Excellent financial performance and operational execution, pro-forma revenue up 27%
Ongoing focus on responsible gambling intensified during COVID-19
Maiden dividend declared, trading ahead of expectations

LONDON, 11 August 2020 – Gamesys Group plc (LSE: GYS) (the 'Group', 'Gamesys'), announces its financial results for the six months ended 30 June 2020.

Financial summary

	Six months ended 30 June 2020 (£m)	Six months ended 30 June 2019 (£m)	Reported change (%)
Gaming revenue	**340.0**	169.5	**101**
Net income from continuing operations (as reported under IFRS)	**23.3**	5.3	**340**
Adjusted EBITDA[1,2,3]	**95.0**	54.3	**75**
Adjusted net income[1,2,4]	**68.1**	40.5	**68**
Diluted net income per share from continuing operations[5]	**21.4p**	7.1p	**201**
Diluted adjusted net income per share from continuing operations[1,2,4,5]	**62.6p**	54.2p	**15**

Pro-forma financial summary[6]

	Six months ended 30 June 2020 (£m)	Six months ended 30 June 2019 (£m)	Change (%)
Gaming revenue	**340.0**	267.3	**27**
Adjusted EBITDA[1]	**95.0**	81.2	**17**

Financial highlights

- Excellent reported and pro-forma[6] financial performance across the Group
  - Reported gaming revenue grew 101% year-on-year, reflecting continued exceptional growth in Asia and strong growth in the UK; on a pro-forma[6] basis, gaming revenue increased 27% year-on-year
  - Adjusted EBITDA[1] increased 75% year-on-year; on a pro-forma[6] basis, it rose by 17% as Asia and the UK delivered strong results
  - Adjusted net income[1,2,4] increased 68% year-on-year
- Strong operating cash flow of £100.7m; cash conversion rate of 106% from adjusted EBITDA[1]
  - Cash balance of £136.0m at 30 June 2020 and adjusted net debt[7] of £391.7m
  - Adjusted net leverage ratio[8] of 2.83x at the end of 2019 has reduced to 2.27x at 30 June 2020 and we anticipate further deleveraging during the second half of 2020
  - The Board is pleased to declare an inaugural interim dividend of 12p per share to be paid in October, as well as the implementation of a broader dividend and capital allocation policy
- Good trading has continued into the early part of Q3 across our major markets; given the strong performance in the first 7 months of the year, the Board now expects to report FY20 gaming revenue and adjusted EBITDA[1] comfortably ahead of its prior expectations

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[1] This release contains non-IFRS financial measures, which are noted where used. For additional details, including with respect to the reconciliations from these non-IFRS financial measures, please refer to the information under the heading 'Note regarding non-IFRS measures' on page 8 of this release and Note 4 – 'Segment information' of the unaudited interim condensed consolidated financial statements on pages 23 through 25 of this release.
[2] Figures for the six months ended 30 June 2019 have been amended to include share-based compensation expense that is no longer excluded from adjusted EBITDA and adjusted net income.
[3] Certain charges for the six months ended 30 June 2019 were reallocated from licensing fees to amortisation and general and administrative to match presentation following the Gamesys Acquisition.
[4] Figures for the six months ended 30 June 2019 have been amended to exclude deferred tax on purchase price intangibles.
[5] Per share figures are calculated on a diluted weighted average basis using the IFRS treasury method.
[6] All figures in the pro-forma financial summary and related discussions present Group results as though the acquired Gamesys brands have been a part of the Group for the entire comparative period.
[7] Adjusted net debt consists of existing term loans, deferred consideration, fair value of interest rate swap and currency swap, less non-restricted cash.
[8] Adjusted net leverage ratio consists of existing term loans, deferred consideration, fair value of interest rate swap and currency swap, less non-restricted cash divided by LTM to 30 June 2020 pro-forma adjusted EBITDA of £172.2 million.

Operational highlights (pro-forma)[6]

- Revenues in the UK reflected a strong performance across all our major brands and were up 16% year-on-year, with an acceleration of growth during Q2; good player retention establishing a strong bedrock of active customers to drive sustainable growth in the future
- Record performance in Asia, where revenues increased 92% year-on-year, driven by new customer growth, sustained momentum in Japan and the successful launch of our InterCasino brand
- European revenues fell by 4%, with steady growth in Spain despite the introduction of restrictions on advertising and bonusing due to COVID-19; elsewhere, Germany performed strongly although the Nordics remain challenging
- Revenues in ROW were up 2%, with the US recording revenue growth of 37% through Virgin Casino and the B2B contract with Tropicana Casino; overall performance in ROW impacted by the inclusion of discontinued markets, where we ceased trading in 2019
- Ongoing improvement in core KPIs[9]:
    - Average Active Players per Month[9] grew to 640,436 in the twelve months to 30 June 2020, an increase of 14% year-on-year
    - Average Real Money Gaming Revenue per Month[9] grew to £50.9 million, an increase of 21% year-on-year
    - Monthly Real Money Gaming Revenue per Average Active Player[9] of £80, an increase of 7% year-on-year

COVID-19 and responsible gambling

- The Group continues to focus on providing a recreational and entertaining experience for our community of players to enjoy, and we have seen significant increases in chatroom engagement and non-wagering sessions
- During the first half, we invested in additional resources and capabilities in our responsible gambling teams, including a 30% increase in budgeted headcount
- Between Q1 and Q2, we experienced a significant increase in both the number of players setting deposit limits and also in our proactive outbound calls to customers to discuss their play
- Upon entering COVID-19 lockdowns in Q2, we were the first operator to cease untargeted customer marketing in the UK, including the suspension of TV and radio campaigns
- Continue to monitor COVID-19 developments and government guidelines carefully, as the health and wellbeing of our employees and players remains our top priority
- We welcome the forthcoming review of the 2005 Gambling Act and look forward to contributing to an evidence-based assessment as to how to enhance the environment for responsible gambling
- Extremely proud of the productivity and focus that has been maintained by our teams across the Group, particularly during what has been a difficult time for many people and their families

Capital allocation

- The Group has a very strong record of cash flow generation and the Board expects a high cash conversion rate from adjusted EBITDA[1] to continue going forward. An adjusted net leverage ratio[8] of 2.83x at the end of 2019 has reduced to 2.27x at 30 June 2020 and we anticipate further deleveraging during the second half of 2020

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[9] For additional details, please refer to the information under the heading 'Key performance indicators' on page 14 of this release.

- We have consistently said that our long-term strategy is to reduce adjusted net leverage ratio[8] to a target range of 1x to 2x adjusted EBITDA[1] and to commence dividend payments, with the retained ability to launch a sustained share buyback programme if the Board believes it is appropriate. Given we are very much on track to achieve our target leverage, the Board believes that now is the right time to commence returns of cash to shareholders
- The Directors are pleased to declare an inaugural interim dividend of 12p per share and the implementation of a broader dividend and capital allocation policy. The interim dividend will be paid on or around 15 October 2020 to shareholders who are on the register of members on 11 September 2020
- The Board intends to implement a progressive dividend policy going forward, in order to align the Group with its listed peers in the UK, which is expected to be split 33%:67% between an interim and final dividend. While adopting this policy, it remains the intention of the Board to use the Group's strong cash generation to reduce Group adjusted net leverage ratio[8] to our target of below 2x adjusted EBITDA[1]
- The Directors believe that this policy, coupled with the Group's continued strong cash generation, will provide valued returns to shareholders while retaining sufficient cash within the Group to further reduce leverage and potentially undertake bolt-on acquisitions to accelerate growth. The Group's cash position will also provide flexibility to undertake returns to shareholders through share buyback programmes, should the Directors consider it to be the best use of excess capital at that time
- The Board will continue to assess the availability of any excess capital and carefully evaluate any identified opportunities (debt repayment, returns to shareholders, etc.) against the long-term benefit of organic investment and value-enhancing M&A. We intend to remain flexible and agile in the implementation of our corporate strategy in relation to the balance between cash conservation, debt paydown, potential bolt-on acquisitions and returning cash to shareholders

Neil Goulden, Executive Chair, Gamesys Group plc, commented:

"The Group has produced a strong first half financial performance despite the clear and striking challenges posed by the COVID-19 pandemic. I would like to acknowledge the hard work and dedication of all our employees across the Group during this difficult time, without which we would not have been able to deliver a safe and enjoyable experience for our customers. Having led the Group through a transformational period – one that has seen us relist on the London Stock Exchange; subsequently obtain a Premium Listing; successfully merge with and rebrand as Gamesys; become a FTSE-250 constituent; and now introduce a progressive dividend policy – I believe the time is right for me to return to the position of non-executive Chair, which will be effective from 1 October 2020. Following the Gamesys Acquisition in September 2019, we now have an exceptionally strong executive team in place and have successfully integrated the two businesses and delivered strong, sustainable results. The business is in very good hands and I look forward to supporting Lee and his team going forward."

Lee Fenton, CEO, Gamesys Group plc, added:

"It has been very pleasing to oversee another strong half-year performance, with reported gaming revenues doubling across the Group year-on-year. Our strong brands, operational control and proprietary technology have allowed us to drive growth in established markets such as the UK, while also delivering strong results in fast-growing markets in Asia and ROW. At the heart of this has been our commitment to responsible gambling, which was vital during a period in which many of our players were living in lockdown. As a result, we took decisive action during the period to enhance our player protection, both through investing in new capabilities and resources, and also ceasing certain marketing activities. We believe that this enlarged and highly engaged customer base will be key to driving sustainable growth in the future, positioning us well for the exciting opportunities ahead."

Conference call

A conference call for analysts and investors will be held today at 1.00pm BST / 8.00am ET. To participate, interested parties are asked to dial +44 (0) 20 3003 2666 (standard access); +1 866 378-3566 (Canada); or +1 866 966-5335 (US), 10 minutes prior to the scheduled start of the call using the reference “Gamesys”. A replay of the conference call will be available for 30 days by dialling +44 (0) 20 8196 1998 or + 1 866 595 5357 and using reference 2751983#. A transcript will also be made available on Gamesys Group plc’s website at www.gamesysgroup.com/investors

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The information contained within this announcement is deemed to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014. Upon the publication of this announcement, this inside information is now considered to be in the public domain. The person responsible for arranging for the release of this announcement on behalf of the Company is Dan Talisman, Chief Legal Officer and Company Secretary.

Chief Executive's business review

Overview

As we approach the twelve month anniversary of the transaction that led to the enlarged Gamesys Group, the rationale that underpinned the Board's belief in the business combination is still very much in evidence:

- Strategic alignment has driven a strong operating and financial performance
- The diversified brand portfolio continues to take market share
- Rainbow Riches Casino launched in the UK towards the end of 2019, Monopoly Casino commenced trading in Spain in June of this year and InterCasino is now also in Japan
- Increased scale has driven improvements to the player experience including access to a wider variety of brand and game choices
- The senior leadership team has come together well and the executive team is significantly invested in Gamesys equity
- We have continued to integrate the businesses further during the COVID-19 pandemic
- Operational control and enhanced development capability have boosted player acquisition and retention metrics

Considering the substantial progress that has been made on integration and in line with our previously announced plans, Simon Wykes will finish his role as Transition Director on 30 September 2020 and step down from the Board. Simon was an integral part of the team that delivered the Gamesys Acquisition and has shaped the combination of the two businesses since completion. The Board would like to thank him for his tremendous contribution over the past 3 years and wish him every success in the future.

During the unprecedented time of COVID-19, we have maintained a heightened focus on responsible gambling and delivered a strong operational performance. There was a significant uplift in first time depositors in H1, particularly in Q2, which together with good customer retention, positioned us well for sustainable growth in the future. We saw a record number of new players in Q2 representing a 24% increase over Q1. The UK has seen impressive growth but now represents a lower overall proportion of Group revenues at 58% due to the continued exceptional growth in Asia.

UK

Pro-forma[6] revenues increased by 16% compared to H1 2019 reflecting a strong performance across all the main brands and an acceleration of growth during Q2. Good customer retention is supporting the growth in the active base creating a bedrock for sustainable growth in the future.

Despite the return of a number of major sports events, and a rise in associated betting activity, performance continues to be robust with sequential growth in revenues for June compared to the monthly average over the previous three months.

Asia

A record H1 for the region driven by new customer growth and sustained momentum in Japan which continues to be one of the Group's highest growth markets. The launch of our InterCasino brand has been very successful and we are also continuing to develop bespoke products through our internal game studio Golden Hero. Our B2B services and content aggregation business, Solid Gaming, have also maintained strong momentum we saw through 2019.

Europe

Spain represents our largest market in our Europe region and we have seen steady growth despite the impact of more restrictive advertising and bonusing requirements due to COVID-19. We achieved our objective to launch a second brand in Spain with the successful launch of Monopoly Casino in June and early signs are encouraging as we seek to repeat the success of the multi-brand strategy we have in the UK. The short-term restrictions on advertising and bonusing in Spain were lifted in early June and we now await the introduction of further measures, which principally focus on sponsorship and broadcast advertising.

Elsewhere in Europe, Germany continues to deliver good growth while the Nordics, and particularly Sweden, remain challenging and therefore we are not investing significantly in customer acquisition in this region at the present time.

ROW

Our licensed operations in New Jersey in the US are the most significant contributor to our ROW region and through Virgin Casino and the B2B contract with Tropicana Casino, we have once again delivered strong double-digit growth. However, overall performance in ROW impacted by the inclusion of discontinued markets, where we ceased trading in 2019

COVID-19

The COVID-19 pandemic has created an unprecedented environment for individuals and businesses and it will likely change the way we work forever. The response from all our employees and teams across the organisation has been tremendous. We have had 100% business continuity throughout this period and in some cases we have seen productivity rise – in our technology functions for example, we have seen record levels of programming code written. Our code deployment frequency has increased 38% during the period of remote working.

Our recent comprehensive staff survey helped underscore how effective the measures which we have taken to ensure the health and wellbeing of employees and players have been. The survey had a 92% response rate representing approximately 1,300 people from our entire employee base: 99% of respondents – the highest score from all the questions – believe that Gamesys takes responsible gambling very seriously and 98% affirm that Gamesys leadership has responded effectively to the changes required by the pandemic.

We will continue to take a cautious approach globally as lockdown measures continue to ease and to ensure we comply with all local regulatory requirements across our global footprint. Our offices are slowly starting to open up but we have demonstrated how effectively we can operate under recent challenging circumstances and our priority will continue to be the health and wellbeing of employees and our players.

Safer gambling

At the time of our Q1 update in April we announced that we had increased the resource and capability in our responsible gambling team to manage our growth in activity and we have increased budgeted headcount in this area by 30%.

We also continue to invest in our toolset for safer gambling and reminding players of the controls they can utilise, we have increased awareness of how long players are on our sites and how much they spend. At the beginning of Q2 we ceased untargeted customer marketing in the UK which included the suspension of TV and radio campaigns. We also made our TV sponsorship of ITV's hit show, Loose Women, available to Women's Aid, the national charity working to end domestic abuse, as well as donating £0.2m to help increase the charity's support capability.

The Gambling Commission introduced a number of measures in May covering monitoring player behaviour, bonusing, affordability, withdrawals, etc. and in most cases we were either already compliant or setting even higher standards. Our focus is on providing a recreational and entertaining experience for our community of players to enjoy and we have continued to see a rise in chatroom engagement and non-wagering sessions, 28%[10] and 53%[10], respectively, as well as a 34%[10] increase in the number of players setting deposit limits and a 44%[10] increase in our proactive outbound calls to players. Over half of all sessions on our UK sites do not involve any wagering.

Regulatory update

The regulatory landscape is ever-changing but our historic record demonstrates that we have successfully adapted to regulatory intervention and we continue to believe that our ethos of 'crafting entertainment with care' will see us prosper in the future.

In the UK, we welcome the forthcoming review of the 2005 Gambling Act and look forward to contributing to an evidence-based assessment as to how to enhance the environment for responsible gambling.

Current trading and outlook

Our strong performance has continued into the early part of Q3 across our major markets. While we remain very cognisant of the macro economic uncertainty created by the COVID-19 pandemic, our high-quality brand portfolio, operational control and proprietary technology platform leave us well placed to address the growth opportunities which lie ahead. Given the strong performance in the first 7 months of the year, we now expect to report FY20 gaming revenue and adjusted EBITDA[1] comfortably ahead of our prior expectations.

[10] Quoted percentages relate to increases in the UK between Q1 2020 and Q2 2020.

Note regarding non-IFRS financial measures

The following non-IFRS definitions are used in this release because management believes that they provide additional useful information regarding ongoing operating and financial performance. Readers are cautioned that the definitions are not recognised measures under IFRS, do not have standardised meanings prescribed by IFRS, and should not be considered in isolation or construed to be alternatives to revenues and net income/(loss) and comprehensive income/(loss) for the period determined in accordance with IFRS or as indicators of performance, liquidity or cash flows. Our method of calculating these measures may differ from the method used by other entities. Accordingly, our measures may not be comparable to similarly titled measures used by other entities or in other jurisdictions.

Adjusted EBITDA, as defined by the Group, is income from continuing operations before interest expense including accretion (net of interest income), income taxes, amortisation and depreciation, fair value adjustments on contingent consideration, transaction related costs and foreign exchange (gain)/loss. Management believes that Adjusted EBITDA is an important indicator of the issuer's ability to generate liquidity to service outstanding debt and uses this metric for such purpose. The exclusion of fair value adjustments on contingent consideration, transaction related costs and foreign exchange (gain)/loss eliminates items which management believes are either non-operational and/or non-routine.

Adjusted Net Income, as defined by the Group, means net income from continuing operations plus or minus items of note that management may reasonably quantify and believes will provide the reader with a better understanding of the Group's underlying business performance. Adjusted Net Income is calculated by adjusting net income for accretion on financial liabilities, amortisation of acquisition related purchase price intangibles (including non-compete clauses), fair value adjustments on contingent consideration, transaction related costs, foreign exchange (gain)/loss and deferred tax on purchase price intangibles. The exclusion of accretion on financial liabilities eliminates the non-cash items and the exclusion of amortisation of acquisition related purchase price intangibles (including non-compete clauses), fair value adjustments on contingent consideration, transaction related costs, foreign exchange (gain)/loss and deferred tax on purchase price intangibles eliminates items which management believes are non-operational and/or non-routine. Adjusted Net Income is considered by some investors and analysts for the purpose of assisting in valuing a company.

Diluted Adjusted Net Income per share from continuing operations, as defined by the Group, means Adjusted Net Income divided by the diluted weighted average number of shares outstanding, calculated using the IFRS treasury method, for the applicable period. Management believes that Diluted Adjusted Net Income per share from continuing operations assists with the Group's ability to analyse Adjusted Net Income on a diluted weighted average per share basis.

Cautionary Note Regarding Forward Looking Information

This announcement may contain statements that constitute 'forward-looking information', 'future-oriented financial information' and 'financial outlook' within the meaning of applicable laws, including Canadian securities legislation. Forward-looking information contained in this announcement includes, but is not limited to statements with respect to: the Group's future financial performance, including its FY20 gaming revenue and adjusted EBITDA[1]; the future prospects of the Group's business and operations; the Group's growth opportunities and the execution and sustainability of its growth strategies, including the pursuit of bolt-on acquisitions; the importance of the Group's enlarged and engaged customer base in driving sustainable growth; the Group's anticipated cash flow generation and deleveraging, and its ability to meet stated long-term targets ahead of schedule or at all; the Group's anticipated cash conversion rate from adjusted EBITDA[1]; returns to shareholders through share buyback programmes or otherwise; the anticipating timing of a dividend payment, and the implementation of a broader dividend and capital allocation policy; the Group's contributions to the environment for responsible gaming; the Group's preservation of flexibility to balance between cash conservation, debt paydown, potential acquisitions and returns of cash to shareholders; Mr. Goulden's return to the position of non-executive chair on 1 October 2020; the Group's future priorities; the statements made under the heading 'Current trading and outlook' of this announcement. Words such as 'plans', 'expects', 'estimates', 'projects', 'predicts', 'targets', 'seeks', 'intends', 'anticipates', 'believes', 'may', 'could', 'should', 'might', 'will' or similar expressions suggesting future outcomes or events are intended to identify such forward-looking information. Such forward-looking statements are based on current expectations, estimates, forecasts and projections about the Group's business and the industry, regulatory and economic environments in which it operates, and include beliefs and assumptions made by management of the Group which may prove to be incorrect, including, but not limited to: the ability of the Group to secure, maintain and comply with all required licences, permits and certifications to carry out business in the jurisdictions in which it currently operates or intends to operate; no unforeseen changes in governmental or regulatory policies, including the introduction of new laws or changes in existing laws (or the interpretation thereof) related to online gaming; general business, economic and market conditions (including market growth rates and the withdrawal of the UK from the European Union); the Group operating in foreign jurisdictions; the competitive environment; the expected growth of the online gaming market and potential new market opportunities; anticipated and unanticipated costs; the protection of the Group's intellectual property rights; the Group's ability to successfully integrate and realise the benefits of its completed acquisitions, the Group's continued relationship with third parties; the ability of the Group to service its debt obligations; the ability of the Group to obtain additional financing, if, as and when required; the Group's ability to retain its active customers; the availability of suitable bolt-on acquisition targets; and no unforeseen changes due to the COVID-19 pandemic. Such statements could also be materially affected by risks relating to the lack of available and qualified personnel or management; stock market volatility; taxation policies; competition; foreign operations; the Group's limited operating history and the Group's ability to access sufficient capital from internal or external sources. Gamesys believes that these are reasonable assumptions, based on information currently available to the Group.

Whether actual results and developments will conform with the expectations and predictions contained in the forward-looking information is subject to a number of risks and uncertainties, many of which are beyond the Group's control. Factors that could cause actual results or outcomes to differ materially from the results expressed or implied by forward-looking statements include, among other things: risks relating to the lack of available and qualified personnel or management; unfavourable regulatory changes in key markets; risks associated with fluctuations in interest rates and failure to manage exposure to credit and financial instrument risk; a significant expansion in length or severity of the COVID-19 pandemic restricting or prohibiting the Group's operations or significantly impacting the Group's workforce; the severity of mitigation measures related to the COVID-19 pandemic; and risks associated with economic uncertainty and financial market volatility.

There can be no assurance that forward-looking statements will prove to be accurate, as actual results may differ materially from those expressed in or implied by the forward-looking information contained in this announcement. All forward looking information in this announcement speaks as of the date of this announcement. While subsequent events and developments may cause the Group's expectations, estimates and views to change, the Group does not undertake or assume any obligation to update or revise any forward-looking information, except as required by applicable law.

In addition, the Group cautions readers that information provided in this announcement regarding the Group's outlook on certain matters, including any future-oriented financial information and financial outlook, is provided in order to give context to the Group's future financial performance and future prospects of the Group's business and operations, and may not be appropriate for other purposes.

Financial Review

Gaming revenue

	Six months ended 30 June 2020 (£m)	Six months ended 30 June 2019 (£m)
UK	**197.4**	78.0
Asia	**98.9**	51.5
Europe	**34.4**	36.0
ROW	**9.3**	4.0
Total	**340.0**	169.5

The increase in total gaming revenue for the six months ended 30 June 2020 in comparison to the same period in the prior year relates to organic growth[11] of the Group's online gaming segment as well as the results of the Gamesys Acquisition.

Costs and expenses

	Six months ended 30 June 2020 (£m)	Six months ended 30 June 2019 (£m)
Distribution costs[3]	**181.3**	85.7
Administrative costs[3]	**107.1**	54.9
Impairment of financial assets	**3.0**	—
Transaction related costs	**2.8**	12.2
	294.2	152.8

Distribution costs

	Six months ended 30 June 2020 (£m)	Six months ended 30 June 2019 (£m)
Selling and marketing	**69.0**	31.0
Licensing fees[3]	**30.1**	21.2
Gaming taxes	**52.5**	22.3
Processing fees	**29.7**	11.2
	181.3	85.7

Selling and marketing expenses consist of payments made to affiliates and general marketing expenses related to each brand. Licensing fees consist of fees paid to game suppliers. Gaming taxes largely consist of point of consumption taxes, payable in regulated jurisdictions that the Group operates in. Variance in gaming taxes from prior period relates to the Gamesys Acquisition and an increase in remote gaming duty from 15% to 21%, which came into effect in the UK in Q2 2019. Processing fees consist of costs associated with using payment providers and include payment service provider transaction and handling costs as well as deposit and withdrawal fees. With the exception of selling and marketing expenses, distribution costs tend to be variable in relation to revenue.

The increase in distribution costs for the six months ended 30 June 2020 compared to the same period in 2019 is mainly due to increased revenue and marketing spend in the online gaming segment as well as results of the Gamesys Acquisition.

[11] Organic growth is growth achieved without accounting for acquisitions or disposals.

Administrative costs

	Six months ended 30 June 2020 (£m)	Six months ended 30 June 2019 (£m)
Compensation and benefits	**45.0**	19.6
Professional fees	**3.3**	2.4
General and administrative[3]	**12.4**	7.5
Amortisation and depreciation[3]	**46.4**	25.4
	107.1	54.9

Compensation and benefits costs consist of salaries, wages, bonuses, directors' fees, benefits, long-term incentive plan expense and share-based compensation expense. The increase in these expenses for the six months ended 30 June 2020 compared to the same period in 2019 is primarily due to the Gamesys Acquisition, additional staff hired, addition of LTIP4 (as defined in note 22) and higher bonus accruals as the business continues to grow.

Professional fees consist mainly of legal, accounting and audit fees. The increase in professional fees for the six months ended 30 June 2020 compared to the same period in 2019 can be attributed to the Gamesys Acquisition and services obtained in relation to some of the Group's operational and corporate initiatives.

General and administrative expenses consist of items, such as travel and accommodation, insurance, listing authority fees, technology and development costs, and other office overhead charges. The increase in these costs for the six months ended 30 June 2020 compared to the same period in 2019 can be largely attributed to the Gamesys Acquisition.

Amortisation and depreciation expenses consist of amortisation of the Group's intangible assets and depreciation of the Group's tangible assets over their useful lives. The increase in amortisation and depreciation in the six months ended 30 June 2020 is due to the addition of purchase price intangibles bought as part of the Gamesys Acquisition. This increase is partially offset by the fact that amortisation expense related to purchase price intangibles recognised in prior periods decreases with each passing period of their useful lives as a result of the amortisation method used, which is modelled on a measure approximating to player attrition. The increase is further offset by the fact that the Group's non-compete clauses were fully amortised during March 2019.

Impairment of financial assets

Impairment of financial assets relates to provision on rolling reserve balances owing from all payment service providers identified as high-risk, as discussed in note 3 of the Supplementary Notes for the Six Months Ended 30 June 2020.

Transaction related costs

Transaction related costs consist of legal, professional, due diligence and other direct costs/fees associated with transactions and acquisitions or disposals contemplated or completed by the Group. The decrease in transaction related costs in the six months ended 30 June 2020 compared to the same period in 2019 relates to the Gamesys Acquisition, which was completed in 2019 with the majority of related costs expensed accordingly.

Business unit results

Online gaming (pro-forma)[6]

	Six months ended 30 June 2020 (£m)	Six months ended 30 June 2019 (£m)	Variance (£m)	Variance %
Gaming revenue	**340.0**	267.3	72.7	27
Distribution costs	**181.3**	133.0	48.3	36
Administrative costs	**51.8**	47.1	4.7	10
Impairment of financial assets	**3.0**	—	3.0	—
Adjusted EBITDA[1]	**103.9**	87.2	16.7	19

Online gaming revenue by geography (pro-forma)[6]

	Six months ended 30 June 2020 (£m)	Six months ended 30 June 2019 (£m)	Variance (£m)	Variance %
UK	**197.4**	170.7	26.7	16
Asia	**98.9**	51.5	47.4	92
Europe	**34.4**	36.0	(1.6)	(4)
ROW	**9.3**	9.1	0.2	2
Total	**340.0**	267.3	72.7	27

Gaming revenue for the online gaming segment for the six months ended 30 June 2020 was 27% higher than in the same period in 2019. UK revenues increased by 16% for the six months ended 30 June 2020 compared to the same period in 2019 despite the continued impact of enhanced responsible gambling measures. Asia continued to perform strongly, growing revenue by 92% for the six months ended 30 June 2020 compared to the same period in 2019. Europe revenues declined by 4% for the six months ended 30 June 2020 compared to the same period in 2019, largely due to the impact of regulatory measures in Sweden. ROW includes New Jersey revenues which increased by 37% for the six months ended 30 June 2020 compared to the same period in 2019.

Distribution costs increased 36% for the six months ended 30 June 2020 compared to the same period in 2019 as a result of higher marketing spend and higher revenues achieved.

The increase in administrative costs for the six months ended 30 June 2020 compared to the same period in 2019 was mainly driven by increases in personnel costs and administrative overhead costs as the Group continues to grow.

Unallocated corporate costs – adjusted EBITDA[1,2] (pro-forma)[6]

Adjusted EBITDA[1,2] on unallocated corporate costs decreased from (£6.0) million to (£8.9) million in the six months ended 30 June 2020 compared to the same period in 2019. The variance mainly relates to a £2.3 million increase in compensation and a £0.7 million increase in general administrative costs offset by a £0.1 million decrease in professional fees.

Unallocated corporate costs – net loss

Net loss on unallocated corporate costs marginally increased for the six months ended 30 June 2020 compared to the same period in 2019. This increase is driven by higher compensation and financing costs as well as higher foreign exchange losses partially offset by lower transaction related costs.

Costs included in net loss which are excluded from the adjusted EBITDA[1] measure are discussed on page 8 of this release.

Financial position

	As at 30 June 2020 (£m)	As at 31 December 2019 (£m)	Variance (£m)
Total non-current assets	**1,015.6**	1,045.6	(30.0)
Total current assets	**215.9**	165.9	50.0
Total assets	**1,231.5**	1,211.5	20.0
Total current liabilities	**146.9**	122.5	24.4
Total non-current liabilities	**598.1**	624.2	(26.1)
Total liabilities	**745.0**	746.7	(1.7)

The £30.0 million decrease in non-current assets since 31 December 2019 largely relates to amortisation of the Group's intangible assets.

The £14.3 million increase in current assets (excluding a cash increase of £35.7 million) since 31 December 2019 largely relates to a £17.1 million increase in player deposits driven by strong results achieved during the six months ended 30 June 2020.

The £24.4 million increase in current liabilities mostly relates to higher accounts payable and accrued liabilities due to an increase in the Group's direct costs as well as higher player liabilities driven by strong results achieved during the six months ended 30 June 2020.

The £26.1 million decrease in non-current liabilities primarily relates to a £40.0 million payment made on the Group's GBP Term Facility.

Cash flow by activity

	Six month period ended 30 June 2020 (£m)	Six month period ended 30 June 2019 (£m)	Variance (£m)
Operating activities	**100.7**	36.2	64.5
Financing activities	**(60.4)**	(13.3)	(47.1)
Investing activities	**(8.9)**	6.7	(15.6)

Cash provided by operating activities during the six months ended 30 June 2020 relates to cash generated from the operational activities of the online gaming segment, less corporate expenses. For the six months ended 30 June 2020, the operating cash flow increased compared to the same period in 2019 primarily due to the Gamesys Acquisition and strong results achieved by the Group.

Increase in cash used in financing activities during the six months ended 30 June 2020 compared to the same period in 2019 relates to a £40.0 million payment made on the Group's GBP Term Facility and higher interest repayments due on the Group's Add-on Debt.

Decrease in cash used in investing activities during the six months ended 30 June 2020 compared to the same period in 2019 relates to the comparative period including proceeds from the disposal of the Mandalay business.

Key performance indicators – pro-forma[6]

Average Active Players is a key performance indicator used by management to assess real money player acquisition and real money player retention efforts of each of the Group's brands. The Group defines Average Active Players ('Average Active Players') as being real money players who have placed at least one bet in a given month. 'Average Active Players per Month' is the Average Active Players per month, averaged over a twelve-month period. While this measure is not recognised by IFRS, management believes that it is a meaningful indicator of the Group's ability to acquire and retain players.

Total Real Money Gaming Revenue and **Average Real Money Gaming Revenue per Month** are key performance indicators used by management to assess revenue earned from real money gaming operations of the business. The Group defines Total Real Money Gaming Revenue ('Total Real Money Gaming Revenue') as revenue less revenue earned from B2B operations. The Group defines Average Real Money Gaming Revenue per Month ('Average Real Money Gaming Revenue per Month') as Real Money Gaming Revenue per month, averaged over a twelve-month period. While these measures are not recognised by IFRS, management believes that they are meaningful indicators of the Group's real money gaming operational results.

Monthly Real Money Gaming Revenue per Average Active Player is a key performance indicator used by management to assess the Group's ability to generate Real Money Gaming Revenue on a per player basis. The Group defines Monthly Real Money Gaming Revenue per Average Active Player ('Monthly Real Money Gaming Revenue per Average Active Player') as being Average Real Money Gaming Revenue per Month divided by Average Active Players per Month. While this measure is not recognised by IFRS, management believes that it is a meaningful indicator of the Group's ability to generate Total Real Money Gaming Revenue.

	Twelve months ended 30 June 2020	Twelve months ended 30 June 2019	Variance	Variance %
Average Active Players per Month (#)	**640,436**	562,474	77,962	14%
Total Real Money Gaming Revenue (£000's)[12]	**611,106**	506,527	104,579	21%
Average Real Money Gaming Revenue per Month (£000's)	**50,926**	42,211	8,715	21%
Monthly Real Money Gaming Revenue per Average Active Player (£)	**80**	75	5	7%

Monthly Real Money Gaming Revenue per Average Active Player increased by 7% year-over-year, maintaining a level consistent with the Group's overall player acquisition and retention strategy.

[12] Total Real Money Gaming Revenue for the twelve months ended 30 June 2020 consists of total pro-forma revenue less revenue earned from B2B activity of £27.0 million (30 June 2019 – £14.1 million).

Principal risks and uncertainties

Details of the Group's principal risks were set out on pages 50 to 57 of the Annual Report for the year ended 31 December 2019 (the '2019 Annual Report'). As at 30 June 2020, the directors have reviewed the Group's risk profile in the context of current market conditions and the outlook for the remaining six months of the financial year. In addition, they have reconsidered previous statements made on risk appetite, risk governance and internal controls and do not consider there to be any significant changes since the 2019 Annual Report.

However, while COVID-19 has not had a dramatic impact on the company's ability to operate thus far, it still poses a significant threat to the global economy and the discretionary spending of our customer base, particularly in the event of recurring lockdowns and/or a prolonged economic recession. To this point, we have been proactive in managing the impact of the pandemic to our business, and our main priority has always been the safety and wellbeing of our customers and employees. This resulted in us taking prompt action to introduce new responsible gambling policies to protect customers during lockdown, as well as encouraging our employees to work from home since the crisis began in line with government guidance. We expect to be able to manage the crisis in a similarly appropriate way in the months ahead, responding to changes in consumer behaviour and other challenges that may be presented by COVID-19.

Directors' responsibility statement in respect of the half yearly financial report

For the six months ended 30 June 2020

We confirm to the best of our knowledge that:

a) The condensed interim set of financial statements has been prepared in accordance with IAS 34 – *Interim Financial Reporting* as adopted by the European Union;

b) The Interim Report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and

c) The Interim Report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

A list of the current Directors is maintained on the Gamesys Group plc website: https://www.gamesysgroup.com/

Signed on behalf of the Board of Directors

Neil Goulden
Executive Chair
11 August 2020

INDEPENDENT REVIEW REPORT TO GAMESYS GROUP PLC

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the interim financial report for the six months ended 30 June 2020 which comprises the Interim Condensed Consolidated Statement of Comprehensive Income, the Interim Condensed Consolidated Balance Sheets, the Interim Condensed Consolidated Statements of Changes in Equity, the Interim Condensed Consolidated Statements of Cash Flows and the related notes.

We have read the other information contained in the interim financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The interim financial report for the six months ended 30 June 2020 is the responsibility of and has been approved by the directors. The directors are responsible for preparing the interim financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The condensed set of financial statements included in this interim financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the interim financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the interim financial report for the six months ended 30 June 2020 is not prepared, in all material respects, in accordance with International Accounting Standard 34, as adopted by the European Union, and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Use of our report

Our report has been prepared in accordance with the terms of our engagement, and to assist the company in meeting its responsibilities in respect of interim financial reporting in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

BDO LLP

Chartered Accountants

London

11 August 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June 2020 (£m)	Six months ended 30 June 2019 (£m)
Gaming revenue[4]	**340.0**	169.5
Costs and expenses		
Distribution costs[4,5]	**181.3**	85.7
Administrative costs[5]	**107.1**	54.9
Impairment of financial assets[4,13]	**3.0**	–
Transaction related costs[4]	**2.8**	12.2
Foreign exchange loss/(gain)[4]	**6.2**	(0.3)
Total costs and expenses	**300.4**	152.5
Fair value adjustments on contingent consideration	**–**	0.5
Interest income[6]	**(0.2)**	(0.2)
Interest expense[6]	**12.6**	9.8
Accretion on financial liabilities[6]	**0.5**	0.6
Total financing expenses	**12.9**	10.7
Net income for the period before taxes from continuing operations	**26.7**	6.3
Tax expense[4]	**3.4**	1.0
Net income for the period after taxes from continuing operations	**23.3**	5.3
Net loss from discontinued operations	**–**	(0.7)
Net income for the period attributable to owners of the parent	**23.3**	4.6
Other comprehensive income/(loss): Items that will or may be reclassified to profit or loss in subsequent periods		
Foreign currency translation (loss)/gain on retranslation of overseas subsidiaries	**(6.2)**	0.2
Unrealised gain on foreign exchange forward	**–**	0.3
Unrealised gain on cross currency swap[14]	**4.4**	–
Unrealised loss on interest rate swap[14]	**(1.5)**	(1.1)
Total comprehensive income for the period attributable to owners of the parent	**20.0**	4.0
Net income for the period per share		
Basic[7]	**21.4p**	6.2p
Diluted[7]	**21.4p**	6.2p
Net income for the period per share – continuing operations		
Basic[7]	**21.4p**	7.1p
Diluted[7]	**21.4p**	7.1p

See accompanying notes

UNAUDITED INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS	**As at 30 June 2020 (£m)**	As at 31 December 2019 (£m)
Non-current assets		
Tangible assets[9]	**9.2**	9.5
Intangible assets[10]	**451.5**	484.5
Goodwill[10]	**528.1**	524.2
Right-of-use assets[15]	**21.9**	22.2
Other long-term receivables[11,20]	**4.9**	5.2
Total non-current assets	**1,015.6**	1,045.6
Current assets		
Cash[12,20]	**136.0**	100.3
Restricted cash[12,20]	**5.0**	6.3
Player deposits[12,20]	**29.5**	12.4
Trade and other receivables[13,20]	**36.1**	33.2
Taxes receivable	**9.3**	13.7
Total current assets	**215.9**	165.9
Total assets	**1,231.5**	1,211.5
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities[16,20]	**93.5**	78.0
Other short-term payables[18,20]	**0.4**	5.6
Current portion of provisions[17]	**3.8**	3.8
Current portion of cross currency and interest rate swap payable[8,14,20]	**2.4**	3.7
Current portion of lease liabilities[8,15,20]	**5.6**	4.7
Interest payable[8,20]	**1.3**	0.9
Payable to players[20]	**29.5**	12.4
Provision for taxes	**10.4**	13.4
Total current liabilities	**146.9**	122.5
Non-current liabilities		
Other long-term payables[8,14,20,21]	**13.4**	16.7
Provisions[17]	**6.0**	6.0
Lease liabilities[8,15,20]	**16.9**	18.0
Deferred tax liability	**49.9**	53.2
Long-term debt[8,19,20]	**511.9**	530.3
Total non-current liabilities	**598.1**	624.2
Total liabilities	**745.0**	746.7
Equity		
Retained earnings	**214.2**	190.8
Share capital[22]	**10.9**	10.9
Share premium	**5.2**	4.7
Other reserves	**256.2**	258.4
Total equity	**486.5**	464.8
Total liabilities and equity	**1,231.5**	1,211.5

See accompanying notes

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share Capital (£m)	Share Premium (£m)	Merger Reserve (£m)	Share-Based Payment Reserve (£m)	Translation Reserve (£m)	Hedge Reserve (£m)	Retained Earnings (£m)	Total (£m)
Balance at 1 January 2019	**7.4**	**2.1**	**(6.1)**	**10.4**	**24.0**	**(1.1)**	**182.4**	**219.1**
Comprehensive income/(loss) for the period:								
Net income for the period (continued and discontinued operations)	–	–	–	–	–	–	4.6	4.6
Other comprehensive income/(loss)	–	–	–	–	0.2	(0.8)	–	(0.6)
Total comprehensive income/(loss) for the period:	**–**	**–**	**–**	**–**	**0.2**	**(0.8)**	**4.6**	**4.0**
Contributions by and distributions to shareholders:								
Issue of common shares, net of costs	–	–	–	–	–	–	(1.0)	(1.0)
Exercise of options	–	0.9	–	(0.3)	–	–	0.3	0.9
Share-based compensation	–	–	–	0.2	–	–	–	0.2
Total contributions by and distributions to shareholders:	**–**	**0.9**	**–**	**(0.1)**	**–**	**–**	**(0.7)**	**0.1**
Balance at 30 June 2019	**7.4**	**3.0**	**(6.1)**	**10.3**	**24.2**	**(1.9)**	**186.3**	**223.2**
Balance at 1 January 2020	**10.9**	**4.7**	**234.5**	**10.1**	**25.4**	**(11.6)**	**190.8**	**464.8**
Comprehensive income/(loss) for the period:								
Net income for the period (continued and discontinued operations)	–	–	–	–	–	–	23.3	23.3
Other comprehensive (loss)/income	–	–	–	–	(6.2)	2.9	–	(3.3)
Total comprehensive (loss)/income for the period:	**–**	**–**	**–**	**–**	**(6.2)**	**2.9**	**23.3**	**20.0**
Contributions by and distributions to shareholders:								
Exercise of options[22]	–	0.5	–	(0.1)	–	–	0.1	0.5
Share-based compensation[22]	–	–	–	1.2	–	–	–	1.2
Total contributions by and distributions to shareholders:	**–**	**0.5**	**–**	**1.1**	**–**	**–**	**0.1**	**1.7**
Balance at 30 June 2020	**10.9**	**5.2**	**234.5**	**11.2**	**19.2**	**(8.7)**	**214.2**	**486.5**

See accompanying notes

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended 30 June 2020 (£m)	Six months ended 30 June 2019 (£m)
Operating activities		
Cash generated from operations[23]	**106.5**	40.4
Income taxes paid	**(5.8)**	(4.2)
Total cash provided by operating activities	**100.7**	36.2
Financing activities		
Proceeds from exercise of options	**0.5**	0.9
Lease payments[8,15]	**(2.8)**	(0.6)
Repayment of non-compete liability[8]	**(4.7)**	(4.0)
Interest repayment[8]	**(13.4)**	(9.6)
Principal payments made on long-term debt[8,19]	**(40.0)**	–
Total cash used in financing activities	**(60.4)**	(13.3)
Investing activities		
Purchase of tangible assets	**(1.3)**	(2.6)
Purchase of intangible assets	**(7.6)**	(2.7)
Disposal of discontinued operation	**–**	12.0
Total cash (used in)/provided by investing activities	**(8.9)**	6.7
Net increase in cash during the period	**31.4**	29.6
Cash, beginning of period	**100.3**	84.4
Exchange gain on cash and cash equivalents	**4.3**	0.2
Cash, end of period	**136.0**	114.2

See accompanying notes

SUPPLEMENTARY NOTES FOR THE SIX MONTHS ENDED 30 JUNE 2020

1. Corporate information

Gamesys Group plc is an online gaming holding company that was incorporated under the *Companies Act 2006* (England and Wales) on 29 July 2016. Gamesys Group plc's registered office is located at 10 Piccadilly, London, United Kingdom. Unless the context requires otherwise, use of 'Group' in these accompanying notes means Gamesys Group plc and its subsidiaries, as applicable.

The Group currently offers bingo, casino and other games to its players using the Jackpotjoy, Starspins, Botemania, Virgin Games, Heart Bingo, Virgin Casino, Monopoly Casino, Rainbow Riches, Vera&John, InterCasino and Solid Gaming brands. All brands operate off proprietary software owned by the Group.

These Unaudited Interim Condensed Consolidated Financial Statements were authorised for issue by the Board of Directors of Gamesys Group plc on 11 August 2020.

2. Basis of preparation

Basis of presentation

These Unaudited Interim Condensed Consolidated Financial Statements have been prepared by management on a going concern basis, are presented in compliance with International Accounting Standard ('IAS') 34 – *Interim Financial Reporting*, and have been prepared on a basis consistent with the accounting policies and methods used and disclosed in Gamesys Group plc's consolidated financial statements for the year ended 31 December 2019 (the 'Annual Financial Statements'), except as described below. Certain information and disclosures normally included in the Annual Financial Statements prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union, and in accordance with IFRS as issued by the International Accounting Standards Board, have been omitted or condensed.

These Unaudited Interim Condensed Consolidated Financial Statements should be read in conjunction with the Annual Financial Statements. All defined terms used herein are consistent with those terms as defined in the Annual Financial Statements.

These Unaudited Interim Condensed Consolidated Financial Statements have been prepared under the historical cost convention, other than for the measurement at fair value of the Group's Interest Rate Swap, Currency Swap, certain hedged loan instruments, and certain loans receivable.

The comparative financial information for the year ended 31 December 2019 in these Unaudited Interim Condensed Consolidated Financial Statements does not constitute statutory accounts for that year. The auditors' report on the statutory accounts for the year ended 31 December 2019 was unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under sections 498(2) or 498(3) of the *Companies Act 2006*.

Basis of consolidation

The Group assesses control by evaluating matters relating to its power over an entity, its exposure or rights to variable returns from involvement with an entity and its ability to use its power over the entity to affect those returns. In certain situations, the assessment of control in accordance with the Group's accounting policies may require the exercise of management judgement.

Gamesys Group plc's Unaudited Interim Condensed Consolidated Financial Statements consolidate all wholly owned subsidiaries and other entities that the Group controls. All transactions and balances between companies within the Group are eliminated on consolidation.

Intercompany transactions, balances, income and expenses on transactions between Gamesys Group plc's subsidiaries are eliminated. Profit and losses resulting from intercompany transactions that are recognised in assets are also eliminated.

3. Summary of significant accounting policies

For a description of the Group's significant accounting policies, significant accounting estimates and assumptions, and related information see notes 3 and 4 to the Annual Financial Statements. Other than what is described below, there have been no changes to the Group's significant accounting policies or significant accounting estimates and assumptions during the six months ended 30 June 2020.

Financial assets at amortised cost

Balances in transit or receivable from payment service providers are considered trade and other receivables that fall under the scope of IFRS 9 – *Financial Instruments*. In order to determine the amount of ECL to be recognised in the Unaudited Interim Condensed Consolidated Financial Statements on these balances, the Group has set up a risk rating system to determine credit risk of each counter party. ECL is calculated as 45% (31 December 2019 – 30%) of the rolling reserve balances owing from all payment service providers identified as high-risk.

4. Segment information

The following tables present selected financial results for online gaming and the unallocated corporate costs:

Six months ended 30 June 2020:

	Online gaming (£m)	Unallocated corporate costs (£m)	Total (£m)
Gaming revenue	**340.0**	**—**	**340.0**
Distribution costs	181.3	—	181.3
Amortisation and depreciation	46.1	0.3	46.4
Compensation, professional, and general and administrative expenses	51.8	8.9	60.7
Impairment of financial assets	3.0	—	3.0
Transaction related costs	—	2.8	2.8
Foreign exchange loss	0.7	5.5	6.2
Financing, net	0.5	12.4	12.9
Income/(loss) for the period before taxes from continuing operations	**56.6**	**(29.9)**	**26.7**
Tax expense	3.3	0.1	3.4
Net income/(loss) for the period after taxes from continuing operations	**53.3**	**(30.0)**	**23.3**
Net income/(loss) for the period after taxes from continuing operations	**53.3**	**(30.0)**	**23.3**
Interest expense, net	0.5	11.9	12.4
Accretion on financial liabilities	—	0.5	0.5
Tax expense	3.3	0.1	3.4
Amortisation and depreciation	46.1	0.3	46.4
EBITDA	**103.2**	**(17.2)**	**86.0**
Transaction related costs	—	2.8	2.8
Foreign exchange loss	0.7	5.5	6.2
Adjusted EBITDA	**103.9**	**(8.9)**	**95.0**
Net income/(loss) for the period after taxes from continuing operations	**53.3**	**(30.0)**	**23.3**
Transaction related costs	—	2.8	2.8
Foreign exchange loss	0.7	5.5	6.2
Amortisation of acquisition related purchase price intangibles	38.5	—	38.5
Accretion on financial liabilities	—	0.5	0.5
Deferred tax on purchase price intangibles	(3.2)	—	(3.2)
Adjusted net income/(loss)	**89.3**	**(21.2)**	**68.1**

Six months ended 30 June 2019:

	Online gaming (£m)	Unallocated corporate costs (£m)	Total (£m)
Gaming revenue	**169.5**	**—**	**169.5**
Distribution costs[1]	85.7	—	85.7
Amortisation and depreciation[1]	24.9	0.5	25.4
Compensation, professional, and general and administrative expenses[1]	23.5	6.0	29.5
Transaction related costs	—	12.2	12.2
Foreign exchange gain	—	(0.3)	(0.3)
Financing, net	—	10.7	10.7
Income/(loss) for the period before taxes from continuing operations	**35.4**	**(29.1)**	**6.3**
Tax expense	0.9	0.1	1.0
Net income/(loss) for the period after taxes from continuing operations	**34.5**	**(29.2)**	**5.3**
Net income/(loss) for the period after taxes from continuing operations	**34.5**	**(29.2)**	**5.3**
Interest expense, net	—	9.6	9.6
Accretion on financial liabilities	—	0.6	0.6
Tax expense	0.9	0.1	1.0
Amortisation and depreciation	24.9	0.5	25.4
EBITDA	**60.3**	**(18.4)**	**41.9**
Fair value adjustments on contingent consideration	—	0.5	0.5
Transaction related costs	—	12.2	12.2
Foreign exchange gain	—	(0.3)	(0.3)
Adjusted EBITDA[2]	**60.3**	**(6.0)**	**54.3**
Net income/(loss) for the period after taxes from continuing operations	**34.5**	**(29.2)**	**5.3**
Fair value adjustments on contingent consideration	—	0.5	0.5
Transaction related costs	—	12.2	12.2
Foreign exchange gain	—	(0.3)	(0.3)
Amortisation of acquisition related purchase price intangibles	22.4	—	22.4
Accretion on financial liabilities	—	0.6	0.6
Deferred tax on purchase price intangibles	(0.2)	—	(0.2)
Adjusted net income/(loss) [2,3]	**56.7**	**(16.2)**	**40.5**

[1]Certain charges were reallocated from licensing fees to amortisation and general and administrative to match presentation following the Gamesys Acquisition.

[2]Figures for six months ended 30 June 2019 have been amended to include share-based compensation expense that is no longer excluded from adjusted EBITDA and adjusted net income.

[3]Figures for the six months ended 30 June 2019 have been amended to exclude deferred tax on purchase price intangibles.

During the six months ended 30 June 2020, revenue was earned from players situated in the following locations: United Kingdom – 58% (six months ended 30 June 2019 – 46%), Japan – 25% (six months ended 30 June 2019 – 27%), Spain – 5% (six months ended 30 June 2019 – 10%), Sweden – 1% (six months ended 30 June 2019 – 5%), rest of Europe – 4% (six months ended 30 June 2019 – 6%), rest of world – 7% (six months ended 30 June 2019 – 6%).

During the six months ended 30 June 2020, the Group's B2B Revenue comprised 4% (six months ended 30 June 2019 – 4%) of total Group revenues, with the remaining portion being revenues earned from Net Gaming Revenue operations.

Non-current assets by geographical location as at 30 June 2020 were as follows: Europe £91.1 million (31 December 2019 – £85.3 million), Americas £4.0 million (31 December 2019 – £383.9 million) and United Kingdom £920.5 million (31 December 2019 – £576.4 million).

5. Costs and expenses

	Six months ended 30 June 2020 (£m)	Six months ended 30 June 2019 (£m)
Distribution costs:		
Selling and marketing	**69.0**	31.0
Licensing fees[1]	**30.1**	21.2
Gaming taxes	**52.5**	22.3
Processing fees	**29.7**	11.2
	181.3	85.7
Administrative costs:		
Compensation and benefits	**45.0**	19.6
Professional fees	**3.3**	2.4
General and administrative[1]	**12.4**	7.5
Tangible asset depreciation	**4.2**	1.0
Intangible asset amortisation[1]	**42.2**	24.4
	107.1	54.9

[1]*Certain charges were reallocated from licensing fees to amortisation and general and administrative to match presentation following the Gamesys Acquisition*.

6. Interest income/expense

	Six months ended 30 June 2020 (£m)	Six months ended 30 June 2019 (£m)
Total interest income	**0.2**	0.2
Interest accrued and paid on long-term debt	**11.6**	9.7
Fair value adjustment on secured convertible loan	**0.2**	—
Interest accrued and paid on deferred consideration	**0.3**	—
Interest accrued and paid on lease liabilities	**0.5**	0.1
Total interest expense	**12.6**	9.8
Debt issue costs and accretion recognised on long-term debt	**0.5**	0.3
Interest accretion recognised on other long-term liabilities	**—**	0.3
Total accretion on financial liabilities	**0.5**	0.6

7. Earnings per share

The following table presents the calculation of basic and diluted earnings per share:

	Six months ended 30 June 2020 (£m)	Six months ended 30 June 2019 (£m)
Numerator:		
Net income attributable to owners of the parent – basic	**23.3**	4.6
Net income attributable to owners of the parent – diluted	**23.3**	4.6
Numerator:		
Net income from continuing operations – basic	**23.3**	5.3
Net income from continuing operations – diluted	**23.3**	5.3
Numerator:		
Net loss from discontinued operations – basic	**—**	(0.7)
Net loss from discontinued operations – diluted[1]	**—**	(0.7)
Denominator:		
Weighted average number of shares outstanding – basic	**108.7**	74.4
Weighted average effect of dilutive share options	**0.1**	0.3
Weighted average number of shares outstanding – diluted	**108.8**	74.7
Net income per share[2,3]		
Basic	**21.4p**	6.2p
Diluted	**21.4p**	6.2p
Net income per share[2,3] – continuing operations		
Basic	**21.4p**	7.1p
Diluted	**21.4p**	7.1p
Net loss per share[1,2,3] – discontinued operations		
Basic	**—**	(0.9)p
Diluted	**—**	(0.9)p

1 *In case of a net loss, the effect of share options potentially exercisable on diluted loss per share will be anti-dilutive; therefore, basic and diluted net loss per share will be the same.*

2 *Basic income per share is calculated by dividing the net income by the weighted average number of shares outstanding during the period.*

3 *Diluted income per share is calculated by dividing the net income by the weighted average number of shares outstanding during the period and adjusted for the number of potentially dilutive share options and contingently issuable instruments.*

8. Liabilities arising from financing activities

The following is a reconciliation of liabilities arising from financing activities:

	Long-term debt (£m)	Interest payable (£m)	Non-compete clauses (£m)	Interest rate swap liability (£m)	Currency swap liability (£m)	Contingent consideration (£m)	Lease liabilities (£m)	Total (£m)
Balance, 1 January 2019	371.4	0.3	10.1	0.5	—	4.5	—	386.8
Cash flows	171.0	(20.4)	(6.0)	(0.6)	—	—	(3.6)	140.4
Non-cash flows:								
Fair value adjustments	—	—	—	1.2	9.3	0.5	—	11.0
Interest expense	—	21.4	—	—	—	—	0.6	22.0
Lease liabilities	—	—	—	—	—	—	25.7	25.7
Accretion	0.7	—	0.6	—	—	—	—	1.3
Set-off against acquired assets	—	—	—	—	—	(5.0)	—	(5.0)
Foreign exchange translation	(12.8)	(0.4)	—	—	—	—	—	(13.2)
Balance, 31 December 2019	530.3	0.9	4.7	1.1	9.3	—	22.7	569.0
Cash flows	(40.0)	(11.7)	(4.7)	(0.3)	(1.4)	—	(2.8)	(60.9)
Non-cash flows:								
Fair value adjustments	—	—	—	1.5	(4.4)	—	—	(2.9)
Interest expense	—	11.6	—	—	—	—	0.5	12.1
Lease liabilities	—	—	—	—	—	—	1.8	1.8
Accretion	0.5	—	—	—	—	—	—	0.5
Foreign exchange translation	21.1	0.5	—	—	—	—	0.3	21.9
Balance, 30 June 2020	**511.9**	**1.3**	**—**	**2.3**	**3.5**	**—**	**22.5**	**541.5**

9. Tangible assets

As at 30 June 2020

	Fixtures and fittings (£m)	Hardware and equipment (£m)	Total (£m)
Cost			
Balance, 1 January 2020	7.2	5.5	12.7
Additions	0.2	1.1	1.3
Translation	(0.1)	—	(0.1)
Balance, 30 June 2020	**7.3**	**6.6**	**13.9**
Accumulated depreciation			
Balance, 1 January 2020	0.8	2.4	3.2
Depreciation	0.6	1.2	1.8
Translation	(0.1)	(0.2)	(0.3)
Balance, 30 June 2020	**1.3**	**3.4**	**4.7**
Carrying value			
Balance, 30 June 2020	**6.0**	**3.2**	**9.2**

As at 31 December 2019

	Fixtures and fittings (£m)	Hardware and equipment (£m)	Total (£m)
Cost			
Balance, 1 January 2019	1.3	2.3	3.6
Additions	5.9	3.2	9.1
Balance, 31 December 2019	**7.2**	**5.5**	**12.7**
Accumulated depreciation			
Balance, 1 January 2019	0.3	1.1	1.4
Depreciation	0.6	1.2	1.8
Translation	(0.1)	0.1	—
Balance, 31 December 2019	**0.8**	**2.4**	**3.2**
Carrying value			
Balance, 31 December 2019	**6.4**	**3.1**	**9.5**

10. Intangible assets and goodwill

As at 30 June 2020

	Player relationships (£m)	Software (£m)	Brand (£m)	Partnership agreements (£m)	Goodwill (£m)	Total (£m)
Cost						
Balance, 1 January 2020	515.0	123.0	68.2	17.5	544.4	1,268.1
Additions	—	7.8	—	—	—	7.8
Translation	1.8	3.0	0.8	0.3	5.2	11.1
Balance, 30 June 2020	**516.8**	**133.8**	**69.0**	**17.8**	**549.6**	**1,287.0**
Accumulated amortisation/impairment						
Balance, 1 January 2020	188.4	25.6	16.5	8.7	20.2	259.4
Amortisation	33.2	5.6	1.7	1.7	—	42.2
Translation	1.6	2.7	0.2	—	1.3	5.8
Balance, 30 June 2020	**223.2**	**33.9**	**18.4**	**10.4**	**21.5**	**307.4**
Carrying value						
Balance, 30 June 2020	**293.6**	**99.9**	**50.6**	**7.4**	**528.1**	**979.6**

As at 31 December 2019

	Player relationships (£m)	Software (£m)	Brand (£m)	Partnership agreements (£m)	Non-compete clauses (£m)	Goodwill (£m)	Total (£m)
Cost							
Balance, 1 January 2019	320.1	31.0	70.3	12.9	20.4	309.1	763.8
Additions	223.3	94.0	—	4.6	—	252.7	574.6
Disposals	(27.2)	(0.4)	(1.6)	—	—	(14.3)	(43.5)
Translation	(1.2)	(1.6)	(0.5)	—	—	(3.1)	(6.4)
Balance, 31 December 2019	**515.0**	**123.0**	**68.2**	**17.5**	**20.4**	**544.4**	**1,288.5**
Accumulated amortisation/impairment							
Balance, 1 January 2019	172.6	18.3	13.6	6.1	17.9	20.8	249.3
Amortisation	41.6	8.7	3.4	2.6	2.5	—	58.8
Disposals	(24.7)	(0.3)	(0.4)	—	—	—	(25.4)
Translation	(1.1)	(1.1)	(0.1)	—	—	(0.6)	(2.9)
Balance, 31 December 2019	**188.4**	**25.6**	**16.5**	**8.7**	**20.4**	**20.2**	**279.8**
Carrying value							
Balance, 31 December 2019	**326.6**	**97.4**	**51.7**	**8.8**	**—**	**524.2**	**1,008.7**

11. Other long-term receivables

	30 June 2020 (£m)	31 December 2019 (£m)
Secured convertible loan	**3.6**	3.8
Long-term loan receivable (net of ECL provision discussed in note 13)	**1.3**	1.4
	4.9	5.2

12. Cash, restricted cash and player deposits

	30 June 2020 (£m)	31 December 2019 (£m)
Cash	**136.0**	100.3
Restricted cash	**5.0**	6.3
	141.0	106.6
Player deposits – restricted cash[1]	**29.5**	12.4

[1] *Player deposits – restricted cash consists of cash held by the Group in relation to amounts payable to players where the Group acts as operator.*

13. Trade and other receivables

	30 June 2020 (£m)	31 December 2019 (£m)
Trade receivables	**7.1**	5.5
Due from payment service providers	**12.3**	12.2
Prepaid expenses	**11.7**	10.4
Other receivables	**12.6**	9.6
ECL on above balances	**(7.6)**	(4.5)
	36.1	33.2

The above ECL figure includes a £6.6 million (31 December 2019 – £3.6 million) provision on rolling reserve balances owing from all payment service providers identified as high-risk, as discussed in note 3.

The following table summarises the Group's expected credit loss on its trade and other receivables and other long-term receivables at 30 June 2020:

	0-30 days (£m)	31-60 days (£m)	61-90 days (£m)	90 days + (£m)	**Total (£m)**
Trade and other receivables	0.2	0.1	—	0.7	**1.0**
Other long-term receivables	—	—	—	0.3	**0.3**
	0.2	0.1	—	1.0	**1.3**

The following table summarises the Group's expected credit loss on its trade and other receivables and other long-term receivables at 31 December 2019:

	0-30 days (£m)	31-60 days (£m)	61-90 days (£m)	90 days + (£m)	**Total (£m)**
Trade and other receivables	0.1	—	—	0.8	**0.9**
Other long-term receivables	—	—	—	0.4	**0.4**
	0.1	—	—	1.2	**1.3**

14. Interest rate swap and currency swap

Currency swap

As at 30 June 2020, the fair value of the Currency Swap was a £3.5 million payable (31 December 2019 – £9.3 million). The Group has included £1.5 million of this amount in current liabilities (31 December 2019 – £3.3 million), with the remaining balance included in other long-term payables, as discussed in note 21. An unrealised gain of £4.4 million for the six months ended 30 June 2020 related to the Currency Swap was recognised in other comprehensive income (six months ended 30 June 2019 – £nil).

Interest rate swap

As at 30 June 2020, the fair value of the Interest Rate Swap was a £2.3 million payable (31 December 2019 – £1.1 million). The Group has included £0.9 million of this payable in current liabilities (31 December 2019 – £0.4 million), with the value of the remaining balance included in other long-term payables, as discussed in note 21. For the six months ended 30 June 2020, the Group recognised an unrealised loss of £1.5 million in other comprehensive income (six months ended 30 June 2019 – £1.1 million).

15. Leases

Right-of-use assets

	(£m)
Balance, 1 January 2019	3.2
Additions	5.3
Additions arising on business combination	18.7
Depreciation	(2.6)
Effect of modification of lease terms	(2.4)
Balance, 31 December 2019	22.2
Additions	1.7
Depreciation	(2.4)
Effect of modification of lease terms	0.1
Foreign exchange movements	0.3
Balance, 30 June 2020	**21.9**

Lease liabilities

	(£m)
Balance, 1 January 2019	3.2
Additions	5.3
Additions arising on business combination	18.8
Interest expense	0.6
Effect of modification of lease terms	(1.6)
Lease payments	(3.6)
Balance, 31 December 2019	22.7
Additions	1.7
Interest expense	0.5
Effect of modification of lease terms	0.1
Lease payments	(2.8)
Foreign exchange movements	0.3
Balance, 30 June 2020	**22.5**

16. Accounts payable and accrued liabilities

	30 June 2020 (£m)	31 December 2019 (£m)
Trade payables	**24.4**	20.3
Accruals	**69.1**	57.7
	93.5	78.0

17. Provisions

	(£m)
Balance, 1 January 2019	—
Arising on business combination	3.8
Provisions in the period	6.0
Balance, 31 December 2019	9.8
Provisions in the period	—
Balance, 30 June 2020	**9.8**

The Group has taken external legal advice in respect of the impact of new legislation introduced in the UK relating to tax on income derived from the UK players. Management has determined that there is a reasonable argument that the Group does not fall under the new legislation; however, it is noted that this is not certain due to ambiguity in the legislation and its practical operation. Management considers that the liability based on payments which were made in prior periods would result in a provision of approximately £6.0 million (31 December 2019 – £6.0 million).

Provisions arising on business combination include a probability based estimate of the fair value of potential UK tax liabilities of £3.8 million which have been disclosed under HMRC's Profit Diversion Compliance Facility.

The Group has included £3.8 million of these provisions in current liabilities (31 December 2019 – £3.8 million), with the value of the remaining balance included in non-current liabilities.

18. Other short-term payables

	30 June 2020 (£m)	31 December 2019 (£m)
Transaction related payables	**0.4**	0.9
Current portion on non-compete clauses payable	**—**	4.7
	0.4	5.6

19. Credit facilities

	EUR Term Facility (£m)	**GBP Term Facility (£m)**	**Total (£m)**
Balance, 1 January 2019	124.4	247.0	371.4
Add-on Debt	173.6	—	173.6
Debt financing costs	(2.6)	—	(2.6)
Accretion[1]	0.3	0.4	0.7
Foreign exchange translation	(12.8)	—	(12.8)
Balance, 31 December 2019	282.9	247.4	530.3
Accretion[1]	0.3	0.2	0.5
Repayment	—	(40.0)	(40.0)
Foreign exchange translation	21.1	—	21.1
Balance, 30 June 2020	**304.3**	**207.6**	**511.9**
Current portion	—	—	—
Non-current portion	304.3	207.6	511.9

[1]*Effective interest rates are as follows: EUR Term Facility – 3.76% (2019 – 4.26%), GBP Term Facility – 5.71% (2019 – 5.97%).*

20. Financial instruments

The principal financial instruments used by the Group are summarised below:

Financial assets

	Financial assets as subsequently measured at amortised cost	
	30 June 2020 (£m)	31 December 2019 (£m)
Cash and restricted cash	**141.0**	106.6
Trade and other receivables	**36.1**	33.2
Other long-term receivables	**1.3**	1.4
Player deposits	**29.5**	12.4
	207.9	153.6

Financial liabilities

	Financial liabilities as subsequently measured at amortised cost	
	30 June 2020 (£m)	31 December 2019 (£m)
Accounts payable and accrued liabilities	**93.5**	78.0
Other short-term payables	**0.4**	5.6
Other long-term payables	**10.0**	10.1
Interest payable	**1.3**	0.9
Payable to players	**29.5**	12.4
Lease liabilities	**22.5**	22.7
Long-term debt	**511.9**	530.3
	669.1	660.0

The carrying values of the financial instruments noted above approximate their fair values.

Other financial instruments

	Financial instruments at fair value through profit or loss – assets/(liabilities)	
	30 June 2020 (£m)	31 December 2019 (£m)
Interest Rate Swap	**(2.3)**	(1.1)
Currency Swap	**(3.5)**	(9.3)
Other long-term receivables	**3.6**	3.8
	(2.2)	(6.6)

Fair value hierarchy

The hierarchy of the Group's financial instruments carried at fair value is as follows:

	Level 2		Level 3	
	30 June 2020 (£m)	31 December 2019 (£m)	**30 June 2020 (£m)**	31 December 2019 (£m)
Interest Rate Swap	**(2.3)**	(1.1)	**—**	—
Currency Swap	**(3.5)**	(9.3)	**—**	—
Other long-term receivables	**3.6**	3.8	**—**	—

The Interest Rate Swap and Currency Swap balances represent the fair values of expected cash flows under the Interest Rate Swap and Currency Swap agreements.

Other long-term receivables represent the fair value of the loan receivable from Gaming Realms. The key inputs into the fair value estimation of this balance include the share price of Gaming Realms on the date of cash transfer, a 2.5-year risk-free interest rate of 0.1681%, and an estimated share price return volatility rate of Gaming Realms of 66.0%.

21. Other long-term payables

	30 June 2020 (£m)	31 December 2019 (£m)
Deferred consideration payable	**10.0**	10.1
Interest Rate Swap (note 14)	**1.4**	0.7
Currency Swap (note 14)	**2.0**	5.9
	13.4	16.7

22. Share capital

As at 30 June 2020, Gamesys Group plc's issued share capital consisted of 108,735,248 ordinary shares, each with a nominal value of £0.10.

	Ordinary shares of £0.10	
	(£m)	**#**
Balance, 1 January 2019	7.4	74,328,930
Issue of shares, net of costs	3.4	33,653,846
Exercise of options	0.1	682,472
Balance, 31 December 2019	10.9	108,665,248
Exercise of options	—	70,000
Balance, 30 June 2020	**10.9**	**108,735,248**

Ordinary shares

During the six months ended 30 June 2020, Gamesys Group plc did not issue any additional ordinary shares, except as described below.

Share options

	Share options (#)
Balance, 1 January 2019	2,395,490
Forfeited	(121,166)
Exercised	(682,472)
Balance, 31 December 2019	1,591,852
Exercised	(70,000)
Expired	(585,000)
Balance, 30 June 2020	**936,852**

Long-term incentive plan

On 25 March 2020, Gamesys Group plc granted additional equity-settled awards over ordinary shares of Gamesys Group plc under the Group's long-term incentive plan ('LTIP4'). The awards will (i) vest on the date on which the remuneration committee determines the extent to which the performance conditions (as described below) have been satisfied and (ii) are subject to a holding period of two years beginning on the vesting date. At 30 June 2020, the number of ordinary shares that may be allotted under the Group's LTIP4 awards is 859,109.

The performance condition as it applies to 50% of each LTIP4 award is based on the Group's total shareholder return compared with the total shareholder return of the companies constituting Gamesys' peer group over three years commencing on 1 January 2020.

The performance condition as it applies to another 25% of each LTIP4 award is based on the Group's total shareholder return compared with the total shareholder return of the companies constituting the Financial Times Stock Exchange 250 index (excluding investment trusts and financial services companies) over three years commencing on 1 January 2020.

The performance condition as it applies to the remaining 25% of the award is based on the compound annual growth rate ('CAGR') of the Group's earnings per share ('EPS') over a three year period commencing on 1 January 2020 and vests as to 25% if the EPS CAGR equals 5.0%, between 25% and 100% (on a straight-line basis) if final year EPS CAGR is more than 5.0% but less than 14.0%, and 100% if final year EPS CAGR is 14.0% or more.

During the six months ended 30 June 2020, the Group recorded £1.2 million (six months ended 30 June 2019 – £0.2 million) in share-based compensation expense relating to its long-term incentive plans with a corresponding increase in share-based payment reserve.

23. Cash generated from operations

The following table provides a reconciliation of net income for the period to cash generated from operations:

	Six months ended 30 June 2020 (£m)	Six months ended 30 June 2019 (£m)
Net income for the period	**23.3**	4.6
Adjustments for:		
Share-based compensation expense	**1.2**	0.2
Amortisation and depreciation	**46.4**	26.1
Tax expense	**3.4**	1.0
Interest expense, net	**12.9**	10.2
Fair value adjustments on contingent consideration	**–**	0.5
Foreign exchange loss/(gain)	**6.2**	(0.3)
Restriction of cash balances	**2.3**	(7.2)
Reduction in trade and other receivables	**(2.6)**	(4.6)
Reduction in other long-term receivables	**0.2**	–
Increase in accounts payable and accrued liabilities	**13.7**	0.7
(Reduction)/increase in other short-term payables	**(0.5)**	9.2
Cash generated by operations	**106.5**	40.4

24. Contingent liabilities

Indirect taxation

Gamesys Group plc subsidiaries may be subject to indirect taxation on transactions, including those that have been treated as exempt supplies of gambling, or on supplies that have been zero rated where legislation provides that the services are received or used and enjoyed in the country where the service provider is located. Revenue earned from players located in any particular jurisdiction may give rise to further taxes in that jurisdiction for example, by way of gaming taxes levied on the Group's revenues. If such taxes are levied, either on the basis of current law or the current practice of any tax authority, or by reason of a change in the law or practice, then this may have a material adverse effect on the amount of tax payable by the Group or on its financial position.

Where it is considered probable that a previously identified contingent liability will give rise to an actual outflow of funds, then a provision is made in respect of the relevant jurisdiction and period impacted. Where the likelihood of a liability arising is considered remote, or the possible contingency is not material to the financial position of the Group, the contingency is not recognised as a liability at the balance sheet date. As at 30 June 2020 the Group had recognised £nil (31 December 2019 – £nil) potential contingent indirect taxation liabilities.

25. Subsequent events

On 10 August 2020, the Board of Directors of Gamesys Group plc approved declaration of an inaugural interim dividend of 12p per share amounting to a total dividend of c.£13.1 million to be paid in October 2020.