# OPAP SPORTS LIMITED

ANNUAL REPORT AND
CONSOLIDATED FINANCIAL
STATEMENTS

FOR THE YEAR ENDED
31 DECEMBER 2012

# OPAP SPORTS LIMITED

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FOR THE YEAR ENDED 31 DECEMBER 2012

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# BOARD OF DIRECTORS AND OTHER OFFICERS

| | |
|---|---|
| **Board of Directors:** | Constantinos Louropoulos – Chairman (appointed on 7 August 2012)<br>Ioannis Spanoudakis - Chairman (resigned on 7 August 2012)<br>Nicolaos Zachariades<br>Antonis Oikonomou<br>Charalambos Christou<br>Christos Stasis |
| **Company Secretary:** | Leandros Zachariades |
| **Independent Auditors:** | Deloitte Limited<br>Certified Public Accountants and Registered Auditors<br>24 Spyrou Kyprianou Avenue<br>1075 Nicosia |
| **Legal Advisers:** | A.N. Papageorgiou & Associates |
| **Registered office:** | 128-130, Lemesou Avenue<br>1st Floor, Cyfield Avenue Centre<br>2015 Nicosia |
| **Bankers:** | Cyprus Popular Bank Public Co Ltd<br>National Bank of Greece (Cyprus) Ltd |
| **Registration number:** | 133603 |

# REPORT OF THE BOARD OF DIRECTORS
## FOR THE YEAR ENDED 31 DECEMBER 2012

The Board of Directors presents its report and audited consolidated financial statements of Opap Sports Limited and its subsidiaries (the Group) for the year ended 31 December 2012.

**Incorporation**
Opap Sports Limited was incorporated in Cyprus on 16 October 2002 as a private company with limited liability, in accordance with the provisions of the Companies Law, Cap. 113, under the name Glory Leisure Holdings Limited. The Company, which was renamed to OPAP Glory Limited on 10 December 2003 and to OPAP Sports Limited on 26 May 2010, is the holding company of the Group OPAP Sports Limited (the "Group"). On 1 October 2003, OPAP S.A., a Greek Public Company listed on the Athens Stock exchange, acquired the 90% of the share capital of the Company. On 10 July 2008, OPAP S.A. acquired the remaining 10% of the share capital of the Company.

**Principal activity**
The principal activity of the Company, prior to the enforcement of the Betting Law of 2012 (106(I)/2012), was the management of Collective Performance and Recipient of the Collective Performance companies, which operate in the Republic of Cyprus.

During the year, the Betting Law of 2012 (106(I)/2012) (the “Law”) was enforced, according to which the National Betting Authority is appointed, with its principal activity being the supervision of betting in Cyprus. The main changes in the law which directly affected the Company is the imposition of a 3% contribution on the Company’s net earnings to the National Betting Authority. In addition, the Company pays 10% Betting Tax on its net earnings.

As a result of the enforcement of the above law, the Company is no longer obliged to operate through the Collective Performance and Recipient of the Collective Performance companies. According to the new law, the Company as being a holder of the Recipient Class A License, will directly operate through the authorised representatives of Class A recipients.

Based on the above, the Board of Directors of the Company resolved on 7 January 2013 to recommend to the shareholders the dissolution of all the Company’s subsidiaries through voluntary liquidation, which is expected to be completed as soon as the appropriate arrangements are made.

**Review of the development and current position of the Group and description of the major risks and uncertainties**
The Group's development to date, financial results and position as presented in the financial statements are considered satisfactory.

The main risks and uncertainties faced by the Group and the steps taken to manage these risks, are described in note 19 of the financial statements.

**Results**
The Group's results for the year are set out on page 6. The net profit for the year is transferred to reserves.

**Significant events after the end of the financial year**
The Board of Directors resolved on 7 January 2013 to recommend to the shareholders the dissolution of all its subsidiaries through voluntary liquidation, which is expected to be completed as soon as the appropriate arrangements are made.

There were no other significant events after the end of the financial year, which have a bearing on the understanding of the consolidated financial statements.

**Expected future developments of the Group**
The Board of Directors does not expect major changes in the principal activities of the Group in the foreseeable future.

**Existence of branches**
The Group does not maintain any branches.

**Dividends**
The Board of Directors does not recommend the payment of a dividend for the year ended 31 December 2012.

**Share capital**
There were no changes in the share capital of the Company during the year.

**Board of Directors**
The members of the Group's Board of Directors as at 31 December 2012 and at the date of this report are presented on page 1. On 7 August 2012, Mr. Ioannis Spanoudakis resigned from Chairman of the Company and on the same date Mr. Constantinos Louropoulos was appointed in his place. The remaining directors were members of the Board of Directors throughout the year ended 31 December 2012.

In accordance with the Company's Articles of Association all directors presently members of the Board continue in office.

There were no significant changes in the assignment of the responsibilities and remuneration of the Board of Directors.

**Independent Auditors**
The independent auditors, Deloitte Limited, have expressed their willingness to continue in office and a resolution authorising the Board of Directors to fix their remuneration will be submitted at the forthcoming Annual General Meeting.

By order of the Board of Directors,

Leandros Zachariades
Secretary

Nicosia, 31 January 2013

# Independent auditor's report

## To the Members of Opap Sports Limited

**Report on the consolidated financial statements**

We have audited the accompanying consolidated financial statements of Opap Sports Limited (the "Company") and its subsidiaries on pages 6 to 24 which comprise the consolidated statement of financial position as at 31 December 2012, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

*Board of Directors' responsibility for the consolidated financial statements*

The Board of Directors is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

*Auditor's responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2012, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

**Report on other legal requirements**

Pursuant to the requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Law of 2009, we report the following:

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Company.
- The consolidated financial statements are in agreement with the books of account.
- In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give the information required by the Cyprus Companies Law, Cap. 113, in the manner so required.
- In our opinion, the information given in the report of the Board of Directors is consistent with the consolidated financial statements.

**Other matter**

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 34 of the Auditors and Statutory Audits of Annual and Consolidated Accounts Law of 2009 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

Eleftherios Philippou
Certified Public Accountant and Registered Auditor
for and on behalf of
**Deloitte Limited**
**Certified Public Accountants and Registered Auditors**

Nicosia, 31 January 2013

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
## FOR THE YEAR ENDED 31 DECEMBER 2012

| | Note | **2012**<br>**€** | 2011<br>€ |
|---|---|---|---|
| **Turnover** | 4 | **19,294,421** | 17,085,718 |
| Cost of sales | | **(17,108,228)** | (15,062,376) |
| **Gross profit** | | **2,186,193** | 2,023,342 |
| Other operating income | 5 | **21,441** | 34,253 |
| Distribution expenses | | **(79,978)** | (92,744) |
| Administration expenses | | **(1,244,757)** | (1,121,446) |
| **Operating profit** | 6 | **882,899** | 843,405 |
| Finance income | 8 | **166,973** | 108,969 |
| Finance costs | 8 | **(73,067)** | (57,183) |
| **Profit before tax** | | **976,805** | 895,191 |
| Income tax expense | 9 | **(120,194)** | (82,425) |
| **Profit for the year** | | **856,611** | 812,766 |
| **Other comprehensive income** | | **-** | - |
| **Total comprehensive income for the year** | | **856,611** | 812,766 |

See accompanying notes on pages 10 to 24 to these consolidated financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION
## 31 DECEMBER 2012

| | Note | **2012** € | 2011 € |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Plant and equipment | 10 | **114,287** | 9,264 |
| | | **114,287** | 9,264 |
| **Current assets** | | | |
| Trade and other receivables | 12 | **262,450** | 306,100 |
| Short-term bank deposits | 13 | **-** | 3,086,356 |
| Cash and cash equivalents | 13 | **5,454,528** | 1,352,910 |
| | | **5,716,978** | 4,745,366 |
| **TOTAL ASSETS** | | **5,831,265** | 4,754,630 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity and reserves** | | | |
| Share capital | 14 | **1,710,000** | 1,710,000 |
| Retained earnings | | **3,692,105** | 2,835,494 |
| **Total equity** | | **5,402,105** | 4,545,494 |
| **Current liabilities** | | | |
| Trade and other payables | 15 | **338,227** | 123,029 |
| Current tax liabilities | 16 | **90,933** | 86,107 |
| | | **429,160** | 209,136 |
| **TOTAL EQUITY AND LIABILITIES** | | **5,831,265** | 4,754,630 |

On 31 January 2013 the Board of Directors of Opap Sports Limited authorised these consolidated financial statements for issue.

| | |
|---|---|
| .................................... | .................................... |
| Constantinos Louropoulos | Christos Stasis |
| Director | Director |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
## FOR THE YEAR ENDED 31 DECEMBER 2012

| | Share capital € | Retained earnings € | Total € |
|---|---|---|---|
| **Balance at 1 January 2011** | **1,710,000** | **2,022,728** | **3,732,728** |
| Total comprehensive income for the year | - | 812,766 | 812,766 |
| **Balance at 31 December 2011/ 1 January 2012** | **1,710,000** | **2,835,494** | **4,545,494** |
| Total comprehensive income for the year | - | 856,611 | 856,611 |
| **Balance at 31 December 2012** | **1,710,000** | **3,692,105** | **5,402,105** |

Companies which do not distribute 70% of their profits after tax, as defined by the relevant tax law, within two years after the end of the relevant tax year, will be deemed to have distributed as dividends 70% of these profits. Special contribution for defence at 20% for the tax years 2012 and 2013 and 17% for 2014 and thereafter (up to 31 August 2011 the rate was 15% and was increased to 17% for the period thereafter to 31 December 2011) will be payable on such deemed dividends to the extent that the shareholders (companies and individuals) are Cyprus tax residents. The amount of deemed distribution is reduced by any actual dividends paid out of the profits of the relevant year at any time. This special contribution for defence is payable by the Company for the account of the shareholders.

# CONSOLIDATED CASH FLOW STATEMENT
## FOR THE YEAR ENDED 31 DECEMBER 2012

| | Note | **2012** **€** | 2011 € |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| **Profit before tax** | | **976,805** | 895,191 |
| Adjustments for: | | | |
| Depreciation expense | 10 | **18,003** | 3,676 |
| Loss from the write-off of property, plant and equipment | | **244** | - |
| Interest income | 8 | **(166,973)** | (108,969) |
| Interest and finance expenses | 8 | **5,668** | 6,256 |
| **Cash flows from operations before working capital changes** | | **833,747** | 796,154 |
| Decrease in trade and other receivables | | **43,650** | 34,513 |
| Increase in trade and other payables | | **215,198** | 58,669 |
| **Cash flows from operations** | | **1,092,595** | 889,336 |
| Tax paid | | **(115,369)** | (179,586) |
| **Net cash flows from operating activities** | | **977,226** | 709,750 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Payment for purchase of property, plant and equipment | 10 | **(123,269)** | - |
| Interest received | | **166,973** | 108,969 |
| Decrease / (increase) in short-term bank deposits | | **3,086,356** | (1,586,356) |
| **Net cash flows from/(used in) investing activities** | | **3,130,060** | (1,477,387) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Interest paid | | **(5,668)** | (6,256) |
| **Net cash flows used in financing activities** | | **(5,668)** | (6,256) |
| **Net increase/(decrease) in cash and cash equivalents** | | **4,101,618** | (773,893) |
| Cash and cash equivalents: | | | |
| At beginning of the year | | **1,352,910** | 2,126,803 |
| At end of the year | 13 | **5,454,528** | 1,352,910 |

See accompanying notes on pages 10 to 24 to these consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 31 DECEMBER 2012

### 1. Incorporation and principal activities

#### Country of incorporation

Opap Sports Limited (the "Company") was incorporated in Cyprus on 16 October 2002 as a private company with limited liability, in accordance with the provisions of the Company Law, Cap.113, under the name Glory Leisure Holdings Limited. The Company, which was renamed to OPAP Glory Limited on 10 December 2003 and to OPAP Sports Limited on 26 May 2012, is the holding company of the Group OPAP Sports Limited (the "Group"). On 1 October 2003, OPAP S.A., a Greek Public Company listed on the Athens Stock Exchange, acquired the 90% of the share capital of the Company. On 10 July 2008, OPAP S.A. acquired the remaining 10% of the share capital of the Company. Its registered office is at Lemesou Avenue 128-130, 1st floor, Cyfield Avenue Centre, 2015 Nicosia.

#### Principal activity

The principal activity of the Company, prior to the enforcement of the Betting Law of 2012 (106(I)/2012), was the management of Collective Performance and Recipient of the Collective Performance companies, which operate in the Republic of Cyprus.

During the year, the Betting Law of 2012 (106(I)/2012) (the "Law") was enforced, according to which the National Betting Authority is appointed, with its principal activity being the supervision of betting in Cyprus. The main changes in the law which directly affected the Company is the 3% contribution of the Company's net earnings to the National Betting Authority. In addition, the Company pays 10% Betting Tax on its net earnings.

As a result of the enforcement of the above law, the Company is no longer obliged to operate through the Collective Performance and Recipient of the Collective Performance companies. According to the new law, the Company as being a holder of the Recipient Class A License, will directly operate through the authorised representatives of Class A recipients.

Based on the above, the Board of Directors of the Company resolved on 7 January 2013 to recommend to the shareholders the dissolution of all the Company's subsidiaries through voluntary liquidation, which is expected to be completed as soon as the appropriate arrangements are made.

### 2. Significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented in these consolidated financial statements unless otherwise stated.

#### Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap.113. The consolidated financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires management to exercise its judgment in the process of applying the Group's accounting policies. It also requires the use of assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

#### Adoption of new and revised IFRSs

In the current year, the Group has adopted all of the new and revised standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (the IFRIC) of the IASB that are relevant to its operations and effective for annual periods beginning on 1 January 2012. The adoption of these Standards did not have a material effect on the consolidated financial statements.

**2. Significant accounting policies (continued)**

**Adoption of new and revised IFRSs (continued)**

The following Standards, Amendments to Standards and Interpretations had been issued but are not yet effective for the year ended 31 December 2012:

(i) Standards and Interpretations adopted by the EU

- *Amendments to IFRS 7 'Financial Instruments: Disclosures – Transfer of Financial Assets' (effective for annual periods beginning on or after 1 July 2013).*
- *Amendments to IAS 12 'Income Taxes – Deferred Tax: Recovery of Underlying Assets' (effective for annual periods beginning on or after 1 January 2012).*
- *Amendments to IAS 19 'Employee Benefits' (effective for annual periods beginning on or after 1 January 2013).*
- *IAS 27 (Revised): 'Separate Financial Statements' (effective for annual periods beginning on or after 1 January 2013).*
- *IAS 28 (Revised): 'Investments in Associates and Joint Ventures' (effective for annual periods beginning on or after 1 January 2013).*
- *Amendments to IAS 32 'Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities' (effective for annual periods beginning on or after 1 January 2014).*
- *IFRS 7 (Amended) 'Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities' (effective for annual periods beginning on or after 1 January 2013).*
- *IFRS 10 'Consolidated Financial Statements' (effective for annual periods beginning on or after 1 January 2013).*
- *IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2013).*
- *IFRIC Interpretation 20 'Stripping Costs for in the Production Phase of a Surface Mine' (effective for annual periods beginning on or after 1 January 2014).*
- *Amendments to IFRS 1: 'First-time Adoption of International Financial Reporting Standards - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters' (effective for annual periods beginning on or after 1 July 2011).*
- *Amendments to IAS 1 'Presentation of Items of Other Comprehensive income' (effective for annual periods beginning on or after 1 July 2012).*

(ii) Standards and Interpretations not adopted by the EU

- *Amendments to IFRS 1 'First-time Adoption of International Financial Reporting Standards' Government Grants (effective for annual periods beginning on or after 1 January 2013).*
- *IFRS 9 'Financial Instruments' issued in November 2009 and subsequent amendments (amendments to IFRS 9 and IFRS 7 issued December 2011) (effective for annual periods beginning on or after 1 January 2015).*
- *Amendments to IFRS 10, IFRS 12, IAS 27 'Investment Entities' (effective for annual periods beginning on or after 1 January 2014).*
- Amendments to IFRS 10, IFRS 11, IFRS 12 'Transition Guidance' *(effective for annual periods beginning on or after 1 January 2013).*
- Improvements to IFRSs 2009-2011 *(effective for annual periods beginning on or after 1 January 2013).*

**Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

**2. Significant accounting policies (continued)**

**Basis of consolidation (continued)**

The results of the subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

**Revenue recognition**

The Company's revenues are generated from activities within the Republic of Cyprus and consist of collective performances. The revenue is recognised at the fair value of the consideration received. Revenues of the Group are recognised on an accrual basis.

**Finance income**

Finance income includes interest income which is recognised based on an accrual basis in proportion with the amounts which become receivable.

**Finance costs**

Interest expense and other borrowing costs are charged to profit or loss as incurred.

**Tax**

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in profit or loss 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. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the consolidated statement of financial position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to other comprehensive income or equity, in which case the deferred tax is also dealt with in other comprehensive income or equity.

**2. Significant accounting policies (continued)**

**Tax (continued)**

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

**Plant and equipment**

Plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses at the reporting date.

Depreciation is calculated on the straight-line method so as to write off the cost of each asset to its residual value over its estimated useful life. The annual depreciation rates used are as follows:

| | % |
|---|---|
| Furniture, fixtures and office equipment | 15 |
| Motor vehicles | 15 |
| Computer hardware | 15 |

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Where the carrying amount of an asset is greater than its estimated recoverable amount, the asset is written down immediately to its recoverable amount.

Expenditure for repairs and maintenance of property, plant and equipment is charged to profit or loss for the year in which it is incurred. The cost of major renovations and other subsequent expenditure are included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. Major renovations are depreciated over the remaining useful life of the related asset.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

**Operating leases**

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

**Financial instruments**

Financial assets and financial liabilities are recognised on the Group's consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Trade receivables

Trade receivables are measured at initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash at bank and in hand.

**2. Significant accounting policies (continued)**

**Financial instruments (continued)**

Trade payables

Trade payables are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

**Derecognition of financial assets and liabilities**

*Financial assets*

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

*Financial liabilities*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

**Offsetting financial instruments**

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statement of financial position.

**Share capital**

Ordinary shares are classified as equity.

**Dividends**

Dividend distribution to the Group's shareholders is recognised in the Group's financial statements in the year in which they are approved by the Group's shareholders.

**Comparatives**

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

**3. Critical accounting estimates and judgments**

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

**3. Critical accounting estimates and judgments (continued)**

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that 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:

- **Provision for bad and doubtful debts**

  The Group reviews its trade and other receivables for evidence of their recoverability. Such evidence includes the customer's payment record and the customer's overall financial position. If indications of irrecoverability exist, the recoverable amount is estimated and a respective provision for bad and doubtful debts is made. The amount of the provision is charged through profit or loss. The review of credit risk is continuous and the methodology and assumptions used for estimating the provision are reviewed regularly and adjusted accordingly.

- **Income taxes**

  Significant judgment is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

- **Impairment loss**

  When the recoverable amount of an asset is lower than its book value then, the impairment loss is recoverable as an expense in the consolidated statement of comprehensive income. If the asset is presented in revised value due to revaluation then the reduction is recorded in the revaluation reserve.

**4. Turnover**

| | **2012** | 2011 |
|---|---|---|
| | **€** | € |
| Revenue from acceptance of collective betting | **19,294,421** | 17,085,718 |
| | **19,294,421** | 17,085,718 |

The Group’s turnover comprises of acceptance of collective betting from authorised betting agents of the Group who operate in Cyprus.

**5. Other income**

| | **2012** | 2011 |
|---|---|---|
| | **€** | € |
| Sundry operating income | **21,441** | 34,253 |
| | **21,441** | 34,253 |

### 6. Operating profit

| | 2012 | 2011 |
|---|---|---|
| | € | € |
| Operating profit is stated after charging the following items: | | |
| Depreciation of plant and equipment (Note 10) | **18,003** | 3,675 |
| Staff costs including Directors in their executive capacity (Note 7) | **801,696** | 732,545 |
| Auditors' remuneration – current year (including non-audit services) | **27,487** | 24,150 |
| Auditors' remuneration - prior years | **-** | 8,894 |
| Trade receivables - impairment charge for bad and doubtful debts | **592** | - |

### 7. Staff costs

| | 2012 | 2011 |
|---|---|---|
| | € | € |
| Wages and salaries | **740,371** | 677,925 |
| Social insurance costs etc | **47,959** | 42,491 |
| Social cohesion fund | **13,366** | 12,129 |
| | **801,696** | 732,545 |

The remuneration of Directors and other members of key management is presented in note 17 of the consolidated financial statements.

### 8. Finance income/cost

| | 2012 | 2011 |
|---|---|---|
| | € | € |
| Interest income | **166,973** | 108,969 |
| **Finance income** | **166,973** | 108,969 |
| Interest expense | **(5,668)** | (6,256) |
| Sundry finance expenses | **(67,399)** | (50,927) |
| **Finance costs** | **(73,067)** | (57,183) |
| **Net finance income** | **93,906** | 51,786 |

### 9. Tax

| | 2012 | 2011 |
|---|---|---|
| | € | € |
| Corporation tax - current year | **90,933** | 87,246 |
| Corporation tax - prior years | **4,589** | (20,667) |
| Defence contribution - current year | **24,672** | 15,846 |
| **Charge for the year** | **120,194** | 82,425 |

### 9. Tax (continued)

The total charge for the year can be reconciled to the accounting profit as follows:

| | **2012** | 2011 |
|---|---|---|
| | **€** | € |
| Profit before tax | **976,805** | 895,191 |
| Tax calculated at the applicable tax rates | **97,681** | 89,519 |
| Tax effect of expenses not deductible for tax purposes | **3,106** | 3,092 |
| Tax effect of allowances and income not subject to tax | **(18,120)** | (13,193) |
| 10% additional charge | **8,266** | 7,828 |
| Defence contribution - current year | **24,672** | 15,846 |
| Prior year tax | **4,589** | (20,667) |
| **Tax charge** | **120,194** | 82,425 |

The corporation tax rate is 10%.

### 10. Plant and equipment

| | **Motor vehicles** | **Furniture, fixtures and office equipment** | **Computer Hardware** | **Total** |
|---|---|---|---|---|
| | **€** | **€** | **€** | **€** |
| **Cost** | | | | |
| Balance at 1 January 2011 | 64,208 | 2,200,348 | - | 2,264,556 |
| **Balance at 31 December 2011/ 1 January 2012** | **64,208** | **2,200,348** | **-** | **2,264,556** |
| Additions | - | 104,337 | 18,932 | 123,269 |
| Write-off of assets | (15,348) | (37,361) | - | (52,709) |
| **Balance at 31 December 2012** | **48,860** | **2,267,324** | **18,932** | **2,335,116** |
| **Depreciation** | | | | |
| Balance at 1 January 2011 | 56,783 | 2,194,833 | - | 2,251,616 |
| Charge for the year | 1,937 | 1,739 | - | 3,676 |
| **Balance at 31 December 2011/ 1 January 2012** | **58,720** | **2,196,572** | **-** | **2,255,292** |
| Charge for the year | 1,924 | 13,262 | 2,817 | 18,003 |
| Write-off of assets | (15,105) | (37,361) | - | (52,466) |
| **Balance at 31 December 2012** | **45,539** | **2,172,473** | **2,817** | **2,220,829** |
| **Net book amount** | | | | |
| **Balance at 31 December 2012** | **3,321** | **94,851** | **16,115** | **114,287** |
| **Balance at 31 December 2011** | **5,488** | **3,776** | **-** | **9,264** |

**11. Investments in subsidiaries**

The details of the subsidiaries are as follows:

| Name | Principal Activities | Issued and paid share capital |
|---|---|---|
| 1.GLORY BETTING SPORTS (PRINCIPAL CYPRUS)LTD | Company of Collective performance | 171.000 |
| 2.GLORY BETTING SPORTS (CYPRUS)LTD | Collective performance recipient of GLORY BETTING SPORTS (PRINCIPAL CYPRUS)LTD | 34.200 |
| 3. CASHGROVE BETTING SPORTS (PRINCIPAL CYPRUS) LTD | Company of Collective performance | 171.000 |
| 4. CASHGROVE BETTING SPORTS (CYPRUS) LTD | Collective performance recipient of CASHGROVE BETTING SPORTS (PRINCIPAL CYPRUS)LTD | 34.200 |
| 5. FORZA BETTING SPORTS (PRINCIPAL CYPRUS) LTD | Company of Collective performance | 171.000 |
| 6. FORZA BETTING SPORTS (CYPRUS) LTD | Collective performance recipient of FORZA BETTING SPORTS (PRINCIPAL CYPRUS)LTD | 8.550 |
| 7. ANDROMEDA BETTING SPORTS (PRINCIPAL CYPRUS) LTD | Company of Collective performance | 171.000 |
| 8.ANDROMEDA BETTING SPORTS (CYPRUS) LTD | Collective performance recipient of ANDROMEDA BETTING SPORTS (PRINCIPAL CYPRUS)LTD | 34.200 |
| 9. APOLLO BETTING SPORTS (PRINCIPAL CYPRUS) LTD | Company of Collective performance | 171.000 |
| 10. APOLLO BETTING SPORTS (CYPRUS) LTD | Collective performance recipient of APOLLO BETTING SPORTS (PRINCIPAL CYPRUS)LTD | 8.550 |
| 11. ATHINA BETTING SPORTS (PRINCIPAL CYPRUS) LTD | Company of Collective performance | 171.000 |
| 12. ATHINA BETTING SPORTS (CYPRUS) LTD | Collective performance recipient of ATHINA BETTING SPORTS (PRINCIPAL CYPRUS)LTD | 34.200 |
| 13. THISEAS BETTING SPORTS (PRINCIPAL CYPRUS) LTD | Company of Collective performance | 171.000 |
| 14. THISEAS BETTING SPORTS (CYPRUS) LTD | Collective performance recipient of THISEAS BETTING SPORTS (PRINCIPAL CYPRUS)LTD | 34.200 |
| 15. ARIS BETTING SPORTS (PRINCIPAL CYPRUS) LTD | Company of Collective performance | 171.000 |

**11. Investments in subsidiaries (continued)**

| **Name** | Principal Activities | Issued and paid share capital |
|---|---|---|
| 16. ARIS BETTING SPORTS (CYPRUS) LTD | Collective performance recipient of ARIS BETTING SPORTS (PRINCIPAL CYPRUS)LTD | 8.550 |
| 17. HERA BETTING SPORTS (PRINCIPAL) LTD | Company of Collective performance - Dormant | 171.000 |
| 18. HERA BETTING SPORTS LTD | Collective performance recipient of HERA BETTING SPORTS (PRINCIPAL)LTD - Dormant | 34.200 |
| 19. HERMES BETTING SPORTS (PRINCIPAL) LTD | Company of Collective performance - Dormant | 171.000 |
| 20. HERMES BETTING SPORTS LTD | Collective performance recipient of HEPMES BETTING SPORTS (PRINCIPAL)LTD - Dormant | 34.200 |
| 21. HERCULES BETTING SPORTS (PRINCIPAL) LTD | Company of Collective performance - Dormant | 171.000 |
| 22. HERCULES BETTING SPORTS LTD | Collective performance recipient of HERCULES BETTING SPORTS (PRINCIPAL)LTD - Dormant | 34.200 |
| 23.POSEIDON BETTING SPORTS (PRINCIPAL) LTD | Company of Collective performance - Dormant | 171.000 |
| 24. POSEIDON BETTING SPORTS LTD | Collective performance recipient of POSEIDON BETTING SPORTS (PRINCIPAL)LTD - Dormant | 34.200 |
| 25. ARTEMIS BETTING SPORTS (PRINCIPAL CYPRUS) LTD | Company of Collective performance | 171.000 |
| 26. ARTEMIS BETTING SPORTS (CYPRUS) LTD | Collective performance recipient of ARTEMIS BETTING SPORTS (PRINCIPAL CYPRUS) LTD | 1.710 |

All the above companies are incorporated in Cyprus under the Companies Law, Cap 113.

The total number of the licensed premises from where the Group can carry out its operations on 31 December 2012 is 119 (2011: 117), in accordance with the number of companies which have received relevant licenses from the Minister of Finance.

The total number of licenses of the recipient and collective betting assistant recipients for each company of collective betting for the year 2012 was limited to 15.

As a result of the enforcement of the Betting Law of 2012 (106(I)/2012), the Company is no longer obliged to operate through the Collective Performance and Recipient of the Collective Performance companies.

Based on the above, the Board of Directors of the Company resolved on 7 January 2013 to recommend to the shareholders the dissolution of all the Company's subsidiaries through voluntary liquidation, which is expected to be completed as soon as the appropriate arrangements are made.

### 12. Trade and other receivables

| | **2012** | 2011 |
|---|---|---|
| | **€** | € |
| Trade receivables | **155,727** | 86,606 |
| Deposits and prepayments | **98,473** | 219,494 |
| Other receivables | **8,250** | - |
| | **262,450** | 306,100 |

Deposits and prepayments include €45.000 (2011: €171.270) which relate to prepayments of government fees for betting acceptance licenses and guarantees for 2013 and 2014.

Concentrations of credit risk with respect to amounts due from the authorised representatives are limited due to the large number of agents of the Group. The Group's historical experience in the collection of amounts receivable falls within the forecasts recorded in the books of account. For trade receivables, the policy of the Group is to provide a credit limit of 8 days. Due to these factors, management believes that there is no additional credit risk in the collection of the Group's trade debtors beyond the amounts provided for losses.

In addition, the Group receives letters of guarantee from its authorised representatives which aim to further secure the Group against the recovery of amounts due. The value of guarantees on 31 December 2012 amounted to €417.624 (2011: €1.027.664).

The Group has recognised a loss of €592 (2011: € - ) for the impairment of its trade receivables during the year ended 31 December 2012.

The fair values of trade and other receivables due within one year approximate to their carrying amounts as presented above.

The exposure of the Group to credit risk and impairment losses in relation to trade and other receivables is reported in note 19 of the financial statements.

### 13. Cash and cash equivalents and short-term bank deposits

For the purposes of the consolidated cash flow statement, the cash and cash equivalents include the following:

| | **2012** | 2011 |
|---|---|---|
| | **€** | € |
| Cash and cash equivalents | **5,454,528** | 1,352,910 |
| Short-term bank deposits | **-** | 3,086,356 |
| | **5,454,528** | 4,439,266 |

Cash and cash equivalents include an amount of €171.429, which has been received from the authorised representatives of the Group, the aim of which is to secure the Group against the recovery of amounts due from the authorised representatives, in case where an authorised representative does not meet his commitments due to the Company. A corresponding liability is included in trade and other payables (Note 15).

The exposure of the Group to credit risk and impairment losses in relation to cash and cash equivalents is reported in note 19 of the financial statements.

### 14. Share capital

| | 2012 Number of shares | 2012 € | 2011 Number of shares | 2011 € |
|---|---|---|---|---|
| **Authorised** | | | | |
| Ordinary shares of €1,71 each | **1,000,000** | **1,710,000** | 1,000,000 | 1,710,000 |
| **Issued and fully paid** | | | | |
| Balance at 1 January | **1,000,000** | **1,710,000** | 1,000,000 | 1,710,000 |
| **Balance at 31 December** | **1,000,000** | **1,710,000** | 1,000,000 | 1,710,000 |

### 15. Trade and other payables

| | 2012 € | 2011 € |
|---|---|---|
| Trade payables | **-** | 92 |
| Betting taxes | **59,825** | 31,207 |
| Accruals | **106,973** | 73,230 |
| Other creditors | **171,429** | 18,500 |
| | **338,227** | 123,029 |

Other creditors on 31 December 2012 relate to deposits from the authorised representatives of the Group, the aim of which is to secure the Group against the recovery of amounts due from the authorised representatives, in case where an authorised representative does not meet his commitments due to the Group. A corresponding amount is included in cash and cash equivalents (Note 13).

The fair values of trade and other payables due within one year approximate to their carrying amounts as presented above.

### 16. Current tax liabilities

| | 2012 € | 2011 € |
|---|---|---|
| Corporation tax | **90,933** | 86,107 |
| | **90,933** | 86,107 |

### 17. Related party transactions

The parent company of the Group is OPAP S.A., a Public Company listed in the Athens Stock Exchange and holds 100% of the Company's share capital.

The following transactions were carried out with related parties:

#### 17.1 Directors' and key management remuneration

The remuneration of Directors and other members of key management were as follows:

| | 2012 € | 2011 € |
|---|---|---|
| Directors' and General Manager's remuneration | **270,984** | 236,940 |
| Social Insurance, etc | **11,926** | 7,305 |
| | **282,910** | 244,245 |

### 18. Άλλες συναλλαγές

The transactions between the Group's related parties and the Group are as follows:

(i) On 2 April 2003 an agreement was signed between the Company and Glory Technology Limited, in which the ultimate parent company OPAP S.A. holds 20%, for the use of the integrated (on-line) UGS system (Universal Game System INTERGRATED TURN-KEY SOLUTION) for the automation of the operations of the Group's companies regarding collective betting. During 2012 a new agreement was signed between the parties with a duration of six months. Based on the new agreement the agreed annual fee for granting the right to use the system of Glory Technology Ltd, was 3% plus V.A.T on the Group's total annual turnover. In addition an annual fee equal to 14% plus V.A.T on the annual fee for the use of the system was agreed, for maintenance services which will be provided by Glory Technology Ltd.

The use and maintenance expenses of the integrated (on-line) system UGS (Universal Game System INTERGRATED TURN-KEY SOLUTION) for the year 2012 amounted to €769.722 (2011: €737.661) and these are included in the consolidated statement of comprehensive income.

### 19. Financial risk management

**Financial risk factors**
The Group is exposed to credit risk, liquidity risk and capital risk management arising from the financial instruments it holds. The risk management policies employed by the Group to manage these risks are discussed below:

**19.1 Credit risk**
Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the statement of financial position date. Credit risk arises from the amounts due from betting agents and bank deposits. The Group has policies in place to ensure that rendering of services is made to authorised representatives with appropriate credit history and monitors the ageing profile of its receivables on a continuous basis. In addition, the authorised representatives have granted to the Group an amount of €171.249, which constitutes a guarantee in case where the authorised representative does not meet his commitments due to the Group. The Group has policies to limit the amount of credit exposure to any financial institution.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

| | **2012** | 2011 |
|---|---|---|
| | **€** | € |
| Trade and other receivables | **163,977** | 86,606 |
| Cash and cash equivalents | **5,454,528** | 1,352,830 |
| Short-term bank deposits | **-** | 3,086,356 |
| | **5,618,505** | 4,525,792 |

**19.2 Liquidity risk**
Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Group has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

The following tables detail the Group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

**31 December 2012**

| | Carrying amounts | Contractual cash flows | 3 months or less | 3-12 months | 1-2 years | 2-5 years | More than 5 years |
|---|---|---|---|---|---|---|---|
| | € | € | € | € | € | € | € |
| Other payables | 171,429 | 171,429 | 171,429 | - | - | - | - |
| | **171,429** | **171,429** | **171,429** | **-** | **-** | **-** | **-** |

**19. Financial risk management (continued)**

**Liquidity risk (continued)**

| 31 December 2011 | Carrying amounts | Contractual cash flows | 3 months or less | 3-12 months | 1-2 years | 2-5 years | More than 5 years |
|---|---|---|---|---|---|---|---|
| | € | € | € | € | € | € | € |
| Trade and other payables | 18,592 | 18,592 | 18,592 | - | - | - | - |
| | **18,592** | **18,592** | **18,592** | **-** | **-** | **-** | **-** |

**19.3 Capital risk management**
The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from last year.

**Fair value estimation**

The fair values of the Group's financial assets and liabilities approximate their carrying amounts approximate their carrying amounts at the consolidated statement of financial position date.

**20. Contingent liabilities**

Up to 2012, the companies of collective performance, the recipients and assistant recipients had set, under the provisions of the Collective Betting (Regulation and Tax) Laws of 1997 until 2007, bank guarantees for the benefit of the Ministry of Finance for the coverage of betting taxes as well as for any earned but not yet paid bets. During the year, the Betting Law of 2012 (106(I)/2012) was enforced, which provides that the Class A recipient license should be accompanied by a bank guarantee of €550.000 to the benefit of the National Betting Authority. The National Betting Authority is entitled to request an increase in the bank guarantee amount up to a level of 10% of the Company's turnover. The guarantees are secured by the parent company OPAP S.A. The Company is charged with the bank guarantee fees and these are included in sundry finance expenses disclosed in note 8 of the consolidated financial statements. Up to the statement of financial position date no claim has arisen in respect of these guarantees.
The Group had no other contingent liabilities as at 31 December 2012.

**21. Commitments**

**Operating lease commitments**
The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

| | **2012** | 2011 |
|---|---|---|
| | **€** | € |
| Within one year | **50,299** | - |
| | **50,299** | - |

The commitments arise from the rental of the Company's offices.

**22. Significant events after the end of the financial year**

The Board of Directors resolved on 7 January 2013 to recommend to the shareholders the dissolution of all its subsidiaries through voluntary liquidation, which is expected to be completed as soon as the appropriate arrangements are made.

There were no other significant events after the end of the financial year, which have a bearing on the understanding of the consolidated financial statements.

**Independent auditor's report on pages 4 and 5**