



The multinational sports betting and gaming group



Annual Report

2013

GVC is financially focused on generating cash and returning a high proportion of this to shareholders by way of dividends

GVC is a multinational sports betting and gaming group, 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 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

Total Proforma Revenues (€000)

180,573

Annual growth of 69%



Clean *EBITDA (€000)

38,299

Annual growth of 148%



Dividend (€cents)

48.5

Increased by 120%



Operational aims achieved in period

Sportingbet Integration

Successful integration of Sportingbet into the main body of the Group with a reduction in the inherited cost base of around 50%, and a growth in its inherited revenues

Data Migration

Data migrations completed onto a single platform of Sportingbet, including that of Betboo.

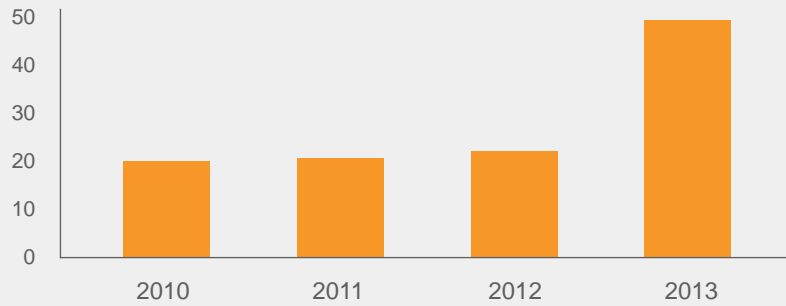
As a result, from 2014 onwards there will no longer be a charge in the Consolidated Income Statement for the deferred discount release.

Licence

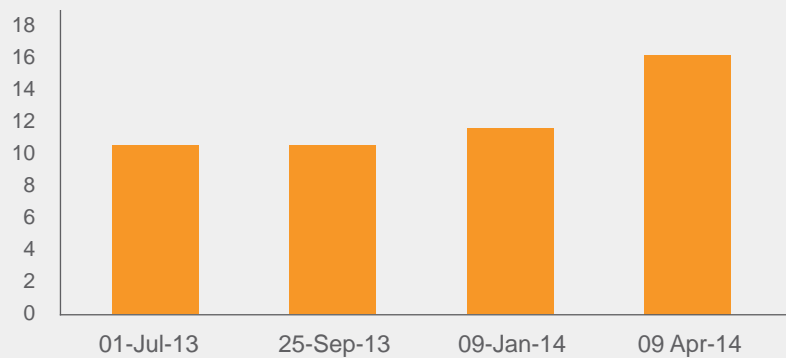
Principal licence moved to Malta from Alderney

Recent Dividend History

Cents per share declared

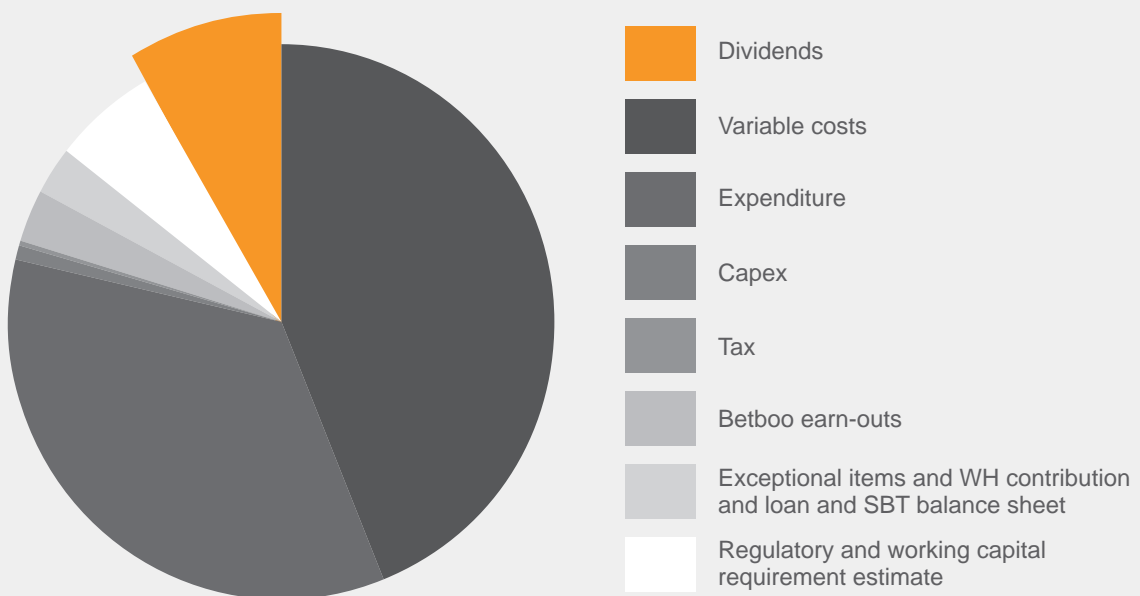


Cents per share declared



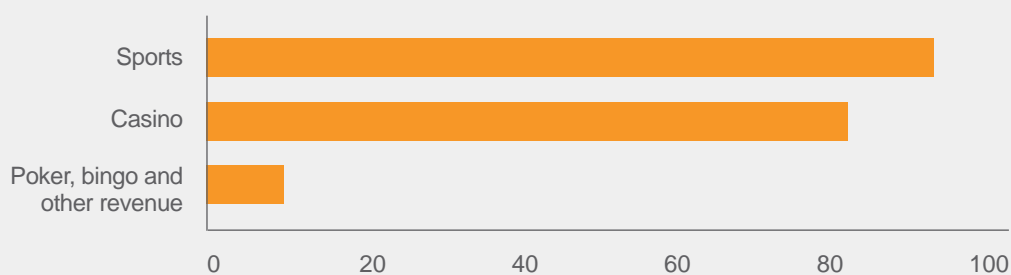
How Revenue becomes Dividends

£180m Revenue converts to £15m Dividends



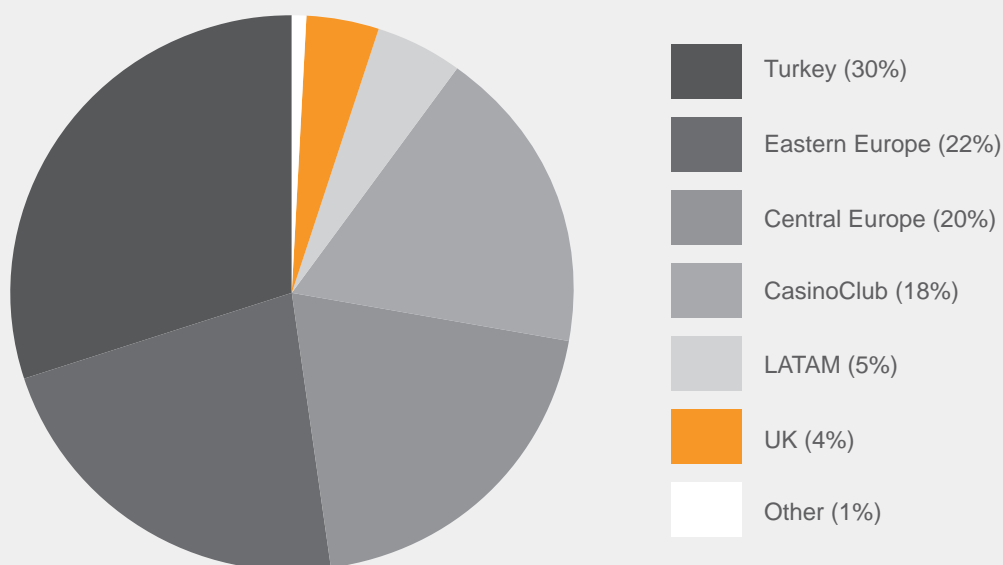
Proforma Revenue Mix (€000m)

12 months to 31 December 2013



Contribution* by Market

Based on Q4-2013



*Contribution is Revenue less Variable costs but before expenditure such as staff, property, etc.
For the full year ending 31st December 2013 contribution amounted to €102,631,000.

For 2013 GVC restored the dividend earlier than expected, increased the dividend in January 2014 and in April 2014, the Board declared a repeat of this quarterly dividend enhanced by a special dividend

Delivering on our dividend promise

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DIRECTORS

Lee Feldman (age 46), Chairman, and non-executive Director

Lee joined GVC 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 appointed the CEO of MacKenzie-Childs when Twin Lakes led the acquisition of the business in May 2008 and was appointed 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.

Karl Diacono (age 51), Non-Executive Director – Chairman of the Audit Committee

Karl joined GVC as a Non-executive Director in December 2008. 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 a director of a number of GVC subsidiaries along with 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. 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 53), Group Finance Director

Richard joined GVC in December 2008 as Group Finance Director. 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 member of the Institute of Chartered Accountants in England and Wales, having trained and qualified with Saffery Champness in London.

Nigel Blythe-Tinker stepped down from the board on 17 January 2014.

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, 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 63 for further details.

ADVISERS

Nominated Adviser and Broker:

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Registration Number:

4685V

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UK Transfer Agent:

Capita Asset Services
The Registry
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BR3 4TU

Telephone: 0871 664 0300

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, UK, Denmark, Germany, Italy, South Africa, Alderney and the Dutch Caribbean. 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, which it subsequently exercised in 2013.

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 primary economic environment in which the Group's subsidiaries operate is the Eurozone and thus the Euro is the functional currency of the majority of the Group's subsidiaries. As such management and the Directors have selected the Euro as the presentational currency of the Group. The Group offers its customers a number of payment options across a wide range of currencies including EUR, GBP and USD. The full payment options can be found on www.sportingbet.com. The shares are traded on AIM in GBP.

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

Key Events

- Q4-04 – Shares first traded on AIM
- Q3-07 – Granted a class 4 licence by the LGA in Malta
- Q3-07 – Sportsbook operation started
- Q3-09 – Acquired the trade and assets of “Betboo” a leading Latin American e-gaming business
- 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

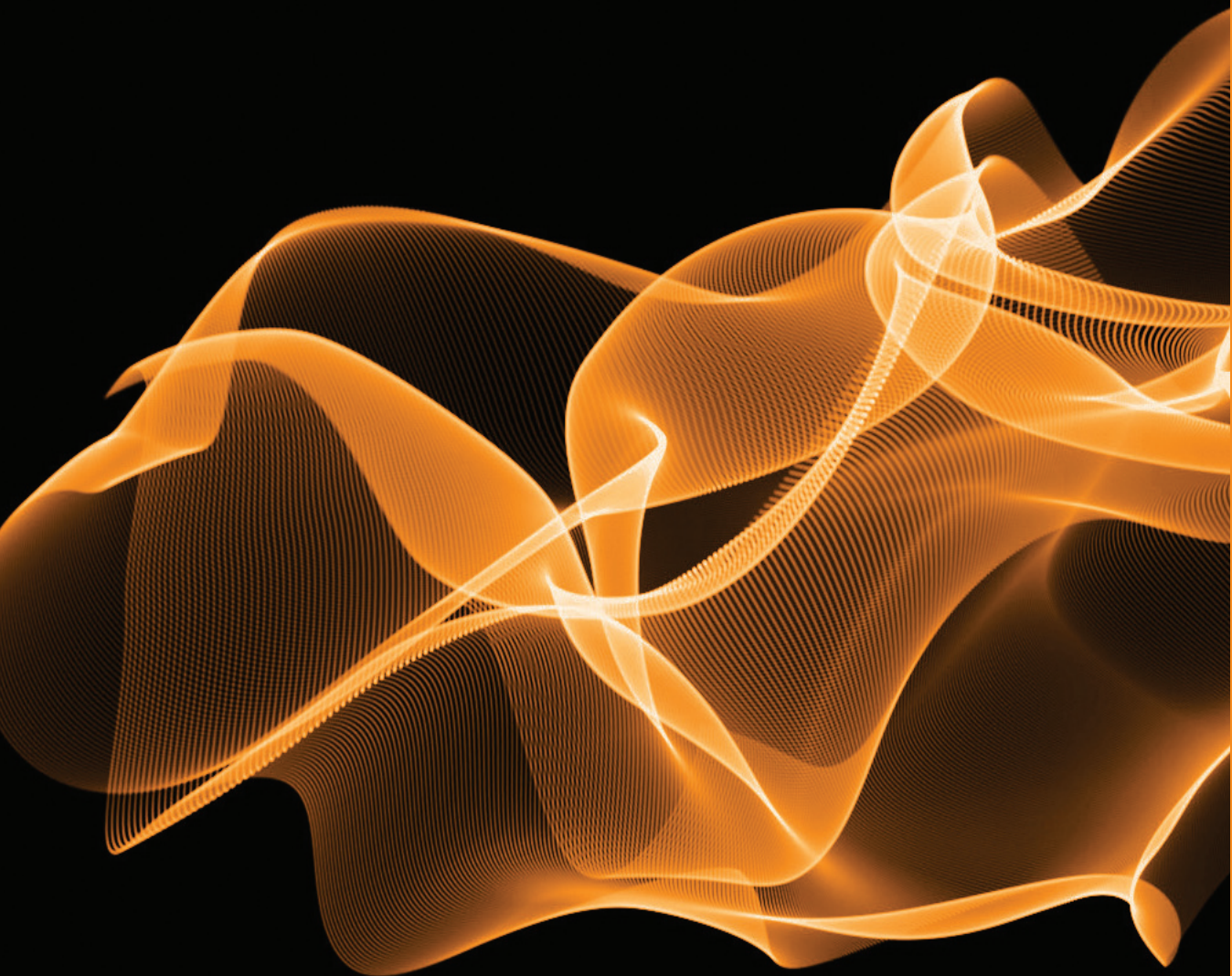
Investor Relations Website

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)

BUSINESS REVIEW



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CHAIRMAN'S STATEMENT

2013 saw a step-change in GVC, its size, its complexity, but more importantly its profitability, cash generation, and the dividends paid to shareholders following the acquisition of Sportingbet PLC on 19 March 2013.

The Group is now generating over €1.2 billion a year in sports wagers, and total revenues in the first quarter of 2014 exceeded €50 million, an average of more than €556k per day (2013: €394k). At the date of this statement, GVC's market capitalisation is now over £240 million, and between 2009 and 2013 the Group has paid to its shareholders £51.8 million in dividends and is already ranked as one of the highest yielding dividend payers on AIM (Source: Dividends on AIM – March 2014 by Allenby Capital).

Cash generation and its conversion into dividends is a key part of GVC's strategy, and the Board is pleased to announce today a final dividend for 2013 of 11.5 €cents. In addition, the Board is proposing a special dividend of 4.5 €cents, reflecting results ahead of recently upgraded market expectations for 2013. The payment of the 16 €cents dividend is proposed for 19 May 2014 but is dependent on the shareholder vote at the Annual General Meeting to be held in the Isle of Man on 14 May 2014. Thus the total dividend declared for the year will be 48.5 €cents, an increase of 120% on the prior year (2012: 22.0 €cents).

GVC undertook its acquisition of Sportingbet to: mitigate the earn-out payments arising from the November 2011 Superbahis transaction with Sportingbet; acquire market-leading software; and acquire customers in over 20 additional markets. GVC has a proven track record of executing acquisitions and now GVC has the platform, scale and infrastructure to pursue further transactions, along with being able to utilise economies of scale to further drive organic growth.

GVC significantly restructured Sportingbet and its balance sheet, which not only had a deficit in working capital of €50 million at acquisition, but also, was substantially loss-making and cash-burning. In the nine and half months since acquisition, a financial turnaround has been achieved resulting in a Clean EBITDA for Sportingbet of €4.7 million with €3.8 million being generated in Q4-2013 alone.

The acquisition and the subsequent restructuring costs were largely financed through the issue of an additional 29 million shares to existing Sportingbet shareholders at a "roll-over" price per share of £2.48; and from William Hill plc a contribution of £36.5 million along with a long-term loan of £6.9 million.

GVC's strategy is to increase shareholder returns through a combination of: generating high levels of cash and distributing this by way of dividends; increasing the markets in which the Group trades to diversify geographic risk; and improving the quality of the Group's earnings through acquisitions and joint ventures. In the next 12 months, the Group will seek to: accelerate its penetration in Brazil, the host nation of the FIFA World Cup; drive further synergies from the Sportingbet acquisition; improve the product offering, particularly mobile; continue growing the many markets in which GVC operates; and devote more executive time to non-dilutive investment and acquisition opportunities.

Current trading (Q1 2014) is at record levels, with sports wagers averaging €3.8 million per day, a sports margin of 10.1% and an average Net Gaming Revenue ("NGR") increasing by 41% to €556k per day compared to €394k in 2013, and up by 6.3% on Q4-2013 (€523k). The Board is therefore confident of meeting current market expectations for the 2014 financial year as underpinned by our proposed 16 €cents dividend.

Lee Feldman

Chairman and Non-Executive Director

8 April 2014

REPORT OF THE CHIEF EXECUTIVE

I am pleased to report a series of significant increases over 2012:

	2013 (€)	2012 (€)	Percentage Increase
Sports wagers	1.2 billion	0.5 billion	125%
Proforma Revenue*	181 million	107 million	69%
NGR	168 million	60 million	179%
Contribution	103 million	36 million	181%
Clean EBITDA	38.3 million	15.6 million	148%
Normalised EPS	58.6 cents	32.1 cents	83%
Dividends declared	48.5 cents	22.0 cents	120%

Totals may not sum due to rounding and percentages have been calculated on the underlying rather than the summarised figures.

* as described in the Chairman's report of 25 March 2013, being the underlying levels for the business as if the revenues of the B2B partner, East Pioneer Corporation BV were fully consolidated in the results of GVC.

GVC has achieved a record level of Clean EBITDA for 2013 at €38.3 million which is ahead of recently upgraded market expectations. The financial turnaround of Sportingbet was completed during the year with significant restructuring, and the acquired business returned to profitability, making a contribution to Clean EBITDA of €4.7 million.

This financial turnaround has allowed GVC not only to pay a quarterly dividend of 11.5 €cents in line with what it had already paid earlier in 2014, but also to announce a special dividend of a further 4.5 €cents. This means that the total dividend declared for the year is 48.5 €cents, an increase of 120% on 2012 (22.0 €cents).

In Sportingbet, GVC has acquired and developed further a market leading sports platform, and it is this, together with a more "fit for purpose" corporate infrastructure, which has allowed the Board to be ready for further acquisitions and investments. GVC is already benefiting from the successful integration of Sportingbet and this can be seen in the record levels of trading in Q1-2014, with revenues exceeding €50 million per quarter for the first time.

However, whatever the size of the transactions the GVC Board looks at, none will be considered if they might undermine the maintenance of the dividend for our shareholders.

The principal aims of GVC in 2013 were to:

- Complete the acquisition and integration of Sportingbet at minimal cost and dilution to shareholders;
- Deliver significant synergies on the Sportingbet integration;
- Enhance the dividend for shareholders; and
- Improve the overall product offering, particularly in the mobile channel.

Shareholders and customers alike have benefited from all of the above. Of particular note, in my statement for last year, I was hopeful that GVC would restore the dividend by November 2013. In fact, in July 2013 GVC announced a 50% increase in its quarterly dividend to 10.5 €cents up from 7.0 €cents declared in January 2013, and the Board then declared a further 10.5 €cents in September 2013. In January 2014, the dividend was increased again by 1 €cent (a rise of 9.5%) to 11.5 €cents.

After eight months of negotiations, the deal to acquire the non-Australian business of Sportingbet was completed on 19 March 2013. GVC passed on Sportingbet's Spanish business to William Hill, as previously agreed, on 16 September 2013. The Group had its shares suspended at 233.5 pence on 16 October 2012 and on 20 March 2013, the date on which the new GVC shares were admitted to trading, the shares closed at 247 pence.

The business of Sportingbet was profoundly indebted, loss-making and cash-burning. In the nine and a half months since acquisition, GVC has converted these substantial losses into a profit of just under €5 million but with the majority of this being generated in the back-end of the year, with €3.8 million being earned in Q4-2013.

To make the acquisition financially enhancing for our shareholders, deep cuts were needed and it was necessary to reduce the inherited headcount by around a third, which, along with property and other cost reductions, reduced the expenditure base by around 50%. A number of in-house functions were outsourced and GVC has a number of significant partnerships in cost-efficient jurisdictions. GVC sees this as a blueprint for its future expansion.

This success has not just been achieved however through cost cutting. GVC has very much focused on driving-up its revenues against strong currency headwinds in both Brazil and Turkey. The Group has grown its revenues in local currencies and those reported in Euros through a combination of intensive CRM activity and VIP management. Of course a key driver of the revenue success is the achievement of consistently high sports margins. There will of course be times when the sports results are “punter-friendly.” GVC’s aim has been to use the skills of its trading teams (around 100 employees and a sixth of the Group’s workforce) and combine this with state-of-the-art event feeds. This approach has enabled GVC to deliver an aggregate sports margin of 9.6% in 2013.

GVC’s customers want great service, great products and a great experience. The Group is unrelenting in the delivery of these factors, without which the highly competitive landscape will entice players away from GVC. For that reason, the Group has been investing in its mobile product and has witnessed a significant increase in the take-up of mobile to around 19% of sportsbook NGR, albeit, from a low base of around 10%. This is a trend that GVC sees continuing and being ever more important for customer retention. In-play betting continues to grow and now represents around 70% of the sports wagers placed. Football, tennis and basketball represent around 90% of customer wagering.

Operationally, by early 2014 GVC had:

- migrated its main gaming licence to Malta;
- integrated its Betboo product;
- consolidated its payment wallets; and
- outsourced at significantly lower cost some of its IT and Customer Services support functions.

I am also pleased to report on our high-level KPIs based on “pro-forma” revenues (“PFR”) over the last nine quarters expressed in €000’s per day.

	Sports wagers €000’s	Sports margin %	Sports NGR €000’s	Gaming & other revenues €000’s	Total PFR €000’s
Q1-2014	3,773	10.1%	254	302	556
Q1-2013	1,894	12.5%	209	185	394
Q1-2012	1,530	11.5%	148	141	289
Q4-2013	3,926	8.4%	244	279	523
Q4-2012	1,453	12.3%	162	162	324
Q3-2013	3,335	9.8%	267	251	518
Q3-2012	1,402	10.4%	123	149	272
Q2-2013	3,637	9.2%	275	267	542
Q2-2012	1,286	10.8%	120	166	286

Sports wagers have doubled in value over Q1-2013 to just under €3.8 million per day and revenues per day have not only grown by 41% year-on-year but have grown 6.3% in the last quarter alone.

Gaming revenues have also increased across all of the Group’s markets and are expected to benefit further by our continued investment in our mobile product.

The Group has been impacted by a stronger Euro, and we estimate that the impact of this in 2013 alone would be around €25k per day, thus GVC’s underlying growth rates are closer to 50%.

REPORT OF THE CHIEF EXECUTIVE continued

GVC is now ready for the next stage in its corporate development and further geographic expansion through organic growth and acquisitions. GVC aims to deliver this without diluting the dividend. The Board is confident of meeting current market expectations for the 2014 financial year as underpinned by our proposed dividend of 16 ¢cents total.

Kenneth Alexander
Chief Executive
8 April 2014

REPORT OF THE GROUP FINANCE DIRECTOR

The financial information for the Group reflects the consolidation of Sportingbet* for the 287 days from 19 March 2013. The business is now largely integrated and the Group now presents its results as a single entity, including both CasinoClub and the B2B activities.

Table 1: Summary of key financial measures

In €millions	2013	2012	Change	% change
Sports wagers	1,169.5	518.9	+650.6	+125%
– sports from Sportingbet	661.9	–	+661.9	
– sports from existing businesses	507.6	518.9	-11.3	
Sports margin	9.6%	11.3%	-170bps	-15%
Sports revenue	90.8	50.6	+40.2	
Gaming revenue	89.8	56.5	+33.3	
– gaming from Sportingbet	35.2	–	+35.2	
– gaming from existing businesses	54.6	56.5	-1.9	
Total proforma revenue	180.6	107.1	+73.5	+69%
– from Sportingbet	86.1	–	+86.1	
– from existing businesses	94.5	107.1	-12.6	
Total NGR	168.4	60.3	+108.1	+179%
– NGR acquired from Sportingbet	74.7	–	+74.7	
– NGR from existing business	93.7	60.3	+33.4	
Contribution	102.6	36.5	+66.1	+181%
Contribution divided by PFR =	57%	34%	+23%	
– Contribution from Sportingbet	42.0	–	+42.0	
– Contribution from existing brands	60.6	36.5	+24.1	
Expenditure	(64.3)	(21.0)	+43.3	
Clean EBITDA	38.3	15.5	+22.8	+148%
Clean EBITDA/proforma revenue	21%	14%	+7%	
PBT and exceptional items	32.7	10.6	+22.1	+208%
Exceptional items	(19.7)	0.2	-19.9	
Taxation	(0.7)	(0.5)	-0.2	
Discontinued activities	–	(1.1)	+1.1	
Profit after taxation	12.3	9.2	3.1	+34%
Normalised, non dilutive EPS in €cents	58.6	32.1	+26.5	+83%
Dividend paid / share in €cents	28.0	26.0	+2.0	+8%
Dividends declared / share in €cents	48.5	22.0	+26.5	+120%
Operating cashflows	19.8	4.8	+15.0	+312%
Dividends paid	(15.0)	(8.2)	+6.8	+83%
Cash and cash in transit	37.1	20.0	+17.1	
Customer liabilities	(13.3)	(1.7)	-11.6	
Net current assets	0.3	4.6	-4.5	
Non-current liabilities	(14.0)	(12.3)	-1.7	
Shareholder funds	141.1	58.5	82.6	+141%
Number of shares in issue	60,906,760	31,592,172	29,314,588	+93%
Number of shares under option	3,801,667	3,698,180	103,487	

* Excluding Australia and certain other assets along with Sportingbet's Spanish business past over to William Hill from 16 September 2013.

REPORT OF THE GROUP FINANCE DIRECTOR continued

REVENUES

Sports wagers, incorporating Sportingbet from 19 March 2013, grew 125% to €1,169.5 million (2012: €518.9 million). Sportingbet wagers, consolidated from 19 March 2013 to 31 December 2013 averaged €2.3 million per day and rose to €3.9 million per day in Q4 (Q4-2012: €1.5 million).

Sports margins differ widely across the multiple markets in which GVC operates as a consequence of the maturity of each market and the sports followed within them. A sports margin of 9.6% across the full year and 287 days since the acquisition of Sportingbet was achieved despite the industry-wide backdrop of punter-friendly results in Q4 2013, as previously reported by the Group on 4 December 2013.

Sport NGR represents the gross margin less free bets and promotional bonuses.

Customers have a variety of gaming opportunities ranging from Casino, through to Poker and, in certain markets, Bingo. Casino games are provided by over ten companies including such industry-leading suppliers such as Net-Entertainment, Evolution and Boss Media. Sports and gaming revenues are relatively equal now, and in H2-2013 sports NGR represented 52% of proforma revenue and gaming represented 48%.

As trailed in the 2012 Report and Accounts, whilst the customer base of Superbahis, acquired in 2011, belongs to third-party provider, East Pioneer Corporation ("EPC"), as the bulk of the economic benefit resides with the now enlarged GVC, under accounting rules approved by the EU, the Group has to fully consolidate the results. This is shown as "proforma" revenue. NGR is proforma revenue less the revenues attributable to EPC for the period from 1 January 2013 to 19 March 2013.

2013 saw a 69% increase in proforma revenues over 2012.

Table 2: Average revenues per day since 1 January 2013

€000's	Q1-2013	Q2-2013	Q3-2013	Q4-2013	Q1-2014
Sports wagers per day	1,894	3,637	3,335	3,926	3,763
Sports margin %	12.5%	9.2%	9.8%	8.4%	10.1%
PFR per day	394	542	518	523	556

Average sports wagers per day have risen by 99% to €3.8 million in Q1-2014 compared to Q1-2013 (€1.9 million). Proforma revenues per day have increased by 41% over the same period.

CONTRIBUTION

Contribution is GVC's measure of revenues less cost of sales, and costs with a high correlation to revenues, such as partner shares, affiliate commissions and other marketing expenditure. Cost of sales includes payment processing charges, software royalties and local betting taxes payable in jurisdictions where we have a local licence.

The Group continues to encourage dialogue with its existing and potential regulators in the markets in which the Group operates, although it notes that in some markets there remains regulatory uncertainty.

Contribution increased by 181% to €102.6 million and an aggregate contribution margin percentage of 57% was achieved based on PFR.

The Group is making significant marketing investments ahead of the FIFA World Cup in the summer of 2014 and aims for an aggregate contribution margin of between 52% and 55%.

CLEAN EBITDA

Clean EBITDA is contribution, less expenditure incurred primarily; on staff costs, property, professional fees and other overheads. The Group aims to achieve a clean EBITDA margin of not less than 20%.

Expenditure inevitably rose with the acquisition of Sportingbet, although the acquired cost base has already been trimmed by around 50%. The Group headcount in December 2013 was around 400 employees higher than in December 2012, although around 165 inherited staff left the Group in 2013.

Within expenditure there are remuneration arrangements highly geared to performance and dividend payments. Indeed for 2014, the Board's bonuses are wholly linked to dividends and all staff can earn bonuses, although 50% of the potential is dependent on market expectations of dividend targets being met.

EXCEPTIONAL ITEMS

An acquisition as complex as a public company consortium bid has been accounted for by GVC as an exceptional item, as substantial, and one-off costs were incurred in both the acquisition and the restructuring. Whilst a significant portion in cash-terms was contributed by William Hill, accounting rules require that the contribution was taken to the balance sheet whilst the costs were taken to the Income Statement. A summary of the components of these and other exceptional costs is reproduced below:

Table 3: Summary of exceptional items

	€millions
Transaction costs	9.2
Restructuring costs	11.9
Gross costs	21.1
Contribution from Sportingbet Spanish business to 16 September 2013	(1.4)
	19.7

The actual costs of the restructuring at €21.1 million have been lower than €24 million as anticipated in page 49 of the prospectus.

Included within restructuring costs of €11.9 million was €9.0 million incurred through either redundancy or retention arrangements payable to staff who departed through the restructuring process. The terms of the exit payments were governed largely by the inherited redundancy terms of the Sportingbet group and these terms were enforceable by the application of the City Code on takeovers and mergers. Also included were the cost of terminating a variety of contracts, including property commitments that has allowed the Group to reduce its overheads.

Under the terms of the consortium agreement with William Hill plc, GVC was the custodian and financial beneficiary of the Sportingbet Spanish "Miapuesta" brand from 19 March 2013 to 16 September 2013. As GVC was not a "controlling party" as defined under IFRS, the contribution has been treated as a deduction from exceptional items. The financial benefit of this amounted to €1.4 million.

NON-CASH CHARGES IN THE INCOME STATEMENT

Depreciation of Property, Plant and Equipment rose in the year to €0.5 million (2012 €0.2 million) on total acquisitions of €0.6 million.

Amortisation of Intangible Assets rose to €3.2 million (2012: €2.3 million) arising from either assets acquired through the Sportingbet acquisition or through the acquisition of additional software required to run the Sportsbook platform.

Finance income is principally the imputed credit (as per IAS 39) on the interest free loan from William Hill. A rate of 4% has been used for the imputation.

Finance charges included €43k (2012: €0) on leased software and €1.7 million (2012: €2.2 million) on the unwinding of the discount on the deferred consideration arising from the 2009 acquisition of Betboo.

Share option charges increased to €0.7 million principally through the granting of share options to third parties in consideration for underwriting arrangements on the Sportingbet acquisition. The Group has only 3.2 million share options granted to directors and officers (5.2%) although its permitted allocation is 16.8% (10.2 million).

REPORT OF THE GROUP FINANCE DIRECTOR continued

EARNINGS PER SHARE

Normalised (i.e. before exceptional items) rose 83% in 2013.

Table 4: Earnings per share

Normalised EPS:	58.6 €cents (2012: 32.1 €cents)
Basic EPS:	22.5 €cents (2012: 29.3 €cents)
Diluted Normalised EPS:	57.2 €cents (2012: 31.6 €cents)
Diluted EPS:	22.0 €cents (2012: 28.8 €cents)

The diluted EPS is affected by two components: grants of share options granted to employees and directors, and warrants granted to third parties pursuant to underwriting arrangements entered into in contemplation of the Sportingbet acquisition.

DIVIDENDS

Table 5: History of dividends paid and declared in 2013

Declaration date	Fiscal year 2012 €cents	Fiscal year 2013 €cents	Paid 2013 €cents	Payable 2014 €cents
19 September 2012	15.0			
25 January 2013	7.0		7.0	
1 July 2013		10.5	10.5	
25 September 2013		10.5	10.5	
9 January 2014		11.5		11.5
9 April 2014		16.0		16.0
	22.0	48.5	28.0	27.5

As previously announced, GVC is committed to paying dividends on a quarterly basis and paying a cash amount broadly equivalent to 75% of its net operating cashflows, taking into account an assessment of its working capital needs.

The final dividend of 16.0 €cents per share will be payable on 19 May 2014 to shareholders on the register at the close of business on Friday 25 April 2014. The shares will go ex-dividend on Wednesday 23 April 2014.

ACCOUNTING FOR THE SPORTINGBET ACQUISITION

Table 6: Summary of the acquisition accounting of Sportingbet

	€000's	€000's
Various non-current assets at fair value		6,742
Net current liabilities excluding transaction costs	(35,961)	
Transaction costs	(8,624)	
Termination arrangements for Sportingbet board	(5,022)	
	(49,607)	
Amount discharged at completion by William Hill	42,562	
		(7,045)
Goodwill		84,221
Issue of 29,018,075 ordinary GVC shares at £2.48 at £1 = €1.1661		83,918

The Sportingbet balance sheet was in very poor shape, GVC effectively inherited a deficit of €50 million – Sportingbet fully drew-down on its banking facilities, had placed heavy reliance on finance leases, had deeply out-of-the-money currency hedges, and legacy liabilities which fell to GVC to discharge. The inheritance of this together with the professional and other costs arising from the acquisition both by Sportingbet and GVC, and the Group's planned restructuring costs were partially offset by the contribution from William Hill and augmented by their interest free loan, which is repayable in three instalments by June 2016.

Whilst the acquisition balance sheet was significantly worse than anticipated, the swift turnaround of the business coupled with the mitigated earn-out payments under the Superbahis transaction meant that the acquisition 'washed its face' in less than nine months.

Table 7: Cash impact of the acquisition and its results during 2013

In €millions	Total	Acquisition balance sheet	Exceptional items
Costs of removing Sportingbet board	(5.0)	(5.0)	
Transaction fees incurred by Sportingbet	(8.6)	(8.6)	
Net current liabilities at acquisition	(36.0)	(36.0)	
Balance sheet deficit	(49.6)	(49.6)	–
GVC transaction costs	(9.3)		(9.3)
Restructuring costs	(11.9)		(11.9)
William Hill plc capital contribution	42.6	42.6	
William Hill loan	8.0		
Profits arising from Sportingbet turnaround, Superbahis mitigation and Spanish contribution	25.1	–	1.5
	4.9	(7.0)	(19.7)

NET CURRENT ASSETS

The net position is obviously affected by the timing of the dividend payments – which totalled €15.0 million during 2013 (2012: €8.2 million). Such is the strategy of GVC towards its dividend payments, that GVC aims to keep its Net Current Assets relatively equal to its Net Current Liabilities, but ensuring at all times that its balances with customers are covered and meet regulatory requirements.

Table 8: Liquidity position as at 31 December 2013

	€000's	€000's
Restricted cash*		7,356
Add: cash in transit with payment processors		18,270
Total		25,656
Less: Customer balances		(13,298)
Surplus over customer liabilities		12,358
Free cash	11,452	
Trade payables	(9,586)	
		1,866
Instalments payable in 2014 to providers of lease finance		(945)
Instalment payable to William Hill in December 2014	(2,752)	
Loan imputed interest	238	
		(2,514)
Corporate and other taxes reclaimable less payable		(539)
Other tax liabilities		(4,182)
Accruals, prepayments and other net current assets		(5,765)
Net current assets		279

* Restricted cash refers to balances at banks where the cash has to be ring-fenced for regulatory reasons.

REPORT OF THE GROUP FINANCE DIRECTOR continued

SUMMARISED CASHFLOW

The Group's cashflow position for 2013 is summarised below:

Table 9: Summarised cashflow

	2013 €millions
Clean EBITDA	38.3
Less:	
– Exceptional items	(19.7)
– Betboo earnout	(6.4)
– Expenditure of tangible and intangible fixed assets for cash	(0.0)
– Corporate taxes paid (less recovered)	(0.4)
– Deficit in Sportingbet Balance sheet (from above)	(49.6)
Add:	
– Contribution from William Hill	42.6
– Loan from William Hill	8.0
– Cash raised in issue of share options	0.3
And: Net movements in working capital	14.1
	27.2
Less: restricted cash	(7.4)
Net operating cashflows	19.8
Less: Dividends paid (equating to 75.75% of cashflow)	(15.0)
Net cashflow for year	4.8
Add: restricted cash balances	7.4
Add: Cash at 1 January 2013	6.6
Cash at 31 December 2013	18.8

NON-CURRENT LIABILITIES

These consist of three principal items:

a.) Interest free loan from William Hill

As part of the Sportingbet acquisition there was a loan facility from William Hill of up to £15 million. At the balance sheet date the amount drawn-down amounted to £6.9 million, of which £2.3 million is repayable in less than one year and thus accounted for as a current liability and the balance is shown on the GVC balance sheet as a non-current liability. It is repayable in two further equal instalments, by 31 December 2015 and 30 June 2016. Should GVC declare dividends in excess of 58 €cents per share, William Hill are entitled to receive an accelerated repayment equal to the excess of the actual dividend over 58 €cents per share. Whilst the loan is interest free, IAS 39 requires GVC to account for imputed interest calculated at 4%.

	2013 €000's
Gross amount of loan payable after one year	5,504
Imputed interest	(356)
Amount recognised in non-current liabilities	5,148

b.) Deferred consideration on Betboo

Under accounting rules, this item is a combination of gross amounts payable, €8.4 million at 31 December 2013, and which can vary, but are subject to a cap, and the "unwinding of the discount," €0.8 million and chargeable to the Income Statement.

Following the migration of the Betboo software to the existing Sportingbet platform in the second-half of 2013 there was a minor change in the staging of the earn-out payments, but not the ultimate quantum.

Table 10: Analysis of Betboo deferred consideration

€ millions	Due to Founders	Acquisition costs	Sub total	Accounting discount	Total
Arising on acquisition	21.4	0.3	21.7	(8.6)	13.1
Charge to income statement					
– prior to 2013	–	–	–	(6.1)	(6.1)
– during 2013	–	–	–	(1.7)	(1.7)
– due in 2014	–	–	–	(0.7)	(0.7)
– due in future periods	–	–	–	(0.1)	(0.1)
Payments made					
– on acquisition	2.8	0.3	3.1	–	3.1
– up to 31.12.2012	3.8	–	3.8	–	3.8
– During 2013	6.4	–	6.4	–	6.4
Payments due					
– In 2014	3.8	–	3.8	–	3.8
– In 2015	2.4	–	2.4	–	2.4
– In 2016	2.2	–	2.2	–	2.2
Lifetime balances	21.4	0.3	21.7	(8.6)	13.1
Balances due at 31.12.2013	8.4	-	8.4	(0.8)	7.6

c.) Finance leases

This represents the lease finance taken-out for the purchase of software and similar underpinning the Sportsbook platform.

Table 11: Analysis of finance lease liabilities

	€000's
Property, plant and equipment capitalised	543
Software capitalised	827
	1,370
Hardware and software support to be expensed	753
Total amount financed	2,123
Finance charges expensed in 2013	43
Finance charges expensed in future periods	74
Total amounts repayable to provider of lease finance	2,240
Payable in 2014 (included in current liabilities)	945
Payable in future periods	1,295
	2,240
Amount payable in future periods	1,295
Less: future finance charges	(74)
Included in non-current liabilities	1,221

SUMMARY OF BALANCE SHEET MOVEMENTS

The most significant impact on the balance sheet was the acquisition of Sportingbet and the issue of shares used to finance it.

REPORT OF THE GROUP FINANCE DIRECTOR continued

Table 12: Balance Sheet bridge

		Total €000's
At 1 January 2013		58,471
EBITDA	38,299	
Exceptional items	(19,711)	
Net finance charges	(1,104)	
Depreciation and amortisation	(3,740)	
Taxation	(711)	
	<hr/>	13,033
Movement on translation reserve		359
Issue of shares for Sportingbet acquisition		83,918
Share options exercised		294
Dividends paid		(14,979)
At 31 December 2013		141,096

CURRENCY EXPOSURES

GVC Group reports in Euro and its main operating subsidiary is incorporated in the Eurozone.

Table 13: Mix of currency exposures based on Q4-2013 revenues

Euro	39%
Turkish Lira	27%
Brazilian Real	4%
Sterling	4%
Other currencies	26%

During the year, the combined loss from realised and unrealised foreign exchange was €1.9 million although €1.1 million of this arose as a one-off re-translation of the Sportingbet ledgers, hitherto denominated in Sterling. The William Hill loan is denominated in Sterling (£6.9 million) and incurred an unrealised loss of €0.2 million. GVC does not take delivery of either TRY or BRL as such currency conversions are handled by the Group's payment processing intermediaries.

Additionally, the Net Current Assets of the Group are of course revalued each month at month-end exchange rates and this also results in exchange gains and losses. The principal revaluations are for the customer liabilities, although these are now largely currency matched to produce a natural hedge.

The relative purchasing power of the Euro has strengthened against three significant currencies for the Group. GVC estimates that the impact on profits from weaker TRY and BRL when compared to average rates in 2012 would be in the region of €5 million.

Table 14: Relative purchasing power of the Euro

(Source: www.oanda.com, the mid point of the bid/offer price has been selected)

1 Euro =	Average rate in 2012	Rate at 31 Dec 2012	Average rate in 2013	Rate at 31 Dec 2013	% change in average rate	% change in year-end rate
BRL	2.502	2.70856	2.8514	3.2531	Euro Strengthened by 14.0%	Euro Strengthened by 20.1%
TRY	2.314	2.3685	2.5199	2.9464	Euro Strengthened by 8.9%	Euro Strengthened by 24.4%
GBP	0.8113	0.8174	0.8491	0.8348	Euro strengthened by 4.7%	Euro Strengthened by 2.1%

Future trading updates and financial calendar

It is anticipated that GVC will make further announcements on or around the following dates:

22 April 2014	– Posting of R&As and Notice of AGM
14 May 2014	– AGM Trading Update, Result of AGM
19 May 2014	– Payment of Final Dividend
W/c 14 July 2014	– H1 and post World Cup Trading Update
W/c 18 August 2014	– Payment of quarterly dividend
W/c 22 September 2014	– Interim Results
W/c 27 October 2014	– Payment of quarterly dividend
W/c 8 December 2014	– Trading Update
W/c 12 January 2015	– Pre-close Trading Update
W/c 9 February 2015	– Payment of quarterly dividend

Richard Cooper

Group Finance Director
8 April 2014

PRINCIPAL RISKS AND UNCERTAINTIES

Risk description	Potential impact	Mitigation
<p>ECONOMIC RISK</p> <ul style="list-style-type: none"> – Customer base becomes less confident about their financial prospects 	Lower revenues and consequently profits	<ul style="list-style-type: none"> • Customer retention programmes • Broader geographic spread of products • Migration of third party costs to be aligned with revenues
<p>REGULATORY RISK</p> <ul style="list-style-type: none"> – Conflict between jurisdictions in which the customer resides and where the service is provided – Risk of criminal, civil and administrative enforcement action in jurisdictions where the Group generates the business 	Reduction in market size	<ul style="list-style-type: none"> • 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
<p>FINANCIAL</p> <ul style="list-style-type: none"> – Foreign exchange risks – Withdrawal of payment processing facilities 	<p>Lower or more volatile profits</p> <p>Short-term interruption of funds deposited by customers</p>	<ul style="list-style-type: none"> • Group tries to match its income and cost exposures to create a natural hedge • Regular evaluation of low cost hedging opportunities • Multiple payment processing methods used by the Group
<p>OPERATIONAL</p> <ul style="list-style-type: none"> – Dependence on third party software – Dependence on key personnel 	<p>Reduction of revenue streams</p> <p>GVC's CasinoClub website is highly dependent on Boss Media with whom it has a long-term contract</p> <p>Interruption of business continuity and loss of corporate knowledge</p>	<ul style="list-style-type: none"> • Long-term contracts entered into with suppliers of a good financial covenant • In some cases it is not practicable to mitigate the software reliance risk without significant business and economic disruption • Broader base of Executives below Board level

Risk description	Potential impact	Mitigation
<p>OPERATIONAL continued</p> <ul style="list-style-type: none"> – Loss of major introducer of business – Poor sports results – Abnormal jackpot wins – Loss of major customer – Reliance on third party payment and multi-currency processing systems 	<p>Reduction of revenue streams</p> <p>Lower or more volatile earnings</p> <p>Lower or more volatile earnings</p> <p>Lower earnings</p> <p>Lower earnings</p>	<ul style="list-style-type: none"> • Competitive revenue sharing models applied and monitored regularly. Key introducers are offered long-term revenue prospects with the Group • Sports represents around 50% 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 • Revenues from some business lines have a jackpot insurance scheme. Others do not have as a matter of policy • Highly diversified customer base with many thousands of customers across all its brands • Spreading of risk across a multitude of payment processors with varying deposit and withdrawal methods
<p>COMPETITION RISK</p> <ul style="list-style-type: none"> – The market place becomes more competitive via new entrants or by more attractive products available from those or existing competitors 	<p>Lower revenues</p>	<ul style="list-style-type: none"> • Constant monitoring of the competitive landscape • Working with third party software providers where possible to enhance product offering
<p>TECHNOLOGY RISK</p> <ul style="list-style-type: none"> – The Group may be threatened by Denial of Service attacks or similar – Hosting platforms may suffer critical failure 	<p>Temporary disruption of service, blackmail demands</p> <p>Temporary disruption of service, undermining of the confidence built with customers</p>	<ul style="list-style-type: none"> • Group has highly advanced preventive measures with world-class technology firms

DIRECTORS REPORT

The Directors present their report for GVC Holdings PLC and the audited financial statements for the year ended 31 December 2013.

Principal Activities

Gaming VC Holdings S.A. was the original holding company of the Group. GVC Holdings PLC was incorporated on 5 January 2010 in The Isle of Man. It took over the assets of Gaming VC Holdings S.A. after approval by the shareholders on 21 May 2010, 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 €12,303,000 (2012: profit of €9,236,000).

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 24 to 61. 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 pleased with the Group's performance during 2013 and are confident that this performance will continue to improve during 2014 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	31 March 2013	31 December 2013	31 December 2012
Executive Directors			
K Alexander	400,333	400,333	313,333
R Cooper	300,000	300,000	135,000
Non-Executive Directors			
L Feldman	98,700	98,700	73,700
K Diacono	–	–	–

The Directors shareholdings represent 1.31% (2012: 0.86%) of the voting shares of the Company.

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 22 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 judgments 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; and
- 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
8 April 2014

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

AUDITORS REPORT AND PRIMARY FINANCIAL STATEMENTS

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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 2013 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 the 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 (2) 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 21, 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

An audit involves obtaining evidence about the amounts and disclosures in the Group financial statements sufficient to give reasonable assurance that the Group financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the Group financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited consolidated financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2013 and Group's profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (as adopted by the European Union).

Other Matter

We have reported separately on the parent company financial statements of GVC Holdings PLC for the year ended 31 December 2013.

Grant Thornton UK LLP

Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
8 April 2014

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2013

	Notes	2013 €000's	2012 €000's
Net gaming revenue	2	168,407	60,325
Cost of sales		(65,776)	(23,849)
Contribution	2	102,631	36,476
Operating costs (as below)	4	(88,513)	(23,442)
Other operating costs	4	(64,332)	(21,024)
Share option charges	4	(730)	(79)
Exceptional items	4	(19,711)	208
Depreciation and amortisation	4, 9, 10	(3,740)	(2,547)
Operating profit		14,118	13,034
Financial income	5	627	2
Financial expense	5	(1,731)	(2,206)
Profit before tax		13,014	10,830
Taxation expense	6	(711)	(480)
Profit after taxation from continuing operations		12,303	10,350
Loss after taxation from discontinued operations	7	–	(1,114)
Profit after tax		12,303	9,236
Earnings per share		€	€
Basic			
Profit from continuing operations		0.225	0.328
Loss from discontinued operations		–	(0.035)
Total	8	0.225	0.293
Diluted			
Profit from continuing operations		0.220	0.323
Loss from discontinued operations		–	(0.035)
Total	8	0.220	0.288

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2013

	2013 €000's	2012 €000's
Profit for the year	12,303	9,236
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	359	–
Profit and total comprehensive income for the year	12,662	9,236

The notes on pages 29 to 61 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

as at 31 December 2013

	Notes	2013 €000's	2012 €000's
Assets			
Property, plant and equipment	9	918	653
Intangible assets	10	153,850	65,440
Deferred tax asset	6	–	83
Total non-current assets		154,768	66,176
Trade and other receivables	13	23,579	17,356
Income taxes reclaimable	6	1,877	943
Other tax reclaimable		306	–
Cash and cash equivalents	14	18,808	6,632
Total current assets		44,570	24,931
Current liabilities			
Trade and other payables	15	(24,089)	(17,270)
Balances with customers		(13,298)	(1,712)
Income taxes payable	6	(2,722)	(1,185)
Other taxation liabilities	17	(4,182)	(186)
Total current liabilities		(44,291)	(20,353)
Current assets less current liabilities		279	4,578
Non-current liabilities			
Interest bearing loans and borrowings	18	(1,221)	–
Non-interest bearing loan and borrowings	16	(5,148)	–
Deferred consideration on Betboo	12	(7,582)	(12,283)
Total non-current liabilities		(13,951)	(12,283)
Total net assets		141,096	58,471
Capital and reserves			
Issued share capital	19	609	316
Merger reserve	19	40,407	40,407
Share premium	19	84,530	611
Translation reserve	19	359	–
Retained earnings	19	15,191	17,137
Total equity attributable to equity holders of the parent		141,096	58,471

The financial statements from pages 24 to 61 were approved and authorised for issue by the Board of Directors on 8 April 2014 and signed on their behalf by:



K.J. Alexander
(Chief Executive Officer)



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

The notes on pages 29 to 61 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2013

Attributable to equity holders of the parent company:

	Share Capital €000's	Merger Reserve €000's	Share Premium €000's	Translation Reserve €000's	Retained Earnings €000's	Total €000's
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 expense	–	–	–	–	9,236	9,236
Balance as at 31 December 2012	316	40,407	611	–	17,137	58,471
Balance at 1 January 2013	316	40,407	611	–	17,137	58,471
Share option charges	–	–	–	–	736	736
Share options cancelled	–	–	–	–	(6)	(6)
Share options exercised	3	–	291	–	–	294
Issue of share capital for the acquisition of Sportingbet PLC	290	–	83,628	–	–	83,918
Dividend paid	–	–	–	–	(14,979)	(14,979)
Transactions with owners	293	–	83,919	–	(14,249)	69,963
Profit and total comprehensive income	–	–	–	–	12,303	12,303
Total comprehensive income	–	–	–	359	–	359
Balance as at 31 December 2013	609	40,407	84,530	359	15,191	141,096

All reserves of the Company are distributable. 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 29 to 61 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASHFLOWS

for the year ended 31 December 2013

	Notes	2013 €000's	2012 €000's
Cash flows from operating activities			
Cash receipts from customers		173,885	56,881
Cash paid to suppliers and employees		(181,592)	(47,686)
Corporate taxes recovered		1,143	1,529
Corporate taxes paid		(1,580)	(1,946)
Net cash from operating activities		(8,144)	8,778
Cash flows from investing activities			
Interest received		33	2
Acquisition earn-out payments (Betboo)	12	(6,378)	(2,863)
Acquisition (net of cash acquired)	11	64,755	–
Non-interest bearing loan (from William Hill)	16	8,020	–
Acquisition of property, plant and equipment		(37)	(492)
Acquisition of intangible assets		(4)	(628)
Net cash from investing activities		66,389	(3,981)
Cash flows from financing activities			
Proceeds from issue of share capital		294	196
Repayment of borrowings	11	(31,384)	–
Dividend paid	19	(14,979)	(8,214)
Net cash from financing activities		(46,069)	(8,018)
Net increase/(decrease) in cash and cash equivalents		12,176	(3,221)
Cash and cash equivalents at beginning of the year		6,632	9,853
Cash and cash equivalents at end of the year		18,808	6,632

The notes on pages 29 to 61 form part of these financial statements.

NOTES TO FINANCIAL STATEMENTS, REPORT OF REMUNERATION COMMITTEE, COMPANY FINANCIAL STATEMENTS & ADDITIONAL UNAUDITED INFORMATION



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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS **continued**

for the year ended 31 December 2013

1. SIGNIFICANT ACCOUNTING POLICIES

This note from pages 29 to 61 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 2013 comprise the Company and its subsidiaries (together referred to as the 'Group').

On the 19 March 2013 the Group completed the acquisition of Sportingbet PLC. Management views the enlarged group as having one business line which it has worked hard at integrating during 2013. Within that one business line there are two distinct operating segments, sports and gaming. Gaming includes Casino, Poker and Bingo.

The significant subsidiary undertakings of the Group are listed in note 24.

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 2013. 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 in note 1.19.

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 2013, 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 27).

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

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 26.

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 is achieved where the Company has the power to govern the financial and operating policies of an investee 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

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 December 2013

1. SIGNIFICANT ACCOUNTING POLICIES continued

1.3 Basis of Consolidation continued

1.3.3 Business Combinations continued

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the terms for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

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.

On consolidation the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing at the period end date. Income and expense items are translated at the average exchange rates for the period unless exchange rates fluctuate significantly, in which case the spot rate for significant items is used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

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

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill has been allocated to each of the Group's cash-generating units that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

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 through equity reserves on the date the dividend is paid.

1.9 Employee Benefits

1.9.1 Pension Costs

In some jurisdictions in which the Group has employees, there are government or private schemes into which the employing company or branch must make payments on a defined contribution basis, the contributions are shown in the profit or loss account in the year.

1.9.2 Share Options

The Group has share option schemes which allow 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 December 2013

1. SIGNIFICANT ACCOUNTING POLICIES continued

1.9 Employee Benefits continued

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 21 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.

1.11 Revenue Recognition

Net Gaming Revenue is measured at the fair value of consideration received or receivable 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.
Sportsbook:	gains and losses in respect of bets placed on sporting events in the year, stated net of promotional bonuses. 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.
Bingo:	net win in respect of bets placed on bingo games that have concluded in the year, stated net of promotional bonuses.

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

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. Until 19 March 2013 B2B income included 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. From the 19 March 2013 the results of EPC have been fully consolidated into the Group following the acquisition of Sportingbet PLC.

1.12 Financial Expenses

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

1.13 Exceptional Items

Exceptional items are those that in the 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.

1.14 Financial Income

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

1.15 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.

1.16 Segment Reporting

The Board has reviewed and confirmed the Group's reportable segments in line with the guidance provided by IFRS 8 'Operating Segments'. The segments disclosed below are aligned with the reports the Group's Chief Executive reviews to make strategic decisions.

Sports: being the gains and losses in respect of bets placed on sporting events in the year.

Gaming: being the net win in respect of bets placed on casino, poker, bingo that have concluded in the year, along with deposit charges debited to customer accounts.

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 this one business line.

1.17 Financial Instruments

Financial assets and financial liabilities are recognised when a Group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

1.17.1 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.

1.17.2 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.

Accounting for financial income and financial expenses are discussed in notes 1.14 and 1.12 respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 December 2013

1. SIGNIFICANT ACCOUNTING POLICIES continued

1.17 Financial Instruments continued

1.17.3 Impairment of Financial Assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

1.18 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-domiciliation 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).

'Translation reserve' represents exchange differences on translation of foreign subsidiaries recognised in other comprehensive income.

1.19 Adoption of new and revised International Financial Reporting Standards

The IFRIC interpretations, amendments to existing standards and new standards that are mandatory and relevant for the Group's accounting periods beginning on or after 1 January 2013 have been adopted. The following new standards and interpretations have been adopted in the current period but have not impacted the reported results or the financial position:

- IFRS 13 Fair Value Measurement – The Group has applied IFRS 13 for the first time in the current year. IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of IFRS 13 is broad, the fair value measurement requirements of IFRS 13 apply to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of IFRS 2 Share-based Payment, leasing transactions that are within the scope of IAS 17 Leases, and measurements that have some similarities to fair value but are not fair value.
- Amendments to IAS 1 Presentation of items of Other Comprehensive Income – The Group has applied the amendments to IAS 1 Presentation of Items of Other Comprehensive Income for the first time in the current year. The amendments introduce new terminology, whose use is not mandatory, and the Group have chosen not to rename the statement of comprehensive income and income statement. The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

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 2014 and have not been adopted early by the Group are as follows:

- IFRS 9 Financial Instruments

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

- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint arrangements
- IFRS 12 Disclosure of interest in other entities
- IAS 27 (Revised) Separate financial statements
- IAS 28 (Revised) Investments in associates and joint ventures
- IAS 32 (Revised) Financial instruments: Presentation
- IAS 36 (Revised) Impairment of assets
- IAS 39 (Revised) Financial instruments: Recognition and measurement

1.21 Restatements

The Group has made two restatements in the period.

Net Gaming Revenue

Betting duties and similar taxes and charge-backs have been restated to be recognised as a 'Cost of Sale'. 'Net Gaming Revenue' is now measured at the fair value of consideration received or receivable net of promotional bonuses only.

Technology costs

Technology costs relating to the provision of sports data have been restated from 'Cost of Sales' to 'Operating Costs', as it is judged that they are more representative of the contractual commitment being expressed as expenditure as opposed to cost of sales.

The comparative figures for the financial year ending 2012 have been restated as below for these restatements.

	Original €000's	Restatements €000's	Restated €000's
Revenue	59,596	729	60,325
Cost of sales	(24,513)	664	(23,849)
Operating costs	(22,049)	(1,393)	(23,442)
Operating profit	13,034	–	13,034

2. SEGMENTAL REPORTING

Management follows one business line with two operating segments, being Sports and Gaming segmenting the revenues. These operating segments are monitored and strategic decisions are made on the basis of overall operating results.

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:

	2013 €000's	2012 €000's
Europe	146,458	49,472
Latin America and Emerging Markets	21,949	10,853
Total	168,407	60,325

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 €146,381,000 (2012: €57,026,000) and the total located in other regions is €8,387,000 (2012: €9,067,000).

The total deferred tax asset located in Europe is €nil (2012: €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 2013

2. SEGMENTAL REPORTING continued

2.2 Reporting by Segment

	Notes	2013 €000's	2012 €000's
STATEMENT OF TURNOVER			
Sports wagers		1,169,505	518,931
<i>Sports margin</i>		9.6%	11.3%
Gross margin		112,081	58,647
Sports NGR		90,823	50,621
Gaming NGR		89,750	56,566
		180,573	107,143
Revenue recognised by GVC		168,407	60,325
Revenue recognised by B2B partners (up until 19 March 2013)		12,166	46,818
		180,573	107,143
SEGMENTAL REPORTING			
Total revenue		168,407	60,325
Variable costs		(65,776)	(23,849)
Contribution		102,631	36,476
<i>Contribution margin</i>		61%	60%
Other operating costs	4		
Personnel expenditure		(32,507)	(10,811)
Professional fees		(2,523)	(1,177)
Technology costs		(19,795)	(2,856)
Office, travel and other costs		(5,146)	(1,909)
Third party service costs		(2,427)	(3,925)
Foreign exchange differences		(1,934)	(346)
Clean EBITDA		38,299	15,452
Exceptional items	4	(19,711)	208
Share option charges	4	(730)	(79)
EBITDA		17,858	15,581
Depreciation and amortisation	4	(3,740)	(2,547)
Financial income	5	627	2
Financial expense	5	(11)	–
Finance lease interest	5	(43)	–
Unwinding of discount on deferred consideration	5	(1,677)	(2,206)
Profit before tax		13,014	10,830
Taxation	6	(711)	(480)
Profit after tax from continuing operations		12,303	10,350
NET ASSETS			
Non-current assets		154,768	66,176
Current assets		44,570	24,931
Current liabilities		(44,291)	(20,353)
Net current assets		279	4,578
Non-current liabilities		(13,951)	(12,283)
Net assets		141,096	58,471
Total assets		199,338	91,107
Total liabilities		(58,242)	(32,636)

2.3 Performance Summary

	€000's	Total €000's
Revenue		
H2-2013	95,744	
H1-2013	72,663	
FY-2013		168,407
H2-2012	30,699	
H1-2012	29,626	
FY-2012		60,325
Contribution		
H2-2013	57,081	
H1-2013	45,550	
FY-2013		102,631
H2-2012	18,801	
H1-2012	17,675	
FY-2012		36,476
Clean EBITDA		
H2-2013	20,499	
H1-2013	17,800	
FY-2013		38,299
H2-2012	7,776	
H1-2012	7,676	
FY-2012		15,452

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 25. The Group mitigated this liability following the acquisition of Sportingbet PLC on the 19 March 2013. As the fair value of the contingent liability was €nil at both 31 December 2012 and 19 March 2013, there is no charge or credit to the income statement arising from this pre-existing relationship.

4. OPERATING COSTS

	Notes	2013 €000's	2012 €000's
Wages and salaries, including Directors remuneration		24,776	8,700
Amounts paid to long term contractors		3,763	868
Compulsory social security contributions		1,794	718
Compulsory pension contributions		751	195
Health and other benefits		701	45
Recruitment and training		722	285
Personnel expenditure (excluding share option charges)		32,507	10,811
Professional fees		2,523	1,177
Technology costs		19,795	2,856
Office, travel and other costs		5,146	1,909
Third party service costs*		2,427	3,925
Foreign exchange differences		1,934	346
Other operating costs		64,332	21,024
Share option charges		730	79
Exceptional items	4.1	19,711	(208)
Depreciation		504	248
Amortisation		3,236	2,299
		88,513	23,442

*provided to Betboo by external providers

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 December 2013

4. OPERATING COSTS continued

4.1 Exceptional Items

The Group incurred expenditure on exceptional items (as defined in accounting policy note 1.13). These are items which are both exceptional in size and nature.

	Notes	2013 €000's	2012 €000's
Costs arising on the acquisition of Sportingbet PLC			
– Legal advice	a	3,428	–
– Nominated advisors	a	1,210	–
– Reporting accountants	a	938	–
– Other professional fees	a	822	–
Total of professional fees		6,398	–
– Underwriting	a	810	–
– Stamp duty and stock exchange fees	a	639	–
– Transaction success bonuses (see page 64)	a	1,444	–
Transaction costs		9,291	–
Redundancies, retentions and similar	a	9,017	–
Contract buyouts	a	2,855	–
Restructuring costs		11,872	–
Economic benefit from the management of the Sportingbet Spanish business	b	(1,452)	–
Boss dispute	c	–	(208)
		19,711	(208)

Note a: On 19 March 2013, the Group completed the acquisition of Sportingbet PLC. Professional fees attributable to the acquisition and subsequent costs restructuring the Sportingbet business have been treated as exceptional items. Professional fees associated with the acquisition and incurred by Sportingbet amounted to €8,624,000 (£7,396,000). These have been included in the acquisition balance sheet (note 11) as liabilities.

Note b: As part of the Group's acquisition of Sportingbet PLC, a call option was granted to William Hill PLC over certain assets of Sportingbet's Spanish business. The call option assets were:

- (i) the Spread Your Wings Spain PLC ("SYWS") Customer List;
- (ii) the SYWS Customer Balances;
- (iii) the entire issued share capital of SYWS; and
- (iv) the entire issued share capital of Asesores en Tecnología y Diseño, S.L. ("ATD").

William Hill exercised the call option over all of the call option assets, as a result the Group was entitled to receive the economic benefit of the assets until 16 September 2013. As explained in note 26.8, the Group does not consider that it exercised control over the Spanish business in this period and its results have not therefore been consolidated. The benefit to the Group arising from the management fee earned in the period has been shown as exceptional income.

Note c: The Group had 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.

4.2 Employees

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

	2013	2012
Number of personnel		
With employment contracts or service contracts	556	153
Contractors	49	7
	605	160

5. FINANCIAL INCOME AND EXPENSES

	2013 €000's	2012 €000's
Discount on non-interest bearing loan (see note 16)	780	–
Unwinding of discount on non-interest bearing loan (see note 16)	(186)	–
Net discount on non-interest bearing loan	594	–
Financial income – interest income	33	2
	627	2
Financial expense – interest payable		
– Finance lease interest (see note 18)	(43)	–
– Unwinding of discount on deferred consideration (see note 12)	(1,677)	(2,206)
– Other expense	(11)	–
	(1,731)	(2,206)

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 €711k (net of tax receivable amounts) at 31 December 2013 (2012: Current tax liability from continuing operations of €480k (net of tax receivable amounts)).

	2013 €000's	2012 €000's
Current tax expense		
Current year	524	410
Prior year	104	70
	628	480
Deferred tax		
Origination and reversal of temporary differences	83	–
Total income tax expense in income statement	711	480

The tax for the year is different from that which would result from applying the standard rate of Corporation Tax in the UK (23.25%, 2012: 24.5%*). A reconciliation is shown below:

Profit before tax	13,014	10,830
Income tax using the domestic corporation tax rate	3,025	2,653
Effect of tax rates in foreign jurisdictions (rates decreased)	(3,603)	(2,460)
Expenses not deductible for tax purposes	(293)	504
Utilisation of tax losses	(265)	(242)
Tax losses for which no deferred tax assets have been recognised	1,666	31
Adjustment in respect of prior years – corporation tax	104	70
Adjustment in respect of prior years – deferred tax	83	–
Capital allowances for the period in excess of depreciation	(6)	(76)
	711	480

*From 1 April 2013 the UK Corporation Tax rate changed from 24% to 23% and from 1 April 2014 the rate will reduce to 21%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 December 2013

6. TAXATION continued

6.1 Taxation Amounts Recognised in the Balance Sheet

	Current Tax		Deferred Tax		Total €000's
	Payable €000's	Receivable €000's	Asset €000's	Liability €000's	
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 (Charge)/credit in income statement for the year ended 31 December 2012	(70)	–	–	–	(70)
	(1,290)	943	–	–	(347)
Balances at 31 December 2012	(1,185)	943	83	–	(159)
Balances at 1 January 2013	(1,185)	943	83	–	(159)
Paid/(received) during the year ended 31 December 2013	1,268	(832)	–	–	436
(Charge)/credit acquired on acquisition	(820)	409	–	–	(411)
Credit/(charge) in income statement for prior years (Charge)/credit in income statement for the year ended 31 December 2013	7	(111)	(83)	–	(187)
	(1,992)	1,468	–	–	(524)
Balances at 31 December 2013	(2,722)	1,877	–	–	(845)

Tax reclaimable represents a portion of the tax paid by Maltese entities in the Group which is refundable by the Maltese tax authorities to the parent company shortly after the submission of the audited accounts and tax computation for the company the tax is payable in.

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 €931,000.

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:

	2013 €000's	2012 €000's
Net gaming revenue	–	4,500
Cost of sales	–	(1,451)
Gross profit	–	3,049
Marketing and revenue shares	–	(2,995)
Contribution	–	54
Other operating costs	–	(1,059)
Clean EBITDA/cashflow from operating activities	–	(1,005)
Exceptional items	–	–
EBITDA	–	(1,005)
Depreciation and amortisation	–	(173)
Financial income and expenses	–	1
Loss before tax	–	(1,177)
Tax	–	63
Loss after tax	–	(1,114)

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

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.

	2013	2012
Profit for the year from continuing operations attributable to ordinary shareholders	12,303,000	10,350,000
Loss for the year from discontinued operations attributable to ordinary shareholders	–	(1,114,000)
Profit for the year attributable to ordinary shareholders	12,303,000	9,236,000
Weighted average number of shares	54,586,391	31,553,164
Basic earnings from continuing operations (in €)	0.225	0.328
Basic earnings from discontinued operations (in €)	–	(0.035)
Basic earnings per share (in €)	0.225	0.293
Exceptional items	19,711,000	(208,000)
Profit for the year from continuing operations attributable to ordinary shareholders before exceptional items	32,014,000	10,142,000
Basic earnings per share from continuing operations before exceptional items (in €)	0.586	0.321

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.

	2013	2012
Profit for the year from continuing operations attributable to ordinary shareholders	12,303,000	10,350,000
Loss for the year from discontinued operations attributable to ordinary shareholders	–	(1,114,000)
Profit for the year attributable to ordinary shareholders	12,303,000	9,236,000
Weighted average number of shares	54,586,391	31,553,164
Effect of dilutive share options	1,419,914	505,663
Weighted average number of dilutive shares	56,006,305	32,058,827
Diluted earnings from continuing operations (in €)	0.220	0.323
Diluted earnings from discontinued operations (in €)	–	(0.035)
Diluted earnings per share (in €)	0.220	0.288
Exceptional items	19,711,000	(208,000)
Profit for the year from continuing operations attributable to ordinary shareholders before exceptional items	32,014,000	10,142,000
Diluted earnings per share from continuing operations before exceptional items (in €)	0.572	0.316

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 December 2013

9. PROPERTY, PLANT AND EQUIPMENT

	<i>Leased Plant and Equipment €000's</i>	<i>Owned Plant and Equipment €000's</i>	<i>Total Plant and Equipment €000's</i>	<i>Fixtures and Fittings €000's</i>	<i>Total €000's</i>
Cost					
At 1 January 2012	–	728	728	1,168	1,896
Additions	–	412	412	80	492
Disposals	–	(390)	(390)	(168)	(558)
At 1 January 2013	–	750	750	1,080	1,830
Additions	543	37	580	–	580
Acquisitions – Sportingbet PLC	–	347	347	–	347
Acquisitions – Gomifer S.A.	–	63	63	–	63
At 31 December 2013	543	1,197	1,740	1,080	2,820
Depreciation					
At 1 January 2012	–	498	498	928	1,426
Depreciation charge for the year	–	211	211	98	309
Disposals	–	(390)	(390)	(168)	(558)
At 1 January 2013	–	319	319	858	1,177
Depreciation charge for the year	124	287	411	93	504
Acquisitions – Sportingbet PLC	–	182	182	–	182
Acquisitions – Gomifer S.A.	–	40	40	–	40
Exchange differences	–	(1)	(1)	–	(1)
At 31 December 2013	124	827	951	951	1,902
Net Book Value					
At 31 December 2012	–	431	431	222	653
At 31 December 2013	419	370	789	129	918

10. INTANGIBLE ASSETS

	Leased Software Licence €000's	Owned Software Licence €000's	Total Software Licence €000's	Goodwill €000's	Trade-marks & Trade Name €000's	Consulting & Magazine €000's	Non-contractual Customer Relationships €000's	Total €000's
Cost								
At 1 January 2012	–	17,625	17,625	81,946	16,119	4,919	1,704	122,313
Additions	–	628	628	–	–	–	–	628
Disposals	–	(873)	(873)	–	–	–	–	(873)
At 1 January 2013	–	17,380	17,380	81,946	16,119	4,919	1,704	122,068
Additions	827	4	831	–	–	–	–	831
Acquisitions – Sportingbet PLC	–	5,601	5,601	84,221	946	–	675	91,443
Acquisitions – Gomifer S.A.	–	17	17	–	–	–	–	17
Exchange differences	–	7	7	–	–	–	–	7
At 31 December 2013	827	23,009	23,836	166,167	17,065	4,919	2,379	214,366
Amortisation and Impairment								
At 1 January 2012	–	15,306	15,306	33,274	526	4,919	1,065	55,090
Amortisation	–	1,729	1,729	–	256	–	426	2,411
Disposal	–	(873)	(873)	–	–	–	–	(873)
At 1 January 2013	–	16,162	16,162	33,274	782	4,919	1,491	56,628
Amortisation	243	2,203	2,446	–	313	–	477	3,236
Acquisitions – Sportingbet PLC	–	645	645	–	–	–	–	645
Acquisitions – Gomifer S.A.	–	6	6	–	–	–	–	6
Exchange differences	–	1	1	–	–	–	–	1
At 31 December 2013	243	19,017	19,260	33,274	1,095	4,919	1,968	60,516
Net Book Value								
At 31 December 2012	–	1,218	1,218	48,672	15,337	–	213	65,440
At 31 December 2013	584	3,992	4,576	132,893	15,970	–	411	153,850

10.1 Amortisation

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

	2013 €000's	2012 €000's
Net operating expenses	3,236	2,299
Discontinued activities	–	112
	3,236	2,411

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

An Impairment Review of the Group's goodwill was carried out for the year ended 31 December 2013. The goodwill relates to Betboo, CasinoClub and Sportingbet. 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 2014 and up to 31 December 2018. 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 reducing to 20% annual growth by 2017, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 December 2013

10. INTANGIBLE ASSETS continued

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

Sportingbet

A long-term growth rate of 3% has been applied to reflect the likely competitive pressures from other large online gaming companies. A discount rate of 20% was used and a sensitivity analysis carried out including increasing the discount to 30%. It was concluded that the carrying value of the goodwill and trademarks was not impaired.

The following units have significant carrying amounts of goodwill:

	2013 €000's	2012 €000's
Betboo	8,333	8,333
CasinoClub	40,339	40,339
Sportingbet	84,221	–
Total Goodwill	132,893	48,672

11. ACQUISITION OF SPORTINGBET PLC AND GOMIFER S.A

11.1 Sportingbet PLC

On 19 March 2013, the Group completed the acquisition of Sportingbet PLC in order to acquire market-leading software, and customers in over 20 additional markets. Under a court approved Scheme of Arrangement, it excluded the Australian business of Sportingbet which was acquired by William Hill PLC. References to Sportingbet in this statement exclude Australia. *GVC Holdings PLC are identified as the acquirer in accordance with IFRS 3.*

The Group issued 29,018,075 shares at 248p* as consideration, booked at 19 March 2013 exchange rate of £1 = €1.1661, this amounted to €83,918,184 to acquire 100% of the issued share capital of Sportingbet PLC.

**In accordance with IFRS3 – Business Combinations, the price at the date of completion of the acquisition on 19 March 2013 is used as the basis for the fair value of consideration transferred.*

The fair value of consideration comprised the following:

	€000's
Fair value of consideration transferred	83,918
Recognised amounts of identifiable net assets:	
Non-current assets	
– Property, plant and equipment	165
– Intangible assets	769
– Trade names	946
– Customer list	675
– Software	4,187
– Goodwill	84,221
	90,963
Current assets	
– Trade and receivables	21,700
– Cash and cash equivalents*	64,792
	86,492
Current liabilities	
– Trade and other payables	(55,066)
– Bank borrowings and similar	(31,384)
– Income taxes payable	(820)
– Other taxation liabilities	(6,267)
	(93,537)
Net current liabilities	(7,045)
Net position	83,918

**includes €42,562,000 (£36,500,000) received from William Hill PLC as a contribution into the scheme of arrangement pool towards the settlement of acquisition liabilities in the Sportingbet Group.*

The receivables acquired (which principally comprised trade receivables) in the acquisition with a fair value of €21.7 million had gross contractual amounts of €21.7 million. The best estimate at acquisition date of the contractual cash flows not expected to be collected were €21.7 million.

Goodwill

Goodwill of €84,221,000 is primarily related to expected future profitability following the restructuring of Sportingbet, growth expectations from utilising the Sportingbet software platform throughout the group including the provision of services to B2B partners and expected cost synergies.

Pre-existing relationships

In considering the impact of the acquisition of Sportingbet and its contracts with East Pioneer Corporation (“EPC”) with whom the group had pre-existing contracts relating to the Superbahis business, the group re-evaluated its contract with EPC in accordance with IFRS 3. In so doing it considered the services provided, the risks associated with the provision of those services and the expected financial reward for their provision and concluded the existing contract remained on terms no more or less favourable to market conditions than on its outset. Therefore, no gain or loss on settlement is recognised in profit or loss.

Transaction costs

As part of the transaction costs the Group incurred €6,398,000 of legal and professional fees in acquiring the business. These costs have been excluded from the consideration transferred and have been recognised as an expense in profit or loss in the current year within ‘exceptional items’. See note 4.1 for details.

Contribution to Group results

Sportingbet recorded total revenue of €74.7m and generated a Clean EBITDA of €4.7 million and incurred a loss before tax of €15.7 million for the period from acquisition to 31 December 2013. If Sportingbet had been acquired on 1 January 2013, Group revenue for the year would have increased by €27.3 million and it would have contributed an additional loss before tax of €8.4 million.

11.2 Gomifer S.A.

On 1 October 2013 following the migration of the Betboo business to the Sportingbet trading platform (see note 12), the Group acquired Gomifer S.A. from the founders of the Betboo business for \$1 plus the net asset value of the business at the date of transfer.

The fair value of net assets acquired are as follows:

		€000's
Non-current assets	<i>Useful economic life</i>	
– Property, plant and equipment	3 years	23
– Intangible assets	3 years	11
		34
Current assets		
– Trade and receivables		61
– Cash and cash equivalents		14
		75
Current liabilities		
– Trade and other payables		(58)
Net current assets		17
Net assets acquired		51

11.3 Net Cash Acquired Through Acquisition

The net cash acquired through acquisition is show below:

	€000's
Sportingbet PLC acquisition	64,792
Gomifer S.A. acquisition	14
Gomifer S.A consideration	(51)
	64,755

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12. ACQUISITION OF BETBOO

	2013 €000's	2012 €000's
Balance at 1 January	12,283	12,940
Unwinding of discount charged to income statement	1,677	2,206
Payments made	(6,378)	(2,863)
Balance at 31 December	7,582	12,283

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.

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%.

On 1 October 2013 the Betboo business migrated to the Sportingbet trading platform, the payments terms of the earn-out changed from this date to the following.

- Four consecutive monthly payments, with the first being in October 2013, of one quarter of 25 per cent of the Net Gaming Revenue for the period commencing 1 January 2013 and ending on 30 September 2013.
- From 1 October 2013 there will be 9 monthly payments of €227,625 with the final payment in June 2014.
- An earn-out dependent on certain revenue shares with a floor of €200,000 per month for the 40 months ending 31 January 2017. There are also further earn-out payments that stretch to the earlier of:
 - (a) the date on which the total earn-outs reach €21,381,227
 - (b) 40 months after 31 January 2017
- 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 making the cap €21,381,227.

The fair values of the intangible assets acquired in the transaction and the impact of the revised earn-out are as follows:

	Year ended 31/12/2013 €000's
Acquisition price of Betboo	
Initial consideration	2,840
Deferred consideration	18,541
	21,381
Acquisition costs	289
Fair value	21,670

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:

	Prior periods €000's	2012 €000's	2013 €000's	2014 €000's	2015 €000's	2016 €000's	Total €000's
Balance at 1 January	–	12,940	12,283	7,582	4,532	2,186	–
Fair value of deferred consideration	9,942	–	–	–	–	–	9,942
Unwinding of discount charged to income statement	3,941	2,206	1,677	710	54	11	8,599
Payments made	(943)	(2,863)	(6,378)	–	–	–	(10,184)
Payments anticipated	–	–	–	(3,760)	(2,400)	(2,197)	(8,357)
Balance at 31 December	12,940	12,283	7,582	4,532	2,186	–	–

Total payments to date and anticipated are as follows:

	Total €000's
At acquisition	2,840
Up to 31 December 2013	10,184
Anticipated future payments	8,357
Total (Cap \$30,000,000 at 1.4031 = €21,381,227)	21,381

13. RECEIVABLES AND PREPAYMENTS

	2013 €000's	2012 €000's
Balances with payment processors	18,270	13,419
Trade receivables	274	862
Other receivables	1,341	1,105
Loans and receivables	19,885	15,386
Prepayments	3,694	1,970
	23,579	17,356

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 2013 for goods or services which will be consumed after 1 January 2014.

Payment processor debtor days:

	2013 €000's	2012 €000's
On revenue per income statement:		
Balance with payment processors	18,270	13,419
Revenue	168,407	60,325
Debtor days (balances with payment processors/revenue x 365 days)	40 days	82 days
On pro-forma revenue:		
Balance with payment processors	18,270	13,419
Pro-forma revenue	180,573	107,490
Debtor days (balances with payment processors/revenue x 365 days)	37 days	46 days

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 December 2013

14. CASH AND CASH EQUIVALENTS

	2013 €000's	2012 €000's
Cash and cash equivalents		
Bank balances	18,808	6,632
Held in the following currencies (in Euro equivalents at the balance sheet date):		
Euro	6,587	5,566
US Dollars	752	862
British Pounds	8,428	165
Danish Kroner	1,531	–
Other	1,510	39
	18,808	6,632
Balances with customers:		
– Restricted cash	7,356	–
– Other	5,942	1,712
Balances with customers	13,298	1,712
Own funds	5,510	4,920
	18,808	6,632
	0.309	0.156

15. TRADE AND OTHER PAYABLES

	2013 €000's	2012 €000's
Other trade payables	9,586	13,777
Finance leases (see also note 18)	945	–
Non-interest bearing loan from William Hill PLC (see also note 16)	2,514	–
Accruals	11,044	3,493
	24,089	17,270

16. NON-INTEREST BEARING LOAN

As part of the Groups acquisition of Sportingbet PLC, a credit facility was made available to the Group by William Hill PLC to fund working capital. At the 31 December 2013 the Group had drawn down €8,255,619 (£6,861,956) of this facility. The loan was revalued at the 31 December exchange rate of 1.2031.

IAS 39 Financial Instruments: Recognition and Measurement states that all loans and receivables should initially be measured at their fair value. The loan has therefore been discounted at a rate of 4% and will be unwound over the period of the loan.

The facility is repayable in three instalments and should GVC declare dividends in excess of 58 ¢cents per share, William Hill are entitled to receive an accelerated repayment equal to the excess of the actual dividend over 58 ¢cents per share. The instalments as well as the impact of the discount are shown below:

	Amount in Euro's			
	Base Currency £000's	Total €000's	Current liabilities €000's	Non- current liabilities €000's
Loan balance on initial recognition	6,862	8,020		
Revaluation at 31 December exchange rate	–	236		
	6,862	8,256		
(i) the first instalment by no later than 31 December 2014;	2,287	2,752	2,752	–
(ii) the second instalment by no later than 31 December 2015; and	2,287	2,752	–	2,752
(iii) by no later than 30 June 2016, the balance of the facility	2,288	2,752	–	2,752
Loan balance before discount	6,862	8,256	2,752	5,504
Discount on recognition of the loan	–	(780)	(424)	(356)
Unwinding of discount at 31 December 2013	–	186	186	–
Loan balance at 31 December 2013	–	7,662	2,514	5,148
Future discount	–	594	238	356
	6,862	8,256	2,752	5,504

17. OTHER TAXATION PAYABLE

	2013 €000's	2012 €000's
Employment related tax liabilities associated with Sportingbet	2,264	–
Social security	1,402	186
Betting taxes	516	–
	4,182	186

18. COMMITMENTS UNDER OPERATING AND FINANCE LEASES

18.1 Finance Leases

The Group in the year entered into a finance lease for the purchase of computer hardware and software together with support services for these, commencing in June 2013. As at the 31 December 2013 the life outstanding on this lease was 2 years and 5 months. The average effective rate of borrowing for the lease was 2.8%.

The obligations under finance leases are:

	2013 €000's	2012 €000's
Computer equipment	543	–
Software	827	–
Hardware and software support	753	–
Finance charges (€43k charge in 2013, €74k in future periods)	117	–
Total lease cost	2,240	–
Future finance charges	(74)	–
	2,166	–
<i>Recognised in trade payables</i>	945	–
<i>Recognised in long-term liabilities</i>	1,221	–
Present value of minimum lease payments:		
No later than one year	945	–
Later than one year and no later than five years	1,295	–
Total payments	2,240	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 December 2013

18. COMMITMENTS UNDER OPERATING AND FINANCE LEASES continued

18.2 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:

	2013 €000's	2012 €000's
No later than one year	2,030	192
Later than one year and no later than five years	1,440	234
	3,470	426

19. SHARE CAPITAL AND RESERVES

19.1 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 26.

The authorised and issued share capital is:

	2013 €000's	2012 €000's
Authorised		
Ordinary shares of €0.01 each		
At 31 December – 80,000,000 shares (2012: 40,000,000 shares)*	800	400
Issued, Called Up and Fully Paid		
At 31 December – 60,906,760 shares (2012: 31,592,172 shares)	609	316

*The authorised share capital was increase as part of the Group's acquisition of Sportingbet PLC

The issued share capital history is shown below:

	2004 to 2010	2011	2012	2013
Balance at 1 January	–	31,135,762	31,469,095	31,592,172
Shares issued on initial listing in 2004	31,135,762	–	–	–
Share options exercised				
– at £1.00	–	233,333	–	–
– at £1.26	–	100,000	–	165,000
– at £1.29	–	–	123,077	31,513
– at €0.01	–	–	–	100,000
Issue of shares for acquisition	–	–	–	29,018,075
Balance at 31 December	31,135,762	31,469,095	31,592,172	60,906,760

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.

19.2 Reserves

	Share Capital €000's	Share Premium €000's	Merger Reserve €000's	Translation Reserve €000's	Retained Earnings €000's	Total €000's
At 1 January 2013	316	611	40,407	–	17,137	58,471
Result for the year	–	–	–	359	12,303	12,662
Dividends paid	–	–	–	–	(14,979)	(14,979)
Issue of share capital for Sportingbet acquisition	290	83,628	–	–	–	83,918
Share option charge	–	–	–	–	736	736
Lapsed share options	–	–	–	–	(6)	(6)
Share options exercised	3	291	–	–	–	294
At 31 December 2013	609	84,530	40,407	359	15,191	141,096

The 'Merger reserve' arose on the re-domiciliation of the Group from Luxembourg to The Isle of Man. It consists of the pre-domiciliation 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 2013 was €141.1 million (2012: €58.5 million).

20. DIVIDENDS

The dividend history from 2007 together with the dividend proposed by the Directors and paid after the balance sheet date, but up to the date on which these financial statements were approved are shown below:

Date declared	Per share €c		Per share £p	Shares in issue	Amount €	Amount £
01-May-07	19.30		13.0000	31,135,762	6,009,202	4,047,649
01-Oct-07	20.00		13.9000	31,135,762	6,227,152	4,327,871
		39.3				
01-May-08	20.00		15.9000	31,135,762	6,227,152	4,950,586
01-Oct-08	20.00		15.8300	31,135,762	6,227,152	4,928,791
		40.0				
01-May-09	20.00		17.7700	31,135,762	6,227,152	5,532,825
01-Oct-09	20.00		18.2600	31,135,762	6,227,152	5,685,390
		40.0				
01-Jun-10	50.00		41.9600	31,135,762	15,567,881	13,064,566
28-Sep-10	10.00		8.7700	31,135,762	3,113,576	2,730,606
		60.0				
28-Mar-11	10.00		8.8400	31,469,095	3,146,910	2,781,868
29-Sep-11	10.00		8.6600	31,469,095	3,146,910	2,725,224
		20.0				
25-May-12	11.00		8.7835	31,592,172	3,475,139	2,774,898
19-Sep-12	15.00		12.0900	31,592,172	4,738,826	3,819,494
		26.0				
25-Jan-13	7.00		5.8950	31,592,172	2,211,452	1,862,359
01-Jul-13	10.50		9.0658	60,748,427	6,378,585	5,507,331
25-Sep-13	10.50		8.8161	60,848,427	6,389,085	5,364,458
		28.0				
09-Jan-14	11.50		9.5833	60,906,760	7,004,277	5,836,878
	264.80		217.1237		92,317,603	75,940,794

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 December 2013

20. DIVIDENDS continued

On 9 April 2014, the Directors proposed a final quarterly dividend of 11.5 €cents augmented by a special dividend of 4.5 €cents, to be payable on 19 May 2014 subject to shareholder approval at the Annual General Meeting on 14 May 2014.

21. SHARE OPTION SCHEMES

The Group has three share option schemes:

- the 'original' scheme that has been in place since the IPO of GVC Holdings PLC's predecessor Gaming VC Holdings S.A and in which only 26,667 share options are outstanding
- a 'new' scheme that was approved by shareholders on 21 May 2010 (the "21 May 2010 scheme") under which 1,600,000 share options remain outstanding
- 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.

Under the terms of the share option plans the Group can allocate up to 16.8% of the issued share capital although it must take allowance of the 752,923 shares in issue as a consequence of the exercise of share options.

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 2013	Granted in the year	Bought out in the year	Exercised in the year	Existing at 31 December 2013	Exercisable at 31 December 2013	Vesting criteria
15 May 2007	129p	31,513	–	–	(31,513)	–	–	Note a
12 Dec 2008	126p	191,667	–	–	(165,000)	26,667	26,667	Note a
21 May 2010	213p	1,675,000	–	–	–	1,675,000	1,675,000	Note b
21 May 2010	1p	100,000	–	–	(100,000)	–	–	Note c
21 May 2010	1p	100,000	–	(100,000)	–	–	–	Note d
28 Jan 2012	154.79p	1,600,000	–	–	–	1,600,000	933,333	Note e
16 Jan 2013	233.5p	–	166,666	–	–	166,666	166,666	Note f
01 Feb 2013	233.5p	–	166,667	–	–	166,667	166,667	Note f
28 Feb 2013	233.5p	–	166,667	–	–	166,667	166,667	Note f
Total all schemes		3,698,180	500,000	(100,000)	(296,513)	3,801,667	3,135,000	

The existing share options at 31 December 2013 are held by the following employees:

Option price	126p	213p	154.9p	233.5p	233.5p	233.5p	Total
Grant date	12-Dec-08	21-May-10	28-Jan-12	16-Jan-13	01-Feb-13	28-Feb-13	
Kenneth Alexander	–	800,000	800,000	–	–	–	1,600,000
Richard Cooper	26,667	400,000	400,000	–	–	–	826,667
Lee Feldman	–	400,000	400,000	–	–	–	800,000
Nigel Blythe-Tinker	–	75,000	–	–	–	–	75,000
Third parties	–	–	–	166,666	166,667	166,667	500,000
	26,667	1,675,000	1,600,000	166,666	166,667	166,667	3,801,667

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.

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.

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 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.

Note e: 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 f: These options were granted to third parties as part of the Sportingbet acquisition following underwriting commitments made at the time. The awards vested on the grant date and the options have the exercise price reduced by the value of any dividends declared up to the point of exercise.

The charge to the consolidated income statement in respect of these options (excluding bought out options) in 2013 was €736,000 (2012: €568,000), a credit to the income statement of €nil (2012: €489,000) in respect of the lapsed options and a credit to the income statement of €6,000 (2012: €nil) in respect of the bought out options.

21.1 Weighted Average Exercise Price of Options

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

	Weighted average exercise price 2013	Number of options 2013	Weighted average exercise price 2012	Number of options 2012
Outstanding at the beginning of the year	171p	3,698,180	161p	3,271,257
Granted during the year	233.5p	500,000	155p	1,600,000
Exercised during the year	84p	(296,513)	129p	(123,077)
Bought out in the year	1p	(100,000)	–	–
Lapsed during the year			120p	(1,050,000)
Outstanding at the end of the year	191p	3,801,667	171p	3,698,180
Exercisable at the end of the year		3,135,000		1,785,679

The options outstanding at 31 December 2013 have a weighted average contractual life of 4.7 years (2012: 5.7 years).

21.2 Valuation of Options

The fair value of services received in return for share options granted in 2013, 2012, 2010, 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, with the exception of the options granted to third parties as part of the Sportingbet acquisition. These were priced at the amount the Group offered as consideration for the purchase.

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
15 May 07	1.22	1.29	50%	2	8%	5.33%	0.40
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
16 Jan 13	2.335	2.335	60%	2	12.15%	0.572%	0.58
01 Feb 13	2.635	2.335	60%	2	12.15%	0.572%	0.76
28 Feb 13	2.375	2.335	60%	2	12.15%	0.572%	0.61

* 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 December 2013

21. SHARE OPTION SCHEMES continued

21.2 Valuation of options continued

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.

22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Group's principal financial instruments as at 31 December 2013 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.

22.1 Market Risk

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

22.2 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.

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

22.2.1 Analysis of the Balance Sheet by Currency

At 31 December 2013

	Euro €000's	GBP €000's	Other €000's	Total €000's
Non-current assets	153,148	1,620	–	154,768
Receivables and prepayments	14,875	5,144	3,560	23,579
Tax reclaimable	1,877	–	–	1,877
Other taxes reclaimable	–	281	25	306
Cash and cash equivalents	6,587	8,428	3,793	18,808
Total current assets	23,339	13,853	7,378	44,570
Trade and other payables	(13,930)	(9,447)	(712)	(24,089)
Balances with customers	(5,767)	(1,710)	(5,821)	(13,298)
Taxation payable	(2,500)	(186)	(36)	(2,722)
Other taxation liabilities	(772)	(3,285)	(125)	(4,182)
Total current liabilities	(22,969)	(14,628)	(6,694)	(44,291)
Net current assets	370	(775)	684	279
Non-current liabilities				
– Interest bearing loan and borrowings	–	(1,221)	–	(1,221)
– Non-interest bearing loan and borrowings	–	(5,148)	–	(5,148)
– Deferred consideration	(7,582)	–	–	(7,582)
Total assets less total liabilities	145,936	(5,524)	684	141,096

At 31 December 2012

	Euro €000's	GBP €000's	Other €000's	Total €000's
Non-current assets	66,176	–	–	66,176
Receivables and prepayments	10,608	1,286	5,462	17,356
Tax reclaimable	943	–	–	943
Cash and cash equivalents	5,566	165	901	6,632
Total current assets	17,117	1,451	6,363	24,931
Trade and other payables	(14,222)	(2,662)	(386)	(17,270)
Balances with customers	(525)	(59)	(1,128)	(1,712)
Taxation payable	(1,146)	(38)	(1)	(1,185)
Other taxation liabilities	(20)	(128)	(38)	(186)
Total current liabilities	(15,913)	(2,887)	(1,553)	(20,353)
Net current assets	1,204	(1,436)	4,810	4,578
Non-current liabilities			–	
– Deferred consideration*	(12,283)	–	–	(12,283)
Total assets less total liabilities	55,097	(1,436)	4,810	58,471

*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.

22.3 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 2013 (2012: €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 2012 or 31 December 2013.

22.4 Credit Risk

The Group has seldom any significant concentrations of credit risk with exposure spread over a large number of customers. The Group grants credit facilities to 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 €18.3 million (2012: €13.4 million) and cash balances held with banking institutions of €18.8 million (2012: €6.6 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 2013 (2012: €nil). No receivable amounts were past due date at 31 December 2013 (2012: €nil).

22.5 Liquidity Risk

At 31 December 2013, the Group had cash and cash equivalents of €18.8 million (2012: €6.6 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.

22.6 Fair Values

The carrying amounts of the financial assets and liabilities, including deferred consideration in the Balance Sheet at 31 December 2013 and 2012 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 December 2013

22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT continued

22.7 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:

	2013 €000's	2012 €000's
Current assets:		
Financial assets measured as loans and receivables:		
– Trade and Other receivables	19,885	15,386
– Cash and cash equivalents	18,808	6,632
Total current assets	38,693	22,018
Current liabilities:		
Financial liabilities measured at amortised cost:		
– Trade and other payables	37,387	18,982
Non-current liabilities		
– Interest bearing loans and borrowings	1,221	–
– Non-interest loans and borrowings	5,148	–
– Deferred consideration	7,582	12,283
Total non-current liabilities	13,951	12,283

23 RELATED PARTIES

23.1 Identity of Related Parties

The Group has a related party relationship with its subsidiaries (see note 24), with its Directors and executive officers and under the AIM rules with East Pioneer Corporation B.V. (see note 26.7).

23.2 Transactions with Directors and Key Management Personnel

Nigel Blythe-Tinker (stepped down from the board on 17 January 2014) is the Executive chairman of Pentasia Limited, a leading recruiter in the field of internet gaming. During the year ended 31 December 2013, Pentasia provided recruitment services to various members of the Group to a value of €15,000 (2012: €17,689).

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 2013, Fenlex received €49,968 from the Group in relation to Company secretarial matters arising in Malta (2012: €55,391).

Richard Cooper received dividends during the year of €350. The wife of Richard Cooper received dividends during the year of €59,850 (2012: €35,100) in respect of her interest in the ordinary share capital of the Group.

Lee Feldman received dividends during the year of €23,786 (2012: €19,162) 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 2013, Twin Lakes Capital received £50,000 (€59,209) (2011: £50,000 (€62,697)) in relation to office services.

The wife of Kenneth Alexander received dividends during the year of €106,003 (2012: €81,467) in respect of her interest in the ordinary share capital of the Group.

23.3 Transactions with Directors and Key Management Personnel

Details of the remuneration of key management are detailed below:

	2013 €000's	2012 €000's
Salaries and employee benefits	6,916	3,973
Share based payments	348	257
	7,264	4,230

Details of Directors' remuneration is given in the Report of the Remuneration Committee on page 63.

24. GROUP ENTITIES

Significant subsidiaries	Country of incorporation	Ownership interest	
		2013	2012
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%
Sportingbet PLC	England and Wales	100%	N/A
Interactive Sports (C.I.) Limited	Alderney	100%	N/A
Sportingbet Management Services Limited	England and Wales	100%	N/A
Sportingbet (IT Services) Limited	England and Wales	100%	N/A
Sportingbet (Product Services) Limited	England and Wales	100%	N/A
Sporting Odds Limited	England and Wales	100%	N/A

*also has a branch registered in Israel

25. CONTINGENT LIABILITIES

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

25.1 CasinoClub Progressive Jackpots

CasinoClub 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 44 games, the total of the available jackpots at 31 December 2013 was €7.4 million (2012: 37 games and total available jackpot of €6.6 million). The single largest jackpot available amounted to €3.0 million from the slots game "Aladdin's Lamp" (2012: €2.9 million).

The Group had no winners of a significant jackpot.

25.2 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 (2012: €nil).

GVC continues to provide back office and support services to EPC. Following the acquisition of Sportingbet PLC on the 19 March 2013 the Group now receives all payments of amounts from EPC under the Business Purchase Agreement and other Transaction Documents and does not now offer any guarantee of payments to legal entities outside of the Group.

26. 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.

26.1 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 December 2013

26. ACCOUNTING ESTIMATES AND JUDGEMENTS continued

26.2 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.

26.3 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.

26.4 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 internally by management.

26.5 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 21.

26.6 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.

26.7 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. Until 19 March 2013, neither the Group nor EPC provided the platform or licensing, held the customers on their servers, retained the brand nor set and controlled the sports book odds of the website. In return for the back office services provided, the Group was 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. Prior to 19 March 2013, management asserted that the group did not control any of the operating or financial policies of EPC. The Group did 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 were therefore included within revenue up to 19 March 2013.

Following the acquisition of Sportingbet PLC on 19 March 2013, the group now has the power to govern the financial and operating policies of the Superbahis operations, delivers virtually all of the services required to operate the business and in turn enjoys substantially all of the risks and rewards arising from the performance of that business. On this basis, from this date, the Group considers it is appropriate to consolidate the results of the Superbahis business of EPC within these financial statements.

The Directors considered that the guarantee relating to the acquisition by EPC as referred to in note 25 had 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.

In considering the impact of the acquisition of Sportingbet and its contracts with EPC with whom the group had pre-existing contracts relating to the Superbahis business, the group re-evaluated its contract with EPC in accordance with IFRS 3. In so doing it considered the services provided, the risks associated with the provision of those services and the expected financial reward for their provision and concluded the existing contract remained on terms no more or less favourable to market conditions than on its outset.

26.8 Sportingbet PLC – Spanish Subsidiaries

Under a UK court sanctioned Scheme of Arrangement Sportingbet PLC was divided between the assets to be acquired by William Hill PLC (mainly Australia and certain freehold property in Guernsey) and other assets to be acquired by the Group. However, the subsidiary companies operating the business in Spain, which are regulated, were not immediately included in the acquisition. The arrangement included a provision for the temporary running of this business by the Group during a transitional period post acquisition. This consisted of a call option for William Hill to purchase the business six months post acquisition.

In the absence of an any scope exclusion within IAS 27 for subsidiaries acquired when control is intended to be temporary, the Directors have considered whether, at the date of acquisition, GVC Holdings PLC retained control over the Spanish business. IAS 27 presumes that where the Parent owns more than half of the voting power of an entity then control is presumed to exist. However, it is possible to demonstrate, in exceptional circumstances, that such ownership does not constitute control of the business. Control is defined in IAS 27 as “the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities”

Taking into account the Transfer Deed dated 12 March 2013, the Co-Existence Agreement dated 19 March 2013, and the Side Deed dated 5 September 2013; the Directors are satisfied that the running of the Spanish business by GVC Holdings PLC was envisaged as a temporary transitional arrangement to allow an orderly migration of the Spanish business, and did not constitute the power of governance. As part of the transition a Steering committee, comprised of members equally from GVC Holdings PLC and William Hill coordinated the migration and supervision of the transitional running of the Spanish business. In addition, certain obligations falling on GVC Holdings plc were drafted limiting the actions that GVC Holdings PLC could take in respect of the Spanish business during the transitional period.

Therefore as the Group did not control the subsidiaries operating the business in Spain during the year, results have not been included within the 2013 consolidated financial statements.

27. 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 22 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.

28. SUBSEQUENT EVENTS

There have been no subsequent events between 31 December 2013 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 was chaired in the year 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 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 2013 or 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 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* €	Pension €	Benefits in Kind*** €	Total 2013 €	Total 2012 €
Executive Directors						
K Alexander	833,207	2,087,498	–	2,877	2,923,582	1,575,998
R Cooper	453,297	1,087,064	–	4,236	1,544,597	828,331
Non-Executive Directors						
L Feldman	153,061	761,103	–	–	914,164	573,717
N Blythe-Tinker**	115,090	21,000	–	–	136,090	140,084
K Diacono	69,000	–	–	–	69,000	56,250
	1,623,655	3,956,665	–	7,113	5,587,433	3,174,380

* see bonus detail on page 64

** stepped down from the Board on 17 January 2014

*** principally healthcare

REPORT OF THE REMUNERATION COMMITTEE continued

Bonus

	Dividend related €	Transaction success €	Interest on deferred bonuses* €	Total 2013 €	Total 2012 €
Executive Directors					
K Alexander	1,196,431	826,511	64,556	2,087,498	826,698
R Cooper	598,216	461,426	27,422	1,087,064	413,349
Non-Executive Directors					
L Feldman	598,216	155,806	7,081	761,103	413,349
N Blythe-Tinker	21,000	–	–	21,000	19,500
	2,413,863	1,443,743	99,059	3,956,665	1,672,896

* As part of the Sportingbet acquisition the Executive Directors agreed that the entitlement to payment of a bonus on the November 2013 €0.15 interim dividend and dividend bonus on payment of a dividend greater than €0.2599 and any subsequent bonus would 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 was accrued 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.

All deferred bonuses and accrued interest have been paid at 31 December 2013 and were made to UK resident Directors through a UK payroll, and taxed at source.

Further details can be found in the annual bonus summary on page 63.

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 2013, all Directors had satisfied this criteria.

	K Alexander	R Cooper	L Feldman	N Blythe-Tinker
Share option base	1,600,000	800,000	800,000	75,000
Dividend per share	€ 0.28	€ 0.28	€ 0.28	€ 0.28
Dividend bonus	€ 448,000	€ 224,000	€ 224,000	€ 21,000
Dividend bonus on payment of a dividend greater than €0.2799	€ 748,431	€ 374,216	€ 374,216	–
	€ 1,196,431	€ 598,216	€ 598,216	€ 21,000

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	12 months*
N Blythe-Tinker**	19 April 2010	No	12 months
K Diacono	19 April 2010	No	12 months

* unless (a) dividend hurdles are reached or (b) there is a change of control, in which case the notice period to be given by the Company to the individual increases to 2 years

** stepped down from the Board on 17 January 2014

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 2013, 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. The awards will normally be exercisable up to ten years from the date of grant at the end of which period they will lapse.

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.

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 2012	Exercised in the year	Existing at 31 December 2013	Vested at 31 December 2013	Expiry date
Executive Directors							
K Alexander	21 May 2010	213p	800,000	–	800,000	800,000	20 May 2020
K Alexander	16 Nov 2011	154.79p	800,000	–	800,000	466,667	27 Jan 2022
R Cooper	Original	126p	191,667	(165,000)	26,667	26,667	11 Dec 2018
R Cooper	21 May 2010	213p	400,000	–	400,000	400,000	20 May 2020
R Cooper	16 Nov 2011	154.79p	400,000	–	400,000	233,333	27 Jan 2022
Non-Executive Directors							
L Feldman	21 May 2010	213p	400,000	–	400,000	400,000	20 May 2020
L Feldman	16 Nov 2011	154.79p	400,000	–	400,000	233,333	27 Jan 2022
N Blythe-Tinker	21 May 2010	213p	75,000	–	75,000*	75,000	20 May 2020
Total			3,466,667	(165,000)	3,301,667	2,635,000	

*these share options were bought out on 17 January 2014

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 2013 was €353,000 (2012: €483,000).

REPORT OF THE REMUNERATION COMMITTEE continued

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. There are no outstanding share options at 31 December 2013.

The charge to the consolidated income statement in respect of the options for other employees and consultants in 2013 was €1,000 (2012: €85,000).

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

	2013	2012
Directors	€353,000	€483,000
Other staff	€1,000	€85,000
Third parties	€382,000	–
	€736,000	€568,000

COMPANY FINANCIAL STATEMENTS (UNDER UK GAAP)

In this section:

Independent Auditor's report to the Members of GVC Holdings PLC	68
Company Balance Sheet	69
Notes to the Company Financial Statements	70

INDEPENDENT AUDITOR'S 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 2013 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(2) 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 21, 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

An audit involves obtaining evidence about the amounts and disclosures in the parent company financial statements sufficient to give reasonable assurance that the parent company financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the parent company financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited parent company financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2013; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Other Matter

We have reported separately on the group financial statements of GVC Holdings PLC for the year ended 31 December 2013.

Grant Thornton UK LLP

Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
8 April 2013

COMPANY BALANCE SHEET

at 31 December 2013

	Notes	2013 €000's	2012 €000's
Fixed assets			
Investments	3	148,563	64,154
Current assets			
Debtors	4	25,352	10,351
Cash at bank and in hand	6	2,085	19
		27,437	10,370
Creditors: amounts falling due within one year	5	(75,966)	(43,632)
Net current liabilities		(48,529)	(33,262)
Non-interest bearing loan	7	(5,148)	–
Net assets		94,886	30,892
Capital and reserves			
Issued share capital	8, 10	609	316
Share premium	10	84,530	611
Merger reserve	10	40,407	40,407
Retained earnings	10	(30,660)	(10,442)
Total equity		94,886	30,892

The Financial Statements from pages 69 to 75 were approved and authorised for issue by the Board of Directors on 8 April 2013 and signed on their behalf by:



K.J. Alexander
(Chief Executive Officer)



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

NOTES TO THE COMPANY FINANCIAL STATEMENTS

for the year ended 31 December 2013

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 Euros 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 shown 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 9 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 loss for the year dealt with in the accounts of the Company was €5,969,000 (2012: profit of €3,018,000). The Company has not presented a separate profit and loss account.

3. INVESTMENTS

	2013 €000's	2012 €000's
Investment in subsidiary undertakings		
At 1 January	64,154	64,153
Investments in the year*	84,409	1
At 31 December	148,563	64,154

*includes an investment of €83,918,184 in Sportingbet PLC, the company issued 29,018,075 shares at 248p as consideration

Significant subsidiaries	Country of incorporation	Ownership interest	
		2013	2012
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%
Sportingbet PLC	England and Wales	100%	N/A
Interactive Sports (C.I.) Limited	Alderney	100%	N/A
Sportingbet Management Services Limited	England and Wales	100%	N/A
Sportingbet (IT Services) Limited	England and Wales	100%	N/A
Sportingbet (Product Services) Limited	England and Wales	100%	N/A
Sporting Odds Limited	England and Wales	100%	N/A

*also has a branch registered in Israel

4. DEBTORS

	2013 €000's	2012 €000's
Amounts owed by Group undertakings	23,787	8,190
Other debtors	1,310	943
Prepayments	255	1,218
	25,352	10,351

5. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2013 €000's	2012 €000's
Amounts due to Group undertakings	71,973	43,092
Other creditors	3,993	540
	75,966	43,632

6. CASH AND CASH EQUIVALENTS

	2013 €000's	2012 €000's
Bank balances	2,085	19

7. NON-INTEREST BEARING LOAN

As part of the Group's acquisition of Sportingbet PLC, a credit facility was made available to the Group by William Hill PLC to fund working capital. At the 31 December 2013 the Group had drawn down €8,255,619 (£6,861,956) of this facility. The loan was revalued at the 31 December exchange rate of 1.2031.

IAS 39 Financial Instruments: Recognition and Measurement, states that all loans and receivables should initially be measured at their fair value. The loan has therefore been discounted at a rate of 4% and will be unwound over the period of the loan.

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

for the year ended 31 December 2013

7. NON-INTEREST BEARING LOAN continued

The facility is repayable in three instalments and these as well as the impact of the discount are shown below:

	Base Currency €000's	Amount in Euro's		
		Total €000's	Current liabilities €000's	Non- current liabilities €000's
Loan balance on initial recognition	6,862	8,020		
Revaluation at 31 December exchange rate	–	236		
	6,862	8,256		
(i) the first instalment by no later than 31 December 2014;	2,287	2,752	2,752	–
(ii) the second instalment by no later than 31 December 2015; and	2,287	2,752	–	2,752
(iii) by no later than 30 June 2016, the balance of the facility	2,288	2,752	–	2,752
Loan balance before discount	6,862	8,256	2,752	5,504
Discount on recognition of the loan	–	(780)	(424)	(356)
Unwinding of discount at 31 December 2013	–	186	186	–
Loan balance at 31 December 2013	–	7,662	2,514	5,148
Future discount	–	594	238	356
	6,862	8,256	2,752	5,504

8. 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.

The authorised and issued share capital is:

	2013 €000's	2012 €000's
Authorised		
Ordinary shares of €0.01 each		
At 31 December – 80,000,000 shares (2012: 40,000,000 shares)*	800	400
Issued, Called Up and Fully Paid		
At 31 December – 60,906,760 shares (2012: 31,592,172 shares)	609	316

*The authorised share capital was increase as part of the Group's acquisition of Sportingbet PLC

The issued share capital history is shown below:

	2004 to 2010	2011	2012	2013
Balance at 1 January	–	31,135,762	31,469,095	31,592,172
Shares issued on initial listing	31,135,762	–	–	–
Share options exercised				
– at £1.00	–	233,333	–	–
– at £1.26	–	100,000	–	165,000
– at £1.29	–	–	123,077	31,513
– at €0.01	–	–	–	100,000
Issue of shares for acquisition	–	–	–	29,018,075
Balance at 31 December	31,135,762	31,469,095	31,592,172	60,906,760

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.

9. SHARE OPTION SCHEME

The Group has three share option schemes:

- the 'original' scheme that has been in place since the IPO of GVC Holdings PLC's predecessor Gaming VC Holdings S.A and in which only 26,667 share options are outstanding
- a 'new' scheme that was approved by shareholders on 21 May 2010 (the "21 May 2010 scheme") under which 1,600,000 share options remain outstanding
- 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.

Under the terms of the share option plans the Group can allocate up to 16.8% of the issued share capital although it must take allowance of the 752,923 shares in issue as a consequence of the exercise of share options.

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				Existing Exercisable		Vesting criteria
		1 January 2013	Granted in the year	Bought out in the year	Exercised in the year	at 31 December 2013	at 31 December 2013	
15 May 2007	129p	31,513	–	–	(31,513)	–	–	Note a
12 Dec 2008	126p	191,667	–	–	(165,000)	26,667	26,667	Note a
21 May 2010	213p	1,675,000	–	–	–	1,675,000	1,675,000	Note b
21 May 2010	1p	100,000	–	–	(100,000)	–	–	Note c
21 May 2010	1p	100,000	–	(100,000)	–	–	–	Note d
28 Jan 2012	154.79p	1,600,000	–	–	–	1,600,000	933,333	Note e
16 Jan 2013	233.5p	–	166,666	–	–	166,666	166,666	Note f
01 Feb 2013	233.5p	–	166,667	–	–	166,667	166,667	Note f
28 Feb 2013	233.5p	–	166,667	–	–	166,667	166,667	Note f
Total all schemes		3,698,180	500,000	(100,000)	(296,513)	3,801,667	3,135,000	

The existing share options at 31 December 2013 are held by the following employees:

Option price	126p	213p	154.9p	233.5p	233.5p	233.5p	Total
Grant date	12-Dec-08	21-May-10	28-Jan-12	16-Jan-13	01-Feb-13	28-Feb-13	
Kenneth Alexander	–	800,000	800,000	–	–	–	1,600,000
Richard Cooper	26,667	400,000	400,000	–	–	–	826,667
Lee Feldman	–	400,000	400,000	–	–	–	800,000
Nigel Blythe-Tinker	–	75,000	–	–	–	–	75,000
Third parties	–	–	–	166,666	166,667	166,667	500,000
	26,667	1,675,000	1,600,000	166,666	166,667	166,667	3,801,667

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.

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.

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

for the year ended 31 December 2013

9. SHARE OPTION SCHEME continued

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 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.

Note e: 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 f: These options were granted to third parties as part of the Sportingbet acquisition following underwriting commitments made at the time. The awards vested on the grant date and the options have the exercise price reduced by the value of any dividends declared up to the point of exercise.

The charge to the consolidated income statement in respect of these options (excluding bought out options) in 2013 was €736,000 (2012: €568,000), a credit to the income statement of €nil (2012: €489,000) in respect of the lapsed options and a credit to the income statement of €6,000 (2012: €nil) in respect of the bought out options.

9.1 Weighted Average Exercise Price of Options

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

	Weighted average exercise price 2013	Number of options 2013	Weighted average exercise price 2012	Number of options 2012
Outstanding at the beginning of the year	171p	3,698,180	161p	3,271,257
Granted during the year	233.5p	500,000	155p	1,600,000
Exercised during the year	84p	(295,846)	129p	(123,077)
Bought out in the year	1p	(100,000)	–	–
Lapsed during the year			120p	(1,050,000)
Outstanding at the end of the year	191p	3,802,334	171p	3,698,180
Exercisable at the end of the year	3,135,000	1,785,679		

The options outstanding at 31 December 2013 have a weighted average contractual life of 4.7 years (2012: 5.7 years).

9.2 Valuation of Options

The fair value of services received in return for share options granted in 2013, 2012, 2010, 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, with the exception of the options granted to third parties as part of the Sportingbet acquisition. These were priced at the amount the Group offered as consideration for the purchase.

Fair value of share options and assumptions:

Date of grant	Share price at date of grant* (in £)	Exercise price (in £)	Expected volatility	Expected multiple	Expected dividend yield	Risk free rate**	Fair value at measurement a date
15 May 07	1.22	1.29	50%	2	8%	5.33%	0.40
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
16 Jan 13	2.335	2.335	60%	2	12.15%	0.572%	0.58
01 Feb 13	2.635	2.335	60%	2	12.15%	0.572%	0.76
28 Feb 13	2.375	2.335	60%	2	12.15%	0.572%	0.61

* 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.

10. 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 2013	316	611	40,407	(10,442)	30,892
Earnings for the period	–	–	–	(5,969)	(5,969)
Dividends paid	–	–	–	(14,979)	(14,979)
Issue of share capital for the acquisition of Sportingbet PLC	290	83,628	–	–	83,918
Share option charge	–	–	–	736	736
Lapsed share options	–	–	–	(6)	(6)
Share options exercised	3	291	–	–	294
At 31 December 2013	609	84,530	40,407	(30,660)	94,886

11. DIVIDENDS

The dividends paid in the year were as follows:

Declaration date	EURO amount	GBP amount	2013 €000's
25 January 2013	0.07	0.05895	2,212
01 July 2013	0.105	0.090658	6,378
25 September 2013	0.105	0.08816106	6,389
			14,979

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 (section 49, 2006 Companies Act Isle of Man).

ADDITIONAL UNAUDITED INFORMATION

	2009 ^{1, 2} €000's	2010 ² €000's	2011 ² €000's	2012 ² €000's	2013 €000's
Net gaming revenue	31,615	32,680	44,340	60,325	168,407
Contribution	25,555	19,124	20,550	36,476	102,631
Clean EBITDA	15,909	10,225	8,382	15,452	38,300
Operating profit	14,188	3,605	1,999	13,034	14,118
Profit before tax	13,780	2,525	(386)	10,830	13,014
Cash at the balance-sheet date	20,995	6,551	9,853	6,632	18,808
Total dividend declared (pence)	60.22p	17.61p	17.4p	17.99p	–
Interim dividends (euro)	€0.20	€0.10	€0.10	€0.22	€0.325
Final dividend (euro)	€0.50	€0.10	€0.11	–	€0.16
Total dividend (euro)	€0.70	€0.20	€0.21	€0.22	€0.485
Total dividend paid during the year (€'000's)	12,454	18,681	6,225	8,214	14,979

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

²The 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 42 for further details.

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Incorporated in the Isle of Man under number 4685V