Gaming VC Holdings SA

Results for the year ending 31 December 2005

GAMING VC Holdings SA

(Incorporated in the Grand Duchy of Luxembourg, Registered Number RC Luxembourg B 104348)

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CHAIRMAN'S STATEMENT

I am pleased to present Gaming VC's maiden set of results since our admission to AIM in December 2004. These results are in line with market expectations and I am pleased to say that we are delivering our target of 2% average revenue growth per month.

The results for the year ended 31 December 2005 show an operating profit of €13.4 million (2004: €0.4 million) and a net profit of €12.8 million (2004: €0.3 million). The Board has recommended a final dividend of 21p (gross) per share, giving a total distribution of 42p for the year. Earnings per share on profit after tax were €0.41 (2004: €0.02). The dividend will be paid on 22 May 2006 to holders on the share register at 21 April 2006.

Gaming VC provides a proven business model and is a leading online gaming operator in German speaking countries. Importantly, we do not accept wagers from US customers and as such are not affected by current or potential prohibitive legislation in that market. The Board is confident that this lack of exposure to the United States significantly enhances the value of the Group relative to our peer group. Our aim is to continue growing in our core German markets, where new marketing initiatives have proven to be successful and we are continuing to expand market share. We are also selectively looking at opportunities to replicate this model in other geographic areas.

A key factor in Gaming VC's growth is its committed and experienced management team. In January 2006, we welcomed Gerard Cassels to Gaming VC's management committee as Finance Director. Gerard brings a wealth of experience to the Group, having held the position of Finance Director within several successful listed companies in Europe.

Furthermore, the Board proposes that Adrian J R Smith is appointed as a Non-Executive Director. Adrian is the CEO of the Woolton Group, and has significant public company and corporate governance experience, having been the Non-Executive Chairman of the Carter and Carter Group from 2002 through to its flotation in 2005. In addition to his continued non-executive director position at Carter and Carter plc, he serves on the board of Tutogen Medical Inc in the USA, and the Harbor Branch Oceanographic Institution. His management experience includes Deloitte Touche Tohmatsu, Grant Thornton LLP and Arthur Andersen LLP, as well as Procter and Gamble. It is expected that Adrian will be Chairman of the Remuneration Committee and will also sit on the other core governance committees of Audit and Nomination.

Shareholders will be asked to confirm Gerard Cassels' and Adrian Smith's appointments at the forthcoming AGM.

We are well positioned to maintain our growth in 2006 and are confident that our efforts to build Gaming VC's presence in the online casino market will continue to deliver positive results. Trading in 2006 to date has been comfortably in line with management's expectations.

Nigel Blythe-Tinker
Chairman

CHIEF EXECUTIVE'S REVIEW

Over the past financial year we have established a robust operational framework which will allow Gaming VC to move to the next stage of growth as we leverage our position as a leading online Casino in German speaking markets. The strong increase in revenues is a testament to the durability of our Casino business and the strengths of our marketing strategy which both indicate future growth opportunities. The German gaming market remains considerably buoyant and we are consistently adding to our customer base.

The strategy going forward is to continue to build on the strongly cash generative core business in German speaking markets, whilst looking selectively at opportunities to enter other national markets with a Casino offering that is custom tailored to each targeted country.

Casino

Gaming VC is now in a position where we have a reliable customer base that provides the Group with good forward visibility of earnings. To further sustain growth, we have developed a monthly direct mail campaign for customer acquisition, in addition to the quarterly publication of our Casino Club magazine. These new campaigns follow two high volume test direct mail campaigns that we ran in July and August 2005. The combination of these two marketing initiatives has resulted in strong customer acquisition and retention levels that are among the highest in the industry with our average customer playing for 22 months.

This anchor marketing campaign has now been operating for 6 months and has significantly improved the performance of the core business as shown below:

	Q3 2005	Q4 2005	Q1 2006
New registrations	8,458	11,187	14,777
New depositing customers	4,663	5,245	7,428
Daily average revenue	€98,500	€106,350	€112,800

In addition, we have begun to add e-mail, banner and affiliate programmes to our overall marketing strategy in support of our direct mail efforts, and we are also working on the launch of new casino games, such as a football biased slot game for the World Cup in June 2006.

New territories

One of our growth strategies is to examine opportunities to replicate our proven business model in new geographical markets.

In Spain, additional marketing spend has been allocated to drive the customer numbers needed to achieve critical mass. Spain was selected as the first test market for a new casino as it was identified as a market that had no contentious legislation for internet gaming, an appropriate level of internet infrastructure and no current dominant market leader in the online gaming sector. An initial broad media campaign to heighten customer awareness of the Casino Club brand was launched in September 2005.

Encouragingly, visits to the Spanish site in September and October 2005 were over 9,000 per day, with online channels showing good leads to the site. However, the conversion of leads to paid play was significantly slower than expected. Subsequent analysis identified areas of web navigation and Spanish support services as contributing factors. These issues have now been addressed with both site and customer support improvements. Phase two of the Spanish marketing campaign, which entails a low additional cost, went live in March 2006.

Since February 2006, we have soft launched a second new casino in Russia in conjunction with experienced local business people who have significant internet and marketing experience. The new site (www.casino-club.ru) offers the usual suite of casino games in both Euros and Roubles. Gaming VC's initial financial investment in this new casino represents only a small part of our overall marketing budget for 2006.

With both Spain and Russia, it is still too early to have statistically meaningful operating data. Following a detailed operational review in 2005, we now have sophisticated reactive feedback controls in place which are integral to both trials. These give us instant and detailed market data which will ensure that additional resources will only be committed where we have a strong degree of confidence about the potential for significant upside.

Poker

Casino Club's online poker room completed a soft-launch in August 2005, and underwent beta-level testing during the European summer holidays. A marketing programme to promote this new product began in September 2005, including promotion in Casino Club magazine to the existing German customer base, a direct marketing campaign to new prospects and inclusion in the rollout of the Spanish marketing campaign. Poker is now accounting for about 4% of our daily revenues.

With this offering, members of the Casino have the ability to play poker on our website although we expect that growth in 2006 will come predominantly from the Casino operation.

Group Financial Performance

The Casino business was acquired on 21 December 2004 so the comparative 2004 figures only reflect 11 days trading.

The total gross wagers placed were €1.6 billion (2004: €58 million) and net revenues were €40.4 million (2004: €0.7 million). The gross profit for the financial year ended 31 December 2005 was €30.8 million (2004: €0.5 million) with the primary operating cost element for the Group being the turnkey online casino services provided by Boss Media SA and its subsidiaries.

In the financial year there were no significant one-off jackpot winners in the Group's slot machine games with associated ''progressive'' jackpots. The total of the available jackpots at the end of December 2005 was €1.7 million (2004: €0.9 million) with the largest available individual jackpot being €0.8 million (2004: €0.4 million). Upon this jackpot becoming payable it will be a charge against the relevant period's gross profit. The last major jackpot win was for €0.5 million in November 2004.

The Group operating profit for the financial year ended 31 December 2005 was €13.4 million (2004: €0.4 million) after the deduction of distribution and administrative expenses.

Distribution costs of €7.4 million (2004: nil) reflect the third party marketing costs incurred by the Group to recruit active members to the Casino.

The marketing costs for 2005 include over €2 million that was related to the initial launch of the Casino in Spain and nearly €3 million associated with the launch and promotion of poker. Neither of these one-off expenses is expected to be repeated in the ongoing operation of the business. The core marketing of the Casino in 2006 is expected to account for circa €5 million out of a total estimated marketing expenditure of €9 million. The balance will be spent testing alternative marketing channels to direct mail and marketing in new territories outside Germany and Austria.

The major items within the administrative expenses incurred during the financial year are detailed below:

	2005	2004
	€'000	€'000
Employment costs	**2,378**	25
Travel	**1,121**	58
Legal, accounting and tax	**1,941**	40
Re-organisation costs	**545**	0
Amortization of intangible assets	**2,802**	37
All other costs	**1,207**	1
Total administrative expenses	**9,994**	161

Employment costs are analysed in note 3 to the financial results.

The 2005 legal, accounting and tax costs included a one-off charge for a full audit after 6 months trading which cost €0.2 million. This was needed to give initial audited numbers as at the time of the IPO in December 2004, because audited accounts for the business being acquired were not available. In addition, given the Group's complex physical and legal structures, ongoing professional advice costs are higher than for a business based in one domicile.

The re-organisation costs include the costs related to closure of the London office, reductions in headcount and a €0.2 million settlement of contractual obligations to Dr Willis on his standing down as an executive director of the Group.

The amortization of intangible assets is detailed in note 7 to the financial results. This is a non-cash charge primarily to reflect the reduction in economic value over their useful lives of the intangible assets acquired on the purchase of the Casino business in December 2004.

Net financing costs for the financial year ended 31 December 2005 of €0.6 million (2004: €0.007 million) are analysed in note 4 to the financial results. The majority of Group revenues are in Euros, as are both the cost of sales and marketing. Employment costs are primarily US Dollar denominated and most legal, tax and accounting services are incurred in Sterling. Dividend payments are also Sterling denominated.

The Group's operational structure, with the core business in Curaçao, allows for an effective global tax charge of €0.01 million. The Group periodically reviews all of the relevant and controlling tax regulations to optimise the available benefits. A Group effective tax charge of less than 2% of net profit is envisaged to continue for the foreseeable future.

In the reporting period the Group generated €17 million (2004: consumed €0.2 million) from operating activities. After payment of the interim dividend of €9.6 million during the year, the Group's closing cash balance at 31 December 2005 was €7.3 million (2004: €1.3 million). Due to the nature of the business there are no significant working capital pressures on the Group during periods of revenue growth. The Group had no significant capital expenditure during the year and does not envisage any in 2006.

Dividends

We consider that the current dividend policy remains appropriate for the Group. The core business is cash generative and not capital intensive and we will continue to return excess capital to shareholders, as appropriate.

The Board recommends a final dividend of 21p (gross) (c €0.302) per share (2004: nil), making a total distribution of 42p (c €0.604) for the year. This will be paid on 22 May 2006 to shareholders on the register at the close of business on 21 April 2006.

While the total dividend for 2005 will be greater than the earnings per share in the year, given the financial performance of the Group in 2005 and the strong start to 2006, the Board considers the final dividend is merited. As at 31 March 2006 our cash balances were more than sufficient to cover the final dividend.

Outlook

Gaming VC has started 2006 in a strong position. We are exploring opportunities to replicate our casino product in other markets on a selective basis, but we will only commit meaningful resources after detailed feedback analysis and when we have confidence about the upside potential. In the meantime, our leading position in German speaking markets provides a very stable foundation, especially as we see significant potential for further growth in these core markets over the foreseeable future. We look forward to the remainder of the current financial year with much confidence.

Steve Barlow
Chief Executive

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF GAMING VC HOLDINGS SA

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To the Shareholders of Gaming VC Holdings S.A.

AUDITORS' REPORT

We have audited the consolidated balance sheet of Gaming VC Holdings S.A. and its subsidiaries (the "Group") as of 31 December 2005 and the related consolidated statements of income, recognised gains and losses and cash flows for the year then ended as set out on pages 7 to 23. These consolidated financial statements are the responsibility of the Board of Directors. 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 plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements as set out on pages 7 to 23 give a true and fair view of the financial position of the Group as of 31 December 2005, and of the results of its operations and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union.

Luxembourg, 26 April 2006

KPMG Audit S.à r.l.
Réviseurs d'Entreprises

Philippe Meyer

Consolidated income statement

For the year ended 31 December 2005

In thousands of euro	*Note*	**Year ended 31 December 2005**	1 month period ended 31 December 2004(*)
Revenue	1	**40,443**	670
Cost of Sales		**(9,677)**	(137)
Gross profit		**30,766**	533
Distribution expenses		**(7,410)**	–
Administrative expense		**(9,994)**	(161)
Operating profit before financing costs		**13,362**	372
Financial income	4	**46**	7
Financial expense	4	**(601)**	–
Net financing costs		**(555)**	7
Profit before Tax		**12,807**	379
Income tax expense	5	**(13)**	(5)
Profit for the year/period		**12,794**	374
Basic earnings per share (euro)	11	**0.41**	0.024
Diluted earnings per share (euro)	11	**0.41**	0.024

Consolidated statement of recognised income and expense

For the year ended 31 December 2005

In thousands of euro	**Year ended 31 December 2005**	1 month period ended 31 December 2004(*)
Profit and total recognised income and expense for the year/period	**12,794**	374

(*) Prior period since incorporation on 30 November 2004.

Consolidated balance sheet

As at 31 December 2005

In thousands of euro	*Note*	**31 December 2005**	31 December 2004
Assets			
Property, plant and equipment	6	**46**	–
Intangible assets	7	**102,752**	105,479
Total non-current assets		**102,798**	105,479
Trade receivables	8	**2,151**	620
Prepayments	8	**531**	132
Cash and cash equivalents	9	**7,233**	1,270
Total current assets		**9,915**	2,022
Total assets		**112,713**	107,501
Equity			
Issued share capital	10	**38,608**	38,608
Share premium	10	**67,522**	67,522
Retained earnings	10	**4,109**	383
Total equity attributable to equity holders of the parent		**110,239**	106,513
Liabilities			
Trade and other payables	13	**1,158**	736
Accrued expenses	13	**1,316**	252
Total current liabilities		**2,474**	988
Total liabilities		**2,474**	988
Total equity and liabilities		**112,713**	107,501

Consolidated statement of cashflows

For the year ended 31 December 2005

In thousands of euro	*Note*	**Year ended 31 December 2005**	1 month period ended 31 December 2004(*)
Cash flows from operating activities			
Cash receipts from customers		**38,911**	50
Cash paid to suppliers and employees		**(21,966)**	(268)
Net cash from operating activities		**16,945**	(218)
Cash flows from investing activities			
Interest received		**46**	–
Acquisition of business	2	**–**	(105,516)
Acquisition of property, plant and equipment	6	**(67)**	–
Acquisition of intellectual property	7	**(75)**	–
Net cash from investing activities		**(96)**	(105,516)
Cash flows from financing activities			
Proceeds from the issue of share capital		**–**	117,562
Payment of transaction costs		**(867)**	(10,565)
Dividend paid		**(9,559)**	–
Net cash from financing activities		**(10,426)**	106,997
Net increase in cash and cash equivalents		**6,423**	1,263
Cash and cash equivalents at beginning of the year/period		**1,270**	–
Effect of exchange rate fluctuations on cash held	4	**(460)**	7
Cash and cash equivalents at end of the year/period		**7,233**	1,270

(*) Prior period since incorporation on 30 November 2004.

Notes to the consolidated financial statements

Significant accounting policies

Gaming VC Holdings SA (the ''Company'') is a company registered in Luxembourg that was incorporated on 30 November 2004. The consolidated financial statements of the Company for the 12 month period ended 31 December 2005 comprise the Company and its subsidiaries (together referred to as the ''Group'').

The financial statements were authorised for issue by the directors on 26 April 2006.

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and their interpretations adopted by the International Accounting Standards Board (IASB).

(b) Basis of preparation

The financial statements are presented in euro, rounded to the nearest thousand. They are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, financial instruments held for trading or classified as available for sale. However, no such financial instruments were held during the period. The 2004 comparative figures provided in the consolidated income statement and the consolidated statement of cashflows reflects the trading of the business since formation on 30 November 2004 till 31 December 2004 and not a comparative 12 month period in 2004.

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.

(c) Basis of consolidation

(i) Subsidiaries

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

(ii) Transactions eliminated on consolidation

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

(iii) Business combinations

All business combinations are accounted for by applying the purchase method. The cost of a business combination is measured as the aggregate of the fair values, at the acquisition date, of the assets given, liabilities incurred or assumed, and equity instruments issued by the Group, plus any costs directly attributable to the combination. The identifiable assets, liabilities and contingent liabilities of the acquiree are measured initially at fair value at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recognised as goodwill.

(d) Foreign currency

(i) Foreign currency transactions

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

(ii) Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to euro at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to euro at rates approximating the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised directly in a separate component of equity.

(e) Property, plant and equipment

(i) Owned assets

Property, plant and equipment are stated at cost, less accumulated depreciation (see below) and impairment losses (see accounting policy g).

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.

(ii) 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:

• buildings	40 years
• plant and equipment	3-12 years
• fixtures and fittings	5-10 years

The residual value, if not insignificant, is reassessed annually.

(f) Intangible assets

(i) Goodwill

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

Negative goodwill arising on an acquisition is recognised directly in profit or loss.

(ii) Other intangible assets

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

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:

• Magazine-related	Cost
• Consulting	Income (cost saving)
• Software licence	Income (incremental value plus loss of profits)
• Trademarks	Relief from royalty
• Goodwill	Residual balance

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

(iii) 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. All other expenditure is expensed as incurred.

(iv) 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 intangible assets with an indefinite useful life are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

• consulting agreements	3-5 years
• capitalised development costs	2-4 years
• software licence agreements	5-15 years

(g) Impairment

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

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

(h) Share capital

(i) Dividends

Dividends are recognised as a liability in the period in which they are declared.

(i) Employee benefits

(i) Defined contribution plans

The Group operates a defined contribution plan. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

(ii) Share-based payment transactions

The share option programme allows Group employees to acquire shares of the Company. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using a Black-Scholes valuation model, taking 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 except where forfeiture is only due to share prices not achieving the threshold for vesting.

(j) Provisions

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

(k) Trade and other payables

Trade and other payables are stated at cost.

(l) Revenue

Revenue comprises proceeds from gaming activities. In accordance with industry practice, gaming revenue represents ''customer drop'' or net revenue which comprises amounts staked net of customer winnings and not the handle or wagered amount.

(m) Expenses

(i) Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

(ii) Net financing costs

Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method, interest receivable on funds invested, dividend income, foreign exchange gains and losses.

Interest income is recognised in the income statement as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the entity's right to receive payments is established.

(n) Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is more probable than not that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

(o) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

1 Segment reporting

Segment information is presented in respect of the Group's business and geographical segments.

Business segments

Based on risks and returns the management considers that the primary reporting format is by business segment. The directors consider that there currently is only one business segment being the casino operation of games of chance. Therefore the disclosures for the primary segment have already been given in these financial statements. A second business segment of skill based games was launched in the last quarter of the year. It only achieved revenue of €327,000 in the year which has been included in games of chance. It is expected to be sufficiently material to be disclosed separately in the full year accounts for 2006.

Geographical segments

Within the year the core business activity has been concentrated in the German language countries.

Development specifically tailored for other European language countries is ongoing. Owing to current legislation in the US the company continues to block access to its games to potential players located there.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one year.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the location of the assets themselves.

Geographical segments

	Germany		**Austria**		**Other Countries**		**Consolidated**	
In thousands of euro	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
Revenue from games of chance	**30,293**	496	**7,742**	134	**2,408**	40	**40,443**	670
Segment assets	**–**	–	**–**	–	**112,713**	107,501	**112,713**	107,501
Capital expenditure	**–**	–	**–**	–	**142**	105,516	**142**	105,516

2 Acquisitions of subsidiaries

On 2 December 2004, the Company acquired 100 per cent of the ordinary share capital of Metioche Holding Limited, a newly incorporated company registered in Cyprus for CYP 1,000 with a premium price of the balance of €105,000,000 less the 1 CPY par value per share. On 6 December 2004 Metioche Holding Limited acquired 100 per cent of the ordinary share capital of Gaming VC (Jersey) Limited, a newly incorporated company registered in Jersey for £2. On 7 December 2004 Metioche Holding Limited acquired 100 per cent of the ordinary share capital of GVC Corporation BV, a newly incorporated company registered in Netherland Antilles for €1. On 24 December 2004 GVC Corporation BV acquired 100 per cent of the ordinary share capital of GVC Corporation II BV, a newly incorporated company registered in Netherland Antilles for €1.

On 17 December 2004 the Board of Metioche Holding Limited resolved to change its registered name to GVC (Cyprus) Limited.

The acquisition of subsidiaries had no effect on the consolidated Group's assets and liabilities as they were all new off the shelf companies with no assets or liabilities. The associated legal costs for acquisition were included in the IPO fees related to admission to AIM in December 2004.

3 Personnel expenses

In thousands of euro	**Year ended 31 December 2005**	1 month period ended 31 December 2004
Wages and salaries	**1,713**	15
Compulsory social security contributions	**135**	–
Contributions to defined contribution plans	**39**	1
Equity-settled transactions	**491**	9
	2,378	25

4 Net financing costs

In thousands of euro	**Year ended 31 December 2005**	1 month period ended 31 December 2004
Interest income	**46**	–
Net foreign exchange gain through profit	**–**	7
Financial income	**46**	7
Interest expense	**–**	–
Interest expenses and bank charges	**(141)**	–
Net foreign exchange loss through profit	**(460)**	–
Financial expenses	**(601)**	–
Net financing costs	**(555)**	7

5 Income tax expense

Recognised in the income statement *In thousands of euro*	**Year ended 31 December 2005**	1 month period ended 31 December 2004
Current tax expense		
Current year	**13**	5
Adjustments for prior period	**–**	–
	13	5
Deferred tax expense		
Origination and reversal of temporary differences	**–**	–
Reduction in tax rate	**–**	–
Benefit of tax losses recognised	**–**	–
	–	–
Total income tax expense in income statement	**13**	5

Reconciliation of effective tax rate

In thousands of euro	**Year ended 31 December 2005**	1 month period ended 31 December 2004
Profit before tax	**12,807**	374
Income tax using the domestic corporation tax rate	**2,818**	82
Effect of tax rates in foreign jurisdictions (Rates decreased)	**(2,805)**	(75)
Tax exempt revenues	**–**	(2)
	13	5

6 Property, plant and equipment

In thousands of euro	Fixtures and Fittings	Total Property Plant and Equipment
Cost		
Balance at 1 January 2005	–	–
Other acquisitions	67	67
Balance at 31 December 2005	67	67
Depreciation and impairment losses		
Balance at 1 January 2005	–	–
Depreciation charge for the year	21	21
Balance at 31 December 2005	21	21
Carrying amounts		
At 1 January 2005	–	–
At 31 December 2005	46	46

Capital expenditure related primarily to the initial set up of office machines and computer equipment for management and administrative support.

7 Intangible assets

In thousands of euro	Goodwill	Trade-marks	Software licence	Consulting	Magazine	Total
Cost						
Balance at 30 November 2004	–	–	–	–	–	–
Acquisitions through business combinations	73,613	15,144	11,840	419	4,500	105,516
Balance at 31 December 2004	73,613	15,144	11,840	419	4,500	105,516
Balance at 1 January 2005	73,613	15,144	11,840	419	4,500	105,516
Other acquisitions	–	–	75	–	–	75
At 31 December 2005	**73,613**	**15,144**	**11,915**	**419**	**4,500**	**105,591**
Amortisation						
Balance at 30 November 2004	–	–	–	–	–	–
Amortisation for the period	–	–	16	1	20	37
Balance at 31 December 2004	–	–	16	1	20	37
Balance at 1 January 2005	–	–	16	1	20	37
Amortisation for the year	–	–	1,197	105	1,500	2,802
At 31 December 2005	**–**	**–**	**1,213**	**106**	**1,520**	**2,839**
Carrying amounts						
At 31 December 2004	73,613	15,144	11,824	418	4,480	105,479
At 31 December 2005	**73,613**	**15,144**	**10,702**	**313**	**2,980**	**102,752**

Valuation methodologies

The valuation methodology for each type of identifiable intangible asset is detailed below.

Asset	**Valuation methodology**
Magazine-related	Cost
Consulting	Income (cost saving)
Software licence	Income (incremental value plus loss of profits)
Trade-marks	Relief from royalty
Goodwill	Residual balance

The valuation conclusions, for the assets acquired through business combinations, were cross-checked relative to the overall consideration paid in the transaction over net tangible assets, to ensure that the proportion of value attributed to (i) each identifiable intangible asset: and (ii) to all of the identified intangible assets combined in the total purchase price appears reasonable.

In addition, the implied weighted average return on assets was reconciled with the cost of capital derived for the business as a whole to check for the reasonableness of values placed on intangible assets and the discount rates/returns used.

Amortisation and impairment charge

The amortisation is recognised in the following line items in the income statement:

In thousands of euro	**Year ended 31 December 2005**	1 month period ended 31 December 2004
Administrative expenses	**2,802**	37

Impairment tests for cash-generating units containing goodwill

The following units have significant carrying amounts of goodwill:

In thousands of euro	**31 December 2005**	31 December 2004
Casino operation: GVC Corporation II BV	**73,613**	73,613

All the intangible assets acquired in 2004 were valued at the year end and the resultant goodwill was tested for reasonableness.

8 Trade receivables and prepayment

In thousands of euro	**31 December 2005**	31 December 2004
Trade receivables	**2,151**	620
Prepayments	**531**	132
	2,682	752

Trade receivables include funds held by Web Dollar as of 31 December 2005 amounting to €2.2 million, which corresponds to the revenue generated over the last 3 weeks of the 12 month period ended 31 December 2005.

Prepayments include payment as at 31 December 2005 for goods or services which will be consumed after 1 January 2006.

9 Cash and cash equivalents

In thousands of euro	**31 December 2005**	31 December 2004
Bank balances	**7,233**	1,270
Cash and cash equivalents	**7,233**	1,270

10 Capital and reserves

Reconciliation of movement in capital and reserves

		Attributable to equity holders of the parent			
In thousands of euro	*Note*	Share capital	Share premium	Retained earnings	Total
Incorporated 30 November 2004		31	–	–	31
Shares issued		38,577	67,522	–	106,099
Equity settled transactions net of tax	12	–	–	9	9
Total recognised income and expense		–	–	374	374
Balance at 31 December 2004		38,608	67,522	383	106,513
Balance at 1 January 2005		38,608	67,522	383	106,513
Equity settled transactions net of tax	12	–	–	491	491
Dividend paid in year		–	–	(9,559)	(9,559)
Total recognised income and expense		–	–	12,794	12,794
Balance at 31 December 2005		**38,608**	**67,522**	**4,109**	**110,239**

Share capital and share premium

Ordinary shares	**Year ended 31 December 2005**	1 month period ended 31 December 2004
On issue at beginning of year/period	**31,135,762**	25,000
Issued for cash in December 2004	**–**	31,110,762
On issue at end of the year/period	**31,135,762**	31,135,762

At 31 December 2005, the authorised share capital comprised 49,600,000 ordinary shares (2004: 49,600,000). The ordinary shares have a par value of €1.24.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Dividends

After the balance sheet date the following dividends were proposed by the directors. The dividends have not been provided for and there are no income taxes consequences.

In thousands of euro	**Year ended 31 December 2005**	1 month period ended 31 December 2004
GBP 0.21 (€0.302) per qualifying ordinary share (2004: nil)	**9,472**	–

11 Earnings per share

The calculation of basic earnings per share at 31 December 2005 was based on the profit attributable to ordinary shareholders of €12,793,954 (2004: €373,040) and a weighted average number of ordinary shares outstanding during the year ended 31 December 2005 of 31,135,762 (2004: 15,555,381), calculated as follows:

Profit attributable to ordinary shareholders

In thousands of euro	**Year ended 31 December 2005**	1 month period ended 31 December 2004
Profit attributable to ordinary shareholders	**12,794**	374

Weighted average number of ordinary shares

In shares	**Year ended 31 December 2005**	1 month period ended 31 December 2004
Issued ordinary shares at beginning of the year/period	**31,135,762**	25,000
Effect of shares issued in December 2004	**–**	15,555,381
Weighted average number of ordinary shares at end of the year/period	**31,135,762**	15,580,381

Earnings per share

In euro	**Year ended 31 December 2005**	1 month period ended 31 December 2004
Basic earnings per share	**0.411**	0.024

Diluted earnings per share

The calculation of diluted earnings per share at 31 December 2005 was based on the profit attributable to ordinary shareholders of €12,793,954 (2004: €373,040) and a weighted average number of ordinary shares outstanding during the year ended 31 December 2005 of 31,135,762 (2004: 15,555,381), calculated as follows:

Profit attributable to ordinary shareholders (diluted)

In thousands of euro	**Year ended 31 December 2005**	1 month period ended 31 December 2004
Profit attributable to ordinary shareholders (diluted)	**12,794**	374

Weighted average number of ordinary shares (diluted)

In shares	**Year ended 31 December 2005**	1 month period ended 31 December 2004
Weighted average number of ordinary shares at end of the year/period	**31,135,762**	15,580,381
Effect of share options on issue	**–**	–
Weighted average number of ordinary shares (diluted) at end of the year/period	**31,135,762**	15,580,381

Diluted earnings per share

In euro	**Year ended 31 December 2005**	1 month period ended 31 December 2004
Diluted earnings per share	**0.411**	0.024

12 Employee benefits

Share-based payments

At 2 December 2004, the Group established a share option programme that entitles key management personnel and senior employees to purchase shares in the Group. At 28 September 2005, a grant was made to eligible individuals under the programme as detailed below. In accordance with the programme options are exercisable at the market price of the shares at the starting date of employment or the date of grant.

Share-based payments

Grant date/employees entitled	Number of instruments	Contractual life of options
Option grants to eligible individuals at 28 September 2005	530,356	Ten years

Vesting

Options will vest and become exercisable as to one quarter on the first anniversary of date of grant, and the balance becoming excercisable in 36 equal monthly instalments over the following three years.

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

	Weighted average exercise price 2005 GBP	**Number of options 2005**	Weighted average exercise price 2004 GBP	Number of options 2004
Outstanding at the beginning of the year	**4.20**	**310,000**		nil
Granted during the year	**4.81**	**530,365**	4.20	310,000
Outstanding at the end of the year	**4.58**	**840,365**	4.20	310,000
Exercisable at the end of the year		**77,500**		nil

The options outstanding at 31 December 2005 have a weighted average contractual life of 9.5 years.

No options were exercised or vested during the year ended 31 December 2005.

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured on a Black-Scholes valuation model. The contractual life of the option (10 years) is used as an input into this model. Expectations of early exercise are incorporated into the Black-Scholes model.

The option exercise price for individuals who were employed at 21 December 2004 was the market price on admission to AIM of GBP 4.20 and for all other individuals the average market price on 28 September 2005 of GBP 5.50.

	28 September 2005		2004
Fair value of share options and assumptions	**GBP**	**GBP**	GBP
Fair value at measurement date	**1.95**	**1.58**	1.33
Share price	**5.50**	**5.50**	4.20
Exercise price	**4.20**	**5.50**	4.20
Expected volatility (expressed as weighted average volatility used in the modelling under Black-Scholes model)	**45%**	**45%**	45%
Option life (expressed as weighted average life used in the modelling under Black-Scholes model)	**4.8**	**4.8**	4.8
Expected dividends	**5%**	**5%**	4%
Risk-free interest rate (based on national government bonds)	**4.22%**	**4.22%**	4.51%

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility due to publicly available information.

There are no market conditions associated with the share option grants.

13 Trade and other payables

In thousands of euro	**31 December 2005**	31 December 2004
Other trade payables	**1,140**	731
Accrued expenses	**1,316**	252
Taxation	**18**	5
	2,474	988

14 Related parties

Identity of related parties

The Group has a related party relationship with its subsidiaries (see note 15) and with its directors and executive officers.

Transactions with key management personnel

Directors of the Company and their immediate relatives control 22.7% of the voting shares of the Company as detailed below:

In shares	**31 December 2005**	31 December 2004
Steve Barlow	**2,251,927**	2,551,927
Scott Miller	**2,265,927**	2,551,927
Dr Robert Willis	**2,551,927**	2,551,927

In addition to their salaries, the Group also contributes to a post-employment defined contribution benefit plan on their behalf.

The key management personnel compensations are as follows:

In thousands of euro	**Year ended 31 December 2005**	1 month period ended 31 December 2004
Post-employment benefits	**35**	1

Total remuneration is included in ''personnel expenses'' (see note 3):

In thousands of euro	**Year ended 31 December 2005**	1 month period ended 31 December 2004
Directors	**903**	16

15 Group entities

Significant subsidiaries

	Country of incorporation	Ownership interest **31 December 2005**	Ownership interest 31 December 2004
Gaming VC (Cyprus) Limited	Cyprus	**100%**	100%
Gaming VC (Jersey) Limited	Jersey	**100%**	100%
GVC Corporation BV	Netherland Antilles	**100%**	100%
GVC Corporation II BV	Netherland Antilles	**100%**	100%

16 Accounting estimates and judgements

Management discussed with the Audit Committee the development, selection and disclosure of the Group's critical accounting policies and estimates and the application of these policies and estimates.

17 Subsequent events

There have been no subsequent events between 31 December 2005 and the date of these accounts that merit inclusion.

DIRECTORS

Brief biographies of the Directors are set out below.

Nigel Blythe-Tinker, Non-Executive Chairman (55)

Between January 1999 and May 2004, Nigel was the Group Company Secretary and Head of Legal at William Hill plc as well as a member of the executive management team. He was involved in the highly successful flotation of William Hill plc at an enterprise value of £1.46 billion. He was associated with William Hill's discharge of US high yield debt and financial and corporate restructuring of the business. His additional responsibilities to the William Hill plc board were for corporate governance, statutory and regulatory compliance, legal matters (including worldwide litigation), its insurance portfolio and group services. Nigel was also actively involved in William Hill plc's acquisition and transactional programme. Prior to this, he held various positions including Company Secretary and Head of the Legal Department for Thorn Lighting Group plc, Head of Legal Services at Framlington Group plc and Assistant Secretary of The Rank Organisation plc.

Lee Feldman, Non-Executive Director (38)

Lee is the Managing Partner of Twin Lakes Capital LLC, a private equity firm based in New York and focused on growth capital investments primarily in technology, media and consumer branded products. Prior to this he was a partner in SOFTBANK Capital Partners, a US private equity fund focused on technology and media enterprises. His extensive experience has been in private equity investing, as well as corporate and business development activities. Prior to his partnership in SOFTBANK Capital Partners, he was Vice President of corporate development at Ziff-Davis, which, prior to its sale, was a New York Stock Exchange quoted media company focused on technology with annual revenues exceeding US $1 billion. Prior to this, he was a member of the senior management team of two leveraged roll-ups and began his career as a corporate lawyer practicing with a major New York City law firm.

Dr Robert Willis, Chief Financial Officer (36)

Robert was CIO of Computer People Inc., a company with revenues of $US 135 million. He led Alpine Computer Systems, Inc., a start-up business with revenues of $US 35 million, through years of growth in the Inc. 500 and orchestrated the $US 25 million strategic merger of Alpine with Delphi Group plc and secured $US 20 million of growth capital. Robert is currently a President and Managing Member of Hickory Hills Advisors LLC, a venture capital fund, managing a portfolio of early stage companies. Robert also sits on the Board of Trustees of AimNet Solutions Inc., Pinnacle Realty Corporation, Vert Inc. and Newbury College in Boston, Massachusetts.

Adrian J R Smith, Non-Executive Director Designate (62)

Adrian is the CEO of the Woolton Group, and has significant public company and corporate governance experience, having been the Non-Executive Chairman of the Carter and Carter Group from 2002 through to its flotation in 2005. In addition to his continued non-executive director position at Carter and Carter plc, he serves on the board of Tutogen Medical Inc in the USA, and the Harbor Branch Oceanographic Institution. His management experience includes Deloitte Touche Tohmatsu, Grant Thornton LLP and Arthur Andersen LLP, as well as Procter and Gamble.

Steven Barlow, Chief Executive Officer (47)

Steven has in excess of 23 years of technology and management experience. His recent involvement with SOFTBANK Capital Partners has been in connection with an on-line gambling transaction. Steven previously served as a Director and President of Gamecraft Inc, a US slot machine manufacturer. In this capacity he held several gaming licences for land based casino jurisdictions throughout the United States. At Gamecraft, he was instrumental in securing a US distribution agreement with Mikohn Gaming Corporation for a series of slot machine poker games known as ''Heads up Poker''. Additional previous directorships include ThingWorld.com, where, as a co-Founder, he served as Chairman, CEO and CTO. At ThingWorld.com Steve raised $US26 million from strategic investors that included Microsoft, Intel, CMGI and the Kraft Group. As CEO he managed 150 employees. Prior to this, for 9 years he held technical and management positions at IBM/Lotus Development Corporation.

Gerard Cassels, Finance Director Designate (44)

Gerard is an experienced Finance Director of listed companies, and has worked both in Europe and the US. Between 2001 and 2004, he was Group Finance Director for NMT Group PLC, the medical device design, development and licensing company. Prior to that he was Group Finance Director of Inveresk PLC, the niche specialty paper and board manufacturer. Gerard started his career at KPMG in the corporate finance department and is a qualified chartered accountant.

Scott Miller, Chief Operating Officer (42)

Scott worked for Highland Equity & Development LLC as a leader in structured finance transactions. Since 1986, he has completed 78 transactions with a total transaction value of approximately $US 450 million, investing over $US 100 million in equity yielding an average annual return of greater than 10 per cent. Scott is the founder and managing member of Highland Property Investors LLC, and has been an adviser to Princeton University Endowment Fund. Scott also has a number of professional and community affiliations, including Life Bridge Programme and Boston Children's Hospital.

ADVISERS

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