Hacilazon Street Ramat Gan, 5252269 Tel Aviv, Israel	Ladbrokes Israel Limited <sup>1,2</sup>	100.0	–
Via Alessandro Marchetti No.105 Rome 00148, Italy	Eurobet Holding SRL <sup>4</sup>	100.0	–
	Eurobet Italia SRL <sup>2,4,3</sup>	100.0	–
1st Floor, Liberation House Castle Street, St. Helier JE1 1GL, Jersey	IHF (Jersey) Limited <sup>5</sup>	100.0	–
	Ladbroke (Channel Islands) Limited <sup>3</sup>	100.0	–
461-473 Lutwyche Road Lutwyche Queensland QLD 4030 Australia	Gaming Investments Pty Limited <sup>4</sup>	100.0	–
	Ladbrokes Digital Australia Pty Limited <sup>2,3</sup>	100.0	–
	Ladbrokes Operations Australia Pty Limited <sup>3</sup>	100.0	–
	LB Australia Holdings Pty Limited <sup>4</sup>	100.0	–
	Panda Gaming Pty Limited	100.0	–
47 Esplanade, St Helier JE1 0BD, Jersey	GC Group (Jersey) Limited <sup>5</sup>	100.0	–
13 Castle Street, St Helier JE4 5UT, Jersey	Maple Court Investments (Jersey) Limited <sup>5</sup>	100.0	–
Chaussée de Wavre 1100/3 1160 Auderghem Belgium	Ladbroke Belgium S.A. <sup>3</sup>	100.0	–
	Pari Mutuel Management Services S.A.	100.0	–
	S.A. Derby N.V. <sup>2,3</sup>	100.0	–
	Tierce Ladbroke S.A. <sup>3</sup>	100.0	–
Cagayan Economic Zone Sta. Ana, Cagayan, Philippines	NCH Customer Support Services, Inc	100.0	–
24A 18th Street Menlo Park, Pretoria 0081, South Africa	Ladbrokes (SA) (Pty) Limited	60.0	–

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2018

## 33 RELATED PARTY DISCLOSURES CONTINUED

### Subsidiaries based overseas continued

Registered address	Company	% equity interest	
		2018	2017
Castello 82 4 IZQ, 28006 Madrid, Spain	Ladbrokes Betting and Gaming Spain, S.A.	100.0	–
2711 Centreville Road, Suite 400, City of Wilmington County of New Castle, De, 19808, United States	Ladbrokes Holdco, Inc. <sup>4</sup>	100.0	–
608 Lander Street Reno NV 89509 United States	Stadium Technology Group, LLC <sup>3</sup>	79.0	–
15 Agion Omologiton, Nicosia, 1080, Cyprus	Bellingrath Enterprises Limited	100.0	100.0
1565 Carling Avenue, Suite 400, Ottawa, Ontario K1Z 8R1	Canada Limited	100.0	100.0
19 boulevard Maeshherbes, 75008, Paris, France	B.E.S. S.A.S	100.0	100.0
23rd Floor, Zuelling Building, Makati Avenue, Paseo de Roxas, Makati City, 1225, Philippines	InteractiveSports Asia Limited Inc.	100.0	100.0
25/28 North Wall Quay, Dublin 1, D01 H104, Ireland	Fort Anne Limited <sup>1</sup>	100.0	100.0
	Garton Admin Services Limited	100.0	100.0
	M.L.B. Limited	100.0	100.0
2nd Floor, St Mary's Court, 20 Hill Street, Douglas, IM1 1EU, Isle of Man	Cozy Games Management Limited	100.0	100.0
32 Athol Street, Douglas, IM1 1JB, Isle of Man	GVC Investments Limited <sup>1</sup>	100.0	100.0
399 Thornall Street, Edison, New Jersey, 08837, USA	bwin.party entertainment (NJ) LLC	90.0	90.0
	bwin.party (USA) INC	100.0	100.0
	bwin.party services (NJ) Inc	100.0	100.0
50 Raffles Place, 32-01 Singapore Land Tower, Singapore (048623)	Cozy Games Pte Limited	100.0	100.0
	Florent Pte Limited	100.0	100.0
55 Nikola Vaptsarov Blvd, Office Park Expo 2000, Building Phase 4, Floor 3, Lozenets Area, Sofia 1407, Bulgaria	GVC Services (Bulgaria) EOOD	100.0	100.0
5th Floor, Divyasree Omega, Block – B, Hitec City Road, Kondapur, Hyderabad, Andhra Pradesh, 500081, India	IVY Comptech Private Limited	100.0	100.0
6th Floor, Divyashree omega, Block-B, Plot No. 13/E, Survey no.13(part), Kondapur, Hyderabad, 500081, Andhra Pradesh, India	IVY BPO Services Private Limited	100.0	100.0
	IVY Software Development Services Private Limited	99.9	99.9
	IVY Foundation Limited	100.0	100.0
85 St John Street, Valletta, VLT 1165, Malta	Dominion Entertainment Limited	100.0	100.0
86 St John Street, Valletta, VLT 1165, Malta	Gaming VC Corporation Limited	99.0	99.0
87 St John Street, Valletta, VLT 1165, Malta	GVC Support Services Limited	99.0	99.0
88 St John Street, Valletta, VLT 1165, Malta	Martingale Malta 2 Limited	99.0	99.0
89 St John Street, Valletta, VLT 1165, Malta	Scandic Bookmakers Limited	99.0	99.0
90 St John Street, Valletta, VLT 1165, Malta	Spread Your Wings Bulgaria Limited	100.0	100.0
91 St John Street, Valletta, VLT 1165, Malta	Spread Your Wings Germany Limited	100.0	100.0
92 St John Street, Valletta, VLT 1165, Malta	Headlong 2 Limited <sup>1</sup>	100.0	100.0
Avenida de Fuencarral 44, edificio Tribeca 1, modulo B, CP 28108, Alcobendas, Madrid, Spain	Winner Apuestas S.A.	10.0	10.0
Bertolt – Brecht – Allee 24, 01309, Dresden, Germany	DSG Deutsche Sportwelt GmbH	100.0	100.0
Box 3095, 350 33 Växjö, Sweden	Webdollar Sweden AB	100.0	100.0



**33 RELATED PARTY DISCLOSURES CONTINUED**  
**Subsidiaries based overseas** continued

Registered address	Company	% equity interest	
		2018	2017
Breitscheidstr. 20, D-02727 Neugersdorf, Germany	bwin E.K. Neugersdorf	50.0	50.0
c/o Kilpatrick Townsend & Stockton Advokat KB, Box 5421, 114 84 Stockholm, Sweden	bwin.party Games AB	100.0	100.0
c/o The Corporation Trust Company, 1209 Orange Street, County of New Castle, Wilmington, Delaware, 19801, USA	GVC Finance LLC <sup>1</sup>	100.0	100.0
Calle Amador de los Ríos n°1, 6 planta, 28010 Madrid, Spain	bwin Interactive Marketing Espana S.L.	100.0	100.0
Calle Bolivar, N° 1321 7°A, Posadas, Provincia de Misiones, República de Argentina	bwin Argentina S.A.	100.0	100.0
Calle Josep Plá, número 2, planta 5ªD, Edificio Torre Diagonal Litoral, 08019, Barcelona	Javari Marketing Consultancy Services S.L.	100.0	100.0
Century House, 12 Victoria Street, Alderney, GY9 3UF, Channel Islands	Interactive Sports (C.I.) Limited	100.0	100.0
Clarendon House, 2 Church Street, Hamilton 1, Bermuda	PartyGaming Finance Limited PartyGaming IA Limited	100.0 100.0	100.0 100.0
Emancipatie Boulevard Dominico F. "Don" Martina 29, Curaçao	First Slip N.V GVC Services BV Intera N.V Luther Properties N.V	100.0 100.0 100.0 100.0	100.0 100.0 100.0 100.0
FDICIC Building, Lower Factory Road, St. John's, Antigua	Green Sand Limited	100.0	100.0
Fruebjergvej 3, Copenhagen, 2100, Denmark	Interactive Sports (Denmark) ApS	100.0	100.0
Inchalla, Le val, Alderney, GY9 3UL, Channel Islands	ElectraWorks (Alderney) Limited	100.0	100.0
Jayla Place, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands	Westman Holdings Limited	100.0	100.0
Lagoas Park, Edificio 11, Piso 0 Sul, 2740-244, Porto Salvo, Portugal	Infield – Serviços de Consultoria Marketing Unipessoal LDA.	100.0	100.0
Marxergasse 1b, 1030 Vienna, Austria	bwin.party services (Austria) GmbH Websports Entertainment Marketing Services GmbH	100.0 100.0	100.0 100.0
Moskovská 13, Bratislava, 81108, Slovakia	VTD Media <sup>1</sup>	100.0	100.0
Nevada Registered Agent Address: 2215-B Renaissance Drive Las Vegas, NV 89119	bwin.party entertainment (PA) INC	100.0	–
Office 2, Melfar Buildings, C. De Brocktorff Street, Msida, MSD 1421, Malta	bwin.party services (Malta) Limited bwin.party holding Malta Limited bwin.party International Malta Limited ElectraWorks (Malta) PLC ElectraWorks (France) Limited ElectraWorks (Kiel) Limited Kaiane Services Limited	100.0 100.0 100.0 100.0 100.0 100.0 100.0	100.0 100.0 100.0 100.0 100.0 100.0 100.0
Oficina nr.201-2015, edeficio@3, ruta 8, km. 17,500, Uruguay	Gomifer S.A.	100.0	100.0
Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands	Portman Road Limited	100.0	100.0
Quay House South Esplanade St Peter Port GUERNSEY GY1 4EJ, PO Box 132	Corvee Limited	100.0	100.0
Quay House, South Esplanade, St. Peter Port, GY1 4EJ, Guernsey	Longfrie Limited	100.0	100.0

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2018

## 33 RELATED PARTY DISCLOSURES CONTINUED

### Subsidiaries based overseas continued

Registered address	Company	% equity interest	
		2018	2017
Sea Meadow House, Blackburne Highway, Road Town, Tortola, British Virgin Islands, PO BOX 116	Cream Legbar Limited	100.0	100.0
	Wavecrest Providers Limited	100.0	100.0
Suite 4, Constantia House, Steenberg Office Park, Constantia, 7800, South Africa	SBT Software Operations (SA) (Pty)	100.0	100.0
	Main Street 1013 Pty Limited	100.0	100.0
Suite 6, Atlantic Suites, Europort Avenue, Gibraltar	GVC Holdings (Gibraltar) Limited <sup>1</sup>	100.0	100.0
	GVC Corporate Services Limited	100.0	100.0
	bwin.party services (Gibraltar) Limited	100.0	100.0
	bwin.party holdings Limited	100.0	100.0
	ElectraGames Limited	100.0	100.0
	ElectraWorks Limited	100.0	100.0
	IGM Domain Name Services Limited	100.0	100.0
	InterTrader Limited	100.0	100.0
	ISG (Gibraltar) Limited	100.0	100.0
	Greyjoy Limited	100.0	100.0
	Party Ventures Limited	100.0	100.0
	WIN (Gibraltar) Limited	94.0	94.0
	GVC Services Limited	100.0	100.0
Claymore Interactive Entertainment Holdings Limited	100.0	100.0	
Vake District, Kavtaradze Str., No 5, Entrance 2, Floor 2, Office Space No 2, Tbilisi, Georgia	MARS LLC	51.0	–
Via Gaetano Previati 9, 20149, Milan, Italy	bwin Italia S.R.L.	100.0	100.0
	bwin European Markets Holding SpA	100.0	100.0

1. Company that is directly owned by GVC Holdings PLC.

2. Company that forms part of the Group as at 31 December 2018 and which, principally affected the Group's reported results for the year.

3. Trading entity engaged in activity associated with betting and gaming.

4. Holding company.

5. Dormant company.

### Joint ventures

Registered address	Company	% equity interest	
		2018	2017
Boulevard Luis Donaldo Colosio SA-1 Mineral de la, Reforma, Hidalgo, Mexico	Digital Gaming Mexico S.A.P.I.*	35.0	–
Corregimiento de San Francisco, Calle 50 y 73 Este, Ciudad de Panama, Spain	Sportium Apuestas Panama*	40.0	–
Ctra. de Castellar 298, 08226, Terrassa Barcelona, Spain	Cirsa Digital S.A.U.*	50.0	–
c/ Sena 2, 08174, Sant Cugat del Valles Barcelona, Spain	Sportium Apostes Catalunya S.A.U.*	50.0	–
Santa Maria, Magdalena 10-12, 28016, Madrid, Spain	Sportium Apuestas Deportivas, S.A.	50.0	–
	Sportium Apuestas Castilla La Mancha S.L.U.*	50.0	–
Calle Jaime Ferrán Número 5, Entresuelo Derecha, 50014 Zaragoza	Sportium Apuestas Aragon, S.L.U.*	50.0	–
Poligono Industrial ASIPO, Calle B, Parcela 45 B, Asturias, Spain	Sportium Apuestas Asturias S.A.U.*	50.0	–
C/ Garcia Morato, número 1, 35212 Telde, Las Palmas De Gran Canaria, Spain	Sportium Apuestas Canarias S.L.U.*	50.0	–

**33 RELATED PARTY DISCLOSURES CONTINUED****Joint ventures** continued

Registered address	Company	% equity interest	
		2018	2017
c/ Don Pedro s.n. 36980 El Grove, Isla de La Toja, Pontevedra, Spain	Sportium Apuestas Galicia, S.L.U.*	50.0	–
Parque Tecnológico de Paterna, Paterna, Valencia	Sportium Apuestas Levante, S.A.U.*	50.0	–
Avda. Candido Lobera 5, Atico 3º, Melilla, Spain	Sportium Apuestas Melilla S.L.U.*	50.0	–
Barañain, N° 27 – 1° A 31008 Pamplona, Navarra, Spain	Sportium Apuestas Navarra S.A.U.*	50.0	–
Pol. Ind. El Nevero c/ Nevero Doce parcela 21, 06006, Badajoz, Spain	Sportium Apuestas Oeste S.A.U.*	50.0	–
Polígono Ind. Cantabria, c/ Las Balsas 20, 26009 Logroño, La Rioja, Spain	Sportium Zona Norte S.A.U.*	50.0	–
	MGM GVC Interactive LLC	50.0	–
Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware 19808	MGM GVC Interactive LLC	50.0	–

\* Subsidiary of Sportium Apuestas Deportivas, S.A.

**Other associates**

Registered address	Company	% equity interest	
		2018	2017
China	Asia Gaming Technologies (Beijing) Co., Ltd <sup>1</sup>	49.0	–
	Asia Gaming Technologies (Tianjin) Co., Ltd <sup>1</sup>	49.0	–
	Asia Gaming Technologies Limited	49.0	–
United Kingdom	49's Limited	66.6	–
	Games For Good Causes PLC	36.3	–
	Lucky Choice Limited <sup>2</sup>	66.6	–
	Satellite Information Services (Holdings) Limited	23.4	–

1. Subsidiary of Asia Gaming Technologies Limited.

2. GVC Holdings PLC hold 66.6% of the equity of the investment. The associate is not consolidated in the Group financial statements on the basis that the Group does not exercise management control over the associate.

**34 NON-CONTROLLING INTERESTS**

Non-controlling interests includes a 10% holding in bwin.party (NJ) LLC entertainment, a company incorporated in the United States and a 51% holding in Mars LLC a company incorporated in Georgia.

The profit attributable to non-controlling interests was £6.1m (2017: £0.2m loss attributable).

The balance of retained earnings attributable to non-controlling interest is disclosed in the table below:

	Total £m
As at January 2017	(1.3)
Loss attributable to non-controlling interests	(0.2)
As at 31 December 2017	(1.5)
Profit attributable to non-controlling interests	6.1
Acquired through business combinations	35.0
Payment of dividends	(1.4)
<b>As at 31 December 2018</b>	<b>38.2</b>

**35 SUBSEQUENT EVENTS**

The Group have evaluated subsequent events for the period from 31 December 2018 to the date of signing these financial statements and deem there to have been no material subsequent events during that period.

# COMPANY BALANCE SHEET

for the year ended 31 December 2018

<b>AT 31 DECEMBER</b>	Note	<b>2018 £m</b>	Re-presented 2017 £m	Re-presented 2016 £m
<b>Assets</b>				
Non-current assets				
Investments	6	<b>1,638.6</b>	1,244.9	1,232.6
Current assets				
Trade and other receivables	7	<b>3,934.2</b>	265.2	109.1
Derivative financial assets	10	<b>43.3</b>	–	22.3
Cash and cash equivalents		<b>4.8</b>	38.3	84.0
		<b>3,982.3</b>	303.5	215.4
<b>Total assets</b>		<b>5,620.9</b>	1,548.4	1,448.0
<b>Liabilities</b>				
Current liabilities				
Trade and other payables	8	<b>(652.5)</b>	(427.2)	(151.0)
Interest bearing loans and borrowings	9	<b>(6.2)</b>	(0.2)	(343.9)
		<b>(658.7)</b>	(427.4)	(494.9)
<b>Net current assets/(liabilities)</b>		<b>3,323.6</b>	(123.9)	(279.5)
Non-current liabilities				
Interest bearing loans and borrowings	9	<b>(1,689.2)</b>	(262.3)	–
Other financial liabilities	10	<b>(22.5)</b>	(10.7)	–
		<b>(1,711.7)</b>	(273.0)	–
<b>Net assets</b>		<b>3,250.5</b>	848.0	953.1
Shareholders' equity				
Called up share capital	12	<b>4.8</b>	2.3	2.2
Share premium account		<b>1,196.5</b>	1,170.4	1,129.0
Merger reserve		<b>2,527.4</b>	34.5	34.5
Retained earnings		<b>(478.2)</b>	(359.2)	(212.6)
Total shareholders' equity		<b>3,250.5</b>	848.0	953.1

The Company generated a profit for the year of £19.0m (2017: loss of £47.7m).

The notes on pages 164 to 168 are an integral part of these financial statements.

The financial statements on pages 162 to 168 were approved by the Board of Directors on 5 March 2019 and signed on its behalf by

**KJ Alexander**  
Chief Executive Officer

**P Bowtell**  
Chief Financial Officer

# COMPANY STATEMENT OF CHANGES OF EQUITY

	Called up share capital £m	Share premium account £m	Merger Reserve account £m	Retained earnings £m	Total £m
At January 2017 (re-presented)	2.2	1,129.0	34.5	(212.6)	953.1
Loss for the year	-	-	-	(47.7)	(47.7)
Total comprehensive expense	-	-	-	(47.7)	(47.7)
Share options exercised	0.1	41.4	-	-	41.5
Share based payments charge	-	-	-	21.1	21.1
Equity dividends	-	-	-	(120.0)	(120.0)
At 31 December 2017 (re-presented)	2.3	1,170.4	34.5	(359.2)	848.0
Profit for the year	-	-	-	19.0	19.0
Total comprehensive expense	-	-	-	19.0	19.0
Issue of shares	2.4	-	2,492.9	-	2,495.3
Share options exercised	0.1	26.1	-	-	26.2
Share based payments charge	-	-	-	0.8	0.8
Equity dividends	-	-	-	(138.8)	(138.8)
<b>At 31 December 2018</b>	<b>4.8</b>	<b>1,196.5</b>	<b>2,527.4</b>	<b>(478.2)</b>	<b>3,250.5</b>

# NOTES TO THE COMPANY FINANCIAL STATEMENTS

for the year ended 31 December 2018

## 1 GENERAL INFORMATION

GVC Holdings PLC ("the Company") is a limited company incorporated and domiciled in the Isle of Man. The address of its registered office and principal place of business is disclosed in the Directors' report.

The financial statements of the Company for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the Directors on 5 March 2019.

The parent Company profit for the year was £19.0m (2017: loss of £47.7m).

The Company has taken advantage of the exemption from preparing a cash flow statement under paragraph 8(g) of the disclosure exemptions from EU-adopted IFRS for qualifying entities included in Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). The GVC Holdings PLC consolidated financial statements for the year ended 31 December 2018 contain a consolidated statement of cash flows.

The Company is exempt under paragraph 8(k) of the disclosure exemptions from EU-adopted IFRS included in FRS 101 for qualifying entities from disclosing related party transactions with entities that form part of the GVC Holdings PLC group of which GVC Holdings PLC is the ultimate parent undertaking.

The Company's financial statements are presented in Pounds Sterling (£), which is also the Company's functional currency, and all values are rounded to the nearest million (£m) except when otherwise indicated. The Company's financial statements are individual entity financial statements. During the period the Company changed its function and presentational currency from Euro to GBP. For further information on the re-presentation of the financial statements please refer to note 3 of the Group accounts.

## 2 BASIS OF PREPARATION

These financial statements were prepared in accordance with FRS101 and Companies Act 2006. The financial statements are prepared on a going concern basis under the historical cost convention except for certain financial liabilities measured at fair value.

The accounting policies which follow in note 3 set out those policies which apply in preparing the financial statements for the year ended 31 December 2018 and have been applied consistently to all years presented.

The Company has taken advantage of the following disclosure exemptions under FRS101 in respect of

- (a) IFRS3 Business Combinations;
- (b) the requirements of IFRS7 Financial Instruments: Disclosures;
- (c) IFRS13 Fair Value Measurement;
- (d) Share based payments;
- (e) Intra-Group-related party transactions;
- (f) Related party transactions.

Income statement

For details of audit fees, see note 7 of the consolidated financial statements.

As permitted by the Companies Act 2006, the income statement and the statement of comprehensive income of the parent Company have not been separately presented in these financial statements.

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Investments

Investments held as fixed assets are stated at cost less provision for impairment.

The Company assesses these investments for impairment wherever events or changes in circumstances indicate that the carrying value of an investment may not be recoverable. If any such indication of impairment exists, the Company makes an estimate of the recoverable amount. If the recoverable amount is less than the value of the investment, the investment is considered to be impaired and is written down to its recoverable amount. An impairment loss is recognised immediately in the profit and loss account.

### Cash and cash equivalents

Cash and short-term deposits in the balance sheet consist of cash at banks and in hand, short-term deposits with an original maturity of less than three months.

### Financial assets

Financial assets are recognised when the Company becomes party to the contracts that give rise to them.

The Company classifies financial assets at inception as either financial assets at fair value or loans and receivables. On initial recognition, loans and receivables are measured at fair value. Financial assets at fair value comprise guarantees provided to the Company. Financial assets at fair value through profit or loss are measured initially at fair value, with transaction costs taken directly to income statement. Subsequently, the fair values are remeasured and gains and losses from changes therein are recognised in the income statement.

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

#### Financial assets continued

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. On initial recognition, loans and receivables are measured at fair value plus directly attributable transaction costs. Subsequently, such assets are measured at amortised cost, using the effective interest (EIR) method, less any allowance for impairment.

#### Financial liabilities

Financial liabilities comprise guarantees given to third parties and contingent consideration. On initial recognition, financial liabilities are measured at fair value plus transaction costs where they are not categorised as financial liabilities at fair value through profit or loss. Financial liabilities at fair value through profit or loss are measured initially at fair value, with transaction costs taken directly to the income statement. Subsequently, the fair values are remeasured and gains and losses from changes therein are recognised in the income statement.

#### Derecognition of financial assets and liabilities

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

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

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

#### Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in shareholders' funds. In this case, the tax is also recognised in other comprehensive income or directly in shareholders' funds, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; or arise from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is recognised using the tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply then the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred tax assets are only recognised to the extent it is probable that there will be suitable taxable profits from which they can be recovered.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. Deferred tax balances are not discounted.

#### Foreign currency translation

The presentation and functional currency of the Company is Pounds Sterling (£).

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

#### Foreign currency translation

All foreign currency translation differences are taken to the income statement with the exception of differences on foreign currency borrowings that provide a post-tax hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in the income statement. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in equity.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined.

#### Dividends

Final dividends proposed by the Board of Directors and unpaid at the year end are not recognised in the financial statements until they have been approved by shareholders at the Annual General Meeting. Interim dividends are recognised when paid.

#### Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received net of direct issue costs.

# NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2018

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

### Share based payments

The cost of equity settled transactions with employees is measured by reference to the fair value at the date on which they are granted (see note 30 of the consolidated financial statements for further details).

The cost of equity settled transactions is recharged to the respective employing entities, with a corresponding increase in equity booked within GVC Holdings PLC.

### 4 JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements requires management to make assumptions, estimates and judgements that affect the amounts reported as assets and liabilities as at the balance sheet date and the amounts reported as revenues and expenses during the year. Use of available information and application of judgement are inherent in the formation of estimates. Actual results in the future may differ from those reported. In this regard, management believes that the accounting policies where judgement is necessarily applied are those that relate to:

#### Investment in subsidiaries

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised. The following estimates are dependent upon assumptions which could change in the next financial year and have a material effect on the carrying amounts of assets and liabilities recognised at the balance sheet date.

## 5 DIVIDENDS

	2018 pence	2017 pence	2018 Shares in issue number	2017 Shares in issue number
Pence per share				
Prior year final dividend paid	15.2	12.5	303.7	293.5
Interim dividend paid <sup>1</sup>	16.0	13.1	578.8	296.6
Second interim dividend paid	–	14.6	–	301.0

1. The interim dividend paid in 2018 of 16.0p relates wholly to the 2018 financial year, whereas the interim dividend in 2017 of 13.1p was deferred from the 2016 year.

A second interim dividend of 16.0p (2017: 15.2p) per share, amounting to £93.1m (2017: £46.2m) in respect of the year ended 31 December 2018 was proposed by the Directors on 5 March 2019. The total amount payable in respect of the second interim dividend is based on the expected number of shares in issue on 14 March 2019. The 2018 interim dividend of 16.0p per share (£92.6m) was paid on 10 October 2018.

## 6 INVESTMENTS

	Total £m
Cost and net book value	
At 1 January 2017	1,232.6
Additions	12.3
At 31 December 2017	1,244.9
Cost and net book value	
At 1 January 2018	1,244.9
Additions	467.4
Disposals	(73.7)
At 31 December 2018	1,638.6

Subsidiaries and other related entities are listed in note 33 of the consolidated financial statements.



**7 TRADE AND OTHER RECEIVABLES**

	<b>2018 £m</b>	2017 £m
Amounts due from Group companies	<b>3,933.2</b>	264.4
Other debtors	<b>0.7</b>	0.4
Prepayments	<b>0.3</b>	0.4
	<b>3,934.2</b>	265.2

Amounts owed by other Group undertakings are included under amounts falling due within one year as they are repayable on demand, unsecured, and accumulate interest in a range between 0% and 5.095%.

**8 TRADE AND OTHER PAYABLES**

	<b>2018 £m</b>	2017 £m
Current		
Amounts due to Group companies	<b>651.3</b>	418.2
Other payables	<b>1.2</b>	9.0
	<b>652.5</b>	427.2

Amounts owed to other group undertakings are included under amounts falling due within one year as they are repayable on demand, unsecured, and accumulate interest in a range between 0% and 5.095%.

**9 INTEREST BEARING LOANS AND BORROWINGS**

	<b>2018 £m</b>	2017 £m
Current		
Euro denominated loans	-	0.2
USD denominated loans	<b>6.2</b>	-
Sterling denominated loans	-	-
	<b>6.2</b>	0.2
Non-current		
Euro denominated loans	<b>818.8</b>	262.3
USD denominated loans	<b>609.1</b>	-
Sterling denominated loans	<b>261.3</b>	-
	<b>1,689.2</b>	262.3

Upon completion of the Ladbrokes Coral Group plc acquisition the Group repaid existing Ladbrokes Coral Group plc debt of £660.2m, being the amount drawn on the existing revolving credit facility and £200m of existing bank loans. As part of the Group's refinancing three new term loans were drawn, in addition to the existing €300m term loan and the new Group revolving credit facility of £550m which allowed up to £495m to be drawn as a loan and £55m as letters of credit. All three new term loans have a six-year term, with expiry at the end of March 2024. The £275m new term loan attracts interest of LIBOR +3.5%, the €625m new term loan attracts interest of EURIBOR +2.75% (with 0% floor on EURIBOR) and the \$800m new term loan attracts interest of US\$ LIBOR +2.50%.

As at 31 December 2018 £495.0m of committed bank facilities were undrawn (31 December 2017: £62.2m).

# NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2018

## 10 FINANCIAL INSTRUMENTS

Financial instruments as at 31 December were as follows:

	2018 £m	2017 £m
At 1 January	(10.7)	22.3
Disposed of in the year	–	(3.3)
Released in the year	–	(19.7)
Recognised in the year	(11.8)	(10.7)
FX	–	0.7
At 31 December	(22.5)	(10.7)

During 2017 two financial instruments were disposed of or released during the period. The first of these arose on 24 March 2015 when GVC contracted with Winunited Limited for the day-to-day back office operations of the Winunited business. Under the terms of the agreement, GVC obtained a call option to purchase the Winunited assets comprising goodwill, customers, licenses, brands and website. The exercise period for the option is in the three months prior to the five year anniversary of 24 March 2015. During 2017 there was no discernible change to the inputs into the valuation and accordingly no revaluation was performed prior to the transferral of the asset to assets held for sale as part of the announced sale of the Turkish-facing business which was disposed of during the 2017.

The second option which was released in 2017 related to the Cerberus loan early repayment option. The early repayment option would change the profile and size of cash payments and this feature was identified as an embedded derivative. Following the refinancing of the Groups loans in February 2017, the repayment option was fully released.

During 2017 the Group entered into a marketing services agreement with its principal offline tournament partner with the purpose of organising and promoting series of live poker events under the Partypoker LIVE brand to look to increase traffic to partypoker.com. As part of entering into this agreement the Group has entered into a put and call arrangement in respect of the entire issued share capital of the Company set up by its offline partner dedicated to this agreement, which is exercisable by the Group or its partner on completion of the five year agreement. There is no minimum call price with a maximum ceiling of £136m dependent on the enhancement of EBITDA of the affected poker business and the enhancement delivered to shareholders through the enterprise value of the Group. The put option has been valued at £22.5m as at 31 December 2018 (2017 £10.7m).

Derivative financial assets as at 31 December 2018 were as follows:

	2018 £m	2017 £m
At 1 January	–	–
Disposed of in the year	–	–
Released in the year	–	–
Recognised in the year	43.3	–
At 31 December	43.3	–

As referred to in note 9 the Group took out three new term loans in sterling, euros and US dollars. Upon the completion of the Ladbrokes Coral deal and the issuance of the new term loans the group also took out a cross currency swap which exchanged the \$800m term loan into €566.4m and £75.4m. The cross currency swap has subsequently been treated as a derivative financial instrument and the weakening of the pound during 2018 has resulted in the closing derivative financial asset being determined at £43.3m.

## 11 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The financial risk management objectives and policies applied by the Company are in line with those of the Group as disclosed in note 24 to the consolidated financial statements.

## 12 CALLED UP SHARE CAPITAL

Details of the share capital of the Company are given in note 27 of the consolidated financial statements.

## 13 RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption under paragraph 8(k) of FRS101 not to disclose transactions with fellow wholly-owned subsidiaries. See note 33 of the consolidated financial statements for disclosure of remuneration of key management personnel.

## 14 SUBSEQUENT EVENTS

See note 35 of the Group accounts for disclosure of subsequent events related to the Company.

# GLOSSARY

## DEFINITION OF TERMS

### DEFINITION OF TERMS

<b>AAMS</b>	Automated accounts management systems
<b>Adjusted fully diluted EPS cents</b>	Fully diluted earnings per share based on adjusted PBT
<b>Adjusted PBT</b>	Profit before exceptional items, amortisation associated with acquisition, dividends from previously sold businesses
<b>B2B</b>	Business-to-business
<b>B2C</b>	Business-to-consumer
<b>BI</b>	Business intelligence
<b>bwin.party</b>	bwin.party digital entertainment plc
<b>CAGR</b>	Compound annual growth rate
<b>CGUs</b>	Cash-generating units
<b>CMS</b>	Customer marketing services
<b>Constant currency basis</b>	Each month in the prior period re-translated at the current periods exchange rate
<b>Contribution</b>	Revenue less betting taxes, payment service provider fees, software royalties, affiliate commissions, revenue share and marketing costs
<b>Contribution margin</b>	Contribution as a percentage of NGR
<b>CRM</b>	Customer relationship management
<b>CS</b>	Customer services
<b>CSR</b>	Corporate Social Responsibility
<b>DTR</b>	Disclosure and transparency rules
<b>Enlarged Group</b>	GVC Holdings PLC incorporating Ladbrokes Coral Group
<b>EPS</b>	Earnings per share
<b>H2GC</b>	H2 Gambling Capital – independent providers of gambling market data and estimates
<b>IA</b>	Internal audit and risk management
<b>IAS</b>	International Accounting Standards
<b>IFRS</b>	International Financial Reporting Standards
<b>IOT</b>	Internet of things
<b>KPIs</b>	Key performance indicators
<b>KYC</b>	Know your customer – customer verification tools
<b>Ladbrokes Coral</b>	Ladbrokes Coral Group Plc
<b>LTIP</b>	Long-term incentive plan
<b>MIP</b>	Management incentive plan
<b>Net debt</b>	Cash and cash equivalents (including amounts recorded as assets in disposal groups classified as held for sale), less customer liabilities less interest bearing loans and borrowings
<b>Net Gaming Revenue (“NGR”)</b>	Revenue before deducting VAT
<b>NGR YTD</b>	Net Gaming Revenue in the year to date
<b>Revenue</b>	Net Gaming Revenue less VAT (imposed by certain EU jurisdictions on either sports or gaming revenue)
<b>Sports Gross Win Margin</b>	Sports wagers less payouts
<b>Sports Gross Win Margin %</b>	Sports Gross Win Margin divided by Sports wagers
<b>Sports Net Gaming Revenue (“Sports NGR”)</b>	Sports Gross Win Margin less free bets and promotional bonuses
<b>Underlying EBITDA</b>	Stated pre separately disclosed items and shared based payments

# CORPORATE INFORMATION

## Company name

GVC Holdings PLC

## Company number

4685V

## Secretary and registered office

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## Independent auditors

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## Chartered Accountants and Statutory Auditor

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## Solicitors

Slaughter & May

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The Royal Bank of Scotland plc

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## DIVIDEND TIMETABLE

<b>05 March</b>	Dividend declared
<b>14 March</b>	Ex-dividend date
<b>15 March</b>	Record date
<b>25 April</b>	Payment

## FUTURE TRADING UPDATES AND FINANCIAL CALENDAR

<b>5 June</b>	AGM
<b>July</b>	Post close trading update
<b>August</b>	Interim results
<b>October</b>	Q3 trading update



[www.gvc-plc.com](http://www.gvc-plc.com)

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**GVC Holdings PLC** [www.gvc-plc.com](http://www.gvc-plc.com)

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