STRONG BRANDS, TECHNOLOGY & TALENT

Annual Report 2016

GVC Holdings

SET FOR SUCCESS.

GVC Holdings PLC is a multinational sports betting and gaming group. Listed on the London Stock Exchange (ticker:GVC) and a member of the FTSE 250. The Group owns some of the world's leading online gaming brands across sports, casino, poker and bingo.

2016 was a momentous year in the Group's history, with the completion of our biggest acquisition to date, that of bwin.party. Having made substantial progress in integrating our operations, we delivered both strong growth and substantive returns to our shareholders.

While the online gaming sector is constantly evolving, with the challenges of new regulatory requirements and the need to continuously develop our product, we believe GVC is well positioned to carry the positive momentum of the past year into 2017 and beyond.

PERFORMANCE HIGHLIGHTS	02
CHAIRMAN'S INTRODUCTION	03
AT A GLANCE	04
CHIEF EXECUTIVE'S REVIEW	06
OUR STRATEGY	09
MAJOR TRENDS IN THE MARKETPLACE	10
REGULATORY OVERVIEW	12
BUSINESS MODEL	14
PERFORMANCE OF DIVISIONS	16
CORPORATE SOCIAL RESPONSIBILITY	22
CHIEF FINANCIAL OFFICER'S REVIEW	26
PRINCIPAL RISKS	32
GOVERNANCE & REMUNERATION	34
FINANCIAL STATEMENTS	68
SHAREHOLDER INFORMATION	119

NGR (€'000) / Annual growth

894,600 +9%

2015: 822,200

Contribution (€'000) / Annual growth

464,000 +5%

2015: 442.8

Clean EBITDA (€'000) / Annual growth

205,700 +26%

2015: 163,200

Total sports wagers (€'000) / Increased

4,553,600 +4%

2015: 4,389,700

All figures are provided on a pro forma basis, as if bwin.party had been acquired on 1 January 2015.

"WE NOT ONLY ACHIEVED ALL OF OUR TARGETS, BUT IN MOST CASES WE EXCEEDED THEM.

Lee Feldman
Non-executive Chairman
23 March 2017

2016 was the most significant year in the Group's history. The acquisition of bwin.party was completed on 1 February 2016 and transformed GVC into one of the leading global businesses in the online gaming industry. Importantly, the purchase of bwin.party was consistent with our strategy; to deliver increased scale, further international diversity and enable us to leverage our proprietary technology and exceptional management team. In a competitive and rapidly evolving global regulatory environment, we believe this strategy leaves GVC well placed to continue to create shareholder value.

In August, just six months after completing the bwin.party transaction, the Group was admitted to the Premium Segment of the Official List. A month later GVC became a constituent of the FTSE 250 index, having grown from a market value of less than £100m four years ago to over £2bn today.

GVC is highly ambitious and focused on measurable delivery. Therefore, it is pleasing to report the Group achieved a strong operational and financial performance in 2016.

A year of significant progress... operationally

As a management team and a business we set ourselves a number of targets in 2016, and I'm pleased to be able to say that we not only achieved all of these targets but also in most cases exceeded them.

The integration of bwin.party was a key focus of 2016 and whilst all such large scale transactions present challenges, the assimilation of the business has progressed positively and is ahead of our initial expectations. Our talented, hardworking team and the corporate culture we have fostered have been the key drivers for a smooth integration.

We employ c2,800 people across 15 offices and four continents. Creating a Group-wide identity and culture based on common values has been an important part of the integration process. Our core values of collaboration, dynamism, ownership, recognition and transparency, reflect the culture of our business and what we believe is required to succeed in a highly competitive and rapidly evolving industry.

It is a reflection of the progress made and the potential of GVC, that the Group has been able to attract a number of highly regarded professionals from across the gaming industry and beyond. This has enabled us to strengthen our business in a number of areas, the benefits of which have already begun to be experienced, but with much more to come.

...and financially

The Group's financial performance during the year exceeded our original expectations both in terms of Net Gaming Revenue (NGR) and Clean EBITDA. Pro forma NGR increased 9% to €894.6m and by 12% in constant currency. Meanwhile, pro forma Clean EBITDA increased 26% to €205.7m, reflecting an increase in margin to 23% from 20%. Net debt as at 31 December 2016 was €131.5m, just 0.6x Clean EBITDA.

We remain on target to secure €125m of synergies by the end of 2017 with the full impact being derived in 2018 in line with the timetable we set out at the time of the bwin.party acquisition. In addition to this, annual capital expenditure is expected to be approximately €20m lower per annum than the combined Group spent in 2015.

The Group's progress is clearly reflected in the development of our financing structure. In October 2016, we secured a short term €250m loan facility from Nomura International plc (the "Nomura Loan"), which was used in part to fully retire the €400m loan provided by Cerberus Business Finance LLP. The Nomura Loan significantly lowered our finance costs.

In February 2017, we launched our inaugural syndicated debt offer to great success. A €250m Senior Secured six year term loan (the "Term Loan") was significantly oversubscribed. This was used to pay down the Nomura Loan in full. In addition, we also secured a €70m Revolving Credit Facility ("RCF"). The new financing gives us both significant financing visibility and also access to a broad number of debt investors. Given the ongoing industry consolidation and GVC's proven track record of adding shareholder value through mergers and acquisitions this is an important development for the Group.

The strong underlying performance of the business together with the favourable refinancing enabled the Group to declare a special dividend in November, which was subsequently increased by 49% in December to euro 14.9c per share. The dividend was settled in sterling at 12.5p per share and paid 14 February 2017. In addition, we have also declared a second special dividend of euro 15.1c, giving total declared dividends of euro 30c per share for the financial year ended 31 December 2016. For the 2017 financial year and beyond, we will pursue a progressive dividend policy, reflecting the growth in the business and aiming to return no less than 50% of free cash flow. In addition, the Board will also give consideration to returning future excess cash to shareholders. Excess cash will be determined by the capital requirements of the business, together with the trading outlook at the appropriate time.

I would also like to take this opportunity to thank Richard Cooper, who retired as Group Finance Director and from the Board in February 2017. Richard joined the Group in 2008 and has been a major part of the Company's success over the past eight years. We wish him all the success in the future. I would also like to welcome aboard Paul Miles who joined us as Chief Financial Officer in February.

Finally, as announced separately today, Will Whitehorn has been appointed to the Board as Senior Independent Non-executive Director. Will is a highly experienced business professional and is a significant appointment for the Group. He is the Deputy Chairman and Senior Independent Director of Stagecoach Group plc and is an Independent Non-executive Director of Purplebricks Group plc. This builds upon the strengthening of the Board in 2016 when Stephen Morana, Peter Isola and Norbert Teufelberger joined the Group.

Through the combination of talented people, proprietary technology and strong brands, GVC is well placed to pursue the many opportunities and face the challenges presented by the dynamic industry in which we operate.

GVC will be posting its Annual Report to shareholders the week commencing 1 May 2017 and it will be uploaded on our website (www.gvc-plc.com) from that date. The AGM will be held in Gibraltar and is scheduled for 20 June 2017.

A GLOBAL LEADER IN ONLINE GAMING...

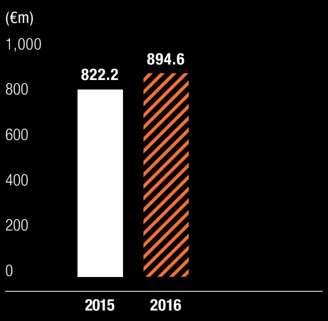
FAST FACTS

GVC has four business segments with a number of leading brands; Sports Labels (bwin, Sportingbet, gamebookers), Games Labels (partypoker, partycasino, Foxy Bingo, Gioco Digitale, CasinoClub), B2B and non-core assets. The Group acquired bwin.party digital entertainment plc on 1 February 2016.

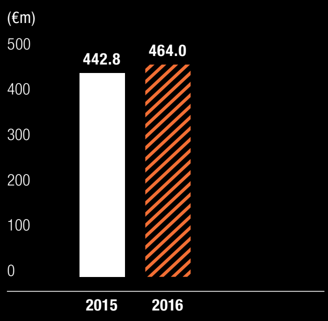
- Headquartered in Isle of Man
- B2C and B2B product offer
- Listed on LSE (LSE:GVC) and member of FTSE 250
- Proprietary technology platform
- Licensed in more than 18 jurisdictions
- Gaming sites in 21 languages
- 2,800+ employees and contractors with offices across four continents
- Bets accepted in 19 currencies
- Leading brands in all product verticals, sports betting, casino, poker and bingo
- In 2016 GVC processed €4.6bn sporting wagers

PRO FORMA FINANCIAL HIGHLIGHTS

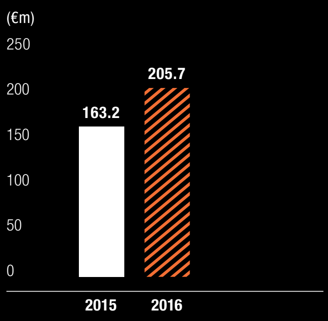
NGR (+9%)



CONTRIBUTION (+5%)

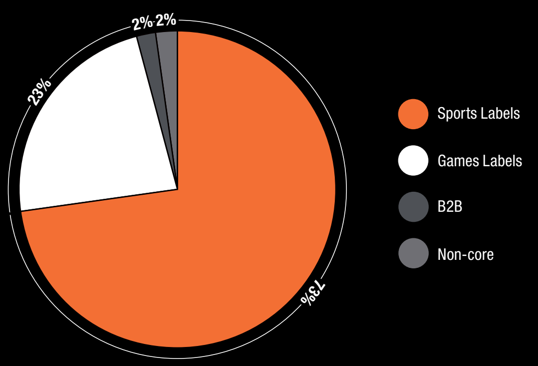


CLEAN EBITDA (+26%)

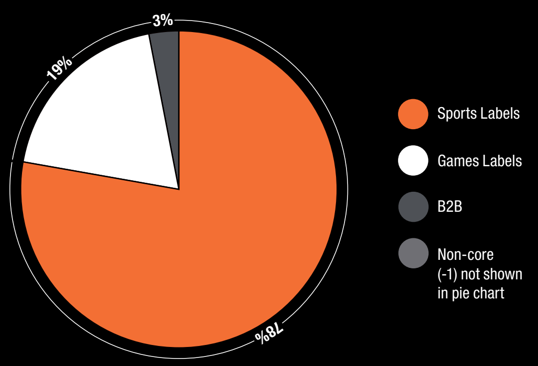


DIVISIONAL SPLIT

2016 NGR



2016 CONTRIBUTION



STRONG BRANDS...

bwin

sportingbet

betboo

gamebookers.com

+ Read more on page 17

partycasino

partypoker

CASINO CLUB

Foxy BINGO

giocodigitale

+ Read more on page 18

PROVEN TECHNOLOGY...

95%
NGR processed on our platform

90%
Increase in games wagers on mobile

1k+
Games

>99.95%
Platform up-time

21
Languages

19
Currencies

79m
Registered company accounts

We operate our own unique proprietary technology platform

+ Read more on page 21

GLOBAL TALENT...

GVC has attracted talent from across the gaming industry and beyond. Following the acquisition of bwin.party we strengthened the Group with the addition of six new hires to our senior executive management team, and four new appointments to our Board.

Our workforce includes:

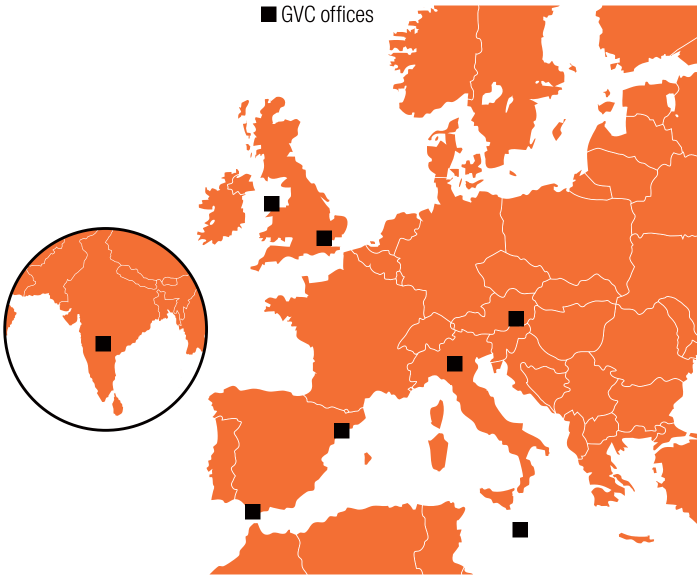
2.8k+
Full-time employees and contractors

200+
Sports traders

1k
Technology engineers

15
Offices

4
Continents



CREATING AN EXPERIENCE

12%

Pro forma NGR grew by 12% on a constant currency basis in 2016.

Kenneth Alexander
Chief Executive
23 March 2017

I am pleased to report that the Group delivered a strong financial performance in 2016. Pro forma numbers are provided as, in the Board's opinion, they give a more useful comparative of the underlying performance of the Group.

Pro forma NGR for the year ended 31 December 2016 rose 9% to €894.6m, with the growth in constant currency registering 12%. Approximately 69% of NGR was derived from markets either regulated (including those in the process of regulating) and/or locally taxed. Clean EBITDA on a pro forma basis was €205.7m, an increase of 26% on the €163.2m achieved in 2015. This represented a strong improvement in the Clean EBITDA margin to 23% from 20%, with acquisition synergies and organic revenue growth helping to mitigate increased regulatory costs. A statutory loss before tax of €138.6m reflects one-off costs in the year of €117.8m, largely related to the acquisition of bwin.party, finance expense of €65.3m and depreciation and amortisation charges of €136.5m. Many of these costs relate to the acquisition of bwin.party and are forecast to reduce in 2017 following the synergies attached to the acquisition and the attainment of a significantly cheaper financing arrangement entered into.

A key driver of the business in 2016 was the performance of the bwin sports label across its core European markets. Whilst sports results were generally positive, this was just one component part of bwin's success in 2016. During the year the value of first time deposits across the acquired bwin sports labels rose 37%, while improved product and more effective cross sell saw games revenues from sports customers increase 26% on pro forma 2015. However, it wasn't just about bwin, with all core sports labels delivering growth in 2016.

Also pleasing in 2016 was the performance of Games Labels. Although pro forma NGR from Games Labels for the full year declined to €203.5m from €211.8m (flat in constant currency), in the second half of 2016 we reversed this trend and returned it to growth. In H2 pro forma Games Labels NGR grew by 4% in constant currency.

Historically, partypoker and partycasino were some of the most challenged parts of bwin.party. Between 2010 and 2015, NGR from these brands declined by over 60%. In part this reflected the structural challenge presented by the poker market, however, it is fair to say that product development lagged key competitors, whilst the business suffered from a lack of focus. In 2016, NGR from partypoker increased 14% in constant currency. This much improved performance was the result of a change in management, increased investment and a more focused approach.

FINANCIAL HIGHLIGHTS

	Pro forma				Actual	
	2016 €m	2015 €m	*Change %*	*Constant currency %*	2016 €m	2015 €m
Sports wagers	4,553.6	4,389.7	*4*	*7*	4,331.3	1,683.0
Sports margin %	9.6%	8.5%			9.6%	9.2%
Net Gaming Revenue	894.6	822.2	*9*	*12*	843.4	247.7
Revenue	873.2	807.9	*8*	*11*	823.3	246.5
Contribution	464.0	442.8	*5*		437.5	135.4
Contribution margin	52%	54%			52%	55%
Clean EBITDA	205.7	163.2	*26*		193.5	54.1
Clean EBITDA margin	23%	20%			23%	22%
Adjusted PBT					93.8	46.4
Statutory (loss)/profit before tax					(138.6)	25.5
Adjusted fully diluted EPS cents					26	70
DPS cents					30	56

Numbers may not sum in financial tables and charts throughout this document due to the effect of rounding.

As mentioned in the Chairman's statement, we have today announced a further dividend of euro 15.1c in respect of the financial year ended 31 December 2016. In total, we have declared euro 30c of dividends for the 2016 financial year, returning some €88m to shareholders.

Integration creating value

The Group has a strong track record of creating shareholder value through astute earnings-accretive acquisitions and efficient integration of the acquired operations and bwin.party has been no exception.

In bwin.party we saw a business with proven proprietary technology, established brands and some excellent people, but a business that had lost its way. Through a refocusing on core markets, improving the customer proposition, together with a number of key hires, our instincts have proven correct, reflected by the strong revenue and Clean EBITDA growth highlighted above.

It is now just over a year since we acquired bwin.party and we have been delighted with the way the integration has progressed. I'm pleased to say that most of the surprises have proved positive and we have been able to evolve our integration plans to reflect both this and the constantly changing industry backdrop in which we operate.

The preparatory work to migrate the Sportingbet and associated brands onto the bwin platform has largely been completed with three countries already switched over. Given the strong underlying performance of the business we have decided to further mitigate the risk of disruption by commencing the migration of the larger territories once the relevant football seasons have finished. Our synergy target of €125m (combined Group savings against 2014) exit run rate by the end of 2017 remains on schedule.

More to come

Our acquisition of bwin.party was not simply about cost synergies. We firmly believed we could return the business back to growth. Between 2011 and 2015 bwin.party NGR declined by 30% (€816m to €574m), but in 2016 the business returned to top line growth.

Whilst the integration process is almost complete, we continue to look for improvement and enhancements across the business. Indeed, we feel the organic growth opportunity of the enlarged GVC is greater than originally expected and a key strategic theme in 2017 will be increased, but focused, investment in marketing to fully exploit this potential. However, it is important to note that in 2016 our marketing spend as a percentage of NGR was just 20%, considerably lower than many of our peers and the increased investment in 2017 will merely bring us closer into line with the market.

We are also excited about the cross-sell opportunity presented by the migration of Sportingbet and other associated brands to the bwin platform. The bwin platform has proven to be particularly effective in enabling the cross-sell of other products to sports customers and penetration rates are now double that achieved across the Sportingbet platform.

The importance of proprietary technology to our business cannot be overstated. In an increasingly competitive and regulated industry, control of our own technology gives the Group significant flexibility and operational leverage. In 2016, 95% of our revenues were derived/processed through our proprietary platform and we expect this to increase further in 2017 and beyond.

During 2016, platform stability improved significantly, with availability exceeding 99.9%, while load times across key sites improved by over 30%. This is key, as with a robust and efficient platform we can process substantially more wagers at little additional fixed cost. Not only does this support the organic growth of the business but it also places the Group in a strong position to derive substantial synergies from any future M&A that we may pursue.

Outlook and current trading

Our strategy is to build further scale and international diversification through leveraging our proven proprietary technology, established brands and high quality personnel. In an increasingly competitive and regulated industry, we believe scale and diversification will enable us to continue to create shareholder value through capital and income growth. Whilst we are excited by the organic potential, we believe the online gaming industry will continue to consolidate. Historically, GVC has delivered significant shareholder value through M&A and this remains a core component of our strategy.

GVC enters 2017 with positive momentum and the integration of bwin.party largely complete. The industry faces many challenges, but the combination of our talent, proprietary technology and brand strength, gives us confidence that we can deliver another year of growth. Although there is no major football tournament in 2017, the trajectory in the business together with a return to more normalised levels of marketing means that we expect to achieve further growth in the coming year.

The positive momentum reported throughout 2016 has continued into the current year. Pro forma daily Group NGR is up 15% (+16% in constant currency) for the period up to 19 March 2017. This growth has been achieved despite some high profile customer friendly results in Europe during the last few weeks of February and early March. The strategy of exiting low margin sports turnover has continued and as a result we believe a normalised long-term gross win margin for the Group will be around 10%.

Sports Labels pro forma daily NGR YTD is up 18% (+19% in constant currency) whilst Games Labels daily NGR on the same basis is up 6% (+8% constant currency).

As we pass the first anniversary of the bwin.party acquisition, and with no major summer football tournament in 2017, year on year comparatives will inevitably get more challenging. Nevertheless, the business has made an excellent start to the year and with the benefits of significant product and customer experience improvements still to come through, as well as the full synergy savings to be realised in 2018, the future is extremely encouraging.

9.6%

Our pro forma sports margin has improved from 8.5% in 2015.

+26%

Pro forma Clean EBITDA was up by €42.5m.

23%

Pro forma Clean EBITDA margin improved to 23% from 20% in 2015.

OUR STRATEGY

Our strategy is to build further scale and increase our international diversification through leveraging our proven proprietary technology, established brands and high quality personnel. In an increasingly competitive and regulated industry, we believe scale and diversification will enable us to continue to create shareholder value through capital and income growth. Whilst we are excited by the organic potential, we believe the online gaming industry will continue to consolidate. Historically, GVC has delivered significant shareholder value through M&A and this remains a core component of our strategy.

OUR VISION

- To be a top three player in core markets
- To be best in class in core markets

OUR STRATEGY

- To build further scale and international diversification

UNDERPINNED BY:

BRANDS

Brands support our strategic ambition through:

- Being a valuable commodity in a competitive market
- Building trust with players
- Building trust with business partners
- Enabling us to develop a diverse international customer footprint

The strength of our brands is reflected in the strong growth in 2016 despite an historically low level of marketing investment in the year (see pages 17 and 18 for further details). Having spent much of 2016 making improvements to our customer service, product range and functionality, in 2017 we will invest in our brands through increased marketing spend. This investment will be focused in core markets where we believe we can generate attractive returns.

TECHNOLOGY

Technology supports our strategic ambition through giving us the ability to:

- Independently drive product development without relying on third-parties
- Develop the scale and flexibility to enter new markets and/or adapt to regulatory changes
- Improve our operational leverage
- Create the potential to extract significant synergies through acquisitions
- Offer our customers distinct, best in class products and services

Our technology has proven scalability in terms of both geographic diversification and volume. Not only does this give us flexibility when it comes to organic expansion and product development, but it also presents the opportunity for substantial value creation through M&A.

TALENT

People support our strategic ambition through:

- Leadership
- Innovation
- Ambition
- Drive

In a dynamic industry such as ours, people are key to the success of the business. GVC has an impressive track record of retaining our core people. Since the bwin.party acquisition this has been supplemented by attracting some of the industry's leading talent away from our peers. Working with our existing people, they are a key reason behind the success of the Group.

HOW WE DELIVER IT

Organic:

- Return marketing investment to normalised levels
- Product and service development
- Focus on core markets
- Improved CRM and BI
- Cross-sell

M&A:

- Focus on underweight markets
- Regulated and soon to be regulated
- Prefer online but flexible
- B2C
- Technology

THE INDUSTRY IN WHICH WE OPERATE

11%

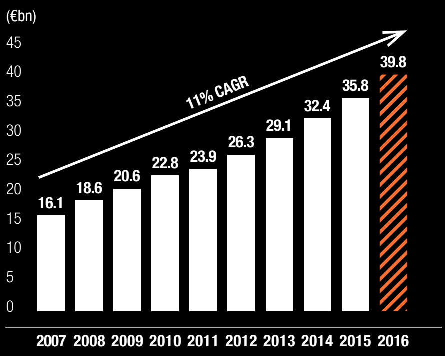
Global online gaming grew by 10% CAGR over the past decade.

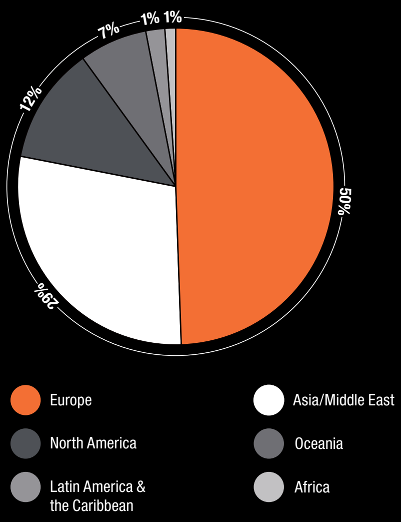
50%

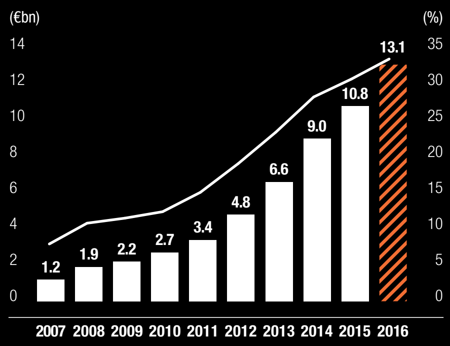
Europe makes up half of the global online gaming market.

33%

A third of all our online gaming is now conducted via a mobile device.







GLOBAL GROWTH

GVC Group operates in the global online/interactive gaming market, a market that was estimated to have been worth approximately €40bn in 2016. Over the past ten years the global interactive gaming market has risen by 11% CAGR. Total market growth in 2016 versus 2015 is forecast to be in line with the 11% ten year CAGR.

EUROPE

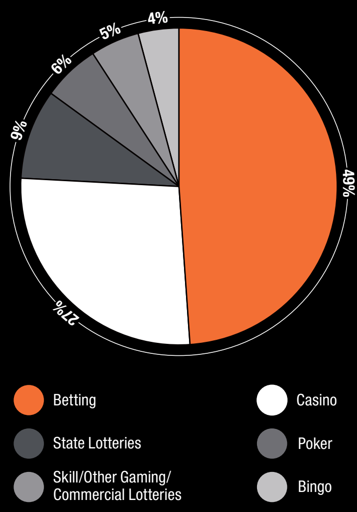
Geographically, Europe is the largest online gaming market, accounting for 50% of the total, it also represented over half of the Group's pro forma NGR in the past year.

MOBILE

A major driver of industry growth continues to be mobile. In 2016, mobile represented 33% of global interactive gaming revenues, an increase of 21% on the previous year. The statistics in Europe are even more impressive with mobile growth being an estimated 29% year on year. Around 50% of the Group's Sports Labels gross gaming revenue is now via mobile, but this is still behind many of our peers and presents a significant opportunity for the Group.

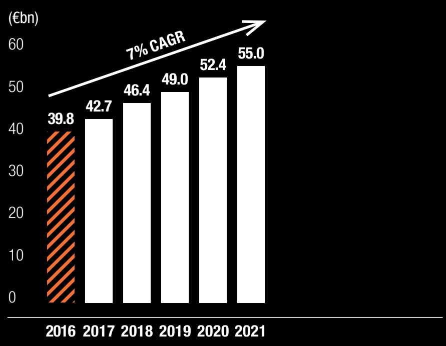
76%

Sports betting and casino games make up three quarters of all online gaming.



7%

Online gaming is forecast to continued to grow at 7% CAGR between 2016–2021.



MARKET BY PRODUCT

As well as mobile, growth has been driven by continued product innovation across all areas of the market. An ever increasing number of betting opportunities are being offered to customers with in-play accounting for over half of wagers in some markets. Meanwhile, operators are developing products that present players with increased functionality, such as cash out.

In terms of product, betting and casino represent 76% of the global interactive market and these two product categories are also the two core product offerings of the Group. In 2016, betting and casino were forecast to grow at 12% globally, slightly above the industry average.

FORECAST

Looking ahead, the gaming market is expected to continue to grow ahead of GDP, with H2 Gaming Capital forecasting c7% CAGR over the next five years. The key driver will continue to be mobile with c45% of all online revenues expected to be come from this media in 2021. Regulation will undoubtedly influence on whether these growth forecasts are met or exceeded.

Source: All data from H2GC, January 2017.

REGULATORY UPDATE

The regulatory landscape is changing at a rapid pace, particularly across Continental Europe. Whilst we welcome sustainable legislation, the national regulatory regimes across the EU Member States differ significantly due to the lack of harmonised gaming rules at an EU level. Within the EU, we work with the industry and those committed to upholding the open market values of being part of the union.

In 2016, approximately 69% of our pro forma NGR was derived from territories where we currently pay gaming taxes/VAT or where a licensing structure is in the process of being implemented. The Group is currently licensed in more than 18 territories.

In Germany, bwin was among the 20 successful applicants for a sports betting licence in 2014. However, this process was subsequently suspended after being challenged by operators who failed to secure licences and licences were never granted. Nevertheless, all 35 operators (including bwin) that fulfilled the minimum criteria in the licensing procedure will receive temporary sports betting licences on 1 January 2018. Further, the Second Amended State Treaty on Gambling is scheduled to enter into force on 1 January 2018. With the exception of the state of Schleswig-Holstein, licences for online casino/poker are still not available in Germany. However, it was announced in November 2016 that the German federal states agreed to evaluate a legal framework for the regulation of online casino and poker. This evaluation will most likely be concluded in the autumn of 2017. In this context, the state of Hesse has an extraordinary termination right to the German State Treaty on Gambling which is linked to the satisfactory solution of the online casino and poker situation until 30 June 2019. The Group pays betting tax/VAT on all of its German revenues.

In 2016, the Group received a permanent licence in Romania having previously operated under an interim licence. A licence application has also been made in the Czech Republic following new legislation that came into force on 1 January 2017. The Group will consider applying for a licence in Poland in light of amendments to their gaming legislation.

In August 2017, the UK government will commence levying the point of consumption tax on gross gaming revenue on all online gaming products (previously just betting) as opposed to net gaming revenue. If this had been in place at the start of 2016 the estimated incremental tax payable by the Group would have been approximately €7m. Also in the UK, the CMA (Competition and Markets Authority) is undertaking a review into the advertising of gaming and operators terms and conditions, particularly in the area of promotions to customers.

Brexit

Beyond the impact of currency movements there has been no visible impact on the business from the UK's decision to seek an exit from the EU. The Group has greater sterling costs than revenues and therefore the impact from the recent sterling weakness is a net positive. The detail of how the UK intends to exit the EU is yet to be decided, however, management believe GVC's global footprint gives it significant flexibility to face any challenges that may arise.

SPORTS (S) POKER (P)

CASINO (C) BINGO (B)

1. % of GGR unless otherwise stated.
2. H2GC estimates for sports, casino, poker and bingo GGR, January 2017.
3. H2GC estimates, January 2017.
4. A licensing regime for online sports betting has been proposed in all 16 states but no licences have yet been issued. Taxes on sports betting are at 5% of turnover on all German revenues. Taxes on poker and casino are being paid at 20% of GGR on revenues generated by Schleswig-Holstein residents and 19% VAT on all other German gaming revenues.
5. Draft legislation.

1. UNITED KINGDOM

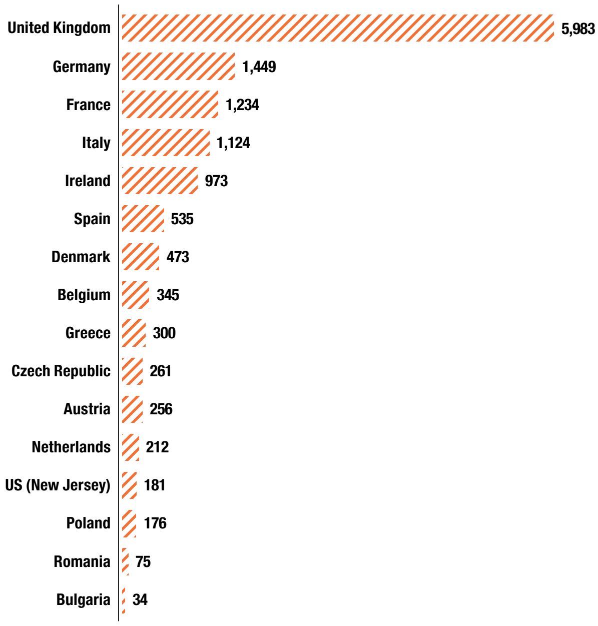
Tax rate[1]	15%
2016 Market size[2]	€5,983m
2016-21 CAGR[3]	8.0%

2. AUSTRIA

Tax rate	2% S turnover 40% C P B
2016 Market size	€256m
2016-21 CAGR	3.6%

EUROPEAN AND US REGULATED AND REGULATING MARKETS TAX LANDSCAPE

Total interactive (excluding lottery) gross gaming revenue (€m)



9. GREECE

Tax rate	35%
2016 Market size	€300m
2016-21 CAGR	8.1%

10. IRELAND

Tax rate	1% S 23% VAT C P B
2016 Market size	€973m
2016-21 CAGR	0.6%

3. BELGIUM

Tax rate	11% GGR + 21% VAT
2016 Market size	€345m
2016-21 CAGR	-0.2%

5. CZECH REPUBLIC

Tax rate	23% S P 35% C B
2016 Market size	€261m
2016-21 CAGR	4.6%

7. FRANCE

Tax rate	9.3% S turnover 2% P turnover + 20% VAT
2016 Market size	€1,234m
2016-21 CAGR	3.9%

4. BULGARIA

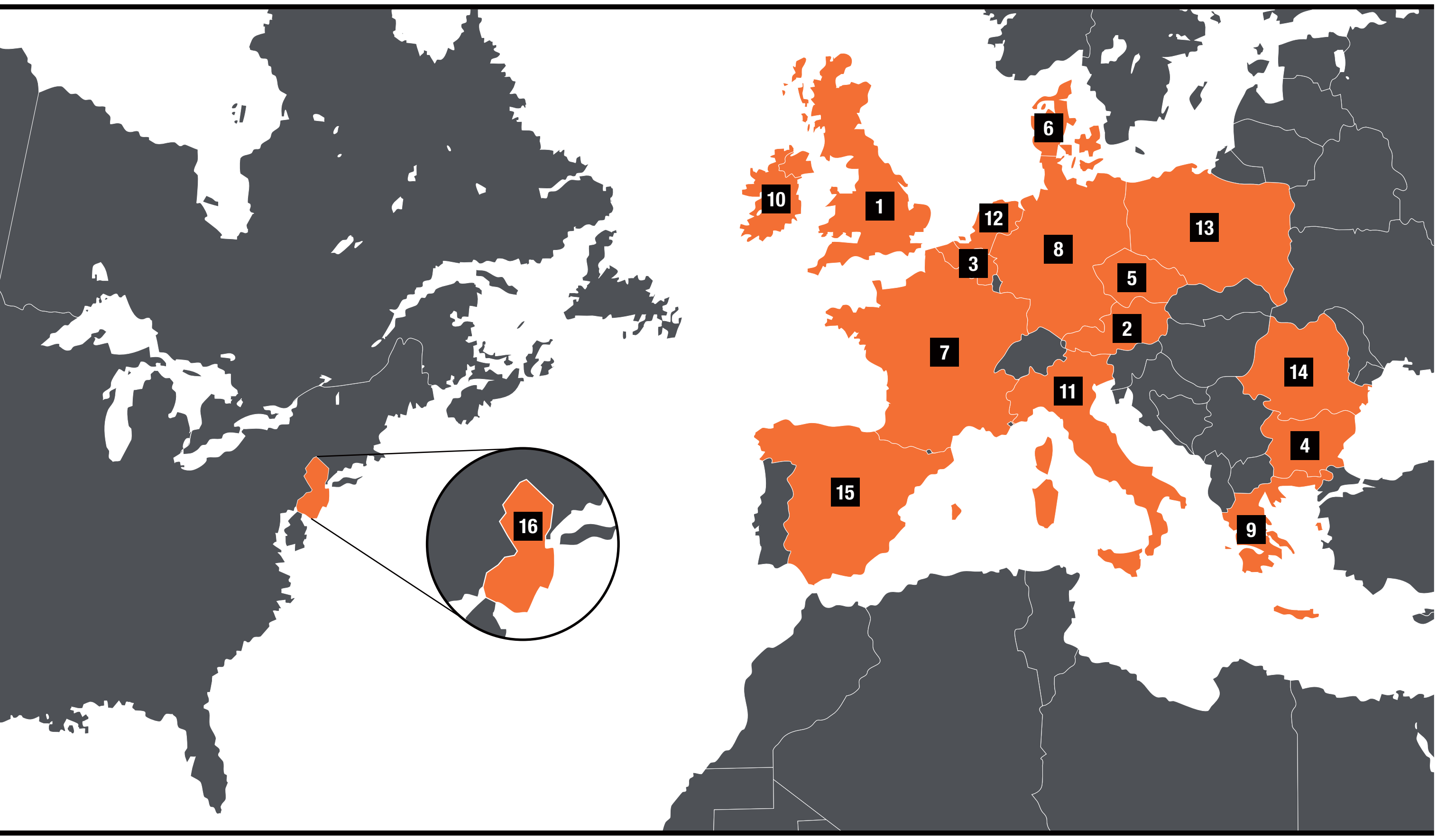
Tax rate	20%
2016 Market size	€34m
2016-21 CAGR	5.1%

6. DENMARK

Tax rate	20%
2016 Market size	€473m
2016-21 CAGR	5.5%

8. GERMANY[4]

Tax rate	5% S turnover 19% VAT C P B
2016 Market size	€1,449m
2016-21 CAGR	4.9%



11. ITALY

Tax rate	22% S 20% C P B
2016 Market size	€1,124m
2016-21 CAGR	5.1%

13. POLAND

Tax rate	12% turnover
2016 Market size	€176m
2016-21 CAGR	-1.5%

15. SPAIN

Tax rate	25%
2016 Market size	€535m
2016-21 CAGR	2.7%

12. NETHERLANDS[5]

Tax rate	29%
2016 Market size	€212m
2016-21 CAGR	9.0%

14. ROMANIA

Tax rate	16%
2016 Market size	€75m
2016-21 CAGR	5.7%

16. US (NEW JERSEY)

Tax rate	17.5%
2016 Market size	€181m
2016-21 CAGR	13.9%

HOW WE CREATE VALUE

KEY DIFFERENTIATORS INPUTS

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

+ Read more on page 21

OUR BRANDS
Our brands are amongst the most popular in the industry, across sports, casino poker and bingo.

+ Read more on pages 17 and 18

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

+ Read more on page 23

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

+ Read more on pages 17 and 18

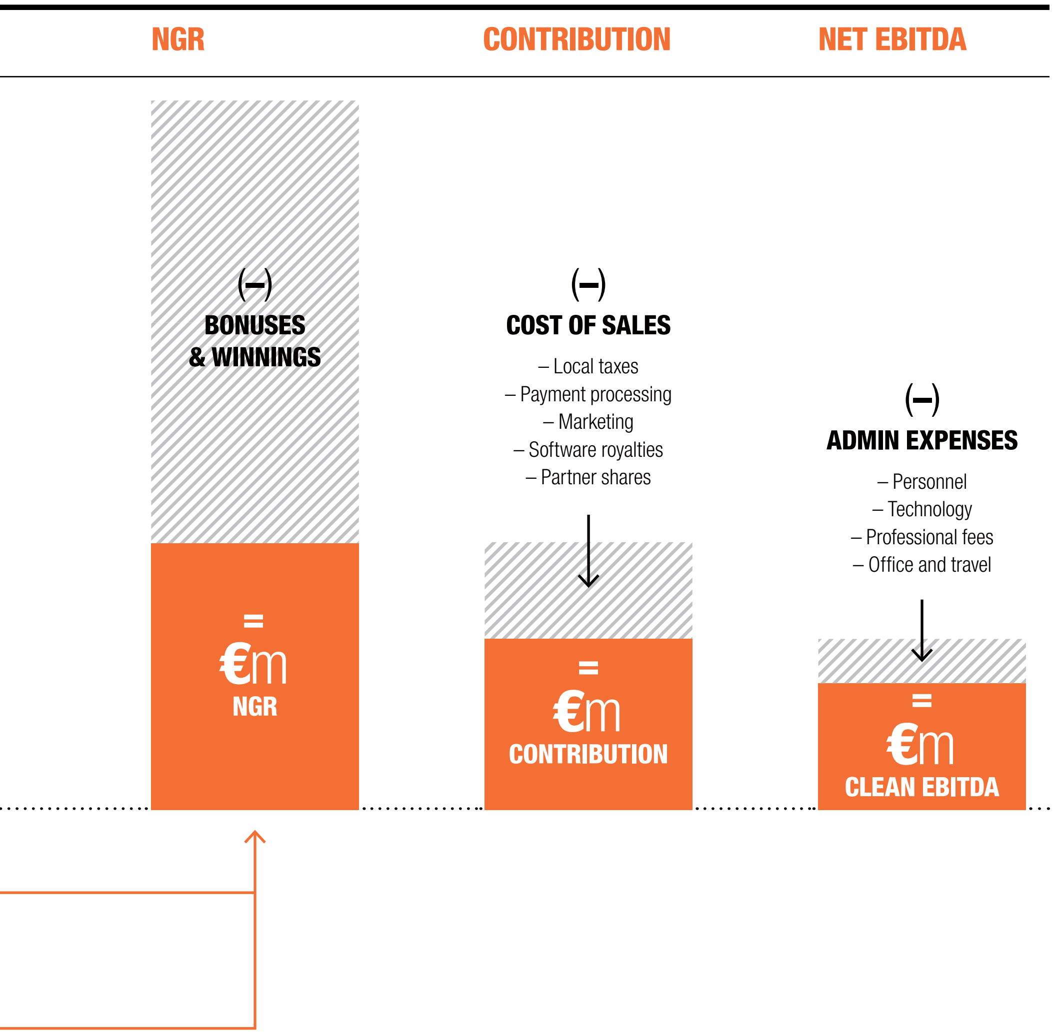
OUR SCALE
We have the scale and diversity required to succeed across multiple products and territories and to be able to adapt to our constantly evolving industry.

+ Read more on pages 4 and 5

HOW E-GAMING WORKS WHAT WE DO

CUSTOMERS	BRANDS	WAGERS
SPORTS LABELS	bwin, sportingbet, betboo, gamebookers.com	€bn WAGERS & BETS
GAMING LABELS	partycasino, partypoker, Casino Club, Foxy Bingo, gioco digitale	
B2B	We provide gaming software and services to a select number of partners.	€m
NON-CORE	In 2016 this included our payments processing business and financial spread betting brand.	€m

OUR PROPRIETARY TECHNOLOGY PLATFORM



VALUE WE CREATE

OUTPUTS

POSITIVE RETURNS

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

+ Read more on page 3

DIVIDENDS

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

+ Read more on page 3

ENGAGING CUSTOMER CONTENT

We are focused on delivering the best product offer to our customers, which is continuously refreshed.

+ Read more on pages 17 and 18

RESPONSIBLE GAMING

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

+ Read more on page 22

CORPORATE RESPONSIBILITY

We recognise our responsibilities as a corporate citizen in the communities in which we operate our business.

+ Read more on pages 24 and 25

THE FUTURE'S 'IN PLAY'

Customers increasingly want to be involved during live sports events to stay involved and place bets in real time to predict the outcome. Our technology platform is key element in allowing us to offer this improved experience and extension to revenue.

OPERATIONAL OVERVIEW

Following the acquisition of bwin.party the Group adopted a new reporting structure with the B2C operations split between Sports Labels and Games Labels, with our other divisions being B2B and Non-core. It is worth noting that revenues within Sports Labels are not limited purely to sports wagers but include revenues derived from other gaming activities conducted on any of our Sports Label brands. Similarly, though to a lesser extent, Games Labels include sports wagers made through any of our Games Label brands.

SPORTS LABELS

GVC owns a number of sports betting brands including bwin, Sportingbet, Betboo and Gamebookers. bwin was a pioneer in online sports betting and remains one of the best known brands across Continental Europe. However, it is fair to say that the brand had lost market share in a number of core territories in recent years. Therefore, the performance of the business in 2016 was particularly encouraging. Not only did our existing customers spend more with us but also we were successful in adding new customers.

Overall sports wagers grew 4% to €4,488m for the pro forma 12 months, whilst an improvement in the gross win margin to 9.6% (2015: 8.6%) helped to drive sports NGR 9% higher to €333.2m. In constant currency, wagers rose 7% and sports NGR by 11%. The higher gross win margin was largely due to the improvements we made at bwin, particularly in the area of risk management which led to a significant reduction in low margin turnover. The year also benefited from the UEFA Euro 2016 tournament, during which we took €162m of wagers and achieved a gross win margin of 18.3%.

During the year we significantly expanded our gaming offer to our sports customers. Over 17 deals were signed with leading suppliers, including NetEnt, Evolution, MicroGaming, IGT, NYX and Edict Gaming to name but a few. In total, this gives us access to over 650 new games/products across mobile and desktop. Together with improved cross-sell at the acquired businesses, this helped pro forma gaming NGR rise 18% to €320.8m in 2016 (+21% in constant currency).

Total NGR from Sports Labels increased 14% (16% in constant currency) to €653.9m, with revenue 13% higher at €638.9m. Meanwhile, the pro forma contribution was €362.0m (2015: €318.9m), reflecting a maintained margin at 55%.

SPORTS LABELS

	Pro forma				Actual	
	2016 €m	2015 €m	*Change %*	*Constant currency %*	2016 €m	2015 €m
Sports wagers	4,488.3	4,312.6	*4*	*7*	4,272.3	1,683.0
Sports margin %	9.6	8.6			9.6	9.2
Sports NGR	333.2	304.5	*9*	*11*	315.9	113.9
Gaming/other NGR	320.8	271.1	*18*	*21*	304.8	101.2
NGR	653.9	575.7	*14*	*16*	620.7	215.1
EU VAT	(15.0)	(11.0)			(13.9)	(0.5)
Revenue	638.9	564.7	*13*	*16*	606.8	214.6
Contribution	362.0	318.9	*14*		342.5	113.6
Contribution margin %	55	55			55	53

In 2016, marketing spend as a proportion of Sports Labels NGR was c17%, this is well below our peers where spend is typically 25-30% of NGR. It was a deliberate strategy in 2016 to curtail marketing spend in the acquired businesses that achieved either low returns on investment or returns that could not be accurately measured. Therefore, to deliver strong growth on relatively low marketing spend is both pleasing and a recognition of the strength of the brands we own. The current year will see marketing spend increase to more normalised levels, 23-25% of NGR, with the focus being on the larger core geographic markets.

Revenue from mobile grew strongly in 2016, and now represents 50% of divisional gross gaming revenue against 34% in 2015. This is still below many of our peers and represents an area of real opportunity for the Group.

In addition to increased marketing investment, 2017 will see us continue to expand the product offering as well as further improvements to the overall customer experience. CRM is key to generating positive returns from marketing and we have made a number of key senior appointments in this area.

bwin

bwin is one of Europe's leading online betting brands and is synonymous with sports. It has leading positions in several markets including Germany, Belgium, France, Italy and Spain. bwin also offers casino, poker as well as bingo on mobile and web, all through a single account.

sportingbet

Sportingbet is a leading provider of sports betting, casinos, games and poker online and on mobile. It was established over 15 years ago in 1998 and acquired by GVC in March 2013.

gamebookers.com

Gamebookers is a full-service sportsbook which is particularly popular in east and central European markets. It offers up to 30,000 bets daily on more than 90 sports.

betboo

Betboo was established in 2005 to provide online bingo, sportsbook, casino and poker access to South American customers. It was acquired by the GVC Group in July 2009.

GAMES LABELS

GVC's key gaming brands include, partypoker, partycasino, Foxy Bingo, Gioco Digitale and CasinoClub. Pro forma NGR was €203.5m in 2016 versus €211.8m in the previous year, with the change in constant currency being 0%. Momentum improved through the year with pro forma NGR in constant currency +4% in H2 over the previous year. Pro forma contribution from Games Labels declined to €89.0m from €109.6m in 2015. The decline reflected a number of factors including increased gaming taxes/VAT and investment in partypoker.

Historically, the Games Labels within the bwin.party business had been the most challenged, in particular partypoker and partycasino. Our focus in 2016 was to improve management, increase investment, enhance the product and the customer experience.

It is therefore pleasing to report that despite continued structural challenges in the poker market, partypoker NGR in 2016 rose 14% in constant currency, with the growth in H2 over the previous year being 16% in constant currency. In December 2016 we reached a deal with one of Europe's leading poker rooms, Dusk Till Dawn, to launch a new live global poker tour, partypoker LIVE which will feature the headline tournament, the partypoker Million.

We also took the decision to restructure partycasino and separate the brand from partypoker, repositioning the offering under a new management team. Taking inspiration from CasinoClub, there is greater emphasis on VIP management and reducing reliance on partypoker in terms of customer acquisition. Significant improvements were made to the product and customer services before relaunching the brand in H2 2016. This included the relaunch of the partycasino frontend, enhancements to our live casino experience, the introduction of new "Pro Series" table games and a number of technical improvements, such as the dramatic reduction of game load times. As a result, along with increased investment, partycasino saw a significant acceleration in new player acquisition through H2, along with lower attrition and increased revenues per customer. December was particularly strong and this positive momentum has continued into 2017.

Foxy is one of the UK's best known online bingo brands but has had a challenging few years. In the second-half of 2016 we brought in a new Head of Bingo and significant work has already been undertaken to reinvigorate the brand and customer proposition. New creative and media agencies have been appointed and in March 2017 a new marketing campaign was launched with Hollywood actress Heather Graham promoting the rebranded Foxy Bingo and Foxy Casino.

CasinoClub celebrated its 15th anniversary in 2016 with a series of events across Europe. Through its heritage and bespoke club approach, CasinoClub has established a leading position in German speaking markets and benefits from a loyal customer base. Last year also saw the brand take control of its software platform previously provided by a third party, while delivering a positive top line performance.

GAMES LABELS

	Pro forma				Actual	
	2016 €m	2015 €m	*Change %*	*Constant currency %*	2016 €m	2015 €m
Sports wagers	65.2	77.1	*(15)*	*(14)*	58.9	–
Sports margin %	7.7	5.0			7.7	0.0
Sports NGR	4.3	3.2	*32*	*35*	3.8	–
Gaming/other NGR	199.2	208.5	*(5)*	*0*	184.4	32.6
NGR	203.5	211.8	*(4)*	*0*	188.3	32.6
EU VAT	(6.4)	(3.2)			(6.2)	(0.7)
Revenue	197.0	208.6	*(6)*	*(1)*	182.1	31.9
Contribution	89.0	109.6	*(19)*		82.9	21.8
Contribution margin %	44	52			44	67

Gioco Digitale is the second largest bingo brand in Italy and a top ten casino brand and is very much aimed at the casual player looking for entertainment. There was some restructuring post acquisition, with improved marketing, promotions, CRM and product. As a consequence, NGR grew strongly, particularly in casino.

All of our Games Labels are also benefiting from the many new content deals signed over the past 12 months.

As with Sports Labels mobile revenue from Games Labels grew strongly in 2016, and now represents 29% of divisional gross gaming revenue against 20% in 2015. With further product enhancements and additional content we expect mobile revenues to continue to grow strongly.

Looking ahead, the focus will be on continued product improvement across all of the brands, along with improved customer service.

The improvement to product and customer experience across all of our games is ongoing and supported by more targeted marketing, we expect further progress in 2017 and beyond. Furthermore, in addition to the significant amount of new third party gaming content already secured, the Group is also continuing the development of its own unique in-house products.

partypoker

partypoker is one of the pioneers of the online poker industry having launched in 2001. It remains one of the industry's most recognised brands, with a particular focus on the UK.

partycasino

partycasino is one of the world's largest online casinos, with 180 mobile games on offer including many of the classic casino games such as blackjack, roulette and a broad variety of slot machines.

CASINO CLUB

CasinoClub was originally launched in 2001 and acquired by GVC in 2004, it is a leading online casino website for German-speaking markets with more than 15,000 active customers.

gioco digitale

Gioco Digitale was the first fully-regulated gaming site on the Italian market launched in 2009. It is positioning itself as a gaming portal for casual gamers, with a focus on bingo and casino products.

Foxy BINGO

Foxy Bingo was launched in 2005 and is one of the most successful brands in online bingo and is one of the biggest names in the UK bingo market.

A BETTER PRODUCT AND EXPERIENCE

As one of the pioneers in online gaming, we have some of Europe's best known brands, but we needed to invest to improve both the product and customer service. We are now benefiting from this investment and a renewed focus on marketing.

B2B

LEVERAGING TECHNOLOGY

The Group provides B2B services to a number of well-known gaming businesses including Borgata (MGM), Danske Spil, Fortuna and PMU. Pro forma divisional revenues in 2016 were €14.2m compared to €14.2m in the previous year, with the contribution being €14.0m versus €13.9m in the previous year.

Proprietary technology presents the Group with the opportunity to provide B2B services to third parties, but this has to be balanced with the potential presented from our own B2C operations. We will pursue B2B opportunities that are meaningful but only where there is no significant distraction to our core B2C operations or those that do not compromise our long-term strategy. Consistent with this focus, the B2B agreement with Betfred was mutually terminated.

At the end of 2016, we were pleased to strengthen our B2B relationship with Borgata and the MGM Group. Under the new deal, GVC Group will provide an expanded offering beyond Borgata to additional MGM brands in New Jersey, with the potential for the partnership to be extended into other US states, as and when regulation permits.

The Group is committed to B2B and currently has an active pipeline of opportunities in line with our strategic focus.

B2B

	Pro forma 2016 €m	Pro forma 2015 €m	*Change %*	*Constant currency %*	Actual 2016 €m	Actual 2015 €m
Revenue	14.2	14.2	*0*	*0*	13.3	–
Contribution	14.0	13.9	*1*	*1*	13.1	–
Contribution margin %	99	98			98	–

The Borgata Hotel, Casino & Spa is New Jersey's largest casino property. GVC has supplied online casino and poker products to The Borgata since New Jersey regulated online gaming in November 2013.

Danske Spil is the Danish monopoly lottery operator and market leader in online gaming. GVC has supplied online casino and poker in the regulated Danish market since January 2012.

PMU is the French horseracing monopoly and one of the largest gambling companies in Europe. GVC has supplied online poker to PMU in the regulated French market since July 2010.

Via a strategic partnership with GVC, Austrian retail solution provider CBCX use GVC's leading live and pre-match content services to drive their dynamic sportsbook products in the retail environment.

Leading Czech based sports betting operator Fortuna moved to GVC's live content feed in 2013, increasing the number of events offered to their customers by 60%, and driving double digit annual revenue growth.

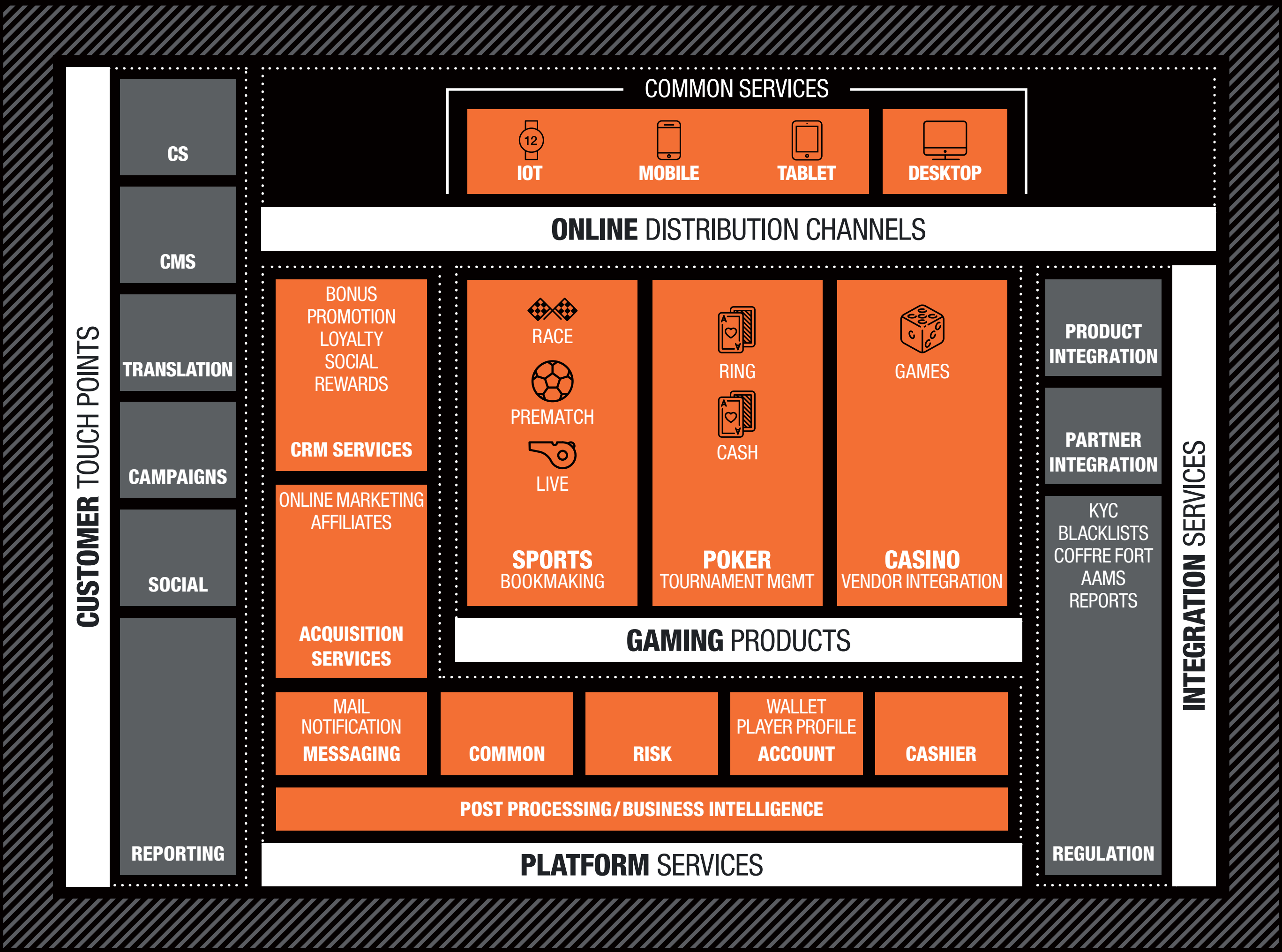
NON-CORE

Other revenues comprise the financials business, InterTrader. The business undertook a restructuring in 2016, consolidating to a single brand and also bringing in-house a significant part of the operation that was previously outsourced. Whilst this created some disruption in Q3, InterTrader enjoyed its strongest trading period of the year in Q4, reflecting the benefits of the actions taken in the previous quarter.

In December 2016, we announced the disposal of payments processor Kalixa for a total cash consideration of €29m (plus potential adjustments up to a maximum €35.5m). The sale is expected to complete in H1 2017.

TECHNOLOGY IS FUNDAMENTAL TO OUR SUCCESS

It enables us to achieve our strategic ambition and product development without a reliance on third parties. In an increasingly competitive environment, being in control of our own technology gives us significant operational advantage and enables us to offer customers best in class products and services.



RESPONSIBLE GAMING

GVC aims to provide the world's safest most trusted gaming platform. Across our broad product line-up, our objective is that every user plays within their financial means and receives the best service possible. The Group is committed to three core principles of integrity, fairness and reliability, with our overarching goal, of preventing gaming-related problems arising. Together with leading research institutes, associations and counselling providers, we have developed measures to create a responsible, safe and reliable place for online gaming.

1. CUSTOMERS

FAIRNESS

It is our responsibility to create a gaming environment that is founded on the spirit of fair play. The trust of our customers is fundamental to our success. Customer confidence is reliant on us safeguarding the fairness of the games and protecting our customers against fraud. We work closely with independent authorities which monitor the fairness of the gaming products we offer. When it comes to fraud and manipulation, our dedicated investigation and online monitoring teams ensure our customers' protection.

SECURITY

Our gaming sites are subject to strict regulatory oversight and we comply with a wide range of laws, rules, standards and regulations throughout various jurisdictions. Regular verification of compliance by means of independent reviews confirms that random number generators work as they should, that deposits are kept safe in segregated accounts and that all personal data is protected.

PREVENTION

Gaming is a great source of entertainment for millions of people around the world. But, for a minority, gaming can cause problems. We are committed to identifying risks as early as possible and intervening to prevent these problems before they emerge. We have in place a responsible gaming framework which includes controls to help customers to play within their limits and avoid a situation where gaming causes problems.

2. EMPLOYEES

The acquisition of bwin.party transformed the size and shape of the Group's workforce, taking the number of full-time employees from 463 to 2,400. The first priority we set ourselves was to create an organisation where a unified, dynamic, entrepreneurial approach would enable our talented people to thrive.

Having reviewed the structure of the enlarged group, we identified a number of strengths to build on as well as challenges to address. Whilst the business we acquired contained a wealth of talented and experienced professionals, they were being hampered by an overly-complex management structure that was too process heavy. This over-burdened individuals with administration and limited their ability to innovate and focus on delivery to the customer. As a result, in our restructuring process we have sought to streamline our processes to create a culture where entrepreneurism is encouraged and rewarded.

People

An unfortunate but inevitable consequence of any acquisition of the size we undertook, is the need to identify and remove duplicate roles. This is never an easy task, but having determined the right organisation structure, we moved quickly to select the right people for the right jobs in the right locations. In total, this restructuring process meant that 305 roles became redundant in 2016.

In addition to drawing on the skills from within the existing businesses, we also used the enlarged Group's enhanced profile to recruit the very best talent from across the industry. These included the appointments of Shay Segev, as Chief Operations Officer, Liron Snir as Chief Product Officer and following the announcement of Richard Cooper's decision to retire, Paul Miles as Chief Financial Officer. We also strengthened our management team with new Heads of Investor Relations and Bingo as well as by filling senior roles within our product delivery teams.

Process

Having built a management team with the skills and experience to drive our business forward, we have taken significant steps to ensure we have the systems in place to enable them to flourish. We have embarked on a process to identify and harmonise employment policies and terms as well as best practice operations, across the Group.

We have also revised our approach to reward, to ensure our remuneration and bonus scheme is more closely aligned to meeting the business' performance targets. In order to reduce administrative burden, we have commissioned a new Enterprise Resource Planning (ERP) system, which will be implemented in the first half of 2017.

Engagement

With such large scale structural change, it is vital that we keep our people well informed so they are fully aware of our business objectives and how they can help to deliver them. We believe regular and transparent communication is key to ensuring we have an engaged and motivated workforce. Channels we utilise to do this include: a new Group-wide intranet, updated on a daily basis; regular webcasts from the CEO and other members of the senior management team; physical "town hall" meetings in our office locations; monthly manager briefs, cascaded to all staff via their managers; as well as business-focused webinars and discussion forums.

Culture and values

As part of our efforts to develop a unified, entrepreneurial culture, throughout the past year we commenced a company-wide exercise to identify the core values that define us. Workshops were held across all major office locations to discuss what type of attributes and qualities our staff value in themselves and what they expect in colleagues and in the workplace. Having identified a longlist, we held a poll, which more than 1,500 employees participated in, to select the top five corporate values.

These are:

- Dynamism.
- Ownership.
- Collaboration.
- Transparency.
- Recognition.

We are now introducing a number of initiatives to embed these values throughout our organisation, to ensure that they are more than just a positive sentiment but a fundamental part of how we operate our business.

2016 Employee statistics

GVC is a highly diverse and culturally rich organisation with our workforce comprising 57 different nationalities making it both an interesting as well as a challenging place to work. The transformation of the Group meant that by the end of 2016 we had 2,338 employees.

Our future success depends upon the skills, knowledge and endeavours of our employees. We are committed to fostering and nurturing a culture that enables people to learn, develop and achieve, irrespective of their nationality or gender. Life is fast-paced and highly demanding, but for those with the right skills and temperament, there is great opportunity.

KEY EMPLOYEE STATISTICS

	2016
HEAD COUNT	
Average number of pro forma employees 2016	2,554
Number of employees prior to acquisition (31 January 2016)	2,400
Number of employees as at 31 December 2016	2,338
Net change	*2.5%*
Appointments in 2016	709
Voluntary attrition 2016	*15.5%*
Involuntary attrition 2016	*15.5%*
Redundancies in 2016	305
Total attrition	*31.0%*
Average length of service	3 Years, 11 months
AGE BREAKDOWN AS AT 31 DECEMBER 2016	
Employees under 25	203
Employees 25 to 29	585
Employees 30 to 49	1,494
Employees 50 and over	56
GENDER BREAKDOWN AS AT 31 DECEMBER 2016	
Female	822
Male	1,516

3. SUPPLIERS

Our supply chain is diverse, spanning IT, travel, sponsorship, translation services, telephony and affiliates amongst others. In 2017 we plan to integrate management of our suppliers into a single Enterprise Resource Planning system.

Our approach to supply chain management is designed to:

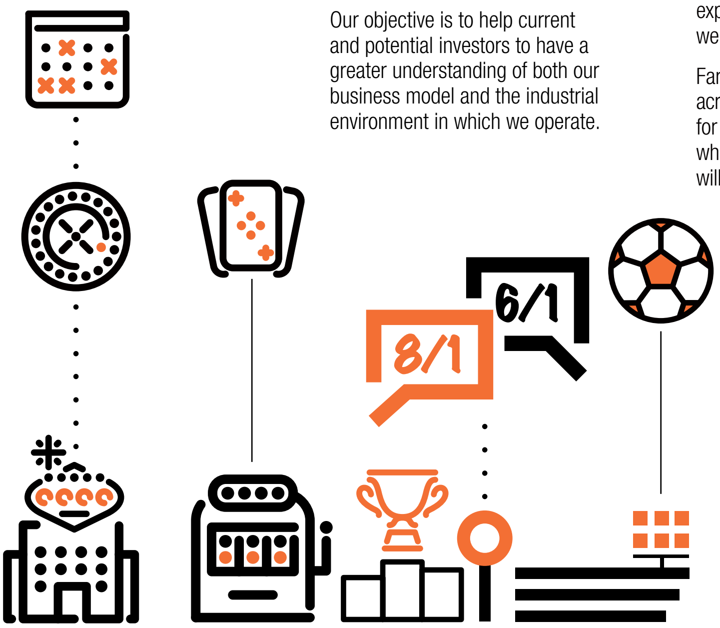
- Reduce risk;
- Develop mutually beneficial long-term business relationships; and
- Deliver best value from our suppliers on a long-term basis.

Our procurement policy includes a "Supplier Acknowledgement and Self-Certification Checklist", which requests information relating to:

- Financial strength to ensure long-term reliability;
- Ability to deliver enduring quality and value;
- Commitment to innovation and ability to help us develop new products, processes and ways of working that will provide us with a commercial advantage; and
- Commitment to a wider corporate responsibility agenda relating to the environment, labour/employment standards, equal opportunities and employee rights.

In return, we aim to operate to the highest professional standards, treating our suppliers in a fair and reasonable manner and settling invoices promptly.

Our objective is to help current and potential investors to have a greater understanding of both our business model and the industrial environment in which we operate.



4. CHARITIES AND COMMUNITY ENGAGEMENT

In addition to commitment to provide a safe and secure gaming environment for our customers, we recognise we have a wider responsibility to supporting charities who work within our sector and the communities in which our offices are located. As a business we make donations to a variety of responsible gambling organisations across multiple countries.

CSR goes beyond responsible gaming and as a Group we actively encourage and support our employees' involvement within local communities. In 2016, our staff contributed over 1,400 hours on a varied range of community projects including homeless shelters, children's orphanages, helping the elderly and animal shelters.

In 2016, our employees were involved with homeless projects in Austria, Bulgaria and Gibraltar, while in Austria and London we also worked with a number of local charities for the elderly. Meanwhile, in Hyderabad, our employees have a long standing tradition and commitment of working closely with numerous charities, having financed the building of clinics and extensive work with orphanages. Wildlife projects supported during the year included cleaning up a local beach in Gibraltar to help protect local marine life and the building of new enclosures for the Wildlife Heritage Foundation.

The acquisition of bwin.party significantly increased the scale of our business and with our subsequent admission to the FTSE 250 Index, it is appropriate that we evaluate our CSR policies.

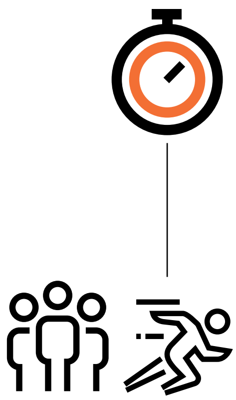
In 2017 we intend to substantially increase our contribution to responsible gambling charities/organisations. However, as mentioned above, we also believe we have a significant responsibility to contribute positively to the many communities in which we operate. In total we have budgeted to more than double our financial commitment to our CSR programme in 2017.

In addition to a substantial increase in our financial support, we have also committed to expand our successful Pro Bono engagement programme to 15 locations from five currently. Furthermore, we have doubled the number of hours individuals are able to contribute. Last year employee participation in the Pro Bono scheme was around 20% and this year we are aiming to achieve at least 25%. If successful, we expect to more than treble the number of hours of support given to our local communities.

The increased support and investment in community projects also enables us to expand the number of good causes that we work with. In January of this year we welcomed on board FareShare.

FareShare redistributes surplus, in-date food to charities and community groups across the UK, including nearly 200 in London. Their food saves millions of pounds for the voluntary sector and reaches people in genuine need in the communities where we live and work. In addition to a financial contribution, employees of GVC will also be volunteering at FareShare's Regional Centre in London.

1,400 hours
contributed by our staff in 2016 on a varied range of community projects including homeless shelters, children's orphanages, helping the elderly and animal shelters.



5. ENVIRONMENTAL IMPACT

We are a low-impact company, but we are not complacent and monitor our environmental performance by measuring the water and energy we consume, the amount of physical waste we produce and the amount of CO_2 gas we produce through air travel. We currently monitor these impacts from our six main offices and plan to roll out monitoring across our locations this year.

Key metrics show that:

- A total of 3,554 air flights taken by employees producing an estimated 865 metric tons of CO_2.
- Our highest energy consumption resulted from our eight data centres, which consumed 8.4 million KWh of electricity in total.
- On average, each full-time employee in our six main offices every month used:
  - 289 KWh of electricity;
  - 801 litres of water; and
  - produced 6.5kg of waste.

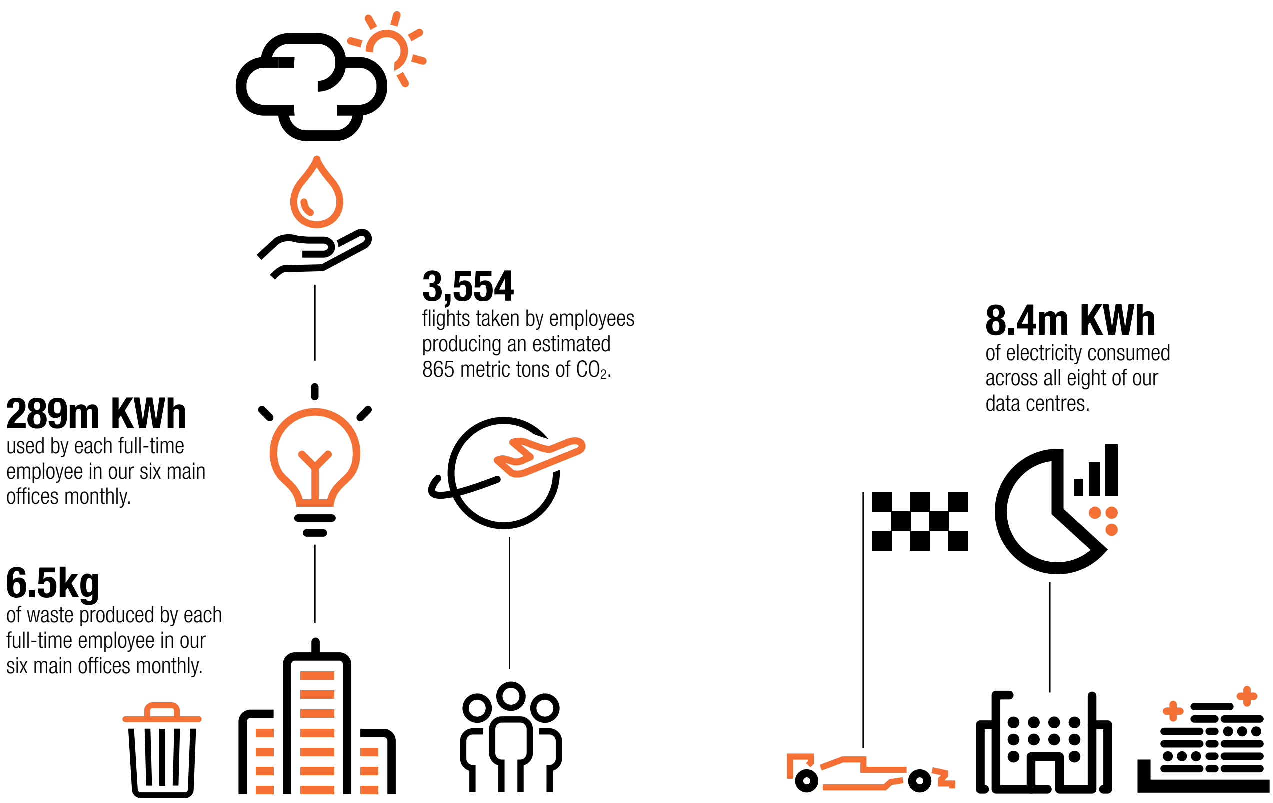
Our approach to the environment and the community goes beyond our own business. Our suppliers' corporate responsibility agenda relating to the environment is also assessed before we enter into contractual arrangements. We believe that by aligning our interests we can make a contribution towards sustaining our environment.

6. PROVIDERS OF CAPITAL

The online gaming sector is a rapidly evolving industry, subject to continuous change in areas including regulation, technology and competition. Our objective is to help current and potential investors to have a greater understanding of both our business model and the industrial environment in which we operate.

There is no set calendar that governs how we interact with our stakeholders, who include investors, lenders, politicians, regulators and business partners amongst others but we seek to communicate regularly through a variety of channels which include:

- Providing shareholders and lenders with regular updates on both corporate and financial developments throughout the course of the financial year.
- Regular meetings between our executive team and financial analysts, current as well as prospective investors, but with a focus around the publication of our half year and full year results.
- Investor and industry presentations, online webcasts, the publishing of financial reports and analysts' coverage, to name but a few, all of which are publicly available on our corporate website: www.gvc-plc.com
- Using our regular interactions to gain a greater understanding of investors' and other stakeholders' perceptions about our strategy, performance and prospects.



REPORT OF THE CHIEF FINANCIAL OFFICER

PAUL MILES – CHIEF FINANCIAL OFFICER

Having joined GVC as CFO in February 2017, it is my pleasure to deliver such a strong set of results.

In line with the approach contained in the Report of the CEO, both "pro forma" results and "actual" results are provided. Pro forma results are presented for the period as if the acquisition of bwin.party (the "Acquisition") completed on 1 January (as opposed to the actual date of 1 February) and has been accounted for as a business combination under IFRS 3.

It is worth noting the distinction between NGR, a figure before VAT, and Revenue, the "statutory" number, stated after VAT. While Clean EBITDA (earnings before interest, taxation, depreciation, amortisation, share based payments and exceptional items) is a non-GAAP measure, it is used by the Group's management to assess the underlying performance of the business.

A summary of revenue, contribution and expenditure by reporting segment is shown below:

	Pro forma		Actual	
YEAR ENDED 31 DECEMBER	2016 €m	2015 €m	2016 €m	2015 €m
Sports Labels	4,488.3	4,312.6	4,272.3	1,683.0
Games Labels	65.2	77.1	58.9	–
SPORTS WAGERS	4,553.6	4,389.7	4,331.3	1,683.0
Sports margin %	9.6%	8.6%	9.6%	9.2%
Sports Labels	653.9	575.7	620.7	215.1
Games Labels	203.5	211.8	188.3	32.6
B2B	14.2	14.2	13.3	–
Core	871.6	801.7	822.3	247.7
Non-core	23.0	20.5	21.1	–
NGR	894.6	822.2	843.4	247.7
EU VAT	(21.4)	(14.2)	(20.1)	(1.2)
REVENUE	873.2	807.9	823.3	246.5
Sports Labels	362.0	318.9	342.5	113.6
Games Labels	89.0	109.6	82.9	21.8
B2B	14.0	13.9	13.1	–
Core	465.0	442.3	438.5	135.4
Non-core	(1.0)	0.5	(1.0)	–
CONTRIBUTION	464.0	442.8	437.5	135.4
Sports Labels	55%	55%	55%	53%
Games Labels	44%	52%	44%	67%
B2B	99%	98%	98%	0%
Core	53%	55%	53%	55%
Non-core	(4%)	2%	(5%)	0%
CONTRIBUTION MARGIN	52%	54%	52%	55%
Core	195.8	195.0	185.5	62.5
Non-core	17.6	21.9	16.3	–
Corporate	45.0	62.7	42.3	18.7
EXPENDITURE	258.4	279.6	244.0	81.3
Core	269.3	247.3	253.1	72.9
Non-core	(18.6)	(21.4)	(17.3)	–
Corporate	(45.0)	(62.7)	(42.3)	(18.8)
CLEAN EBITDA	205.7	163.2	193.5	54.1

The table on page 27 highlights the bridge between the actual and pro forma numbers for the year.

Bridge between actual and pro forma results

	2016			2015		
	Actual €m	bwin.party pre-acquisition €m	Pro forma €m	Actual €m	bwin.party pre-acquisition €m	Pro forma €m
NGR	843.4	51.2	894.6	247.7	574.4	822.2
EU VAT	(20.1)	(1.3)	(21.4)	(1.2)	(13.0)	(14.2)
Revenue	823.3	49.9	873.2	246.5	561.5	807.9
Cost of sales	(385.8)	(23.3)	(409.1)	(111.1)	(254.0)	(365.1)
Contribution	437.5	26.6	464.0	135.4	307.5	442.8
Contribution margin	52%	52%	52%	55%	54%	54%
Expenditure	(244.0)	(14.4)	(258.4)	(81.3)	(198.3)	(279.6)
Clean EBITDA	193.5	12.2	205.7	54.1	109.2	163.2

NGR

NGR grew 240% to €843.4m for the year to December 2016, while on a pro forma basis it grew by 9% to €894.6m. Growth was derived from a number of factors including, more focused management, stronger sports margins and more effective product cross-sell. The Group operates in a large number of markets and currency fluctuations have an impact on reported numbers. On a constant currency basis, pro forma NGR grew by 12% in the period.

Revenues

Revenues grew by 234% to €823.3m over the 12 months, whilst on a pro forma basis they increased by 8%. VAT has been imposed since January 2015 in a number of countries, the most significant of which is Germany. VAT at the rate of 21% has now also been introduced in Belgium, a market in which GVC operates through a locally licensed partner. The financial impact is not considered to be material to the Group.

Variable costs and contribution

The key components of variable costs remain: betting taxes and duties, payment processing costs, software royalties, affiliate commissions, partner shares and marketing costs.

Contribution in the period was €437.5m in actual terms, up from €135.4m the previous year. On a pro forma basis, Contribution increased 5% to €464.0m from €442.8m for 2015. The decline in the Contribution margin on a pro forma basis to 52% from 54% principally reflected an increase in betting taxes and duties as a percentage of revenues.

Expenditure

The prime components of expenditure are personnel (representing around 56% of the cost base and technology (representing approximately 29% of the cost base). Other significant costs include real estate (with over 15 offices), travel and professional fees.

	Pro forma basis		Actual	
Year ended 31 December	2016 €m	2015 €m	2016 €m	2015 €m
Personnel expenditure	145.2	173.1	136.6	48.5
Professional fees	19.8	20.8	18.4	4.7
Technology costs	73.4	62.8	70.0	23.7
Office, travel and other costs	24.5	25.0	22.4	3.5
Foreign exchange differences	(4.6)	(2.1)	(3.4)	0.9
	258.4	279.6	244.0	81.3

Costs increased to €244.0m in the period from €81.3m in 2015, reflecting the Acquisition of bwin.party. On a pro forma basis there was an 8% reduction in expenditure to €258.4m from €279.6m. The reduction in pro forma costs reflects the synergy benefits highlighted at the time of the bwin.party acquisition and thus far this has predominantly come from personnel.

Technology costs on a pro forma basis have increased to €73.4m from €62.8m following the purchase of the CasinoClub software platform and due to increases in data and streaming costs in the year. Cost savings are expected to be realised here in 2017 as the platform migrations continue and the size of the enlarged group means it is in a better position to negotiate improved contractual terms with suppliers.

Clean EBITDA

While Clean EBITDA is a non-GAAP measure, it is used by the Group's management to measure the performance of the business. Actual Clean EBITDA increased to €193.5m from €54.1m in the previous year, boosted by the 11 month contribution from the Acquisition. On a pro forma basis, Clean EBITDA rose 26% to €205.7m.

Depreciation and Amortisation

Depreciation and amortisation for the year was €136.5m compared to €5.0m in 2015. Amortisation associated with intangible assets recognised on Acquisition was €109.5m. These assets are being amortised over periods ranging from three to 12 years.

The amortisation of capitalised development expenditure amounted to €7.0m.

	2016 €m	2015 €m
Depreciation	20.0	0.8
Amortisation		
– intangible assets recognised on Acquisition	109.5	–
– internally generated intangibles	7.0	4.2
	136.5	5.0

REPORT OF THE CHIEF FINANCIAL OFFICER CONTINUED

Exceptional items

The bulk of the exceptional items have arisen on the acquisition of bwin.party itself and subsequent restructuring.

	2016 €m	2015 €m
EXCEPTIONAL ITEMS		
Professional fees	18.8	13.5
Currency option	10.8	9.5
Bonuses and share options	21.9	–
ACQUISITION COSTS	51.5	23.0
Premium listing application costs	4.4	–
Reorganisation costs	14.4	–
Contract termination costs	11.7	–
Accelerated depreciation	12.5	–
Progressive jackpots	7.6	–
Release of contingent consideration	8.1	–
Foreign exchange on deposit	16.4	–
Profit on disposal of joint venture	(11.7)	–
Other	2.9	1.5
	117.8	24.5

A currency option was taken out in 2015 in order to meet the cash confirmation requirements for the offer for bwin.party by the Company. Under the terms of the contract the Group would sell €365.0m and buy £260.7m. The movement in the sterling/euro exchange rate between 31 December 2015 and 2 February 2016 created an additional €10.8m fair value loss on the option which has been recognised within exceptional items.

The 2014 LTIP was cash settled as part of the acquisition and the after tax proceeds were rolled into the related share placing, the cost of the settlement including employer's taxes of €18.4m was taken as an exceptional cost. In addition Transaction bonuses of approximately €3.0m were paid to the Directors and the vast majority of the after tax proceeds were also rolled into the share placing and €0.5m was paid to other employees in the Group.

Both the legacy GVC business and the acquired bwin.party business have progressive prize pools on casino games. Following the acquisition GVC evaluated that a change in accounting judgement was required and recognised a charge of €7.6m as an exceptional item with the liability being recorded in the balance sheet.

The contract termination costs of €11.7m relate to a legacy affiliate agreement on non-commercial terms that the Group bought out following the acquisition of bwin.party.

Foreign exchange on deposit relates to foreign exchange movements on GBP funds raised through the share placing and held on deposit for the restructuring of bwin.party.

Operating profit

The Group reported an operating loss of €81.1m for the year, compared to a profit of €27.8m the previous year. Exceptional items and amortisation associated with the Acquisition were responsible for the reported loss in 2016. Excluding exceptional items and amortisation associated with the Acquisition, the Group's operating profit was €146.2m compared to €52.3m in 2015.

	2016 €m	2015 €m
Clean EBITDA	193.5	54.1
Share based payments	(31.1)	(0.4)
Exceptional items	(117.8)	(24.5)
Depreciation & amortisation	(136.5)	(5.0)
Impairment of available for sale asset	(4.2)	(1.2)
Changes in the fair value of derivative financial instruments	15.0	4.8
Operating loss/(profit)	(81.1)	27.8

The share based payment charge of €31.1m comprises €25.1m for the Group's LTIP and MIP share option schemes and a €6.1m charge for share awards for employee incentive plans.

Financing charges

These comprise: interest on indebtedness (principally loans), an accounting charge for debt free amortisation, other debt administration fees and foreign exchange movements. Financial charges totalled €65.3m for the year compared to €2.3m for 2015.

	2016 €m	2015 €m
Interest on Cerberus loan	46.0	1.2
Amortisation of loan fees and early repayment option	19.0	–
Finance lease interest	0.1	0.1
Unwinding of interest on non-interest bearing loan	–	0.2
Unwinding of discount on deferred consideration	–	0.1
Foreign exchange revaluation	–	0.7
Other interest	0.2	–
	65.3	2.3

(Loss)/Profit Before Tax

The Group reported a loss before tax of €138.6m against a profit of €25.5m in 2015. As noted above, the loss was primarily due to the exceptional items and amortisation associated with the Acquisition. Excluding exceptional items and amortisation associated with the Acquisition, the Group achieved an adjusted Pre Tax Profit of €93.8m, a 102% increase against €46.4m for 2015.

	2016 €m	2015 €m
(Loss)/profit before tax	(138.6)	25.5
Exceptional items	117.8	24.5
Impairment of available for sale asset	4.2	1.2
Changes in the fair value of derivative instruments	(15.0)	(4.8)
Amortisation of acquired intangibles	109.5	–
Dividend income	(3.1)	–
Amortisation of loan fees and early repayment option	19.0	–
ADJUSTED PROFIT BEFORE TAX	93.8	46.4

Taxation

The Group is currently headquartered in the Isle of Man, with key operating subsidiaries in Gibraltar (where the headline rate of corporation tax is 10%) and Malta (5%), as well as a number of jurisdictions with higher tax rates. For the year ended 31 December 2016 the tax charge/credit was €0.0m, the corporation tax charge was €11.8m and there was a deferred tax credit of €11.8m.

Earnings per share

Reported EPS for the period was a loss of 51 euro cents, compared to earnings of 40 euro cents profit for 2015, reflecting the amortisation and exceptional items associated with the acquisition, together with the increased number of shares in issue. Adjusted EPS (based on adjusted profit) was 26 euro cents compared to 73 euro cents for 2015.

YEAR ENDED 31 DECEMBER	2016 €m	2015 €m
Basic EPS	(51)	40
Basic, fully diluted EPS	(51)	38
Adjusted EPS	26	73
Adjusted, fully diluted EPS	26	70

Dividends

As part of the terms of the Cerberus Loan taken out to part finance the Acquisition, the Group undertook to take a dividend holiday until 1 February 2017 (the first anniversary of the Acquisition). In November 2016 the Group declared its intention to pay a special dividend of 10 euro cents per share. This was subsequently increased to 14.9 euro cents and settled in sterling at 12.5p and paid to shareholders on 14 February 2017.

The second special dividend declared of 15.1 euro cents per share will take the total dividend for the 2016 financial year to 30 euro cents per share.

Review of the balance sheet

A summarised balance sheet is shown below:

	2016 €m	2015 €m
Goodwill	1,090.3	132.9
Intangible assets other than goodwill	519.1	22.2
Property, plant and equipment	19.7	1.4
Other non-current assets	8.6	2.6
NON-CURRENT ASSETS	1,637.7	159.1
Cash and cash equivalents	354.8	28.2
Balances with payment processors	60.0	21.7
Derivative financial assets	26.2	3.8
Assets and liabilities held for sale	37.0	–
Client liabilities	(112.0)	(14.8)
Progressive prize pools	(22.8)	–
Loans and borrowings	(403.5)	(3.0)
Net taxation payable	(58.7)	(3.3)
Other net current assets/(liabilities)	(44.5)	(41.0)
Current assets less current liabilities	(163.5)	(8.4)
Non-current liabilities	(76.9)	(22.6)
NET ASSETS	1,397.3	128.1

REPORT OF THE CHIEF FINANCIAL OFFICER CONTINUED

Acquisition of bwin.party

The acquisition of bwin.party completed on 1 February 2016 and offer consideration was made up of 25p in cash plus 0.231 GVC shares in exchange for each bwin.party share, and accounted for at a currency rate of £1:€1.3205.

	€m
Amount paid by GVC:	
– value of stock issued	1,201.5
– value of cash component	278.5
– options settled post Acquisition	26.6
Value of offer	1,506.6
Assets at fair value	542.7
Goodwill recognised	963.9

Net debt and liquidity

	2016 €m	2015 €m
Loans due <1 year	(386.5)	–
Loans due >1 year	–	(23.0)
Gross debt	(386.5)	(23.0)
Cash and cash equivalents	367.0	28.2
Less client liabilities	(112.0)	(14.8)
Net debt	(131.5)	(9.6)
Balances with payment processors	60.0	21.7
Net debt adjusted for payment processors	(71.5)	12.1
Reconciliation to note 25.5.2:		
Net debt	(131.5)	(9.6)
Accrued loan interest and fees	(17.0)	0.2
Progressive prize pools	(22.8)	–
Cash within assets held for sale	(12.2)	–
Non-interest bearing loan	–	3.0
	(183.5)	(6.4)

In October 2016, the Group secured a one year (with options to extend for an additional 6 or 12 months) €250m loan facility from Nomura International plc (the "Nomura Loan"), which was used (fully drawn down in January 2017) to repay part of the €400m loan provided by Cerberus Business Finance LLP (the "Cerberus Loan") associated with the acquisition of bwin.party digital entertainment plc. The Nomura Loan provided a short term facility at a significantly reduced overall cost from that associated with the Cerberus Loan.

In March 2017, the Group signed a €320m Senior Secured Term and Revolving Facility ("the Facility") comprising a six-year €250m term loan (the "Term Loan") and a five-year €70m revolving credit facility ("RCF"). The Term Loan was used to fully repay the Nomura Loan.

In the normal course of business the Group's long-term strategy is to maintain leverage (net debt to Clean EBITDA) below 2x.

Loan and borrowings

The year end loan balance of €403.5m comprised €386.5m of debt principal and €17.0m of fees and interest due to Cerberus.

Assets and liabilities held for sale

The Group has classified "Kalixa", its payments processing business, as held for sale, the sale was announced in December 2016 for a total cash consideration of €29.0m with potential adjustments of up to €35.5m. It is expected to complete in H1 2017. The balance sheet value comprises assets held for sale totalling €59.7m including €12.2m of cash, and liabilities held for sale of €22.7m.

Derivative financial assets

This consists of two main components, the WinUnited option (€3.7m) and the early repayment option associated with the Cerberus Loan (€22.5m).

The Group entered into an agreement in 2015 with WinUnited to provide day-to-day back office operations for the WinUnited business and as part of this agreement obtained a call option to purchase the WinUnited assets. In the year the value of the option reduced from €3.8m to €3.7m.

As part of the financing agreement with Cerberus, the Group had the option of terminating the loan early by 1 February 2017. The option was initially recognised at €7.4m but during the year it became clear that the Group could re-finance at more advantageous rates. This led to the fair value of the option being increased to €22.5m. A credit has been taken to the income statement for this in the year.

Progressive prize pools

Both GVC and bwin.party have progressive prize pools on casino games. Following the Acquisition GVC evaluated that a change in accounting judgement was required and recognised a charge of €7.6m as an exceptional item. The combined Group liability at the end of 2016 was €22.8m.

Deferred taxation

Deferred taxation has arisen on the intangible assets recognised on the Acquisition of bwin.party. The liability recognised within non-current liabilities at 31 December was €65.6m.

Cashflow

The table below shows a simplified cashflow for the year:

	2016 €m	2015 €m
Clean EBITDA	193.5	54.1
Capitalised software development and other intangibles	(19.0)	(5.0)
Property, plant and equipment purchases	(15.8)	(1.2)
Interest paid including loan costs	(47.6)	(9.0)
Corporate taxes	(7.9)	(0.6)
Other working capital movements	(31.9)	6.7
FREE CASHFLOW	71.3	45.0
Exceptional items (cash)	(86.4)	(14.6)
Acquisition of bwin.party (net of cash acquired)	(189.4)	–
Proceeds of issued share capital net of costs	193.8	–
Proceeds from disposal of assets held for sale	20.9	–
Interest bearing loan drawdown	380.0	20.0
Repayment of loans	(55.5)	(3.2)
Dividends paid	–	(34.3)
Other cash movements	4.8	(2.4)
NET CASH GENERATED	339.5	10.5
Foreign exchange	(0.7)	(0.1)
Cash and equivalents at beginning of the year	28.2	17.8
CASH AND CASH EQUIVALENTS AT END OF YEAR	367.0	28.2

Cash has increased to €367.0m at 31 December 2016 from €28.2m following the acquisition of bwin.party.

To fund the Acquisition the Group drew down a further €380.0m from the Cerberus loan facility and issued shares with proceeds net of costs of €193.8m. The cash cost of acquiring bwin.party was €189.4m and comprises €305.1m paid to share and option holders net of €116.2m of cash acquired.

During the year the Group repaid €55.5m of loan balances. The repayments consisted of the final €3.0m instalment of the William Hill loan, a €13.5m repayment of the Cerberus Loan and €39.0m of loan balances for bwin.party.

The principal items within other working capital movement relate to the settlement of 2015 employee remuneration arrangements across both GVC and bwin.party, and the settlement of trade creditors.

Paul Miles
Chief Financial Officer

23 March 2017

PRINCIPAL RISKS

There are a number of potential risks and uncertainties which could have a material impact on the Group's future performance. To mitigate against these risks, the Group conducts a continuous process of assessments that examine whether any risk has increased, decreased or become obsolete; identify new risks; and evaluate the likelihood of each risk occurring and the impact it would have on the Group.

Our principal risks fall into five broad categories which are set out below, along with how we seek to manage them. More detail on our approach to risk management can be found in the Audit Committee Report on pages 46 to 50 of this Annual Report:

1 TECHNOLOGY

The Group's customer offer includes products operated using different labels and gaming licences, the majority of which are now driven by the Group's proprietary technology obtained through the acquisition of bwin.party.

In an industry where service reliability and integrity are key differentiating factors, our continual commitment to providing a reliable, safe, secure, compliant and continuous service has continued to be the Group's focus this year.

Subsequent to the acquisition of bwin.party, the Group initiated a significant technology platform migration which carries inherent project risk.

Other technology-related risks, such as our continuing operations in the event of a natural or man-made disaster, have been addressed with a substantial investment and both the Group's disaster recovery and business continuity solutions.

With continuous shifts in how consumers choose and are able to access our services (via different devices and/or channels), the process of maintaining and improving our technology will become more complex.

Mitigating factors

In May 2016, the Internal Audit function performed a cyber security review over the key systems and interfaces that collectively form the gaming platform, over both the bwin.party and GVC infrastructures. The resilience to cyber and denial of service threats have been carefully considered and improved upon following the recommendations arising from this review.

Furthermore, the Group has committed to maintain its ISO 27001 Information Security Management System certification, and is progressing with consolidating its ISO 27001 certification across the locations inherited through the bwin.party acquisition. Part of this process involves an internal audit review from an information security perspective of all certified sites across a three-year cycle, which form part of the internal audit annual calendar.

The technology platform migration has been executed in phases, by label and territory to minimise risk and customer impact. The Group aims to complete the migration by the end of 2017 and subsequently decommission legacy systems.

2 REGULATION

Focusing on nationally regulated and/or taxed markets safeguards our gaming revenues from potential national legislation threatening to prohibit or restrict one or more of the products that we offer, or online gaming entirely. There are potential risks for the Group from all markets where regulation is not clearly defined or adopted, especially in relation to EU law.

Mitigating factors

To manage this risk, the Group maintains a dialogue (either directly or indirectly) with national governments and regulators of to-be regulated markets. The Group's compliance and regulatory affairs teams keep abreast of the regulatory landscape and report to the Board on any developments. However, it should be noted that most of the risks in relation to the regulatory landscape are outside of the Group's direct control.

Operating in nationally regulated and/or taxed markets requires the Group to comply with the rules and protocols of the particular regimes. Currently, the Group holds 31 licences each with their own unique regulatory requirements. The need to sometimes develop bespoke technological, operational and promotional offers in each market requires significant investment. The Group is committed to meeting its licence obligations and monitors its compliance with regulatory requirements by performing reviews of its licensed operations on a periodic basis, with the results reported to the Audit Committee. The Group also submits the licensed entities to a series of external audits by regulators and industry specialists to ensure that policies and procedures are being followed as intended.

3 TAXATION

The Group has companies and employees spread over a number of jurisdictions which creates tax risk if actions and decisions are being made in the wrong jurisdictions by the wrong companies. In addition, these companies contract with one another for services which are subject to scrutiny by local tax authorities.

The Group's strategic focus is to operate in nationally regulated and/or taxed markets. Revenues earned from customers located in a particular jurisdiction may give rise to further taxes in that jurisdiction. If such taxes are levied, either on the basis of existing law or the current practice of any tax authority, or by reason of a change in law or practice, then this may have a material adverse effect on the amount of tax payable by the Group.

On 1 January 2015, new VAT rules came into force across the EU impacting several areas of the digital economy. Gambling has typically been exempt from VAT but falls within the rules for VAT on electronically supplied services. Under EU law, Member States have the ability to apply VAT to gambling, subject to certain limitations and conditions, and tax may be due depending on where customers are located and how Member States implement any exemption. Whilst substantial uncertainty remains, in light of the new rules the Group is now filing for, and paying VAT, in certain EU Member States. It is possible that VAT could be payable in other EU Member States.

Mitigating factors

Group companies operate only where they are incorporated, domiciled or registered across countries. The multi-location set up of the Group gives rise to transfer pricing risk, mitigated by the fact that all intra-group transactions are documented and take place on an arm's length basis unless local legislation or other business conditions make an arm's length basis impossible or impractical.

Following the acquisition of bwin.party, the transfer pricing arrangements are in the process of being reviewed by the Group's Director of Tax. As well as holding workshops with senior management and business unit leaders, he also meets at least once a year with the Board to review tax strategy and management.

4

COUNTRY & CURRENCY RISK

Whilst the continuing uncertainty in the global economic outlook inevitably increases the trading and balance sheet risks to which the Group is exposed, the diversified nature of the Group's business means that such risks are not disproportionately different from any other commercial enterprise of a similar scale and international reach. Conditions in the Eurozone remain challenging and reference has already been made in previous statements to the challenging economic backdrop in several European countries, reducing the spending power of customers particularly in Southern European countries, which the Group has attempted to reflect in its financial forecasts. The weaker European economies are also increasing the risk of currency volatility and the potential for significant currency devaluation and business disruption if one or more of these countries exit the euro currency. Accordingly, the Group's treasury processes and policies are designed with the aim of minimising the Group's exposure to the Eurozone economic risk and preserving our ability to operate if such events arise.

The functional currency of the Company and a majority of the Company's subsidiaries is the euro. Consequently, those GVC companies that have adopted the euro as their functional currency ensure their financial assets and liabilities in non-euro currencies are equal and that any residual balance is held in euros. With the so-called "GIPSI" countries (Greece, Ireland, Portugal, Spain and Italy), if one or more of these countries exits the euro then the Group may be exposed to a currency devaluation of its financial assets to the extent that the financial assets located in the exiting jurisdiction exceed its financial liabilities.

Mitigating factors
The Internal Audit function facilitated a review of the enlarged Group's Treasury and Cash Management process in June 2016. The Group adopted a Treasury policy, which dictates that all material transaction and currency liability exposures are hedged with financial derivatives or cash.

The Treasury policy also requires that wherever practical and subject to regulatory requirements, the financial assets located in each GIPSI country are limited so they do not exceed the financial liabilities associated with that jurisdiction.

5

IMPACT OF BREXIT

On 23 June 2016, a referendum was held to determine whether the United Kingdom remains in the European Union (EU). In light of the decision to leave the EU, in addition to the increase in the volatility of both the global currency and financial markets, it may reduce the Group's ability to operate on an unfettered basis in certain EU markets that have tried to restrict competition in their domestic market from online gaming companies based overseas. The Group, along with other EU based online gaming operators, have previously relied on the ability to challenge such protectionist measures through the EU Court of Justice ("CJEU"). In the event that the UK, and by extension Gibraltar (being a UK protectorate), was to leave the EU, unless the Group was to re-domicile certain of its subsidiaries within the EU, it would no longer be able to rely on such protection. Such a re-domiciliation could give rise to higher taxes payable.

Mitigating factors
A Brexit task force has been formed, led by the Group Head of Legal, Compliance and Secretariat alongside members of senior executive management. The purpose of the task force is to closely monitor the situation, propose various contingency plans and, subject to Board approval where appropriate, execute them as the UK navigates through the EU exit process, with minimal business interruption and customer impact.

VIABILITY STATEMENT

In accordance with the obligations of the UK Corporate Governance Code, the Board of GVC is required to provide its assessment within the Annual Report and Accounts of the viability of the Group over an appropriate period of time. Accordingly, the Directors have assessed the viability of the Group over a three year period to December 2019, taking account of the Group's current position and the potential impact of the principal risks as outlined on pages 32 to 33 of this Annual Report.

A three-year period was deemed appropriate for this assessment as it best reflects the strategic planning and budgeting process required for the implementation of Group's strategy. The Board has completed a thorough review of threats with the potential to compromise the Group's business model, future performance, solvency, liquidity and its resilience to those risks.

Key factors the Board considered within this review included:

- Progress of the integration the bwin.party business acquired in February 2016 including the migration of customers on to a single technology platform.
- The delivery of the €125m by 2017 annualised synergies resulting from the acquisition by the end of 2017.
- The secured nature of the Group's long-term debt facility comprising a €250m term loan and a €70m revolving credit facility.
- The diverse nature of the Group's revenue base across both geographical markets and online gaming product segments.
- The Group's ability to adapt to regulatory change in regard to online gaming and increase in taxation that may result from such change.

Having completed this review, the Board has full confidence that the Company will be able to continue operating and be will be able to meet its liabilities over the three year period to December 2019.

GOVERNANCE AT WORK

The Board looks to encourage a culture of strong governance across the business, and continues to adopt the principles of good governance by adhering to the requirements of the UK Corporate Governance Code. The Board is collectively responsible to the Company's shareholders for creating and preserving the long-term success and performance of the business. The key principles of the code are outlined below:

LEADERSHIP

The Board provides leadership either directly or through the operation of its committees. The Chairman is ultimately responsible for the make-up and composition of the Board to best deliver the business strategy.

EFFECTIVENESS

The Board sets the strategic objectives and approves and monitors performance against budgets and forecasts. An evaluation process is regularly undertaken to ensure Board members have the necessary skills in place. Being effective also means maintaining relationships and continued engagement with shareholders.

ACCOUNTABILITY

The Board is responsible for establishing and maintaining the risk management and internal controls and has delegated the responsibility to ensure compliance with the new code to the Audit & Risk Committee.

REMUNERATION

The role of the Remuneration Committee is to determine and maintain a fair reward structure that attracts the right talent and incentivises Directors to deliver its strategic objectives and maintain stability of management.

“WE UNDERTOOK AN EXTENSIVE CORPORATE GOVERNANCE JOURNEY IN 2016.

Lee Feldman
Chairman of the Board
23 March 2017

GVC successfully undertook an extensive corporate governance journey in 2016. We started the year as an AIM-listed company, before obtaining a Standard Listing on the London Stock Exchange's Main Market on 2 February in conjunction with the completion of the acquisition of bwin.party. The Company then went through the process of transferring to a Premium Listing. This required a significant amount of work upgrading the Company's corporate governance processes and procedures. GVC successfully transferred to a Premium Listing on 1 August.

During 2016 GVC appointed three new Non-executive Directors to the Board. Stephen Morana, who also took on the role of Chairman of the Audit Committee, is widely recognised for his accounting and e-commerce expertise, particularly as a specialist in the online gaming sector having spent ten years as part of the management team at Betfair plc, serving as Chief Financial Officer and also interim CEO in 2012. Peter Isola is an expert in gaming law and regulation with experience advising numerous e-commerce clients. Norbert Teufelberger was the former CEO of bwin and bwin.party and has nearly 20 years of experience in online gaming operations.

Both Stephen and Peter are regarded by the Board as independent, thereby ensuring that, excluding the Chairman, and in accordance with the UK Corporate Governance Code's recommendation, the Non-independent Directors are not in a majority.

In 2017, we have appointed two further directors. Paul Miles was appointed Chief Financial Officer on 28 February following Richard Cooper's departure from that role after nine years. In addition, as disclosed previously, the Board has been searching for a Senior Independent Director to enhance the Board's knowledge and decision-making process and to comply with the UK Corporate Governance Code's recommendation. I am pleased to inform shareholders that the Board has today announced the appointment of Will Whitehorn as the Senior Independent Director. Will is a highly experienced business professional and is a significant appointment to the Group. He is Deputy Chairman and Senior Independent Director of Stagecoach Group plc and is an Independent Non-executive Director of Purplebricks plc. The search process for this role is set out in the Nominations Committee's Report on pages 44 and 45.

Following today's Senior Independent Director appointment, the Company is now in compliance with all but one of the recommendations of the UK Corporate Governance Code, the remaining exception relating to certain contractual termination terms for myself and the CEO which pre-date the Company becoming Premium Listed (please see page 42).

LEADERSHIP: EXPERIENCE ACROSS THE BOARD

LEE FELDMAN

Non-executive Chairman of the Board

Lee Feldman 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. From 2008 through 2015, he was also the CEO of Aurora Brands: the owner of both MacKenzie-Childs and Jay Strongwater, the iconic American luxury home furnishings and personal accessories companies. Feldman was named the CEO of Aurora Brands when Twin Lakes led the acquisition of the business. He is also a member of the board of directors of 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.

- Nominations Committee (Chairman)
- Remuneration Committee

KENNETH ALEXANDER

Chief Executive Officer

Kenneth Alexander 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.

PAUL MILES

Chief Financial Officer

Paul Miles joined GVC in February 2017 as Chief Financial Officer. A Chartered Accountant, Paul has held a number of senior finance roles in regulated industries, encompassing international and online operations. Previous roles include Group Financial Controller at insurance group RSA Group plc and Acting Group Finance Director of Phoenix Group plc, the FTSE 250 life assurance operator. Paul joined Wonga as CFO in 2014 as a key member of an executive team brought in to restructure the business.

WILL WHITEHORN

Senior Independent Director

Will Whitehorn joined GVC in March 2017. He is the Deputy Chairman and Senior Independent Director at Stagecoach Group plc and is an independent Non-executive Director of Purplebricks Group plc. He is also a member of the First Minister of Scotland's "GlobalScot" Business mentoring network, President of the Chartered Institute of Logistics and Transport and Chairman of the Scottish Gallery and Scottish Event Campus Limited. Previously, Will joined the Virgin Group in 1987 and served as Group Public Relations Manager and as Brand Development and Corporate Affairs Director, as well as being a founding director of Virgin Games, before being appointed as President of Virgin Galactic from 2007 to 2011. He is also a former non-executive Chairman of Next Fifteen Communications Group plc, Crowd Reactive Limited and Speed Communications Agency Limited, and was a member of the Science & Technology Facilities Council ("STFC") until 2012, chairing its Economic Impact Advisory Board and was a Non-executive director of STFC Innovations Limited.

KARL DIACONO

Independent Non-executive Director

Karl Diacono joined GVC as a Non-executive Director in December 2008. He chairs the Remuneration Committee and serves on the Audit Committee. He holds a Masters Degree in Management and is currently CEO of the Group that is a regulated Corporate Service Provides and holds a license to Act as Trustees issued by the Malta Financial Services Authority. He is also a non-executive director on a number of companies as well as other online gaming companies and 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.

- Remuneration Committee (Chairman)
- Audit Committee

PETER ISOLA

Independent Non-executive Director

Peter Isola joined the GVC Board in 2016 following the move to the Main Market of the LSE as an expert in gaming law and regulation with experience advising numerous e-commerce clients. Peter Isola is the Senior Partner of Isolas, Gibraltar's longest established law firm. He is a Gibraltarian, domiciled in Gibraltar and in 1982 was called to the Bar of England and Wales and also Gibraltar. Peter has worked in the gaming and financial services sector all his professional life and is widely recognised and respected as a leading expert in gaming and regulation. Peter is a former President of the Gibraltar Chamber of Commerce and advises the Gibraltar Government on a number of committees in both financial services and gaming. He is a director of a number of Gibraltar regulated firms in financial services, gaming and e-commerce including Gibraltar International Bank Limited, Callaghan Insurance Brokers Limited and Sapphire Networks. He was recently appointed a Commissioner of the Gibraltar Financial Services Commission.

- Audit Committee
- Nominations Committee
- Remuneration Committee

STEPHEN MORANA

Independent Non-executive Director

Stephen Morana is widely recognised for his e-commerce expertise, particularly as a specialist in the online gaming sector having spent ten years as part of the management team at Betfair plc. Stephen joined Betfair in 2002, becoming Chief Financial Officer in 2006 and also served as Interim CEO in 2012. After Betfair, Stephen spent over three years at Zoopla Property Group as CFO where he helped them join the FTSE 250 in June 2014. Stephen joined the Board of GVC in February 2016 following the successful acquisition of bwn.party digital entertainment plc and the enlarged Group's move to the Main Market of the LSE. Stephen is also an NED and Audit Committee Chairman at Boohoo.com plc, the high growth fast fashion business. Stephen is a qualified chartered accountant and a member of the INSEAD alumni.

- Audit Committee (Chairman)
- Nominations Committee
- Remuneration Committee

NORBERT TEUFELBERGER

Non-executive Director

Norbert Teufelberger has been involved in the global casino and gaming industry since 1989. He occupied key positions with Casinos Austria, was a consultant to the Novomatic Group of companies and co-founded a land based casino company currently listed on the Nasdaq Capital Market. Norbert joined the GVC Board from bwin.party digital entertainment plc ("bwin") following the acquisition in February 2016 having been CEO of bwin since 2001. He joined bwin in September 1999 and was instrumental in drawing up the initial business plan of the company and the subsequent structuring and preparation for its public listing. He holds a Masters in Business Administration from the University of Economics and Business Administration in Vienna.

LEADERSHIP: CORPORATE GOVERNANCE OVERVIEW

HOW THE BOARD OVERSEES MANAGEMENT AND THE BUSINESS

MANAGEMENT

CEO

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

CFO

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

CHAIRMAN

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

SID

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

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

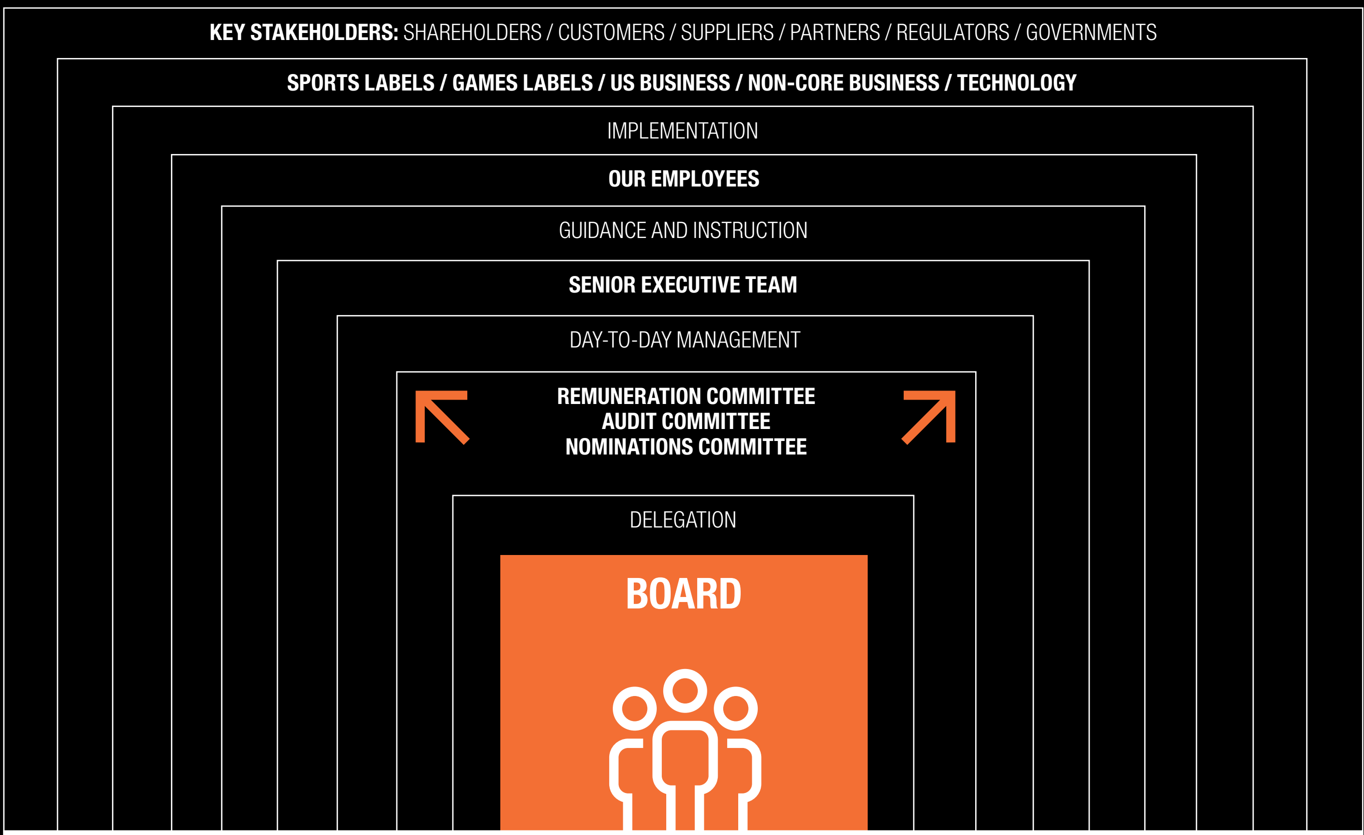
NED

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

OVERSIGHT

THE ROLES ON THE BOARD

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



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

The Board currently comprises of eight Directors and their biographies are set out on pages 36 and 37.

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

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

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

EFFECTIVENESS: GOVERNANCE CONTINUED

How does the Board ensure it is effective?

Composition

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

CHAIRMAN
LEE FELDMAN

	Non-independent	
Independent	**Non-executive**	**Executive**
Karl Diacono	Norbert Teufelberger	Kenneth Alexander
Peter Isola		Paul Miles
Stephen Morana		(Richard Cooper until 28.02.17)
Will Whitehorn		

Knowledge and experience

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

- Accountancy
- Electronic payments
- Entertainment
- Finance and investment
- Gaming
- Healthcare
- Insurance
- Law and regulation
- Property
- Retail
- Technology
- Transport

Diversity

The Board is also diverse geographically, with nationals from the USA, UK, Austria, Gibraltar and Malta. This aids the Board's discussions and decision-making process given our businesses operate in international markets.

For the last six years there has been general encouragement for companies to appoint more women as directors, in recognition that more than half the world's population is female and they may encourage an improved Board decision-making process, with more insightful and balanced deliberations. The GVC Board supports the rationale for seeking greater gender diversity on boards of directors and considers this diversity matter during the recruitment process. It is GVC's aim to have at least one women serving on the Board in the next 12 months, although the Board is mindful that gender is one of a handful of key areas of consideration and the Board will always focus on a candidate's experience, knowledge and skills as critical selection drivers.

Tenure and succession

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

Director	First election	Tenure
Karl Diacono	2009	8
Peter Isola	2016	1
Stephen Morana	2016	1
Will Whitehorn	2017	0

Regular meetings

During 2016 the Board had five scheduled meetings. Attendance at these meetings was as follows:

Director	Meetings entitled to attend	Meetings actually attended
Kenneth Alexander	5	5
Richard Cooper	5	5
Karl Diacono	5	5
Lee Feldman	5	5
Peter Isola	4	4
Stephen Morana	4	4
Norbert Teufelberger	4	4

These meetings covered the following areas of business:

- The legal mechanics of effecting the acquisition of bwin.party.
- The appointment of two new independent Non-executive Directors.
- Regular reports from the Executive Directors.
- Regular reports from the senior executive team on operations, business integration, product development, regulatory developments, litigation and investor relations.
- 2015 audited Annual Report.
- Planning the step up to the Premium Listing.
- Implementing various corporate governance steps expected of a Premium Listed company.
- BREXIT contingency planning.
- Block listing shares in regard to various share plans.
- Preparing for the 2016 AGM.
- Reviewing and approving all steps required for the step up to a Premium Listing, including the working capital and FPPP reports and audited financial statements.
- Options for refinancing the loan from Cerberus taken up to facilitate the financing of the acquisition of bwin.party.
- Review of the Group's tax strategy and management.
- Appointment of a Disclosure Committee to assist with compliance with the Company's new Market Abuse Regime obligations.
- Approving the 2016 half year results.

- Appointment of a new Chief Financial Officer.
- Reports from the Chairmen of the Audit, Remuneration and Nominations Committees.
- Merger and acquisition opportunities.
- The disposal of non-core assets.

In addition to the scheduled meetings described above, ad hoc Board meetings were also convened at short notice in 2016, to deal with the following matters:

- Agreeing the Nomura bridging loan for repaying the Cerberus loan in February 2017.
- Consideration of potential corporate transaction opportunities.
- Adopting the Company's distribution policy and the payment of a special dividend.

Board meetings are usually held in Gibraltar, where the Group's gaming business is headquartered. The Company's articles of association prohibit any Board or Board Committee meeting from being held in the United Kingdom.

Meetings without Executive Directors present

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

How does the Board decide on making changes to its membership?

The Board has adopted a formal and transparent procedure for the appointment of new Directors by appointing a Nominations Committee to lead the process of appointment and make recommendations to the Board. The Nominations Committee also advises the Board on its structure, size, composition and matters of Director and senior management succession. A report from the Nominations Committee on its work appears on pages 44 to 45.

How do Directors develop in the role and fulfil their duties?

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

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

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

In accordance with best practice, the Board conducts an evaluation of the performance of the Board, its committees, individuals and the Chairman. For the 2016 evaluation process, the Directors followed the process described in the chart below. A third party advisory firm was not engaged on this occasion to facilitate the exercise, but in accordance with the Code's recommendation, the Board will retain such a firm to support the annual evaluation process at least once every three years.

A list of evaluation questions is drawn up by the Chairman in consultation with the Company Secretary. Any questions relating to the performance of the Chairman of the Board are set by the SID in consultation with the Company Secretary.

↓

The questions are circulated to the Directors via a secure website and are answered online.

↓

The Secretary collates the results and reports the results to the Chairman and the feedback on the Chairman's performance to the SID.

↓ ↓

The Chairman discusses the results of the Board, individual and committee performance evaluations with the Board and with individual Directors where necessary. Possible options for addressing any issues arising from the review are considered and action agreed.	The SID meets with the Non-executive Directors to review the results of the evaluation of the Chairman's performance. The SID then discusses with the Chairman these results and any further feedback from the Non-executive Directors.

For the purpose of conducting the 2016 review only, because the Company did not have a SID, Stephen Morana, the Audit Committee Chairman, stepped in to fulfil the SID's role in this evaluation process.

What came out of the first performance evaluation processes?

Matters identified	Action taken
More regular access to the senior management team	To begin from the next Board meeting
Risk mitigation management	The Board and Audit Committee to more effectively challenge management on the mitigating action taken to manage risk
Increase knowledge and understanding of executive remuneration practices and developments	Greater access to be given to PwC, the remuneration consultant, beginning with the design of the new 2018 remuneration policy

EFFECTIVENESS: GOVERNANCE CONTINUED

How does the Board oversee financial reporting, risk management and internal controls?

The Board is required to present a fair, balanced and understandable assessment of the Company's position and prospects. This responsibility to present a fair, balanced and understandable assessment extends to interim and other price-sensitive public reports and reports to regulators, as well as to information required to be presented by statutory requirements. The Board is also responsible for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives and, as a consequence, it has to maintain sound risk management and internal control systems. The Board has appointed a committee of independent Directors, the Audit Committee, to monitor these areas and report and make recommendations to the Board. Please see the Report of the Audit Committee on pages 46 to 50.

How does the Board decide what Directors and employees should be paid?

The Board is responsible for setting the levels of remuneration for the Executive Directors and the senior executive team. It is required to set remuneration at levels sufficient to attract, retain and motivate directors of the quality required to run the Company successfully, but should avoid paying more than is necessary for this purpose. The Board has delegated these remuneration matters to a committee of Non-executive Directors, the Remuneration Committee. The Directors' Remuneration Report prepared by the Remuneration Committee is set out on pages 51 to 63. The fees paid to the Non-executive Directors are a matter for the Board on a recommendation from the Executive Directors.

How does the Board engage with shareholders?

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

Throughout the year the Chairman, CEO, CFO and Head of Investor Relations meet with shareholders on request or via organised investor roadshows supported by GVC's brokers, as well as by attending and presenting at industry and investor conferences. During 2016, there were many such meetings, hosted in the UK, mainland Europe and the US.

The Senior Independent Director is also available to shareholders if they have concerns which contact through the Chairman, CEO or CFO fails to resolve or if contact is inappropriate.

Major shareholders also have the opportunity to meet newly appointed Non-executive Directors should they wish, but in practice our shareholders have not to date taken up this offer.

Who are GVC's major shareholders?

As at 20 March 2016, GVC's major shareholders were:

Shareholder	Number of Shares	% of Issued Share Capital/ Total Voting Rights
Standard Life Investment Holdings Limited	33,238,094	11.30
The Capital Group of Companies, Inc.	14,652,094	4.98
Janus Capital Management, LLC	11,522,047	3.92
Majedie Asset Management	10,504,658	3.57

As at 20 March 2017, the Company had 294,199,190 shares in issue. Each share carries the right to one vote. The above shareholding information is based on the last notification made by the shareholder under the Disclosure & Transparency Rule requirements.

When is the Annual General Meeting ("AGM")?

Tuesday 20 June

A separate notice convening the AGM in Gibraltar will be dispatched to shareholders more than 20 working days before the AGM. The AGM notice will list each item of business, which will be dealt with by its own separate resolution. All the Directors will each stand for re-appointment and there will be separate resolution proposed for each re-appointment.

All Directors will be present at the AGM to answer questions from those shareholders that attend.

In accordance with best practice, the Chairman will exercise his discretion under the articles and call for all resolutions to be decided on by a poll vote rather than a show of hands. The voting results will be announced via a regulatory news service and published on GVC's corporate website shortly after the AGM closes.

Does the Company comply with the UK Corporate Governance Code?

Prior to listing on the Main Market, the Company chose not to comply with the Code, because it was not required to as an AIM listed business. After the Company obtained a Standard Listing in February 2016 and in preparation for applying to step up to a Premium Listing, GVC worked to align its policies, procedures and practices to comply with the Code's recommendations. Since GVC obtained a Premium Listing on the London Stock Exchange on 1 August 2016 the Company has complied with the Code's recommendations except in two respects:

- Until 23 March 2017 the Board had not appointed a Senior Independent Director. Following the appointment today of Will Whitehorn the Company now complies with this recommendation.
- As previously disclosed to shareholders and as set out in the Directors' Remuneration Report on page 58, in certain termination scenarios the Chairman and the CEO are entitled to two years' notice in respect of remuneration and bonus payments. These contractual obligations were entered into prior to the Company obtaining a Premium Listing and the Code being applicable to the Company.

Has the Company allotted or acquired any of its shares during 2016?

During the year, the Company issued a total of 231,991,749 new ordinary shares in respect of the acquisition of bwin.party, the satisfaction of various bwin.party share incentive plans and the Company's share incentive plans.

Are there any other statutory or good practice disclosures?

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

Going concern
The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the "Strategy" section (page 9) of this Annual Report. The financial position of the Group, its cashflow, liquidity position and borrowings are set out in the aforementioned section. In addition, note 25 to the financial statements on pages 99 to 103 includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The Group has considerable financial resources together with a large number of players and long-term contracts with a number of corporate customers and suppliers across different geographic areas and industries. As a consequence, the Directors believe the Group is well placed to manage its business risks successfully in the current despite the current challenging economic outlook.

At 31 December 2016, the Group was in net current liabilities position due to loans existing at that point. The Group subsequently has negotiated a long-term borrowing facility at a significantly reduced cost to the business.

After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report.

Statement of Directors' Responsibilities

The Directors have elected to prepare the Annual Report and the financial statements for the Company and the Group in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS").

The Directors are responsible under applicable law and regulation for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group, for safeguarding the assets and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

International Accounting Standard 1 ("IAS") (revised) requires that financial statements present fairly for each financial year the Group's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's "Framework for the Preparation and Presentation of Financial Statements". In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable International Financial Reporting Standards. A fair presentation also requires the Directors to:

- select suitable accounting policies and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements; and
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with Article 4 of the IAS Regulation. 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 addition, the Directors at the date of this report consider that the financial statements taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's performance, business model and strategy.

Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

In accordance with DTR 4.1.12 of the Financial Conduct Authority's Disclosure and Transparency Rules, the Directors confirm to the best of their knowledge:

- the Group's financial statements have been prepared in accordance with IFRS and Article 4 of the IAS Regulation and give a true and fair view of the assets, liabilities, financial position and profit and loss of the Group; and
- the Annual Report includes a fair review of the development and performance of the business and the financial position of the Group and the Company, together with a description of the principal risks and uncertainties that they face.

Directors' report

Together with the CEO's review (pages 6 to 8), the Operational overview (pages 16 to 20) and Chief Financial Officer's Review (pages 26 to 31) sections of this Annual Report, this corporate governance section (pages 34 to 63) constitutes the Directors' Report for the year ended 31 December 2016.

Lee Feldman
Chairman

23 March 2017

ACCOUNTABILITY: NOMINATIONS COMMITTEE REPORT

Who are the members?

LEE FELDMAN – CHAIRMAN
PETER ISOLA
STEPHEN MORANA

With the exception of the Chairman, all the members are deemed independent by the Board. Lee Feldman was deemed independent when appointed Chairman of the Board.

What does the Nominations Committee do?

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

The terms of reference for the Nominations Committee are available on GVC's corporate website at:

http://gvc-plc.com/archive/governance/Nomination-Committee-tor.pdf.

How many times did the Nominations Committee meet in 2016 and who attends?

The Nominations Committee was established by the Board in April 2016. The Nominations Committee met once in 2016 and all members were present.

The Company Secretary attends all Nominations Committees to record meetings and provide advice to the Directors.

The CEO is normally invited to attend each meeting and the HR Director may be invited to attend from time to time to participate in discussions about succession planning.

What has the Nominations Committee been doing?

In 2016 the Nominations Committee addressed the need to recruit a new Chief Financial Officer following Richard Cooper's decision to step down as a Director in early 2017. Guided by the Chairman and CEO, with assistance to find suitable candidates from Sheffield Haworth, a recruitment firm, Paul Miles, the Chief Financial Officer at Wonga, was eventually identified as the appropriate successor to fill the Chief Financial Officer position. Following a recommendation from the Nominations Committee, the Board decided to proceed with the appointment of Paul Miles, who joined the Company on 20 February 2017 and became Chief Financial Officer on 28 February 2017.

The Nominations Committee retained Heidrick & Struggles in 2016 to find candidates with the necessary knowledge and expertise to take on the Senior Independent Director ("SID") role. Following various discussions and meetings amongst the Nominations Committee members and candidates, in March 2017 the Nominations Committee recommended to the appointment of Will Whitehorn as a Non-executive Director. The Board resolved to make this appointment with effect from 23 March 2017.

Both Sheffield Haworth and Heidrick & Struggles follow best practice and adopt the Voluntary Code of Conduct for Executive Search Firms.

As disclosed on page 40 of these corporate governance statements, the Directors are conscious of the general political and cultural desire to have greater gender diversity on boards of directors. Whilst women candidates were eligible for the roles mentioned above, the Nominations Committee has begun a specific process of identifying female candidates with the necessary skills, knowledge and expertise to join the Board as an independent Non-executive Director. The aim is to have appointed at least one female Director by the end of 2017. The Nominations Committee intends to follow the process set out below:

The Nominations Committee agrees a specification for the independent Non-executive Director role.

↓

The Nominations Committee decides on which search and selection firm to use for the project.

↓

With the role specification the search and selection firm look for suitable candidates.

↓

The recruitment firm presents a long-list of candidates with biographies for the role which is reviewed by the Nominations Committee and the candidates narrowed down to a short-list.

↓

The recruitment firm ascertains the chosen candidates' availability and interest in the role and arranges interviews with the Nominations Committee members.

↓

Candidates interviewed by the Nominations Committee members, who then feedback to the Chairman. The candidates also meet with the CEO to give them the opportunity to ask questions about the Group's business.

↓

The Nominations Committee meets and decides on which candidates to recommend for appointment to the role.

↓

The Board considers the recommendations from the Nominations Committee and resolves whether to make an appointment or refer the recruitment process back to the Nominations Committee for further work.

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

Has the Nominations Committee reviewed the Group's succession plans?

The Nominations Committee started a process for formalising and documenting a succession plan for the Directors and members of the senior management team. The plan covers short-term emergency cover in the event someone is incapacitated or unavoidably unavailable on a temporary basis and also long-term succession should an individual leave the Group.

A working draft succession plan was reviewed by the Nominations Committee in March 2017 and is subject to further development to ensure the plan is thorough and coherent. The revised plan will be reviewed again in 2017.

Has the Nominations Committee made any recommendations regarding the re-appointments at the 2017 AGM?

In March 2017 the Nominations Committee met and reviewed the proposed re-appointments at the 2017 AGM of:

1. Kenneth Alexander
2. Karl Diacono
3. Lee Feldman
4. Peter Isola
5. Paul Miles
6. Stephen Morana
7. Norbert Teufelberger
8. Will Whitehorn

On the basis of experience, performance, skills and commitment demonstrated, and also in light of the results of the 2016 Board evaluation results, the Nominations Committee advised the Board that it is appropriate to recommend each of the Directors for reappointment.

Lee Feldman
Chairman of the Nominations Committee

23 March 2017

ACCOUNTABILITY: AUDIT COMMITTEE REPORT

Who are the members?

STEPHEN MORANA – CHAIRMAN
KARL DIACONO
PETER ISOLA

Stephen Morana is a qualified chartered accountant and is regarded as the Audit Committee member with recent and relevant financial and industry experience.

What does the Audit Committee do?

- Monitors the integrity of GVC's financial statements and any formal announcements relating to the Company's financial performance and reviews, and challenges where necessary, the actions and judgements of management in relation to the half-year and annual financial statements before these are submitted to the Board for final approval.
- Makes recommendations to the Board concerning any proposed, new or amended accounting policy.
- Meets with the external auditors post-audit at the reporting stage to discuss the audit, including problems and reservations arising from the audit, and any matters the auditor may wish to discuss (in the absence of GVC management, where appropriate).
- Recommends the audit fee to the Board and sets GVC's policy on the provision of non-audit services by the external auditor.
- Considers and make recommendations to the Board about the appointments of the head of the internal audit function and also the external auditors as well as the re-appointment of the latter.
- Monitors and reviews the internal audit programme and its effectiveness.
- Ensures co-ordination between the internal audit department and the external auditors, and that the internal audit department is adequately resourced and has appropriate standing within GVC.
- Considers any major audit recommendations and the major findings of internal investigations and management's response (in the absence of management, where appropriate).
- Monitors and reviews GVC's systems for internal control, financial reporting and risk management.
- Reviews the individual internal audit reports covering the various areas and activities of the business.

The Audit Committee also oversees corporate social responsibility matters and in this respect ensures that the Group has policies and effective controls regarding the following:

- compliance with the gaming and financial services licences held by the Company or any of its subsidiaries;
- gambling licence probity matters;
- anti-money laundering;
- the fairness and integrity of the Company's gaming and trading systems and the process for managing any challenges to the fairness and/or integrity of these systems;
- privacy and data protection;
- charitable donations and investment in the local community; and
- the Group's suppliers and service providers.

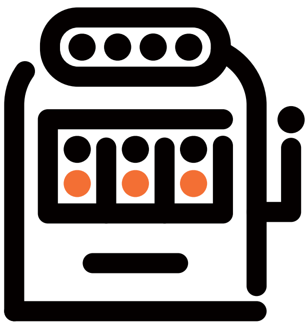
The terms of reference for the Audit Committee are available on GVC's corporate website at: http://www.gvc-plc.com/archive/governance/Audit-Committee-tor.pdf?v=230816

How many times did Audit Committee meet in 2016?

The Audit Committee met three times in 2016 and attendance was as follows:

Director	Attendance and total number of meetings to which the Director was entitled to attend
Stephen Morana	3/3
Karl Diacono	3/3
Peter Isola	3/3

The Company Secretary attends all Audit Committee meetings to take the minutes and advise the Directors where required. The Internal Audit Executive and external audit partners/directors also attend every Audit Committee meeting and during the year the Audit Committee does periodically meet with these individuals without any GVC management present. The Chief Executive Officer ("CEO"), Chief Financial Officer ("CFO"), and senior members of the finance function are normally invited to attend each meeting.



Who is responsible for the preparation of the GVC financial statements?

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

DELEGATION

GVC's finance department, led by the CFO, prepares the financial statements.

The Head of Investor Relations coordinates with the CEO, CFO and Chairman the preparation of any statements on GVC's position, performance, business model and strategy.

The Company Secretary prepares with the Chairman of the Board and the Chairmen of the various Board Committees the corporate governance statements and all Board committee reports.

EXTERNAL REVIEW

GVC's external auditors audit the annual financial accounts and review the half year accounts together with any business or corporate governance commentary. A report to Audit Committee is prepared.

COMMITTEE'S REVIEW

The Audit Committee reviews the draft financial statements and accompanying statements and meets with the external auditors to review their report. The Audit Committee proposes amendments and makes recommendations to the Board and also approves the Audit Committee's Report.

For the Annual Report, the Remuneration Committee and Nominations Committee review the Directors' Remuneration Report and Nominations Committee Report respectively, propose changes and make recommendations to the Board.

BOARD REVIEW

Board reviews the financial statements, accompanying reports and recommendations from its committees and makes changes to the disclosures where appropriate.

AUDITOR SIGN-OFF

External auditors carry out final review and sign-off the audit report (Annual Report) or review report (half year results).

BOARD APPROVAL AND PUBLISH

The Board approves the year-end financial statements and disclosures and the half year report and these are then released to the stock exchange and published on GVC's corporate website.

In respect of the financial statements and accompanying reports for the year ended 31 December 2016, the Company has followed the process detailed above. In doing so, the Directors confirm that they have reviewed the complete 2016 Annual Report and considered that taken as a whole, the Annual Report is fair, balanced and understandable and provides the information necessary for GVC's shareholders to assess the Company's performance, business model and strategy.

What significant issues did the Audit Committee consider in relation to the 2016 financial statements and how were these addressed?

During 2016 following the Company's admission to the Official List of the UK Listing Authority with a Standard Listing in February 2016, the Audit Committee engaged in reviewing the first quarter 2016 audited financial statements and working capital reports prepared for the purpose of the Company stepping up to a Premium Listing in August 2016.

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

Acquisition accounting

The GVC Group successfully completed the acquisition of bwin.party digital entertainment plc on 1 February 2016. The Audit Committee reviewed the judgements made in connection with the accounting treatment, to determine whether the assets and liabilities recognised in the financial statements are carried at an appropriate fair value. The Committee reviewed the purchase price allocation (prepared by external professional advisers), together with the underlying judgements and forecasts used to determine the fair value of intangible assets. The Audit Committee satisfied itself that the approach taken by the Group was appropriate and in accordance with IFRS 3: "Business Combinations".

Impairment of goodwill and intangible assets

During the year, the Audit Committee also considered the judgements made in relation to the valuation methodology adopted by management to support the carrying value of goodwill and other intangible assets to determine whether there was a risk of material misstatement in the carrying value of these assets and whether any impairment should be recognised. The Committee considered the assumptions, estimates and judgements made by management to support the models that underpin the valuation of intangible assets in the balance sheet. Business plans and cashflow forecasts prepared by management supporting the future performance expectations used in the calculation were reviewed. This was further facilitated by the review of the reporting accountant's findings on the Group's working capital report as part of the move to the Premium Listing Segment of the UKLA, where models in respect to market growth, projections and projected cash flows were independently tested. The impairment review was also an area of focus for the external auditor, who reported their findings to the Committee. The Committee satisfied itself that no material impairments were required to the carrying value of goodwill or other intangible assets, as outlined in note 8 to the financial statements.

ACCOUNTABILITY: AUDIT COMMITTEE REPORT CONTINUED

Provisions for legal and regulatory compliance
The Directors keep abreast of all known or potential regulatory or legal claims against the Group that may arise from the Group's operations. The Directors receive frequent updates from the Group's Head of Legal, Compliance & Secretariat and external legal counsel. During the year, the Audit Committee reviewed the likelihood of the outcomes of various claims lodged against the Group and/or its Board members as disclosed in note 27 to the financial statements.

As there have been no material developments with the cases disclosed in note 27 to the financial statements, the Audit Committee is satisfied that no provisions other than those outlined in note 20 to the financial statements, are necessary at this present time. Should any of these cases develop materially during the course of 2017, the Audit Committee will consider if any provision needs to be made in respect of the relevant cases.

Taxation
During the year, the Board reviewed the Group's tax strategy and considered whether it was aligned with the Group's commercial strategy, approach to corporate governance, the attitude to risk and the Group's business models. The Board also reviewed external parameters, including the impact on the tax strategy of the changing tax environment. The Board concluded that the adopted tax strategy is appropriate in a year of significant change for the Group following the acquisition of bwin.party, supports the Group's business strategy whilst simultaneously addressing the risks associated with tax effectively. Owing to the dynamic nature of the online gaming sector and the Group's business in particular, the Board has decided to review the Group's tax strategy and management and will meet with the Group's Director of Tax at least once a year.

Who are the external auditors and how long have they been appointed?

During the year ended 31 December 2016, Grant Thornton UK LLP was appointed under an engagement letter to act as auditor to enable the Company to meet its obligations to prepare financial statements in accordance with the Listing Rules.

Grant Thornton UK LLP were originally appointed in 2010 just after the Company's re-domiciliation from Luxembourg to the Isle of Man. A member firm of the Grant Thornton network, Grant Thornton Lux S.A. previously held office as the Company's auditors, since 2008. Since their initial appointment, their re-appointment has been approved by shareholders each year at the AGM. Shareholders approved the re-appointment of the external auditors at the 2016 AGM, with 99.9% of the votes cast voted in favour of re-appointment. A resolution will be proposed at the 2017 AGM to re-appoint Grant Thornton LLP as the external auditors.

What is GVC's policy on putting the external audit out to tender?

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

The current external auditors have served the Company since 2008. Taking into account the Financial Reporting Council's advice on companies transitioning to putting the external audit out for tender to comply with this recommendation and the EU Regulation and the timing of the audit partner rotation, the Board has decided on the recommendation from the Audit Committee to put the external audit out for tender in 2018. Thereafter the external audit will be put out for tender at least once every ten years.

The Audit Committee have adopted an Auditor Rotation and Tendering Policy which follows the above mentioned recommendations and regulation.

How did the Audit Committee go about assessing the effectiveness of the external audit process?

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

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

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

What non-audit services did Grant Thornton provide in 2016?

The Audit Committee has established a policy regarding the appointment of external auditors to perform non-audit services for the Group and keeps this under continual review, receiving a report at each Audit Committee meeting. This policy dictates that in the Company's financial year, the total fees for non-audit services provided by the external auditors, excluding non-audit fees for due diligence for acquisitions and other specific matters noted below, should not exceed 70% of the average of the total fees for audit services they provided in the preceding three year period. In the year ended 31 December 2016, the total non-audit fees as a percentage of the audit fees paid to the external auditors was 12.8%.

In addition to their statutory duties, Grant Thornton LLP is also employed where, as a result of their position as auditors or for their specific expertise, they either must, or the Audit Committee accepts they are best placed to, perform the work in question. This is primarily work in relation to matters such as shareholder circulars, Group borrowings, regulatory filings and certain business acquisitions and disposals. In such circumstances the Audit Committee will separately review the specific service requirements and consider any impact on objectivity and independence of the auditors and any appropriate safeguards to this. As such the Audit Committee believes it appropriate for these non-audit services to be excluded from the 70% cap calculation set out above. In the year ended 31 December 2016 the total fees paid to the external auditors in respect of due diligence for acquisitions was €0.39m.

The Company has also adopted a policy on external auditor independence to help ensure the independence of the current external auditors is not compromised.

Does GVC have an internal audit department and how is it effective?

The Internal Audit & Risk Management ("IA") function facilitates and advises on the Group's risk process, for which the Company's Board is ultimately responsible.

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

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

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

The sections below on risk illustrate how IA supports the business through driving improvements to GVC's control environment and adding value in core business areas in the context of the Group's risk profile.

The Board, with the support of the Audit Committee, has completed its annual review of the effectiveness of the internal system of control, and is satisfied that it is robust and in accordance with best practice. In doing so the Directors acknowledge that GVC's system of internal control can only reduce the probability that business risks might impede the Company in achieving its objectives, it cannot eliminate these risks and can therefore provide only reasonable, not absolute, assurance against material misstatement or loss.

How are risks to the business identified?

The Board has overall accountability for ensuring that risk is effectively managed across the Group and, on behalf of the Board, the Audit Committee reviews the effectiveness of the risk process. Each business area is responsible for identifying, assessing and managing the risks in their respective area along working within the parameters of IA's risk assurance guidance facilitating the process.

IA held a series of meetings and workshops during 2016 to ascertain:

(i) whether a risk had increased or decreased;

(ii) whether a risk remained unchanged or had become obsolete;

(iii) whether any new risks were now relevant, especially from recent key business events and changes; and

(iv) the probability of a risk materialising and its associated level of impact.

Given the complexity of the Group's operations, the risk register remains a central repository for management and the Directors to review and oversee risk issues effectively.

Risks identified are measured against a defined set of criteria, requiring the consideration of the likelihood of an occurrence and the associated potential clean EBITDA impact to the Group. The extent to which an event is likely to occur is scored from 1-4, 1 being remote i.e. very unlikely to occur and 4 being probable, where it has the potential to occur or has already happened. The impact is measured on a similar scale, where 1 is low, with limited damage to a minor stakeholder, and 4 being severe, which causes substantial damage to the company's reputation with many key stakeholders. The product of both scores gives rise to the residual risk score that determines the relative importance of the individual risk.

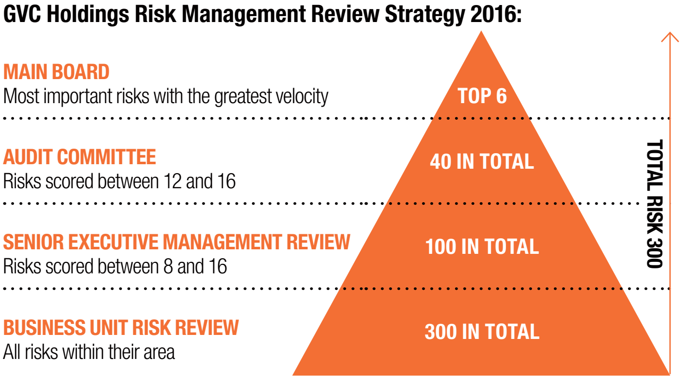
This information is combined with a consolidated view of the business area risks. The top risks (based on likelihood and impact) are migrated onto a risk register, which is reviewed periodically by the Group's senior executive management team, ahead of it being submitted to the Audit Committee for consideration and direction. In some instances key risks will be escalated to the Board for final decision, sometimes with a recommendation from the Audit Committee.

ACCOUNTABILITY: AUDIT COMMITTEE REPORT CONTINUED

The table below is an actual extract of the risk register, illustrating our approach to evaluating risk:

RISK NO	10.22
AREA	Group Finance (Treasury)
MOVEMENT	Static
RISK TITLE	Exchange rate volatility
RISK VELOCITY	MEDIUM
DESCRIPTION	The risk that exchange rate losses can occur due to extremely rapid shifts in the exchange rates due to market volatility
RISK CATEGORY	Economic, Financial & Market Risk
EXISTING CONTROLS/ACTION TAKEN	1. Currencies are held in the required currency and there are predefined exposure limits on other currencies. 2. Reporting currencies and functional currencies have been aligned, reducing the exposure to exchange rate fluctuations on reported results. 3. FX has been removed from the Clean EBITDA.
RISK SCORE	
Impact	2
Likelihood	3
Residual Risk Score	6
PREVIOUS RISK SCORE	
Impact	2
Likelihood	3
Residual Risk Score	6
Risk Action	TOLERATE
Action Required	Director of treasury to continue to monitor exchange rates and ensure that enough balances are held in those currencies required
Date	Nov-16
Responsible Leadership Member	CFO
Responsibility	Director of Treasury
Target Date	Ongoing

GVC Holdings Risk Management Review Strategy 2016:



How are these risks managed?

To ensure our risk process drives continuous improvement across the business, the Internal Audit function monitors the ongoing status and progress of key action plans against each risk regularly. In addition, risk appetite and mitigation matters remain a key consideration in all strategic decision-making by senior executive management and the Board.

The main categories of risk identified currently by this process are as follows:

- **Technology** – the risk of developing and maintaining product offering on proprietary software.
- **Regulation** – the risk that changes outside the control of the Group affect its ability to operate and that without compliant systems and processes in place the Group could breach regulatory requirements.
- **Taxation** – the risk that the Group incurs increased tax expenditure as a result of changes outside of the Group's control.
- **Country and currency risk** – the risk of adverse foreign exchange movements due to countries exiting the Euro.
- **Impact of Brexit** – the risk that the Group's ability to operate in certain EU markets is impeded.

Further details on the Group's principal risks and actions to mitigate them are provided in the Principal Risks section on pages 32 and 33.

Is there a whistleblowing policy?

The Group adopted and published a formal "whistleblowing" procedure by which employees can, in confidence, raise concerns about possible improprieties in financial or other matters. This procedure is set out in the Group's employee handbooks having first been reviewed and approved by the Audit Committee.

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

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

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

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

Stephen Morana
Chairman of the Audit Committee

23 March 2017

REMUNERATION: DIRECTORS' REMUNERATION REPORT

for the year ended 31 December 2016

PART A – ANNUAL STATEMENT

Dear Shareholder

As the Chairman of the Remuneration Committee, I am pleased to present the Board's report on remuneration policy and practice for the first time as a Premium listed company for the year ended 31 December 2016.

On 1 February 2016 we acquired bwin.party digital entertainment plc ("bwin.party") and were admitted to the Main Market of the London Stock Exchange. As a Company incorporated in the Isle of Man we are not required to comply with The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 ("the Regulations"). We have, however, determined to follow best practice in terms of corporate governance and take pride in maintaining the transparency of our remuneration arrangements and as a result have chosen to adopted the Regulations together with the attached voting requirements.

Structure of the report

- Annual Statement (page 51)
- Directors' Remuneration Report "at a glance" (pages 52 to 54)
- Directors' Remuneration Policy (pages 55 to 59)
- Annual Report on Remuneration (pages 59 to 63)

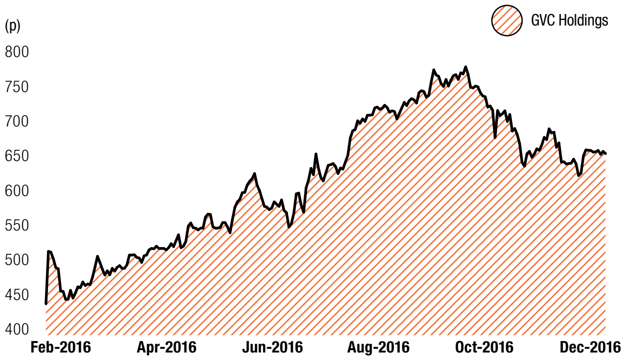
Company highlights for the 2016 financial period

2016 was a transitional year for the Group as a result of the acquisition of bwin.party and our move from the AIM to the Main Market. Throughout the acquisition and transition, the Executive Directors and senior management team have continued to drive the Group's strategy to extend its position in the sport betting and gaming sector. The highlights of our 2016 performance included:

- Net Gaming Revenue up 9% to €894.6m (+12% in constant currency)
- Clean EBITDA up 26% to €205.7m
- Adjusted Profit Before Tax €93.8m vs €46.4m in 2015
- Two special dividends totalling 30c declared in respect of the 2016 annual results
- Long-term refinancing secured with oversubscribed institutional debt issue

This is reflected in the 47% increase in the share price from 1 February 2016 (when the acquisition of bwin.party completed) to 31 December 2016.

SHARE PRICE PERFORMANCE



Source: LSE

Remuneration decisions on admission to the Main Market

We set out in our 2015 Annual Report details of the proposed changes to the current remuneration arrangements on completion of the acquisition in February 2016, which had been overwhelmingly approved by GVC's shareholders in December 2015. These included:

- No increase to salaries/fees to reflect the enlarged group.
- No annual bonus arrangements.
- Amounts outstanding under previous incentive plans being paid/cash cancelled with any after-tax amounts invested in new GVC shares with a lock up period for 1 year from 1 February 2016.
- A new long-term incentive plan ("LTIP") to be introduced under which market priced options will be granted following admission.

Implementation of Remuneration in 2017 and approval of policy

As set out above, immediately following admission, Executive Directors were granted market priced options which are due to be fully vested in August 2018. No further awards are intended to be granted under this plan and as such in 2017 Executive Directors (excluding the new CFO appointed on 28 February 2017) will only be entitled to Base Salary, Benefits and Pension. On joining it was agreed that the new CFO would, for 2017, also be entitled to a bonus opportunity of up to 100% of salary.

Given that the current options run to August 2018, the Remuneration Committee felt that reviewing and proposing a new incentive structure for approval in 2017 was premature, particularly given the ever evolving executive remuneration environment. As such for 2017 we will only be proposing a Remuneration Policy in respect of Base Salary, Benefits and Pension. In the coming months the Committee will complete a full review of the executive remuneration package with the aim of developing the appropriate approach to incentives that support the ongoing strategy of the Company. We will consult fully with our major shareholders by October 2017 on any proposed new incentive arrangements and will welcome your comments and feedback. At the 2018 AGM the Remuneration Committee will then put to shareholders a revised Remuneration Policy including new incentive arrangements.

Karl Diacono
Chairman, Remuneration Committee

23 March 2017

REMUNERATION: DIRECTORS' REMUNERATION REPORT CONTINUED

PART B – OUR REMUNERATION AT A GLANCE

How have we performed in the 2016 financial year?

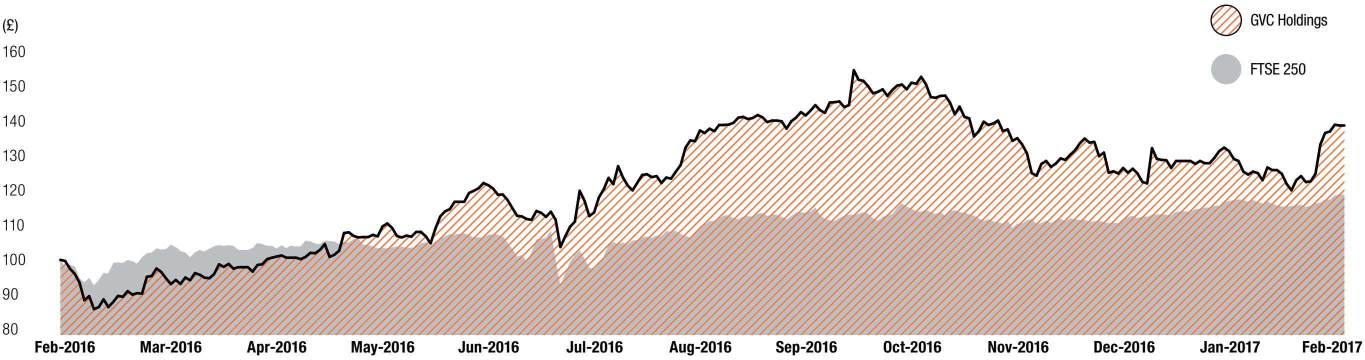
KPIs

- Net Gaming Revenue up 9% to €894.6m (+12% in constant currency)
- Clean EBITDA up 26% to €205.7m
- Adjusted Profit Before Tax €93.8m vs €46.4m in 2015
- Two special dividends totalling 30c declared in respect of the 2016 annual results
- Long-term refinancing secured with oversubscribed institutional debt issue

TSR

The following chart shows how this performance has flowed through to the Company's total shareholder return performance over the period:

TOTAL SHAREHOLDER RETURN: GVC VS FTSE 250



Source: Datastream

What have we paid our Executives in the 2016 financial year?

The following table sets out the single figure of remuneration for the year. The Company's Executive Directors have material interests in shares (either through outright ownership or rights to shares). The purpose of this equity is to align the Executive Directors with shareholder's interests and to ensure that Executives share the same ownership experience. We have therefore set out the single figure of remuneration for the Executive Directors for the year and the change in the value of their equity over the period:

Executive	Single figure 2015 €m	Single figure 2016 €m	Change in Value of Equity over the year €m
Kenny Alexander (CEO)	4.69	22.19	17.63
Richard Cooper (CFO)	2.43	11.17	8.81

The above table demonstrates the importance of the impact on the wealth of the Executive Directors of the equity held with the impact of the share price over the year resulting in 79% of the value of the single figure. It is the Committee's view that this material ongoing shareholder alignment is an important pillar of the current and any future remuneration policy operated by the Company.

What is the Equity exposure of our Executive Directors?

As stated above it is a core facet of the remuneration policy of the Company that the Executive Directors acquire and hold material shareholdings in the Company. The chart below shows the level of equity held beneficially and under option by the Executive Directors as a % of salary.

How will we implement our Remuneration Policy in the 2017 financial year?

Change of director

As described more fully in the body of the Annual Report, Richard Cooper left GVC on 28 February 2017 and was succeeded by Paul Miles. On departure Richard Cooper received a full year's salary for 2017 and all unvested option awards at the time of his retirement will lapse. His replacement, Paul Miles will be awarded an annual bonus opportunity for 2017 of 100% of base salary and 350,000 market value options on the same terms as the legacy awards (see further details on page 56).

Base salary

Base salary is determined by reference to the individual's experience, performance, responsibility and pay levels across the Group more generally. Current base salary levels for Executive Directors are presented below:

	From 1 January 2017	From 1 January 2016	Increase
K Alexander	£731,000	£731,000	0%
R Cooper	£403,000	£403,000	0%
Paul Miles	£350,000	–	–

Benefits

Taxable benefits provided will continue to include private health insurance, life insurance and accommodation allowances. Benefits in kind are not pensionable and are not taken into account when determining basic salary for performance related remuneration.

Pension

The Company does not currently offer pension arrangements to Executive Directors.

Annual bonus

As part of his remuneration package agreed on recruitment, Paul Miles has the opportunity to earn an annual bonus equal to 100% of base salary for the year ended 31 December 2017. The annual bonus is subject to the achievement of a net gaming revenue growth performance condition and 100% of the bonus will paid out for successful achievement of the performance condition. The bonus payable to Paul Miles is assessed on the same basis as the performance condition for other senior executives who participate in the bonus arrangement.

The Committee is of the opinion that disclosing precise targets in advance would not be in shareholders' interests. Except in circumstances where elements remain commercially sensitive, actual targets, performance achieved and awards made will be published at the end of the performance periods so shareholders can fully assess the basis for any pay-outs.

Long-Term Incentive Plan

In association with his recruitment and once the Company is no longer in a closed period following the release of its 2016 annual results, a one-off award will be made to Paul Miles of a share option over 350,000 on the same terms as the legacy awards.

Fees to be provided in 2017 to the Non-executive Directors

The following table sets out the annual fee rates for the Non-executive Directors:

Fee component	2017	2016	% change
Chairman fee	£180,000	£180,000	0%
Senior Independent Director Fee	£155,000	–	–
Non-executive Director base fee	€100,000	€100,000	0%
Audit Committee Chair Fee	€25,000	€25,000	0%
Fee paid to Norbert Teufelberger[1]	£175,000	£175,000	0%

1. Norbert Teufelberger was the former CEO of bwin.party. His role on the Board is to help with the integration of bwin.party into the Group and with implementation of the post-completion plan. He also advises on the Group's strategy in German-speaking markets. The appointment is for an initial term of two years.

How is our approach to incentives linked to the Company strategy?

The following table sets out a number our key corporate objectives and how they support the implementation of the Company strategy:

Incentive Plan	Profit generation	Dividend income	Share price growth	Alignment of interest with shareholders through equity holding
OPTION PLAN	The grant of options provides participants with the ability to receive a bonus equivalent to the dividends paid on the shares subject to the option. In order to ensure dividends can be paid the Company has to deliver sufficient levels of profitability.	Management are directly aligned with shareholders' interests by receiving dividends on their options and shares already held.	The options only provide value if the share price exceeds the exercise price set. This encourages management to focus on long-term sustainable share price performance.	The management of the Company have material shareholders as a result of the options granted and shares retained.

REMUNERATION: DIRECTORS' REMUNERATION REPORT CONTINUED

PART B – OUR REMUNERATION AT A GLANCE CONTINUED

How do we share our success with our Employees?

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

- We will provide a competitive package compared to the relevant market for each employee;
- We will ensure all employees share in the success of the business through an element of performance-based pay; and
- We ensure a transparent and fair cascade of remuneration throughout the Company.

The following table sets out our approach in more detail:

Item	Details
A competitive pay package	We position ourselves as a market competitive employer in relation to the external market. At GVC our policy is to ensure that employees receive a fair living wage for their location.
An opportunity to share in our success	We operate all-employee bonus plans based on company performance, whereby all employees are aligned to similar measures.
A tailored benefits offering	GVC provides a flexible benefit scheme that include insurance and health cover, and retail and childcare vouchers to support a positive work-life balance.
An opportunity to save for the future	Reflective of our workforce profile whereby a large proportion are young, pension contributions are provide at the statutory level with greater emphasis placed on base pay. This is in line with the remuneration approach for Executive Directors.
Training and development opportunities	We are focused on leadership and technical development across the whole organisation. We have also an established programme of training and development. The focus in 2016 was on development activities that filled the gaps in terms of leadership capability and technical development. This was very much a one-off approach as 2016 was an exceptional year in terms of the business i.e. we conducted extensive restructuring and it was not viable to have a more structured approach to development activities. The focus has changed in current months and we are now working toward building capability across all levels of the group utilising the approach detailed in the Investors in People Framework (which we hope to gain during the course of 2018). We have also an established programme of training and development. 2016 saw us start to create a new development framework for the combined group which not only will allow us to better benchmark our talent but it will also drive all training and development activities whilst at the same time be able to have an enhanced approach to succession planning.
A diverse and inclusive workplace	We pride ourselves on the diverse and varied background of our employees. GVC is a highly diverse and culturally rich organisation with our workforce comprising 57 different nationalities making it both an interesting as well as a challenging place to work. The transformation of the Group meant that by the end of 2016 we had 2,338 employees. See page 23 for further details.

The following table sets out details of our various incentive plans and how they are cascade throughout the organisation.

Plan	Participation	Summary
ALL EMPLOYEE BONUS PLAN	All employees except the CEO	A financial target is set at the beginning of the year. For 2016 the target was to achieve net gaming revenue growth of at least 7.5% every quarter compared with the equivalent quarter in 2015. The target was exceeded and bonuses paid out in cash in Q1 2017 and a small portion for senior managers in shares in Q1 2017. For 2017 a different target has been set and will be disclosed in next year's report. For 2017 the bonus is paid early in Q1 2018 if the target is met.
2016 MANAGEMENT INCENTIVE PLAN	Senior Executive Management Team (including the newly appointed CFO)	A fair market value option plan with the same strike price (£4.22) and vesting schedule as the 2015 LTIP.

PART C – DIRECTORS' REMUNERATION POLICY

This section of the report contains details of the Directors' Remuneration Policy that will govern the Company's future remuneration payments and will take effect from the date of the AGM. The Committee is responsible for establishing the policy on the remuneration of the Executive Directors. The Board is responsible for setting the remuneration of the Non-executive Directors. Awards granted prior to this first vote on Remuneration Policy at the 2017 AGM will be honoured. A binding resolution to approve this Remuneration Policy will be put to shareholders at the AGM on 20 June 2017.

1. Executive Director Remuneration Policy

As set out in the Annual Statement, for the 2017 Remuneration Policy the Committee is not proposing any ongoing incentive arrangements. This will be reviewed during the 2017 financial year with a revised policy presented to shareholders at the 2018 AGM following the shareholder consultation process in 2017. For 2017, the legacy incentive arrangements, entered into prior to the date of the report will continue to operate.

When setting Executive Directors' remuneration, the Committee has endeavoured to ensure that all Directors are provided with an appropriate remuneration framework to encourage enhanced performance and that they are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Group.

Element and strategic link	Operation	Maximum	Performance targets and recovery provisions
BASIC SALARY			
To provide competitive fixed remuneration that will attract and retain appropriate talent. Reflects an individual's responsibilities, experience and role.	An Executive Director's basic salary is set on appointment and reviewed annually or when there is a change in position or responsibility. When determining an appropriate level of salary, the Committee considers: ▪ remuneration practices within the group; ▪ the general performance of the group; ▪ salaries within the ranges paid by the companies in the comparator group used for remuneration benchmarking (when the Committee determines it is appropriate to carry out a benchmarking exercise); ▪ any change in scope, role and responsibilities; ▪ the experience of the relevant director; and ▪ the economic environment. Individuals who are recruited or promoted to the Board may, on occasion, have their salaries set below the targeted policy level until they become established in their role. In such cases subsequent increases in salary may be higher than the general rises for employees until the target positioning is achieved.	The Committee ensures that maximum salary levels are positioned in line with companies of a similar size to GVC and validated against other companies in the e-gaming industry, so that they are competitive against the market. The Committee intends to review the comparator each year and may add or remove companies from the group as it considers appropriate. Any changes to the comparator group will be set out in the section headed Implementation of Remuneration Policy, in the following financial year. In general salary increases for Executive Directors will be in line with the increase for employees. The Company will set out in the section headed Implementation of Remuneration Policy, in the following financial year, the salaries for that year for each of the Executive Directors.	A broad assessment of individual and business performance is used as part of the salary review. No recovery provisions apply.
BENEFITS			
To provide competitive benefits and to attract and retain high calibre employees.	The Executive Directors receive private health insurance, life insurance and accommodation allowances. The Committee recognises the need to maintain suitable flexibility in the benefits provided to ensure it is able to support the objective of attracting and retaining personnel in order to deliver the Group strategy. Additional benefits may therefore be offered such as relocation allowances on recruitment.	The maximum is the cost of providing the relevant benefits set out adjacent.	No performance or recovery provisions applicable.
PENSION			
To provide an opportunity for retirement planning.	The Company does not currently have a separate pension arrangement for Executive Directors. It does however provide the opportunity for all employees to participate in a Company-provided pension in line with statutory requirements.	The Executive Directors do not currently receive a pension.	No performance or recovery provisions applicable.
NON-EXECUTIVE DIRECTOR FEES			
To provide compensation that attracts high calibre individuals and reflects their experience and knowledge.	Non-executive Directors are paid an annual fee and the Audit Committee Chairman receives an additional fee for chairing the Audit Committee. The Company may pay additional fees for chairing a Board Committee if this is deemed appropriate in specific circumstances. There are no additional fees for chairing or being a member of a committee. Fees are reviewed annually based on equivalent roles in the comparator group used to review salaries paid to the Executive Directors. Non-executive Directors and the Chairman do not participate in any variable remuneration or benefits arrangements.	The fees for Non-executive Directors and the Chairman are broadly set at a competitive level against the comparator group. In general the level of fee increase for the Non-executive Directors and the Chairman will be set taking account of any change in responsibility and the general rise in salaries across employees. The Company will pay reasonable expenses incurred by the Non-executive Directors and Chairman and may settle any tax incurred in relation to these.	No performance or recovery provisions applicable.

REMUNERATION: DIRECTORS' REMUNERATION REPORT CONTINUED

PART C – DIRECTORS' REMUNERATION POLICY CONTINUED

Other contractual entitlements

As detailed in the "at a glance" section, upon appointment, as part of a market-competitive remuneration package, the incoming CFO was offered a bonus opportunity for the 2017 financial year. The maximum opportunity available is 100% of base salary. The performance measures, weightings and targets will be determined by the Committee. Further details are set out on page 55.

No other Executive Directors are eligible for a bonus.

Discretion within the Directors' Remuneration Policy

The Committee has discretion in several areas of Policy as set out in this report. The Committee may also exercise operational and administrative discretions under relevant plan rules as set out in those rules. In addition, the Committee has the discretion to amend the Remuneration Policy with regard to minor or administrative matters where it would be, in the opinion of the Committee, disproportionate to seek or await shareholder approval.

Comparison with other employees

All employees receive base salary, benefits and may contribute into a Group-provided pension where applicable. For employees below Board level, GVC operates a discretionary bonus arrangement with opportunity levels linked to seniority and role. In addition a number of key senior employees receive share options under a Management Incentive Plan ("MIP") the terms of which are the same as for the legacy awards set out below. Any differences in an individual's reward package is reflective of an individual's location, seniority and level of responsibility (see page 59 for further details on approach).

Legacy awards

The Committee reserves the right to honour any historic awards that were granted under any previous share schemes operated by the Company but remain outstanding, notwithstanding that they are not in line with the Policy set out above, where the terms of the payment or award were agreed before the new Policy came into effect. Details of these awards are set out below and also in the Annual Report on Remuneration on page 60.

It should be noted that the 2015 LTIP was separately approved by shareholders with a strong level of support as part of the acquisition of bwin.party.

	Date of grant	Number of shares under Option	Exercise price	Vesting period	Final vesting date
K Alexander	2 February 2016	8,798,075	422p	2 years 6 months	2 August 2018
R Cooper	2 February 2016	4,399,037	422p	2 years 6 months	2 August 2018
L Feldman	2 February 2016	4,399,037	467p	2 years 6 months	2 August 2018
N Teufelberger	2 February 2016	200,000	422p	2 years 6 months	2 August 2018
P Miles	TBC 2017	350,000	422p	2 years 6 months	2 August 2018

Options will vest, subject to the satisfaction of a Performance Condition, one ninth six months after the date of grant, with one ninth vesting in each subsequent quarter. In order to vest, the total shareholder return ("TSR") of the Company must rank at median or above against the FTSE 250. Each ninth of the Shares subject to the Option will have its TSR condition reviewed from the date of grant until the relevant vesting date. To the extent the TSR condition is not met at that time then it shall be tested in the next quarter and at the end of the 30-month vesting.

The options are entitled to a dividend equivalent and are exercisable up to ten years from the date of grant.

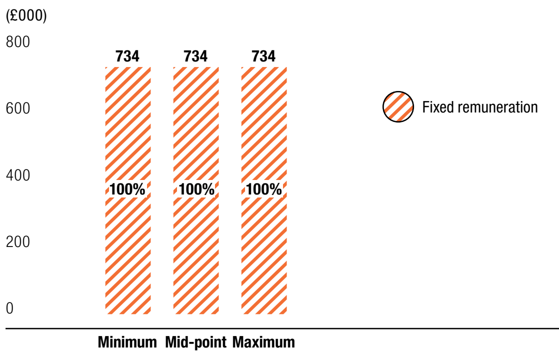
The exercise price of £4.22 in respect of the awards made to Kenneth Alexander, Richard Cooper and Norbert Teufelberger was set out in the Company's November 2015 prospectus. Due to certain limitations associated with the grant of options to individuals subject to US federal income taxes, Lee Feldman's option was granted at a higher exercise price which represents the market value of the Shares as of the date at which the scheme to acquire bwin.party became effective, being, £4.67. In order to compensate Lee Feldman for the higher exercise price, the Company agreed to pay him a cash bonus of £1,979,567 (being £4.67 less £4.22 multiplied by 4,399,037). This cash bonus is to be paid over the 30-month vesting period of his option, but only upon vesting and satisfaction of the TSR performance condition attaching to the options.

Paul Miles joined the Company on 20 February 2017 and was appointed CFO on 28 February 2017. It is the Company's intention to grant the share option set out in the table above as soon as possible; however, as the Company has been in a closed period to the date of this report the grant has not yet been made. The Committee proposes granting this option under the exemption to Listing Rule 9.4.1 contained in Listing Rule 9.4.2 (2) on the basis the only participant is a director and the arrangement is established specifically to facilitate, in unusual circumstances, the recruitment of the new CFO. The terms of this arrangement were agreed as part of the remuneration negotiations with the new CFO; reflect the Committee's desire to incentivise the new CFO for the period to August 2018 on the same terms as the MIP and 2015 LTIP participants; and recognise that due to a technical restriction in the legacy plan rules the option could not be made under these plans. The rules governing this option will be identical to the rules of the GVC 2016 MIP except in respect of the latter's eligibility provision. This option will vest one-third on the date of grant. Thereafter, subject to the satisfaction of the TSR performance condition described above, one ninth will vest on 2 May 2017 and then one-ninth shall vest each subsequent quarter, so that all of the Shares subject to this option shall have vested by 2 August 2018, in line with the vesting schedule for the awards granted to senior executives under the MIP and to the Directors under the 2015 LTIP.

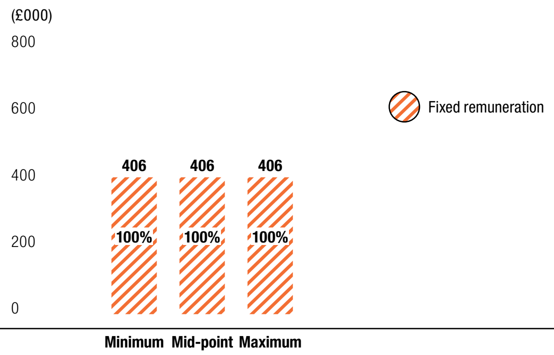
2. Reward scenarios

The charts below show an estimate of the remuneration that could be received by Executives Directors under the Policy set out in this report.

KENNETH ALEXANDER (CEO)



RICHARD COOPER (CFO)



Assumptions used in determining the level of pay-out under given scenarios are as follows:

Element	Minimum	On-Target	Maximum
FIXED ELEMENTS	Base salary for FY 2017		
	Benefits paid for FY 2016 (private medical insurance and life assurance and accommodation allowances)		

As set out in above the Remuneration Policy to be approved at the 2017 AGM does not contain any incentive arrangements due to the legacy option grants that were put in place as part of the acquisition of bwin.party. As such the reward scenarios include only those elements included in the Remuneration Policy going forward.

3. Approach to recruitment and promotions

The Company's principle is that the remuneration of any new recruit will be assessed in line with the same principles as for the Executive Directors, as set out in the Remuneration Policy table above. The Committee is mindful that it wishes to avoid paying more than it considers necessary to secure a preferred candidate with the appropriate calibre and experience needed for the role. In setting the remuneration for new recruits, the Committee will have regard to guidelines and shareholder sentiment regarding one-off or enhanced short-term or long-term incentive payments, as well as giving consideration for the appropriateness of any performance measures associated with an award.

The Company's detailed policy when setting remuneration for the appointment of new Directors is summarised in the table below:

Remuneration element	Recruitment policy
SALARY, BENEFITS AND PENSION	These will be set in line with the policy for existing Executive Directors. In instances where the new executive is relocated from one work location to another, the Company will provide compensation to reflect the cost of relocation for the Executive in cases where they are expected to spend significant time away from their home location in accordance with its normal relocation package for employees. The level of the relocation package will be assessed on a case by case basis but may take into consideration any cost of living differences; housing allowance; and schooling in accordance with the Company's normal relocation package for employees.
"BUY OUT" OF INCENTIVES FORFEITED ON CESSATION OF EMPLOYMENT	Where the Committee determines that the individual circumstances of recruitment justifies the provision of a buyout, the equivalent value of any incentives that will be forfeited on cessation of an Executive Director's previous employment will be calculated taking into account the following: ■ the proportion of the performance period completed on the date of the Executive Director's cessation of employment; ■ the performance conditions attached to the vesting of these incentives and the likelihood of them being satisfied; and ■ any other terms and conditions having a material effect on their value ("lapsed value"); The Committee may then grant up to the same value as the lapsed value, where possible, under the Company's incentive plans. To the extent that it was not possible or practical to provide the buyout within the terms of the Company's existing incentive plans, a bespoke arrangement would be used.

Where an existing employee is promoted to the Board, the Policy set out above will apply from the date of promotion but there would be no retrospective application of the policy in relation to subsisting incentive awards or remuneration arrangements. Accordingly, prevailing elements of the remuneration package for an existing employee would be honoured and form part of the ongoing remuneration of the employee. These would be disclosed to shareholders in the following year's Annual Report on Remuneration.

The Company's policy when setting fees for the appointment of new Non-executive Directors is to apply the policy which applies to current Non-executive Directors.

REMUNERATION: DIRECTORS' REMUNERATION REPORT CONTINUED

PART C – DIRECTORS' REMUNERATION POLICY CONTINUED

4. Service contracts and letters of appointment

The Company's policy is that Executive Directors have rolling contracts which are terminable by either party giving the other 12 months' notice. Non-executive Directors do not have service contracts but are appointed under letters of appointment. With the exception of the Chairman of the Board, each Non-executive Director is subject to an initial three year term (except for Norbert Teufelberger who has an initial term of two years) subject to annual re-election at the Company's AGM. All service contracts and letters of appointment are available for viewing at the Company's registered office and at the AGM.

Director	Date appointed	Arrangement	Notice period/unexpired term
K Alexander	February 2007	Service contract	12 months
P Miles	28 February 2017	Service contract	12 months
L Feldman	December 2004	Letter of appointment	12 months
K Diacono	December 2008	Letter of appointment	Remaining period
N Teufelberger	2 February 2016	Letter of appointment: 2 year period	Remaining period
S Morana	2 February 2016	Letter of appointment: 3 year period	Remaining period
P Isola	2 February 2016	Letter of appointment: 3 year period	Remaining period
W Whitehorn	23 March 2017	Letter of appointment: 3 year period	Remaining period

The Board allows Executive Directors to accept appropriate outside commercial Non-executive Director appointments provided the aggregate commitment is compatible with their duties as Executive Directors. The Executive Directors concerned may retain fees paid for these services, which will be subject to approval by the Board.

5. Payment for loss of office

When determining any loss of office payment for a departing Director, the Committee will always seek to minimise cost to the Company whilst complying with the contractual terms and seeking to reflect the circumstances in place at the time. The Committee reserves the right to make additional payments where such payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation); or by way of settlement or compromise of any claim arising in connection with the termination of an executive director's office or employment.

The Committee will honour Executive Directors' contractual entitlements. Service contracts do not contain liquidated damages clauses. If a contract is to be terminated, the Committee will determine such mitigation as it considers fair and reasonable in each case. There is no agreement between the Company and its Executive Directors or employees, providing for compensation for loss of office or employment that occurs because of a takeover bid.

A summary of the main contractual terms is set out below:

	Treatment on cessation of employment	Treatment on change of control
SALARY, BENEFITS AND PENSION	These will be paid over the notice period. The Company has discretion to make a lump sum payment in lieu.	
SUMMARY OF PROVISIONS OF EXISTING CONTACTS FOR K ALEXANDER AND L FELDMAN	In the event that either of the Chairman or CEO is given notice of termination without cause or resigns for a good reason then the executive director shall be entitled to: ■ a payment equivalent to two year's salary/fees and bonus (2015 being the reference year); ■ any unpaid bonus for the prior completed bonus year; ■ a pro-rata bonus for the current bonus year (being the average of the preceding 12 months); and ■ maximum discretions being exercised under the 2015 LTIP and any successor plans.	
SUMMARY OF PROVISIONS RELATING TO LEGACY AWARDS	For good leavers, unvested awards will vest on the normal vesting date subject to: (i) the extent any applicable performance targets have been satisfied at the end of the normal performance period; and (ii) pro-rating to reflect the period of time between grant and cessation of employment as a proportion of the vesting period that has elapsed. The Committee has the discretion to determine that the end of the performance period is the date of cessation and whether to pro-rate the number of vested awards to reflect the vesting period completed. A "good leaver" is defined as a participant ceasing to be in employment by reason of injury, ill-health, disability, redundancy, retirement, the company employing the participant ceasing to be a member of the Group, the participant's employing business being transferred to a person who is not a Group Member, or any other reason at the Committee's discretion. If a participant dies before his award vests, the award shall vest as soon as practicable after death and shall be pro-rated for time elapsed and applicable performance targets. The personal representatives may then exercise the award in the 12 months following death, after which it will lapse. Anyone who is not a good leaver will be a bad leaver. Bad leavers will forfeit all vested and unvested awards.	In the event of a takeover, a scheme of arrangement or voluntary winding up of GVC, all awards may be exercised for a period of one month from the date the participants are notified of such event or the change of control occurs. The Performance Condition shall apply to any unvested award on a change of control, unless the Remuneration Committee determines otherwise.

6. Consideration of employee remuneration and shareholders

All-employee remuneration

In setting the remuneration policy for Directors, the pay and conditions of other employees are taken into account, including any base salary increases awarded. The Committee is provided with data on the remuneration structure for management level tiers below the Executive Directors, and uses this information to ensure consistency of approach throughout the Group.

The Committee has not expressly sought the views of employees and no remuneration comparison measurements were used when drawing up the Directors' Remuneration Policy. Through the Board, however, the Committee is updated as to employee views on remuneration generally. See page 54 for the Company's general approach to employee remuneration.

Consideration of shareholder views

The Committee has an open relationship with shareholders on remuneration matters. It welcomes dialogue and will engage with significant shareholders on material changes to its remuneration policy or structure. During the acquisition of bwin.party, we consulted with shareholders on, amongst other aspects, the remuneration arrangements of the Executive Directors. It should be noted that the 2015 LTIP was separately approved by shareholders with a strong level of support as part of the acquisition of bwin.party.

PART D – ANNUAL REPORT ON REMUNERATION

The 2016 Annual Report on Remuneration contains details on the remuneration paid and awarded to Directors during the financial year ended 31 December 2016. This report has been prepared in accordance with the provisions of the Companies Act 2016 and the Regulations. An advisory resolution to approve the Annual Report on Remuneration and the Annual Statement will be put to shareholders at the AGM on 20 June 2017.

1. Directors' remuneration for the year ending 31 December 2016

Single figure remuneration table (audited)

The remuneration of Directors showing the breakdown between components with comparative figures for the prior Financial Year is shown below. Figures provided have been calculated in accordance with Regulations. Further information on this is provided in the table on page 60.

		Base salary/fees €000	Taxable Benefits[1] €000	Annual variable remuneration €000	Long-term variable remuneration €000	Pension €000	Other – legacy arrangement €000	Total €000
Kenny Alexander (CEO)	**2016**	929	3	–	–	–	21,257	22,188
	2015	1,052	3	–	–	–	3,631	4,685
Richard Cooper (CFO)	**2016**	491	4	–	–	–	10,675	11,169
	2015	556	3	–	–	–	1,866	2,426
L Feldman	**2016**	158	–	–	–	–	9,072	9,231
	2015	179	–	–	–	–	1,487	1,666
K Diacono	**2016**	100	–	–	–	–	69	169
	2015	69	–	–	–	–	69	138
N Teufelberger	**2016**	194	–	–	–	–	170	364
	2015	–	–	–	–	–	–	–
P Isola	**2016**	92	–	–	–	–	–	92
	2015	–	–	–	–	–	–	–
S Morana	**2016**	115	–	–	–	–	–	115
	2015	–	–	–	–	–	–	–

1. Taxable benefits comprise a car allowance, private medical and life insurance.

REMUNERATION: DIRECTORS' REMUNERATION REPORT CONTINUED

PART D – ANNUAL REPORT ON REMUNERATION CONTINUED

1. Directors' remuneration for the year ending 31 December 2016 continued

Shares awards granted under legacy arrangements in the year ending 31 December 2016
The table below sets out the details of legacy awards granted during the year. Some of these awards vested during the course of the year (see next section).

Director	Type of Award	Grant date	Exercise price (p)	Number of shares under option	Face value of award[1]	Final vesting date
K Alexander	Market priced options	2 February 2016	422	8,789,075	£44,912,173	2 August 2018
R Cooper	Market priced options	2 February 2016	422	4,399,037	£22,479,079	
L Feldman	Market priced options	2 February 2016	467	4,399,037	£22,479,079	
N Teufelberger	Market priced options	2 February 2016	422	200,000	£1,022,000	

1. The face value of award has been calculated using the closing share price on the date of grant (2 February 2016) of £5.11.

Details of performance conditions attached to the above awards can be found on page 56. If the performance condition is achieved, 100% of the award will vest.

Shares awards vested under legacy arrangements in the year ending 31 December 2016
During the year ending 31 December 2016 a portion of the awards granted under the legacy arrangement vested. All options are subject to the same single performance condition details of which are set out below:

Vesting date	Portion of award vesting	Performance measures	Performance targets	Performance outcome	% of awards vesting
2 August 2016	1/9	Total Shareholder Return vs FTSE 250	Rank at median or above	Above median	100%
2 November 2016	1/9	Total Shareholder Return vs FTSE 250	Rank at median or above	Above median	100%

Details of the share awards that vested during the year are set out below:

Director	Total number of options over shares	Vesting date	Portion of award vesting	Number of options over shares available to vest	Exercise price (p)	% of award vesting	Market share price on date of vesting	Value of award included in single figure
K Alexander	8,789,075	2 August 2016	1/9	977,564	422	100	£6.635	£2,360,817
		2 November 2016	1/9	976,564	422	100	£6.86	£2,580,769
R Cooper	4,399,037	2 August 2016	1/9	488,781	422	100	£6.635	£1,180,406
		2 November 2016	1/9	488,781	422	100	£6.86	£1,290,382
L Feldman	4,399,037	2 August 2016	1/9	488,781	467	100	£6.635	£960,455
		2 November 2016	1/9	488,781	467	100	£6.86	£1,070,430
N Teufelberger	200,000	2 August 2016	1/9	22,222	422	100	£6.635	£53,666
		2 November 2016	1/9	22,222	422	100	£6.86	£58,666

In addition, Lee Feldman received a cash bonus of £439,904 in the year ending 31 December 2016 being the difference between the exercise price of £4.67 and the issue price of £4.22 for the 2/9 of the award that vested in the year. This amount has been included in the single figure table with the amounts above.

As noted on page 53, Richard Cooper left GVC on 28 February 2017 and upon leaving, all unvested option awards (over a total of 2,932,691 shares) lapsed.

1. Directors' remuneration for the year ending 31 December 2016 continued

Other awards vesting during the year ending 31 December 2016

As set out in the Prospectus issued on 13 November 2015, upon completion of the acquisition of bwin.party existing incentives ceased and were replaced with the 2015 LTIP as set out above. As such on the 1 February 2016 the following awards vested and are therefore included in the single figure table.

Director	Basis of award	Type of award	Amount vesting on 1 February 2016 €000
K Alexander	2015 Retention Plan	Cash payment	6,996
	2014 Share Options	Share Options	7,518
R Cooper	2015 Retention Plan	Cash payment	3,498
	2014 Share Options	Share Options	3,759
L Feldman	2015 Retention Plan	Cash payment	3,356
	2014 Share Options	Share Options	1,880

All outstanding incentives were settled in cash with the after tax proceeds reinvested in new GVC shares and subject to a 1 year lock in period from 1 February 2016.

Reconciliation to total single figure of remuneration

	Legacy arrangement (€000)					
Director	Award vesting in August 2016	Awards vesting in November 2016	Cash bonus	2015 Retention Plan €000	2014 Share Options €000	Total included in single figure table €000
K Alexander	2,784	3,027	931	6,996	7,518	21,257
R Cooper	1,392	1,514	512	3,498	3,759	10,675
L Feldman	1,133	1,256	1,449	3,356	1,880	9,072
N Teufelberger	81	88	–	–	–	170
K Diacono	–	–	69	–	–	69

These payments relate to a bwin.party transaction bonus and the Chairman's option strike price cash bonus adjustment.

Payments to past Directors or for loss of office (audited)

During the year, there were no payments to past Directors and no payments for loss of office. In line with the normal vesting schedule, 1/9 of Richard Cooper's option award vested in February 2017. The remaining unvested awards (6/9) lapsed on his departure.

2. Statement of Directors' shareholding and share interests

Shareholding and other interests at 31 December 2016 (audited)

Directors' share interests are set out below:

	Shareholding at 31 December 2016		Interests in shares		Interests in options		
Director	Number of beneficially owned shares[1]	% of salary/fee held	Total interests subject to conditions	Total vested interests unexercised	Total interests subject to conditions	Total interests unexercised	Total interests at 31 December 2016
K Alexander	1,898,788	–	–	–	6,842,946	–	6,842,946
R Cooper	1,000,000	–	–	–	3,421,473	–	3,421,473
L Feldman	719,464	–	–	–	3,421,473	–	3,421,473
K Diacono	–	–	–	–	–	–	–
N Teufelberger	2,755,264	–	–	–	142,858	57,142	200,000
P Isola	–	–	–	–	–	–	–
S Morana	–	–	–	–	–	–	–

1. Beneficial interests include shares held directly or indirectly by connected persons.

Between 31 December 2016 and the date that this report was signed off, no share options were exercised. A further 1/9 of the share options vested in February 2017 resulting in the movement of share options from "Total interests subject to conditions" to "Total interests unexercised".

REMUNERATION: DIRECTORS' REMUNERATION REPORT CONTINUED

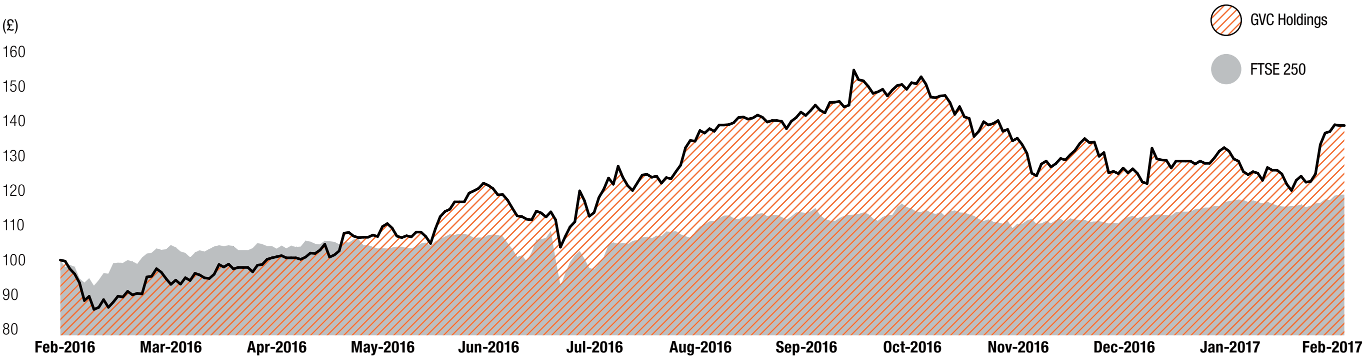
PART D – ANNUAL REPORT ON REMUNERATION CONTINUED

3. Chief Executive Officer and Employee Pay

Total Shareholder Returns and Chief Executive Officer remuneration since obtaining main market listing on 1 February 2016

The graph below shows the value of £100 invested in GVC Holdings plc since obtaining main market listing on 1 February 2016 compared with the value of £100 invested in the FTSE 250 index. The FTSE 250 index has been chosen on the basis that it is the index within which GVC operates.

TOTAL SHAREHOLDER RETURN: GVC VS FTSE 250



Source: Datastream

The Company has chosen to compare its performance from 1 February 2016 against the FTSE 250 as this was the point at which the Company exists in its current form.

	December 2016	December 2015
	K ALEXANDER	K ALEXANDER
Role	**CEO**	**CEO**
Single figure of total remuneration (€m)	22.19	4.69
Annual Bonus pay-out (% maximum)	–	–
LTIP vesting (% maximum)	–	–
Legacy award vesting (% maximum)	100%	100%

Prior to the acquisition of bwin.party and admission to the Main Market the size (on a market capitalisation basis) and complexity of the Company were substantially different and as such the Committee does not believe that historic remuneration has any meaningful comparative value. The Committee has included the remuneration for 2015 to provide some basis of comparison and will continue to add years in the future until the Regulation are satisfied in full.

Relative importance of spend on pay

The table below sets out the overall spend on pay for all employees compared with the returns distributed to shareholders.

Significant distributions	2016	2015	% change
Staff costs (€m)	136.7	48.5	182
Distributions to shareholders (£million)	0	34.3	–

1. The above figures are taken from notes 3 and 23 to the financial statements. The increase in staff costs is a result of GVC's takeover of bwin.party's larger operations. As a result of the acquisition of bwin.party and the combination of debt covenants and the intended restructuring of the Group, the Company did not pay any dividends in 2016. Subsequent to the year end the Company will pay two special dividends totalling 30 euro cents per share (€88.5m) in respect of 2016 financial performance.

4. Considerations by the Remuneration Committee of matters relating to Directors' remuneration for 2016

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

Members of the Committee during 2016	Independent	Number of meetings held during tenure during the year	Number of meetings attended
K Diacono[1]	Yes	4	4
L Feldman[2]	Yes	4	4
P Isola	Yes	2	2
S Morana	Yes	2	2

1. Appointed Remuneration Committee Chairman on 1 February 2016.
2. On appointment as Chairman of the Board Lee Feldman was considered to be independent.

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

- Reviewing share option plan rules.
- Approval of share options awards.
- Reviewing the 2016 employee cash bonus plan.
- Satisfaction of the periodic TSR performance conditions attaching to the outstanding share option awards.
- Setting the remuneration terms for the new Chief Financial Officer.
- Agreeing the exit terms for the outgoing Chief Financial Officer.
- Launching an internal consultation on the shape of a new remuneration policy for launch in 2018.

In addition, the Remuneration Committee met by telephone in December 2016 to grant awards under the MIP and approve the cash equivalent payments made to the Executive Directors and Chairman of the Board in respect of their exercised 2015 LTIP awards, which had vested on 2 August and 2 November 2016.

None of the Committee members or attendees is involved in any Committee decisions from which they may financially benefit personally (other than as shareholders) in the decisions made by the Committee and there are no conflicts of interests arising from cross-directorships or day-to-day involvement in running the business.

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

The Committee received external advice in 2016 from PwC in connection with remuneration matters including the provision of general guidance on market and best practice.

PwC are members of the Remuneration Consultants Group and, as such, voluntarily operate under the code of conduct in relation to executive remuneration consulting in the UK. The Committee reviewed the nature of all the services provided during the year by PwC and was satisfied that no conflict of interest exists or existed in the provision of these services.

The total fees paid to PwC in respect of services to the Committee during the year were £72,000. Fees were determined based on the scope and nature of the projects undertaken for the Committee.

5. Implementation of the Remuneration policy for the year ending 31 December 2017

See page 53.

6. Shareholder voting

This is the first year in which the Company has put forward resolutions on remuneration. There are, therefore, no historic voting outcomes to disclose.

Karl Diacono
Chairman, Remuneration Committee

23 March 2017

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GVC HOLDINGS PLC

Our opinion on the Group financial statements is unmodified

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 2016 and of its loss for the year then ended; and
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Other matters

We have reported separately on the parent company financial statements of GVC Holdings PLC for the year ended 31 December 2016.

Who we are reporting to

This report is made solely to the company's members, as a body, in accordance with the terms of our engagement dated 8 December 2016. 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.

What we have audited

GVC Holdings PLC's Group financial statements for the year ended 31 December 2016 comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cashflows and the related notes.

The financial reporting framework that has been applied in their preparation is the applicable law and IFRSs as adopted by the European Union.

OVERVIEW OF OUR AUDIT APPROACH

- Overall Group materiality: €7.5m, which represents 4% of the Group's operating profit adjusted for share-based payments, exceptional items, depreciation, amortisation, impairment of available for sale assets and changes in the fair value of derivative financial instruments ("clean EBITDA");
- We performed full scope audits at the key business operations in the UK, Malta, Gibraltar and India; and
- Key audit risks were identified as accounting for the acquisition of bwin, legal and regulatory compliance, accounting for taxation, revenue recognition, and impairment of goodwill and other intangible assets.

Our assessment of risk

In arriving at our opinions set out in this report, we highlight the following risks that, in our judgement, had the greatest effect on our audit.

Audit risk	How we responded to the risk
ACCOUNTING FOR THE ACQUISITION OF BWIN	
The Group completed the acquisition of the entire issued and to-be-issued ordinary share capital of bwin.party digital entertainment plc ("bwin") on 2 February 2016. The impact on the Group's financial statements for the year ended 31 December 2016 is disclosed in note 29. We identified this transaction as a risk due to the significance of the balances involved and also due to the level of judgements and estimates required from management, particularly in relation to: ■ The identification of the acquirer, taking into account the requirements of IFRS 3 "Business Combinations" and IFRS 10 "Consolidated Financial Statements"; and ■ Identification and valuation of intangible assets and goodwill on acquisition, and any fair value adjustments to net assets acquired. We therefore identified accounting for the acquisition of bwin as a significant risk requiring special audit consideration.	Our audit work included but was not restricted to: ■ comparing management's assessment of the accounting treatment of the business combination, in particular the identification of the acquirer, in accordance to the requirements of IFRS 3 and IFRS 10. We examined signed sales, purchase agreements, and associated contractual documents to understand the terms and conditions of the transaction and to confirm management's assessment; ■ assessing the models prepared by management to value the intangible assets identified in the acquired business using our internal specialists to challenge the assumptions and methodology used by management; and ■ assessing whether the disclosures presented in note 29 to the financial statements are in accordance with the requirements of IFRS 3 and IFRS 10. The Group's accounting policy on business combinations is shown in note 1 to the financial statements and related disclosures are included in note 29.
LEGAL AND REGULATORY COMPLIANCE	
The Group operates in a heavily regulated industry across multiple geographical locations. Each jurisdiction has laws and regulations in relation to licensing, data protection, money laundering, customer identification and verification, fraud, direct and indirect taxes and other legislative matters. It is the responsibility of management, with the oversight of those charged with governance, to ensure that the Group's operations are conducted in accordance with the provisions of laws and regulations, including compliance with the provision of laws and regulation that determine the reported amounts and disclosures in the Group's financial statements. We identified legal and regulatory compliance as a risk due to the importance of compliance with laws and regulations to the operations of the Group.	Our audit work included, but was not restricted to: ■ assessing the controls and processes in place across the Group that may assist in the prevention and detection of non-compliance with laws and regulations in each of the geographic locations in which the Group operates; ■ holding discussions with the Group's in-house and external legal experts and an assessment of policies and procedures implemented by the Group's legal and compliance functions; a review of the reports undertaken by the Group's legal and external counsel and internal audit function and reviewing the controls and processes over new customer account set-up; ■ reviewing correspondence between the Group and regulators to ensure the completeness and accuracy of any penalties or fines recorded as a liability; and ■ using an independent third party, as an auditor's expert, to check the completeness of the Group's disclosures in relation to laws and regulations. The Group's accounting policy on provisions and contingent liabilities is shown in note 1 to the financial statements and related disclosures are included in notes 21 and 28.

Audit risk	How we responded to the risk
ACCOUNTING FOR TAXATION	
The Group recognised a corporation tax credit of €0.0m, income and other taxes reclaimable of €6.7m and income and other taxes payable of €65.4m at 31 December 2016. The Group operates in a number of countries, resulting in complexities in the payment or receipt, and accounting for taxation, involving management judgement in arriving at year-end tax balances. We therefore identified accounting for taxation as a significant risk requiring special audit consideration.	Our audit work included, but was not restricted to: ▪ discussing with management's tax experts, with support from our tax experts, how the Group manages and controls the companies in countries where it operates; ▪ obtaining and reading correspondence between the Group and tax authorities in order to support the tax position of the Group; ▪ understanding management's interpretation and application of relevant tax law and challenged the appropriateness of its assumptions and estimates in relation to provisions and contingent liabilities; and ▪ considering whether the Group's disclosures relating to taxation were in accordance with the requirements of IFRSs as adopted by the European Union. The Group's accounting policy on taxation is shown in note 1 to the financial statements and related disclosures are included in note 6.
REVENUE RECOGNITION	
The Group enters into high volumes of Net Gaming Revenue ("NGR") generating transactions each day, recorded across in-house and third party IT systems. International Standards on Auditing (UK and Ireland) prescribe a presumed risk of fraud in revenue recognition in that revenue may be misstated through improper recognition. We have therefore identified revenue recognition as a significant risk requiring special audit consideration.	Our audit work included, but was not restricted to: ▪ evaluating whether the Group's revenue recognition policies are in accordance with IFRSs as adopted by the European Union; ▪ testing the operating effectiveness of controls around the relevant IT systems including the Group's gaming platforms. We reconciled data from the platforms to the general ledger and in reverse; and ▪ testing a sample of bets placed during the year to verify that the event relating to the bet occurred in the year, and that in the case of winning bets, the payout was correctly calculated and recorded in the customer's account. The Group's accounting policy on the recognition of revenue is shown in note 1 to the financial statements and the components of that income are included in note 2.
IMPAIRMENT OF GOODWILL AND OTHER INTANGIBLE ASSETS	
The Group holds goodwill of €1,090.3m and other intangible assets of €519.1m on its Statement of Financial Position at 31 December 2016. In accordance with International Accounting Standard (IAS) 36, management have performed an impairment review for goodwill and have assessed if any indicators of impairment exist for other intangible assets. We identified this area as a risk due to the significance of the carrying value of the assets and because the assessment of the recoverable amount of the Group's Cash Generating Units ("CGUs") involves significant judgements about the future results of the business and the discount rates applied to future cashflow forecasts. In particular, we directed our audit effort on those CGUs with the largest carrying values and those with the lowest headroom. We therefore identified impairment of goodwill and other intangible assets as a significant risk requiring special audit consideration.	Our audit work included, but was not restricted to: ▪ performing audit procedures on all impairment models relating to material CGUs; ▪ challenging management's assumptions used in their impairment model. We did this with reference to historical data and, where applicable, external benchmarks noting the assumptions used fell within an acceptable range. We used our internal valuation experts to assist with these procedures; ▪ testing the integrity of models and carried out sensitivity analysis using a range of different assumptions; ▪ assessing the historical accuracy of management's budgets and forecasts. We compared current performance with forecasts, and sought appropriate evidence for any anticipated improvements in major assumptions such as growth in market share or cost reductions. We corroborated previous forecasts with actual data; and ▪ considering whether the disclosures on the impairment test performed by management in the financial statements are in line with those prescribed in accounting standards. The Group's accounting policy on impairment is shown in note 1 to the financial statements and the goodwill and impairment testing disclosures are included in note 8.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GVC HOLDINGS PLC CONTINUED

Our application of materiality and an overview of the scope of our audit

Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating the results of that work.

We determined materiality for the audit of the Group financial statements as a whole to be €7.5m, which is approximately 4% of the Group's operating profit adjusted for share-based payments, exceptional items, depreciation, amortisation, impairment of available for sale assets and changes in the fair value of derivative financial instruments ("clean EBITDA"). This benchmark is considered the most appropriate because this is a key performance measure used by the Directors to report to investors on the financial position of the Group.

Materiality for the current year is higher than the level that we determined for the year ended 31 December 2015 to reflect that the Group's revenue has increased significantly in the year because of organic growth and the acquisition of bwin.

We use a different level of materiality, performance materiality, to drive the extent of our testing and this was set at 75% of financial statement materiality for the audit of the Group financial statements. We also determine a lower level of specific materiality for certain areas such as directors' remuneration and related party transactions.

We determined the threshold at which we will communicate misstatements to the Audit Committee to be €375,000. In addition, we will communicate misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

Overview of the scope of our audit

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the 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 financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited 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.

We conducted our audit in accordance with International Standards on Auditing (ISAs) (UK and Ireland). Our responsibilities under those standards are further described in the 'Responsibilities for the financial statements and the audit' section of our report. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Group in accordance with the Auditing Practices Board's Ethical Standards for Auditors, and we have fulfilled our other ethical responsibilities in accordance with those Ethical Standards.

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. We identified that 4 locations: United Kingdom, Gibraltar, Malta and India were significant components of the Group and these were subject to a full scope audit. For significant components, requiring a full scope approach we evaluated and tested controls over the financial reporting systems identified as part of our risk assessment, reviewed the accounts production process and addressed critical accounting matters.

For those components that were not identified as significant components, either a full scope, targeted or analytical audit approach was determined based on their relative materiality to the Group and our assessment of audit risk. Our audit procedures covered 100% of the Group's net gaming revenue, 100% of the Group's Clean EBITDA and 100% of the Group's net assets.

We used component auditors to assist with our audit under our supervision and review. These were a Grant Thornton International Limited network firm for the operations in Malta, and BDO LLP for the operations in Gibraltar and India. The Group audit team audited the operations in the UK. Our audit was executed at levels of materiality applicable to each individual entity and ranged from €5,600,000 to €7,500,000. At the parent entity level, we performed audit procedures on material transactions and consolidation adjustments.

As the Group's parent company is based in the Isle of Man we used a Grant Thornton International Limited network member firm to check the requirements of local Isle of Man statute had been met in the disclosures included in the Annual Report.

In the current year the Group audit team visited the operations in the UK, Gibraltar and India due to their financial significance to the Group and visited the operations in Malta in the prior year.

Matters on which we are required to report by exception

Under the Listing Rules, we are required to review:

- the directors' statements in relation to going concern and longer-term viability, set out on pages 43 and 33 respectively; and
- the part of the Corporate Governance Statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to report to you if:

- we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable; or
- the annual report does not appropriately disclose those matters that were communicated to the audit committee which we consider should have been disclosed.

We have nothing to report in respect of any of the above matters.

We also confirm that we do not have anything material to add or to draw attention to in relation to:

- the directors' confirmation in the annual report that they have carried out a robust assessment of the principal risks facing the Group including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures in the annual report that describe those risks and explain how they are being managed or mitigated;
- the directors' statement in the financial statements about whether they have considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Group's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; and
- the directors' explanation in the annual report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Responsibilities for the financial statements and the audit

What the directors are responsible for:

- As explained more fully in the Statement of Directors' Responsibilities set out on page 43, the directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view.

What we are responsible for:

- Our responsibility is to audit and express an opinion on the Group financial statements in accordance with applicable law and ISAs (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Grant Thornton UK LLP
Chartered Accountants
London

23 March 2017

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2016

	Notes	2016 €m	2015 €m
NET GAMING REVENUE		843.4	247.7
EU VAT		(20.1)	(1.2)
REVENUE	2	823.3	246.5
Cost of sales		(385.8)	(111.1)
CONTRIBUTION		437.5	135.4
Administrative costs	3	(244.0)	(81.3)
CLEAN EBITDA[1]		193.5	54.1
Share-based payments	3	(31.1)	(0.4)
Exceptional items	3	(117.8)	(24.5)
Depreciation and amortisation	3, 8, 9	(136.5)	(5.0)
Impairment of available for sale asset	10	(4.2)	(1.2)
Changes in the fair value of derivative financial instruments	3, 12	15.0	4.8
OPERATING (LOSS) PROFIT		(81.1)	27.8
Financial income	4	4.5	–
Financial expense	4	(65.3)	(2.3)
Dividend income	5	3.1	–
Share of profit of associates		0.2	–
(LOSS) PROFIT BEFORE TAX		(138.6)	25.5
Taxation credit (expense)	6	–	(0.8)
(LOSS) PROFIT AFTER TAX		(138.6)	24.7
(LOSS) PROFIT AFTER TAX ATTRIBUTABLE TO:			
Equity holders of the parent		138.3)	24.7
Non-controlling interests		(0.3)	–
		(138.6)	24.7
		€	€
(LOSS) EARNINGS PER SHARE ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE PARENT:			
BASIC	7	(0.51)	0.40
DILUTED	7	(0.51)	0.38

1. Clean EBITDA is the Group's alternative non-GAAP performance measure and is considered to be a key performance measure by the Directors as it serves as an indicator of financial performance and ability to service debt. It is defined as operating profit adjusted for share-based payments, exceptional items, depreciation, amortisation, impairment of available for sale assets and changes in the fair value of derivative financial instruments. Exceptional items are those items the Group considers to be non-recurring or material in nature that may distort an understanding of financial performance or impair comparability.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2016

	Notes	2016 €m	2015 €m
(LOSS) PROFIT FOR THE YEAR		(138.6)	24.7
OTHER COMPREHENSIVE EXPENSE			
Items that will be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations, net of tax		(2.3)	–
Total comprehensive (expense) income for the year		(140.9)	24.7
TOTAL COMPREHENSIVE (EXPENSE) INCOME FOR THE YEAR ATTRIBUTABLE TO:			
Equity holders of the parent		(140.6)	24.7
Non-controlling interests	29	(0.3)	–
		(140.9)	24.7

The notes on pages 73 to 106 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

for the year ended 31 December 2016

	Notes	2016 €m	2015 €m
NON-CURRENT ASSETS			
Intangible assets	8	1,609.4	155.1
Property, plant and equipment	9	19.7	1.4
Investments and assets available for sale	10	3.7	2.6
Other receivables	11	4.9	–
Total non-current assets		1,637.7	159.1
CURRENT ASSETS			
Trade and other receivables	11	105.2	34.6
Derivative financial assets	12	26.2	3.8
Income and other taxes reclaimable		6.7	6.0
Short-term investments	13	5.4	–
Cash and cash equivalents	14	354.8	28.2
Assets held for sale	15	59.7	–
Total current assets		558.0	72.6
TOTAL ASSETS		2,195.7	231.7
CURRENT LIABILITIES			
Trade and other payables	16	(93.9)	(43.3)
Derivative financial liabilities		–	(9.9)
Income taxes payable		(18.2)	(7.3)
Other taxation payable	18	(47.2)	(2.0)
Client liabilities		(112.0)	(14.8)
Progressive prize pools		(22.8)	–
Amounts due under finance leases	19	–	(0.7)
Loans and borrowings	17	(403.5)	(3.0)
Provisions	20	(1.2)	–
Liabilities held for sale	15	(22.7)	–
Total current liabilities		(721.5)	(81.0)
CURRENT ASSETS LESS CURRENT LIABILITIES		(163.5)	(8.4)
NON-CURRENT LIABILITIES			
Trade and other payables	16	(4.4)	(2.1)
Derivative financial liabilities	12	–	(0.7)
Loans and borrowings	17	–	(19.8)
Provisions	20	(6.9)	–
Deferred tax	21	(65.6)	–
Total non-current liabilities		(76.9)	(22.6)
TOTAL NET ASSETS		1,397.3	128.1
CAPITAL AND RESERVES			
Issued share capital	22	2.9	0.6
Merger reserve		40.4	40.4
Share premium		1,478.4	85.4
Translation reserve		(2.0)	0.3
Retained earnings		(120.9)	1.4
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		1,398.8	128.1
Non-controlling interests	29	(1.5)	–
TOTAL EQUITY		1,397.3	128.1

The financial statements from pages 68 to 72 were approved and authorised for issue by the Board of Directors on 23 March 2017 and signed on their behalf by:

KJ Alexander
(Chief Executive Officer)

P Miles
(Chief Financial Officer)

The notes on pages 73 to 106 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2016

	Notes	Share capital €m	Merger reserve €m	Share premium €m	Translation reserve €m	Retained earnings €m	Total attributable to equity holders of parent €m	Non-controlling interests €m	Total €m
Balance at 1 January 2015		0.6	40.4	85.4	0.3	22.7	149.4	–	149.4
Share option charges		–	–	–	–	0.5	0.5	–	0.5
Share options surrendered		–	–	–	–	(12.2)	(12.2)	–	(12.2)
Share options exercised		–	–	–	–	–	–	–	–
Dividend paid		–	–	–	–	(34.3)	(34.3)	–	(34.3)
Transactions with owners		–	–	–	–	(46.0)	(46.0)	–	(46.0)
Profit for the year		–	–	–	–	24.7	24.7	–	24.7
Total comprehensive income for the year		–	–	–	–	24.7	24.7	–	24.7
BALANCE AS AT 31 DECEMBER 2015		0.6	40.4	85.4	0.3	1.4	128.1	–	128.1
Balance at 1 January 2016		0.6	40.4	85.4	0.3	1.4	128.1	–	128.1
Share option charges	24	–	–	–	–	24.0	24.0	–	24.0
Share options surrendered	24	–	–	–	–	(0.8)	(0.8)	–	(0.8)
Share options exercised	24	–	–	1.1	–	(7.2)	(6.1)	–	(6.1)
Issue of share capital for the acquisition of bwin.party	22	2.3	–	1,391.9	–	–	1,394.2	–	1,394.2
Arising from the acquisition of bwin.party	28	–	–	–	–	–	–	(1.2)	(1.2)
Transactions with owners		2.3	–	1,393.0	–	16.0	1,411.3	(1.2)	1,410.1
Loss for the year		–	–	–	–	(138.3)	(138.3)	–	(138.3)
Loss for the year attributable to non-controlling interest	29	–	–	–	–	–	–	(0.3)	(0.3)
Other comprehensive expense for the year		–	–	–	(2.3)	–	(2.3)	–	(2.3)
Total comprehensive expense for the year		–	–	–	(2.3)	(138.3)	(140.6)	(0.3)	(140.9)
BALANCE AS AT 31 DECEMBER 2016		2.9	40.4	1,478.4	(2.0)	(120.9)	1,398.8	(1.5)	1,397.3

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, Companies Act Isle of Man 2006).

The notes on pages 73 to 106 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASHFLOWS

for the year ended 31 December 2016

	Notes	2016 €m	2015 €m
CASHFLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		806.7	248.2
Cash paid to suppliers and employees		(737.2)	(200.2)
Interest paid including loan costs and loan servicing		(47.6)	(9.0)
Corporate taxes paid		(7.9)	(0.6)
NET CASH FROM OPERATING ACTIVITIES		14.0	38.4
CASHFLOWS FROM INVESTING ACTIVITIES			
Interest received		1.4	–
Dividends received	5	3.1	–
Acquisition earn-out payments		(1.6)	(2.4)
Acquisition of bwin.party (net of cash acquired)		(189.4)	–
Acquisition of property, plant and equipment	9	(15.8)	(1.2)
Proceeds from disposal of assets held for sale	15	20.9	–
Capitalised development cost and other intangibles	8	(19.0)	(5.0)
Sale of available for sale assets	10	1.9	–
Decrease in short-term investments		5.7	–
NET CASH USED IN INVESTING ACTIVITIES		(192.8)	(8.6)
CASHFLOWS FROM FINANCING ACTIVITIES			
Proceeds from Cerberus interest bearing loan	17.1	380.0	20.0
Repayment of Cerberus interest bearing loan	17.1	(13.5)	–
Repayment of non-interest bearing loan	17.2	(3.0)	(3.2)
Proceeds from issue of share capital, net of costs	22	193.8	–
Repayment of borrowings		(39.0)	(1.8)
Dividend paid	23	–	(34.3)
NET CASH GENERATED (USED) IN FINANCING ACTIVITIES		518.3	(19.3)
NET MOVEMENT IN CASH AND CASH EQUIVALENTS		339.5	10.5
Exchange differences		(0.7)	(0.1)
Cash and cash equivalents at beginning of the year	14	28.2	17.8
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	14	367.0	28.2

The balance at the end of the year of €367.0m above consists of €354.8m cash and cash equivalents as shown on the face of the consolidated statement of financial position and €12.2m of cash and cash equivalents recognised within assets held for sale.

The notes on pages 73 to 106 form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2016

1. SIGNIFICANT ACCOUNTING POLICIES	74
2. SEGMENTAL REPORTING	81
3. OPERATING COSTS	82
4. FINANCIAL INCOME AND EXPENSE	84
5. DIVIDEND INCOME	84
6. TAXATION	85
7. EARNINGS PER SHARE	86
8. INTANGIBLE ASSETS	87
9. PROPERTY, PLANT AND EQUIPMENT	89
10. INVESTMENTS AND AVAILABLE FOR SALE (AFS) FINANCIAL ASSETS	89
11. RECEIVABLES AND PREPAYMENTS	90
12. DERIVATIVE FINANCIAL INSTRUMENTS	91
13. SHORT-TERM INVESTMENTS	91
14. CASH AND CASH EQUIVALENTS	92
15. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE	92
16. TRADE AND OTHER PAYABLES	92
17. LOANS AND BORROWINGS	93
18. OTHER TAXATION PAYABLE	94
19. COMMITMENTS UNDER OPERATING AND FINANCE LEASES	94
20. PROVISIONS	95
21. DEFERRED TAX	95
22. SHARE CAPITAL	96
23. DIVIDENDS	96
24. SHARE OPTION SCHEMES	97
25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT	99
26. RELATED PARTIES	104
27. CONTINGENT LIABILITIES	104
28. BUSINESS COMBINATIONS	105
29. NON-CONTROLLING INTERESTS	106
30. SUBSEQUENT EVENTS	106

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2016

1. SIGNIFICANT ACCOUNTING POLICIES

This note 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., a company which had been incorporated in Luxembourg, 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 2016 comprise the Company and its subsidiaries (together referred to as the "Group").

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 2016 and those policies which have been adopted by the Group following the Acquisition of bwin.party. There was no material effect on current, prior or future periods arising from the first-time application of these new requirements in respect of presentation, recognition and measurement. This is described more fully in note 1.24.

1.2 Basis of preparation

The financial statements, which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cashflows and related notes 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.

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 cashflow forecasts to assess whether the Group has adequate resources for the foreseeable future and further details are disclosed in the viability statement. Although the Group is showing net current liabilities at 31 December 2016 this will reverse upon the re-financing of the Group's long-term debt which occurred subsequent to the reporting date (see note 30). 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.

The financial statements are presented in euros, rounded to the nearest €0.1m, and are prepared on the historical cost basis with the exception of those assets and liabilities carried at fair value. The financial statements are prepared on the going concern basis.

"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.

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.

1.2.1 Significant judgements

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.

1.2.1.1 Intangible assets

For all acquisitions, management has recognised separately identifiable intangible assets on the Consolidated Statement of Financial Position. These intangible assets have been valued based on expected future cashflow 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.

1.2.1.2 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 cashflows expected to arise from the cash-generating unit and select a suitable discount rate in order to calculate present value. Note 8.2 provides information on the assumptions used in these consolidated financial statements.

The work to assess the existence of impairment indicators and, where applicable, to evaluate the impairment of goodwill and intangible assets was conducted internally by management.

1.2.1.3 Receivables

Management applies judgement in evaluating the recoverability of receivables including balances with payment processors. To the extent that the Board believes receivables are not recoverable they have been provided for in these consolidated financial statements.

1.2.1.4 Progressive jackpots

Where a legal or constructive obligation exists, management's policy is to record a provision. In 2015, based on the history of jackpot pay outs management's judgement was that no constructive obligation existed. Following the acquisition of bwin.party management have re-assessed this judgement based on the history of the enlarged Group indicating a constructive obligation exists hence a provision is required.

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

1.2 Basis of preparation continued

1.2.1 Significant judgements continued

1.2.1.5 Share-based payments

Accounting for share-based payments requires a degree of judgement over such matters as dividend yield, timing of performance conditions being met, expected volatility and the method in which those liabilities will be settled. Further details on the assumptions made by management are disclosed in note 24.

1.2.1.6 Embedded derivatives

The drawn-down Cerberus Loan contains embedded derivatives. The interest rate on the loan is EURIBOR, subject to a floor of 1%, plus a margin of 11.5%. Based on recent guidance issued by IFRIC, management assess this floor to be closely related to the host contract and therefore it has not been treated as an embedded derivative.

In addition, the loan has been repaid early (see note 30) within the first year of the loan. The terms of the loan meant that if it was repaid in the first year, there would be an additional "make-whole" premium payable. If it were to be repaid before the expiry date, the payment of the exit fees would be brought forward but additional fees at the 12 month and 18 month date could be avoided. These options for early repayment are considered to be non-closely related to the host contract and have been recognised separately. The options have been grouped for the purposes of evaluating the embedded derivative. They have been valued based on the projected cashflows and applying a probability weighting to the potential cash saving from lower effective interest rates.

1.2.1.7 Acquisition of bwin.party

The GVC Group has been identified as the acquirer of bwin.party as it is the entity financing the acquisition through equity interests and debt, paying a premium for the assets of bwin.party. In the combined entity, the Board is primarily composed of GVC management, with one Director of bwin.party joining as a Non-executive Director, together with two other external appointments. On acquisition and post-acquisition, bwin.party does not have the ability to control the combined entity and so has been accounted as the acquired party under IFRS 3 Business Combinations.

1.2.1.8 Assets/liabilities held for sale

Assets and liabilities held for sale are measured at the lower of carrying value and fair value less associated costs of sale. Management apply judgement in determining when assets meet the criteria to be recognised as held for sale and in evaluating the fair value less costs to sell.

1.2.1.9 Provisions

The recognition of provisions requires management to apply judgement in determining the likelihood of the outcome of legal proceedings as well as any other circumstances that may cause a liability to fall due.

1.3 Basis of consolidation

1.3.1 Subsidiaries

The Group financial statements consolidate those of the parent company and all of its subsidiaries as of 31 December 2016. A list of principal subsidiaries is included within the parent company accounts.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable. The Group attributes total comprehensive income (or loss) of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

Where the Company has control over an investee, it is classified as a subsidiary. The Company controls an investee if all three of the following elements are present:

- Power over the investee;
- Exposure or rights to variable returns from the investee;
- The ability of the Company to use its power to affect those variable returns.

Control is re-assessed whenever facts and circumstances indicate that there may be a change in any of the above elements of control.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling shareholder's share of changes in equity since the date of the combination except where any non-controlling interests have been acquired by the Group. At this point any share of gains or losses are transferred to the Group's retained earnings. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

1.3.2 Investments in associates

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

The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of the investment. Losses of an associate in excess of the Group's interest in that associate are not recognised. Additional losses are provided for, and a liability is recognised, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

1.3.3 Investments in joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control; that is, when the strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control.

The Group reports its interests in jointly controlled entities using the equity method of accounting. Under the equity method, investments in joint ventures are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the joint venture, less any impairment in the value of the investment. Losses of a joint venture in excess of the Group's interest in that investment are not recognised. Additional losses are provided for, and a liability is recognised, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

1.3.4 Transactions eliminated on consolidation

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a Group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2016

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

1.3 Basis of consolidation continued

1.3.5 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 Employee Benefits 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 Share-Based Payments 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 re-measured 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 re-measured at subsequent reporting dates in accordance with IAS 39, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

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, as well as the presentational currency of the Group, is the euro.

1.4.1 Foreign currency transactions

Monetary assets and liabilities denominated in foreign currencies at the reporting 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 within operating costs (note 3) and financial costs (note 4). 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.

Income and expense items are translated using the exchange rates at the start of the relevant month, unless exchange rates fluctuate significantly, in which case the spot rate for significant items is used.

Exchange differences arising due to the functional currency of operations differing from the presentational currency of the Group, if any, are recognised in other comprehensive income, classified as equity and transferred to the Group's translation reserve. Such translation differences are reclassified to profit or loss 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:

Leasehold property:	over the length of the lease
Fixtures and fittings:	3 years
Plant and equipment:	3 years

The residual value, if significant, is reassessed annually.

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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 ("CGU") that is expected to benefit from the synergies of the combination.

A CGU 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 CGU 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 CGU, 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

Where, in the opinion of the Directors, the Group's expenditure in relation to development of internet activities results in future economic benefits, these costs are capitalised within software licences and amortised over the useful economic life of the asset.

Development costs are capitalised only when it is probable that future economic benefit will result from the project and the following criteria are met:

- The technical feasibility of the product has been ascertained;
- Adequate technical, financial and other resources are available to complete and sell or use the intangible asset;
- The Group can demonstrate how the intangible asset will generate future economic benefits and the ability to use or sell the intangible asset can be demonstrated;
- It is the intention of management to complete the intangible asset and use it or sell it; and
- The development costs can be measured reliably.

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 reporting date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Software licence agreements	2-15 years
Capitalised development expenditure	3-5 years
Trademarks and trade names	12-15 years, or indefinite life
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 reporting 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-based payments

The Group has share-based payment schemes which allow certain employees and contractors to acquire shares of the Company. The Group has accounted for these under IFRS 2 Share-Based Payments.

Share option schemes

The fair value of options granted under the LTIP and MIP schemes will be recognised as a share-based payment 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 are measured using either a binomial or Monte Carlo 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 and market conditions if applicable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2016

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

1.9 Employee benefits continued

1.9.2 Share-based payments continued

Annual share bonus plan

The Group operates an annual share bonus plan and this gives the Company the option of rewarding employees and contractors in either cash or shares or a combination of both upon them achieving performance targets. The type of reward will be at the discretion of the Remuneration Committee, where a share award is granted the fair value of the award is recognised as a cash-settled share-based payment expense in the period that the employee or contractor earned the reward, with a corresponding liability recognised in the statement of financial position.

Cash cancelled options

On occasion, at the Remuneration Committee's discretion, vested share options may be settled in cash, as opposed to issuing new shares. 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. Also on cancellation an accelerated charge would be recognised immediately.

Employers social security costs

Employers social security costs due on the cash cancellation of options and the employee gain on exercised options will be paid by the Company and shown within share-based payments.

See note 24 for further details of the schemes.

1.10 Provisions

A provision is recognised 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 cashflows 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

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 and amounts accrued or progressive prize pools.
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. Revenue is also generated from foreign exchange commissions on customer deposits and withdrawals and account fees.

B2B income comprises the amounts receivable for services to other online gaming operators. Other revenue consists primarily of revenue from third-party payment services and financial markets. Revenue in respect of network service arrangements where the third party owns the relationship with the customer is the net commission invoiced. Income is recognised when a right to consideration has been obtained through performance and reflects contract activity during the year.

1.12 Net gaming revenue ("NGR")

NGR is the Group's alternate revenue measure and is revenue before the deduction of VAT.

1.13 Clean EBITDA

Clean EBITDA is the Group's alternative performance measure and is considered to be a key performance measure by the Directors. It is defined as operating profit adjusted for share-based payments, exceptional items, depreciation, amortisation, impairment of available for sale assets and changes in the fair value of derivative financial instruments.

1.14 Financial expenses

Financial expenses comprise interest payable on borrowings, calculated using the effective interest rate method which discounts the expected cashflows over the life of the financial instrument, and foreign exchange differences arising on loans and finance leases.

1.15 Exceptional items

Exceptional items are those items the Group considers to be non-recurring or material in nature that may distort an understanding of financial performance or impair comparability.

1.16 Financial income

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

1.17 Tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases, calculated using the liability method on temporary differences. 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 reporting 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. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

1.18 Segment reporting

Following the acquisition of bwin.party the Board reviewed and confirmed the Group's reportable segments in line with the requirements of IFRS 8 "Operating Segments". The segments disclosed below are aligned with the reports the Group's Chief Executive reviewed during the year to make strategic decisions.

Sports Labels:	bwin, Sportingbet, Gamebookers and Superbahis.
Gaming Labels:	partypoker, partycasino, Gioco Digitale, Cashcade, CasinoClub and USA assets.
B2B:	provision of the technology platforms to external customers.
Total core:	The sum of sports labels, gaming labels and B2B together with non-allocated costs for technology, operations, customer service, professional fees and travel and office costs.
Non-core:	InterTrader and Kalixa.
Corporate:	includes shared and corporate functions such as finance, legal and HR.

Variable costs and costs above Clean EBITDA are either directly attributed or allocated to a segment. Costs below Clean EBITDA are not reviewed on a segment basis and accordingly the analysis by segment is from revenue to Clean EBITDA only. In addition, the Consolidated Statement of Financial Position is not reviewed on a segment basis.

1.19 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.

1.19.1 Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables including balances with payment processors, cash and cash equivalents, loans and borrowings, customer liabilities, progressive prize pools, trade and other payables and deferred consideration. Subsequent to initial recognition, non-derivative financial instruments are measured at amortised cost using the effective interest method. Contingent consideration is measured at fair value. Provisions for impairment are made against financial assets if considered appropriate and any impairment is recognised in profit or loss. The liability for inactive customer balances is derecognised when the obligation is extinguished with reference to player terms and conditions. Open positions on sports bets are carried within other payables.

1.19.2 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank balances. 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 cashflows.

1.19.3 Short-term investments

Short-term investments are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. They are initially recognised at fair value, plus transaction costs directly attributable to their acquisition or issue. They are subsequently carried at amortised cost using the effective interest rate method, less any provisions for impairment.

1.19.4 Available for sale financial assets ("AFS")

AFS financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets.

AFS financial assets are measured at fair value. Gains and losses are recognised in other comprehensive income and reported within the AFS reserve within equity, except for interest and dividend income, impairment losses and foreign exchange differences on monetary assets, which are recognised in profit or loss.

When the asset is disposed of or is determined to be impaired, the cumulative gain or loss recognised in other comprehensive income is reclassified from the equity reserve to profit or loss. Interest calculated using the effective interest method and dividends are recognised in profit or loss within finance income.

For AFS equity investments impairment reversals are not recognised in profit and loss and any subsequent increase in fair value is recognised in other comprehensive income.

1.19.5 Assets held for sale

Non-current assets and disposal groups are classified as held for sale if the carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as being met only when the sale is highly probable, management is committed to a sale plan, the asset is available for immediate sale in its present condition and the sale is expected to be completed within one year from the date of classification. These assets are measured at the lower of carrying value and fair value less associated costs of sale except where the assets were previously classified as available for sale, in which case they are carried at fair value.

1.19.6 Derivative financial instruments

Derivative financial instruments are accounted for at Fair Value Through Profit and Loss (FVTPL). Any movements in fair value are taken to the consolidated income statement.

1.19.7 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 cashflows 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2016

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

1.20 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 in 2010. It consists of the pre-redomiciliation reserves of the Luxembourg company plus the difference in the issued share capital (31,135,762 share at €0.01 versus 31,135,762 shares at €1.24).
- Translation reserve represents exchange differences on translation of foreign subsidiaries recognised in other comprehensive income.

1.21 Finance leases

Management applies judgement in considering the substance of a lease agreement and whether it transfers substantially all the risks and rewards incidental to ownership of the leased asset. Key factors considered include the length of the lease term in relation to the economic life of the asset, the present value of the minimum lease payments in relation to the asset's fair value, and whether the Group obtains ownership of the asset at the end of the lease term.

The interest element of lease payments is charged to profit or loss, as finance costs over the period of the lease.

1.22 Operating leases

All other leases other than finance leases are treated as operating leases. Where the Group is a lessee, payments on operating lease agreements are recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

1.23 Assets classified as held for sale

Non-current assets and disposal groups are classified as held for sale if the carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as being met only when the sale is highly probable, management is committed to a sale plan, the asset is available for immediate sale in its present condition and the sale is expected to be completed within one year from the date of classification. These assets are measured at the lower of carrying value and fair value less associated costs of sale except where the assets were previously classified as available for sale, in which case they are carried at fair value.

1.24 New and revised standards that are effective for annual periods beginning on or after 1 January 2016

1.24.1 Amendments to IFRS 11 Joint Arrangements

These amendments provide guidance on the accounting for acquisitions of interests in joint operations constituting a business. The amendments require all such transactions to be accounted for using the principles on business combinations accounting in IFRS 3 "Business Combinations" and other IFRSs except where those principles conflict with IFRS 11. Acquisitions of interests in joint ventures are not impacted by this new guidance.

The amendments are effective for reporting periods beginning on or after 1 January 2016. No impact arose from the adoption of these amendments to IFRS 11 on these consolidated financial statements.

1.25 Standards in issue, not yet effective

At the date of authorisation of these financial statements, certain new standards, and amendments to existing standards have been published by the IASB that are not yet effective, and have not been adopted early by the Group. Information on those expected to be relevant to the Group's financial statements is provided below.

Management anticipates that all relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. New standards, interpretations and amendments not either adopted or listed below are not expected to have a material impact on the Group's financial statements.

1.25.1 IFRS 9 "Financial Instruments" (2014)

The IASB has released IFRS 9 "Financial Instruments" (2014), representing the completion of its project to replace IAS 39 "Financial Instruments: Recognition and Measurement". The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new "expected credit loss" model for the impairment of financial assets together with new guidance on the application of hedge accounting. The new standard is required to be applied for annual reporting periods beginning on or after 1 January 2018. The Group's management are currently reviewing the various classifications of financial instruments used by the Group but do not believe that any material changes to the Group's results in future periods will arise as a result of any changes of classification. The Group's treasury officials will consider the implications of this new standard when reviewing the hedging instruments it will utilise going forward.

1.25.2 IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 presents new requirements for the recognition of revenue, replacing IAS 18 "Revenue", IAS 11 "Construction Contracts", and several revenue-related Interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities. IFRS 15 is effective for reporting periods beginning on or after 1 January 2018. The Group's management do not consider that there will be any material impact on the Group's policy of recognising revenue but will review the impact of the standard on the Group's 2017 results during that financial year.

1.25.3 IFRS 16 "Leases"

IFRS 16 presents new requirements for the recognition, measurement, presentation and disclosure of leases, replacing IAS 17 "Leases". The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases of over 12 months unless the underlying asset has a low value. Lessors continue to classify leases as operating or finance leases, with minimal changes from IAS 17. The new standard applies to annual reporting periods beginning on or after 1 January 2019. The Group's management consider that the adoption of this statement will likely result in an increase in the non-current assets (representing "right-of-use" assets) and a corresponding increase in liabilities, both current and non-current on the balance sheet of the Group to the approximate value of the assets contained within its operating lease disclosure in note 19 but will fully review the impact in the 2018 financial year.

2. SEGMENTAL REPORTING

Prior to the acquisition of bwin.party, management followed one business line with two operating segments, being Sports and Gaming. Post the acquisition, and reflecting the label-focused basis for bwin.party's segmental analysis, this approach has been revised. There are now five operating segments, being Sports Labels, Gaming Labels, B2B, Non-core and Corporate. These operating segments are monitored and strategic decisions are made on the basis of overall operating results. Although Corporate does not fulfil the definition of an operating segment per IFRS 8, management have elected to separate the results of the corporate support function to aid the users of the financial statements. The segmental analysis below shows the prior year comparative on the new segmental basis of reporting in order to aid comparability.

Management also monitors revenue by geographic location of its customers.

2.1 Geographical analysis

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

	2016 €m	2015 €m
Germany	187.9	34.7
Turkey	100.3	92.9
UK	69.3	9.5
Other	465.8	109.4
TOTAL	823.3	246.5

Revenues from external customers have been identified on the basis of the customer's geographical location.

2.2 Reporting by segment

YEAR ENDED 31 DECEMBER 2016	Sports labels €m	Games labels €m	B2B €m	Total core €m	Non-core €m	Corporate €m	Total €m
NGR	620.7	188.3	13.3	822.3	21.1	–	843.4
EU VAT	(13.9)	(6.2)	–	(20.1)	–	–	(20.1)
REVENUE	606.8	182.1	13.3	802.2	21.1	–	823.3
Variable costs	(264.3)	(99.2)	(0.2)	(363.7)	(22.1)	–	(385.8)
CONTRIBUTION	342.5	82.9	13.1	438.5	(1.0)	–	437.5
Contribution margin	*55%*	*44%*	*98%*	*53%*	*(5%)*	*n/a*	*52%*
Other operating costs:							
Personnel expenditure				(104.6)	(11.4)	(20.6)	(136.6)
Professional fees				(5.4)	(1.0)	(12.0)	(18.4)
Technology costs				(68.0)	(1.7)	(0.3)	(70.0)
Office, travel and other costs				(7.6)	(2.2)	(12.6)	(22.4)
Foreign exchange differences				0.2	–	3.2	3.4
CLEAN EBITDA				253.1	(17.3)	(42.3)	193.5

YEAR ENDED 31 DECEMBER 2015	Sports labels €m	Games labels €m	B2B €m	Total core €m	Non–core €m	Corporate €m	Total €m
NGR	215.1	32.6	–	247.7	–	–	247.7
EU VAT	(0.5)	(0.7)	–	(1.2)	–	–	(1.2)
REVENUE	214.6	31.9	–	246.5	–	–	246.5
Variable costs	(101.0)	(10.1)	–	(111.1)	–	–	(111.1)
CONTRIBUTION	113.6	21.8	–	135.4	–	–	135.4
Contribution margin	*53%*	*67%*	*n/a*	*55%*	*n/a*	*n/a*	*55%*
Other operating costs:							
Personnel expenditure				(34.7)	–	(13.8)	(48.5)
Professional fees				(0.7)	–	(4.0)	(4.7)
Technology costs				(23.6)	–	(0.1)	(23.7)
Office, travel and other costs				(3.1)	–	(0.4)	(3.5)
Foreign exchange differences				(0.4)	–	(0.5)	(0.9)
CLEAN EBITDA				72.9	–	(18.8)	54.1

Management do not review the performance of each segment below the level of Clean EBITDA.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2016

3. OPERATING COSTS

	Notes	2016 €m	2015 €m
Wages and salaries, including Directors		105.9	40.5
Staff costs capitalised in respect of intangible asset additions		(10.7)	–
Outsourced consultants		21.8	3.3
Compulsory social security contributions		12.1	2.3
Pension contributions		0.9	0.7
Health and other benefits		4.4	0.9
Recruitment and training		2.3	0.8
PERSONNEL EXPENDITURE (EXCLUDING SHARE-BASED PAYMENT CHARGES)		136.7	48.5
Professional fees		18.4	4.7
Technology costs		70.1	23.7
Office, travel and other costs		22.1	3.4
Foreign exchange differences on operating activity		(3.3)	1.0
ADMINISTRATIVE COSTS		244.0	81.3
Equity-settled share-based payments charges	24	24.0	0.5
Cash-settled share-based payments charges (credits)	24	7.1	(0.1)
Exceptional items	3.2	117.8	24.5
Impairment of available for sale asset	10	4.2	1.2
Movement in the fair value of derivative financial instruments		(15.0)	(4.8)
Depreciation	9	20.0	0.8
Amortisation	8	116.5	4.2
TOTAL OPERATING COSTS		518.6	107.6

3.1 Employees

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

	2016	2015
AVERAGE NUMBER OF EMPLOYEES		
With employment contracts or service contracts	2,211	527
Contractors	471	49
	2,682	576

3. OPERATING COSTS CONTINUED

3.2 Exceptional items

	2016 €m	2015 €m
Professional fees	18.8	13.5
Currency option, including fair value adjustment (see note 3.2.1)	10.8	9.5
Bonuses and share options (see note 3.2.2)	21.9	–
ACQUISITION COSTS	51.5	23.0
Premium listing application costs	4.4	–
Romanian back taxes and license fees	–	1.2
Reorganisation costs	14.4	–
Contract termination costs	11.7	–
Accelerated depreciation	12.5	–
Progressive jackpots	7.6	–
Release of contingent consideration	8.1	–
Foreign exchange on deposit	16.4	–
Profit on disposal of joint venture and available for sale investment	(11.7)	–
Other	2.9	0.3
TOTAL EXCEPTIONAL ITEMS	117.8	24.5

3.2.1 Currency option

A currency option was taken out in 2015, in order to meet the cash confirmation requirements of the offer for bwin.party. Under the terms of the contract, the Group would sell €365.0m and buy £260.7m. Hedge accounting was not applied. The derivative, recognised as a current liability, was valued at 31 December 2015 at €9.9m. The option was exercised on 2 February 2016. The movement in exchange rate between 31 December 2015 and 2 February 2016 created an additional fair value loss of €0.9m. The combined cost of the instrument of €10.8m (being its fair value on the date of extinguishment) has been recognised as an exceptional item above, as this is related to the financing of the acquisition.

At 31 December 2016 there were no other forward exchange contracts taken out in the ordinary course of business. The cost of forward exchange options during the year is included within administrative costs and not treated as an exceptional cost.

3.2.2 Transaction bonuses and share options

	2016 €m	2015 €m
2014 share option plan rolled into share placing[1]	18.4	–
Transaction bonuses rolled into share placing[2]	3.0	–
Other transaction bonuses	0.5	–
	21.9	–

1. Includes employer's National Insurance. See pages 322 to 325 of the prospectus.
2. Includes employer's National Insurance. See page 349 of the prospectus.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2016

3. OPERATING COSTS CONTINUED

3.3 Auditors' remuneration

	2016 €m	2015 €m
GROUP AUDITORS' REMUNERATION		
Audit services	0.7	0.5
Non-audit services[1]:		
Reporting accountant services	1.0	2.1
Half-year review	0.1	–
Other services	0.1	0.1
	1.9	2.7
FEES PAYABLE TO OTHER ACCOUNTING FIRMS		
Audit services	1.5	–
Non-audit services	0.5	–
	2.0	–

1. Non-audit services include services relating to corporate finance transactions in respect of the bwin.party acquisition and step up to Premium Listing of €1,016,139, audit related assurance services of €95,493, taxation compliance services of €26,760, taxation advisory services of €21,425 and other non-audit services of €2,549.

4. FINANCIAL INCOME AND EXPENSE

	2016 €m	2015 €m
FINANCIAL INCOME		
Interest income	2.9	–
Unwinding of discount on contingent consideration	0.5	–
Other income	1.1	–
	4.5	–

	2016 €m	2015 €m
FINANCIAL EXPENSE		
Unwinding of discount on non-interest bearing loan	–	0.2
Finance lease interest	0.1	0.1
Unwinding of discount on deferred consideration	–	0.1
Foreign exchange revaluation	–	0.7
Interest on Cerberus loan (see note 17.1)	46.0	1.2
Amortisation of loan fees	23.3	–
Unwinding of early repayment option	(4.3)	–
Other interest	0.2	–
	65.3	2.3

5. DIVIDEND INCOME

Dividends were received in the period from the Aldorino Trust in respect of the investment in Betbull.

	2016 €m	2015 €m
Dividend income	3.1	–

6. TAXATION

6.1 Analysis of tax charge

	2016 €m	2015 €m
CURRENT TAX EXPENSE		
Current year	12.5	0.7
Prior year	(0.7)	0.1
Current tax expense	11.8	0.8
Deferred tax credit	(11.8)	–
TAX (CREDIT) EXPENSE	–	0.8

The effective tax rate for the year based on the associated tax expense is 0.0% (2015: tax rate of 3.1%).

The total (credit) expense for the year can be reconciled to accounting (loss) profit as follows:

	2016 €m	2015 €m
(LOSS) PROFIT BEFORE TAX	(138.6)	25.5
Income tax using the UK corporation tax rate	(27.7)	5.2
Effect of tax rates in foreign jurisdictions (rates decreased)	0.7	(4.8)
Expenses/(income) not deductible for tax purposes	16.6	0.8
Utilisation of tax losses not previously provided	(1.0)	(0.2)
Group relief	(2.5)	–
Tax losses for which no deferred tax assets have been recognised	15.2	0.6
Capital allowances for the period in excess of depreciation	(0.6)	(0.9)
Adjustments in respect of prior years	(0.7)	0.1
	–	0.8

The expenses not allowed for tax purposes are primarily share-based payments, depreciation, amortisation and impairment of assets. The effect of non-taxable income primarily represents the release of the acquisition fair value tax liability and dividend income.

6.2 Factors affecting the tax charge for the year

The Group's policy is to manage, control and operate Group companies only in the countries in which they are registered. At the year end there were Group companies or branches registered in 30 countries. However, the rules and practice governing the taxation of e-commerce activity are evolving in many countries. It is possible that the amount of tax that will eventually become payable may differ from the amount provided in the financial statements.

6.3 Factors that may affect future tax charges

As the Group is involved in worldwide operations, future tax charges will be affected by the levels and mix of profitability in different jurisdictions. Future tax charges will be reduced by a deferred tax credit in respect of amortisation of certain acquired intangibles.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2016

7. EARNINGS PER SHARE

7.1 Basic earnings per share and adjusted earnings per share

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.

	2016	2015
(Loss) profit for the year attributable to ordinary shareholders (€m)	(138.3)	24.7
Weighted average number of shares (millions)	271.8	61.3
BASIC (LOSS) EARNINGS PER SHARE (€)	(0.51)	0.40

The performance measure of earnings per share used internally by management to manage the operations of the business and remove the impact of one-off and certain non-cash items is adjusted earnings per share. Management believes that this better reflects the underlying performance.

Adjusted earnings per share has been calculated by taking the (loss) profit before tax and adding back the following items in the year and dividing by the weighted average number of shares in issue.

	2016	2015
(Loss) profit before tax attributable to ordinary shareholders (€m)	(138.3)	25.5
Exceptional items	117.8	24.5
Impairment of available for sale asset	4.2	1.2
Changes in the fair value of derivative financial instruments	(15.0)	(4.8)
Dividend income	(3.1)	–
Amortisation on acquired intangible assets	109.5	–
– Effect of tax thereon	(14.3)	–
Amortisation of early repayment option on loan	(4.3)	–
Amortisation of loan fees	23.4	–
Taxation	(8.2)	(1.5)
ADJUSTED EARNINGS	71.7	44.9
Weighted average number of shares (millions)	271.8	61.3
ADJUSTED EARNINGS PER SHARE (€)	0.26	0.73

7.2 Diluted earnings per share and adjusted earnings per share

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.

Adjusted diluted earnings per share has been calculated by taking the adjusted earnings as above and dividing by the weighted average number of shares in issue, as diluted by share options.

	2016	2015
(Loss) profit for the year attributable to ordinary shareholders (€m)	(138.3)	24.7
Weighted average number of shares (millions)	271.8	61.3
Effect of dilutive share options (millions)	7.5	3.1
Weighted average number of dilutive shares (millions)	279.3	64.4
DILUTED EARNINGS PER SHARE[1] (€)	(0.51)	0.38
Adjusted earnings (€m)	71.7	44.9
ADJUSTED DILUTED EARNINGS PER SHARE[1] (€)	0.26	0.70

1. A diluted EPS calculation may not increase a basic EPS calculation when the basic EPS is a loss.

Share options that could potentially dilute basic earnings per share but were not included because they are anti-dilutive for the year ending 31 December 2016 amounted to nil effective shares (2015: nil).

8. INTANGIBLE ASSETS

	Software licences €m	Goodwill €m	Trade-marks and trade name €m	Consulting and magazine €m	Non-contractual customer relationships €m	Total €m
COST						
At 1 January 2015	27.5	166.2	17.0	4.9	2.4	218.0
Additions	5.0	–	–	–	–	5.0
At 31 December 2015	32.5	166.2	17.0	4.9	2.4	223.0
Additions	19.0	–	–	–	–	19.0
Acquisition of subsidiaries	224.0	963.9	176.0	–	208.0	1,571.9
Reclassified as held for sale	(2.0)	(6.5)	–	–	(12.0)	(20.5)
Foreign exchange	(0.2)	–	–	–	–	(0.2)
AT 31 DECEMBER 2016	273.3	1,123.6	193.0	4.9	198.4	1,793.2
AMORTISATION AND IMPAIRMENT						
At 1 January 2015	21.9	33.3	1.3	4.9	2.3	63.7
Amortisation	3.9	–	0.2	–	0.1	4.2
At 31 December 2015	25.8	33.3	1.5	4.9	2.4	67.9
Amortisation	62.1	–	13.6	–	40.8	116.5
Reclassified as held for sale	(0.1)	–	–	–	(0.5)	(0.6)
AT 31 DECEMBER 2016	87.8	33.3	15.1	4.9	42.7	183.8
NET BOOK VALUE						
At 31 December 2015	6.7	132.9	15.5	–	–	155.1
AT 31 DECEMBER 2016	185.5	1,090.3	177.9	–	155.7	1,609.4

Certain intangible assets are deemed to have an indefinite useful life as there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity. The carrying amounts of such assets at 31 December 2016 was as follows:

	2016 €m	2015 €m
Trademarks and trade names (related to CasinoClub)	15.1	15.1

8.1 Amortisation

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

	2016 €m	2015 €m
Net operating expenses	116.5	4.2

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2016

8. INTANGIBLE ASSETS CONTINUED

8.2 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 2016. The goodwill relates to the Group's acquisitions of bwin, 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 2017 and up to 31 December 2021. 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.

Goodwill can be broken down into the following:

	2016 €m	2015 €m
bwin	957.4	–
Betboo	8.3	8.3
CasinoClub	40.4	40.4
Sportingbet	84.2	84.2
TOTAL GOODWILL	1,090.3	132.9

bwin

The allocation of the bwin goodwill includes various CGUs, split along the Group's reporting segment and includes changes to the CGUs presented in the 2016 interim financial statements following a final review by management of the assumptions underlying the determination and allocation of goodwill and intangibles. The carrying value of these, together with the assumptions used within those individual CGUs are shown in the tables below.

The discount rates used have been considered based on the risks involved in each of the underlying business units and terminal growth rates reflect the expected growth in underlying EBITDA expected from these units. These CGUs have been considered for impairment and sensitivities have been calculated around the terminal growth rates and discount factors used together with specific scenarios including the loss of revenue where those revenues might be considered to be at risk. No indicators of impairment have arisen as a result as the impact of all sensitivities were judged to be within tolerable levels.

	Goodwill in CGU €m	Discount rate %	Terminal growth rates %
Sports labels	849.1	9.0	2.0
Games labels	108.3	11.8	2.0
Intertrader	–	16.8	2.0
TOTAL GOODWILL	957.4		

The goodwill of €6.5m relating to the Kalixa business acquired as part of the bwin acquisition was transferred to assets held for sale as at 31 March 2016 and its value has been considered as part of the fair value of that disposal group (see note 15).

Betboo

A terminal growth rate of 2% was included to reflect the likely competitive pressures on this brand. 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 other intangibles was not impaired.

CasinoClub

A terminal growth rate of 2% was used to reflect the increasing competitive pressures from large online gaming companies. A discount rate of 11.8% was used, based on risk profile. It was concluded that the carrying value of the goodwill and other intangibles was not impaired.

Sportingbet

A terminal growth rate of 2% was used to reflect the increasing competitive pressures from large online gaming companies. A discount rate range of 20%-35% was applied to each of the underlying brands, based on the risk profile of those brands. It was concluded that the carrying value of the goodwill and other intangibles was not impaired.

Management has considered the sensitivities around its key assumptions used in the review of the carrying values of goodwill and other intangibles with an indefinite useful life. These sensitivities have considered the terminal growth rates and discount rates together with specific scenarios around the loss of revenue where those revenues might be considered to be at risk.

9. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings €m	Plant and equipment €m	Fixtures and fittings €m	Total €m
COST				
At 1 January 2015	–	2.3	1.4	3.7
Additions	–	1.1	0.1	1.2
At 31 December 2015	–	3.4	1.5	4.9
Additions	0.1	0.4	15.3	15.8
Acquisition of subsidiaries	4.9	–	39.6	44.5
Disposals	(0.1)	–	(1.3)	(1.4)
Exchange movements	(0.2)	0.2	(0.9)	(0.9)
Reclassified as assets held for sale	–	–	(2.5)	(2.5)
AT 31 DECEMBER 2016	4.7	4.0	51.7	60.4
DEPRECIATION				
At 1 January 2015	–	1.5	1.1	2.6
Depreciation charge for the year	–	0.7	0.1	0.8
At 31 December 2015	–	2.2	1.2	3.4
Depreciation charge for the year	1.0	0.7	18.3	20.0
Disposals	–	–	(0.5)	(0.5)
Accelerated depreciation	–	–	18.1	18.1
Exchange movements	–	–	(0.1)	(0.1)
Reclassified as assets held for sale	–	–	(0.2)	(0.2)
AT 31 DECEMBER 2016	1.0	2.9	36.8	40.7
NET BOOK VALUE				
At 31 December 2015	–	1.2	0.2	1.4
AT 31 DECEMBER 2016	3.7	1.1	14.9	19.7

The net book value of items held under finance leases was €nil at 31 December 2016 (31 December 2015: €0.5m).

Accelerated depreciation of €18.1m has been charged in respect of certain software licences which were renegotiated following the bwin.party acquisition. An associated payable of €5.6m was also released to the income statement following this renegotiation.

9.1 Capital commitments

The Group has capital commitments contracted but not provided for at 31 December 2016 of €1.4m (31 December 2015: €nil).

10. INVESTMENTS AND AVAILABLE FOR SALE (AFS) FINANCIAL ASSETS

	Available for sale financial assets €m	Associates €m	Total €m
At 1 January 2015	3.8	–	3.8
Impairment	(1.2)	–	(1.2)
At 31 December 2015	2.6	–	2.6
Acquisition through business combination	3.5	1.0	4.5
Additions	2.2	–	2.2
Share of profit	–	0.1	0.1
Impairments	(4.2)	–	(4.2)
Disposals	(1.5)	–	(1.5)
AT 31 DECEMBER 2016	2.6	1.1	3.7

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2016

10. INVESTMENTS AND AVAILABLE FOR SALE (AFS) FINANCIAL ASSETS CONTINUED

10.1 Available For Sale assets (AFS)

On 14 May 2014, the Group acquired a 15% stake in Betit Holdings Limited ("BHL") from Betit Securities Limited ("BSL"). The consideration was for €3.5m, which was attributed to both the available for sale asset (€5.2m) and the option liability (€1.7m) taken on at acquisition. The asset held for sale consideration, together with professional fees incurred at the time, amounted to a total upfront cost of €5.4m which was impaired at 31 December 2015 to €2.6m. This asset was impaired by €0.7m prior to being sold during the year.

The value of bwin.party's available for sale assets on acquisition was €3.5m. The value of these has decreased by €3.1m during the period, principally as a result of the dividend declared by the Aldorino Trust of €3.1m which resulted in the full impairment of this investment. Also as part of the bwin.party acquisition assets held for sale of €2.2m were recategorised as AFS after the acquisition date.

10.2 Associates

The value of bwin.party's associates on acquisition was €1.0m. The value of this investment had increased by €0.1m by 31 December 2016 based on the share of underlying profit in the associate. The Group holds 50% of the voting rights in relation to this entity and amounts related to this entity as at 31 December 2016 are presented in the table below:

	€m
Non-current assets	0.1
Current assets	2.2
Current liabilities	0.5
Revenues	2.6
Profit	0.4

11. RECEIVABLES AND PREPAYMENTS

	2016 €m	2015 €m
Balances with payment processors	60.0	21.7
Trade receivables	–	0.1
Other receivables	27.6	1.3
Loans and receivables	87.6	23.1
Prepayments	16.7	11.5
Deferred consideration	0.9	–
CURRENT ASSETS	105.2	34.6
Contingent consideration	4.0	–
Deferred consideration	0.9	–
NON-CURRENT ASSETS	4.9	–

Payment processor balances 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 2016 for goods or services which will be consumed after 1 January 2017.

Contingent consideration relates to amounts receivable for the sale of domain names following the acquisition of bwin and is measured at fair value. The non-discounted book values for these amounts are €6.0m (2015: €nil) due later than one year but not later than five years.

Deferred consideration relates to amounts receivable for the sale of Conspo which was previously classified as held for sale. The non-discounted book values for these amounts are €0.9m (2015: €nil) due within one year and €1.0m (2015: €nil) due later than one year but not later than five years.

12. DERIVATIVE FINANCIAL INSTRUMENTS

	Winunited option €m	Early repayment option €m	Betit option €m	Total €m
BALANCE AT 1 JANUARY 2015	–	–	(1.7)	(1.7)
Movement in fair value	3.8	–	1.0	4.8
BALANCE AT 31 DECEMBER 2015	3.8	–	(0.7)	3.1
Recognised on loan drawdown	–	7.4	–	7.4
Disposal in the year	–	–	0.7	0.7
Change in fair value of early repayment option	(0.1)	15.1	–	15.0
BALANCE AT 31 DECEMBER 2016	3.7	22.5	–	26.2

12.1 Winunited option

On 24 March 2015, GVC contracted with Winunited Limited for the day-to-day back office operations of the Winunited business, licensed in Malta. Under the terms of the agreement, GVC obtained a call option to purchase the Winunited assets comprising goodwill, customers, licences, brands and websites. The exercise period for the option is in the three months prior to the five year anniversary of 24 March 2015. No consideration was paid for the call option.

At 31 December 2016, the option was valued using a Monte Carlo valuation model and two methodologies: a discounted cashflow and a multiples based calculation. A long-term growth rate of 2% (2015: 2%) was assumed, and a discount rate of 13% (2015: 15%) based on industry peers and observable inputs. Based on this model, the value of the call option at 31 December 2016 was €3.7m (2015: €3.8m). This decrease in the fair value of the option has been recognised in the income statement in accordance with IAS 39.

12.2 Cerberus loan early repayment option

On 2 February 2016, a further €380m was drawn down under the Cerberus loan facility. The facility had a repayment date of 4 September 2017 but has been repaid earlier (see note 30). Early repayment changes the profile and size of the cash payments and this feature has been identified as an embedded derivative therefore separated from the host contract. Changes in the Group's credit rating would have an impact on the value of the option for early repayment. The option has been valued by a third party valuation specialist based on the contracted cashflows under the terms of the facility and measuring the cost saving opportunities resulting from an early repayment and obtaining of new financing at a lower rate. Given the refinance agreement disclosed in note 30, there is considered to be minimal sensitivity of the inputs to the valuation. The value of the early repayment at 31 December 2016 was €22.5m.

12.3 Betit option

On 14 May 2014, the Group acquired a 15% stake in Betit Holdings Limited ("BHL"). The Group had a call option to acquire the balance of the outstanding shares which could be exercised no earlier than 1 July 2017 and no later than 30 September 2017, and would be subject to further Maltese Gaming Authority clearance and the Stock Exchange Rules. The minimum call option price was €70m, and the actual price would be determined by the mix of revenues between regulated and non-regulated markets and certain multiples attaching thereto.

In the year, the Group disposed of its investment in BHL and its call option was also disposed of as part of this arrangement. The net loss on disposal of the investment and the option has been included within changes in value of available for sale assets.

13. SHORT-TERM INVESTMENTS

	2016 €m	2015 €m
Restricted cash	5.4	–
	5.4	–

Short-term investments represent cash held as guarantees for regulated markets' licences. These funds cannot be freely accessed by the Group and so are not treated as cash or cash equivalents.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2016

14. CASH AND CASH EQUIVALENTS

	2016 €m	2015 €m
Total cash in hand and current accounts	367.0	28.2
Cash held within assets held for sale	(12.2)	–
Cash in hand and current accounts	354.8	28.2

15. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

The Group has classified its Kalixa business as held for sale. This business, a fully integrated digital payments company, was transferred to held for sale as at 31 March 2016 after its acquisition as part of the bwin.party group. Certain of the assets of the Kalixa business relating to a beneficial shareholding in Visa Europe were realised in the year on the sale of that business to Visa Inc. Management have agreed a sale of the majority of the remaining operating Kalixa business and believe a disposal in the first quarter of 2017 will be achieved. The remainder of the business is also being actively pursued for a disposal during 2017.

During the year, the Group disposed of its joint venture investment in Conspo which has also previously been classified as held for sale. Proceeds of €16.4m including deferred consideration of €1.9m gave rise to a profit on disposal of €12.4m after professional costs. All remaining assets and liabilities held for sale relate to the Kalixa business.

The movements in assets and liabilities held for sale are disclosed in the table below:

	Assets held for sale €m	Liabilities held for sale €m	Total €m
As at 31 December 2015	–	–	–
Acquired in business combination	12.3	–	12.3
Reclassified as held for sale	55.7	(22.9)	32.8
Trading, working capital and revaluation movements	4.0	0.2	4.2
Disposal of Visa shares	(8.4)	–	(8.4)
Disposal of Conspo	(3.9)	–	(3.9)
AS AT 31 DECEMBER 2016	59.7	(22.7)	37.0

16. TRADE AND OTHER PAYABLES

	2016 €m	2015 €m
Other trade payables	40.4	12.8
Accruals	46.4	19.2
Deferred consideration (note 16.1)	–	1.6
Share option liability	7.1	9.7
CURRENT LIABILITIES	93.9	43.3
Share option liability	–	2.1
Contingent consideration (note 16.2)	4.4	–
NON-CURRENT LIABILITIES	4.4	2.1

16.1 Deferred consideration

Deferred consideration relates to amounts payable for the Group's 2009 acquisition of Betboo. The non-discounted book values of these amount to €nil (2015: €1.6m) due within one year.

16.2 Contingent consideration

Contingent consideration relates to amounts payable for previous acquisitions by bwin.party and is measured at fair value. The non-discounted book values of these amount to €5.8m due after more than one year.

17. LOANS AND BORROWINGS

17.1 Interest bearing loan

On 4 September 2015, the Group entered into an agreement with Cerberus Business Finance LLC for a loan of up to €400m, in order to part-fund the acquisition of bwin.party. Under the terms of the loan, a "Hedging Loan" of up to €20m could be drawn down in advance of the acquisition, in order to fund a hedging arrangement for the conversion of the loan funds into GBP and to pay for initial costs including loan arrangement fees. Accordingly, €20m was drawn down immediately on entering into the contract. The balance of €380m was drawn down on 1 February 2016. This loan was repaid in January 2017 and an alternate bridge financing facility of €250m provided by Nomura International plc was drawn down. This loan itself was then replaced with a long-term institutional loan in March 2017 (see note 30).

The acquisition of bwin.party included an institutional loan of €39.4m due to Royal Bank of Scotland Plc. This loan was repaid after the acquisition date in February 2016.

	Principal €m	Interest and fees €m	Early repayment option €m	Total €m
LOAN BALANCE AT 1 JANUARY 2015	–	–	–	–
Initial drawdown	20.0	–	–	20.0
Initial costs and loan servicing fees paid	–	(0.8)	–	(0.8)
Interest instalments	–	(0.6)	–	(0.6)
Effective interest (note 4)	–	1.2	–	1.2
LOAN BALANCE AT 31 DECEMBER 2015	20.0	(0.2)	–	19.8
Loan drawdown	380.0	–	–	380.0
Arising on business combinations	39.4	–	–	39.4
Revaluation of loan balances	(0.4)	–	–	(0.4)
Loan repayment	(52.5)	–	–	(52.5)
Arrangement fees and loan services fees paid in the prior year	–	(7.6)	–	(7.6)
Arrangement fees and loan services fees paid in the current year		(7.9)	–	(7.9)
Fair value of embedded derivatives	–	–	7.4	7.4
Interest charged	–	46.0	–	46.0
Interest instalments paid	–	(39.7)	–	(39.7)
Amortisation of loan fees	–	23.3	–	23.3
Unwinding of early repayment option	–	–	(4.3)	(4.3)
LOAN BALANCE AT 31 DECEMBER 2016	386.5	13.9	3.1	403.5

Split between the following as at 31 December 2015:	
CURRENT LIABILITIES	–
NON-CURRENT LIABILITIES	19.8
Split between the following as at 31 December 2016:	
CURRENT LIABILITIES	403.5
NON-CURRENT LIABILITIES	–

17.2 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. This loan was fully repaid in February 2016 (31 December 2015: balance of €3.0m).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2016

18. OTHER TAXATION PAYABLE

	2016 €m	2015 €m
Betting taxes	42.1	1.2
VAT payable	4.3	–
Other taxes	0.8	0.8
	47.2	2.0

19. COMMITMENTS UNDER OPERATING AND FINANCE LEASES

19.1 Finance leases

All finance leases were repaid in 2016 and the Group had no finance leases outstanding as at 31 December:

31 DECEMBER 2016	Within 1 year €m	1 to 5 years €m	Total €m
Lease payments	–	–	–
Finance charges	–	–	–
NET PRESENT VALUES	–	–	–

31 DECEMBER 2015	Within 1 year €m	1 to 5 years €m	Total €m
Lease payments	0.7	–	0.7
Finance charges	–	–	–
NET PRESENT VALUES	0.7	–	0.7

19.2 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:

	2016 €m	2015 €m
No later than one year	5.9	1.2
Later than one year and no later than five years	16.5	0.6
More than five years	4.3	–
	26.7	1.8

20. PROVISIONS

Provisions relate to onerous contracts and leases, where the future economic benefits are less than the costs to be incurred, and legal provisions recognised at fair value as part of the business combination. Further details on the largest legal provision are set out below in note 20.1.

CURRENT	Provisions for litigation €m	Other provisions €m	Total €m
At 31 December 2015	–	–	–
Acquired through business combination	–	7.7	7.7
Utilised during the year	–	(7.1)	(7.1)
Transfer from non-current to current	–	0.6	0.6
AT 31 DECEMBER 2016	–	1.2	1.2

NON-CURRENT			
At 31 December 2015	–	–	–
Acquired through business combination	3.7	3.8	7.5
Utilised during the year	–	–	–
Transfer from non-current to current	–	(0.6)	(0.6)
AT 31 DECEMBER 2016	3.7	3.2	6.9

20.1 Provisions for litigation

On 16 October 2014, the Portuguese Supreme Court confirmed a ruling of the Oporto Court of First Instance of September 2011 against Liga Portuguesa de Futebol Profissional (“Liga”) and certain bwin.party entities. In June 2012, APC initiated enforcement proceedings against the Liga and bwin.party, requesting the payment of pecuniary sanctions in the total amount of €6.4m for the alleged violation of the first instance court judgment during the period between 24 September 2011 and 31 January 2012. The Liga and bwin.party remain firmly of the view that such enforcement action is without merit. The legal process is still ongoing.

Due to the inherent uncertainty in legal proceedings, on acquisition of bwin.party in February 2016 the Group recognised a fair value provision for the legal case of €3.2m on a fair value basis together with a further provision of €0.5m for other unrelated legal cases.

20.2 Other provisions

Other provisions include other uncertainties around potential infrastructure, marketing or taxation costs where the Directors feel that there is a material but uncertain risk of outflows to the business. These have been measured based on the estimated probability of such outflows occurring in the near future.

21. DEFERRED TAX

	Total €m
As at 31 December 2015	–
Acquired in business combination	(79.6)
Deferred tax credit	11.8
Transfer to liabilities held for sale	3.8
Foreign exchange and other movements	(1.6)
AS AT 31 DECEMBER 2016	(65.6)

Deferred tax liabilities relate primarily to temporary differences arising from fair value adjustments of acquired intangibles and also the repatriation of profits from foreign jurisdictions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2016

22. SHARE CAPITAL

At an Extraordinary General Meeting on 18 December 2015, the authorised share capital of the Company was increased to 350,000,000 ordinary shares.

On 1 February 2016, the Group acquired 100% of the share capital of bwin.party digital entertainment plc ("bwin.party"), an online gaming company traded on the Main Market of the London Stock Exchange and listed on the Official List (Premium Segment), for total consideration of €1,506.6m as set out in note 28. Under the terms of the Acquisition, each bwin.party shareholder received 25p plus 0.231 new GVC shares for each bwin.party share. The total bwin.party shareholding was 843.5m shares; accordingly, the Group issued 194.8m new shares to bwin.party shareholders. Post the Acquisition, additional shares have been issued to bwin.party option-holders who had not exercised their options before the date of the Acquisition but do so subsequently and the value of these has been included in the total consideration.

On the same date as the acquisition of bwin.party, the Group issued additional shares at a price of 422p. The additional share capital consisted of 28.0m Placing shares, including the subscription by Directors of shares under the terms of the LTIP, and 7.6m Subscription shares. The cash consideration for these shares was £150.0m, less costs incurred of £4.9m (€6.4m), which have been treated as a deduction from share premium.

The authorised and issued share capital is:

	2016 €m	2015 €m
AUTHORISED		
Ordinary shares of €0.01 each		
At 31 December – 350,000,000 shares (2015: 350,000,000 shares)	3.5	3.5
ISSUED, CALLED UP AND FULLY PAID		
At 31 December – 293,268,229 shares (2015: 61,276,480 shares)	2.9	0.6

The issued share capital history is shown below:

	2016	2015
Balance at 1 January	61,276,480	61,276,480
Issue of shares at acquisition	194,841,498	–
Issue of shares via placing	27,978,812	–
Issue of shares via subscription	7,566,212	–
Other share issues	1,605,227	–
Balance at 31 December	293,268,229	61,276,480

23. DIVIDENDS

The dividend history for 2015 is shown below.

Date declared	Per share €c	Per share £p	Shares in issue	Amount €	Amount £
12 January 2015	12.50	9.6000	61,276,480	7,659,560	5,882,542
23 March 2015	14.00	10.2900	61,276,480	8,578,707	6,305,350
23 March 2015 (special)	1.50	1.1000	61,276,480	919,147	674,041
8 July 2015	14.00	9.7575	61,276,480	8,578,707	5,979,053
8 October 2015	14.00	10.3472	61,276,480	8,578,707	6,340,400
Total in 2015	56.0	41.0947		34,314,828	25,181,386

As a result of the acquisition of bwin.party and the combination of debt covenants and the intended restructuring of the Group, the Directors did not pay any dividends in 2016.

24. SHARE OPTION SCHEMES

At 31 December 2016, the Group had the following share options schemes for which options remained outstanding at the year-end:

i. Options were granted to Directors and employees under the existing and already approved LTIP on 2 June 2014. Under this scheme, 2,450,000 options held by Directors were cancelled under the arrangements for the acquisition of bwin.party during the year and as at 31 December 2016, 75,000 employee share options remained outstanding.

ii. Options were granted to Directors under the terms of the 2015 LTIP, as set out in the 13 November 2015 prospectus pages 325 to 329.

iii. Options were granted under a Management Incentive Plan under the same terms of the 2015 LTIP.

Under the terms of the share option plan, the Group can allocate up to 10% of the issued share capital although it must take allowance of the shares issued or issuable, post the acquisition of bwin.party, as a consequence of rights to subscribe for shares under the 2015 LTIP or any other employees' share scheme.

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

Date of grant	Exercise price	Existing at 1 January 2016	Granted in the year	Cancelled in the year	Exercised in the year	Existing at 31 December 2016	Exercisable at 31 December 2016	Vesting criteria
28 February 2013	233.5p	156,947	–	–	(156,947)	–	–	Note a
2 June 2014	1p	3,325,000	–	(2,450,000)	(800,000)	75,000	75,000	Note b
2 February 2016	422p	–	13,197,111	(2,932,691)	–	10,264,420	–	Note c
2 February 2016	467p	–	4,399,037	(977,564)	–	3,421,473	–	Note d
2 February 2016	422p	–	200,000	–	–	200,000	–	Note e
16 December 2016	422p	–	8,825,000	–	(166,666)	8,658,334	1,794,445	Note f
TOTAL ALL SCHEMES		**3,481,947**	**26,621,148**	**(6,360,255)**	**(1,123,613)**	**22,619,227**	**1,869,445**	

The existing share options at 31 December 2016 are held by the following employees and consultants:

Option price	1p	422p	467p	422p	
Grant date	**2 June 2014**	**2 February 2016**	**2 February 2016**	**16 December 2016**	**Total**
Kenneth Alexander	–	6,842,947	–	–	6,842,947
Richard Cooper	–	3,421,473	–	–	3,421,473
Lee Feldman (note d)	–	–	3,421,473	–	3,421,473
Norbert Teufelberger (note e)	–	200,000	–	–	200,000
Employees	75,000	–	–	6,963,334	7,038,334
Consultants	–	–	–	1,695,000	1,695,000
	75,000	**10,464,420**	**3,421,473**	**8,658,334**	**22,619,227**

Note a: These equity-settled options were granted to third parties as part of the Sportingbet PLC 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. These options were fully exercised on 12 February 2016 at a weighted average price of £1.263.

Note b: These equity-settled options were granted to certain Directors and employees. The awards will vest in full (and become exercisable) on the share price being equal to or exceeding £6.00 per share for a continuous period of 90 calendar days at any time from the date of grant. If there is a change of control, the awards will vest in full immediately unless the share price is less than £5.00 per share, in which case the Awards will lapse in full. The awards have been treated as vesting over a three year period. The Directors' options under this scheme were cash cancelled during the year on the acquisition of bwin.party, and the after-tax proceeds of £5.4m (£10.3m gross) re-invested in new GVC shares. The remaining fair value of these options was transferred to equity and the additional cost has been recognised as an exceptional item in the year, see note 3.2.2.

Note c: These equity-settled awards were issued on completion of the acquisition of bwin.party. The options vest and become exercisable, subject to the satisfaction of a performance condition, over 30 months, with one ninth vesting six months after the date of grant and a further ninth vesting at each subsequent quarter. The options lapse, if not exercised, on 2 February 2026. The performance condition is comparator total shareholder return ("TSR") of the Group against the FTSE 250. Each ninth of the shares will have its TSR condition reviewed from the date of grant until the relevant testing date. To the extent the TSR is not met at that time, it is tested again the following quarter and, if necessary, at the end of the 30 month vesting period. In order to vest, the TSR of the Group must rank at median or above against the FTSE 250. In the year two-ninths of the options had vested. Having received the Directors notice to exercise, the Remuneration Committee exercised its discretion to make a cash alternative payment to the Directors in respect of that portion of shares. The cash alternative payment was calculated by deducting the option price from the market value of a share on the day prior to the date the Company received the exercise note.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2016

24. SHARE OPTION SCHEMES CONTINUED

Note d: These equity-settled awards were issued on the same basis as the awards in note c but at a higher exercise price which represents the market value of the shares as at the date the scheme became effective. In order to compensate Lee Feldman for the higher exercise price, the Company has agreed to pay him a cash bonus of £2.0m over the 30 month vesting period of the option, but only upon option vesting and satisfaction of the performance condition described above, and he has to reinvest 50% of this in GVC shares. In the year two-ninths of the options had vested. Having received the Directors notice to exercise, the Remuneration Committee exercised its discretion to make a cash alternative payment to the Directors in respect of that portion of shares. The cash alternative payment was calculated by deducting the option price from the market value of a share on the day prior to the date the Company received the exercise note.

Note e: These awards were issued on completion of the acquisition of bwin.party. The equity-settled options, which are not subject to a performance condition, vest and become exercisable over 24 months, with one-seventh vesting six months after the date of grant and a further seventh vesting at each subsequent quarter. The options lapse, if not exercised, on 2 February 2026.

Note f: These equity-settled awards were issued on the same basis as the awards in note c and granted on 16 December 2016.

The charge to share-based payments within the consolidated income statement in respect of these options in 2016 was €31.1m, with a further charge of €12.8m within exceptional items relating to the cashing-out of the 2014 scheme. Of the 2016 share-based payment charge, €24.0m related to equity-settled options (2015: €0.1m) and €7.1m to cash-settled options (2015: €0.1m credit).

24.1 Liability for cash-settled options

During 2015, options granted under a previous scheme were surrendered and in light of this surrender, a new retention plan was put in place. The liability under this plan at 31 December 2015 was €11.7m. In addition there was a cash-settled option liability in respect of the 2014 scheme of €0.2m. As a result of the acquisition of bwin.party, these liabilities were settled in the period and the after-tax proceeds were re-invested in new GVC shares. During the period a new liability was recognised for the cash-settled bonus scheme as set out in note d above. Under the annual share bonus plan, the Group has recognised a cash-settled option liability of €6.0m.

The movements in cash-settled share option liabilities are set out in the table below:

	€m
Balance at 1 January 2016	(11.8)
Charged under the 2 June 2014 scheme (note b above)	(0.2)
Settled on the acquisition of bwin.party	11.9
Charged under the 2 February 2016 scheme (note d above)	(1.0)
Charged under the annual bonus plan	(6.0)
Balance at 31 December 2016	(7.1)

24.2 Weighted average exercise price of options

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

	Weighted average exercise price 31 December 2016	Number of options 31 December 2016	Weighted average exercise price 31 December 2015	Number of options 31 December 2015
Outstanding at the beginning of the year	**11p**	**3,481,947**	94p	6,806,947
Granted during the year	**422p**	**26,621,149**	–	–
Exercised during the year	**126p**	**(834,723)**	–	–
Surrendered/bought out in the year	**422p**	**(2,450,000)**	184p	(3,200,000)
Forfeited in the year	**–**	**–**	1p	(125,000)
Outstanding at the end of the year	**416p**	**26,818,373**	11p	3,481,947
Exercisable at the end of the year		**5,236,844**		156,947

The options outstanding at 31 December 2016 have a weighted average contractual life of 9.1 years (31 December 2015: 8.4 years).

24. SHARE OPTION SCHEMES CONTINUED

24.3 Valuation of options

The fair value of services received in return for share options granted were measured by reference to the fair value of share options granted. The Group engaged a third party valuation specialist to provide a fair value for the options.

The 2014 options were valued using a Monte Carlo model due to the performance conditions associated with the options. The 2014 cash-settled options were revalued using a Monte Carlo model at 31 December 2015. During the year, the 2014 cash-settled options and some of the 2014 equity-settled options were cashed out at an exercise price of 422p. The excess of the cash settlement over the fair value of the options at the date of the settlement has been recognised in the Consolidated Income Statement as a cost of share-based payments within exceptional items.

Fair value of share options and assumptions:

Date of grant	Share price at date of grant[1] £	Exercise price £	Expected volatility %	Exercise multiple	Expected dividend yield	Risk free rate[2] %	Fair value at measurement date £
2 February 2016 – equity-settled 30 months	4.67	4.22	22-30	n/a	n/a	n/a	0.32-0.47
2 February 2016 – equity-settled 30 months	4.67	4.67	22-30	n/a	n/a	n/a	0.22-0.28
2 February 2016 – equity-settled 24 months	4.67	4.22	n/a	n/a	n/a	n/a	0.32-0.47
16 December 2016 – equity-settled 30 months	6.48	4.22	30-28	n/a	n/a	n/a	1.43-1.94

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

2. 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.

For the 2016 LTIP scheme, the expected volatilities have been calculated using historical prices for companies that were constituents of the FTSE 250 at the grant date. These options accrue dividend credits and the yield is assumed to be nil for 2016 and 10% thereafter. As the schemes vest on a staggered basis over a period of up to 30 months, the volatilities have been calculated over each relevant time period. The fair value of each phase of the options has been calculated separately, shown as a range in the table above, and the cost of each phase is allocated across the vesting period for that phase.

25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Group's principal financial instruments as at 31 December 2016 comprise cash and cash equivalents together with loan borrowings. The main purpose of these financial instruments is to finance the Group's operations and fund acquisitions and shareholder dividends. The Group has other financial instruments which mainly comprise receivables and payables, which arise directly from its operations. The Group does not typically use derivative financial instruments, other than foreign exchange contracts, to hedge its exposure to foreign exchange or interest rate risks arising from operational, financing and investment activities. During 2016, the Group did not hold or issue derivative financial instruments for trading purposes.

25.1 Market risk

Market risk arises from the Group's use of interest-bearing, tradable and foreign currency financial instruments. It is the risk that the fair value of future cashflows on its long-term debt finance and cash investments through the use of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk). Exposure to market risk arises in the normal course of the Group's business.

25.2 Foreign exchange risk

Foreign exchange risk arises from transactions, recognised assets and liabilities and net investments in foreign operations. The Group's general operating policy is that all material transaction and currency liability exposures are economically and fully hedged using foreign exchange contracts and/or by holding cash in the relevant currency.

Following the drawdown of the Cerberus loan in February 2016, the Group held a large position in GBP to meet working capital requirements. This resulted in a foreign exchange loss following the devaluation of sterling during 2016. This amount has subsequently been used in 2017 to hedge against significant GBP liabilities which have arisen including the dividend paid in February 2017 and repay the Cerberus loan. The Group uses foreign exchange contracts to hedge its currency risk but as at 31 December 2016 there were no open foreign exchange contracts.

The Group is exposed to currency movements in the euro, arising out of changes in the fair value of financial instruments which are held in non-euro currencies.

25.2.1 Foreign exchange risk sensitivity

A significant proportion of the Group's financial assets and liabilities are denominated in euros and GBP. Holding the former currency minimises the Group's exposure to currency translation risk. However, its significant holding of GBP net assets means that it is exposed to movements in the fluctuation of this currency. If the value of GBP relative to EUR was to rise by 10% then the value of the Group's net assets would increase by €15.9m whilst a 10% fall in the value of GBP relative to EUR would result in a fall in the Group's net assets of €15.9m. This exposure was reduced after the year end as the Group utilised part of its GBP cash balances in refinancing its long term loan and also to pay the dividend declared in December.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2016

25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT CONTINUED

AT 31 DECEMBER 2016	Euro €m	GBP €m	Other €m	Total €m
NON-CURRENT ASSETS	1,607.0	22.5	8.2	1,637.7
Receivables and prepayments	57.6	24.1	23.5	105.2
Derivative financial assets	26.2	–	–	26.2
Tax reclaimable	6.7	–	–	6.7
Short-term investments	5.4	–	–	5.4
Cash and cash equivalents	164.0	171.7	19.1	354.8
Assets held for sale	36.2	8.1	15.4	59.7
TOTAL CURRENT ASSETS	296.1	203.9	58.0	558.0
Trade and other payables	(37.6)	(42.2)	(14.1)	(93.9)
Balances with customers	(74.2)	(15.7)	(44.9)	(134.8)
Loans and borrowings	(403.5)	–	–	(403.5)
Provisions	(0.7)	–	(0.5)	(1.2)
Taxation payable	(15.5)	(0.6)	(2.1)	(18.2)
Other taxation liabilities	(45.2)	(2.0)	0.0	(47.2)
Liabilities held for sale	(7.9)	(6.5)	(8.3)	(22.7)
TOTAL CURRENT LIABILITIES	(584.6)	(67.0)	(69.9)	(721.5)
NET CURRENT (LIABILITIES) ASSETS	(288.5)	136.9	(11.9)	(163.5)
Trade and other payables	–	–	(4.4)	(4.4)
Provisions	(6.3)	–	(0.6)	(6.9)
Deferred tax	(65.5)	(0.1)	–	(65.6)
TOTAL NON-CURRENT LIABILITIES	(71.8)	(0.1)	(5.0)	(76.9)
TOTAL ASSETS LESS TOTAL LIABILITIES	1,246.7	159.3	(8.7)	1,397.3

AT 31 DECEMBER 2015	Euro €m	GBP €m	Other €m	Total €m
NON-CURRENT ASSETS	149.2	9.6	0.3	159.1
Receivables and prepayments	11.8	9.9	13.0	34.6
Derivative financial assets	3.8	–	–	3.8
Tax reclaimable	0.3	5.7	–	6.0
Cash and cash equivalents	18.6	6.6	2.9	28.1
TOTAL CURRENT ASSETS	34.5	22.2	15.9	72.6
Trade and other payables	(5.9)	(18.9)	(7.2)	(32.0)
Balances with customers	(6.7)	(5.4)	(2.7)	(14.8)
Loans and borrowings	–	(3.7)	–	(3.7)
Deferred consideration	(1.6)	–	–	(1.6)
Share option liability	–	(9.7)	–	(9.7)
Derivative financial assets	(9.9)	–	–	(9.9)
Taxation payable	(7.3)	–	–	(7.3)
Other taxation liabilities	(0.7)	(1.1)	(0.2)	(2.0)
TOTAL CURRENT LIABILITIES	(32.1)	(38.8)	(10.1)	(81.0)
NET CURRENT ASSETS/(LIABILITIES)	2.4	(16.6)	5.8	(8.4)
Derivative financial liabilities	–	(0.7)	–	(0.7)
Loans and borrowings	(19.9)	–	–	(19.9)
Share option liability	–	(2.0)	–	(2.0)
TOTAL NON-CURRENT LIABILITIES	(19.9)	(2.7)	–	(22.6)
TOTAL ASSETS LESS TOTAL LIABILITIES	131.7	(9.7)	6.1	128.1

25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT CONTINUED

25.3 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 a non-interest bearing loan (see note 17) which did not carry any interest rate risk and which was repaid in 2016. On 4 September 2015, the Group entered into an agreement with Cerberus Business Finance LLC for a loan of up to €400m, in order to part-fund the proposed acquisition of bwin.party. At 31 December 2016, the Group had €386.5m (2015: €19.8m) of committed and drawn-down borrowing facilities under this loan arrangement, including €13.5m repaid during the year. The interest on these loans was based on EURIBOR with a floor of 1%, plus a margin of 11.5%. This facility was repaid on 31 January 2017.

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 2015 or 31 December 2016.

25.4 Credit risk

The Group seldom has 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 Statement of Financial Position.

The Group has material exposure to credit risk through amounts owed by payment processors (third party collection agencies) of €60.0m (2015: €21.7m) and cash and cash equivalent balances held with banking institutions of €367.0m (2015: €28.2m). There is an inherent concentration of risk with PSPs, most of which are not investment grade banks, in that the majority derive most of their income from the online gaming sector. To this end, where practicable and economic, the Group seeks to substitute non-investment grade PSPs with investment grade, or, at least, better quality PSPs. The Group considers the general credit risk associated with these balances to be low, having assessed the credit ratings and financial strength of the counter-parties involved. Nevertheless, the Group maintains a general provision against the recovery of these processing entities.

For one particular processor the Group considered that a specific provision may be necessary due to concerns about the recoverability of that specific debt and accordingly a specific impairment of €4.2m was recorded in the year ended 31 December 2016. No further significant receivable amounts were past due date at 31 December 2016 (2015: €nil).

25.5 Liquidity and capital risk

Liquidity risk arises from the Group's management of its working capital as well as the finance charges and principal repayments on its debt instruments. In essence, it is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. Management monitors liquidity to ensure that sufficient liquid resources are available to the Group. The Group's principal financial assets are cash, bank deposits, loans and trade and other receivables.

In common with many internet companies that have few physical assets, the Group has no policy as to the level of equity capital and reserves other than to address statutory requirements. The primary capital risk to the Group is the level of debt relative to the Group's net income.

At 31 December 2016, the Group had cash and cash equivalents and short-term investments of €367.0m (2015: €28.2m). Whilst current assets are significantly lower than current liabilities, this predominantly relates to the Cerberus loan which was refinanced to a longer term facility in 2017. Accordingly, the liquidity risk for the Group is judged to be low.

25.5.1 Maturity analysis

All financial liabilities within the Group's balance sheet are due within one year except for certain contingent consideration of €4.4m which falls due based on certain events. Management's best estimates are that these will fall due after more than one year but before five years.

25.5.2 Net debt

	2016 €m	2015 €m
Loans and borrowings	403.5	19.8
Client liabilities	112.0	14.8
Progressive prize pools	22.8	–
Gross debt	538.3	34.6
Cash and cash equivalents	354.8	28.2
NET DEBT	183.5	6.4

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2016

25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT CONTINUED

25.6 Fair values

The carrying amounts of the financial assets and liabilities, including deferred consideration in the Statement of Financial Position at 31 December 2016 and 2015 for the Group and Company are a reasonable approximation of their fair values.

Financial assets and financial liabilities measured at fair value in the Statement of Financial Position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: unobservable inputs for the asset or liability.

The following table shows the Levels within the hierarchy of financial assets and liabilities measured at fair value on a recurring basis at 31 December 2016 and 31 December 2015:

AT 31 DECEMBER 2016	Level 1 €m	Level 2 €m	Level 3 €m	Total €m
FINANCIAL ASSETS				
Available for sale financial assets	–	2.2	0.4	2.6
Deferred consideration	–	–	1.8	1.8
Contingent consideration	–	0.6	4.0	4.6
Derivative financial assets	–	–	26.2	26.2
	–	2.8	32.4	35.2
FINANCIAL LIABILITIES				
Contingent consideration	–	–	(4.4)	(4.4)
	–	–	(4.4)	(4.4)

AT 31 DECEMBER 2015	Level 1 €m	Level 2 €m	Level 3 €m	Total €m
FINANCIAL ASSETS				
Available for sale financial assets	–	–	2.6	2.6
Derivative financial assets	–	–	3.8	3.8
	–	–	6.4	6.4
FINANCIAL LIABILITIES				
Derivative financial liabilities	–	(9.9)	(0.7)	(10.6)
	–	(9.9)	(0.7)	(10.6)

There were no transfers between levels in 2016 or 2015.

Measure of fair value of financial instruments:
The Group's finance team performs valuations of financial items for financial reporting purposes, including Level 3 fair values, in consultation with third party valuation specialists for complex valuations. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information.

The valuation techniques for the derivative financial assets and liabilities are described in further detail in note 12 above. The valuation technique for the available for sale asset and the contingent and deferred consideration assets and liabilities were discounted cashflow forecasts using the weighted average cost of capital and expected cashflows.

25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT CONTINUED

25.7 Summary of financial assets and liabilities by category

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

	2016 €m	2015 €m
NON-CURRENT ASSETS:		
Available for sale financial assets	2.6	2.6
Financial assets measured at fair value through profit or loss:		
– Deferred and contingent consideration	4.9	–
Non-current assets	7.5	2.6
CURRENT ASSETS:		
Financial assets measured as loans and receivables:		
– Trade and other receivables	108.0	23.1
– Short-term investments	9.9	–
– Cash and cash equivalents	367.0	28.2
Financial assets measured at fair value through profit or loss:		
– Deferred and contingent consideration	1.5	–
– Derivative financial assets	26.2	3.8
Current assets	512.6	55.1
CURRENT LIABILITIES:		
Financial liabilities measured at amortised cost:		
– Trade and other payables	(114.0)	(26.7)
– Non-interest bearing loans and borrowings	(403.5)	(3.0)
– Deferred consideration	–	(1.6)
Financial liabilities measured at fair value through profit or loss:		
– Contingent consideration	–	–
– Derivative financial liabilities	–	(9.9)
Current liabilities	(517.5)	(52.5)
NON-CURRENT LIABILITIES:		
Financial liabilities measured at amortised cost:		
– Interest-bearing loans and borrowings	–	(19.9)
– Share option liability	–	(2.0)
Financial liabilities measured at fair value through profit or loss:		
– Contingent consideration	(4.4)	–
– Derivative financial liabilities	–	(0.7)
Non-current liabilities	(4.4)	(22.6)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2016

26. RELATED PARTIES

26.1 Identity of related parties

The Group has a related party relationship with its subsidiaries and with its Directors and executive officers.

26.2 Transactions with Directors and key management personnel

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 2016, Fenlex received €127,999 from the Group in relation to Company Secretarial and other matters arising in Malta (2015: €97,385).

Peter Isola is a partner at Isolas, a law firm in Gibraltar which charged legal expenses of €209,858 to the Group relating to the acquisition of bwin.party.

Richard Cooper received dividends during the year of €nil (2015: €934). The wife of Richard Cooper received dividends during the year of €nil (2015: €184,800) in respect of her interest in the ordinary share capital of the Group.

Lee Feldman received dividends during the year of €nil (2015: €79,265) 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 2016, Twin Lakes Capital received €61,715 (2015: €68,715) in relation to office services.

Kenneth Alexander received dividends during the year of €nil (2015: €69,264). The wife of Kenneth Alexander received dividends during the year of €nil (2015: €175,466) in respect of her interest in the ordinary share capital of the Group.

On acquisition of bwin.party, Norbert Teufelberger became a Director of the Group and at this date, he had a loan balance due to the Group of €3.1m, including accrued interest. This liability was settled in full in the period.

The Group purchased certain customer services of €2.5m from an associate, with amounts owed at 31 December 2016 of €0.2m.

During 2016, the Group purchased certain rights to broadcast licensed media of €3.5m (2015: €nil) from Conspo, a previous joint venture company which was acquired with bwin.party. Conspo was disposed of on 6 July 2016 and ceased to be a related party at that point.

26.3 Transactions with Directors and key management personnel

Details of the remuneration of key management are detailed below:

	2016 €m	2015 €m
Short-term employee benefits (Directors)	7.3	8.9
Short-term employee benefits (Key management)	2.6	2.1
Termination benefits	–	0.8
Share-based payments	25.5	0.5
	35.4	12.3

Details of Directors' remuneration is given in the Report of the Remuneration Committee on pages 51 to 63.

27. CONTINGENT LIABILITIES

27.1 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 €171m. The Directors consider this has a fair value of €nil (2015: €nil).

The Group continues to provide back office and support services to EPC. Following the acquisition of Sportingbet PLC on 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.

27.2 Indirect taxation

Group companies may be subject to VAT on transactions which have been treated as exempt supplies of gambling, or on supplies which have been exported outside the scope of VAT where legislation provides that the services are received or used and enjoyed in the country where the service provider is located. Where group companies have treated supplies of gambling as exempt based on exemptions available to comparable supplies in the place where the customer is located, the right to exemption may be restricted if the supplies do not have similar characteristics or meet the same needs as other exempt gambling from the customer's point of view. Where group companies have determined the taxable amount for supplies of gambling to be the amount of stakes received less amounts that have to be returned to players, the right to a deduction for amounts returned to players may be restricted to the extent that the obligation to make a payment is not enforceable in the place where the customer is located.

Revenues earned from customers located in any particular jurisdiction may give rise to further taxes in that jurisdiction. If such taxes are levied, either on the basis of current law or the current practice of any tax authority, or by reason of a change in the law or practice, then this may have a material adverse effect on the amount of tax payable by the Group or on its financial position. Where it is considered probable that a previously identified contingent liability will give rise to an actual outflow of funds, then a provision is made in respect of the relevant jurisdiction and period impacted. Where the likelihood of a liability arising is considered remote, or the possible contingency is not material to the financial position of the Group, the contingency is not recognised as a liability at the balance sheet date.

28. BUSINESS COMBINATIONS

28.1 Acquisition of bwin.party

It is part of the core strategy for the Group to improve the quality and mix of the Group's earnings through acquisitions, especially where these increase the markets in which the Group trades and where there are opportunities for high levels of cash generation through synergies. On 1 February 2016, the Group acquired 100% of the share capital of bwin.party digital entertainment plc ("bwin.party"), an online gaming company traded on the Main Market of the London Stock Exchange and listed on the Official List (Premium Segment), for total consideration of €1,506.6m as set out in the table below. The acquisition resulted in GVC obtaining control of bwin.party from 1 February 2016, and this is being accounted for as a business combination in the current year.

The terms of the acquisition included an offer of 25p plus 0.231 new GVC shares for each bwin.party share. At the date of the acquisition, there were 843m bwin.party shares and 14m of share options and the closing price for GVC Holdings PLC shares on the previous day was £4.67. The total fair value of the consideration paid was €1,506.6m as set out below:

	No of shares m	Value £m	Exchange rate	Value €m
Total bwin.party shareholding	843.5			
GVC shares issued (0.231 per bwin.party share, at a price of £4.67)	194.8	909.9	1.3205	1,201.5
Cash payment (£0.25 per bwin.party share)		210.9	1.3205	278.5
Cash-settled options		20.1	1.3205	26.6
Total consideration		1,140.9		1,506.6

The fair value of the assets and liabilities recognised at the date of acquisition is set out in the table below:

	Fair value €m
ASSETS	
Intangible assets	608.0
Property, plant and equipment	44.5
Trade and other receivables	107.8
Investments and available for sale assets	4.5
Assets held for sale	12.3
Short-term investments	15.6
Cash	115.7
Total assets	908.4
LIABILITIES	
Trade and other payables	(82.8)
Client liabilities and progressive prize pools	(118.0)
Provisions	(15.2)
Loans	(39.4)
Taxation (including gaming tax)	(31.9)
Deferred tax	(79.6)
Total liabilities	(366.9)
Non-controlling interest	1.2
NET ASSETS	542.7
Fair value of consideration paid	1,506.6
Goodwill recognised	963.9
BUSINESS COMBINATION COSTS	54.7

The fair value of trade and other receivables was €107.8m and included trade receivables and payment processor balances with a fair value of €78.4m. The gross contractual amount for trade receivables and payment processor balances due was €80.2m, of which €1.8m was deemed to be irrecoverable.

The goodwill consists of assembled workforce, future growth and business reputation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2016

28. BUSINESS COMBINATIONS CONTINUED

28.1 Acquisition of bwin.party continued

All contingent liabilities have been provided for.

In the year ended 31 December 2015, bwin.party reported revenue of €576.4m and loss before tax of €40.2m. If the Acquisition had occurred at the beginning of the year, the revenue of the combined entity in the 12 months to 31 December 2016 would have been €873.5m and the loss after tax would have been €131.8m.

Following the acquisition, GVC has already achieved significant synergistic savings through integration and restructuring of operations and expects further benefits in 2017.

29. NON-CONTROLLING INTERESTS

Non-controlling interests included a 10% holding in bwin.party entertainment (NJ) LLC, a company incorporated in the United States. The loss attributable to the non-controlling interest was €0.3m.

The balance of retained earnings attributable to non-controlling interests is disclosed in the table below:

	Total €m
As at 31 December 2015	–
Acquired through business combination	(1.2)
Loss attributable to non-controlling interests	(0.3)
AS AT 31 DECEMBER 2016	(1.5)

30. SUBSEQUENT EVENTS

In October 2016, the Group secured a one year €250m loan facility from Nomura International plc, which was used in part to repay the outstanding loan provided by Cerberus Business Finance LLP associated with the acquisition of bwin.party. The Nomura Loan provided a short-term facility at a reduced overall cost from that associated with the Cerberus Loan.

The Group has now successfully secured long-term and increased debt facilities comprising of a €320m Senior Secured Term and Revolving Facility, composed of a €250m term loan (maturity six years) and a €70m revolving credit facility (maturity five years).

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 2016 which comprise the Balance Sheet, Statement of Changes in Equity 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), including Financial Reporting Standard 101 "Reduced Disclosure Framework".

This report is made solely to the Company's members, as a body. 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 Statement of Directors' Responsibilities on page 43, the Directors are responsible for the preparation of the parent company financial statements which 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 Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the 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 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 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 our 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 2016; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 101.

Other Matter

We have reported separately on the Group financial statements of GVC Holdings PLC for the year ended 31 December 2016.

Grant Thornton UK LLP
Chartered Accountants
London

23 March 2017

COMPANY BALANCE SHEET

for the year ended 31 December 2016

	Notes	2016 €m	2015 €m
FIXED ASSETS			
Investments	3	1,603.9	86.6
CURRENT ASSETS			
Debtors	4	128.0	142.3
Derivative financial instruments	5	26.2	3.8
Cash at bank and in hand	6	98.5	0.4
		252.7	146.5
TOTAL ASSETS		1,856.6	233.1
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	7	(580.7)	(213.5)
NET CURRENT ASSETS/(LIABILITIES)		(328.0)	(67.1)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,275.9	19.6
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	8	–	(22.6)
NET ASSETS/(LIABILITIES)		1,275.9	(3.0)
CAPITAL AND RESERVES			
Issued share capital		2.9	0.6
Share premium		1,478.4	85.4
Merger reserve		40.4	40.4
Retained earnings		(245.8)	(129.4)
TOTAL EQUITY		1,275.9	(3.0)

The Financial Statements from pages 108 to 118 were approved and authorised for issue by the Board of Directors on 23 March 2017 and signed on their behalf by:

KJ Alexander
(Chief Executive Officer)

P Miles
(Chief Financial Officer)

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2016

	Notes	Share capital €m	Share premium €m	Merger reserve €m	Retained earnings[1] €m	Total €m
Balance at 1 January 2015		0.6	85.4	40.4	(64.1)	62.3
Share option charges[2]		–	–	–	0.5	0.5
Share options surrendered		–	–	–	(12.1)	(12.1)
Dividend paid		–	–	–	(34.3)	(34.3)
Transactions with owners		–	–	–	45.9	45.9
Loss for the year		–	–	–	(19.4)	(19.4)
Total comprehensive income for the year		–	–	–	(19.4)	(19.4)
BALANCE AS AT 31 DECEMBER 2015		0.6	85.4	40.4	(129.4)	(3.0)
Balance at 1 January 2016		0.6	85.4	40.4	(129.4)	(3.0)
Issue of share capital		2.3	1,391.9	–	–	1,394.2
Share option charges[2]	10	–	–	–	10.9	10.9
Share options surrendered	10	–	–	–	(0.8)	(0.8)
Share options through subsidiaries	10	–	–	–	13.1	13.1
Share options exercised	10	–	1.1	–	(7.2)	(6.1)
Transactions with owners		2.9	1,478.4	40.4	16.0	1,408.3
Loss for the year		–	–	–	(132.4)	(132.4)
Total comprehensive income for the year		–	–	–	(132.4)	(132.4)
BALANCE AS AT 31 DECEMBER 2016		2.9	1,478.4	40.4	(245.8)	1,275.9

1. The share option reserve included within retained earnings at 31 December 2016 amounted to a balance of €9.0m.
2. Total share option charge per the income statement amounted to €10.9m, the difference being a credit for share options issued to employees of group companies.

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, Companies Act Isle of Man 2006).

The notes on pages 108 to 118 form part of these financial statements.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

for the year ended 31 December 2016

1. SIGNIFICANT ACCOUNTING POLICIES

These financial statements were prepared in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework".

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

1.1 Basis of preparation

The financial information has been prepared on the historical cost basis with the exception of those assets and liabilities which are carried at fair value, and in accordance with applicable Isle of Man law and United Kingdom accounting standards.

As permitted under FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payments, business combinations, financial instruments, fair values, presentation of a cashflow statement and certain related party transactions. Where required, equivalent disclosures are given in the consolidated financial statements.

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 is 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 Share-based payments

The Group has share based payment schemes which allow certain employees and contractors to acquire shares of the Company. The Group has accounted for these under IFRS 2 Share-based payments. As the related services are received by subsidiary entities, the Company accounts for these as a capital contribution made to relevant subsidiaries.

Share option schemes

The fair value of options granted under the LTIP and MIP schemes will be recognised as an share based payment 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 are measured using either a binomial or Monte Carlo 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 and market conditions if applicable.

Cash cancelled options

On occasion, at the Remuneration Committee's discretion, vested share options may be settled in cash, as opposed to issuing new shares. 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. Also on cancellation an accelerated charge would be recognised immediately.

Employers social security costs

Employers social security costs due on the cash cancellation of options and the employee gain on exercised options will be paid by the Company and shown within share-based payments.

1.6 Financial instruments

Financial assets and financial liabilities are recognised when the Company 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.

1.6.1 Non-derivative financial instruments

Non-derivative financial instruments comprise debtors, loans and borrowings, and trade and other creditors. 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.

1.6.2 Available for Sale Financial Assets (AFS)

AFS financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets.

AFS financial assets are measured at fair value. Gains and losses are recognised in the statement of total recognised gains and losses, except for interest and dividend income, impairment losses and foreign exchange differences on monetary assets, which are recognised in profit or loss.

When the asset is disposed of or is determined to be impaired, the cumulative gain or loss recognised in the statement of total recognised gains and losses is reclassified to profit or loss. Interest calculated using the effective interest method and dividends are recognised in profit or loss within finance income.

For AFS equity investments impairment reversals are not recognised in profit loss and any subsequent increase in fair value is recognised in the statement of total recognised gains and losses.

1.6.3 Derivative financial instruments

Derivative financial instruments are accounted for at fair value through profit and loss (FVTPL). The options associated with the Company's investment in BHL were considered derivative financial instruments and carried at their fair value and re-measured at each reporting date. Any movements in fair value are taken to the profit and loss account.

1.6.4 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 cashflows 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. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

1.7 Going concern

The accounts are prepared on a going concern basis, as there are available profits within subsidiaries which, when paid as dividends, will offset the net current liabilities reported on the balance sheet. Further, although the Company is showing net current liabilities at 31 December 2016 this will reverse upon the re-financing of long-term debt which occurred subsequent to the reporting date (see note 12).

1.8 Significant judgements

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.

1.8.1 Available for sale assets

Management apply judgement in evaluating the fair value of the available for sale assets, and any impairment to the value which is recognised in the income statement.

1.8.2 Debtors

Management apply judgement in evaluating the recoverability of amounts owed by Group undertakings. To the extent that the Board believes receivables not to be recovered they have been provided for in these consolidated financial statements.

1.8.3 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 24 of the Group financial statements.

1.8.4 Embedded derivatives

The drawn-down Cerberus Loan contains embedded derivatives. The interest rate on the loan is EURIBOR, subject to a floor of 1%, plus a margin of 11.5%. Based on recent guidance issued by IFRIC, management assess this floor to be closely related to the host contract and therefore it has not been treated as an embedded derivative.

In addition, the loan may be repaid early but if it is repaid in the first year, there is an additional "make-whole" premium payable. If it is repaid before the expiry date, the payment of the exit fees is brought forward but additional fees at the 12 month and 18 month date could be avoided. These options for early repayment are considered to be non-closely related to the host contract and have been recognised separately. The options have been grouped for the purposes of evaluating the embedded derivative. They have been valued based on the projected cashflows and applying a probability weighting to the potential cash saving from lower effective interest rates.

1.8.5 Carrying value of investments

Determining whether investments in subsidiaries are impaired requires an assessment of impairment indicators and, if indicators exist, and estimation of their recoverable amounts. The calculation of recoverable amount requires the entity to estimate the future cashflows expected to arise from the investments and select a suitable discount rate in order to calculate present value.

2. PROFIT AND LOSS ACCOUNT

The loss for the year dealt with in the accounts of the Company was €117.9m (2015: loss of €19.4m). The Company has not presented a separate profit and loss account. The loss in the year relates mainly to the exceptional costs incurred in relation to the acquisition of bwin.party.

3. INVESTMENTS

	2016 €m	2015 €m
INVESTMENT IN SUBSIDIARY UNDERTAKINGS		
At 1 January	84.0	148.5
Additions	1,519.9	–
Disposals	–	(64.5)
At 31 December	1,603.9	84.0

	2016 €m	2015 €m
AVAILABLE FOR SALE FINANCIAL ASSETS		
At 1 January	2.6	3.8
Impairment	(0.7)	(1.2)
Disposal	(1.9)	–
At 31 December	–	2.6
Total investments 31 December	1,603.9	86.6

Acquisition of bwin.party

On 1 February 2016, the Group acquired 100% of the share capital of bwin.party digital entertainment plc ("bwin.party"), an online gaming company traded on the main market of the London Stock Exchange and listed on the Official List (Premium Segment), for total consideration of €1,506.6m.

Share option schemes

The Company has further increased its investment of €13.1m in certain subsidiary companies as a consequence of the MIP option scheme (see note 24 of the consolidated group).

Available for sale asset

On 14 May 2014, the Group acquired a 15% stake in Betit Holdings Limited ("BHL") from Betit Securities Limited ("BSL"). The consideration was for €3.5m, which was attributed to both the available for sale asset (€5.2m) and the option liability (€1.7m) taken on at acquisition. The asset held for sale consideration, together with professional fees incurred at the time, amounted to a total upfront cost of €5.4m which was impaired at 31 December 2015 to €2.6m. This asset was impaired by €0.7m prior to being sold during the year.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2016

3. INVESTMENTS CONTINUED

Subsidiaries

The significant subsidiaries of the Company are detailed below:

Subsidiary	Country of incorporation	Ownership interest 2016	Ownership interest 2015
GVC Services B.V.[1]	Netherlands Antilles	100%	100%
Intera N.V.	Netherlands Antilles	100%	100%
Bluebell B.V.	Netherlands Antilles	100%	100%
Sporting Odds Limited	England and Wales	100%	100%
Interactive Sports (C.I.) Limited	Alderney	100%	100%
Longfrie Limited	Guernsey	100%	100%
Martingale Malta 2 Limited	Malta	100%	100%
Headlong Limited	Malta	100%	100%
Electraworks Limited	Gibraltar	100%	100%
PartyGaming IA Limited	Bermuda	100%	100%
PartyGaming Finance Limited	Bermuda	100%	100%

1. Also has a branch registered in Israel.

4. DEBTORS

	2016 €m	2015 €m
Amounts owed by Group undertakings	124.3	131.1
Other debtors	2.2	3.3
Prepayments and accrued income	1.5	7.9
	128.0	142.3

5. DERIVATIVE FINANCIAL INSTRUMENTS

	Winunited option €m	Early repayment option €m	Betit option €m	Total €m
BALANCE AT 1 JANUARY 2015	–	–	(1.7)	(1.7)
Movement in fair value	3.8	–	1.0	4.8
BALANCE AT 31 DECEMBER 2015	3.8	–	(0.7)	3.1
Recognised on loan drawdown	–	7.4	–	7.4
Disposal in the period	–	–	0.7	0.7
Change in fair value of early repayment option	(0.1)	15.1	–	15.0
BALANCE AT 31 DECEMBER 2016	3.7	22.5	–	26.2

5.1 Winunited option

On 24 March 2015, GVC contracted with Winunited Limited for the day-to-day back office operations of the Winunited business, licensed in Malta. Under the terms of the agreement, GVC obtained a call option to purchase the Winunited assets comprising goodwill, customers, licences, brands and websites. The exercise period for the option is in the three months prior to the five year anniversary of 24 March 2015. No consideration was paid for the call option.

At 31 December 2016 the option was valued using a Monte Carlo valuation model and two methodologies: a discounted cashflow and a multiples-based calculation. A long-term growth rate of 2% (2015: 2%) was assumed, and a discount rate of 13% (2015: 15%) based on industry peers and observable inputs. Based on this model, the value of the call option at 31 December 2016 was €3.7m (2015: €3.8m). This decrease in the fair value of the option has been recognised in the income statement in accordance with IAS 39.

5. DERIVATIVE FINANCIAL INSTRUMENTS CONTINUED

5.2 Cerberus loan early repayment option

On 2 February 2016, a further €380m was drawn down under the Cerberus Loan facility. The facility has a repayment date of 4 September 2017 but has been repaid earlier (see note 30 in the consolidated Group). Early repayment will change the profile and size of the cash payments and this feature has been identified as an embedded derivative therefore separated from the host contract. Changes in the Group's credit rating will have an impact on the value of the option for early repayment. The option has been valued by a third party valuation specialist based on the contracted cashflows under the terms of the facility and applying a probability weighted measure to the cost saving opportunities. The value of the early repayment at 31 December 2016 was €22.5m.

5.3 Betit option

On 14 May 2014, the Group acquired a 15% stake in Betit Holdings Limited ("BHL"). The Group had a call option to acquire the balance of the outstanding shares which could be exercised no earlier than 1 July 2017 and no later than 30 September 2017, and would be subject to further Maltese Gaming Authority clearance and the Stock Exchange Rules. The minimum call option price was €70m, and the actual price would be determined by the mix of revenues between regulated and non-regulated markets and certain multiples attaching thereto.

In the year, the Group disposed of its investment in BHL and its call option was also disposed of as part of this arrangement. The net loss on disposal of the investment and the option has been included within changes in value of available for sale assets.

6. CASH AT BANK AND IN HAND

	2016 €m	2015 €m
Bank balances	98.5	0.3

7. CREDITORS

	2016 €m	2015 €m
Amounts due to Group undertakings	167.9	186.5
Interest bearing loan (see note 8.1 below)	403.5	–
Non-interest bearing loan (see note 8.2 below)	–	3.0
Share option liability (note 10)	–	9.7
Forward contract liability	–	9.9
Other creditors	9.3	4.4
Creditors: amounts due within one year	580.7	213.5
Other creditors	–	0.7
Share option liability	–	2.1
Interest bearing loan	–	19.8
Creditors: amounts after more than one year	–	22.6

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2016

8. LOANS AND BORROWINGS

8.1 Interest bearing loan

On 4 September 2015, the Group entered into an agreement with Cerberus Business Finance LLC for a loan of up to €400m, in order to part-fund the acquisition of bwin.party. Under the terms of the loan, a "Hedging Loan" of up to €20m could be drawn down in advance of the acquisition, in order to fund a hedging arrangement for the conversion of the loan funds into GBP and to pay for initial costs including loan arrangement fees. Accordingly, €20m was drawn down immediately on entering into the contract. The balance of €380m was drawn down on 1 February 2016. This loan was repaid in January 2017 and an alternate bridge financing facility of €250m provided by Nomura International plc was drawn down. This loan itself was then replaced with a long-term institutional loan in March 2017.

	Principal €m	Interest and fees carried €m	Early repayment option €m	Total €m
LOAN BALANCE AT 1 JANUARY 2015	–	–	–	–
Initial drawdown	20.0	–	–	20.0
Initial costs and loan servicing fees paid	–	(0.8)	–	(0.8)
Interest instalments	–	(0.6)	–	(0.6)
Effective interest (note 4)	–	1.2	–	1.2
LOAN BALANCE AT 31 DECEMBER 2015	20.0	(0.2)	–	19.8
Loan drawdown	380.0	–	–	380.0
Arising on business combinations	39.4	–	–	39.4
Revaluation of loan balances	(0.5)	–	–	(0.5)
Loan repayment	(52.0)	–	–	(52.0)
Arrangement fees and loan services fees paid	–	(15.6)	–	(15.6)
Fair value of embedded derivatives	–	–	7.4	7.4
Interest instalments paid	–	(39.7)	–	(39.7)
Amortisation of loan fees and interest charged	–	69.0	–	69.0
Amortisation of early repayment option	–	–	(4.3)	(4.3)
LOAN BALANCE AT 31 DECEMBER 2016	386.9	13.5	3.1	403.5

Split between the following as at 31 December 2015:	
CURRENT LIABILITIES	–
NON-CURRENT LIABILITIES	19.8
Split between the following as at 31 December 2016:	
CURRENT LIABILITIES	403.5
NON-CURRENT LIABILITIES	–

8.2 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. This loan was fully repaid in February 2016 (31 December 2015: balance of €3.1m).

9. 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:

	2016 €m	2015 €m
AUTHORISED		
Ordinary shares of €0.01 each		
At 31 December – 350,000,000 shares (2015: 350,000,000 shares)	3.5	3.5
ISSUED, CALLED UP AND FULLY PAID		
At 31 December – 293,268,229 shares (2015: 61,276,480 shares)	2.9	0.6

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

The issued share capital history is shown below:

	2016	2015
Balance at 1 January	61,276,480	61,276,480
Issue of shares at acquisition	194,841,498	–
Issue of shares via placing	27,978,812	–
Issue of shares via subscription	7,566,212	–
Other share issues	1,605,227	–
Balance at 31 December	293,268,229	61,276,480

10. SHARE OPTION SCHEMES

At 31 December 2016, the Group had the following share options schemes for which options remained outstanding at the year-end:

i. Options were granted to Directors and employees under the existing and already approved LTIP on 2 June 2014. Under this scheme, 2,450,000 options held by Directors were cancelled under the arrangements for the acquisition of bwin.party during the period and as at 31 December 2016, 75,000 employee share options remained outstanding.

ii. Options were granted to Directors under the terms of the 2015 LTIP, as set out in the 13 November 2015 prospectus on pages 325 to 329.

iii. Options were granted under a Management Incentive Plan under the same terms of the 2015 LTIP.

Under the terms of the share option plan, the Group can allocate up to 10% of the issued share capital although it must take allowance of the shares issued or issuable, post the acquisition of bwin.party, as a consequence of rights to subscribe for shares under the 2015 LTIP or any other employees' share scheme.

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

Date of Grant	Exercise price	Existing at 1 January 2016	Granted in the year	Cancelled in the year	Exercised in the year	Existing at 31 December 2016	Exercisable at 31 December 2016	Vesting criteria
28 February 2013	233.5p	156,947	–	–	(156,947)	–	–	Note a
2 June 2014	1p	3,325,000	–	(2,450,000)	(800,000)	75,000	75,000	Note b
2 February 2016	422p	–	13,197,111	(2,932,691)	–	10,264,420	–	Note c
2 February 2016	467p	–	4,399,037	(977,564)	–	3,421,473	–	Note d
2 February 2016	422p	–	200,000	–	–	200,000	–	Note e
16 December 2016	422p	–	8,825,000	–	(166,666)	8,658,334	1,794,445	Note f
TOTAL ALL SCHEMES		**3,481,947**	**26,621,148**	**(6,360,255)**	**(1,123,613)**	**22,619,227**	**1,869,445**	

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2016

10. SHARE OPTION SCHEMES CONTINUED

The existing share options at 31 December 2016 are held by the following employees and consultants:

Option price	1p	422p	467p	422p	
Grant date	2 June 2014	2 February 2016	2 February 2016	16 December 2016	Total
Kenneth Alexander	–	6,842,947	–	–	6,842,947
Richard Cooper	–	3,421,473	–	–	3,421,473
Lee Feldman (note d)	–	–	3,421,473	–	3,421,473
Norbert Teufelberger (note e)	–	200,000	–	–	200,000
Employees	75,000	–	–	6,963,334	7,038,334
Consultants	–	–	–	1,695,000	1,695,000
	75,000	**10,464,420**	**3,421,473**	**8,658,334**	**22,619,227**

Note a: These equity-settled options were granted to third parties as part of the Sportingbet PLC 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. These options were fully exercised on 12 February 2016 at a weighted average price of £1.263.

Note b: These equity-settled options were granted to certain Directors and employees. The awards will vest in full (and become exercisable) on the share price being equal to or exceeding £6.00 per share for a continuous period of 90 calendar days at any time from the date of grant. If there is a change of control, the awards will vest in full immediately unless the share price is less than £5.00 per share, in which case the Awards will lapse in full. The awards have been treated as vesting over a three year period. The Directors' options under this scheme were cash cancelled during the year on the acquisition of bwin.party, and the after-tax proceeds of £5.4m (£10.3m gross) re-invested in new GVC shares. The remaining fair value of these options was transferred to equity and the additional cost has been recognised as an exceptional item in the year.

Note c: These equity-settled awards were issued on completion of the acquisition of bwin.party. The options vest and become exercisable, subject to the satisfaction of a performance condition, over 30 months, with one-ninth vesting six months after the date of grant and a further ninth vesting at each subsequent quarter. The options lapse, if not exercised, on 2 February 2026. The performance condition is comparator total shareholder return ("TSR") of the Group against the FTSE 250. Each ninth of the shares will have its TSR condition reviewed from the date of grant until the relevant testing date. To the extent the TSR is not met at that time, it is tested again the following quarter and, if necessary, at the end of the 30 month vesting period. In order to vest, the TSR of the Group must rank at median or above against the FTSE 250. In the year, two-ninths of the options had vested. Having received the Directors' notice to exercise, the Remuneration Committee exercised its discretion to make a cash alternative payment to the Directors in respect of that portion of shares. The cash alternative payment was calculated by deducting the option price from the market value of a share on the day prior to the date the Company received the exercise note.

Note d: These equity-settled awards were issued on the same basis as the awards in note c but at a higher exercise price which represents the market value of the shares as at the date the scheme became effective. In order to compensate Lee Feldman for the higher exercise price, the Company has agreed to pay him a cash bonus of £2.0m over the 30 month vesting period of the option, but only upon option vesting and satisfaction of the performance condition described above, and he has to reinvest 50% of this in GVC shares. In the year, two-ninths of the options had vested. Having received the Directors' notice to exercise, the Remuneration Committee exercised its discretion to make a cash alternative payment to the Directors in respect of that portion of shares. The cash alternative payment was calculated by deducting the option price from the market value of a share on the day prior to the date the Company received the exercise note.

Note e: These awards were issued on completion of the acquisition of bwin.party. The equity-settled options, which are not subject to a performance condition, vest and become exercisable over 24 months, with one-seventh vesting six months after the date of grant and a further seventh vesting at each subsequent quarter. The options lapse, if not exercised, on 2 February 2026.

Note f: These equity-settled awards were issued on the same basis as the awards in note c and granted on 16 December 2016.

The charge to share-based payments within the consolidated income statement in respect of these options in 2016 was €31.1m, with a further charge of €12.8m within exceptional items relating to the cashing-out of the 2014 scheme. Of the 2016 share-based payment charge, €24.0m related to equity-settled options (2015: €0.1m) and €7.1m to cash-settled options (2015: €0.1m credit).

10. SHARE OPTION SCHEMES CONTINUED

10.1 Liability for cash-settled options

During 2015, options granted under a previous scheme were surrendered and in light of this surrender, a new retention plan was put in place. The liability under this plan at 31 December 2015 was €11.7m. As a result of the acquisition of bwin.party, these liabilities were settled in the period and the after-tax proceeds were re-invested in new GVC shares.

In addition there was a cash-settled option liability in respect of the 2014 scheme of €0.2m which is recognised as payable to Group undertakings. During the year, a new liability was recognised for the cash-settled bonus scheme as set out in note d above, however in the Company accounts this is recognised as payable to Group undertakings, where participants in the scheme are employed.

The movements in cash-settled share option liabilities are set out in the table below:

	€m
Balance at 1 January 2016	(11.8)
Settled on the acquisition of bwin.party	11.8
Balance at 31 December 2016	–

10.2 Weighted average exercise price of options

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

	Weighted average exercise price 31 December 2016	Number of options 31 December 2016	Weighted average exercise price 31 December 2015	Number of options 31 December 2015
Outstanding at the beginning of the year	11p	3,481,947	94p	6,806,947
Granted during the year	422p	26,621,149	–	–
Exercised during the year	126p	(834,723)	–	–
Surrendered/bought out in the year	422p	(2,450,000)	184p	(3,200,000)
Forfeited in the year	–	–	1p	(125,000)
Outstanding at the end of the year	416p	26,818,373	11p	3,481,947
Exercisable at the end of the year		5,236,844		156,947

The options outstanding at 31 December 2016 have a weighted average contractual life of 9.1 years (31 December 2015: 8.4 years).

10.3 Valuation of options

The fair value of services received in return for share options granted were measured by reference to the fair value of share options granted. The Group engaged a third party valuation specialist to provide a fair value for the options.

The 2014 options were valued using a Monte Carlo model due to the performance conditions associated with the options. The 2014 cash-settled options were revalued using a Monte Carlo model at 31 December 2015. During the year, the 2014 cash-settled options and some of the 2014 equity-settled options were cashed out at an exercise price of 422p. The excess of the cash settlement over the fair value of the options at the date of the settlement has been recognised in the Consolidated Income Statement as a cost of share-based payments within exceptional items.

Fair value of share options and assumptions:

Date of grant	Share price at date of grant[1] £	Exercise price £	Expected volatility %	Exercise multiple	Expected dividend yield	Risk free rate[2] %	Fair value at measurement date £
2 February 2016 – equity-settled 30 months	4.67	4.22	22%-30%	n/a	n/a	n/a	0.32-0.47
2 February 2016 – equity-settled 30 months	4.67	4.67	22%-30%	n/a	n/a	n/a	0.22-0.28
2 February 2016 – equity-settled 24 months	4.67	4.22	n/a	n/a	n/a	n/a	0.32-0.47
16 December 2016 – equity-settled 30 months	6.48	4.22	30%-28%	n/a	n/a	n/a	1.43-1.94

1. This is the bid price, not the mid-market price, at market close, as sourced from Bloomberg.
2. 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.

For the 2016 LTIP scheme, the expected volatilities have been calculated using historical prices for companies that were constituents of the FTSE 250 at the grant date. These options accrue dividend credits and the yield is assumed to be nil for 2016 and 10% thereafter. As the schemes vest on a staggered basis over a period of up to 30 months, the volatilities have been calculated over each relevant time period. The fair value of each phase of the options has been calculated separately, shown as a range in the table above, and the cost of each phase is allocated across the vesting period for that phase.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2016

11. DIVIDENDS

As a result of the acquisition of bwin.party and the combination of debt covenants and the intended restructuring of the Group, the Directors did not pay any dividends in 2016. A special dividend of €0.149 (£0.125) per share was declared in December 2016 and paid in February 2017.

12. SUBSEQUENT EVENTS

In October 2016, the Company secured a one year €250m loan facility from Nomura International plc, which was used in part to repay the outstanding loan provided by Cerberus Business Finance LLP associated with the acquisition of bwin.party. The Nomura Loan provided a short-term facility at a reduced overall cost from that associated with the Cerberus Loan.

The Group has now successfully secured long-term and increased debt facilities comprising of a €320m Senior Secured Term and Revolving Credit Facility, composed of a €250m term loan (maturity six years) and a €70m revolving credit facility (maturity five years).

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DIVIDEND TIMETABLE

23 March	Dividend declared
30 March	Ex-dividend date
31 March	Record date
12 May	Payment

FUTURE TRADING UPDATES AND FINANCIAL CALENDAR

4 May	Posting of Annual Report and Accounts
12 May	Dividend payment
25 May	Capital Markets day and trading update
20 June	AGM
July	Trading update
September	Interim results
October	Trading update

GLOSSARY

DEFINITION OF TERMS

AAMS	Automated accounts management systems
Acquisition	The purchase of bwin.party digital entertainment plc by the Company
Adjusted fully diluted EPS cents	Fully diluted earnings per share based on adjusted PBT
Adjusted PBT	Profit before exceptional items, amortisation associated with acquisition, dividends from previously sold businesses
B2B	Business-to-business
B2C	Business-to-consumer
BI	Business intelligence
bwin.party	bwin.party digital entertainment plc
CAGR	Compound annual growth rate
CGUs	Cash generating units
Clean EBITDA	Earnings before interest, taxation, depreciation, amortisation, impairment charges, changes in the fair value of derivative financial instruments, share option charges and exceptional items
CMS	Customer marketing services
Constant currency basis	Each month in the prior period re-translated at the current periods exchange rate
Contribution	Revenue less betting taxes, payment service provider fees, software royalties, affiliate commissions, revenue share and marketing costs
Contribution margin	Contribution as a percentage of NGR
CRM	Customer relationship management
CS	Customer services
DTR	Disclosure and transparency rules
Enlarged Group	GVC Holdings PLC incorporating bwin.party
EPS	Earnings per share
H2GC	H2 Gambling Capital – independent providers of gambling market data and estimates
IA	Internal audit and risk management
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
IOT	Internet of things
KPIs	Key performance indicators
KYC	Know your customer – customer verification tools
LTIP	Long term incentive plan
MIP	Management incentive plan
Net debt	Cash and cash equivalents (including amounts recorded as assets in disposal groups classified as held for sale), less customer liabilities less interest bearing loans and borrowings
Net Gaming Revenue ("NGR")	Revenue before deducting VAT
NGR YTD	Net Gaming Revenue in the year to date
Revenue	Net Gaming Revenue less VAT (imposed by certain EU jurisdictions on either sports or gaming revenue)
Sports Gross Win Margin	Sports wagers less payouts
Sports Gross Win Margin %	Sports Gross Win Margin divided by Sports wagers
Sports Net Gaming Revenue ("Sports NGR")	Sports Gross Win Margin less free bets and promotional bonuses

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