GVC Holdings
2012
Annual Report

Introduction

GVC was founded in 2004. It provides both B2B and B2C services to the online gaming and sports betting markets. Its core brands are now CasinoClub, Betboo and Sportingbet. It is financially focused on generating cash and returning a high proportion of this to shareholders by way of dividends.

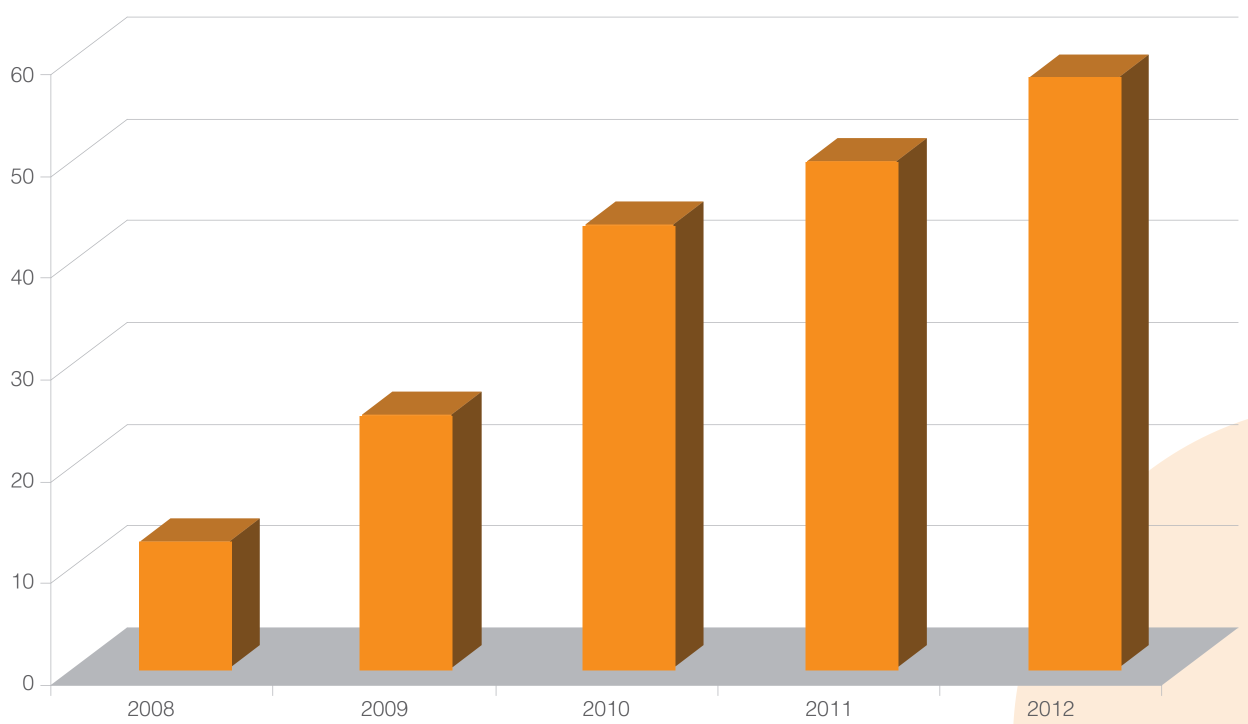
It now has offices in Dublin, Malta, Tel Aviv, Guernsey, Alderney, Manila, Barbados and London. It is headquartered in the Isle of Man and across the group has over 500 employees.

Highlights

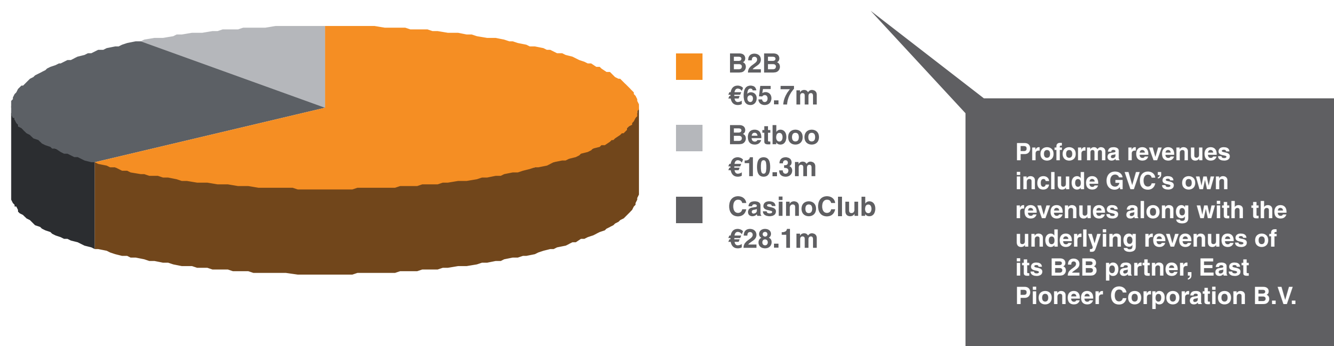
- Acquisition of Sportingbet plc completed on 19 March 2013
- Total revenues for 2012 rose 34% to €59.6 million (2011: €44.3 million), another year of increased revenues
- 2012 Clean *EBITDA increased by 84% to of €15.5 million (2011: €8.8 million)
- 30% increase in dividend in the year: 11€cents paid in May 2012 (May 2011: 10€cents) and 15€cents paid in November 2012 (November 2011: 10€cents)
- All four operational aims achieved in period:
    - build revenues and profits from B2B operations
    - achieve a step-change in Latin American revenue growth
    - stabilise profits from CasinoClub
    - position GVC as an acquirer of businesses within the sector

*Earnings before interest, taxation, depreciation, amortisation, share option charges and exceptional items

Cumulative dividends paid (€m)



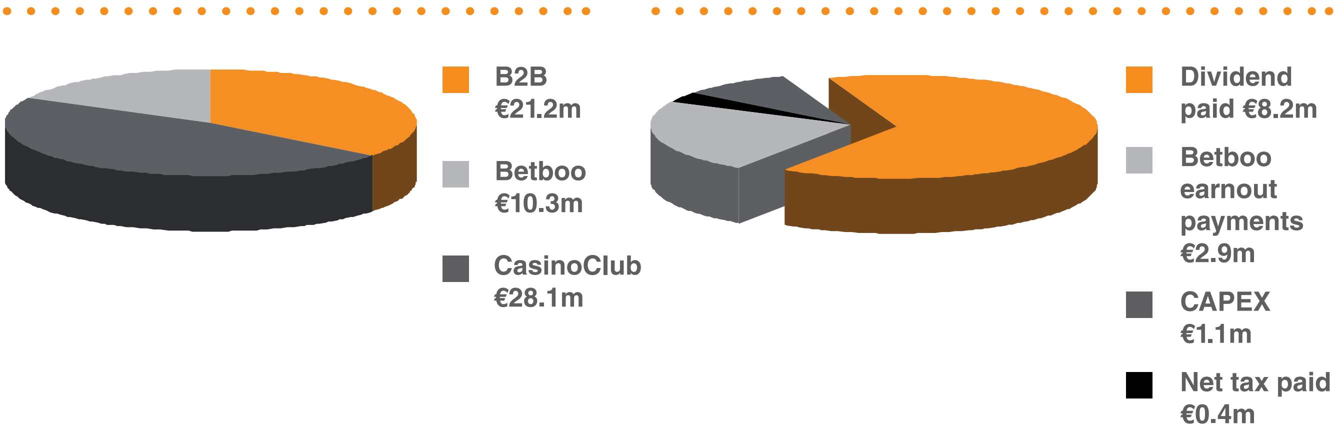
Analysis of proforma revenue by component



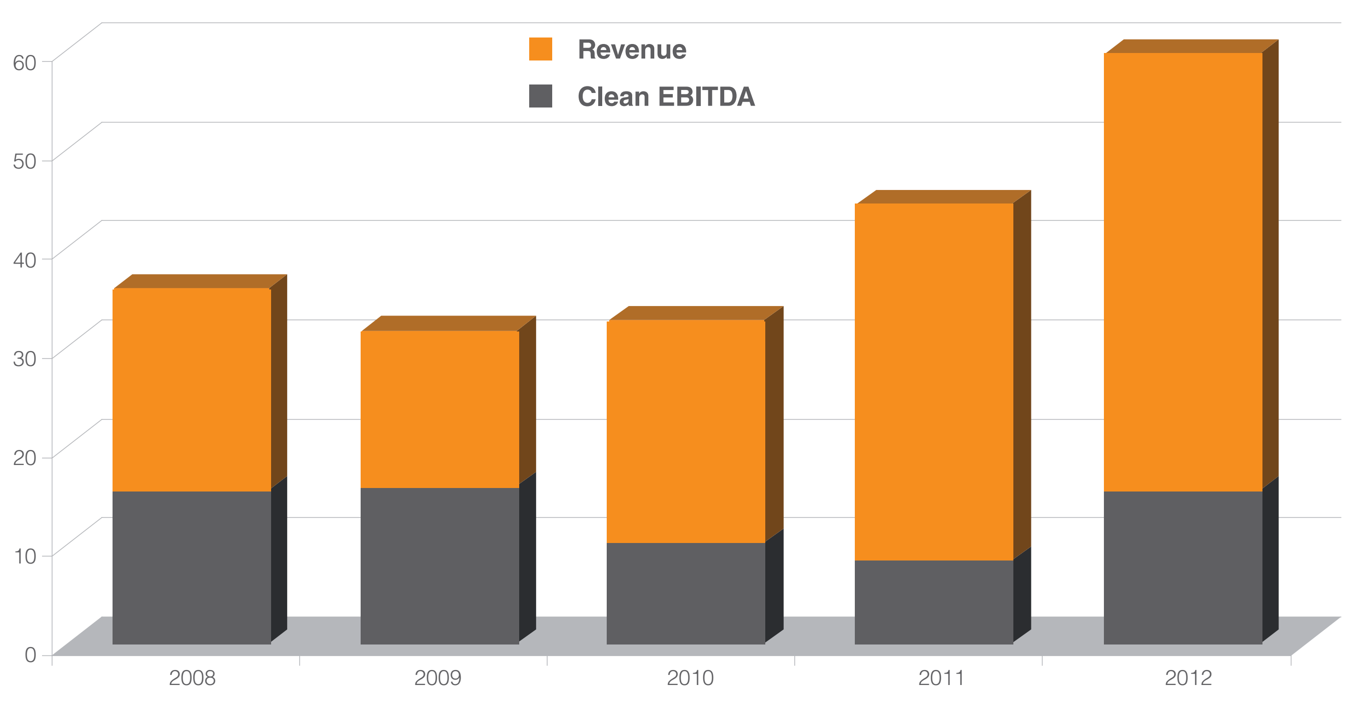
Proforma revenues include GVC's own revenues along with the underlying revenues of its B2B partner, East Pioneer Corporation B.V.

Analysis of NGR by component

Cash utilisation



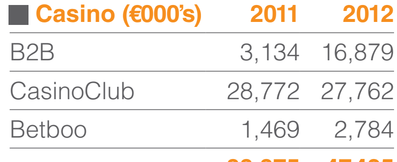
Clean EBITDA and revenue history from continuing operations (€m)



Proforma turnover by product (€000's)

Sports | Casino | Bingo | Poker | Other

Sports (€000's)	2011	2012
B2B	6,546	45,385
Betboo	2,193	2,628
	8,739	**48,013**



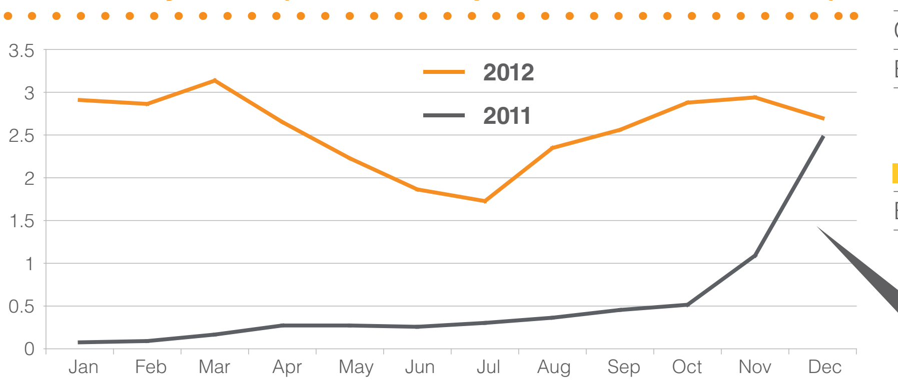
Casino (€000's)	2011	2012
B2B	3,134	16,879
CasinoClub	28,772	27,762
Betboo	1,469	2,784
	33,375	**47,425**

Bingo (€000's)	2011	2012
Betboo	5,141	4,868
	5,141	**4,868**

Poker (€000's)	2011	2012
B2B	113	1,096
CasinoClub	627	372
Betboo	10	12
	750	**1,480**

Other (€000's)	2011	2012
B2B	280	2,378
	280	**2,378**

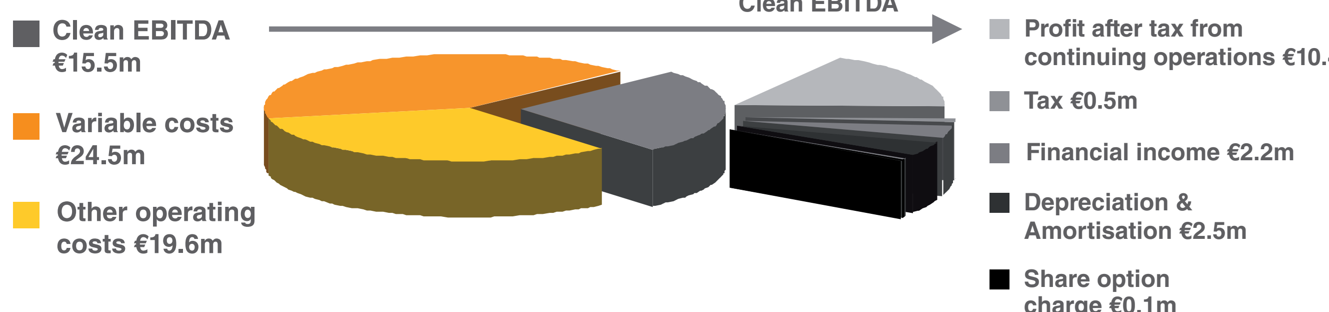
Seasonality trend (number of sports stakes in millions)



Reflects the Superbahis sports stakes

	Q1-2011	Q2-2011	Q3-2011	Q4-2011	Q1-2012	Q2-2012	Q3-2012	Q4-2012
Number of stakes								
B2B	102,716	439,069	520,495	3,497,207	8,216,580	5,882,419	5,786,403	7,731,842
Betboo	235,020	360,018	597,163	582,899	699,522	861,775	844,582	777,536
Total	**337,736**	**799,087**	**1,117,658**	**4,080,106**	**8,916,102**	**6,744,194**	**6,630,985**	**8,509,378**
Average wager size (€)								
B2B	31	26	22	16	16	18	20	16
Betboo	15	14	14	13	14	14	14	13
Total	**47**	**40**	**36**	**29**	**30**	**32**	**35**	**29**
Sports margin								
B2B	8.4%	7.9%	10.5%	13.0%	11.8%	11.1%	10.8%	12.5%
Betboo	13.4%	9.2%	12.8%	8.3%	7.3%	8.7%	7.5%	10.7%
Total	**11.0%**	**8.3%**	**11.4%**	**12.4%**	**11.5%**	**10.8%**	**10.4%**	**12.3%**

Total revenue / EBITDA



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FACTSHEET

GVC Holdings PLC is a leading online gaming company. The Company is incorporated in The Isle of Man and the Group's activities are licensed in Malta and the Netherlands Antilles. On 19 March 2013 the Group completed the acquisition of Sportingbet plc in conjunction with William Hill plc. Through a UK court scheme of arrangement, William Hill acquired from Sportingbet the Australian business together with certain other assets, including an option to acquire Miapuesta, Sportingbet's Spanish brand.

The Company is bound by the corporate laws of The Isle of Man, the Company's Articles of Association, the AIM rules of the London Stock Exchange and the City Code on Takeovers and Mergers.

The principal operating currency of the Group is the Euro. The shares are traded in GBP.

The Group does not and has never conducted wagering or betting business in the United States of America.

Key Events

Q3-07 – Granted a class 4 licence by the LGA in Malta
Q3-07 – Sportsbook operation started
Q2-09 – Entered long-term contract with Boss Media for supply of casino and poker software
Q3-09 – Acquired the trade and assets of "Betboo" a leading Latin American e-gaming business
Q1-10 – Announced intention to launch additional sports betting operations
Q2-10 – Redomiciliation to Isle of Man
Q1-11 – New sports betting operation launched
Q4-11 – Enters into first B2B contract with Curacao based East Pioneer Corporation B.V. ("EPC") to provide back-end support to the Superbahis business, acquired by EPC from Sportingbet
Q2-12 – Announced disposal of Betaland
Q1-13 – Acquired Sportingbet plc

Investor Relations Website

Extensive information on the Group, prior-year financial statements and press releases can be found on the Group's website: www.gvc-plc.com.

Principal Brands

CasinoClub (www.casinoclub.com)
Betboo (www.betboo.com)
Sportingbet (www.sportingbet.com)

DIRECTORS

Lee Feldman ***(age 45), Chairman, and non-executive director***
Lee joined the GVC Group in December 2004. He is the Managing Partner of Twin Lakes Capital, a private equity firm focused on branded consumer products, media and business services. He is also the CEO and a board member of both MacKenzie-Childs and Jay Strongwater, the American luxury home furnishings and personal accessories companies. Lee was named the CEO of MacKenzie-Childs when Twin Lakes led the acquisition of the business in May 2008 and was named the CEO of Jay Strongwater when Twin Lakes formed Jay Strongwater LLC in August 2011. He is also a member of the board of directors of both PacificHealth Labs and LRN Corporation. 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.

Nigel Blythe-Tinker ***(age 62), Non-Executive Director – Chairman of the Remuneration Committee***
Nigel joined the GVC Board as a Non-executive Director from its admission to AIM in December 2004 and then served as Chairman from December 2004 to November 2006. He is currently a Non-executive Director of GVC. Nigel is a member of the Audit Committee and is the chairman of the Remuneration Committee. He is the Executive Chairman of Pentasia Limited (a recruitment business specialising in the gaming sector). He was previously a consultant and adviser to Coral Eurobet Limited. From 1999 to 2004 Nigel was Group Company Secretary and Head of Legal at William Hill plc. He was also a member of William Hill's Executive Management Committee and was involved in the trade sale and subsequent flotation of William Hill plc. Prior to this, he held various senior executive positions at Michael Page plc, Thorn Lighting Group plc, Framlington Group plc, Suter plc and The Rank Organisation plc. He holds a law degree and is a Fellow of the Institute of Chartered Secretaries and Administrators.

Karl Diacono ***(age 50), Non-Executive Director – Chairman of the Audit Committee***
Karl joined the GVC Board as a Non-executive Director from December 2008, having previously served on the board of directors of Gaming VC Holdings S.A. He chairs the Audit Committee and serves on the Remuneration Committee. He holds a Masters Degree in Management and is currently CEO of Fenlex Corporate Services Limited, a corporate service provider based in Malta, and managing director of Impetus Europe Consulting Group. He is also a non-executive director of various trading and holding companies as well as other online gaming companies. He is actively involved in the hospitality industry. Karl is also a director of Gaming VC Corporation Limited, a Maltese subsidiary of the GVC Group to which Fenlex Corporate Services Limited also provides certain payroll and administrative services. He is a Maltese citizen.

Kenneth J Alexander ***(age 44), Chief Executive Officer***
Kenneth joined GVC in March 2007 as Chief Executive, having previously served on the board of directors of Gaming VC Holdings S.A. from February 2007. 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.

Richard Cooper ***(age 52), Group Finance Director***
Richard joined GVC in December 2008 as Group Finance Director, having previously served on the board of directors of Gaming VC Holdings S.A. from December 2008. He spent the early part of his career in the financial markets where he was finance director at the principal UK subsidiary of the Tullett and Tokyo Group (a forerunner of Tullett Prebon plc) and Chief Financial Officer at Fidelity Brokerage. He then undertook a number of restructuring roles, including working as finance director at Patsystems Group plc. In early 2005 he became a founder director of Trident Gaming plc which bought, developed and then sold the Gamebookers business. He is a qualified chartered accountant. He is a member of the Institute of Chartered Accountants in England and Wales, having trained and qualified with Saffery Champness in London.

The Board aims to meet four times a year and more frequently if required.

Committees of the Board

The Board has both Audit and Remuneration Committees.

The Audit Committee, currently chaired by Karl Diacono, is required to give its approval before the release of the annual report and accounts, the preliminary year-end statement and the interim financial statements. In addition to this the Committee is responsible for assessing the Group's internal controls, monitoring the independence of the Group auditors and assessing the Group's audit arrangements.

The Remuneration Committee, currently chaired by Nigel Blythe-Tinker, reviews the remuneration packages of the Executive Directors and, is required by the board to review the bonus arrangements of any employee or consultant to the group. The Committee meets at least twice a year. See the Report of the Remuneration Committee on page 57 for further details.

ADVISERS

Nominated Adviser and Broker:
Daniel Stewart & Company Plc
Becket House
36 Old Jewry
London
EC2R 8DD

Lawyers to the Company:
As to matters of UK law
Addleshaw Goddard LLP
Milton Gate
60 Chiswell Street
London
EC1Y 4AG

As to matters of Isle of Man law
Dougherty Quinn Limited
The Chambers
5 Mount Pleasant
Douglas
Isle of Man
IM1 2PU

As to matters of Maltese law
Fenech & Fenech Advocates
198, Old Bakery Street
Valletta, VLT 1455
Malta, Europe

Auditor:
Grant Thornton UK LLP
Grant Thornton House
Melton Street
London
NW1 2EP

Financial PR Advisers:
Abchurch Communications Ltd
125 Old Broad Street
London
EC2N 1AR

REGISTERED OFFICE, REGISTRAR AND UK TRANSFER AGENT

Registered Office:
Milbourn House
St. Georges Street
Douglas
Isle of Man
IM1 1AJ

Registration Number:
4685V

Registrar:
Capita Registrars (Isle of Man) Limited
3rd Floor, Exchange House
54-62 Athol Street
Douglas
Isle of Man
IM1 1JD

UK Transfer Agent:
Capita Registrars Limited
The Registry
34 Beckenham Road
Kent
BR3 4TU

Telephone: 0871 664 0300

CHAIRMAN'S STATEMENT

2012 was yet another year of increased financial performance and returns for our shareholders.

There were two increases in dividends: 11€cents paid in May 2012 (May 2011: 10€cents) and 15€cents paid in November 2012 (November 2011: 10€cents).

The Group, along with William Hill plc, commenced its discussions with Sportingbet plc in the third quarter of 2012, and I am delighted to be able to say that this transaction completed on 19 March 2013.

This transaction is transformational for the Group as it cements the Group's reputation as a dealmaker in gaming markets and mitigates revenue sharing on the B2B transaction completed in November 2011 with Sportingbet and third party partner, East Pioneer Corporation BV ("EPC"). Indeed, the resulting revenue in the first two months of 2013 would have amounted to €6.4 million, an annual "run-rate" in excess of €38 million.

In 2013, owing to certain changes in accounting rules and the impact of the Sportingbet acquisition, the Group will be obliged to fully consolidate the results of EPC. With that in mind, the Group refers in these financial statements to a new measure, Pro-Forma Revenues ("PFR") along with Net Gaming Revenue ("NGR"). PFR refers to the underlying level of sports wagers, sports NGR and gaming and other revenues enjoyed by EPC of which, up to 19 March 2013, the Group received a 25% share net of certain costs and adjustments. This is discussed in more detail in the Report of the Group Finance Director.

The Group disposed of Betaland during 2012 to an unrelated third party and the results of this are shown as discontinued activities.

I am also pleased to announce that shortly before these Financial Statements were approved, the Group reached an amicable settlement with Boss Media which has led to a credit to the income statement as an exceptional item.

Changing online gaming regulatory constraints continue to cast uncertainty, and the Board keeps a close eye on regulatory developments.

The management team of the Group is now focused on the key task of integrating and restructuring the Sportingbet Retained Business in the year ahead.

I am also pleased to report that in the 83 days to 24 March 2013, current trading for the existing GVC business excluding Sportingbet has got off to a strong start with average PRF per day reaching €348k, 27% higher than in the same period in 2012.

The Group will be holding its Annual General Meeting in the Isle of Man on Wednesday 8 May 2013 and issuing a trading update at that time.

Lee Feldman
Chairman and Non-Executive Director
25 March 2013

REPORT OF THE CHIEF EXECUTIVE

The main operational aims of the Group in 2012 were to:

- build revenues and profits from B2B operations;
- achieve a step-change in Latin American revenue growth;
- stabilise profits from CasinoClub; and
- position GVC as an acquirer of businesses within the sector.

I am pleased to say that the Group met all of these objectives.

In its first full year of operation, the B2B division produced a Clean EBITDA (being EBITDA before share option charges and exceptional items) of €7.3 million, Betboo's revenues increased 17% to €10.3 million and the Clean EBITDA from CasinoClub remained level at €9.6 million on an increased contribution of €16.3 million (2011: €15.5 million).

	2012 €million	2011 €million
PFR		
– B2B	**65.8**	10.1
– CasinoClub	**28.1**	29.4
– Betboo	**10.3**	8.8
	104.2	48.3
NGR		
– B2B	**21.2**	6.1
– CasinoClub	**28.1**	29.4
– Betboo	**10.3**	8.8
	59.6	44.3
Clean EBITDA		
– B2B	**7.3**	0.2
– CasinoClub	**9.6**	9.7
– Betboo	**(1.4)**	(1.5)
	15.5	8.4

Revenues in the markets in which the Group operates are cyclical and Sportsbook customers are most active around the football season. Sports margin, being the amount retained after paying sports winnings, is also a key metric in the performance of Sports betting operators. The average PFR per day, along with the sports margin percentage and the aggregate NGR per quarter is shown on the following page.

2012	Q1 – 12	Q2 – 12	Q3 – 12	Q4 – 12	**Average for 2012**
Days	91	91	92	92	**366**
PFR per day (€000's)					
– B2B	171.8	167.8	168.9	209.8	**179.6**
– CasinoClub	76.1	79.1	71.2	81.1	**76.9**
– Betboo	25.4	30.0	28.0	29.0	**28.1**
	273.3	276.9	268.1	319.9	**284.6**
Sports wagers per day (€000's)					
– B2B	1,420	1,158	1,269	1,342	**1,297**
– Betboo	110	129	133	110	**121**
	1,530	1,287	1,402	1,452	**1,418**
Sports hold %					
– B2B	11.8%	11.1%	10.8%	12.5%	**11.6%**
– Betboo	7.3%	8.7%	7.5%	10.7%	**8.5%**
	11.5%	10.8%	10.4%	12.3%	**11.3%**
Aggregate revenue per quarter (€million)					
– B2B	4.8	5.2	5.1	6.1	**21.2**
– CasinoClub	6.9	7.2	6.5	7.5	**28.1**
– Betboo	2.3	2.7	2.6	2.7	**10.3**
	14.0	15.1	14.2	16.3	**59.6**

2011	Q1 – 11	Q2 – 11	Q3 – 11	Q4 – 11	**Average for 2011**
Days	90	91	92	92	**365**
PFR per day (€000's)					
– B2B	2.8	12.5	14.5	79.9	**27.6**
– CasinoClub	81.7	80.0	80.7	79.8	**80.5**
– Betboo	20.9	21.2	28.2	26.2	**24.1**
	105.4	113.7	123.4	185.9	**132.2**
Sports wagers per day (€000's)					
– B2B	36	124	127	613	**226**
– Betboo	40	57	89	81	**67**
	76	181	216	694	**293**
Sports hold %					
– B2B	8.4%	7.9%	10.5%	11.3%	**10.6%**
– Betboo	13.4%	9.2%	12.8%	8.3%	**10.8%**
	11.0%	8.3%	11.4%	11.0%	**10.6%**
Aggregate revenue per quarter (€million)					
– B2B	0.3	1.1	1.3	3.4	**6.1**
– CasinoClub	7.4	7.3	7.4	7.3	**29.4**
– Betboo	1.9	1.9	2.6	2.4	**8.8**
	9.6	10.3	11.3	13.1	**44.3**

B2B

Aggregate revenues have, given a full year of operation, been extremely significant for the Group, amounting to €21.2 million in 2012 compared to just €6.1 million in 2011.

Average PFR per day has increased from €80k in Q4-2011 to €210k per day in Q4-2012.

The B2B division delivered a contribution margin of 72% with a cost base at €7.9 million reflecting a whole year of staff and office costs in supporting the revenue stream. At the end of the year, the headcount associated with this division was 70.

A feature of the B2B division is that it is more working capital intensive than our other businesses with just under €16 million of net current assets and €14 million of current liabilities.

B2C

CasinoClub

CasinoClub revenue at €28.1 million was marginally lower than 2011 (€29.4 million). €0.3 million of this reduction was associated with lower poker revenue, a trend experienced in many other gaming companies.

Contribution margin improved both in terms of percentage, 58% for 2012 (2011: 53%) and absolute terms, €16.3 million for 2012 (2011: €15.5 million).

At the end of the year, the headcount associated with this division was 56.

Betboo

Revenues grew by 17% to €10.3 million, up from €8.8 million in 2011. This was despite a lower sports hold at an aggregate of 8.5% (2011: 10.8%). The fact that wagers increased 81% from €24.4 million to €44.1 million is most encouraging.

There were additional investments in marketing and infrastructure to support this growth and accordingly the Clean EBITDA loss at €1.4 million (2011: loss €1.5 million), was contained well. The underlying headcount at the end of the year was 120. The Group has embarked on an internal restructuring which aims to make meaningful reductions in the Betboo cost base, and lead to an improvement in its financial performance.

Early in the year, the Board concluded that the markets in which Betaland operated were worsening and that the Group was not well placed to make any significant long-term returns from this business. By continuing Betaland in operation, the Group might have been burdened with some substantial closure costs. The disposal to an external third-party managed to contain these losses.

Future prospects

The most significant development in the Group's history is the acquisition of Sportingbet plc which was completed on 19 March 2013 and which was approved by an overwhelming vote of GVC shareholders on 21 February 2013.

The transaction was completed with William Hill plc, the UK's leading bookmaker. William Hill plc has now taken over Sportingbet's Australian business (and the Sportingbet brand in Australia), certain freehold properties and, after six months, an option to acquire Sportingbet's Spanish brand, "Miapuesta".

The Group has acquired the Sportingbet brand in all other territories, along with a number of significant other brands. Additionally, the transaction allows the Group to enjoy substantially all of the revenue from the Superbahis business.

However, and as outlined in the Group's prospectus, the Group has to undertake a substantial restructuring of Sportingbet to turnaround the historic cash burn suffered by that business, and does inherit its existing liabilities along with the assets. The Group will be discharging these debts along with the combined deal costs. I have every confidence that my Board colleagues and I can achieve the restructuring in the 12 months timeframe indicated in the prospectus.

This transaction marks a turning point in the Group's history in that it reinforces the Group's ability to close major and complex transactions to benefit its shareholders. The Group has a continued appetite to explore further opportunities if the Board believes them to be in the financial interest of shareholders.

The amicable settlement of legal disputes with Boss Media has also been achieved and allows the Group to focus its collective efforts on the tasks ahead as opposed to being distracted by historical issues.

I end my report by commenting about dividends and the Group's dividend policy. The Group aims to pay not less than 75% of its net operating cashflow by way of dividends. In the last calendar year, the Group has paid 26€cents per share (2011: 20€cents per share) and since the calendar year-end has paid a further 7€cents to shareholders. The Group aims to pay a dividend in November 2013 and thereafter quarterly.

Kenneth Alexander
Chief Executive
25 March 2013

REPORT OF THE GROUP FINANCE DIRECTOR

This review is in four sections:
1. Income statement;
2. Cashflow;
3. Balance sheet; and
4. Key financial issues for 2013.

1. Income statement

The income statement reflects Betaland as a discontinued activity and therefore the comparatives for 2011 are restated.

The complex deal with EPC and Superbahis results in a combination of revenues and costs normally being associated with gaming activities being compressed into a composite revenue figure, not easily expressed into the Group's preferred KPI measure of "revenue per day". For this reason, the Group describes the underlying activities in more conventional terms such as "sports wagers" and "sports margin" and "revenue per day" although the latter for B2B is referred to here as "pro-forma revenue per day" (PFR). This is in advance of the accounting treatment required following the acquisition of Sportingbet plc and the elimination of the revenue-share arrangements.

1.1 Proforma revenues

Total revenues rose 116% to €104.2 million (2011: €48.3 million). The dominant reason for the increase was the full-year's activity of the Superbahis customers, of EPC, to whom the Group provides B2B services.

Betboo's revenues increased by 17% to €10.3 million from €8.8 million, whilst CasinoClub decreased by 4% to €28.1 million from €29.4 million.

1.2 Net Gaming Revenue

NGR is Gross Gaming Revenue less customer bonuses, bad debts and chargebacks, and in the case of the agreement with EPC, is net of the certain allowable costs (such as payment processing, and software royalties and affiliate commissions associated with the Superbahis product), along with the revenue-share payable to Sportingbet.

Total NGR increased by €15.3 million (34%) to €59.6 million (2011: €44.3 million). €15 million of this increase was attributable to B2B; €1.5 million was attributable to Betboo, whilst CasinoClub revenue fell by €1.2 million.

1.3 Variable costs

These consist of payment processing fees, software royalties, and affiliate and other marketing arrangements.

1.4 Contribution

Contribution is NGR less variable costs and it increased by €14.5 million to €35.1 million. This increase is attributable between:

	2012 €million	2011 €million	*Increase €million*
B2B	**15.2**	2.8	*12.4*
CasinoClub	**16.3**	15.5	*0.8*
Betboo	**3.6**	2.3	*1.3*
	35.1	20.6	*14.5*

The rise in B2B contribution reflected a full year's activity, whilst for CasinoClub the increase was a result of tight cost control. Betboo's increase was attributable to higher revenues. The relative contribution ratios were:

	2012 €million	2011 €million
B2B	**72%**	46%
CasinoClub	**58%**	53%
Betboo	**35%**	26%

1.5 Other operating costs

These costs, which are analysed in detail in Note 4 to the accounts are before "non-cash" items such as depreciation, amortisation and share option charges.

These costs increased to €19.6 million from €12.2 million in 2011. The principal components of this €7.4 million increase were as follows:

	€million
Increased staff costs	4.8
– reflecting an increase in personnel in the B2B division	
– dividend related bonuses to the executive management team	
– other increased staffing costs	
– overall average staff numbers grew by 30% in the year	
Increased professional fees	0.2
Increased technology costs to support a more complicated business	0.8
Increased travel and other costs, reflecting visits to additional offices and the cost of those offices themselves	0.6
Increased third-party support providers cost for Betboo	0.8
Foreign exchange differences arising on the translation and transaction of non-Euro denominated amounts	0.2
	7.4

1.6 Exceptional items

Following the settlement of the legal disputes with Boss Media, there was a €0.2 million credit to the income statement, being the release of accruals relating to the disputes.

1.7 Depreciation and Amortisation

This amounted to €2.5 million for the year (2011: €2.0 million), on additions of €1.1 million (2011: €1.6 million, excluding additional goodwill arising on the change in the Betboo earn-out arrangements).

1.8 Share option charges

These fell to €79k (2011: €440k) chiefly due to the lapse of 1.1 million of options following the disposal of Betaland.

1.9 Financial income/expense

This is an accounting, non-cash expense relating to the accounting treatment of the Betboo earn-out. The charge fell marginally to €2.2 million from €2.4 million in 2011.

1.10 Taxation

The charge to taxation rose to €0.5 million from €0.2 million largely due to retrospective taxes imposed on the Group's operation in Tel-Aviv.

1.11 Discontinued activities

Betaland was discontinued in the year. The business made a negligible contribution in the months it was trading, and closure costs, including depreciation and net of tax allowances amounted to a total loss of €1.1 million (2011: profit, €0.5 million).

1.12 Profit after tax and earnings per share

Profit after taxation was €9.2 million (2011: €145k loss). Basic earnings per share from continuing operations amounted to 32.3€cents up from a loss of 2.0€cents per share in 2011.

2. Cashflow

The principal movements in the Group's cash position are summarized below:

	2012 €000's	2011 €000's
Clean EBITDA	**15,452**	8,382
Exceptional items	**208**	(3,919)
Discontinued activities	**(1,005)**	731
	14,655	5,194
Add: Proceeds of shares issued	**196**	420
Less: Betboo earn-out payments	**(2,863)**	(671)
Less: Acquisition of property, plant and equipment and intangible assets	**(1,120)**	(1,605)
Less: Net corporation tax paid	**(417)**	(271)
	10,451	3,067
DIVIDENDS PAID	**(8,214)**	(6,225)
Change in working capital	**(5,458)**	6,460
Cash and cash equivalents bought forward	**9,853**	6,551
Cash and cash equivalents carried forward	**6,632**	9,853

More funds were tied up in B2B payment processing during the year through a combination of activity volume and more complex processing arrangements entered into to provide customers with a greater choice of payment streams.

Dividends are declared on the basis of the Group's cash position created by its net operating cashflows and an assessment of the working capital requirements of the Group which can have some unpredictability, particularly in the working-capital intense B2B division.

3. Balance Sheet

The net assets, net of dividend payment has increased by 2.3% rising to €58.5 million from €57.2 million in 2011.

		€000's
Net assets at 1 January 2012		57,174
Total non-current assets		
Additions	1,120	
Charge to depreciation and amortisation	(2,720)	
Net change		*(1,600)*
Deferred consideration		
Charge to income statement	(2,206)	
Earn-out payments made	2,863	
Net change		*657*
Taxation		
Charge in the income statement	480	
Credit in discontinued activities	(63)	
Net payments made	(417)	
Net change		–
Increase in other current assets		5,152
Increase in other current liabilities		(2,912)
Net assets at 31 December 2012		58,471

The activity of the B2B division results in trade receivables settling on a longer time-frame compared to other businesses of the Group due to complexities with third party payment processor operators, although this is offset by an increase in credit terms extended by EPC.

4. Key Financial Issues for 2013

The acquisition of Sportingbet plc will result in a number of matters which will impact the income and cash-flow statements of the enlarged group. Many of these have been trailed in the Group's prospectus already but it is worth re-iterating them here.

The Group will now benefit from substantially all of the revenues from the Superbahis business, in the first two months of 2013 this would have amounted to an additional €6.4 million if the transaction had completed on 31 December 2012. Additionally, William Hill plc are making a capital contribution to the restructuring of Sportingbet and providing some loan facilities.

As disclosed in the prospectus, the Group will however, be incurring substantial deal fees and restructuring costs along with discharging the bank debts of Sportingbet and the incumbent losses of that group.

The foreign exchange exposures will also be significantly different and more complex. The reporting currency of the Group is, and will remain, the Euro. Sportingbet is believed to have substantial Euro inflows along with GBP outflows. The Group will be closely examining the currency exposures, and will be assessing what, if any, currency hedging programs should be implemented.

Richard Cooper
Group Finance Director
25 March 2013

PRINCIPAL RISKS, UNCERTAINTIES AND BUSINESS MODEL

PRINCIPAL RISKS AND UNCERTAINTIES

Risk description	Potential impact	Mitigation
ECONOMIC RISK – Customer base becomes less confident about their ability to spend leisure euros	Lower revenues and consequently profits	• Customer retention programmes • Broader geographic spread of products • Migration of third party costs to be aligned with revenues
REGULATORY RISK – Conflict between jurisdictions in which the customer resides and where the service is provided	Reduction in market size	• Diversified product portfolio • Strict adherence to the laws of the jurisdiction in which the service is provided • Close monitoring of regulatory developments and assessment of their longer-term impact
FINANCIAL – Foreign exchange risks	Lower or more volatile profits	• Group tries to match its income and cost exposures to create a natural hedge • Regular evaluation of low cost hedging opportunities
– Withdrawal of payment processing facilities	Short-term interruption of funds deposited by customers	• Multiple payment processing methods used by the Group
OPERATIONAL – Dependence on third party software	Reduction of revenue streams	• Long-term contracts entered into with suppliers of a good financial covenant
	GVC is highly dependent on Boss Media with whom it has a long-term contract, but also legal disputes	• In some cases it is not practicable to mitigate the software reliance risk without significant business and economic disruption
– Dependence on key personnel	Interruption of business continuity	• Broader base of Executives below Board level

Risk description	Potential impact	Mitigation
OPERATIONAL continued		
– Loss of major introducer of business	Reduction of revenue streams	• Competitive revenue sharing models applied and monitored regularly. Key introducers are offered long-term revenue prospects with the Group
– Poor sports results	Lower or more volatile earnings	• Sports represents less than 25% of the Groups' NGR and sports results, are as a matter of policy not hedged as over the long-term they trend to the Group's expected margin percentage
– Abnormal jackpot wins	Lower or more volatile earnings	• Revenues from some business lines have a jackpot insurance scheme. Others do not have as a matter of policy
– Loss of major customer	Lower earnings	• Highly diversified customer base with over 30,000 customers across all its brands
– Reliance on third party payment and multi currency processing systems	Lower earnings	• Spreading of risk across a multitude of payment processors with varying deposit and withdrawal methods
COMPETITION RISK – The marketplace becomes more competitive via new entrants or by more attractive products available from those or existing competitors	Lower revenues	• Constant monitoring of the competitive landscape • Working with third party software providers where possible to enhance product offering
TECHNOLOGY RISK – The Group may be threatened by Denial of Service attacks or similar	Temporary disruption of service, blackmail demands	• Group has highly advanced preventive measures with world-class technology firms
– Hosting platforms may suffer critical failure	Temporary disruption of service, undermining of the confidence built with customers	

PRINCIPAL RISKS, UNCERTAINTIES AND BUSINESS MODEL
continued

BUSINESS MODELS

	CasinoClub	Betboo	B2B
Website	www.casinoclub.com	www.betboo.com	N/A
Business model	Online casino and poker targeting German speaking customers New business derived primarily from online affiliates who derive a revenue share Retention served mainly through circulation of a free magazine and personal contact via emails and phone calls	Online sportsbetting, casino, poker and bingo, targeting customers in Latin America New business derived from online affiliates and offline agents Retention enabled through excellence of customer service and strong relationship with affiliates	Providing a full suite of back-office services to third-party B2C providers New contracts likely to be gained through reputational excellence Long-term contracts entered into
Licensing authority	Lottery and Gaming Authority in Malta	Netherlands Antilles	N/A

DIRECTORS REPORT

The Directors present their report for GVC Holdings PLC and the audited financial statements for the year ended 31 December 2012.

Principal Activities

GVC Holdings PLC was incorporated on 5 January 2010 in The Isle of Man. On 21 May 2010, it took over the assets of Gaming VC Holdings S.A. after approval by the shareholders, and is now the holding company of the Group.

Results and Dividends

The profit for the year attributable to ordinary shareholders after taxation amounted to €9,236,000 (2011: loss of €145,000).

The Company is incorporated under the 2006 Isle of Man Companies Act. This act does not require the Company to have distributable reserves for the purpose of declaring a dividend. The Act requires the Directors to consider the solvency of the Company before making a dividend. A corollary of this is that the matter of dividends is not required to be put before General Meeting.

The Group's consolidated financial statements are set out on pages 21 to 55. For a more detailed review of the Group's result see the Report of the Chief Executive and the Report of the Group Finance Director.

Trading Review and Future Developments

The Directors are satisfied with the Group's performance during 2012 and are confident that performance will continue to improve during 2013 and beyond.

For a detailed review of the trading performance and future developments of the Group see the Chairman's Statement, Report of the Chief Executive and the Report of the Group Finance Director, which form part of their reports.

Key Performance Indicators

For a more detailed review of the key performance indicators of the Group see the Report of the Chief Executive.

Directors and their Interests

The Directors of the Company and their beneficial interest in the ordinary share capital of the Group are as follows:

Ordinary shares of €0.01 each in GVC Holdings PLC	25 March 2013	31 December 2012	31 December 2011
Executive Directors			
K Alexander	313,333	313,333	313,333
R Cooper	135,000	135,000	135,000
Non-Executive Directors			
L Feldman	73,700	73,700	73,700
N Blythe-Tinker	–	–	–
K Diacono	–	–	–

The Directors shareholdings represent 0.86% (2011: 1.66%) of the voting shares of the Company, the Company having issued a further 29,018,075 shares in pursuit of the Sportingbet acquisition.

Details of the Directors who have an interest in share options are disclosed in the Report of the Remuneration Committee.

Creditor Payment Policy

It is the Group's policy to agree terms of business with suppliers prior to the supply of goods and services.

Going Concern

The Group's business activities, together with the factors likely to affect its future performance and position are set out in the Chairman's, Chief Executive's and Group Finance Director's statements. Note 20 to the financial statements sets out the Group's financial risk management policies, and its exposure to credit risk and liquidity risk.

The Directors have assessed the financial risks facing the business, and compared this risk assessment to the net current assets position and dividend policy. The Directors have also reviewed relationships with key suppliers and software providers and are satisfied that the appropriate contracts and contingency plans are in place. The Directors have prepared income statement and cash flow forecasts to assess whether the Group has adequate resources for the foreseeable future.

The Directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the consolidated financial statements.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to keep reliable accounting records which allow financial statements to be prepared. In addition, the Directors have elected to prepare group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and applicable law and have elected to prepare the parent company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice). The financial statements are required to give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that year. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards and UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for keeping reliable accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with The Isle of Man Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the Directors are aware:

- there is no relevant audit information of which the Company's auditors are unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

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 preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

For and on behalf of the Board of GVC Holdings PLC.

Richard Cooper
Group Finance Director
25 March 2013

Registered office: Milbourn House, St. Georges Street, Douglas, Isle of Man, IM1 1AJ

CONSOLIDATED FINANCIAL STATEMENTS (UNDER IFRS)

In this section:

Independent Auditor's report to the Members of GVC Holdings PLC	20
Consolidated Income Statement	21
Consolidated Statement of Comprehensive Income	21
Consolidated Balance Sheet	22
Consolidated Statement of Changes in Equity	23
Consolidated Statement of Cashflows	24
Notes to the Consolidated Financial Statements	25

INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF GVC HOLDINGS PLC

We have audited the group financial statements of GVC Holdings PLC for the year ended 31 December 2012 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 and the related notes. The financial reporting framework that has been applied in their preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Section 80c of the Isle of Man Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 18, the Directors are responsible for the preparation of the group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on Financial Statements

In our opinion the group financial statements:

- give a true and fair view of the state of the group's affairs as at 31 December 2012 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union; and
- have been prepared in accordance with the requirements of The Isle of Man Companies Act 2006

Other Matter

We have reported separately on the parent company financial statements of GVC Holdings PLC for the year ended 31 December 2012.

Grant Thornton UK LLP

Grant Thornton UK LLP
Chartered Accountants
London
25 March 2013

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2012

	Notes	2012 €000's	2011 €000's
Revenue	2	59,596	44,340
Cost of sales		(24,513)	(23,790)
Contribution	2	35,083	20,550
Operating costs (as below)	4	(22,049)	(18,551)
Other operating costs	4	(19,631)	(12,168)
Share option charges	4	(79)	(440)
Exceptional items	4	208	(3,919)
Depreciation and amortisation	4, 9, 10	(2,547)	(2,024)
Operating profit		13,034	1,999
Financial income	5	2	2
Financial expense	5	(2,206)	(2,387)
Profit/(loss) before tax		10,830	(386)
Taxation charge	6	(480)	(236)
Profit/(loss) after taxation from continuing operations		10,350	(622)
(Loss)/profit after taxation from discontinued operations	7	(1,114)	477
Profit/(loss) after tax		9,236	(145)
Earnings per share		€	€
Basic			
Profit/(loss) from continuing operations		0.328	(0.020)
(Loss)/profit from discontinued operations		(0.035)	0.015
Total	8	0.293	(0.005)
Diluted			
Profit/(loss) from continuing operations		0.323	(0.020)
(Loss)/profit from discontinued operations		(0.035)	0.015
Total	8	0.288	(0.005)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2012

	2012 €000's	2011 €000's
Profit/(loss) and total comprehensive income/(expense) for the year	9,236	(145)

The notes on pages 25 to 55 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

at 31 December 2012

	Notes	**2012 €000's**	2011 €000's
Assets			
Property, plant and equipment	9	**653**	470
Intangible assets	10	**65,440**	67,223
Deferred tax asset	6	**83**	83
Total non-current assets		**66,176**	67,776
Receivables and prepayments	12	**17,356**	8,983
Income taxes reclaimable	6	**943**	1,529
Cash and cash equivalents	13	**6,632**	9,853
Total current assets		**24,931**	20,365
Current liabilities			
Trade and other payables	14	**(18,982)**	(15,926)
Income taxes payable	6	**(1,185)**	(1,771)
Other taxation liabilities	15	**(186)**	(330)
Total current liabilities		**(20,353)**	(18,027)
Current assets less current liabilities		**4,578**	2,338
Long term liabilities			
Deferred consideration on Betboo	11	**(12,283)**	(12,940)
Total net assets		**58,471**	57,174
Capital and reserves			
Issued share capital	17	**316**	315
Merger reserve	17	**40,407**	40,407
Share premium		**611**	416
Retained earnings	17	**17,137**	16,036
Total equity attributable to equity holders of the parent		**58,471**	57,174

The financial statements from pages 21 to 55 were approved and authorised for issue by the Board of Directors on 25 March 2013 and signed on their behalf by:

K.J. Alexander
(Chief Executive Officer)

R.Q.M. Cooper
(Group Finance Director)

The notes on pages 25 to 55 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2012

Attributable to equity holders of the parent company:

	Share Capital €000's	Merger Reserve €000's	Share Premium €000's	Retained Earnings €000's	Total €000's
Balance at 1 January 2011	311	40,407	–	21,966	62,684
Share option charges	–	–	–	440	440
Share options exercised	4	–	416	–	420
Dividend paid	–	–	–	(6,225)	(6,225)
Transactions with owners	4	–	416	(5,785)	(5,365)
Loss and total comprehensive expense	–	–	–	(145)	(145)
Balance as at 31 December 2011	**315**	**40,407**	**416**	**16,036**	**57,174**
Balance at 1 January 2012	315	40,407	416	16,036	57,174
Share option charges	–	–	–	568	568
Lapsed share options	–	–	–	(489)	(489)
Share options exercised	1	–	195	–	196
Dividend paid	–	–	–	(8,214)	(8,214)
Transactions with owners	1	–	195	(8,135)	(7,939)
Profit and total comprehensive income	–	–	–	9,236	9,236
Balance as at 31 December 2012	**316**	**40,407**	**611**	**17,137**	**58,471**

All reserves of the Company are distributable, as under The Isle of Man Companies Act 2006, distributions are not governed by reserves but by the Directors undertaking an assessment of the Company's solvency at the time of distribution.

The notes on pages 25 to 55 form part of these financial statements.

CONSOLIDATED STATEMENTS OF CASHFLOWS

for the year ended 31 December 2012

	2012 €000's	2011 €000's
Cash flows from operating activities		
Cash receipts from customers	**56,881**	61,289
Cash paid to suppliers and employees	**(47,686)**	(49,640)
Corporate taxes recovered	**1,529**	1,356
Corporate taxes paid	**(1,946)**	(1,627)
Net cash from operating activities	**8,778**	11,378
Cash flows from investing activities		
Interest received	**2**	5
Earn-out related to prior period acquisition	**(2,863)**	(671)
Acquisition of property, plant and equipment	**(492)**	(395)
Acquisition of intangible assets	**(628)**	(1,210)
Net cash from investing activities	**(3,981)**	(2,271)
Cash flows from financing activities		
Proceeds from issue of share capital	**196**	420
Dividend paid	**(8,214)**	(6,225)
Net cash from financing activities	**(8,018)**	(5,805)
Net (decrease)/increase in cash and cash equivalents	**(3,221)**	3,302
Cash and cash equivalents at beginning of the year	**9,853**	6,551
Cash and cash equivalents at end of the year	**6,632**	9,853

The notes on pages 25 to 55 form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2012

1. Significant accounting policies
2. Segmental reporting
3. Contract with East Pioneer Corporation B.V.
4. Operating costs
5. Financial income and expenses
6. Taxation
7. Discontinued operations
8. Earnings per share
9. Property, plant and equipment
10. Intangible assets
11. Acquisition of Betboo
12. Receivables and prepayments
13. Cash and cash equivalents
14. Trade and other payables
15. Other taxation payable
16. Commitments under operating leases
17. Share capital and reserves
18. Dividends
19. Share option schemes
20. Financial instruments and risk management
21. Related parties
22. Group entities
23. Contingent liabilities
24. Accounting estimates and judgements
25. Going concern
26. Subsequent events

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 December 2012

1. SIGNIFICANT ACCOUNTING POLICIES

This note from pages 26 to 32 deals with both the significant accounting policies used in the preparation of these financial statements, together with a note identifying new accounting standards which will affect the Group.

GVC Holdings PLC is a company registered in The Isle of Man and was incorporated on 5 January 2010. It is the successor company of Gaming VC Holdings S.A. and took the assets of Gaming VC Holdings S.A. on 21 May 2010 after formal approval by shareholders. The consolidated financial statements of the Group for the year ended 31 December 2012 comprise the Company and its subsidiaries (together referred to as the 'Group'). The Group has two business lines, Business to Consumer ("B2C"), whose principal activities are that of operating online casinos, access to online poker rooms, online bingo and online sports betting, Business to Business ("B2B"), whose principal activities are to provide a full support service to third party B2C operators.

The Group's significant subsidiaries are listed in note 22.

1.1 Statement of Compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs), as adopted by the European Union.

The Directors have reviewed the accounting policies used by the Group and consider them to be the most appropriate. The accounting policies are consistent with the prior year with the exception of revisions and amendments to IFRS issued by the IASB, which are relevant to and effective for the annual period beginning 1 January 2012. Material effects on current, prior or future periods arising from the first-time application of these new requirements in respect of presentation, recognition and measurement are described below.

Standards, Amendments and Interpretations that were effective in 2012:

- Deferred Tax: Recovery of Underlying Assets – Amendments to IAS 12 Income Taxes (effective 1 January 2012).
- Disclosures – Transfers of Financial Assets – Amendments to IFRS 7 (effective 1 July 2011).

The Group does not believe that the adoption of these standards and interpretations had a material effect on its financial statements. Standards that have been issued but are not yet effective can be seen in note 1.20.

1.2 Basis of Preparation

The financial information, which comprises the consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in shareholders' equity, consolidated cash flow statement and related notes, is derived from the Group financial statements for the year ended 31 December 2012, which have been prepared under International Financial Reporting Standards as adopted by the European Union (IFRS) and those parts of the Isle of Man Companies Act 2006 applicable to companies reporting under IFRS. It does not constitute full accounts within the meaning of the Isle of Man Companies Act 2006. This financial information has been agreed with the auditors for release.

The financial statements are presented in the Euro, rounded to the nearest thousand, and are prepared on the historical cost basis. The financial statements are prepared on the going concern basis (see note 25).

The preparation of financial statements in conformity with IFRSs requires directors to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on various factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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 if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Significant accounting estimates and judgements are discussed in further detail in note 24.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

The accounting policies have been applied consistently by Group entities.

1.3 Basis of Consolidation

1.3.1 Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

1.3.2 Transactions Eliminated on Consolidation

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

1.3.3 Business Combinations

All business combinations are accounted for by applying the purchase method. The cost of a business combination is measured as the aggregate of the fair values, at the acquisition date, of the assets given, liabilities incurred or assumed, and equity instruments issued by the Group, the fair value of an asset or a liability arising from a contingent consideration arrangement. The identifiable assets, liabilities and contingent liabilities of the acquiree are measured initially at fair value at the acquisition date, irrespective of the extent of any non-controlling interest. Acquisition costs are expensed as incurred. The excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities, and contingent liabilities is recognised as goodwill.

Prior to 1 January 2010, business combinations were accounted for under the previous version of IFRS 3.

1.3.4 Associates

Associates are those entities over which the Group is able to exert significant influence but which are neither subsidiaries nor joint ventures. Investments in associates are initially recognised at cost and subsequently accounted for using the equity accounting method. Any goodwill or fair value adjustment attributable to the Group's share in the associate is not recognised separately and is included in the amount recognised as investments in associates.

The carrying amount of the investment in associates is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate, adjusted where necessary to ensure consistency with the accounting policies of the Group.

Where the Group does not have a legal right to a share in the underlying assets and liabilities of an associate no entries are made to the investment in the Associate in the balance sheet.

1.4 Foreign Currency

The functional currency of the Company and the Group as well as the presentational currency of the Group is the Euro.

1.4.1 Foreign Currency Transactions

Transactions in foreign currencies are translated to the Euro at the foreign exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting balance sheet date are translated to the Euro at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the consolidated income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.5 Property, Plant and Equipment

1.5.1 Owned Assets

Property, plant and equipment is stated at cost, less accumulated depreciation (see 1.5.2 below) and impairment losses (see accounting policy 1.7). Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

1.5.2 Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives are as follows:

Fixtures and fittings: 3 years
Plant and equipment: 3 years

The residual value, if significant, is reassessed annually.

1.6 Intangible Assets

1.6.1 Goodwill

Acquired goodwill represents the excess of the cost of a business combination over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree at the date of acquisition. Goodwill is tested at least annually for impairment and carried at cost less accumulated impairment losses. At the date of acquisition, goodwill is allocated to cash generating units for the purpose of impairment testing. Any negative goodwill arising on an acquisition would be recognised directly in profit or loss.

1.6.2 Other Intangible Assets

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (see 1.6.4) and impairment losses (see accounting policy 1.7).

The cost of intangible assets acquired in a business combination is the fair value at acquisition date. The valuation methodology used for each type of identifiable asset category is detailed below:

Asset category	Valuation methodology
Consulting and magazine	Income (cost saving)
Software licence	Income (incremental value plus loss of profits)
Trademarks	Relief from royalty
Trade name	Relief from royalty
Non Contractual customer relationships	Excess earnings

Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense is incurred.

1.6.3 Subsequent Expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. This includes legal and similar expenditure incurred in registering brands and trade names, which is capitalised, all other expenditure is expensed as incurred.

1.6.4 Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Goodwill and trademarks with an indefinite useful life are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Consulting agreements	3-5 years
Capitalised development costs	2-4 years
Software licence agreements	2-15 years
Non-contractual customer relationships	4 years

1.7 Impairment

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes an estimate of the recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Recoverable amount is the higher of fair value less costs to sell and value in use and is determined for an individual asset. If the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, the recoverable amount of the cash generating unit to which the asset belongs is determined. Discount rates reflecting the asset specific risks and the time value of money are used for the value in use calculation.

For goodwill and trademarks that have an indefinite useful life, the recoverable amount is estimated at each balance sheet date.

1.8 Dividends Paid to Holders of Share Capital

Dividend distributions payable to equity shareholders are recognised in the income statement on the date the dividend is paid.

1.9 Employee Benefits

1.9.1 Pension Arrangements

The Group does not operate any pension schemes. The Group, as part of general remuneration arrangements, makes payments directly to employees as a pension contribution allowance. In some jurisdictions in which the Group has employees, there are government schemes into which the employing company or branch must make payments on a defined contribution basis.

1.9.2 Share Options

The Group have share option schemes which allows Group employees and contractors to acquire shares of the Company. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options.

The fair value of the options granted is measured using a binomial valuation model. This valuation method takes into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest.

Payments made to repurchase or cancel vested awards are accounted for with the fair value of the options cancelled, measured at the date of cancellation being taken to retained earnings; the balance is taken to the income statement. Also on cancellation an accelerated charge would be recognised immediately.

See note 19 for further details of the three schemes.

1.10 Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.11 Net Gaming Revenue

Net Gaming Revenue is measured at the fair value of consideration received or receivable net of betting duties and similar taxes, and charge-backs, and comprises the following elements:

Casino: net win in respect of bets placed on casino games that have concluded in the year, stated net of promotional bonuses, betting duties and similar taxes, and charge-backs.

Sportsbook: gains and losses in respect of bets placed on sporting events in the year, stated net of promotional bonuses, betting duties and similar taxes, and charge-backs. Open positions are carried at fair market value and gains and losses arising on this valuation are recognised in revenue, as well as gains and losses realised on positions that have closed.

Poker: net win in respect of rake for poker games that have concluded in the year, stated net of promotional bonuses, betting duties and similar taxes, and charge-backs.

Bingo: net win in respect of bets placed on bingo games that have concluded in the year, stated net of promotional bonuses, betting duties and similar taxes, and charge-backs.

Where promotional bonuses apply to customers playing a variety of products through the same wallet, bonuses are allocated pro-rata to the net win.

1.12 B2B income

B2B income comprises the amounts receivable for services to other online gaming operators. Income is recognised when a right to consideration has been obtained through performance and reflects contract activity during the year. B2B income includes amounts due for the provision of services to East Pioneer Corporation B.V. (“EPC”). The amounts have been shown as income as they represent normal trading transactions and match costs incurred by the Group as a result of providing services to EPC. A reconciliation of the NGR attributable to the B2B partner to the B2B income recognised in these financial statements is shown in note 2.

1.13 Financial Expenses

Financial expenses comprise interest payable on borrowings calculated using the effective interest rate method.

1.14 Exceptional Items

Exceptional items are those that in judgement of the Directors, need to be disclosed by virtue of their size or incidence in order for the user to obtain a proper understanding of the financial information.

1.15 Financial Income

Financial income is interest income recognised in the income statement as it accrues, using the effective interest method.

1.16 Tax

Current tax is the tax currently payable based on taxable profit for the year. Deferred income taxes are calculated using the liability method on temporary differences.

Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is neither provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with investments in subsidiaries is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement, except where they relate to items that are charged or credited directly to other comprehensive income or equity in which case the related deferred tax is also charged or credited directly to other comprehensive income or equity as appropriate.

1.17 Segment Reporting

Management in the year moved from identifying its key operating segments as the Group's key brands and now follows two distinct business lines as reportable operating segments:

Business to Consumer "B2C"	including the brands CasinoClub and Betboo;
Business to Business "B2B"	includes the revenue from East Pioneer Corporation B.V. and the Group's activities in similar territories.

Each of these operating segments is managed separately as each of these service lines requires different technologies and other resources as well as marketing approaches. All inter-segment transfers are carried out at arm's length prices.

The measurement policies the Group uses for segment reporting under IFRS 8 are the same as those used in its financial statements.

In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

The prior year comparatives have been re-stated to reflect the change in Management's approach to follow the two new operating segments.

1.18 Financial Instruments

The Group's financial assets are all classified as loans and receivables and comprise trade and other receivables and cash and cash equivalents. The Group's financial liabilities comprise trade and other payables and deferred consideration in relation to Betboo, and bank borrowings to the extent they exist.

1.18.1 Non-Derivative Financial Instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables. Non-derivative financial instruments are recognised initially at fair value, plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured at amortised cost using the effective interest method. Provisions for impairment are made against financial assets if considered appropriate and any impairment is recognised in profit or loss.

1.18.2 Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and any balances with payment processors that are repayable on demand. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows. They exclude balances in bank accounts required to be held as segregated funds.

Accounting for financial income and financial expenses are discussed in notes 1.15 and 1.13 respectively.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.19 Equity

Equity comprises the following:

'Share capital' represents the nominal value of equity shares.

'Share premium' represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.

'Retained earnings' represents retained profits.

'Merger reserve' arose on the re-domiciliation of the Group from Luxembourg to The Isle of Man. It consists of the pre-redomiciliation reserves of the Luxembourg company plus the difference in the issued share capital (31,135,762 share at €0.01 versus 31,135,762 shares at €1.24).

1.20 Standards in Issue, not yet effective

Standards, Amendments and Interpretations that are mandatory for the Group's accounting periods beginning on or after 1 January 2013 and have not been adopted early by the Group are as follows:

- IFRS 9 Financial Instruments (effective 1 January 2015), the Group will apply IFRS 9 from 1 January 2015.
- IFRS 10 Consolidated Financial Statements (effective 1 January 2013), the Group will retrospectively apply IFRS 10 from 1 January 2013.
- IFRS 11 Joint Arrangements (effective 1 January 2013), the Group will apply IFRS 11 from 1 January 2013.
- IFRS 12 Disclosure of Interests in Other Entities (effective 1 January 2013), the Group will apply IFRS 12 from 1 January 2013.
- IFRS 13 Fair Value Measurement (effective 1 January 2013), the Group will apply IFRS 13 from 1 January 2013.
- IAS 19 Employee Benefits (Revised June 2011) (effective 1 January 2013), the Group will apply IAS 19 (revised) from 1 January 2013.
- IAS 27 (Revised), Separate Financial Statements (effective 1 January 2013), the Group will apply IAS 27 (revised) from 1 January 2013.
- IAS 28 (Revised), Investments in Associates and Joint Ventures (effective 1 January 2013), the Group will apply IAS 28 (revised) from 1 January 2013.

The following Standards are not likely to have a material impact on the Group's or Company's financial statements:

- Disclosures – Offsetting Financial Assets and Financial Liabilities – Amendments to IFRS 7 (effective 1 January 2013).
- Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32 (effective 1 January 2014).
- Mandatory Effective Date and Transition Disclosures – Amendments to IFRS 9 and IFRS 7 (effective 1 January 2015).

2. SEGMENTAL REPORTING

Management currently identifies two distinct business lines Business to Consumer ("B2C") and Business to Business "B2B" as operating segments. These operating segments are monitored and strategic decisions are made on the basis of segment operating results. The Group has chosen to split out its two key B2C brands, CasinoClub and Betboo.

Management also monitors revenue by geographic location of its customers, monitoring performance in Europe and Latin America.

2.1 Geographical Analysis

The Group's revenues and other income from external customers are divided into the following geographic areas:

	2012 €000's	2011 €000's
Europe	**49,304**	35,527
Latin America	**10,292**	8,813
Total	**59,596**	44,340

All of the Group's Other Income comes from Europe.

The total non-current assets (other than financial instruments, investments accounted for using the equity method, deferred tax assets and post employment benefit assets) located in Europe is €57,026,000 (2011: €57,096,000) and the total located in other regions is €9,067,000 (2011: €10,597,000).

The total deferred tax asset located in Europe is €83,000 (2011: €83,000). There are no deferred tax assets in other regions.

Revenues from external customers in the Group's domicile, Europe, as well as its major markets, Europe and Latin America, have been identified on the basis of the customer's geographical location. Non-current assets are allocated based on their physical location. The above table does not include discontinued operations, for which revenue and assets can be attributed to Europe.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 December 2012

2. SEGMENTAL REPORTING (continued)

2.2 Reporting by Segment

2012

	CasinoClub €000's	*Betboo €000's*	Total B2C €000's	B2B €000's	Unallocated central costs €000's	**Total €000's**
STATEMENT OF TURNOVER						
Sports wagers	–	*44,117*	44,117	474,814	–	**518,931**
Sports margin		*8.5%*	*8.5%*	*11.6%*		*11.3%*
Gross margin	–	*3,752*	3,752	54,895	–	**58,647**
Sports NGR	–	*2,628*	2,628	45,385	–	**48,013**
Gaming NGR	*28,134*	*7,664*	35,798	17,975	–	**53,773**
Other revenue from customers	–	–	–	2,378	–	**2,378**
	28,134	*10,292*	38,426	65,738	–	**104,164**
Revenue recognised by GVC	*28,134*	*10,292*	38,426	21,170	–	**59,596**
Revenue recognised by B2B partners	–	–	–	44,568	–	**44,568**
	28,134	*10,292*	38,426	65,738	–	**104,164**
SEGMENTAL REPORTING						
Total revenue	***28,134***	***10,292***	**38,426**	**21,170**	**–**	**59,596**
Variable costs	*(11,797)*	*(6,720)*	(18,517)	(5,996)	–	**(24,513)**
Contribution	***16,337***	***3,572***	**19,909**	**15,174**	**–**	**35,083**
Other operating costs (note 4)	*(6,778)*	*(4,977)*	(11,755)	(7,876)	–	**(19,631)**
Clean EBITDA	***9,559***	***(1,405)***	**8,154**	**7,298**	**–**	**15,452**
Exceptional items (note 4.1)	*208*	–	208	–	–	**208**
Share option charges	–	–	–	–	(79)	**(79)**
EBITDA	***9,767***	***(1,405)***	**8,362**	**7,298**	**(79)**	**15,581**
Depreciation and amortisation	*(534)*	*(1,533)*	(2,067)	(479)	(1)	**(2,547)**
Financial (expense)/income*	–	*(2,206)*	(2,206)	–	2	**(2,204)**
Profit/(loss) before tax	***9,233***	***(5,144)***	**4,089**	**6,819**	**(78)**	**10,830**
Taxation	*(369)*	–	(369)	(21)	(90)	**(480)**
Profit/(loss) after tax from continuing operations	***8,864***	***(5,144)***	**3,720**	**6,798**	**(168)**	**10,350**
NET ASSETS						
Non-current assets	*56,016*	*3,907*	59,923	6,161	92	**66,176**
Current assets	*4,341*	*2,696*	7,037	15,847	2,047	**24,931**
Current liabilities	*(1,440)*	*(1,188)*	(2,628)	(13,596)	(4,129)	**(20,353)**
Net current assets	*2,901*	*1,508*	4,409	2,251	(2,082)	**4,578**
Long term liabilities	–	*(12,283)*	(12,283)	–	–	**(12,283)**
Net assets	***58,917***	***(6,868)***	**52,049**	**8,412**	**(1,990)**	**58,471**
Total assets	***60,357***	***6,603***	**66,960**	**22,008**	**2,139**	**91,107**
Total liabilities	**(1,440)**	**(13,471)**	**(14,911)**	**(13,596)**	**(4,129)**	**(32,636)**
OTHER INFORMATION AND KPI's						
Revenue per day	*77*	*28*	105	58	–	**163**
Contribution margin	*58%*	*35%*	52%	72%	–	**59%**
Sports wagers per day	–	*121*	121	1,297	–	**1,418**

** includes the unwinding of the discount on the deferred consideration arising from the acquisition of Betboo*

2011

	CasinoClub €000's	Betboo €000's	Total B2C €000's	B2B €000's	Unallocated central costs €000's	Total €000's
STATEMENT OF TURNOVER						
Sports wagers	–	24,439	24,439	82,535	–	106,974
Sports margin		10.8%	10.8%	10.6%		10.6%
Gross margin	–	2,629	2,629	8,759	–	11,388
Sports NGR	–	2,193	2,193	6,546	–	8,739
Gaming NGR	29,399	6,620	36,019	3,247	–	39,266
Other revenue from customers	–	–	–	280	–	280
	29,399	8,813	38,212	10,073	–	48,285
Revenue recognised by GVC	29,399	8,813	38,212	6,128	–	44,340
Revenue recognised by B2B partners	–	–	–	3,945	–	3,945
	29,399	8,813	38,212	10,073	–	48,285
SEGMENTAL REPORTING						
Total revenue	29,399	8,813	38,212	6,128	–	44,340
Variable costs	(13,923)	(6,532)	(20,455)	(3,335)	(23,790)	–
Contribution	15,476	2,281	17,757	2,793	–	20,550
Other operating costs (note 4)	(5,810)	(3,763)	(9,573)	(2,595)	–	(12,168)
Clean EBITDA	9,666	(1,482)	8,184	198	–	8,382
Exceptional items (note 4.1)	(334)	–	(334)	(3,585)	–	(3,919)
Share option charges	–	–	–	–	(440)	(440)
EBITDA	9,332	(1,482)	7,850	(3,387)	(440)	4,023
Depreciation and amortisation	(457)	(1,344)	(1,801)	(223)	–	(2,024)
Financial (expense)/income*	–	(2,387)	(2,387)	1	1	(2,385)
Profit/(loss) before tax	8,875	(5,213)	3,662	(3,609)	(439)	(386)
Taxation	(162)	–	(162)	–	(74)	(236)
Profit/(loss) after tax from continuing operations	8,713	(5,213)	3,500	(3,609)	(513)	(622)
Net assets						
Non-current assets	56,151	5,436	61,587	5,917	272	67,776
Current assets	3,866	2,801	6,667	8,698	5,000	20,365
Current liabilities	(3,978)	(1,271)	(5,249)	(8,719)	(4,059)	(18,027)
Net current assets	(112)	1,530	1,418	(21)	941	2,338
Long term liabilities	–	(12,940)	(12,940)	–	–	(12,940)
Net assets	**56,039**	**(5,974)**	**50,065**	**5,896**	**1,213**	**57,174**
Total assets	60,017	8,237	68,254	14,615	5,272	88,141
Total liabilities	(3,978)	(14,211)	(18,189)	(8,719)	(4,059)	(30,967)
OTHER INFORMATION AND KPI's						
Revenue per day	81	24	105	17	–	121
Contribution margin	53%	26%	46%	46%	–	46%
Sports wagers per day	–	67	67	226	–	293

** includes the unwinding of the discount on the deferred consideration arising from the acquisition of Betboo*

It is not deemed appropriate to allocate share option charges and financial income by operating segment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 December 2012

2. SEGMENTAL REPORTING (continued)

2.3 Business Line Performance Summary

	CasinoClub €000's	*Betboo €000's*	B2C €000's	B2B €000's	**Total €000's**
Revenue					
H2-2012	*14,007*	*5,243*	19,250	11,238	**30,488**
H1-2012	*14,127*	*5,049*	19,176	9,932	**29,108**
H2-2011	*14,767*	*5,004*	19,771	4,741	**24,512**
H1-2011	*14,632*	*3,809*	18,441	1,387	**19,828**
Contribution					
H2-2012	*8,029*	*2,012*	10,041	8,007	**18,048**
H1-2012	*8,308*	*1,560*	9,868	7,167	**17,035**
H2-2011	*8,106*	*523*	8,629	2,370	**10,999**
H1-2011	*7,370*	*1,758*	9,128	423	**9,551**
Clean EBITDA					
H2-2012	*4,560*	*(707)*	3,853	3,923	**7,776**
H1-2012	*4,999*	*(698)*	4,301	3,375	**7,676**
H2-2011	*4,992*	*(1,497)*	3,495	649	**4,144**
H1-2011	*4,674*	*15*	4,689	(451)	**4,238**

2.4 Proforma Segmental Reporting Consolidating B2B Businesses in 2012

	CasinoClub €000's	*Betboo €000's*	Total B2C €000's	B2B €000's	Unallocated central costs €000's	**Total €000's**
Total revenue	***28,134***	***10,292***	**38,426**	**65,738**	**–**	**104,164**
Variable costs	*(11,797)*	*(6,720)*	(18,517)	(50,564)	–	(69,081)
Contribution	***16,337***	***3,572***	**19,909**	**15,174**	**–**	**35,083**
Other operating costs	*(6,778)*	*(4,977)*	(11,755)	(7,876)	–	(19,631)
Clean EBITDA	***9,559***	***(1,405)***	**8,154**	**7,298**	**–**	**15,452**
Exceptional items	*208*	–	208	–	–	208
Share option charges	–	–	–	–	(79)	(79)
EBITDA	***9,767***	***(1,405)***	**8,362**	**7,298**	**(79)**	**15,581**
Depreciation and amortisation	*(534)*	*(1,533)*	(2,067)	(479)	(1)	(2,547)
Financial (expense)/income*	–	*(2,206)*	(2,206)	–	2	(2,204)
Profit/(loss) before tax	***9,233***	***(5,144)***	**4,089**	**6,819**	**(78)**	**10,830**
Taxation	*(369)*	–	(369)	(21)	(90)	(480)
Profit/(loss) after tax from continuing operations	***8,864***	***(5,144)***	**3,720**	**6,798**	**(168)**	**10,350**
Net assets						
Non-current assets	*56,016*	*3,907*	59,923	6,161	92	66,176
Current assets	*4,341*	*2,696*	7,037	*15,964	2,047	*25,048
Current liabilities	*(1,440)*	*(1,188)*	(2,628)	*(13,713)	(4,129)	*(20,470)
Net current assets	*2,901*	*1,508*	4,409	2,251	(2,082)	4,578
Long term liabilities	–	*(12,283)*	(12,283)	–	–	(12,283)
Net assets	***58,917***	***(6,868)***	**52,049**	**8,412**	**(1,990)**	**58,471**
Total assets	*60,357*	*6,603*	66,960	*22,125	2,139	*91,224
Total liabilities	(1,440)	(13,471)	(14,911)	*(13,713)	(4,129)	*(32,753)

*These figures reflect the small accounting changes had East Pioneer Corporation B.V. been fully consolidated at 31 December 2012

3. CONTRACT WITH EAST PIONEER CORPORATION B.V.

As part of the agreement between the Group and EPC the Group agreed to guarantee the performance of EPC's obligations to SBT and therefore entered into the acquisition agreement alongside EPC as its guarantor. A contingent liability has been disclosed in respect of this guarantee as detailed in note 23.

4. OPERATING COSTS

	Notes	2012 €000's	2011 €000's
Wages and salaries, including Directors remuneration		8,700	4,717
Amounts paid to long term contractors		868	588
Compulsory social security contributions		718	401
Compulsory pension contributions		195	139
Health and other benefits		45	22
Recruitment and training		285	161
Personnel expenditure (excluding share option charges)		10,811	6,028
Professional fees		1,177	932
Technology costs		1,463	617
Office, travel and other costs		1,909	1,329
Third party service costs*		3,925	3,088
Foreign exchange differences		346	174
Other operating costs		19,631	12,168
Share option charges		79	440
Exceptional items	4.1	(208)	3,919
Depreciation		248	197
Amortisation		2,299	1,827
		22,049	18,551

**provided to Betboo by external providers*

4.1 Exceptional Items

The Group incurred expenditure on exceptional items (as defined in accounting policy note 1.14). These are items which are both exceptional in size and nature.

	Notes	2012 €000's	2011 €000's
Transaction with East Pioneer Corporation B.V.			
– legal and professional costs	a	–	2,275
– bonuses paid to Directors and staff	a	–	1,310
Boss dispute	b	(208)	334
		(208)	3,919

Note a: On 21 November 2011 the Group entered into a service agreement and guarantee relating to the acquisition by East Pioneer Corporation B.V. from Sportingbet plc of Superbahis. The pre contract costs of entering into this agreement along with the Directors transaction success bonuses have been taken as an exceptional item.

Note b: The Group has been in a number of legal disputes with Boss Media and these have now ended. The net costs incurred by the Group relating to these disputes has been taken as an exceptional item.

4. OPERATING COSTS (continued)

4.2 Employees

The average monthly number of persons (including Directors) employed by the Group during the year was:

	2012	2011
Number of personnel		
With employment contracts or service contracts	153	116
Contractors	7	7
	160	123

5. FINANCIAL INCOME AND EXPENSES

	2012 €000's	2011 €000's
Financial income – interest income	2	5
Financial expense – interest payable		
– Unwinding of discount on deferred consideration (see note 11)	(2,206)	(2,387)
	(2,204)	(2,382)

6. TAXATION

Current tax for the current and prior periods is classified as a current liability to the extent that it is unpaid. Amounts paid in excess of amounts owed are classified as a current asset. There is a current tax liability from continuing operations of €480k (net of tax receivable amounts) at 31 December 2012 (2011: Current tax liability from continuing operations of €319k (net of tax receivable amounts)).

	2012 €000's	2011 €000's
Current tax expense		
Current year	410	256
Prior year	70	63
	480	319
Deferred tax		
Origination and reversal of temporary differences	–	(83)
Total income tax expense in income statement	480	236

The tax for the year is different from that which would result from applying the standard rate of Corporation Tax in the UK (24.5%, 2011: 26.5%*). A reconciliation is shown below:

	2012	2011
Profit/(loss) before tax	10,830	(386)
Income tax using the domestic corporation tax rate	2,653	(102)
Effect of tax rates in foreign jurisdictions (rates decreased)	(2,460)	(69)
Expenses not deductible for tax purposes	504	482
Utilisation of tax losses	(242)	(13)
Tax losses for which no deferred tax assets have been recognised	31	25
Adjustment in respect of prior years – corporation tax	70	61
Adjustment in respect of prior years – deferred tax	–	(38)
Capital allowances for the period in excess of depreciation	(76)	(110)
	480	236

**From 1 April 2012 the UK Corporation Tax rate changed from 26% to 24% and from 1 April 2013 the rate will reduce to 23%.*

6.1 Taxation Amounts Recognised in the Balance Sheet

	Current Tax		Deferred Tax		
	Payable €000's	Receivable €000's	Asset €000's	Liability €000's	**Total €000's**
Balances at 1 January 2011	(1,525)	1,356	–	–	**(169)**
Paid/(received) during the year ended 31 December 2011	1,627	(1,356)	–	–	**271**
(Charge)/credit in income statement for prior years	(63)	–	38	–	**(25)**
(Charge)/credit in income statement for the year ended 31 December 2011	(1,810)	1,529	45	–	**(236)**
Balances at 31 December 2011	**(1,771)**	**1,529**	**83**	**–**	**(159)**
Balances at 1 January 2012	(1,771)	1,529	83	–	**(159)**
Paid/(received) during the year ended 31 December 2012	1,946	(1,529)	–	–	**417**
Charge in income statement for prior years	(70)	–	–	–	**(70)**
(Charge)/credit in income statement for the year ended 31 December 2012	(1,290)	943	–	–	**(347)**
Balances at 31 December 2012	**(1,185)**	**943**	**83**	**–**	**(159)**

Income taxes principally represent tax on the profits of the operations of Gaming VC Corporation Limited, the Group's licensed business in Malta.

Tax reclaimable represents a portion of the tax paid by Gaming VC Corporation Limited (a wholly owned subsidiary company incorporated in Malta), which is refundable by the Maltese tax authorities to GVC Holdings PLC shortly after the submission of the audited accounts and tax computation for Gaming VC Corporation Limited.

Unrelieved tax losses remain available to offset against future trading profits. Should suitable taxable profits arise, these losses would represent a deferred tax asset of approximately €595,000.

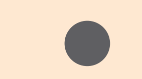
7. DISCONTINUED OPERATIONS

On 10 April 2012, the Group announced that it had entered into an arrangement to dispose of its Betaland business to a third party for a nominal sum. The declining profitability of Betaland led the Board to conclude that it was no longer in the shareholders' interests for the Group to continue to own this business, the disposal was completed on 4 May 2012. At the time of disposal the net assets of this business were nil. The results from Betaland are shown below:

	2012 €000's	2011 €000's
Net gaming revenue	**4,500**	20,006
Cost of sales	**(1,451)**	(3,041)
Gross profit	**3,049**	16,965
Marketing and revenue shares	**(2,995)**	(12,806)
Contribution	**54**	4,159
Other operating costs	**(1,059)**	(2,524)
Clean EBITDA/cashflow from operating activities	**(1,005)**	1,635
Exceptional items	**–**	(904)
EBITDA	**(1,005)**	731
Depreciation and amortisation	**(173)**	(233)
Financial income and expenses	**1**	3
Loss before tax	**(1,177)**	501
Tax	**63**	(24)
Loss after tax	**(1,114)**	477

*Provision against deferred proceeds on the disposal of Betpro

There were no cash flows from financing or investing activities in the period before disposal or in the prior year.



8. EARNINGS PER SHARE

8.1 Basic Earnings Per Share and Basic Earnings Per Share Before Exceptional Items

Basic earnings per share has been calculated by taking the profit attributable to ordinary shareholders and dividing by the weighted average number of shares in issue. Basic earnings per share from continuing operations before exceptional items has been calculated by taking the profit attributable to ordinary shareholders and adding back the cost of exceptional items in the year and dividing by the weighted average number of shares in issue.

	2012	2011
Profit/(loss) for the year from continuing operations attributable to ordinary shareholders	10,350,000	(622,000)
(Loss)/profit for the year from discontinued operations attributable to ordinary shareholders	(1,114,000)	477,000
Profit/(loss) for the year attributable to ordinary shareholders	9,236,000	(145,000)
Weighted average number of shares	31,553,164	31,170,465
Basic earnings from continuing operations (in €)	0.328	(0.020)
Basic earnings from discontinued operations (in €)	(0.035)	0.015
Basic earnings per share (in €)	0.293	(0.005)
Exceptional items	(208,000)	3,919,000
Profit for the year from continuing operations attributable to ordinary shareholders before exceptional items	10,142,000	3,297,000
Basic earnings per share from continuing operations before exceptional items (in €)	0.321	0.106

8.2 Diluted Earnings Per Share and Diluted Earnings Per Share Before Exceptional Items

Diluted earnings per share has been calculated by taking the profit attributable to ordinary shareholders and dividing by the weighted average number of shares in issue as diluted by share options. Diluted earnings per share from continuing operations before exceptional items has been calculated by taking the profit attributable to ordinary shareholders and adding back the cost of exceptional items and dividing by the weighted average number of shares in issue, as diluted by share options.

	2012	2011
Profit/(loss) for the year from continuing operations attributable to ordinary shareholders	10,350,000	(622,000)
(Loss)/profit for the year from discontinued operations attributable to ordinary shareholders	(1,114,000)	477,000
Profit/(loss) for the year attributable to ordinary shareholders	9,236,000	(145,000)
Weighted average number of shares	31,553,164	31,170,465
Effect of dilutive share options	505,663	396,565
Weighted average number of dilutive shares	32,058,827	31,567,030
Diluted earnings from continuing operations (in €)	0.323	(0.020)
Diluted earnings from discontinued operations (in €)	(0.035)	0.015
Diluted earnings per share (in €)	0.288	(0.005)
Exceptional items	(208,000)	3,919,000
Profit for the year from continuing operations attributable to ordinary shareholders before exceptional items	10,142,000	3,297,000
Diluted earnings per share from continuing operations before exceptional items (in €)	0.316	0.104

9. PROPERTY, PLANT AND EQUIPMENT

	Plant and Equipment €000's	Fixtures and Fittings €000's	Total €000's
Cost			
At 1 January 2011	562	939	1,501
Additions	166	229	395
At 1 January 2012	728	1,168	**1,896**
Additions	412	80	**492**
Disposals	(390)	(168)	**(558)**
At 31 December 2012	750	1,080	**1,830**
Depreciation			
At 1 January 2011	354	784	1,138
Depreciation charge for the year	144	144	288
At 1 January 2012	498	928	**1,426**
Depreciation charge for the year	211	98	**309**
Disposals	(390)	(168)	**(558)**
At 31 December 2012	319	858	**1,177**
Net Book Value			
At 31 December 2011	230	240	470
At 31 December 2012	431	222	**653**

10. INTANGIBLE ASSETS

	Goodwill €000's	Trade-marks & Trade Name €000's	Software Licence €000's	Consulting & Magazine €000's	Non-contractual Customer Relationships €000's	**Total €000's**
Cost						
At 1 January 2011	76,891	16,001	16,533	4,919	1,704	116,048
Additions	5,055	118	1,092	–	–	6,265
At 1 January 2012	81,946	16,119	17,625	4,919	1,704	**122,313**
Additions	–	–	628	–	–	**628**
Disposals	–	–	(873)	–	–	**(873)**
At 31 December 2012	81,946	16,119	17,380	4,919	1,704	**122,068**
Amortisation and Impairment						
At 1 January 2011	33,274	287	14,002	4,919	639	53,121
Amortisation	–	239	1,304	–	426	1,969
At 1 January 2012	33,274	526	15,306	4,919	1,065	**55,090**
Amortisation	–	256	1,729	–	426	**2,411**
Disposals	–	–	(873)	–	–	**(873)**
At 31 December 2012	33,274	782	16,162	4,919	1,491	**56,628**
Net Book Value						
At 31 December 2011	48,672	15,593	2,319	–	639	**67,223**
At 31 December 2012	48,672	15,337	1,218	–	213	**65,440**

10. INTANGIBLE ASSETS (continued)

10.1 Amortisation

The amortisation for the year is recognised in the following line items in the income statement.

	2012 €000's	2011 €000's
Net operating expenses	2,299	1,827
Discontinued activities	112	142
	2,411	1,969

10.2 Impairment Tests for Cash-Generating Units Containing Goodwill and Trademarks

An Impairment Review of the Group's goodwill and trademarks was carried out for the year ended 31 December 2012. The goodwill relates to B2C and B2B businesses and trademarks all relate to the B2C business. The carrying values of the assets were compared with the recoverable amounts, the recoverable amount was estimated based upon a value in use calculation, based upon management forecasts for the years ending 31 December 2013 and up to 31 December 2017. The assumptions detailed below have been determined based on past experience in this market which the Group's management believes is the best available input for forecasting this market.

Betboo

Significant growth is expected in the short-term and a step-down approach to 20% by 2017 is applied, a long-term growth rate of 2% was used from 2018 to reflect the likely competitive pressures. A discount rate of 35% was used, based on the internal rate of return of the Betboo acquisition. It was concluded that the carrying value of the goodwill and trademarks was not impaired.

CasinoClub

A long-term growth rate of 2% was used to reflect the increasing competitive pressures from large online gaming companies. A discount rate of 17.2% was used, based on company specific pre-tax weighted average cost of capital. Having performed appropriate sensitivity analysis on the key assumptions (including reducing the growth rate to nil and increasing the discount rate to 22%), it was concluded that the carrying value of the goodwill and trademarks was not impaired.

The following units have significant carrying amounts of goodwill:

	2012 €000's	2011 €000's
Betboo*	8,333	8,333
CasinoClub	40,339	40,339
Total Goodwill	48,672	48,672

**€3,278,000 relates to B2C business (2011: €3,278,000) and €5,055,000 to B2B business (2011: €5,055,000)*

11. ACQUISITION OF BETBOO

On 2 July 2009, the Group acquired the trade and assets of betboo.com, a leading South American internet gaming operator, offering, bingo, casino, poker and a sports betting product.

The terms of the acquisition were an initial payment of US$4 million (€2,840k) with the sellers able to earn up to a further US$26 million depending on performance.

On 23 February 2011, the Group announced a change in the terms of the earn out. Under the new arrangements:

- From 1 July 2011 there will be 36 monthly payments of $156,944.
- From 31 January 2012, there will be four annual payments equal to 25% of the Betboo NGR earned in the previous fiscal year.
- The total earn out cap remains at $30 million.
- The exchange rate between the US Dollar and Euro has been fixed at 1 Euro = US$ 1.4031.

Management originally estimated the deferred consideration payable to be €8,963k, and the discount to be €4,076k, resulting in the discounted value being €4,887k. The revised earn out results in total deferred consideration increasing to €18,530k and the discount to €8,588k resulting in the new discounted value being €9,942k.

The fair values of the revised earn out has been estimated using cash flow projections for the 4 years to 31 December 2014, and discounted using the estimated weighted average cost of capital of 21%.

The fair values of the intangible assets acquired in the transaction and the impact of the revised earn out, including the tax amortisation benefit, and their useful economic lives are as follows:

		Year ended 31/12/2012 €000's
Acquisition price of Betboo		
– Initial consideration		2,840
– Acquisition costs		300
– Deferred consideration		18,530
Fair value		21,670
Discount		(8,588)
Net		**13,082**
Assets acquired at fair values	*Useful economic life*	
– Trade name	*4 years*	696
– Customer list	*4 years*	1,703
– Software	*4 years*	2,455
– Goodwill	*Indefinite*	8,333
		13,188
Net current liabilities		(106)
Net		**13,082**

The deferred consideration has been discounted to reflect its fair value at the date of acquisition. The effect of this discount will be unwound over the period of the deferral with a charge to the income statement contained within interest expense. The expected impact of this over the earn-out period is shown below:

	2009 €000's	2010 €000's	2011 €000's	**2012 €000's**	2013 €000's	2014 €000's	2015 €000's	Total €000's
Balance at 1 January	–	5,354	6,170	**12,940**	12,283	13,960	14,670	–
Fair value of deferred consideration on acquisition	4,887	–	–	**–**	–	–	–	4,887
Fair value of additional deferred consideration on revision of earn out	–	–	5,055	**–**	–	–	–	5,055
Unwinding of discount charged to income statement	467	1,087	2,387	**2,206**	1,677	710	55	8,589
Advance of deferred consideration	–	(271)	(672)	**(2,863)**	–	–	–	(3,806)
Balance at 31 December	5,354	6,170	12,940	**12,283**	13,960	14,670	14,725	14,725

12. RECEIVABLES AND PREPAYMENTS

	2012 €000's	2011 €000's
Payment processor balances	13,419	3,792
Trade receivables	862	3,060
Other receivables	1,105	659
Loans and receivables	15,386	7,511
Prepayments	1,970	1,472
	17,356	8,983

Payment processor balances described as receivables are funds held by third party collection agencies subject to collection after one month, or balances used to make refunds to players.

Prepayments include payments as at 31 December 2012 for goods or services which will be consumed after 1 January 2013.

13. CASH AND CASH EQUIVALENTS

	2012 €000's	2011 €000's
Cash and cash equivalents		
Bank balances	6,632	5,211
Balances at payment processors collectable within one month	–	4,642
	6,632	9,853
Held in the following institutions:		
Bank of Valletta (Malta)	6,374	5,109
Payment processors	–	4,642
Other	258	102
	6,632	9,853
Held in the following currencies (in Euro equivalents at the balance sheet date):		
Euro	5,566	7,764
US Dollars	862	1,895
British Pounds	165	59
Other	39	135
	6,632	9,853
Comprising:		
Own funds	4,920	4,737
Short term loan	–	2,924
Balances with customers (note 14)	1,712	2,192
	6,632	9,853
Amount per share represented by own funds (in €)	0.156	0.151

14. TRADE AND OTHER PAYABLES

	2012 €000's	2011 €000's
Balances with customers	1,712	2,192
Short term loan*	–	2,924
Other trade payables	13,777	7,099
Total trade payables	15,489	12,215
Accruals	3,493	3,711
	18,982	15,926

**provided by Sportingbet plc as part of the transaction with East Pioneer Corporation, the loan was interest free and repaid on the 31 May 2012.*

15. OTHER TAXATION PAYABLE

	2012 €000's	2011 €000's
Social security and other similar taxes	186	276
Value added taxes	–	18
Betting taxes and similar	–	36
	186	330

16. COMMITMENTS UNDER OPERATING LEASES

The Group leases various offices under non-cancellable operating leases. The leases have varying terms, escalation clauses and renewal rights.

The future minimum lease payments under non-cancellable leases are as follows:

	2012 €000's	2011 €000's
No later than one year	192	237
Later than one year and no later than five years	234	354
	426	591

17. SHARE CAPITAL AND RESERVES

17.1 Share Capital

On 21 May 2010 shareholders of Gaming VC Holdings S.A., approved a redomiciliation to The Isle of Man which resulted, pari passu, in shareholders receiving shares with a nominal value of €0.01 in GVC Holdings PLC. As a result of this transaction, GVC Holdings PLC acquired all the assets and liabilities of Gaming VC Holdings S.A. Arising from this transaction was the creation of a Merger Reserve. The various transfers into this reserve are shown in the Consolidated Statement of Changes in Equity, see page 23.

The authorised and issued share capital is:

	2012 €000's	2011 €000's
Authorised		
Ordinary shares of €0.01 each		
At 31 December – 40,000,000 shares	400	400
Issued, Called Up and Fully Paid		
Ordinary shares of €0.01 each		
At 31 December – 31,592,172 (2011: 31,469,095 shares)*	316	315

**The shares issued in the period were for 123,077 employee share options exercised.*

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. However, should the Company not be satisfied as to the true identity of the shareholders it can suspend the entitlement of those shareholders to a) vote at general meetings of the Company; and/or b) to receive dividends.

17.2 Reserves

	Share Capital €000's	Share Premium €000's	Merger Reserve €000's	Retained Earnings €000's	**Total €000's**
At 1 January 2012	315	416	40,407	16,036	**57,174**
Result for the year	–	–	–	9,236	**9,236**
Dividends paid	–	–	–	(8,214)	**(8,214)**
Share option charge	–	–	–	568	**568**
Lapsed share options	–	–	–	(489)	**(489)**
Share options exercised	1	195	–	–	**196**
At 31 December 2012	316	611	40,407	17,137	**58,471**

The 'Merger reserve' arose on the re-domiciliation of the Group from Luxembourg to The Isle of Man. It consists of the pre-redomiciliation reserves of the Luxembourg company plus the difference in the issued share capital (31,135,762 share at €0.01 versus 31,135,762 shares at €1.24).

The Group's capital management objectives are to ensure its ability to continue as a going concern and to provide an adequate return to shareholders and benefits to other stakeholders by pricing services commensurately with the level of risk, and maintaining an optimal capital structure to reduce the cost of capital. The Group desires to pay not less than 75% of its net operating cashflows to shareholders by way of dividends.

In order to maintain or adjust the capital structure, the Company may issue new shares, return capital to shareholders, limit the amount of dividends paid, or sell assets.

Total equity employed at 31 December 2012 was €58.5 million (2011: €57.2 million).

18. DIVIDENDS

After the balance sheet date, but up to the date on which these financial statements were approved, the following dividends were proposed by the Directors and paid:

	2012	2011
Total amount	**€2,211,452**	€3,475,139
Amount per qualifying share	**€0.07**	€0.11

19. SHARE OPTION SCHEMES

The Group has three share option schemes:

(a) the 'original' scheme that has been in place since the IPO of GVC Holdings PLC's predecessor Gaming VC Holdings S.A

(b) a 'new' scheme that was approved by shareholders on 21 May 2010 (the "21 May 2010 scheme").

(c) a further grant of options under the new scheme to three directors, approved by shareholders on 16 November 2011 ("16 November 2011 scheme"). A total of 1,600,000 shares under this scheme were granted on 30 January 2012 at an exercise price of 154.79p.

The following options to purchase €0.01 ordinary shares in the Company were granted, exercised, lapsed or existing at the year end.

Date of Grant	Exercise Price	Existing at 1 January 2012	Granted in the year	Exercised in the year*	Lapses in the year	Existing at 31 December 2012	Exercisable at 31 December 2012	Vesting criteria
15 May 07	129p	154,590	–	(123,077)	–	31,513	31,513	Note a
26 Feb 08	138.16p	150,000	–	–	(150,000)	–	–	Note a
12 Dec 08	126p	191,667	–	–	–	191,667	191,667	Note a
21 May 10	213p	1,675,000	–	–	–	1,675,000	1,395,833	Note b
21 May 10	1p	300,000	–	–	(200,000)	100,000	83,333	Note c
21 May 10	1p	100,000	–	–	–	100,000	83,333	Note d
21 May 10	150p	700,000	–	–	(700,000)	–	–	Note e
28 Jan 12	154.79p		–	1,600,000	–	1,600,000	–	Note f
Total all schemes		**3,271,257**	**1,600,000**	**(123,077)**	**(1,050,000)**	**3,698,180**	**1,785,679**	

**The average weighted share price on the date of exercise was 162.5p.*

The existing share options at 31 December 2012 are held by the following employees:

Option price	**129p**	**126p**	**213p**	**1p**	**154.79p**	
Grant date	15-May-07	12-Dec-08	21-May-10	21-May-10	28-Jan-12	**Total**
Kenneth Alexander	–	–	800,000	–	800,000	1,600,000
Richard Cooper	–	191,667	400,000	–	400,000	991,667
Lee Feldman	–	–	400,000	–	400,000	800,000
Nigel Blythe-Tinker	–	–	75,000	–	–	75,000
Other employees	31,513	–	–	200,000	–	231,513
	31,513	**191,667**	**1,675,000**	**200,000**	**1,600,000**	**3,698,180**

Note a: These awards were granted under the original scheme, on the first anniversary of the grant date, 25% of the option vests. Thereafter, the balance of the option vests over three years, at 1/36th per month. Following the disposal of Betaland, 150,000 of these options with an exercise price of 138.16p lapsed.

19. SHARE OPTION SCHEMES (continued)

Note b: These options were granted under the new scheme, it is expected that the initial awards will vest over a three year period as follows; one third of the ordinary shares subject to each award will vest 12 months after the date of grant of the awards and the balance of the ordinary shares will vest in eight equal quarterly instalments over the following 24 months. Once vested, awards will normally be exercisable up to ten years from the date of grant at the end of which period they will lapse.

Note c: These options were granted under the new scheme; it is expected that the initial awards will vest over a three year period as follows; one third of the ordinary shares subject to each award will vest 12 months after the date of grant of the awards and the balance of the ordinary shares will vest in eight equal quarterly instalments over the following 24 months. Once vested, awards will normally be exercisable up to ten years from the date of grant at the end of which period they will lapse. The awards are subject to a performance condition which will require the Company's average share price over a period of 30 dealing days to reach 300p per ordinary share before the initial awards are capable of being exercised. Following the disposal of Betaland, 200,000 of these options with an exercise price of 1p lapsed.

Note d: These options were granted under the new scheme, it is expected that the initial awards will vest over a three year period as follows; one third of the ordinary shares subject to each award will vest 12 months after the date of grant of the awards and the balance of the ordinary shares will vest in eight equal quarterly installments over the following 24 months. Once vested, awards will normally be exercisable up to ten years from the date of grant at the end of which period they will lapse. The awards are subject to a performance condition which will require the Company's average share price over a period of 30 dealing days to reach 200p per ordinary share before the initial awards are capable of being exercised.

Note e: These options were granted under the new scheme, these options can be exercised after a period of 3 years from the date of grant subject to achieving performance targets set by the Company. Following the disposal of Betaland all of these options lapsed.

Note f: These options were granted under the new scheme, it is expected that the initial awards will vest over a three year period as follows; one third of the ordinary shares subject to each award will vest 12 months after the date of grant of the awards and the balance of the ordinary shares will vest in eight equal quarterly instalments over the following 24 months. Once vested, awards will normally be exercisable up to ten years from the date of grant at the end of which period they will lapse.

The charge to the consolidated income statement in respect of these options (excluding lapsed options) in 2012 was €568,000 (2011: €440,000) and a credit to the income statement of €489,000 (2011: €nil) in respect of the lapsed options.

19.1 Weighted Average Exercise Price of Options

The number and weighted average exercise prices of share options is as follows:

	Weighted average exercise price 2012	Number of options 2012	Weighted average exercise price 2011	Number of options 2011
Outstanding at the beginning of the year	161p	3,271,257	156p	3,604,590
Granted during the year	155p	1,600,000	–	–
Exercised during the year	129p	(123,077)	108p	(333,333)
Lapsed during the year	120p	(1,050,000)		
Outstanding at the end of the year	171p	3,698,180	161p	3,271,257
Exercisable at the end of the year		1,785,679		1,427,499

The options outstanding at 31 December 2012 have a weighted average contractual life of 5.7 years (2011: 7.2 years).

19.2 Valuation of Options

The fair value of services received in return for share options granted in 2012, 2010, 2008 and 2007 were measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured on a Binomial valuation model. The contractual life of the option (10 years) is used as an input into this model. Expectations of early exercise are incorporated into the Binomial model. The option exercise price for all individuals was the average market price on grant date, or a premium thereto apart from K Alexander whose options were priced at a premium to the market price on the date of the announcement of his appointment.

Fair value of share options and assumptions:

Date of grant	Share price at date of grant* (in £)	Exercise price (in £)	Expected volatility	Exercise multiple	Expected dividend yield	Risk free rate**	Fair value at measurement date
1 Mar 07	1.08	1.00	65%	2	8%	5.02%	0.46
15 May 07	1.22	1.29	50%	2	8%	5.33%	0.40
13 Jul 07	1.42	2.98	60%	2	8%	5.63%	0.53
13 Jul 07	1.42	1.60	60%	2	8%	5.63%	0.53
21 Aug 07	1.25	1.29	60%	2	8%	5.07%	0.48
21 Sep 07	1.32	1.345	55%	2	8%	5.08%	0.48
27 Nov 07	1.33	1.33	50%	2	8%	4.80%	0.44
26 Feb 08	1.35	1.3816	50%	2	12%	4.53%	0.35
12 Dec 08	1.05	1.26	50%	2	12%	3.02%	0.17
21 May 10	1.85	2.13	60%	2	17%	2.75%	0.39
21 May 10	1.85	0.01	60%	2	17%	2.75%	0.05
21 May 10	1.85	1.50	60%	2	17%	2.75%	0.59
28 Jan 12	1.67	1.5479	58%	2	20%	2.19%	0.33

* *This is the bid price, not the mid-market price, at market close, as sourced from Bloomberg.*

** *The measurement of the risk-free rate was based on rate of UK sovereign debt prevalent at each grant date over the expected term of the option.*

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility due to publicly available information. There are no market conditions associated with the share option grants.

20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Group's principal financial instruments as at 31 December 2012 comprise cash and cash equivalents. The main purpose of these financial instruments is to finance the Group's operations. The Group has other financial instruments which mainly comprise receivables and payables, which arise directly from its operations. Cash and cash equivalents and trade and other receivables have been classified as loans and receivables and trade and other payables, and deferred consideration as financial liabilities measured at amortised cost.

During the year, the Group did not use derivative financial instruments to hedge its exposure to foreign exchange or interest rate risks arising from operational, financing and investment activities. The Group does not hold or issue derivative financial instruments for trading purposes.

20.1 Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income or value of its holdings of financial instruments. Exposure to market risk (which includes currency and interest rate risk) arises in the normal course of the Group's business.

20.2 Foreign Exchange Risk

Foreign exchange risk arises from transactions, recognised assets and liabilities and net investments in foreign operations. The Group does not use foreign exchange contracts to hedge its currency risk. The Group dividend is declared in the Euro. Two weeks before the dividend is due to be paid, the Company sells Euro and buys British Pounds for an amount equal to the dividend.

20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

20.2 Foreign Exchange Risk (continued)

The Group considers its net exposure to currency risk to be low and that the potential savings from managing this exposure to be minimal.

The Group has investments in foreign operations which are all denominated in Euros minimising the Group's exposure to currency translation risk.

20.2.1 Analysis of the Balance Sheet by Currency

At 31 December 2012	Euro €000's	GBP €000's	USD €000's	TRY €000's	Other €000's	Total €000's
Non-current assets	**66,176**	**–**	**–**	**–**	**–**	**66,176**
Receivables and prepayments	10,608	1,286	1,462	3,453	547	17,356
Tax reclaimable	943	–	–	–	–	943
Cash and cash equivalents	5,566	165	862	–	39	6,632
Total current assets	**17,117**	**1,451**	**2,324**	**3,453**	**586**	**24,931**
Trade and other payables	(14,747)	(2,721)	(753)	(482)	(279)	(18,982)
Taxation payable	(1,146)	(38)	–	–	(1)	(1,185)
Other taxation liabilities	(20)	(128)	–	–	(38)	(186)
Total current liabilities	**(15,913)**	**(2,887)**	**(753)**	**(482)**	**(318)**	**(20,353)**
Net current assets	1,204	(1,436)	1,571	2,971	268	4,578
Long Term Liabilities						
– Deferred consideration*	(12,283)	–	–	–	–	(12,283)
Total assets less total liabilities	**55,097**	**(1,436)**	**1,571**	**2,971**	**268**	**58,471**

priced in US Dollars but at a fixed Euro exchange rate.

At 31 December 2011	Euro €000's	GBP €000's	USD €000's	TRY €000's	Other €000's	Total €000's
Non-current assets	67,776	–	–	–	–	67,776
Receivables and prepayments	6,545	12	263	1,559	604	8,983
Tax reclaimable	1,529	–	–	–	–	1,529
Other tax reclaimable	–	–	–	–	–	–
Cash and cash equivalents	7,764	59	1,895	–	135	9,853
Total current assets	15,838	71	2,158	1,559	739	20,365
Trade and other payables	(13,324)	(795)	(753)	(684)	(370)	(15,926)
Taxation payable	(1,697)	(57)	–	–	(17)	(1,771)
Other taxation liabilities	(146)	(113)	–	–	(71)	(330)
Total current liabilities	(15,167)	(965)	(753)	(684)	(458)	(18,027)
Net current assets	671	(894)	1,405	875	281	2,338
Long Term Liabilities						
– Deferred consideration*	(12,940)	–	–	–	–	(12,940)
Total assets less total liabilities	55,507	(894)	1,405	875	281	57,174

priced in US Dollars but at a fixed Euro exchange rate.

A significant proportion of the Group's financial assets and liabilities are denominated in Euros, which minimises the Group's exposure to foreign exchange risk. Management do not consider the impact of possible exchange rate movements based on current market conditions to be material to the net result for the year.

20.3 Interest Rate Risk

The Group earns interest from bank deposits. During the year, the Group held cash on deposits with a range of maturities of less than three months. The Group had no committed borrowing facilities as at 31 December 2012 (2011: €nil).

Management do not consider the impact of possible interest rate movements based on current market conditions to be material to the net result for the year or the equity position at the year end for either the year ended 31 December 2011 or 31 December 2012.

20.4 Credit Risk

The Group has no significant concentrations of credit risk with exposure spread over a large number of customers. The Group does not grant credit facilities to any of its customers and the maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

The Group has material exposure to credit risk through amounts owed by payment processors (third party collection agencies) of €13.4 million (2011: €8.4 million) and cash balances held with banking institutions of €6.6 million (2011: €5.2 million). The Group considers the credit risk associated with these balances to be low, having assessed the credit ratings and financial strength of the counter-parties involved. The Group is seeking to diversify its banking deposits to further reduce credit risk.

No provision for impairment has been made at 31 December 2012 (2011: €nil). No receivable amounts were past due date at 31 December 2012 (2011: €nil).

20.5 Liquidity Risk

At 31 December 2012, the Group had cash and cash equivalents of €6.6 million (2011: €9.9 million) and considers liquidity risk to be low for the business. All financial liabilities at the year-end are due within one year, with the exception of the deferred consideration on Betboo.

20.6 Fair Values

The carrying amounts of the financial assets and liabilities, including deferred consideration in the Balance Sheet at 31 December 2012 and 2011 for the Group and Company are a reasonable approximation of their fair values. All trade and other receivables and payables have a maturity of less than one year.

20.7 Summary of Financial Assets and Liabilities by Category

The carrying amounts of the Group's financial assets and liabilities recognised at the balance sheet date are categorised as follows:

	2012 €000's	2011 €000's
Current assets:		
Financial assets measured as loans and receivables:		
– Trade and Other receivables	**15,386**	7,511
– Cash and cash equivalents	**6,632**	9,853
Current liabilities:		
Financial liabilities measured at amortised cost:		
– Trade and other payables	**18,982**	15,926
– Deferred consideration	**12,283**	12,940

21 RELATED PARTIES

21.1 Identity of Related Parties

The Group has a related party relationship with its subsidiaries (see note 22) and with its Directors and executive officers.

21.2 Transactions with Directors and Key Management Personnel

Nigel Blythe-Tinker is the Executive chairman of Pentasia Limited, a leading recruiter in the field of internet gaming. During the year ended 31 December 2012, Pentasia provided recruitment services to various members of the Group to a value of €17,689 (2011: €36,472).

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 2012, Fenlex received €55,391 from the Group in relation to Company secretarial matters arising in Malta (2011: €31,138).

The wife of Richard Cooper received dividends during the year of €35,100 in respect of his beneficial interest in the ordinary share capital of the Group. Richard Cooper and his wife were the shareholders of Rousset Capital Limited, a company incorporated in the United Kingdom. During the year ended 31 December 2011, Rousset Capital Limited provided conference and meeting room services amounting to £nil (€nil) (2011: £9,908 (€11,513)).

Lee Feldman received dividends during the year of €19,162 (2011: €10,740) 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 2012, Twin Lakes Capital received £50,000 (€62,697) (2011: £50,000 (€58,910)) in relation to office services.

The wife of Kenneth Alexander received dividends during the year of €81,467 (2011: €16,000) in respect of his beneficial interest in the ordinary share capital of the Group.

The Directors are satisfied that all of the above arrangements were at arms-length commercial rates.

Details of the remuneration of key management are detailed below:

	2012 €000's	2011 €000's
Salaries and employee benefits	**3,973**	3,602
Share based payments	**257**	273
	4,230	3,875

Details of Directors' remuneration is given in the Report of the Remuneration Committee on page 57.

22. GROUP ENTITIES

Significant subsidiaries	**Country of incorporation**	**Ownership interest 2012**	2011
GVC Corporation B.V.*	Netherlands Antilles	**100%**	100%
Intera N.V.	Netherlands Antilles	**100%**	100%
GVC Sports B.V.	Netherlands Antilles	**100%**	100%
Gaming VC Corporation Limited	Malta	**100%**	100%
GVC Administration Services Limited	England and Wales	**100%**	100%

**also has a branch registered in Israel*

23. CONTINGENT LIABILITIES

The Group, through its trading websites, offers progressive jackpots on slot machines.

23.1 CasinoClub Progressive Jackpots

Unlike Betaland, CasinoClub does not participate in the network progressive jackpot scheme; instead, it offers an equivalent system in which only its own customers participate. This means that CasinoClub make no contributions to the central fund as it builds up (since they are the only operator in the scheme, this would serve no purpose) and, should a CasinoClub customer win the progressive jackpot, there is no central fund to cover the payout so the cost of this would be taken directly to the Income Statement in the period in which it would be won.

Across 37 games, the total of the available jackpots at 31 December 2012 was €6.6 million (2011: 33 games and total available jackpot of €5.9 million). The single largest jackpot available amounted to €2.9 million from the slots game "Aladdin's Lamp" (2011: €2.7 million).

The Group had no winners of a significant jackpot. In accordance with the Group's policy.

23.2 East Pioneer Corporation Guarantee

On 21 November 2011 the Group entered into a service agreement and guarantee relating to the acquisition by East Pioneer Corporation B.V. ("EPC") from Sportingbet plc of Superbahis, a Turkish language website. The maximum contingent liability under this agreement at inception was €171 million. The Directors consider this has a fair value of €nil.

GVC is providing back office and support services to EPC, and hence entered into the agreement with Sportingbet.

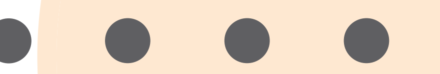
Additionally GVC entered into the agreement for the purpose of guaranteeing to a subsidiary of Sportingbet the payment and performance by EPC of all amounts and obligations under the Business Purchase Agreement and certain other Transaction Documents. The full detail of the arrangements is contained in the circular to shareholders dated 31 October 2011 which is available on the Group's website.

The consideration due from EPC to Sportingbet under the terms of the Business Purchase Agreement will be payable in monthly installments in arrears. The amounts payable are dependent on whether the software being used remains on the Sportingbet platform, and are calculated as follows:

(a) for each month of the first three years following 21 November 2011 until the software platform being used ceases to be that of Sportingbet, an amount equal to 75 per cent. and, following the software platform ceasing to be that of Sportingbet, 67.5 per cent., of a definition of Adjusted Combined Net Revenue (close to GVC's definition of gross profit, but before marketing expenditure but after affiliate commissions, and subject to certain allowances and thresholds). The calculation is a combination of the revenue from Superbahis and similar sites operated by GVC. This is known as the Initial Profit Share.

(b) for each calendar month during the fourth year following 21 November 2011, if the Initial Profit Share is less than €142.5 million ("Minimum Consideration"), the profit share will continue as outlined in (a) above capped at an amount equal to the sum of €28.5 million and the amount by which the Initial Profit Share is less than the Minimum Consideration. If the Initial Profit Share is greater than the Minimum Consideration, the profit share will continue as outlined in (a) above capped at €28.5 million (the "Second Profit Share"); and

(c) for each calendar month during the fifth and sixth years following Completion, if the aggregate of the Initial Profit Share and the Second Profit Share is less than the Minimum Consideration, the profit share will continue as outlined in (a) above capped at an amount equal to the amount by which the Initial Profit Share, together with the Second Profit Share, is less than the Minimum Consideration. If the aggregate of the Initial Profit Share and the Second Profit Share is more than or equal to the Minimum Consideration, no further Consideration is payable.



24. ACCOUNTING ESTIMATES AND JUDGEMENTS

The Directors discuss the development, selection and disclosure of the Group's critical accounting policies and estimates and the application of these policies and estimates.

In the application of the accounting policies, which are detailed in this note, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. 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 if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The estimates and assumptions, which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

24.1 Intangible assets

For all acquisitions management has recognised separately identifiable intangible assets on the Balance Sheet. These intangible assets have been valued based on expected future cash flow projections from existing customers. The calculations of the value and estimated future economic life of the assets involve, by the nature of the assets, significant judgement.

24.2 Customer liabilities

Customer liabilities represent cash held by the Group on behalf of customers. These are stated net of an allowance for uncollected dormant balances. Management apply judgement calculating the allowance by reference to player terms and conditions.

The estimates and judgements which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

24.3 Receivables

Management apply judgement in evaluating the recoverability of receivables. To the extent that the Board believes receivables not to be recovered they have been provided for in the financial statements.

24.4 Impairment of Goodwill and Trademarks

Determining whether goodwill and trademarks with an indefinite useful life are impaired requires an estimation of the value in use of the cash-generating units. The value-in-use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and select a suitable discount rate in order to calculate present value. Note 10.2 provides information on the assumptions used in these financial statements.

The valuation work to assess the impairment of goodwill and intangible assets was conducted by internally by management.

24.5 Share Options

Accounting for share option charges requires a degree of judgement over such matters as dividend yield, and expected volatility. Further details on the assumptions made by management are disclosed in note 19.

24.6 Open Bets

The Directors review the scale and magnitude of open bets frequently, and in particular at the balance sheet date. Assessments are made on whether to make provisions for the outcome of such open bets. Management have assessed that the value of open bets at year end is not material.

24.7 East Pioneer Corporation B.V.

On 21 November 2011 the Group entered into a B2B arrangement with East Pioneer Corporation B.V. ("EPC") to provide a suite of back office services to the company following EPC's acquisition of Superbahis, a business operated by Sportingbet plc ("SBT").

The terms of the contracts between SBT, EPC and the group are complex. Neither the Group nor EPC currently provide the platform or licensing, hold the customers on their servers, retain the brand nor set and control the sports book odds of the website. In return for the back office services provided, the Group is entitled to receive income from EPC equating to a share of the profits of the business. The Group does not, however have any interest in the net assets or equity of EPC which is an independently held entity. Management assert that the group does not currently control any of the operating or financial policies of EPC. The Group does recognise there are material transactions between itself and EPC and the provision of back office services necessitates an interchange of management personnel and the provision of essential technical information between EPC and the Group. Accordingly, such amounts due under the B2B transaction with EPC are therefore included within revenue.

The Directors consider that the guarantee relating to the acquisition by EPC as referred to in note 23 has a fair value of €nil due to the uncertainty regarding the regulatory environment in which EPC operates and also due to the fact that much of the cash used to fund such payments resides within payment processor accounts operated by the Group.

25. GOING CONCERN

The Group's business activities, together with the factors likely to affect its future performance and position are set out in the Chairman's, Chief Executive's and Group Finance Director's statements. Note 20 to the financial statements sets out the Group's financial risk management policies, and its exposure to credit risk and liquidity risk.

The Directors have assessed the financial risks facing the business, and compared this risk assessment to the net current assets position and dividend policy. The Directors have also reviewed relationships with key suppliers and software providers and are satisfied that the appropriate contracts and contingency plans are in place. The Directors have prepared income statement and cash flow forecasts to assess whether the Group has adequate resources for the foreseeable future.

The Directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the consolidated financial statements.

26. SUBSEQUENT EVENTS

26.1 Acquisition of Sportingbet plc

On 20 December 2012, the GVC Board, the William Hill Board and the Sportingbet Board announced that they had reached agreement on the terms of a recommended offer pursuant to which GVC will acquire the entire issued and to be issued share capital of Sportingbet, and members of the William Hill Group will acquire the Sportingbet Australian Business, the "miapuesta" brand, certain Guernsey domiciled companies which hold title to the Guernsey Properties and be granted a call option over the Sportingbet Spanish Business. The acquisition was effected by way of a Court-sanctioned scheme of arrangement under Part 26 of the UK Companies Act 2006.

The Acquisition had been unanimously recommended by the GVC Board, the William Hill Board and the Sportingbet Board and was approved by shareholders at an Extraordinary General Meeting on 21 February 2013 and the effective date of the scheme was 19 March 2013. GVC issued 29,018,075 shares as consideration to Sportingbet shareholders at 233.5p, there is no contingent consideration related to the acquisition. Further details including the Prospectus can be found on the GVC website at www.gvc-plc.com.

IFRS 3 'Business Combinations' requires disclosure of the fair value of the identifiable assets and liabilities and the subsequent calculation of goodwill for all business combinations that occur after the reporting date but before the financial statements are authorised for issue unless the disclosure is impractical. As the acquisition completed on the same day as the financial statements were authorised for issue management have not had access to the financial records of Sportingbet plc in order to carry out their initial fair value estimate of the identifiable assets and liabilities and therefore consider the disclosure requirements of IFRS 3 to be impractical at the date of issue of these financial statements. Disclosure will be made in the Groups interim financial report for the six months to 30 June 2013.

26.2 Other Events

There have been no other subsequent events between 31 December 2012 and the date of the signing of these accounts that merit inclusion.

REPORT OF THE REMUNERATION COMMITTEE

Remuneration Committee

The Remuneration Committee is comprised of the three Non-Executive Directors and is currently chaired by Nigel Blythe-Tinker. The Committee determines the remuneration packages of the Executive Directors and other senior management, and is required by the board to review the bonus arrangements of any employee or consultant to the Group. The Committee meets at least twice a year.

Group Remuneration Policy

In accordance with its remit, the Committee's policy is to determine the remuneration packages of the Executive Directors and other senior management in order to ensure that the relevant individuals are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Company.

Remuneration Package

The remuneration package comprises basic salary and benefits, annual bonus and long term incentive arrangements. The Executive Directors and senior management are remunerated using the policy described below.

Basic Salary and Benefits

Basic salary is set for each individual based on individual performance and achievement of objectives and following the consideration of compensation information for other companies in the e-gaming industry, both quoted and unquoted. The Chairman of the Remuneration Committee is also Executive Chairman of the specialist e-gaming recruitment company Pentasia Limited, and therefore has considerable insight into comparable salaries and benefits packages. The Executive Directors are also entitled to health and life cover.

Pension

The Group did not operate a pension plan for the Executive Directors or senior management in 2012.

Bonus Arrangements

Bonus scheme arrangements are in place for all members of staff, including the Executive Directors. The staff bonuses are based on individual performance and the Executive Directors linked to the performance of the Group as detailed below.

The Remuneration Committee after consulting with shareholders has decided that Executive Directors annual bonuses should be linked directly to the dividends paid by the Company. Accordingly, both Kenneth Alexander and Richard Cooper will receive a bonus each year equal to the dividends (excluding the special dividend paid on 28 June 2010) that would have been paid by the Company to that Director in the relevant period in respect of the GVC Holdings Shares subject to unexercised awards granted under the 'new' scheme to that Director as if those awards had already been exercised (and the GVC Holdings shares issued) at the record date for payment of the relevant dividend.

Directors' Emoluments Summary

	Salary/Fees €	Bonus* €	Benefits in Kind €	**Total 2012** **€**	Total 2011 €
Executive Directors					
K Alexander	746,326	826,698	2,974	**1,575,998**	1,431,777
R Cooper	410,479	413,349	4,503	**828,331**	780,672
Non-Executive Directors					
L Feldman	160,368	413,349	–	**573,717**	379,860
N Blythe-Tinker	120,584	19,500	–	**140,084**	116,294
K Diacono	56,250	–	–	**56,250**	50,000
	1,494,007	1,672,896	7,477	**3,174,380**	2,758,603

*see bonus detail on page 58

Bonus

	Dividend related €	**Total 2012 €**	Total 2011 €
Executive Directors			
K Alexander	826,698	**826,698**	789,938
R Cooper	413,349	**413,349**	426,465
Non-Executive Directors			
L Feldman	413,349	**413,349**	228,894
N Blythe-Tinker	19,500	**19,500**	15,000
	1,672,896	**1,672,896**	1,460,297

Further details can be found in the annual bonus summary on page 57.

Reinvestment criteria for Directors' bonuses

The Directors are under an obligation to re-invest not less than 20% of the post-tax amount of bonus received by them. This reinvestment can take the form of either purchasing shares in the open market, or through the exercise of share options whereby the Company receives the re-investment funds and issues shares. At 31 December 2012, K Alexander and R Cooper had invested more than they were required to by €146k and €79k respectively. L Feldman had not been able to top-up his investment by the €25k required as, due to the Sportingbet bid, none of the executives were permitted to transact in the Company's securities.

	K Alexander	R Cooper	L Feldman	N Blythe-Tinker
Share option base	1,600,000	800,000	800,000	75,000
Dividend per share	€0.26	€0.26	€0.26	€0.26
Dividend bonus	€416,000*	€208,000*	€208,000	€19,500
Dividend bonus on payment of a dividend greater than €0.2599	€410,698^	€205,349^	€205,349	€0
	€826,698	€413,349	€413,349	€19,500

** €240,000 of the amount due to K Alexander and €120,000 of the amount due to R Cooper earned in the financial year on payment to shareholders of the €0.15 interim dividend in November did not trigger a bonus payment to the Directors in accordance to the bonus scheme. The Directors have agreed that any entitlement to payments under this bonus arrangement will not arise until the earlier of:*

(i) payment of a dividend by 30 November 2013;

(ii) the GVC Shares ceasing to be traded on AIM; and/or

(iii) the relevant GVC Director's employment and/or office with GVC being terminated by GVC for whatever reason or the relevant GVC Director's employment terminating by reason of their resignation for "good reason".

From the date on which the November 2012 dividend was paid to the GVC Shareholders to the date on which the bonus is paid to the relevant GVC Director, interest will accrue on the amount due to the relevant GVC Director at a rate of 5 per cent. per annum.

^ The Executive Directors have agreed that any entitlement to payments under this bonus arrangement earned in the financial year will not arise until the earlier of:

(i) payment of a dividend by 30 November 2013;

(ii) the GVC Shares ceasing to be traded on AIM; and/or

(iii) the relevant GVC Director's employment and/or office with GVC being terminated by GVC for whatever reason or the relevant GVC Director's employment terminating by reason of their resignation for "good reason".

Interest will accrue on the amount due to the relevant GVC Director under this bonus arrangement at a rate of 5 per cent. per annum from the month following the declaration of a dividend until the bonus is paid.

Directors' Service and Consultancy Agreements

	Date appointed	Service contract	Notice period by either party
Executive Directors			
K Alexander	19 April 2010	Yes	12 Months
R Cooper	19 April 2010	Yes	12 Months
Non-Executive Directors			
L Feldman	19 April 2010	No	3 months
N Blythe-Tinker	19 April 2010	No	3 months
K Diacono	19 April 2010	No	3 months

Long-term Incentive Schemes

The Group operates three schemes the Executive Director's and Senior Management participate in both.

Original Scheme

The original scheme has had ten main grants. At 31 December 2012, all of the outstanding grants had vested.

21 May 2010 Scheme

Following a vote by shareholders in an Extraordinary General Meeting held in Luxembourg on the 21 May 2010 the Group introduced a new scheme and made an initial award to the Executive Directors and certain Senior Management. It is expected that the initial awards will vest over a three year period as follows; one third of the ordinary shares subject to each award will vest 12 months after the date of grant of the awards and the balance of the ordinary shares will vest in eight equal quarterly instalments over the following 24 months. Once vested, awards will normally be exercisable up to ten years from the date of grant at the end of which period they will lapse.

Initial awards granted to senior management will be subject to a performance condition which will require the Company's average share price to reach a pre determined price over a period of 30 dealing days before the initial awards are capable of being exercised. Once the performance condition has been satisfied, the initial awards will be exercisable, to the extent vested until the tenth anniversary of their date of grant. No performance conditions will apply to the initial awards granted to the Executive Directors.

16 November 2011 scheme

On 16 November 2011, shareholders approved the grant of additional share options with the same rights as the 21 May 2010 scheme to three directors as follows:

Director	Number of shares subject to options	Exercise period
Kenneth Alexander	800,000	Date of grant to the fifth anniversary of grant
Richard Cooper	400,000	Date of grant to the fifth anniversary of grant
Lee Feldman	400,000	Date of grant to the fifth anniversary of grant

These share options were granted at an exercise price of 154.79p being 120% of the average mid-market closing price over the period from 17 November 2011 to 28 January 2012.

It is the Remuneration Committee's intention that no further awards will be made under either the 21 May 2010 scheme or the 16 November 2011 scheme within the period of two years following the date of grant of the initial awards unless the group enters into a material transaction which the Remuneration Committee feels warrants additional incentives.

Each of the Executive Directors has agreed to retain the shares which he acquires on exercise of his awards under the LTIP until the date of his cessation of employment with the GVC Group (save that each Executive Director will be permitted to sell sufficient of the Shares acquired on exercise to enable him to fund the exercise price of such awards and any income tax and social security contribution liabilities which arise on exercise).

Directors' Share Options

	Scheme	Option price	Existing at 31 December 2011	Granted in the year	Existing at 31 December 2012	Vested at 31 December 2012	Expiry date
Executive Directors							
K Alexander	21 May 2010	213p	800,000	–	**800,000**	666,667	20-05-20
K Alexander	16 Nov 2011	154.79p	–	800,000	**800,000**	–	27-01-22
R Cooper	Original	126p	191,667	–	**191,667**	–	11-12-18
R Cooper	21 May 2010	213p	400,000	–	**400,000**	333,333	20-05-20
R Cooper	16 Nov 2011	154.79p	–	400,000	**400,000**	–	27-01-22
Non-Executive Directors							
L Feldman	21 May 2010	213p	400,000	–	**400,000**	333,333	20-05-20
L Feldman	16 Nov 2011	154.79p	–	400,000	**400,000**	–	27-01-22
N Blythe-Tinker	21 May 2010	213p	75,000	–	**75,000**	62,500	20-05-20

Each of the Executive Directors will agree to retain the GVC Holdings PLC shares which he acquires on exercise of his awards under the LTIP until the date of his cessation of employment with the redomiciled Group (save that each Executive Director will be permitted to sell sufficient of the GVC Holdings PLC shares acquired on exercise to enable him to fund the exercise price of such awards and any income tax and social security contribution liabilities which arise on exercise).

The charge to the consolidated income statement in respect of these options in 2012 was €483,000 (2011: €268,000).

Other Employees and Consultants

The majority of staff in the Group are also able to benefit financially from their endeavors through either a discretionary bonus scheme and/or Group share option plans. Details of the outstanding share options are listed below.

Scheme	Exercise price	Number of options	Vested at 31 December 2012	Vesting criteria
Original	129p	31,513	31,513	Note a
New	1p	100,000	83,333	Note b
New	1p	100,000	83,333	Note c

Note a: These awards were granted under the original scheme, on the first anniversary of the grant date, 25% of the option vests. Thereafter, the balance of the option vests over three years, at 1/36th per month and will remain exercisable until 10 years after the date of grant at the end of which period they will lapse.

Note b: These options were granted under the new scheme, it is expected that the initial awards will vest over a three year period as follows; one third of the ordinary shares subject to each award will vest 12 months after the date of grant of the awards and the balance of the ordinary shares will vest in eight equal quarterly instalments over the following 24 months. Once vested, awards will normally be exercisable up to ten years from the date of grant at the end of which period they will lapse. The awards are subject to a performance condition which will require the Company's average share price over a period of 30 dealing days to reach 300p per ordinary share before the initial awards are capable of being exercised.

Note c: These options were granted under the new scheme, it is expected that the initial awards will vest over a three year period as follows; one third of the ordinary shares subject to each award will vest 12 months after the date of grant of the awards and the balance of the ordinary shares will vest in eight equal quarterly instalments over the following 24 months. Once vested, awards will normally be exercisable up to ten years from the date of grant at the end of which period they will lapse. The awards are subject to a performance condition which will require the Company's average share price over a period of 30 dealing days to reach 200p per ordinary share before the initial awards are capable of being exercised.

The charge to the consolidated income statement in respect of the options for other employees and consultants in 2012 was €85,000 (2011: €172,000).

The total charge to the income statement for the years ending 31 December excluding lapsed options was:

	2012	2011
Directors	**€483,000**	€268,000
Other staff	**€85,000**	€172,000
	€568,000	€440,000

Nigel Blythe-Tinker
Chairman, Remuneration Committee
25 March 2013

COMPANY FINANCIAL STATEMENTS (UNDER UK GAAP)

In this section:

Independent Auditor's report to the Members of GVC Holdings PLC 64

Company Balance Sheet 65

Notes to the Company Financial Statements 66

INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF GVC HOLDINGS PLC

We have audited the parent company financial statements of GVC Holdings PLC for the year ended 31 December 2012 which comprise the parent company balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Section 80c of the Isle of Man Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 18, the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on Financial Statements

In our opinion the parent company financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2012;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of The Isle of Man Companies Act 2006.

Other Matter

We have reported separately on the group financial statements of GVC Holdings PLC for the year ended 31 December 2012.

Grant Thornton UK LLP

Grant Thornton UK LLP
Chartered Accountants
London
25 March 2013

COMPANY BALANCE SHEET

at 31 December 2012

	Notes	2012 €000's	2011 €000's
Fixed assets			
Investments	3	64,154	64,153
Current assets			
Debtors	4	10,351	5,887
Cash at bank and in hand	6	19	–
		10,370	5,887
Creditors: amounts falling due within one year	5	(43,632)	(34,227)
Net current assets		(33,262)	(28,340)
Net assets		30,892	35,813
Capital and reserves			
Issued share capital	7, 9	316	315
Share premium	9	611	416
Merger reserve	9	40,407	40,407
Retained earnings	9	(10,442)	(5,325)
Total equity		30,892	35,813

The Financial Statements from pages 65 to 71 were approved and authorised for issue by the Board of Directors on 25 March 2013 and signed on their behalf by:

K.J. Alexander
(Chief Executive Officer)

R.Q.M. Cooper
(Chief Financial Officer)

NOTES TO THE COMPANY FINANCIAL STATEMENTS

for the year ended 31 December 2012

1. ACCOUNTING POLICIES

A summary of the significant accounting policies are set out below, these policies have been applied consistently to the periods presented, unless otherwise stated.

1.1 Basis of Preparation

The financial information has been prepared on the historical cost basis, and in accordance with applicable Isle of Man law and United Kingdom accounting standards.

1.2 Investments

Investments in subsidiary undertakings are stated at cost less amounts written off.

1.3 Foreign Currency Translation

The Company maintains its accounting records in Euro and the balance sheet and profit and loss account are expressed in this currency. Income and charges are translated at the exchange rates ruling at the transaction date. Fixed assets are valued using historical exchange rates. Other current assets and liabilities expressed in foreign currencies are translated into EUR at the rates of exchange in effect at the balance sheet date. Realised exchange gains and losses and unrealised exchange losses are recognised in the profit and loss account.

1.4 Fixed Assets

Investments in subsidiaries are show as fixed assets in the Company balance sheet, and are valued at cost less any provision for impairment in value.

1.5 Trade and Other Debtors

Trade and other receivables are stated at amortised cost. A provision for impairment will be recorded where there is evidence that the Company will not be able to collect all costs due according to the terms of the receivable concerned.

1.6 Trade and Other Creditors

Trade and other payables are stated at their fair value and subsequently measured at amortised cost.

1.7 Share Based Payments

The Group has a share option scheme which allows Group employees and contractors to acquire shares of the Company. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options.

The fair value of the options granted is measured using a binomial valuation model. This valuation method take into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest. See note 8 for further details of the two schemes.

Payments made to repurchase or cancel vested awards are accounted for with the fair value of the options cancelled, measured at the date of cancellation being taken to retained earnings; the balance is taken to the income statement.

1.8 Related Party Transactions

Financial Reporting Standard 8, 'Related Party Transactions', requires the disclosure of the details of material transactions between the reporting entity and related parties. The Company has taken advantage of exemptions under FRS 8 not to disclose transactions between wholly owned Group companies.

2. PROFIT AND LOSS ACCOUNT

The profit for the year dealt with in the accounts of the Company was €3,018,000 (2011: €3,717,000). The Company has not presented a separate profit and loss account.

3. INVESTMENTS

	2012 €000's	2011 €000's
Investment in subsidiary undertakings		
At 1 January	64,153	63,695
Investments in the year	1	458
At 31 December	64,154	64,153

Significant subsidiaries	Country of incorporation	Ownership interest 2012	2011
GVC Corporation B.V.*	Netherlands Antilles	100%	100%
Intera N.V.	Netherlands Antilles	100%	100%
GVC Sports B.V.	Netherlands Antilles	100%	100%
Gaming VC Corporation Limited	Malta	100%	100%
GVC Administration Services Limited	England and Wales	100%	100%

**also has a branch registered in Israel*

4. DEBTORS

	2012 €000's	2011 €000's
Amounts owed by Group undertakings	8,190	4,351
Other debtors	943	1,532
Prepayments	1,218	4
	10,351	5,887

5. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2012 €000's	2011 €000's
Amounts due to Group undertakings	43,092	34,203
Other creditors	540	24
	43,632	34,227

6. CASH AND CASH EQUIVALENTS

	2012 €000's	2011 €000's
Bank balances	19	–

7. CALLED UP EQUITY SHARE CAPITAL

On 21 May 2010 shareholders of Gaming VC Holdings S.A., approved a redomiciliation to Luxembourg which resulted, pari passu, in shareholders holding shares with a nominal value of €0.01 in GVC Holdings PLC. As a result of this transaction, GVC Holdings PLC acquired all the assets and liabilities of Gaming VC Holdings S.A. Arising from this transaction was the creation of a Merger Reserve, which is distributable.

	2012 €000's	2011 €000's
Authorised		
Ordinary shares of €0.01 each		
At 31 December – 40,000,000 shares	400	400
Issued, Called Up and Fully Paid		
Ordinary shares of €0.01 each		
At 31 December – 31,592,172 (2011: 31,469,095 shares)	316	315

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. However, should the Company not be satisfied as to the true identity of the shareholders it can suspend the entitlement of those shareholders to receive dividends.

8. SHARE OPTION SCHEME

The Group has three share option schemes:

(a) the 'original' scheme that has been in place since the IPO of GVC Holdings PLC's predecessor Gaming VC Holdings S.A

(b) a 'new' scheme that was approved by shareholders on 21 May 2010 (the "21 May 2010 scheme").

(c) a further grant of options under the new scheme to three directors, approved by shareholders on 16 November 2011 ("16 November 2011 scheme"). A total of 1,600,000 shares under this scheme were granted on 30 January 2012 at an exercise price of 154.79p.

The following options to purchase €0.01 ordinary shares in the Company were granted, exercised, lapsed or existing at the year end.

Date of Grant	Exercise Price	Existing at 1 January 2012	Granted in the year	Exercised in the year*	Lapses in the year	Existing at 31 December 2012	Exercisable at 31 December 2012	Vesting criteria
15 May 07	129p	154,590	–	(123,077)	–	31,513	31,513	Note a
26 Feb 08	138.16p	150,000	–	–	(150,000)	–	–	Note a
12 Dec 08	126p	191,667	–	–	–	191,667	191,667	Note a
21 May 10	213p	1,675,000	–	–	–	1,675,000	1,395,833	Note b
21 May 10	1p	300,000	–	–	(200,000)	100,000	83,333	Note c
21 May 10	1p	100,000	–	–	–	100,000	83,333	Note d
21 May 10	150p	700,000	–	–	(700,000)	–	–	Note e
28 Jan 12	154.79p	–	1,600,000	–	–	1,600,000	–	Note f
Total all schemes		**3,271,257**	**1,600,000**	**(123,077)**	**(1,050,000)**	**3,698,180**	**1,785,679**	

The average weighted share price on the date of exercise was 162.5p.

The existing share options at 31 December 2012 are held by the following employees:

Option price	**129p**	**126p**	**213p**	**1p**	**154.79p**	
Grant date	15-May-07	12-Dec-08	21-May-10	21-May-10	28-Jan-12	**Total**
Kenneth Alexander	–	–	800,000	–	800,000	**1,600,000**
Richard Cooper	–	191,667	400,000	–	400,000	**991,667**
Lee Feldman	–	–	400,000	–	400,000	**800,000**
Nigel Blythe-Tinker	–	–	75,000	–	–	**75,000**
Other employees	31,513	–	–	200,000	–	**231,513**
	31,513	**191,667**	**1,675,000**	**200,000**	**1,600,000**	**3,698,180**

Note a: These awards were granted under the original scheme, on the first anniversary of the grant date, 25% of the option vests. Thereafter, the balance of the option vests over three years, at 1/36th per month. Following the disposal of Betaland , 150,000 of these options with an exercise price of 138.16p lapsed.

Note b: These options were granted under the new scheme, it is expected that the initial awards will vest over a three year period as follows; one third of the ordinary shares subject to each award will vest 12 months after the date of grant of the awards and the balance of the ordinary shares will vest in eight equal quarterly instalments over the following 24 months. Once vested, awards will normally be exercisable up to ten years from the date of grant at the end of which period they will lapse.

Note c: These options were granted under the new scheme; it is expected that the initial awards will vest over a three year period as follows; one third of the ordinary shares subject to each award will vest 12 months after the date of grant of the awards and the balance of the ordinary shares will vest in eight equal quarterly instalments over the following 24 months. Once vested, awards will normally be exercisable up to ten years from the date of grant at the end of which period they will lapse. The awards are subject to a performance condition which will require the Company's average share price over a period of 30 dealing days to reach 300p per ordinary share before the initial awards are capable of being exercised. Following the disposal of Betaland, 200,000 of these options with an exercise price of 1p lapsed.

Note d: These options were granted under the new scheme, it is expected that the initial awards will vest over a three year period as follows; one third of the ordinary shares subject to each award will vest 12 months after the date of grant of the awards and the balance of the ordinary shares will vest in eight equal quarterly installments over the following 24 months. Once vested, awards will normally be exercisable up to ten years from the date of grant at the end of which period they will lapse. The awards are subject to a performance condition which will require the Company's average share price over a period of 30 dealing days to reach 200p per ordinary share before the initial awards are capable of being exercised.

Note e: These options were granted under the new scheme, these options can be exercised after a period of 3 years from the date of grant subject to achieving performance targets set by the Company. Following the disposal of Betaland all of these options lapsed.

Note f: These options were granted under the new scheme, it is expected that the initial awards will vest over a three year period as follows; one third of the ordinary shares subject to each award will vest 12 months after the date of grant of the awards and the balance of the ordinary shares will vest in eight equal quarterly instalments over the following 24 months. Once vested, awards will normally be exercisable up to ten years from the date of grant at the end of which period they will lapse.

The charge to the consolidated income statement in respect of these options (excluding lapsed options) in 2012 was €568,000 (2011: €440,000) and a credit to the income statement of €489,000 in respect of the lapsed options.

8. SHARE OPTION SCHEME (continued)

8.1 Weighted Average Exercise Price of Options

The number and weighted average exercise prices of share options is as follows:

	Weighted average exercise price 2012	Number of options 2012	Weighted average exercise price 2011	Number of options 2011
Outstanding at the beginning of the year	161p	3,271,257	156p	3,604,590
Granted during the year	155p	1,600,000	–	–
Exercised during the year	129p	(123,077)	108p	(333,333)
Lapsed during the year	120p	(1,050,000)		
Outstanding at the end of the year	171p	3,698,180	161p	3,271,257
Exercisable at the end of the year		1,785,679		1,427,499

The options outstanding at 31 December 2012 have a weighted average contractual life of 5.7 years (2011: 7.2 years).

8.2 Valuation of Options

The fair value of services received in return for share options granted in 2012, 2010, 2008 and 2007 were measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured on a Binomial valuation model. The contractual life of the option (10 years) is used as an input into this model. Expectations of early exercise are incorporated into the Binomial model. The option exercise price for all individuals was the average market price on grant date, or a premium thereto apart from K Alexander whose options were priced at a premium to the market price on the date of the announcement of his appointment.

Fair value of share options and assumptions:

Date of grant	Share price at date of grant* (in £)	Exercise price (in £)	Expected volatility	Exercise multiple	Expected dividend yield	Risk free rate**	Fair value at measurement date
1 Mar 07	1.08	1.00	65%	2	8%	5.02%	0.46
15 May 07	1.22	1.29	50%	2	8%	5.33%	0.40
13 Jul 07	1.42	2.98	60%	2	8%	5.63%	0.53
13 Jul 07	1.42	1.60	60%	2	8%	5.63%	0.53
21 Aug 07	1.25	1.29	60%	2	8%	5.07%	0.48
21 Sep 07	1.32	1.345	55%	2	8%	5.08%	0.48
27 Nov 07	1.33	1.33	50%	2	8%	4.80%	0.44
26 Feb 08	1.35	1.3816	50%	2	12%	4.53%	0.35
12 Dec 08	1.05	1.26	50%	2	12%	3.02%	0.17
21 May 10	1.85	2.13	60%	2	17%	2.75%	0.39
21 May 10	1.85	0.01	60%	2	17%	2.75%	0.05
21 May 10	1.85	1.50	60%	2	17%	2.75%	0.59
28 Jan 12	1.67	1.5479	58%	2	20%	2.19%	0.33

** This is the bid price, not the mid-market price, at market close, as sourced from Bloomberg.*

*** The measurement of the risk-free rate was based on rate of UK sovereign debt prevalent at each grant date over the expected term of the option.*

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility due to publicly available information. There are no market conditions associated with the share option grants.

9. SHARE CAPITAL AND RESERVES

	Share Capital €000's	Share Premium €000's	Merger Reserve €000's	Retained Earnings €000's	**Total €000's**
At 1 January 2012	315	416	40,407	(5,325)	35,813
Earnings for the period	–	–	–	3,018	3,018
Dividends paid	–	–	–	(8,214)	(8,214)
Shares option charge	–	–	–	568	568
Lapsed share options	–	–	–	(489)	(489)
Share options exercised	1	195	–	–	196
At 31 December 2012	**316**	**611**	**40,407**	**(10,442)**	**30,892**

10. DIVIDENDS

The dividends paid in the year were as follows:

Declaration date	EURO amount	GBP amount	2012 €000's	2011 €000's
25 April 2012	0.11	0.087835	3,475	3,113
19 September 2012	0.15	0.1209	4,739	3,112
			8,214	6,225

All reserves of the Company are distributable, as under The Isle of Man Companies Act 2006 distributions are not governed by reserves but by the Directors undertaking an assessment of the Company's solvency at the time of distribution.

ADDITIONAL UNAUDITED INFORMATION

	2008[1, 2] €000's	2009[1, 2] €000's	2010[2] €000's	2011[2] €000's	**2012[2] €000's**
Revenue	35,814	31,615	32,680	44,340	**59,596**
Contribution	25,841	25,555	19,124	20,550	**35,083**
Clean EBITDA	20,840	15,909	10,225	8,382	**15,452**
Operating profit	19,075	14,188	3,605	1,999	**13,034**
Profit before tax	19,620	13,780	2,525	(386)	**10,830**
Cash at the balance-sheet date	19,262	20,995	6,551	9,853	**6,632**
					–
Total dividend declared (pence)	33.6p	60.22p	17.61p	17.4p	**17.99p**
Interim dividends (euro)	€0.20	€0.20	€0.10	€0.10	**€0.22**
Final dividend (euro)	€0.20	€0.50	€0.10	€0.11	**–**
Total dividend (euro)	€0.40	€0.70	€0.20	€0.21	**€0.22**
Total dividend paid during the year (€000's)	12,454	12,454	18,681	6,225	**8,214**
Total dividend per share paid during the year (euro)	€0.40	€0.40	€0.60	€0.20	**€0.26**

[1] The results for the financial years ending 2008 and 2009 exclude the results of Winzingo whose operations had been loss making.

[2] The results for the financial years ending 2008, 2009, 2010, 2011 and 2012 exclude the results of Betaland that has been disposed of. The results of this business have been discontinued, see note 7 on page 39 for further details.

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Incorporated in the Isle of Man under number 4685V