



GAMING VC HOLDINGS S.A.

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

FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2009

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FACTSHEET

The Company was incorporated in Luxembourg on 30 November 2004 and it was listed on AIM on 21 December 2004. The company is therefore bound by the corporate laws of Luxembourg, the Company's Articles of Association, and the AIM rules of the London Stock Exchange. It is not bound by the Takeover code.

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

Shares are held in registered, not certificated, form.

To enable CREST settlement, depository interests, rather than shares, are traded. Capita IRG Trustees Limited record the depository interests. Under a Deed Poll, depository interest holders have the same economic rights as other shareholders. Voting is also mirrored as depository interest holders provide Capita with a "form of direction" – this is akin to a proxy vote.

Key milestones

- Q3-07 – Granted a class 4 licence by the LGA in Malta
- Q3-07 – Sportsbook operation started
- Q1-08 – Winzingo, Bingo site targeting Spanish customers, launched
- Q4-08 – Granted a licence by the Italian authorities
- Q1-09 – Launch of Slots Club
- Q2-09 – Entered long-term contract with Boss Media for supply of casino and poker software
- Q3-09 – Acquired the trade and assets of "Betboo" a leading Latin American e-gaming business
- Q3-09 – Announced its intention to re-domicile from Luxembourg to Isle of Man
- Q4-09 – Announced sale of Gaming VC Corporation S.p.A, the group's licensed Italian subsidiary
- Q1-10 – Announced intention to launch additional sports betting operations

Announcement of appointment of new senior executives together with expression of sports betting operations, additional marketing spend on existing German business and intention to expand CasinoClub outside Germany.

Investor relations website

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

Websites and languages offered

	Gaming VC	CasinoClub brands			Betaland	Winzingo	Betboo
		CasinoClub	PokerKings	CasinoClub Poker			
English	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>
German		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>			
Italian		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>		
Spanish		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
French		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>				
Greek		<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>			
Russian		<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>			
Swedish		<input checked="" type="checkbox"/>					
Turkish		<input checked="" type="checkbox"/>			<input checked="" type="checkbox"/>		
Romanian					<input checked="" type="checkbox"/>		
Brasilian Portuguese							<input checked="" type="checkbox"/>

DIRECTORS

Lee Feldman, Chairman, and non-executive director

Lee Feldman (42), holds a law degree from Columbia University and is currently the Managing Partner of Twin Lakes Capital, a private equity firm based in New York City. He joined the board at the time when the Company was admitted to AIM, and serves on both the Audit and Remuneration committees. He currently serves on a number of boards, including MacKenzie-Childs LLC and LRN Corporation. Prior to Twin Lakes, Mr. Feldman was a partner at Softbank Capital Partners.

Nigel Blythe-Tinker, Non-Executive Director – Chairman of the Remuneration Committee

Nigel Blythe-Tinker (58), trained as a solicitor and is a Fellow of the Institute of Chartered Secretaries and Administrators. He has extensive City experience of over 30 years which covers being Group Corporate Secretary/Legal counsel and board member of a number of private and publicly quoted companies in the leisure, gaming and industrial sectors. He joined the board at the time when the Company was admitted to AIM, and serves on both the Audit and Remuneration committees. He is also the Chairman of Pentasia Limited, a recruitment business specialising in the gaming sector.

Karl Diacono, Non-Executive Director – Chairman of the Audit Committee

Karl Diacono (46), holds a Master Degree in Management and is currently CEO of the Fenlex Group, a corporate service provider based in Malta, and Managing Director of Impetus Europe Consulting Group. He joined the board on 5 December 2008 and serves on both the Audit and Remuneration committees. He currently sits on a number of boards in Malta and overseas and is also actively involved in the hospitality industry.

Kenneth J Alexander, Chief Executive Officer

Kenneth Alexander (39), is a Chartered Accountant by training. He was formerly the European Managing Director for Sportingbet plc, the pioneering, AIM listed internet gaming and sportsbetting company, where he worked since 2000. Kenny joined the board in March 2007.

Richard Cooper, Finance Director

Richard Cooper (49), is a Chartered Accountant by training. In his early career he worked in the financial markets, holding the position of UK Finance Director at moneybrokers Tulletts, and CFO at Fidelity Brokerage. He then undertook a number of restructuring roles in both private and publicly traded companies. In 2005 he became a founder director of Trident Gaming plc, which later went on to sell its Gamebookers asset to PartyGaming PLC. Richard joined the board on 5 December 2008.

The board aims to meet six times a year and more frequently if required.

Committees of the Board

The board has both Audit and Remuneration Committees.

The Audit Committee, currently chaired by Karl Diacono, is required to give its approval before the release of; the annual report and accounts, the preliminary year-end statement, the interim financial statements, and any other release of financial information to the market.

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

ADVISORS

Registered Office:	13-15 Avenue de La Liberté L-1931 Luxembourg
Financial PR Advisers:	Abchurch Communications Ltd 125 Old Broad Street London EC2N 1AR
Nominated Adviser and Broker:	Arbuthnot Securities Limited Arbuthnot House 20 Ropemaker Street London EC2Y 9AR
Lawyers to the Company:	<i>As to matters of UK law</i> Nabarro LLP Lacon House 84 Theobald's Road London WC1X 8RW <i>As to matters of Luxembourg Law</i> Loyens & Loeff 14 rue Edward Steichen L-2540 Luxembourg
Auditor:	Grant Thornton Lux Audit S.A. 83 Parc d'Activité Capellen L-8308 Luxembourg
Depositary:	Capita IRG Trustees Limited The Registry 34 Beckenham Road Beckenham KENT BR3 4TU
Registrar	ATC Corporate Services (Luxembourg) S.A. 13-15 Avenue de la Liberté L-1931 Luxembourg

CHAIRMAN'S STATEMENT

In my second year as Chairman, I am happy to report that, despite 2009's historically difficult economic operating conditions, the Group has had a relatively successful year, managerially, operationally and financially.

Results

Financially, the Group has achieved growth in Net Gaming Revenue ("NGR") to €54.0 million (2008: €50.1 million). Clean EBITDA, at €17.4 million (2008: €19.5 million), was lower than in 2008 as a result of our continued expansion into new business lines with lower margins and increased marketing spend on the mature CasinoClub business.

Betboo acquisition

Gaming VC completed the acquisition of Betboo in July 2009. Betboo is one of the leading online gaming operators in the still small but rapidly growing Latin American market, and was recently named the Latin American Operator of the Year at the eGaming Review Awards. We have been encouraged by its performance since acquisition. As shareholders will be aware from our previous announcements, the acquisition of Betboo comprised initial consideration of US\$4 million (€3 million) together with an earn-out capped at US\$26 million.

Operations

The company has now evolved into a mature operating company with industry-leading staff and resources in Malta and Israel, as well as having third party contracts with service providers in Brazil and Uruguay.

Regulatory and legal

As more fully reported in the Report of the Chief Executive, the Group holds gaming licences in Malta and the Netherlands Antilles, and believes it has the necessary licences to conduct its current gaming operations. That said, there remains a lack of legal clarity among members of the European Union on the issue of European regulation, and this therefore continues to pose an unquantifiable risk to GVC.

Shareholders were made aware on 27 August 2009 of the intended re-domiciliation from Luxembourg to the Isle of Man. The AIM Admission document, together with a circular to shareholders and voting forms, is expected to be dispatched on Monday 19 April and, subject to shareholder approval, we expect the new Isle of Man based holding company to be admitted to AIM in late May 2010.

Boss Media

Gaming VC is currently in dispute with Boss over an alleged infringement of the Group's intellectual property. The Group has made its concerns known to Boss. If the dispute is not resolved, Court proceedings will be instituted. The dispute is subject to legal, professional privilege. The Group is also in dispute with Boss over the ability of Boss to terminate a contract for services to the Betaland business.

Strategy

Gaming VC announced in January 2010 three elements to its strategy:

1. Additional marketing expenditure to protect the core CasinoClub business in Germany;
2. Marketing investment to expand CasinoClub outside German speaking markets; and
3. Launch of additional sportsbooks in new territories to replicate the success the Group has had in Italy.

The Group announced the recruitment of Jon Salmon and Jim Humberstone to lead these initiatives. The financial impact of these three elements was expected to be €7 million in 2010.

The expansion of CasinoClub outside German speaking markets has been delayed by the dispute with Boss and as a result the Group now expects to invest a total of €5 million during 2010, €2 million lower than earlier anticipated.

Dividend

The Group paid an interim dividend of €0.20 per share in November 2009 and announced in January 2010 that it expected, following the redomiciliation and in the absence of unforeseen circumstances, to declare a special dividend of not less than €0.50 per share *in lieu* of the normal final dividend for the year ended 31 December 2009. It is expected that any such dividend will be payable in June 2010.

The level of Gaming VC's future dividends will be affected by the Group's strategic initiatives and as previously announced, profits for 2010 are expected to be materially lower than in 2009. However, the Group intends to continue to pay out approximately 75% of net cash generated by way of dividend, subject, in 2012, to being able to fund the expected deferred consideration due in respect of the acquisition of Betboo. More detail on this is included in the Report of the Finance Director.

Current trading and future prospects

The first three months of 2010 have been broadly in line with budget. Group revenues were €14.8 million, slightly down on 2009.

Whilst the gaming industry continues to face challenging economic conditions the Board believes that we have the right team and strategy in place to trade through this and to continue to pay dividends to our shareholders.

Lee Feldman
Non-Executive Chairman
16 April 2010

REPORT OF THE CHIEF EXECUTIVE

Introduction and financial overviews

In 2009, though trading conditions were difficult for the industry as a whole, the Gaming VC Group continued to grow revenues and perform well. Group revenue increased to €54.0 million, and 7.7% compared to 2008.

Like for like sports revenues grew 44% from €6.3 million to €9.1 million from a hold of 17.9% (2008: 13.4%). Gaming revenues excluding Betboo were 2.5% lower at €42.7 million (2008: €43.8 million). Betboo revenues amounted to €2.2 million for the six months since acquisition.

As explained more fully in the report of the Finance Director, the profit before tax was affected by two non-cash items arising from the Betboo acquisition totalling €1.1 million and exceptional charges of €1.5 million. Clean EBITDA, at €17.4 million (2008: €19.5 million), was €2.1 million lower than 2008 as a result of our continued expansion into new business lines with lower margins and increased marketing spend on the mature CasinoClub business.

Operations

CasinoClub

During the year CasinoClub revenue fell by 18.8% to €29.6 million and contribution in this area of the business fell by 20.1% to €20.6 million. The contribution margin remained at 70%. The core German casino business has been affected by challenging economic conditions which in turn effected player yields, in particular at the VIP levels. The board is encouraged that the volumes have stabilised in the latter part of 2009 with H2 revenues only dropping by 3.3% compared to H1. Jon Salmon, ex-Head of Marketing for Party Gaming, joined the Group earlier in 2010 and increased marketing investment is planned for 2010 to support the CasinoClub brand. The board is confident of the prospects for this business in 2010.

Betaland

Betaland enjoyed a year of significant growth in 2009 and moved into profitability with total revenues increasing by 56% to €20.8 million; a sports betting margin of 17.9% was achieved (2008: 13.4%). During 2009, 21,845 new funded accounts were created (2008: 15,153) and 4.2 million bets were taken (2008: 3.5 million). The board is pleased with the continued progress that Betaland has made in the year. Within only two years, the business has become profitable. The recruitment of Jim Humberstone, ex-Head of Sportsbook of Sportingbet, who joins the Group on 19 April 2010, further strengthens our sports betting management team. The board is confident that revenues and profits from our European sports betting operations will continue to grow and expects to launch additional language versions in H2 2010.

Betboo

Betboo, a Latin American e-gaming portal, was acquired in July 2009. The management team responsible for the success of the business has all been retained. Betboo to date has had minimal marketing invested into the brand but marketing will be increased in the second part of 2010. The business is expected to grow materially thereafter.

Winzingo

Winzingo is a Spanish facing bingo site, focussing on the Spanish market. The business is a small part of the business and results have been disappointing to date. A review of the business is currently being undertaken.

Regulatory

Unlike the majority of other listed gaming entities, the Gaming VC group has never taken bets or wagers from residents of the USA. The Group has licences in Malta and Netherlands Antilles.

The Interstate Treaty regarding gambling in Germany was passed on 1 January 2008. *Inter alia*, this states that "Public games of chance may only be organised or arranged with the permission of the competent authority of the respective Federal State. Organising and arranging them without this permission (unauthorised game of chance) is

prohibited". Similar provisions exist in Italy. It remains unclear from a legal perspective as to whether national or EU law applies with continued conflicting messages. The board remains confident that a satisfactory resolution will be found but believes it is unlikely that will happen during 2010.

Outlook

The first three months of 2010 have been broadly in line with budget. Group Revenues were €14.8 million compared to €14.9 million in Q1 2009. The following table illustrates revenues per business unit compared to the previous four quarters and the relevant sports margin % for comparison:

€000's	Q1-09	Q2-09	Q3-09	Q4-09	Q1-10
Betaland					
– number of bets (in 000's)	1,289	1,017	722	1,167	1,621
– average bet size	€12.6	€15.2	€13.9	€10.5	€9.9
– value of bets	16,299	15,475	10,006	12,271	16,018
– betting margin %	23.40%	8.80%	14.38%	23.69%	15.03%
– sports revenues net of taxes and duties	3,645	1,220	1,355	2,837	2,392
– gaming revenues	2,968	3,061	2,279	3,461	3,932
– total revenues	6,613	4,281	3,634	6,298	6,324
CasinoClub	8,021	7,038	7,124	7,443	7,093
Betboo	–	–	1,126	1,054	1,027
Winzingo	242	314	378	392	325
	14,876	11,633	12,262	15,187	14,769

CasinoClub is running in line with management's expectations with NGR around 5% lower than in Q4 2009.

Betaland's sports margin percentage for Q1 2009 was favourably affected by a large number of shock results in Serie A in Italy. In Q1 2010, the margin of 15% is closer to the long-term running margin. The board is encouraged that the number of bets has increased by around one third since Q1 2009. Gaming revenues from Betaland have also increased by just under €1million since Q1 2009.

Betboo is trading in line with our expectations, which are broadly to increase the customer base whilst remaining at break-even level. The number of new funded customer accounts grew by 66% to 2,462 compared with 1,480 in Q1 2009. The number of active players was 5,440 compared to 3,622 in Q1 2009.

Kenneth Alexander

Chief Executive

16 April 2010

REPORT OF THE FINANCE DIRECTOR

Introduction

The results of the group reflect for the first time the impact of the acquisition of Betboo completed on 2 July 2009. There are four areas of impact:

Cash balances	\$4 million (€3 million) was paid to the founders in July 2009
NGR & EBITDA	€2.2 million of revenues were earned and €103k of EBITDA was generated
Non-cash items	Amortisation of €607k, together with €467k of the unwinding of the discount on deferred consideration (re: accounting treatment prescribed under IFRS3) were taken to the Income Statement
Balance sheet	Reflects the assessment of the total consideration, of which the total amount expected to be paid (€12 million), the discounted value (€8 million), and the discounted value of the deferred consideration at 31 December 2009 (€5.4 million).

Financial highlights

- Net Gaming Revenue ("NGR") increased 7.7% to €54.0 million (2008: €50.1 million)
- Clean EBITDA €17.4 million (2008: €19.5 million)
- Like-for-like costs €8.1 million (2008: €8.4 million)
- Profit before tax €13.8 million (2008: €16.9 million)
- Own funds at bank €17.6 million despite €3.0 million initial consideration for Betboo and €12.4 million paid in dividends during the year
- Non-CasinoClub business now generating 45% of NGR (2008: 27%) and 25% of contribution (2008: 7.5%)
- Basic earnings per share of €0.432 (2008: €0.531)
- Intended special dividend of €0.50 per share

The group's activities now consist of four distinct brands serving different market places:

CasinoClub High-roller casino targeting German speaking customers
Licensed in Malta
Employs staff and has office in Tel Aviv
Uses software from Boss Media
Clean EBITDA margins > 60% in 2009

Betaland Retail sports betting and gaming site targeting Italian customers
Licensed in Malta
Employs staff and has office in Malta
Uses software from Boss Media Gamologist, Net Entertainment and others
Clean EBITDA margins of 8% in 2009

Betboo Retail gaming portal targeting Brazilians/other South American customers
Licensed in Netherlands Antilles
Operations outsourced to a third party
Uses in-house and Playtech software
Break-even in 2009

Winzingo Retail bingo operation targeting Spanish players
 Licensed in Netherlands Antilles
 Operation outsourced to a third party agency
 Loss making in 2009

Overall Trends

Group NGR has been increasing through the Group's launch into the Italian and South America markets. These generate significantly lower margins than the highly profitable, but mature, CasinoClub business.

€000's	H1-06	H2-06	H1-07	H2-07	H1-08	H2-08	H1-09	H2-09
CasinoClub	21,208	19,365	22,001	18,638	19,710	16,765	15,059	14,567
Betaland	–	–	–	2,000	6,374	6,982	10,894	9,932
Winzingo	–	–	–	–	42	212	556	770
Betboo	–	–	–	–	–	–	–	2,180
			22,001	20,638	26,126	23,959	26,509	27,449
Gaming	21,208	19,365	22,001	19,563	22,939	20,863	21,644	23,069
Sports	–	–	–	1,075	3,187	3,096	4,865	4,380
	21,208	19,365	22,001	20,638	26,126	23,959	26,509	27,449

The group's CasinoClub business has been able to increase its contribution margins from 61% in H1-2007 to 69% in H2-2009 to help stem what would have been a faster decline in profitability from CasinoClub. Group gross profit rose 9% to €44.5 million (2008: €40.9 million) maintaining the gross profit ratio.

€000's	H1-06	H2-06	H1-07	H2-07	H1-08	H2-08	H1-09	H2-09
Clean Ebitda								
CasinoClub	10,973	9,746	12,351	12,494	13,051	10,805	9,507	8,892
Betaland	–	–	–	(327)	(134)	(1,097)	1,059	682
Winzingo	–	–	–	–	(33)	(28)	(120)	(102)
Betboo	–	–	–	–	–	–	–	103
	10,973	9,746	12,351	12,167	12,884	9,680	10,446	9,575
Central costs	(2,095)	(2,195)	(2,073)	(2,462)	(2,024)	(992)*	(1,566)	(1,027)
	8,878	7,551	10,278	9,705	10,860	8,688	8,880	8,548

* after a credit of €384k relating to the extant "Fort Knox" dispute

Review of Expenditure*

€000's	Total CasinoClub	Betaland	Winzingo	Betboo	Central
2006	6,210	1,920	–	–	4,290
2007	7,294	2,096	663	–	4,535
2008	8,386	1,986	3,384	–	3,016
2009	10,106	2,241	3,272	730	2,593

* Based on other operating costs and excluding share option charges, depreciation, amortisation and exceptional items.

Other operating costs rose in the year due to incorporation of Winzingo and Betboo. Excluding these businesses, operating costs at €8.1 million were 3% lower than 2008 (€8.4 million). Included in these costs were foreign exchange differences of €170k (2008: €36k).

There has been a significant reduction in central costs from €1.6 million in H1-09 to €1 million in H2-09. The costs are unlikely to shrink further.

Review of CasinoClub

The high margin CasinoClub business has been shrinking due to the combination of a maturing customer base, challenges of the economic crisis, severe restrictions on our ability to advertise and hence grow the business, increasing competition, and limitations in software used.

The economic crisis hit hard in the second half of 2008, seeing a 17% decrease in clean EBITDA compared with the first half of 2008. Clean EBITDA have continued to decrease, albeit at a significantly slower rate (H2-2009 v H2-2008 18%; H2-2009 v H1-2009 6%)

€000's	2009	2008	2007	2006
NGR	<u>29,626</u>	<u>36,475</u>	<u>40,639</u>	<u>38,365</u>
Gross profits	<u>23,885</u>	<u>29,036</u>	<u>31,625</u>	<u>30,199</u>
Contribution	<u>20,640</u>	<u>25,841</u>	<u>26,943</u>	<u>22,639</u>
Direct costs	<u>(2,241)</u>	<u>(1,985)</u>	<u>(2,098)</u>	<u>(1,920)</u>
Clean Ebitda	<u>18,399</u>	<u>23,856</u>	<u>24,845</u>	<u>20,719</u>
Q1	5,073	6,800	5,692	H1
Q2	4,434	6,251	6,659	10,973
Q3	4,396	5,870	6,607	H2
Q4	4,496	4,935	5,887	9,746
	<u>18,399</u>	<u>23,856</u>	<u>24,845</u>	<u>20,719</u>

The average daily revenues for 2009 were €81k per day – the same as for Q4-2008, albeit lower than the nine months before the economic crisis which saw average daily revenues of €106k per day.

CasinoClub has, under difficult trading conditions, been able to increase its contribution margin at 70% of NGR but on lower levels of revenue.

The cost base for CasinoClub increased to €2.24 million from €1.98 million reflecting a full year of costs of the Tel Aviv office.

Review of Betaland

Betaland moved into profit during 2009 generating €20.8 million in NGR (2008: €13.4 million) with €9.1 million from sports (2008: €6.3 million) and €11.7 million from gaming (2008: €7.1 million). Sports hold averaged 17.9% (2008: 13.4%).

Gaming VC has revenue sharing arrangements with introducers of business. The consequent contribution amounted to €5.0 million in 2009 (2008: €2.2 million) representing a contribution margin of 24% (2008: 16%).

Operating expenses are largely fixed and consist principally of staff, technology and office costs. Expenses fell to €3.27 million from €3.38 million, giving rise to a divisional clean EBITDA of €1.74 million (2008: loss, €1.23 million), representing an operating margin of 8.4%.

Review of Winzingo

Despite a significant increase in NGR (2009: €1.33 million, 2008: €0.25 million), this business has struggled to break even. It generated a contribution margin of €507k but incurred €729k of costs, resulting in a loss of €222k (2008: €61K).

Review of Betboo

Betboo generated NGR of €2.2 million in the six months since acquisition; €2 million from gaming (primarily bingo) and €0.2 million from sports from a 6.6% hold. It generated a contribution margin of €1.4 million (63%) and maintained break even. There is greater foreign exchange risk in the Betboo division due to a combination of currency use in Brazilian Real (BRL) and US\$.

Review of Central Costs

€000's	2009	2008	2007	2006
Fort Knox	–	(384)	692	–
Other	2,593	3,400	3,843	4,290
	2,593	3,016	4,535	4,290

Costs have continued to reduce over the last three years, with over €800k of savings being made during 2009. A rise in costs for 2010 is expected, however, due to the strategy to expand the business.

Exceptional Items

On 17 December 2009, the group announced the sale of GVC Corporation S.p.A., the owner of the loss making Betpro brand, for a nominal sum, to its management. The costs of this disposal, together with the write-off of various loans and balances, amounted to €1 million.

Further group restructuring lead to the departure of certain long term contractors resulted in a one-off charge of €283k.

The Group's CasinoClub division operates without a jackpot contribution scheme, taking all jackpot winnings directly to NGR with the exception of large amounts won and withdrawn in cash. During Q4-2009, a single customer withdrew €250k from his account after winning €303k.

Depreciation and Amortisation

Depreciation rose to €0.7 million from €0.4 million due to there being a full year's charge on the assets acquired in 2008 (€1,453k) together with depreciation on the current year's acquisitions (€436k). Of the total amortisation charge of €740k charge in the year, €607k was attributable to the acquisition of intangible assets in Betboo.

Financial Income and Financial Expense

The significant drop in Euro interest rates led to the fall in interest earnings during the year. The discounting of the deferred consideration arising from the acquisition of Betboo has to be unwound from the period of the earn-out to 30 September 2012. The charge arising in the six month period was €467k (2008: €nil).

Taxation

The taxation charge for the year remained static.

Cash Balances

Overall cash balance rose to €19.2 million from €18.8 million, although own funds rose to €17.6 million from €17.5 million. A summary of the cash movements is shown below:

	€000's	€000's
Own funds at 31 December 2008		17,502
Cash generated from trading operations	17,552	
Add: tax recovered	1,652	
Less: corporation tax paid	(2,956)	
Initial consideration and costs for Betboo	(3,140)	
Purchase of tangible assets	(441)	
Purchase of non-Betboo intangible assets	(135)	
Retained before dividend	12,532	
Dividend	(12,454)	
		78
Own funds at 31 December 2009		17,580

Acquisition of Betboo

On 2 July 2009, the Group acquired the trade and assets of Betboo, a leading gaming portal in the fledgling South America market. The group paid an initial consideration of \$4 million (€3 million) and is liable to an earn-out capped at a further \$26 million. The contract amounts are denominated in US dollars.

Pursuant to IFRS3, the group has estimated the total consideration of €12 million of which €9.0 million is payable on 30 September 2012. The Group will need sufficient funds to make this payment at that time. Under IFRS 3, the deferred consideration is discounted to its present value (Gaming VC have used a weighted average cost of capital of 21%) which was €5.4 million at the balance sheet date. The discount is then released to the income statement over the period of the earn out.

The estimated deferred consideration of €9.0 million will be payable on 30 September 2012. The group will need sufficient funds to make this payment at that time and will review its ability to pay dividend in this light.

Reserves

The Company was incorporated in Luxembourg. The ability of the company to pay dividends is determined by the reserves available under Luxembourg GAAP, and not IFRS.

At 31 December 2009, the available reserves were €15.6 million – equivalent to 50.6 Euro cents per share.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF GAMING VC HOLDINGS S.A.

To the Shareholders of Gaming VC Holdings S.A.
13-15, Avenue de la Liberté L-1931 LUXEMBOURG

Report of the Réviseur d'Entreprises

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Gaming VC Holdings S.A. and its subsidiaries (the "Group"), which comprise the consolidated balance sheet as at December 31, 2009 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Board of Directors' responsibility for the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Responsibility of the Réviseur d'Entreprises

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 as adopted by the Institut des Réviseurs d'Entreprises. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 judgement of the Réviseur d'Entreprises, 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 Réviseur d'Entreprises considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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.

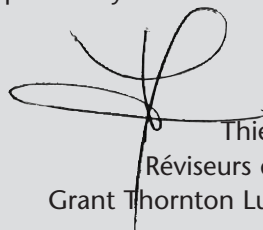
Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as of December 31, 2009, and of its financial performance and its consolidated cash flow for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

The consolidated management report, which is the responsibility of the Board of Directors, is in accordance with the consolidated financial statements.

Luxembourg, April 16, 2010


Thierry Remacle
Réviseurs d'Entreprises
Grant Thornton Lux Audit S.A.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2009

	Notes	Year ended 31 Dec 2009 €000's	Year ended 31 Dec 2008 €000's	Year ended 31 Dec 2007 €000's
Net Gaming Revenue	5	53,958	50,085	42,639
Cost of sales		(9,433)	(9,163)	(9,234)
Gross profits		44,525	40,922	33,405
Marketing and affiliate costs		(16,991)	(12,990)	(6,128)
Contribution	5.4	27,534	27,932	27,277
Operating costs (as below)	6	(13,306)	(11,574)	(11,085)
Other operating costs	6.1	(10,106)	(8,384)	(7,294)
Share option charges	6.1, 20	(213)	(557)	(815)
	6	(10,319)	(8,941)	(8,109)
Exceptional items	6.2	(1,538)	(1,917)	–
Depreciation and amortisation	6, 10, 11	(1,449)	(716)	(2,976)
Operating profit		14,228	16,358	16,192
Financial income	7	64	551	459
Financial expense	7	(472)	(6)	(20)
Profit before tax		13,820	16,903	16,631
Taxation (charge)/income	8	(366)	(360)	11
Profit after taxation		13,454	16,543	16,642
Earnings per share		€	€	€
Basic	9.1	0.432	0.531	0.534
Diluted	9.2	0.424	0.521	0.534

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	Year ended 31 Dec 2009 €000's	Year ended 31 Dec 2008 €000's	Year ended 31 Dec 2007 €000's
Profit and total comprehensive income for the year	13,454	16,543	16,642

The notes on pages 20 to 61 form part of these financial statements

CONSOLIDATED BALANCE SHEET

As at 31 December 2009

	Notes	Year ended 31 Dec 2009 €000's	Year ended 31 Dec 2008 €000's	Year ended 31 Dec 2007 €000's
Assets				
Property, plant and equipment	10.3	1,099	1,538	521
Intangible assets	11.3	63,182	55,879	55,724
Deferred tax asset	8.2	53	11	11
Total non-current assets		64,334	57,428	56,256
Receivables and prepayments	13	5,727	6,367	4,295
Taxation reclaimable	8.2	3,195	2,611	–
Cash and cash equivalents	14	19,195	18,834	15,859
Total current assets		28,117	27,812	20,154
Current Liabilities				
Trade and other payables	15	(6,554)	(5,477)	(4,404)
Income Taxes payable	8.2	(2,670)	(2,982)	(18)
Other taxation liabilities	16	(52)	(173)	(26)
Total current liabilities		(9,276)	(8,632)	(4,448)
Current assets less current liabilities		18,841	19,180	15,706
Long Term Liabilities				
Deferred consideration on Betboo	12.5	(5,354)	–	–
Total net assets	17	77,821	76,608	71,962
As represented by:				
Equity				
Issued share capital	18	38,608	38,608	38,608
Share premium		8,748	13,832	51,977
Retained earnings		30,465	24,168	(18,623)
Total equity attributable to equity holders of the parent		77,821	76,608	71,962

These Financial Statements were approved by the Board on 16 April 2010 and signed on their behalf by:



K.J. Alexander
(Chief Executive Officer)



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

The notes on pages 20 to 61 form part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2009

Attributable to equity holders of the parent company:

	Share Capital €000's	Share Premium €000's	Retained earnings €000's	Total €000's
2007				
Balance at 1 Jan 2007	38,608	57,926	(29,853)	66,681
Share option charges	–	–	815	815
Transfer between reserves	–	–	–	–
Dividend paid	–	(5,949)	(6,227)	(12,176)
Transactions with owners	38,608	51,977	(35,265)	55,320
Profit and total comprehensive income	–	–	16,642	16,642
Balance as at 31 December 2007	38,608	51,977	(18,623)	71,962
2008				
Balance at 1 Jan 2008	38,608	51,977	(18,623)	71,962
Share option charges	–	–	557	557
Transfer between reserves	–	(38,145)	38,145	–
Dividend paid	–	–	(12,454)	(12,454)
Transactions with owners	38,608	13,832	7,625	60,065
Profit and total comprehensive income	–	–	16,543	16,543
Balance as at 31 December 2008	38,608	13,832	24,168	76,608
2009				
Balance at 1 Jan 2009	38,608	13,832	24,168	76,608
Share option charges	–	–	213	213
Dividend paid	–	(5,084)	(7,370)	(12,454)
Transactions with owners	38,608	8,748	17,011	64,367
Profit and total comprehensive income	–	–	13,454	13,454
Balance as at 31 December 2009	38,608	8,748	30,465	77,821

The notes on pages 20 to 61 form part of these financial statements

CONSOLIDATED STATEMENT OF CASHFLOWS

For the year ended 31 December 2009

	Year ended 31 Dec 2009 €000's	Year ended 31 Dec 2008 €000's	Year ended 31 Dec 2007 €000's
Cash flows from operating activities			
Cash receipts from customers	54,963	47,528	41,598
Cash paid to suppliers and employees	(36,730)	(30,703)	(22,545)
Corporate taxes recovered	1,652	–	–
Corporate taxes paid	(2,956)	(8)	–
Net cash from operating activities	<u>16,929</u>	<u>16,817</u>	<u>19,053</u>
Cash flows from investing activities			
Interest received	72	542	459
Acquisition of Business	(3,140)	–	40
Disposal of Business	(295)	–	–
Acquisition of property, plant and equipment	(441)	(1,453)	(562)
Acquisition of intangible assets	(135)	(435)	(95)
Net cash from investing activities	<u>(3,939)</u>	<u>(1,346)</u>	<u>(158)</u>
Cash flows from financing activities			
Interest paid	(5)	(6)	(20)
Dividend paid	(12,454)	(12,454)	(12,176)
Net cash from financing activities	<u>(12,459)</u>	<u>(12,460)</u>	<u>(12,196)</u>
Net increase in cash and cash equivalents	531	3,011	6,699
Cash and cash equivalents at beginning of the year	18,834	15,859	9,407
Effect of exchange rate fluctuations on cash held	(170)	(36)	(247)
Cash and cash equivalents at end of the year	<u>19,195</u>	<u>18,834</u>	<u>15,859</u>

The notes on pages 20 to 61 form part of these financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Significant accounting policies
2. New accounting and reporting standards
3. Operating segments
4. Alternative presentation of consolidated income statement
5. Geographic and Segmental reporting of Net Gaming Revenue, Contribution and clean EBITDA
6. Operating costs
7. Financial income and Financial expenses
8. Taxation
9. Earnings per share
10. Property, plant and equipment
11. Intangible assets
12. Acquisition of Betboo
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16. Other taxation payable
17. Segmental analysis of net assets
18. Share Capital
19. Dividends
20. Share option schemes
21. Financial instruments and risk management
22. Related parties
23. Group entities
24. Contingent liabilities
25. Accounting estimates and judgements
26. Going concern
27. Subsequent events

1. SIGNIFICANT ACCOUNTING POLICIES

Gaming VC Holdings S.A. (the “Company”) is a company registered in Luxembourg and was incorporated on 30 November 2004. The consolidated financial statements of the Company for the year ended 31 December 2009 comprise the Company and its subsidiaries (together referred to as the “Group”). The Group’s principal activities are that of operating online casinos, access to online poker rooms, online bingo, and online sports betting.

The Group’s principal subsidiaries are listed in note 23.

1.1 Statement of compliance

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

1.2 Basis of preparation

The financial statements are presented in the Euro, rounded to the nearest thousand, and are prepared on the historical cost basis. The financial statements are prepared on the going concern basis (see note 26).

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Significant accounting estimates and judgements are discussed in further detail in note 25.

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

The accounting policies have been applied consistently by Group entities.

1.3 Basis of consolidation

1.3.1 Subsidiaries

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

1.3.2 Transactions eliminated on consolidation

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

1.3.3 Business combinations

All business combinations are accounted for by applying the purchase method. The cost of a business combination is measured as the aggregate of the fair values, at the acquisition date, of the assets given, liabilities incurred or assumed, and equity instruments issued by the Group, 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.

1.4 **Foreign currency**

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

1.4.1 Foreign currency transactions

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

1.5 **Property, plant and equipment**

1.5.1 Owned assets

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

1.5.2 Depreciation

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

Fixtures and fittings:– 3 years

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

1.6 **Intangible assets**

1.6.1 Goodwill

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

1.6.2 Other intangible assets

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

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

<u>Asset category</u>	<u>Valuation methodology</u>
Magazine-related	Cost
Consulting	Income (cost saving)
Software licence	Income (incremental value plus loss of profits)
Trademarks	Relief from royalty
Trade name	Relief from royalty
Non Contractual customer relationships	Excess earnings
Goodwill	Residual balance

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

1.6.3 Subsequent expenditure

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

1.6.4 Amortisation

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

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

1.7 Impairment

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

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

1.8 Dividends paid to holders of share capital

Dividend distributions payable to equity shareholders are included in "other short term financial liabilities" when the dividends are approved in general meeting prior to the balance sheet date.

1.9 Employee benefits

1.9.1 Pension arrangements

The Group does not operate any pension schemes. The Group, as part of general remuneration arrangements, makes payments directly to employees as a pension contribution allowance.

1.9.2 Share options

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

The fair value of the options granted is measured using a binomial valuation model (for options granted after 1 January 2007) and the Black-Scholes valuation model for options granted before 1 January 2007). These valuation methods take into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest.

1.10 Provisions

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

1.11 Net Gaming Revenue

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

Casino:	net win in respect of bets placed on casino games that have concluded in the year, stated net of certain promotional bonuses
Sportsbook:	gains and losses in respect of bets placed on sporting events in the year, stated after certain promotional bonuses. Open position are carried at fair market value and gains and losses arising on this valuation are recognised in revenue, as well as gains and losses realised on position that have closed
Poker:	net win in respect of rake for poker games that have concluded in the year, stated net of certain promotional bonuses
Bingo:	net win in respect of bets placed on bingo games that have concluded in the year, stated net of certain promotional bonuses

1.12 Expenses

1.12.1 Financial expenses

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

1.13 Exceptional items

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

1.14 Financial Income

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

1.15 Tax

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

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

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

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

1.16 Segment reporting

In identifying its operating segments, management generally follows the Group's key brands. The Group has identified the following reportable operating segments:

CasinoClub	German online casino operator;
Betaland	Italian online sports-book and gaming operator;
Winzingo	Spanish online bingo operator;
Betboo	South American internet gaming operator, offering bingo, casino, poker and sports betting

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

The measurement policies the Group uses for segment reporting under IFRS 8 are the same as those used in its financial statements, except that segmental results are only reported to clean EBITDA level (earnings before interest, tax, depreciation and amortisation, and before exceptional items and share option costs).

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

1.17 Financial instruments

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

1.17.1 Non-derivative financial instruments

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

1.17.2 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Accounting for financial income and financial expense is discussed in notes 1.14 and 1.12.1 respectively.

1.18 Equity

Equity comprises the following:

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

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

"Retained earnings" represents retained profits.

2. NEW ACCOUNTING AND REPORTING STANDARDS

Adoption of IAS 1 "Presentation of Financial Statements" (Revised 2007)

The Group has adopted IAS 1 "Presentation of Financial Statements" (Revised 2007) in its consolidated financial statements. This standard has been applied retrospectively. The adoption of the standard does not affect the financial position or profits of the Group, but gives rise to additional disclosures. The measurement and recognition of the Group's assets, liabilities, income and expenses is unchanged.

The standard affects the presentation of owner changes in equity and introduces a "Consolidated Statement of Comprehensive Income" as a primary statement. The "Consolidated Statement of Recognised Income and Expenses" as was presented in the 2008 consolidated financial statements is no longer required. Further, a "Statement of Changes in Equity" is presented as a primary statement.

The standard requires presentations of a comparative balance sheet as at the beginning of the first comparative period, in some circumstances. Management are required to present a comparative balance sheet and have chosen to present comparatives for all other primary financial statements as at 31 December 2007, together with related notes, in the consolidated financial statements.

Adoption of IFRS 8 "Operating Segments"

This standard has been applied retrospectively. The accounting policy for identifying segments is now based on internal management reporting information that is regularly reviewed by the chief operating decision maker. The primary reporting format of management information is by brand, and therefore segmental information is presented by brand in the notes to the consolidated financial statements.

In contrast, IAS 14 required the Group to identify two sets of segments (business and geographical) based on risks and rewards of the operating segments. In the 2008 consolidated financial statements, segmental information was primarily split by business.

The Group has identified the following reportable operating segments for this year's consolidated financial statements: CasinoClub; Betaland; Winzingo; Betboo. Each of these operating segments generates independent revenues and the risks and rewards associated with generating these revenues are considered to be different to those of the other products offered by the Group.

Costs of share option schemes and taxation is not allocated to individual operating segments.

There have been no changes from prior periods in the measurement methods used to determine reported segment results. The new format of presenting segmental information can be found in note 5.

Adoption of amendments to IFRS 7 "Financial Instruments: Disclosures" – improving disclosures about financial instruments

The amendments require additional disclosures for financial instruments that are measured at fair value in the consolidated balance sheet. The Group's balance sheet includes no financial instruments measured at fair value through profit or loss, and therefore management have not amended the format of the financial instruments disclosures from prior years.

Adoption of IFRIC Interpretation 13 "Customer Loyalty Programmes"

IFRIC 13 Customer Loyalty Programmes clarifies that when goods or services are sold together with a customer loyalty incentive (for example, loyalty points or the right to free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values.

The Group's accounting policy in respect of promotional bonuses (which include loyalty bonuses) is stated in note 1.11. The Group has considered the implications of the interpretation stated in IFRIC 13, and do not believe that the adoption of IFRIC 13 would have a significant impact on the reported results for the current and prior reporting periods. Therefore, no retrospective adjustment to the financial statements is required in respect of the adoption of IFRIC 13.

New standards not yet effective

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2009 and have not been applied in preparing these consolidated financial statements. Those which may have a significant effect on the financial statements are:

Revised IFRS 3 – Business Combinations (effective from 1 July 2009)

The standard is applicable for business combinations occurring in reporting periods beginning on or after 1 July 2009 and will be applied prospectively. The new standard introduces changes to the accounting requirements for business combinations, but still requires use of the purchase method, and will have a significant effect on business combinations occurring in future reporting periods.

Revised IAS 27 – Consolidated and Separate Financial Statements (effective from 1 July 2009)

The revised standard introduces changes to the accounting requirements for the loss of control of a subsidiary and for changes in the Group's interest in subsidiaries. These changes will be applied prospectively in accordance with the transitional provisions and so do not have an immediate effect on the Group's financial statements.

Annual Improvements 2009 (effective from 1 July 2009 and later).

The IASB has issued Improvements for International Financial Reporting Standards 2009. Most of these amendments become effective in annual periods beginning on or after 1 July 2009 or 1 January 2010. Preliminary assessments indicate that the effect on the Group's financial statements will not be significant.

Revised IAS 24 Related Party Transactions (effective from 1 January 2011)

The revised standard introduces exemptions from IAS 24's disclosure requirements for transactions with a government that has control, joint control or significant influence over the reporting entity and government-related entities. The revised standard also broadens the definition of related parties. Based on transactions currently undertaken by the Group, the revised standard is not expected to have a significant effect on the consolidated financial statements.

IFRS 9 Financial Instruments (effective from 1 January 2013)

The IASB aims to replace IAS 39 Financial Instruments: Recognition and Measurement in its entirety by the end of 2010, with the replacement standard to be effective for annual periods beginning 1 January 2013. IFRS 9 is the first part of Phase 1 of this project. The main phases are:

Phase 1: Classification and Measurement

Phase 2: Impairment methodology

Phase 3: Hedge accounting

In addition, a separate project is dealing with derecognition.

Management have yet to assess the impact that this new standard is likely to have on the financial statements of the Group. However, they do not expect to implement the standard until all chapters of the IAS 39 replacement have been published and they can comprehensively assess the impact of all changes.

The Group has not yet determined all the potential effect of the new standards and interpretations not yet effective.

3. OPERATING SEGMENTS

Management currently identifies the Group's key brands as operating segments. These operating segments are monitored and strategic decisions are made on the basis of adjusted segments operating results.

Segment capital expenditure is the total costs incurred during the year to acquire segment assets that are expected to be used for more than one year. Segmental assets and liabilities are presented in note 17.

4. ALTERNATIVE PRESENTATION OF CONSOLIDATED INCOME STATEMENT

To better aid shareholders and other interested parties, the Directors have prepared an alternative presentation of the Consolidated Income Statement. This is included below:

		Year ended 31 Dec 2009 €000's	Year ended 31 Dec 2008 €000's	Year ended 31 Dec 2007 €000's
Net Gaming Revenue	Notes 5	53,958	50,085	42,639
Cost of sales		<u>(9,433)</u>	<u>(9,163)</u>	<u>(9,234)</u>
Gross profit		44,525	40,922	33,405
<i>Gross profit ratio</i>		83%	82%	78%
Marketing and affiliate costs		<u>(16,991)</u>	<u>(12,990)</u>	<u>(6,128)</u>
Contribution	5.4	27,534	27,932	27,277
Other operating costs	6.1	<u>(10,106)</u>	<u>(8,384)</u>	<u>(7,294)</u>
Clean EBITDA	5.5	17,428	19,548	19,983
Exceptional items	6.2	<u>(1,538)</u>	<u>(1,917)</u>	–
Share Option Charges	6.1	<u>(213)</u>	<u>(557)</u>	<u>(815)</u>
EBITDA		15,677	17,074	19,168
Depreciation	10	<u>(709)</u>	<u>(436)</u>	<u>(57)</u>
Amortisation	11	<u>(740)</u>	<u>(280)</u>	<u>(2,919)</u>
Operating Profit		14,228	16,358	16,192
Financial income	7	64	551	459
Unwinding of discount on deferred consideration	12.5	<u>(467)</u>	–	–
Other Financial expense	7	<u>(5)</u>	<u>(6)</u>	<u>(20)</u>
Profit before tax		13,820	16,903	16,631
Taxation (charge) / income	8	<u>(366)</u>	<u>(360)</u>	<u>11</u>
Profit after tax		13,454	16,543	16,642

5. GEOGRAPHIC AND SEGMENTAL REPORTING

5.1 NGR by geographic location of customers

	Year ended 31 Dec 2009 €000's	Year ended 31 Dec 2008 €000's	Year ended 31 Dec 2007 €000's
Germany	23,052	27,155	32,084
Austria	3,566	4,198	6,275
Italy	21,018	13,502	2,271
Spain	1,549	678	484
Latin America	2,180	–	–
Other	2,593	4,552	1,525
	<u>53,958</u>	<u>50,085</u>	<u>42,639</u>

5.2 NGR by quarter

	Q1	Q2	Q3	Q4	Total
	€000s	€000s	€000s	€000s	€000s
2009	14,876	11,633	12,262	15,187	53,958
2008	13,278	12,848	12,195	11,764	50,085
2007	11,276	10,725	10,000	10,638	42,639

5.3 NGR by brand

		Year ended 31 Dec 2009 d000's	Year ended 31 Dec 2008 €000's	Year ended 31 Dec 2007 €000's
CasinoClub	H1	15,059	19,710	22,001
	H2	14,567	16,765	18,638
	FY	29,626	36,475	40,639
Betaland	H1	10,894	6,374	–
	H2	9,932	6,982	2,000
	FY	20,826	13,356	2,000
Winzingo	H1	556	42	–
	H2	770	212	–
	FY	1,326	254	–
Betboo	H1	–	–	–
	H2	2,180	–	–
	FY	2,180	–	–
TOTALS	H1	26,509	26,126	22,001
	H2	27,449	23,959	20,638
	FY	53,958	50,085	42,639

5.4 Contribution by brand

		Year ended 31 Dec 2009 €000's	Year ended 31 Dec 2008 €000's	Year ended 31 Dec 2007 €000's
CasinoClub	H1	10,574	13,979	13,432
	H2	10,066	11,862	13,510
	FY	20,640	25,841	26,942
	Contribution margin	70%	71%	66%
Betaland	H1	2,729	1,489	–
	H2	2,283	663	335
	FY	5,012	2,152	335
	Contribution margin	24%	16%	17%
Winzingo	H1	234	(33)	–
	H2	273	(28)	–
	FY	507	(61)	–
	Contribution margin	38%	(24%)	66%
Betboo	H1	–	–	–
	H2	1,373	–	–
	FY	1,373	–	–
	Contribution margin	63%	–	–
TOTALS	H1	13,519	15,435	13,432
	H2	14,015	12,497	13,845
	FY	27,534	27,932	27,277
	Contribution margin	51%	56%	64%

5.5 Clean EBITDA by brand

		Year ended 31 Dec 2009 €000's	Year ended 31 Dec 2008 €000's	Year ended 31 Dec 2007 €000's
CasinoClub	H1	9,507	13,051	12,351
	H2	8,892	10,805	12,494
	FY	18,399	23,856	24,845
	Ebitda margin	62%	65%	61%
Betaland	H1	1,059	(134)	–
	H2	682	(1,097)	(327)
	FY	1,741	(1,231)	(327)
	Ebitda margin	8.4%	(9%)	(16%)
Winzingo	H1	(120)	(33)	–
	H2	(102)	(28)	–
	FY	(222)	(61)	–
	Ebitda margin	(17%)	(24%)	–
Betboo	H1	–	–	–
	H2	103	–	–
	FY	103	–	–
	Ebitda margin	5%	–	–
Total from Operating Divisions	H1	10,446	12,884	12,351
	H2	9,575	9,680	12,167
	FY	20,021	22,564	24,518
	Ebitda margin	37%	45%	57%
Unallocated central Costs	H1	(1,566)	(2,024)	(2,073)
	H2	(1,027)	(992)	(2,462)
	FY	(2,593)	(3,016)	(4,535)
Group total	H1	8,880	10,860	10,278
	H2	8,548	8,688	9,705
	FY	17,428	19,548	19,983
	Ebitda margin	32%	39%	47%

5.6 Reconciliation of Clean Ebitda to Profit after taxation

	Casino Club €000s	Betaland €000s	Winzingo €000s	Betboo €000s	Central costs €000s	Total €000s
Year ended 31 December 2009						
Clean EBITDA	18,399	1,741	(222)	103	(2,593)	17,428
Exceptional items	(420)	(235)	–	–	(883)	(1,538)
Share option charges	–	–	–	–	(213)	(213)
Depreciation & amortisation	(367)	(475)	–	(607)	–	(1,449)
Financial income and financial expense*	–	–	–	(472)	64	(408)
Taxation	–	–	–	–	(366)	(366)
Profit after tax	17,612	1,031	(222)	(976)	(3,991)	13,454

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

	Casino Club €000s	Betaland €000s	Winzingo €000s	Betboo €000s	Central costs €000s	Total €000s
Year ended 31 December 2008						
Clean EBITDA	23,856	(1,231)	(61)	–	(3,016)	19,548
Exceptional items	–	–	(1,075)	–	(842)	(1,917)
Share option charges	–	–	–	–	(557)	(557)
Depreciation & amortisation	(366)	(350)	–	–	–	(716)
Financial income and financial expense	–	–	–	–	545	545
Taxation	–	–	–	–	(360)	(360)
Profit after tax	23,490	(1,581)	(1,136)	–	(4,230)	16,543

	Casino Club €000s	Betaland €000s	Winzingo €000s	Betboo €000s	Central costs €000s	Total €000s
Year ended 31 December 2007						
Clean EBITDA	24,845	(327)	–	–	(4,535)	19,983
Exceptional items	–	–	–	–	–	–
Share option charges	–	–	–	–	(815)	(815)
Depreciation & amortisation	(2,935)	(41)	–	–	–	(2,976)
Financial income and financial expense	–	–	–	–	439	439
Taxation	–	–	–	–	11	11
Profit after tax	21,910	(368)	–	–	(4,900)	16,642

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

6. OPERATING COSTS

		Year ended 31 Dec 2009 €000's	Year ended 31 Dec 2008 €000's	Year ended 31 Dec 2007 €000's
Other operating costs	Notes 6.1	10,319	8,941	8,109
Exceptional items	6.2	1,538	1,917	–
Depreciation		709	436	57
Amortisation		740	280	2,919
		<u>13,306</u>	<u>11,574</u>	<u>11,085</u>

6.1 Other operating costs

		Year ended 31 Dec 2009 €000's	Year ended 31 Dec 2008 €000's	Year ended 31 Dec 2007 €000's
Other Personnel expenditure	Notes 6.1.1	4,255	4,817	3,449
Share option charges		213	557	815
Total Personnel expenditure		<u>4,468</u>	<u>5,374</u>	<u>4,264</u>
Professional fees	6.1.3	920	1,102	2,161
Technology costs		1,457	987	166
Office, travel and other costs	6.1.4	1,457	1,442	1,271
Third party service costs*		1,847	–	–
Foreign exchange differences		170	36	247
		<u>10,319</u>	<u>8,941</u>	<u>8,109</u>

* provided to Winzingo & Betboo

Total by brand

CasinoClub		2,242	1,985	2,097
Betaland		3,271	3,383	662
Winzingo		730	–	–
Betboo		1,270	–	–
Unallocated central costs		2,593	3,016	4,535
		<u>10,106</u>	<u>8,384</u>	<u>7,294</u>
Share option charges		213	557	815
		<u>10,319</u>	<u>8,941</u>	<u>8,109</u>

6.1.1 Personnel expenditure

		Year ended 31 Dec 2009 €000's	Year ended 31 Dec 2008 €000's	Year ended 31 Dec 2007 €000's
Wages and salaries, including directors' remuneration	Notes 6.1.2	3,590	3,031	1,957
Amounts paid to long term contractors		452	1,594	1,378
Compulsory social security contributions		169	123	65
Pension allowances	6.1.2	44	69	49
		<u>4,255</u>	<u>4,817</u>	<u>3,449</u>

	At 31 Dec 2009	At 31 Dec 2008	At 31 Dec 2007
Number of personnel	Number	Number	Number
With employment contracts or service contracts	60	59	15
Contractors	7	11	23
	<u>67</u>	<u>70</u>	<u>38</u>

6.1.2 Directors' remuneration

Included in wages and salaries are amounts paid to the directors for services during the year:

	Year ended 31 Dec 2009	Year ended 31 Dec 2008	Year ended 31 Dec 2007
	€000's	€000's	€000's
Directors' remuneration (included with wages and salaries)	1,519	1,209	1,236
Pension allowances (included within pension allowances)	–	46	45
Total remuneration included within Personnel Expenditure	<u>1,519</u>	<u>1,255</u>	<u>1,281</u>
Termination payments included in exceptional items (note 6.2)	–	449	–

The directors who served throughout the year were: Lee Feldman, Kenny Alexander, Nigel Blythe-Tinker, Richard Cooper, Karl Diacono.

6.1.3 Professional fees

At 31 December 2009, the group has legal entities in Luxembourg, Cyprus, Malta, Italy, Netherlands Antilles, Jersey and Israel. Accordingly, the group seeks professional advice in these and other jurisdictions, including the UK where its shares are traded on the Alternative Investment Market ("AIM") of the London Stock Exchange, Spain, where the Winzingo product is marketed, and Brazil, where the Betboo product is marketed.

During 2008, the Group settled legal claims with Fort Knox Consulting LLC which were provided for in 2007.

	Year ended 31 Dec 2009	Year ended 31 Dec 2008	Year ended 31 Dec 2007
	€000's	€000's	€000's
(Credit) / Costs incurred in the settlement of fees with Fort Knox Consulting LLC	–	(384)	692
Other professional fees	920	1,486	1,469
	<u>920</u>	<u>1,102</u>	<u>2,161</u>

6.1.4 Office, travel and other expenditure, by brand

	Year ended 31 Dec 2009 €000's	Year ended 31 Dec 2008 €000's	Year ended 31 Dec 2007 €000's
CasinoClub	507	458	441
Betaland	449	486	159
Winzingo	–	–	–
Betboo	83	–	–
Sub-total	<u>1,039</u>	<u>944</u>	<u>600</u>
Unallocated central costs	418	498	671
	<u>1,457</u>	<u>1,442</u>	<u>1,271</u>

6.2 **Exceptional items**

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

		Year ended 31 Dec 2009 €000's	Year ended 31 Dec 2008 €000's	Year ended 31 Dec 2007 €000's
	Notes			
Disposal of GVC Corporation SpA	6.2.1	1,005	–	–
Termination costs related to consultants	6.2.2	283	–	–
Abnormal individual jackpot win	6.2.3	250	–	–
Write-off of working capital loan to New Town Capital Limited (trading as Winzingo)		–	1,075	–
Termination and other costs associated with Board changes		–	526	–
Professional fees associated with abortive take-over during the year		–	316	–
		<u>1,538</u>	<u>1,917</u>	<u>–</u>

6.2.1 Disposal of GVC Corporation S.p.A

As announced on 17 December 2009, the group entered into an agreement to dispose of GVC Corporation S.p.A., its licensed Italian subsidiary, to local management for a nominal sum.

The exceptional item recognises the legal costs incurred in this process together with the write-off of the investment held and the net assets parted with at the time of the sale, being 31 August 2009.

During the eight month period to 31 August 2009, the company generated NGR of €553k and made a loss (before and after) taxation of €731k.

The balance sheet at the date of disposal had the following assets and liabilities:

	€000's
Assets	396
Cash & cash equivalents	295
Trade debtors	182
Trade creditors	(744)
	<u>129</u>

The loss on disposal was calculated as follows:

	€000's
Write-off of assets	129
Write-off of licences	360
Payment of debt to technology provider	360
Staff terminations	156
	<u>1,005</u>

6.2.2 Termination costs related to consultants

The group terminated the contracts with certain long-term senior contractors during the period and has recognised the settlements as exceptional items, being the extension of the restructuring work the group has undertaken.

6.2.3 Unusual jackpot win

There was a significant winner of a jackpot during the year ended 31 December 2009. A single player won €309k on a game known as "Roman Empire." In accordance with the group's policy, the amount withdrawn by the customer (in this case €250k) has been treated as an exceptional item.

7. FINANCIAL INCOME AND FINANCIAL EXPENSES

	Year ended 31 Dec 2009 €000's	Year ended 31 Dec 2008 €000's	Year ended 31 Dec 2007 €000's
Financial income – interest income	<u>64</u>	<u>551</u>	<u>459</u>
Financial expense – interest payable			
– Interest payable	(5)	(6)	(20)
– Unwinding of discount on deferred consideration	(467)	–	–
	<u>(472)</u>	<u>(6)</u>	<u>(20)</u>

8. TAXATION

Current tax for the current and prior periods is classified as a current liability to the extent that it is unpaid. Amounts paid in excess of amounts owed are classified as a current asset. There is a current tax asset of €525k (net of tax payable amounts) at 31 December 2009 (2008: Current tax liability of €371k (net of tax receivable amounts)).

8.1 Taxation amounts recognised in the Income Statement

	Year ended 31 Dec 2009 €000's	Year ended 31 Dec 2008 €000's	Year ended 31 Dec 2007 €000's
Current tax expense			
Current year	408	360	–
Adjustments for prior period	–	–	–
	<u>408</u>	<u>360</u>	<u>–</u>
Deferred tax income			
Origination and reversal of temporary differences	(42)	–	(11)
Reduction in tax rate	–	–	–
Benefits of tax losses recognises	–	–	–
	<u>–</u>	<u>–</u>	<u>–</u>
Total income tax expense/(income) in income statement	<u>366</u>	<u>360</u>	<u>(11)</u>
Reconciliation of effective tax rate			
	Year ended 31 Dec 2009 €000's	Year ended 31 Dec 2008 €000's	Year ended 31 Dec 2007 €000's
Profit before tax	13,820	16,903	16,631
Income tax using the domestic corporation tax rate	3,870	4,817	4,936
Effect of tax rates in foreign jurisdictions (Rates decreased)	(3,462)	(4,457)	(4,936)
Capital allowances for period in access of depreciation	(42)	–	(11)
	<u>366</u>	<u>360</u>	<u>(11)</u>

A deferred tax asset was recognised as the Group considers that it more probable than not that future taxable profits will be available against which the asset could be utilised.

8.2 Taxation amounts recognised in the Balance Sheet

	Current Tax		Deferred Tax		Total €000
	€000's Payable	€000's Receivable	€000's Asset	€000's Liability	
At 1 January 2007	(18)	–	–	–	(18)
Paid/(received) during the year ended 31 December 2007	–	–	–	–	–
(Charge)/credit in income statement for the year ended 31 December 2007	–	–	11	–	11
Balances at 31 December 2007	(18)	–	11	–	(7)
Balances at 1 January 2008	(18)	–	11	–	(7)
Paid/(received) during the year ended 31 December 2008	7	–	–	–	7
(Charge)/credit in income statement for the year ended 31 December 2008	(2,971)	2,611	–	–	(360)
Balances at 31 December 2008	(2,982)	2,611	11	–	(360)
Balances at 1 January 2009	(2,982)	2,611	11	–	(360)
Paid/(received) during the year ended 31 December 2009	2,956	(1,652)	–	–	1,304
(Charge)/credit in income statement for the year ended 31 December 2009	(2,644)	2,236	42	–	(366)
Balances at 31 December 2009	(2,670)	3,195	53	–	578

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

9. EARNINGS PER SHARE

9.1 Basic earnings per share and Basic earnings per share before exceptional items

	Year ended 31 Dec 2009 €	Year ended 31 Dec 2008 €	Year ended 31 Dec 2007 €
Basic earnings per share	0.432	0.531	0.534
Basic earnings per share before exceptional items	0.482	0.593	0.534

Basic earnings per share has been calculated by taking the profit attributable to ordinary shareholders of €13,454k (2008: €16,543k) and dividing by the weighted average number of shares in issue, being 31,135,762 (2008: 31,135,762).

Basic earnings per share before exceptional items has been calculated by taking the profit attributable to ordinary shareholders of €13,454k (2008: €16,543k), adding back the cost of exceptional items of €1,538k (2008: €1,917k) and dividing by the weighted average number of shares in issue, being 31,135,762 (2008: 31,135,762).

9.2 Diluted earnings per share and Diluted earnings per share before exceptional items

	Year ended 31 Dec 2009 €	Year ended 31 Dec 2008 €	Year ended 31 Dec 2007 €
Diluted earnings per share	<u>0.424</u>	<u>0.521</u>	<u>0.534</u>
Diluted earnings per share before exceptional items	<u>0.473</u>	<u>0.582</u>	<u>0.534</u>

Diluted earnings per share has been calculated by taking the profit attributable to ordinary shareholders of €13,454k (2008: €16,543k) and dividing by the weighted average number of shares in issue as diluted by share options, being 31,707,094 (2008: 31,726,146).

Diluted earnings per share before exceptional items has been calculated by taking the profit attributable to ordinary shareholders of €13,454 (2008: €16,543k), adding back the cost of exceptional items of €1,538k (2008: €1,917k) and dividing by the weighted average number of shares in issue, as diluted by share options, being 31,707,094 (2008: 31,726,146).

Diluted number of shares

	Year ended 31 Dec 2009	Year ended 31 Dec 2008	Year ended 31 Dec 2007
Weighted average number of ordinary shares at end of the year	<u>31,135,762</u>	<u>31,135,762</u>	<u>31,135,762</u>
Effect of share options in issue	<u>571,332</u>	<u>590,384</u>	<u>–</u>
Weighted average number of ordinary shares (diluted) at end of year	<u>31,707,094</u>	<u>31,726,146</u>	<u>31,135,762</u>

10. PROPERTY, PLANT AND EQUIPMENT

10.1 Cost

	Fixtures and Fittings €000's	Total Property Plant and Equipment €000's	Allocated by brand		
			Casino Club €000's	Betaland €000's	Central €000's
Balance at 1 Jan 2007	112	112	112	–	–
Disposals	(112)	(112)	(112)	–	–
Additions	562	562	–	562	–
Balance at 31 Dec 2007	<u>562</u>	<u>562</u>	<u>–</u>	<u>562</u>	<u>–</u>
Balance at 1 Jan 2008	562	562	–	562	–
Additions	1,453	1,453	825	628	–
Balance at 31 Dec 2008	<u>2,015</u>	<u>2,015</u>	<u>825</u>	<u>1,190</u>	<u>–</u>
Balance at 1 Jan 2009	2,015	2,015	825	1,190	–
Disposals	(320)	(320)	–	(320)	–
Additions	441	441	96	345	–
Balance at 31 Dec 2009	<u>2,136</u>	<u>2,136</u>	<u>921</u>	<u>1,215</u>	<u>–</u>

10.2 Depreciation and impairment losses

	Fixtures and Fittings €000's	Total Property Plant and Equipment €000's	Allocated by brand		
			Casino Club €000's	Betaland €000's	Central €000's
Balance at 1 Jan 2007	56	56	56	–	–
Disposal	(72)	(72)	(72)	–	–
Depreciation charge for the year	57	57	16	41	–
Balance at 31 Dec 2007	41	41	–	41	–
Balance at 1 Jan 2008	41	41	–	41	–
Depreciation charge for the year	436	436	153	283	–
Balance at 31 Dec 2008	477	477	153	324	–
Balance at 1 Jan 2009	477	477	153	324	–
Disposal	(149)	(149)	–	(149)	–
Depreciation charge for the year	709	709	295	414	–
Balance at 31 Dec 2009	1,037	1,037	448	589	–

10.3 Carrying amounts

	Fixtures and Fittings €000's	Total Property Plant and Equipment €000's	Allocated by brand		
			Casino Club €000's	Betaland €000's	Central €000's
At 31 December 2007	521	521	–	521	–
At 31 December 2008	1,538	1,538	672	866	–
At 31 December 2009	1,099	1,099	473	626	–

11. INTANGIBLE ASSETS

11.1 Cost

	Goodwill	Trade- marks & Trade name	Software Licence	Consulting & Magazine	Non- contractual customer relationships	Total
	€000's	€000's	€000's	€000's	€000's	€000's
Balance at 1 Jan 2007	73,613	15,144	12,146	4,919	–	105,822
Additions	–	–	95	–	–	95
Balance at 31 Dec 2007	73,613	15,144	12,241	4,919	–	105,917
Balance at 1 Jan 2008	73,613	15,144	12,241	4,919	–	105,917
Additions	–	–	435	–	–	435
At 31 Dec 2008	73,613	15,144	12,676	4,919	–	106,352
Balance at 1 Jan 2009	73,613	15,144	12,676	4,919	–	106,352
Disposals	–	–	(313)	–	–	(313)
Additions	3,278	696	2,590	–	1,704	8,268
At 31 Dec 2009	76,891	15,840	14,953	4,919	1,704	114,307
By brand at 31 Dec 2009						
Betboo	3,278	696	2,455	–	1,704	8,133
Casino Club	73,613	15,144	12,398	4,919	–	106,074
Betaland	–	–	100	–	–	100
	76,891	15,840	14,953	4,919	1,704	114,307
By brand at 31 Dec 2008						
Betboo	–	–	–	–	–	–
Casino Club	73,613	15,144	12,262	4,919	–	105,938
Betaland	–	–	414	–	–	414
	73,613	15,144	12,676	4,919	–	106,352
By brand at 31 Dec 2007						
Betboo	–	–	–	–	–	–
Casino Club	73,613	15,144	12,236	4,919	–	105,912
Betaland	–	–	5	–	–	5
	73,613	15,144	12,241	4,919	–	105,917

11.2 Amortisation and Impairment losses

	Goodwill	Trade- marks & Trade name	Software Licence	Consulting & Magazine	Non- contractual customer relationships	Total
	€000's	€000's	€000's	€000's	€000's	€000's
Balance at 1 Jan 2007	33,274	–	10,769	3,231	–	47,274
Amortisation for the year	–	–	1,335	1,584	–	2,919
Balance at 31 Dec 2007	33,274	–	12,104	4,815	–	50,193
Balance at 1 Jan 2008	33,274	–	12,104	4,815	–	50,193
Amortisation for the year	–	–	176	104	–	280
At 31 Dec 2008	33,274	–	12,280	4,919	–	50,473
Balance at 1 Jan 2009	33,274	–	12,280	4,919	–	50,473
Amortisation for the year	–	87	440	–	213	740
Disposals	–	–	(88)	–	–	(88)
At 31 Dec 2009	33,274	87	12,632	4,919	213	51,125
By brand, at 31 Dec 2009						
Betboo	–	87	307	–	213	607
Casino Club	33,274	–	12,285	4,919	–	50,478
Betaland	–	–	40	–	–	40
	33,274	87	12,632	4,919	213	51,125
By brand, at 31 Dec 2008						
Casino Club	33,274	–	12,213	4,919	–	50,406
Betaland	–	–	67	–	–	67
	33,274	–	12,280	4,919	–	50,473
By brand, at 31 Dec 2007						
Casino Club	33,274	–	12,103	4,815	–	50,192
Betaland	–	–	1	–	–	1
	33,274	–	12,104	4,815	–	50,193

11.3 Carrying amounts

	Goodwill	Trade- marks & Trade name	Software Licence	Consulting & Magazine	Non- contractual customer relationships	Total
	€000's	€000's	€000's	€000's	€000's	€000's
At 31 Dec 2007	40,339	15,144	137	104	–	55,724
At 31 Dec 2008	40,339	15,144	396	–	–	55,879
At 31 Dec 2009	43,617	15,753	2,321	–	1,491	63,182
At 31 December 2009						
Betboo	3,278	609	2,148	–	1,491	7,526
Casino Club	40,339	15,144	113	–	–	55,596
Betaland	–	–	60	–	–	60
	43,617	15,753	2,321	–	1,491	63,182
At 31 December 2008						
Betboo	–	–	–	–	–	–
Casino Club	40,339	15,144	49	–	–	55,532
Betaland	–	–	347	–	–	347
	40,339	15,144	396	–	–	55,879
At 31 December 2007						
Betboo	–	–	–	–	–	–
Casino Club	40,339	15,144	133	104	–	55,720
Betaland	–	–	4	–	–	4
	40,339	15,144	137	104	–	55,724

11.4 Amortisation and impairment charge

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

	Year ended 31 Dec 2009 €000's	Year ended 31 Dec 2008 €000's	Year ended 31 Dec 2007 €000's
Net operating expenses	740	280	2,919

11.5 Impairment tests for cash-generating units containing goodwill and trademarks

An Impairment Review of the Group's goodwill and trademarks was carried out for the year ended 31 December 2009. The carrying values of the assets were compared with the recoverable amounts, which were determined with the assistance of independent valuers. The recoverable amount was estimated based upon a value in use calculation, based upon management forecasts for the years ending 31 December 2010 and 31 December 2011.

A long-term growth rate of 2.5% was used, to reflect the risk of adverse changes in legislation in the future on potential market growth. A discount rate of 18% was used, based on company specific post-tax weighted average cost of capital. Having performed appropriate sensitivity analysis on the key assumptions (including reducing the growth rate to nil and increasing the discount rate to 20%), it was concluded that the carrying value of the goodwill and trademarks was not impaired.

The following units have significant carrying amounts of goodwill:

	31 Dec 2009 €000's	31 Dec 2008 €000's	31 Dec 2007 €000's
Betboo	3,278	–	–
Casino Club	40,339	40,339	40,339
	43,617	40,339	40,339

12. ACQUISITION OF BETBOO

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

The terms of the acquisition were an upfront payment of US\$4 million (€3,040k) with the sellers able to earn up to a further US\$26 million depending on performance, being the sum of: one times the post tax profits for the year ended 30 June 2010; plus one times the post tax profits for the year ended 30 June 2011; and five times the post tax profits for the year ended 30 June 2012, subject to a maximum total consideration, including the initial consideration, of US\$30 million.

IFRS3, Business Combinations, requires management to value the asset acquired, and, as there is an element of deferred consideration, to discount this consideration to its present value at the date of acquisition. Over the period of the earn-out, this discount is unwound, resulting in a charge to the Income Statement. The group instructed an independent firm of Chartered Accountants to conduct a valuation of the intangible assets acquired, and a valuation of the purchase price in accordance with IFRS 3.

Management have estimated the deferred consideration payable to be €8,963k, and the discount to be €4,076k, resulting in the discounted value being €4,887k.

The Group acquired the asset through the acquisition of a shell company, Intera NV, (incorporated in the Netherlands Antilles) and its subsidiary, Intertronic Ltd (incorporated in Malta).

12.1 Cost of acquisition

The fair value of the cost of acquisition was €8,027k and includes the components stated below:

		Value €000's
Initial consideration paid		3,040
Acquisition costs		100
Fair value of consideration on acquisition	8,963	
Discount back to date of acquisition	(4,076)	
	<u> </u>	4,887
		<u>8,027</u>
Non-discounted value of business acquired		<u>12,103</u>

The fair value of the cost of acquisition has been estimated using cash flow projections for the 3 years to 2012, and discounted using the estimated weighted average cost of capital of 21%.

12.2 Assets acquired at fair values

	Pre-acquisition carrying amount €000's	Adjustments to fair value fair value €000's	Recognised on acquisition €000's
Intangible assets:			
non contractual customer relationships	–	1,704	1,704
software	–	2,455	2,455
trade name	–	696	696
Total non-current assets	–	4,855	4,855
Trade and other receivables	205	–	205
Cash and cash equivalents	1	–	1
Total current assets	206	–	206
Trade and other payables	(312)	–	(312)
Net identifiable assets and liabilities	(106)	4,855	4,749
Goodwill on acquisition	–	3,278	3,278
Net assets acquired	(106)	8,133	8,027
Cost of acquisition, deferred			4,887
Cost of acquisition, satisfied in cash			3,140
			8,027
Cost of acquisition, satisfied in cash			3,140
Cash and cash equivalents acquired			(1)
Cash outflow on acquisition			3,139

Goodwill of €3,278k is primarily related to growth expectations, expected future profitability, the skill and expertise of the trained workforce and expected cost synergies. Goodwill has been allocated to the betboo cash generating unit at 31 December 2009. No major line of business will be disposed of as a result of the combination.

12.3 Useful economic life of Intangible assets

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

Asset	Useful economic life	Value €000's
Non contractual customer relationships	4 years	1,704
Software	4 years	2,455
Trade name	4 years	696
Goodwill	indefinite	3,278
Total		8,133

12.4 Summarised income statement for Betboo for the period from 2 July 2009 to 31 December 2009

	Year ended 31 Dec 2009 €000's
Net Gaming Revenue	2,180
Cost of sales	(508)
Gross profit	<u>1,672</u>
Gross profit ratio	<u>77%</u>
Marketing and affiliate costs	(299)
Contribution	1,373
Other operating costs	(1,270)
Clean EBITDA	<u>103</u>
Exceptional items	–
Share Option Charges	–
EBITDA	<u>103</u>
Depreciation	–
Amortisation	(607)
Operating Profit	<u>(504)</u>
Financial income	–
Unwinding of discount on deferred consideration	(467)
Other Financial expense	(5)
Loss before tax	<u>(976)</u>

Due to a lack of IFRS specific data prior to the acquisition, pro-forma profit or loss for the combined entity for the complete 2009 period cannot be determined reliably.

12.5 Deferred Consideration

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

	2009 €000's	2010 €000's	2011 €000's	2012 €000's
Balance at 1 January	–	5,354	6,441	7,768
Fair value of deferred consideration on acquisition	4,887	–	–	–
Unwinding of discount charged to income statement	467	1,087	1,327	1,195
Balance at 31 December	<u>5,354</u>	<u>6,441</u>	<u>7,768</u>	<u>8,963</u>

13. RECEIVABLES AND PREPAYMENTS

	31 Dec 2009 €000's	31 Dec 2008 €000's	31 Dec 2007 €000's
Trade receivables	4,600	5,475	3,021
Interest receivables	–	9	–
Other receivables	464	593	540
Loans and receivables	5,064	6,077	3,561
Prepayments	663	290	734
	<u>5,727</u>	<u>6,367</u>	<u>4,295</u>

Trade receivables include funds held by third party collection agencies as of 31 December 2009 amounting to €4.6 million, which corresponds to the revenue generated over the last 3 weeks of the 12 month period ended 31 December 2009. Prepayments include payments as at 31 December 2009 for goods or services which will be consumed after 1 January 2010.

14. CASH AND CASH EQUIVALENTS

	31 Dec 2009 €000's	31 Dec 2008 €000's	31 Dec 2007 €000's
Cash and cash equivalents			
Bank balances	19,195	4,074	15,859
Treasury deposits held with banks	–	14,760	–
	<u>19,195</u>	<u>18,834</u>	<u>15,859</u>
Held in the following institutions:			
Barclays Bank	10,994	17,185	14,090
Bank of Valletta (Malta)	7,966	1,000	1,256
Other	235	649	513
	<u>19,195</u>	<u>18,834</u>	<u>15,859</u>
Held in the following currencies (in euro equivalents at the balance sheet date):			
Euro	18,923	18,651	15,773
US Dollars	130	22	63
British Pounds	40	147	9
Other	102	14	14
	<u>19,195</u>	<u>18,834</u>	<u>15,859</u>
Comprising:			
Own funds	17,580	17,502	15,232
Customer balances (note 15)	1,615	997	547
Funds held in escrow representing withholding tax for founder shareholders	–	335	80
	<u>19,195</u>	<u>18,834</u>	<u>15,859</u>
Amount per share represented by own funds	€0.564	€0.562	€0.489

15. TRADE AND OTHER PAYABLES

	31 Dec 2009 €000's	31 Dec 2008 €000's	31 Dec 2007 €000's
Balances with customers	1,615	997	547
Other trade payables	1,121	1,254	991
Total trade payables	<u>2,736</u>	<u>2,251</u>	<u>1,538</u>
Accruals	3,818	2,891	2,786
Other creditors: balances due to founder shareholders in respect of withholding taxes recovered	–	335	80
	<u>6,554</u>	<u>5,477</u>	<u>4,404</u>

With-holding taxes held in escrow represent the liability to founder shareholders in relation to the recovery of withholding taxes from the Luxembourg fiscal authorities. It was paid on to the founder shareholders in January 2009. The fair value of open bets at either period end is not material.

16. OTHER TAXATION PAYABLE

	31 Dec 2009 €000's	31 Dec 2008 €000's	31 Dec 2007 €000's
Social security and other similar taxes	24	13	–
Value added taxes	–	78	–
Betting taxes and similar	28	82	26
	<u>52</u>	<u>173</u>	<u>26</u>

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

17. SEGMENTAL ANALYSIS OF NET ASSETS

31 Dec 2009	Casino club €000's	Betaland €000's	Winzingo €000's	Betboo (note 12) €000's	Unallocated €000's	Total €000's
Non current assets	56,070	738	–	7,526	–	64,334
Current assets	837	3,299	265	894	22,822	28,117
Current liabilities	(405)	(4,244)	(28)	(473)	(4,126)	(9,276)
Net current assets	432	(945)	237	421	18,696	18,841
Long term liabilities	–	–	–	(5,354)	–	(5,354)
Net assets	<u>56,502</u>	<u>(207)</u>	<u>237</u>	<u>2,593</u>	<u>18,696</u>	<u>77,821</u>
Total assets	56,907	4,037	265	8,420	22,822	92,451
Total liabilities	(405)	(4,244)	(28)	(5,827)	(4,126)	(14,630)
Expenditure on non current assets						
Property, plant and equipment (note 10)	96	345	–	–	–	441
Intangible assets (note 11)	135	–	–	8,040	–	8,175
	<u>231</u>	<u>345</u>	<u>–</u>	<u>8,040</u>	<u>–</u>	<u>8,616</u>

31 Dec 2008	Casino club €000's	Betaland €000's	Winzingo €000's	Betboo €000's	Unallocated €000's	Total €000's
Non current assets	56,442	986	–	–	–	57,428
Current assets	2,247	4,056	18	–	21,491	27,812
Current liabilities	(408)	(2,838)	(1)	–	(5,385)	(8,632)
Net current assets	1,839	1,218	17	–	16,106	19,180
Net assets	58,281	2,204	17	–	16,106	76,608
Total assets	58,689	5,042	18	–	21,491	85,240
Total liabilities	(408)	(2,838)	(1)	–	(5,385)	(8,632)

Expenditure on non current assets

Property, plant and equipment (note 10)	825	628	–	–	–	1,453
Intangible assets (note 11)	25	410	–	–	–	435
	850	1,038	–	–	–	1,888

31 Dec 2007	Casino club €000's	Betaland €000's	Winzingo €000's	Betboo €000's	Unallocated €000's	Total €000's
Non current assets	55,729	527	–	–	–	56,256
Current assets	2,781	1,349	–	–	16,024	20,154
Current liabilities	(811)	(1,845)	–	–	(1,792)	(4,448)
Net current assets	1,970	(496)	–	–	14,232	15,706
Total assets	58,510	1,876	–	–	16,024	76,410
Total liabilities	(811)	(1,845)	–	–	(1,792)	(4,448)
Net assets	57,699	31	–	–	14,232	71,962

Expenditure on non current assets

Property, plant and equipment (note 10)	–	562	–	–	–	562
Intangible assets (note 11)	90	5	–	–	–	95
	90	567	–	–	–	657

Analysis of non-current assets by geographical region

Property, plant and equipment	2009 €000's	2008 €000's	2007 €000's
Malta	625	915	521
Israel	474	623	–
	1,099	1,538	521
Intangible assets			
Malta	55,656	55,879	55,724
South America	7,526	–	–
	63,182	55,879	55,724
Deferred tax asset			
Malta	53	11	11

The analysis of assets by currency is shown in note 21.2.1.

18. SHARE CAPITAL

Since 20 December 2004 the authorised and issued share capital has been:

	Authorised	Issued
Number of Ordinary shares	40,000,000	31,135,762
Par value per share	€1.24	€1.24
Aggregate paid up value	€49,600,000	€38,608,345
Number of Redeemable shares	30,000	Nil
Par value per share	€1.24	–
Aggregate value	€37,300	–

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

As Luxembourg shares are not eligible for CREST settlement, economic interests in shares are traded through depository interests. At 31 March 2009, the true split of shares was:

Held in registered form by Capital IRG Trustees Limited	30,219,369
Held in registered form by other shareholders	916,393
	<u>31,135,762</u>

The economic interest in the shares at 31 March 2009 was represented by the following significant shareholders:

Audley Capital Management Limited	9,109,911	29.3%
Ora (Guernsey) Limited	2,629,885	8.4%
Steve Barlow	1,951,927	6.3%
Capital Research and Management Co	1,491,800	4.8%
M&G Investment Management	1,400,000	4.5%

18.1 Share premium

As permitted by Luxembourg company law, €5,084k of the total of €12,454k of the dividend paid during 2009 was debited to the Share Premium account and the balance was charged to retained earnings as more fully shown in the Consolidated Statement of Changes in Equity on page 18.

At the 2008 Annual General Meeting, shareholders approved the transfer from Share Premium to retained earnings of €38,145k.

18.2 Capital management policies and procedures

The Group's capital management objectives are to ensure its ability to continue as a going concern and to provide an adequate return to shareholders and benefits to other stakeholders by pricing services commensurately with the level of risk, and maintaining an optimal capital structure to reduce the cost of capital.

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

Total equity employed at 31 December 2009 was €78.3 million (2008: €76.6 million).

19. DIVIDENDS

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

	Year ended 31 Dec 2009 €000's €nil	Year ended 31 Dec 2008 €000's €6,227,152 €0.20	Year ended 31 Dec 2007 €000's €6,227,152 €0.20
Total amount	€nil	€6,227,152	€6,227,152
Amount per qualifying share	€nil	€0.20	€0.20

20. SHARE OPTION SCHEMES

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. Subsequently, grants were made available 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.

Based on the advice of external valuation experts, the valuation of the share options is conducted on two bases:

Options granted prior to 1 January 2007 : Black-Scholes
Options granted after 1 January 2007 : Binominal

20.1 Vesting

On the first anniversary of the grant date, 25% of the option grant vests. Thereafter, the balance of the option grant vests over three years, at 1/36th per month.

20.2 Options outstanding

The options which have been granted, and are still capable of being exercised as shown below:

Date of grant	Exercise price	Share price at date of grant	Number of options at 1 Jan 2009	Lapsed during the year	Number of options at 31 Dec 2009
21 Dec 2004	£4.20	£4.20	310,000	–	310,000
28 Sep 2005	£4.20	£4.20	53,807	(53,807)	–
16 May 2006	£4.20	£3.875	140,000	–	140,000
1 Mar 2007	£1.00	£1.105	800,000	–	800,000
15 May 2007	£1.29	£1.26	243,052	(88,462)	154,590
21 Aug 2007	£1.285	£1.285	110,000	(110,000)	–
21 Sept 2007	£1.345	£1.345	126,500	(126,500)	–
27 Nov 2007	£1.3816	£1.21	390,000	(390,000)	–
26 Feb 2008	£1.3816	£1.39	150,000	–	150,000
12 Dec 2008	£1.26	£1.00	400,000	–	400,000
			<u>2,723,359</u>	<u>(768,769)</u>	<u>1,954,590</u>
Vested at 31 Dec 2009					1,254,006
Unvested at 31 Dec 2009					<u>700,584</u>
					<u>1,954,590</u>

The existing share option scheme allows the company to grant up to 10% of the issued Ordinary Share Capital in share options. At the balance sheet date, 6.28% had been granted and was outstanding.

20.3 Directors' and others interest in options

At 31 December 2009 and at 19 April 2010 (when these financial statements were approved) the Directors' interest, and interest of other option holders in share options was as follows:

At 31 December 2009

Individual and grant date	Strike price	Vested	Not vested	Total
L Feldman				
21.12.04	£4.20	155,000	–	155,000
16.05.05	£4.20	40,313	4,687	45,000
N.Blythe-Tinker				
21.12.04	£4.20	155,000	–	155,000
16.05.05	£4.20	85,104	9,896	95,000
K Alexander				
01.03.07	£1.00	550,000	250,000	800,000
R Cooper				
12.12.08	£1.26	100,000	300,000	400,000
Other personnel				
15.05.07	£1.29	99,839	54,751	154,590
26.02.08	£1.3816	68,750	81,250	150,000
		1,254,006	700,584	1,954,590

On 27 January 2010, the Remuneration Committee made an offer to the Executive Directors to cancel their options that had been vested by that date. The Executive directors accepted that offer and were compensated in cash at the price of £2.11 for those options. The average share price in the three days immediately prior to this offer was £2.13.

The individual details of these arrangements were as follows:

Director	Number of options vested	Exercise price	Compensation price	Amount paid
K Alexander	566,667	£1.00	£2.11	£629,000
R Cooper	108,333	£1.26	£2.11	£92,083
	<u>675,000</u>			<u>£721,083</u>

At 19 April 2010 (when these financial statements were approved)

Individual and grant date	Strike price	Vested	Not vested	Total
L Feldman				
21.12.04	£4.20	155,000	–	155,000
16.05.05	£4.20	44,063	937	45,000
N.Blythe-Tinker				
21.12.04	£4.20	155,000	–	155,000
16.05.05	£4.20	93,021	1,979	95,000
K Alexander				
01.03.07	£1.00	33,333	200,000	233,333
R Cooper				
12.12.08	£1.26	16,667	275,000	291,667
Other personnel				
15.05.07	£1.29	112,722	41,868	154,590
26.02.08	£1.3816	78,125	71,875	150,000
		687,931	591,659	1,279,590

* The exercise price for K Alexander was determined on the date of the announcement of him joining the company, 2 February 2007, when the mid-market closing price of the shares in the three days immediately preceding the announcement was 81.33p

20.4 Weighted average exercise price of options

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

	Weighted average price 2009 GBP	Number of Options 2009	Weighted average exercise price 2008 GBP	Number of Options 2008
Outstanding at the beginning of the year	1.76	2,723,359	2.03	3,009,883
Granted during the year	–	–	1.29	550,000
Forfeited during the year	1.35	(768,769)	2.44	(836,524)
Outstanding at the end of the year	1.76	1,954,590	1.76	2,723,359
Exercisable at the end of the year		1,254,006		1,075,227

The options outstanding at 31 December 2009 have a weighted average contractual life of 7 years (2008: 8 years).

20.5 Options granted after 1 January 2007 – Binomial valuation method

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

Fair value of share options and assumptions:

Date of grant	Share price at date of grant* (in £)	Exercise price (in £)	Expected volatility	Exercise multiple	Expected dividend yield	Risk free rate**	Fair value at measurement date
1 Mar 2007	1.08	1.00	65%	2	8%	5.02%	0.46
15 May 07	1.22	1.29	50%	2	8%	5.33%	0.40
13 Jul 07	1.42	2.98	60%	2	8%	5.63%	0.53
13 Jul 07	1.42	1.60	60%	2	8%	5.63%	0.53
21 Aug 07	1.25	1.29	60%	2	8%	5.07%	0.48
21 Sep 07	1.32	1.345	55%	2	8%	5.08%	0.48
27 Nov 07	1.33	1.33	50%	2	8%	4.80%	0.44
26 Feb 08	1.35	1.3816	50%	2	12%	4.53%	0.35
12 Dec 08	1.05	1.26	50%	2	12%	3.02%	0.17

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

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

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

20.6 Options granted before 1 January 2007 – Black-Scholes valuation method

The fair value of services received in return for share options granted prior to 2007 were measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured on a 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 £4.20 and for all other individuals was a range of prices, not being lower than the mid-market price of the shares on the three days immediately before the grant date.

Date of grant	Share price at date of grant* (in £)	Exercise price (in £)	Expected volatility	Exercise multiple	Expected dividend yield	Risk free rate**	Fair value at measurement date
21 Dec 04	£4.20	£4.20	45%	4.8	4%	4.51%	£1.33
28 Sep 05	£5.50	£5.50	45%	4.8	5%	4.22%	£1.58
28 Sep 05	£5.50	£4.20	45%	4.8	5%	4.22%	£1.95
23 Jan 06	£3.89	£3.59	45%	4.8	8%	4.16%	£0.94
23 Jan 06	£3.89	£2.98	45%	4.8	8%	4.16%	£1.10
16 May 06	£3.83	£4.20	65%	4.8	8%	4.70%	£1.23

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.

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Group's principal financial instruments as at 31 December 2009 comprise cash and cash equivalents. The main purpose of these financial instruments is to finance the Group's operations. The Group has other financial instruments which mainly comprise receivables and payables, which arise directly from its operations. Cash and cash equivalents and trade and other receivables have been classified as loans and receivables and trade and other payables, and deferred consideration as financial liabilities measured at amortised cost.

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

21.1 Market risk

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

21.2 Foreign exchange risk

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

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

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

21.2.1 Analysis of the balance sheet by currency

At 31.12.2009	Euro €000's	GBP €000's	USD €000's	Other €000's	Total €000's
Non-current assets	64,334	–	–	–	64,334
Receivables and prepayments	4,483	206	752	286	5,727
Tax reclaimable	3,195	–	–	–	3,195
Cash and cash equivalents	18,923	40	130	102	19,195
Total current assets	26,601	246	882	388	28,117
Trade and other payables	(5,820)	(119)	(61)	(554)	(6,554)
Taxation payable	(2,722)	–	–	–	(2,722)
Total current liabilities	(8,542)	(119)	(61)	(554)	(9,276)
Net current assets	18,059	127	821	(166)	18,841
Long Term Liabilities					
– Deferred consideration	–	–	(5,354)	–	(5,354)
Total assets less current liabilities	82,393	127	(4,533)	(166)	77,821
At 31.12.2008	Euro €000's	GBP €000's	USD €000's	Other €000's	Total €000's
Non-current assets	57,428	–	–	–	57,428
Receivables and prepayments	6,211	62	22	72	6,367
Tax reclaimable	2,611	–	–	–	2,611
Cash and cash equivalents	18,651	147	22	14	18,834
Total current assets	27,473	209	44	86	27,812
Trade and other payables	(3,729)	(1,467)	(151)	(130)	(5,477)
Taxation payable	(3,155)	–	–	–	(3,155)
Total current liabilities	(6,884)	(1,467)	(151)	(130)	(8,632)
Net current assets	20,589	(1,258)	(107)	(44)	19,180
Total assets less current liabilities	78,017	(1,258)	(107)	(44)	76,608
At 31.12.2007	Euro €000's	GBP €000's	USD €000's	Other €000's	Total €000's
Non-current assets	56,256	–	–	–	56,256
Receivables and prepayments	4,125	70	100	–	4,295
Tax reclaimable	–	–	–	–	–
Cash and cash equivalents	15,773	63	9	14	15,859
Total current assets	19,898	133	109	14	20,154
Trade and other payables	(2,956)	(638)	(741)	(69)	(4,404)
Taxation payable	(44)	–	–	–	(44)
Total current liabilities	(3,000)	(638)	(741)	(69)	(4,448)
Net current assets	16,898	(505)	(632)	(55)	15,706
Total assets less current liabilities	73,154	(505)	(632)	(55)	71,962

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

21.3 Interest rate risk

The Group earns interest from bank deposits. During the year, the Group held cash on deposits with a range of maturities of less than three months. The Group had no committed borrowing facilities as at 31 December 2009 (2008: nil).

Management do not consider the impact of possible interest rate movements based on current market conditions to be material to the net result for the year or the equity position at the year end for either the year ended 31 December 2008 or 31 December 2009.

21.4 Credit risk

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

The Group has material exposure to credit risk through amounts owed by Webdollar (a third party collection agency owned by Boss Media, the Group's principal software provider) of €2.07 million (2008: €2.04 million) and cash balances held with Barclays Bank plc of €11.0 million (2008: €17.2 million). The Group considers the credit risk associated with these balances to be low, having assessed the credit ratings and financial strength of the counter-parties involved. The Group is seeking to diversify its banking deposits to further reduce credit risk.

No provision for impairment has been made at 31 December 2009 (2008: €nil). No receivable amounts were past due date at 31 December 2009 (2008: €nil).

21.5 Liquidity risk

At 31 December 2009, the Group had cash and cash equivalents of €19.2 million (2008: €18.8 million) and considers liquidity risk to be low for the business.

All financial liabilities at the year-end are due within one year, with the exception of the deferred consideration on Betboo.

21.6 Fair Values

The carrying amounts of the financial assets and liabilities, including deferred consideration in the Balance Sheet at 31 December 2009 and 2008 for the Group and Company are a reasonable approximation of their fair values. All trade and other receivables and payables have a maturity of less than one year.

21.7 Summary of financial assets and liabilities by category

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

	31 Dec 2009 €000's	31 Dec 2008 c000's	31 Dec 2007 c000's
<u>Current assets:</u>			
Financial assets measured as loans and receivables –			
Trade and Other receivables	5,064	6,077	3,561
Cash and cash equivalents	19,195	18,834	15,859
<u>Current liabilities:</u>			
Financial liabilities measured at amortised cost –			
Trade and other payables	6,554	5,477	4,404
Deferred consideration	5,354	–	–

22 RELATED PARTIES

22.1 Identity of related parties

The Group has a related party relationship with its subsidiaries (see note 23) and with its directors and executive officers.

22.2 Transactions with key management personnel

The Group's key management personnel are considered to be the directors as shown in note 6.1.2.

Directors of the Company and their immediate relatives control 12,000 of the voting shares of the Company (0.4%).

Nigel Blythe-Tinker is the non-executive chairman of Pentasia Limited, a leading recruiter in the field of internet gaming. During the year ended 31 December 2009, Pentasia provided recruitment services to various members of the group to a value of €67,566 (2008: €nil).

Karl Diacono is the Chief Executive Officer of Fenlex Limited, a corporate service provider incorporated in Malta. During the year ended 31 December 2009, Fenlex received €52,780 from the group in relation to Company secretarial matters arising in Malta (2008: €nil).

Richard Cooper and his wife are the shareholders of Rousset Capital Limited, a company incorporated in the United Kingdom. During the year ended 31 December 2009, Rousset Capital Limited provided conference and meeting room services amounting to £12,600 (€14,354) (2008: €nil).

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

23. GROUP ENTITIES

Significant subsidiaries	Country of incorporation	Ownership interest	
		31 Dec 2009	31 Dec 2008
Gaming VC (Cyprus) Limited	Cyprus	100%	100%
Gaming VC Cyprus 2 Limited	Cyprus	100%	nil
GVC Corporation B.V.	Netherland Antilles	100%	100%
GVC Corporation II B.V.	Netherland Antilles	nil	100%
Intera N.V.	Netherlands Antilles	100%	Nil
Gaming VC Corporation Limited	Malta	100%	100%
Intertronic Limited	Malta	100%	Nil
Gaming VC Corporation S.p.A.	Italy	Nil	100%
Gaming VC (Jersey) Limited	Jersey	100%	100%

GVC Corporation B.V

- also has a registered branch in Israel
- absorbed the assets and liabilities of GVC Corporation II B.V. through a contractual merger during the year

Gaming VC Corporation S.p.A was sold to its local management for a nominal sum with effect from 31 August 2009.

Gaming VC Cyprus 2 Limited was incorporated to effect the acquisition of "betboo" and did this through the acquisition of Intera N.V and its wholly owned subsidiary, Intertronic Limited.

24. CONTINGENT LIABILITIES

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

Betaland progressive jackpots

The progressive jackpot fund in which the Betaland site participates is part of a network scheme; that is to say, it is built up based on the gaming activity of every player from every operator in the network. At the end of each month, each operator pays into the central fund the amount added into it as calculated from the play of their own customers and receives back from the fund the value of jackpots won by their own customers (less a deduction to re-seed the jackpot to its starting value). If Gaming VC customers never win such a jackpot, Gaming VC still has to pay into the fund, but it has the peace of mind that if one of their customers does win a substantial jackpot then Gaming VC does not have to carry that cost itself; it is basically an insurance policy but one which provides a strong revenue-generating tool in the jackpot games themselves.

CasinoClub progressive jackpots

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

Across 42 games, the total of the available jackpots at 31 December 2009 was €6.5 million. The single largest jackpot amounted to €2.2 million from the slots game "Alladin's Lamp." The total of the available jackpots at the end of December 2008 was €4.0 million (2007: €3.2 million), with the largest available individual jackpot being €1.1 million (2006: €1.6 million).

There was a significant winner of a jackpot during the year ended 31 December 2009. A single player won €308,999.08 on a game known as "Roman Empire." In accordance with the group's policy, the amount withdrawn by the customer (in this case €250,000) has been treated as an exceptional item (see note 6.2.1).

25. ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

25.1 Impairment of goodwill and trademarks

Determining whether goodwill and trademarks with an indefinite useful life are impaired requires an estimation of the value in use of the cash-generating units. The value-in-use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and select a suitable discount rate in order to calculate present value. Note 11.5 provides information on the assumptions used in these financial statements.

The valuation work to assess the impairment of goodwill and intangible assets was conducted by Chartered Accountants, BDO Stoy Hayward, London.

25.2 Valuation of betboo.com

The acquisition of betboo.com required estimations of the fair value of the consideration payable, as well as judgements relating to the value of the acquired intangible assets. The valuation work to assess the fair value of consideration payable and acquired intangible assets was conducted by Chartered Accountants, BDO Stoy Hayward, London.

25.3 Share options

Accounting for share option charges requires a degree of judgement over such matters as dividend yield, and expected volatility. Further details on the assumptions made by management are disclosed in note 20.

25.4 Open bets

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

26. GOING CONCERN

The Group's business activities, together with the factors likely to affect its future performance and position are set out in the Chairman's statement and the reports of the Chief Executive and the Finance Director. Note 21 to the financial statements sets out the Group's financial risk management policies, and its exposure to credit risk and liquidity risk.

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

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

27. SUBSEQUENT EVENTS

Gaming VC is currently in dispute with Boss Media over an alleged infringement of the Group's intellectual property. The Group has made its concerns known to Boss after the year end. If the dispute is not resolved, Court proceedings will be instituted although this had not taken place at the year end nor up to the date of approval of these financial statements.

The Group is also in dispute with Boss regarding a contract in relation to services for its Italian businesses. Legal costs associated with such matters are expensed as incurred.

SECTION B – ADDITIONAL UNAUDITED INFORMATION

TRADING HISTORY IN THE PERIOD SINCE INCORPORATION

	2005 €000's	2006 €000's	2007 €000's	2008 €000's	2009 €000's
		See note below			
Net Gaming Revenue	40,443	40,573	42,639	50,085	53,958
Gross profit	31,585	30,201	33,405	40,922	44,525
Operating profit	13,362	12,630	16,192	16,359	14,228
Profit before tax	12,807	12,707	16,631	16,903	13,820
Cash at the balance-sheet date	7,233	9,407	15,859	18,834	19,195

Notes:

1. the one month period from 30 November 2004 to 31 December 2004 has been omitted as being unrepresentative
2. In the 2006 financial year, there was a charge of €33,274k for impaired goodwill, and a charge of €8,272k for the accelerated amortisation of the software licences. The numbers above exclude these charges. Including these charges, there was an operating loss of €28,934k and a loss before tax of €28,839k.

RECONCILIATION OF CONSOLIDATED BALANCE SHEET OF GAMING VC HOLDINGS S.A.

AS PREPARED UNDER IFRS TO THE COMPANY BALANCE SHEET OF GAMING VC HOLDINGS S.A. AS PREPARED UNDER LUXEMBOURG GAAP

This reconciliation, which has not been audited, is designed to assist shareholders with their understanding of the preparation of the accounts of the Company under Luxembourg GAAP, which appears on pages 66 to 74.

All in €000's and at 31 December 2009

	Consolidated	Balance	Adjustments	Balance
	Balance	Sheet of	under	Sheet of The
	sheet	the	Luxembourg	Company
	Consolidation	Company	GAAP	Under
	Adjustments			Luxembourg
				GAAP
Non Current Assets				
Property, plant & equipment	1,099	(1,099)	–	–
Intangible fixed assets	63,182	(63,182)	–	–
Deferred tax asset	53	(53)	–	–
Shares in affiliated undertakings	–	63,696	63,696	63,696
Formation expenses	–	–	–	–
	<u>64,334</u>	<u>(638)</u>	<u>63,696</u>	<u>63,696</u>
Current assets				
Amount owed by affiliated undertakings	–	6,261	6,261	6,261
Other	28,117	(14,749)	13,368	13,368
	<u>28,117</u>	<u>(8,488)</u>	<u>19,629</u>	<u>19,629</u>
Current liabilities				
Amounts owed to affiliated undertakings	–	(25,546)	(25,546)	(27,471)
Other	(9,276)	9,159	(117)	(117)
	<u>(9,276)</u>	<u>(16,387)</u>	<u>(25,663)</u>	<u>(27,588)</u>
Current assets less current liabilities				
	<u>18,841</u>	<u>(24,875)</u>	<u>(6,034)</u>	<u>(7,959)</u>
Long Term Liabilities				
Deferred Consideration on Betboo	(5,354)	5,354	–	–
Net assets	<u>77,821</u>	<u>(20,159)</u>	<u>57,662</u>	<u>55,737</u>
As represented by:				
Retained earnings at 1 Jan 2009	24,168	(20,134)	4,034	1,516
Profit for the year	13,454	(2,631)	10,823	4,662
Interim dividends	(7,370)	–	(7,370)	(1,143)
Retained earnings at 31 Dec 2009	<u>30,252</u>	<u>(22,765)</u>	<u>7,487</u>	<u>5,035</u>
Share premium account at 1 Jan 2009	13,832	–	13,832	15,812
Dividends paid from Share Premium	(5,084)	–	(5,084)	(5,084)
Share option reserve	213	2,606	2,819	–
Legal reserve	–	–	–	1,366
Total reserves	<u>39,213</u>	<u>(20,159)</u>	<u>19,054</u>	<u>17,129</u>
Share Capital	<u>38,608</u>	<u>–</u>	<u>38,608</u>	<u>38,608</u>
	<u>77,821</u>	<u>(20,159)</u>	<u>57,662</u>	<u>55,737</u>

SECTION C – FINANCIAL STATEMENTS OF GAMING VC HOLDINGS S.A.
As prepared under Luxembourg GAAP.

GAMING VC HOLDINGS S.A.

ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2009
(with report of the Réviseur d'Entreprises thereon)

To the Shareholders of
GAMING VC HOLDINGS S.A.
13-15, Avenue de la Liberté
L-1931 LUXEMBOURG

REPORT OF THE REVISEUR D'ENTREPRISES

Report on the annual accounts

We have audited the accompanying annual accounts of GAMING VC HOLDINGS S.A., which comprise the balance sheet as at December 31, 2009, and the profit and loss account for the year then ended, and a summary of significant accounting policies and other explanatory notes to the annual accounts.

Board of Director's responsibility for the annual accounts

The Board of Directors is responsible for the preparation and fair presentation of these annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and the fair presentation of annual accounts that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Responsibility of the Réviseur d'entreprises

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted by the Institut des réviseurs d'entreprises. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the judgement of the réviseur d'entreprises, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the réviseur d'entreprises considers internal control relevant to the entity's preparation and fair presentation of the annual accounts 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 annual accounts.

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

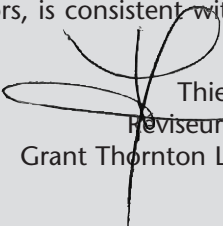
Opinion

In our opinion, the annual accounts give a true and fair view of the financial position of GAMING VC HOLDINGS S.A. as of December 31, 2009, and of the results of its operations for the year then ended in accordance with the Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts.

Report on other legal and regulatory requirements

The management report, which is the responsibility of the board of directors, is consistent with the annual accounts

Luxembourg, April 16, 2010


Thierry REMACLE
Réviseur d'Entreprises
Grant Thornton Lux Audit S.A.

STATUTORY BALANCE SHEET

As at 31 December 2009

In euro

	Notes	2009 €	2008 €
ASSETS			
Formation expenses	2.3/3.1	–	2,192,420
Fixed assets			
Financial assets			
Shares in affiliated undertakings	2.4/3.2	63,695,914	63,813,914
Current assets			
Amounts owed by affiliated undertakings			
Debtors becoming due within one year	2.5/3.3	6,260,451	1,071,652
Other Debtors			
Debtors becoming due within one year	2.5	3,195,191	2,611,164
Cash at bank		9,896,461	1,284,526
		19,352,103	4,967,342
Prepayments		276,375	15,255
		19,628,478	4,982,597
TOTAL ASSETS		83,324,392	70,988,931
LIABILITIES			
Capital and reserves			
Subscribed capital	4	38,608,345	38,608,345
Share premium account	5	10,728,389	15,812,333
Legal Reserve	6	1,365,682	992,921
Profit and Loss account		5,034,202	1,515,970
		55,736,618	56,929,569
Creditors			
Amounts owed to affiliated undertakings			
becoming due and payable within one year		27,471,097	13,613,119
Other creditor due and payable within one year	7	116,677	446,243
		27,587,774	14,059,362
TOTAL CAPITAL, RESERVES AND LIABILITIES		83,324,392	70,988,931

The accompanying notes form an integral part of these annual accounts

PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2009

In euro

	Note	Year ended 31 Dec 2009 €	Year ended 31 Dec 2008 €
CHARGES			
External charges		375,441	413,803
Value adjustment in respect of formation expenses	2.3	2,192,420	2,286,426
Other operating charges		18,750	85,541
Interest payable and similar charges			
Concerning affiliated undertakings		250,468	498,497
Other interest and similar charges		–	5,980
Exceptional Items		3,878,200	316,072
Other Taxes not shown under the above items		–	7,673
Profit for the year		11,261,354	7,455,224
		<u>17,976,633</u>	<u>11,069,216</u>
INCOME			
Income from affiliated undertakings		15,737,145	10,040,256
Interest receivable and similar income		4,220	78,051
Tax Credit		2,235,268	950,909
		<u>17,976,633</u>	<u>11,069,216</u>
STATEMENT OF MOVEMENT ON PROFIT AND LOSS ACCOUNT			
Balance as at 1 January		1,515,970	(30,959,090)
Transfer to Legal reserve		(372,762)	(670,642)
Transfer from Share Premium account		–	38,144,782
Dividend paid from Share Premium account		5,083,944	–
Final dividend paid after the year-end		(6,227,152)	(6,227,152)
		–	287,898
Profit for the year		11,261,354	7,455,224
Interim dividend paid during the year		(6,227,152)	(6,227,152)
Balance as at 31 December		<u>5,034,202</u>	<u>1,515,970</u>

The accompanying notes form an integral part of these annual accounts

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL

Gaming VC Holdings S.A. (the "Company") was incorporated under the laws of Luxembourg on November 30, 2004 under the legal form of a "Société Anonyme".

The Company is established for an unlimited period.

The registered office of the Company is at 13-15 Avenue de la Liberte, L-1931 Luxembourg and the Company is registered with the Register of Commerce of Luxembourg under the section B number 104348.

The purpose of the Company is the acquisition of ownership interests, in Luxembourg or abroad, in any form whatsoever, and the management of such ownership interests. The Company may in particular acquire by subscription, purchase, and exchange or in any manner any stock, shares and other securities, bonds, debentures, certificates of deposit and other debt instruments and more generally any securities and financial instruments issued by any public or private entity whatsoever.

The Company may participate in establishment, development of any financial, industrial or commercial enterprises.

The Company may also borrow in any form and proceed to the issue of notes, bonds and debentures, and any kind of debt and/or equity securities. The Company may lend funds including the proceeds of any borrowings and/or issues of debt securities to its subsidiaries, affiliated companies or to any other group company. It may also give guarantees and grant security interests in favour of third parties to secure its obligations or the obligations of its subsidiaries, affiliated companies or any other group company. The Company may further mortgage, pledge, transfer, encumber or otherwise hypothecate all or some of its assets.

The Company may also acquire and exploit all patents and all other ancillary property rights which are reasonable and necessary for the exploitation of such patents.

On December 21, 2004, the Company raised GBP 81 (EUR 117.5) million through the subscription by Collins Stewart of Ordinary Shares, and their placing with institutional and other investors at 420 pence per share ("the Placing"). The Placing was subject to Admission of the Company on the Alternative Investment Market ("AIM") in London.

The Company's financial year begins on the first day of January and terminates on the last day of December.

The Company prepares consolidated financial statements. Copies of the consolidated financial statements are available at the parent company's registered office.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of presentation

The annual accounts of the Company are prepared in accordance with current Luxembourg legal and regulatory requirements.

2.2 Basis of conversion for items originally expressed in foreign currency

The Company maintains its accounting records in euro ("EUR") and the balance sheet and profit and loss account are expressed in this currency.

Income and charges are translated at the exchange rates ruling at the transaction date. Fixed assets are valued using historical exchange rates. Other current assets and liabilities expressed in foreign currencies are translated into euro at the rates of exchange in effect at the balance sheet date. Realised exchange gains and losses and unrealised exchange losses are recognised in the profit and loss account.

2.3 Formation expenses

Expenses relating to the creation or extension of the Company are recorded as formation expenses.

Formation expenses are amortised on a straight-line basis at an annual rate of 20%.

2.4 Valuation of fixed assets

Assets are valued in the accounts at cost. Value adjustments are made in respect of fixed assets to recognise a durable reduction in the value of the investments, such reduction being determined and made for each investment individually.

2.5 Debtors

Debtors are stated at their nominal value. Value adjustments are recorded at the end of the financial year if the net realisable value is lower than the book value.

2.6 Creditors

Creditors are stated at their nominal value.

3. FINANCIAL ASSETS

3.1 Formation Expenses

The movements in the year are as follows:

	EUR
Cost	
Balance as at 1 Jan 2009	11,432,128
Additions for the year	–
Balance as at 31 Dec 2009	11,432,128
Amortisation	
Balance as at 1 Jan 2009	9,239,708
Charge for the year	2,192,240
Balance as at 31 Dec 2009	11,432,128
Carrying Amounts	
As at 31 Dec 2008	2,192,240
As at 31 Dec 2009	–

3.2 Shares in affiliated undertakings

Financial assets represent shares in the following undertakings:

	Acquisition cost EURO	Value adjustment EURO	Net book value	Shareholders' equity(*) EURO	Result for the year(*) EURO
Gaming VC (Cyprus) Limited, 100%	<u>105,000,000</u>	<u>(41,546,086)</u>	<u>63,453,914</u>	<u>63,557,350</u>	<u>(15,814)</u>
Gaming VC Corporation Limited, Malta, 100%	<u>240,000</u>	<u>–</u>	<u>240,000</u>	<u>296,223</u>	<u>(1,985,968)</u>
Gaming VC Cyprus 2 Limited, 100%	<u>2,000</u>	<u>–</u>	<u>2,000</u>	<u>2,000</u>	<u>–</u>

*The figures are taken from the annual accounts as at December 31, 2009. The shareholder's equity includes the result for the year as well as the interim dividend paid in Cyprus in 2008.

In May 2009, Gaming VC Holdings incorporated a wholly owned subsidiary Gaming VC Cyprus 2 Limited.

As announced on 17 December 2009, the group entered into an agreement to dispose of GVC Corporation S.p.A., its licensed Italian subsidiary, to local management for a nominal sum.

The exceptional item recognises the legal costs incurred in this process together with the write-off of the investment held and the net assets parted with at the time of the sale, being 31 August 2009.

3.3 Amount owed by affiliated undertakings

This amount corresponds primarily to costs due by Gaming VC (Malta) Limited, Gaming VC (Cyprus 2) Limited, betboo and Gaming VC (Jersey) Limited, subsidiaries of Gaming VC Holding SA.

4. CAPITAL AND RESERVES

The authorised share capital of the company is:

40,000,000 ordinary shares of €1.24 each and 30,000 redeemable shares of €1.24 each

The authorised and not yet issued share capital of the company is 8,864,238

Capital fluctuations during the period are illustrated in the table below:

	Number of ordinary shares issued	Share value EUR	Total Value EUR
At December 31, 2008	<u>31,135,762</u>	1.24	<u>38,608,344.88</u>
At December 31, 2009	<u>31,135,762</u>	1.24	<u>38,608,344.88</u>

The company has not issued any redeemable shares since incorporation.

On admission to the AIM market, a share premium of EUR 78,953,651 was recorded.

At the AGM held on 20 May 2008 in Luxembourg shareholders agreed to write down the share premium reserve by an equal amount to the historic retained losses.

4.1. Interim Dividends

Based on the interim balance sheet of the Company as at September 28, 2009, the Board of Directors paid an interim dividend of an aggregate net amount of EUR 6,227,152 on November 6, 2009 (2008: EUR 6,227,152).

5. SHARE PREMIUM ACCOUNT

The movements in the Share Premium account are shown below:

In EUR	Year ended 31 Dec 2009	Year ended 31 Dec 2008
Balance at start of year	15,812,333	53,957,115
Transfer from Profit and Loss	–	(38,144,782)
Dividend paid	<u>(5,083,944)</u>	–
Balance at end of year	<u>10,728,389</u>	<u>15,812,333</u>

6. LEGAL RESERVE

Under Luxembourg corporate law, the Company must appropriate annually at least 5% of its statutory net profits to a Legal reserve until the aggregate reserve equals 10% of the subscribed share capital. Such reserve is not available for distribution.

The movements in the Legal reserve are shown below:

In EUR	Year ended 31 Dec 2009	Year ended 31 Dec 2008
Balance at start of year	992,921	322,279
Transfer from Profit and Loss account	<u>372,761</u>	<u>670,642</u>
Balance at end of year	<u>1,365,682</u>	<u>992,921</u>

7. OTHER CREDITORS

This amount mainly corresponds to costs incurred by the Company relating to professional fees and external charges.

8. PERSONNEL

There were no employees during the year.

9. COMMITMENTS AND CONTINGENCIES

On December 2, 2004, the Group established a share option programme that entitles key management personnel and senior employees to purchase shares in the Group. On December 21, 2004, a grant was made to two non-executive directors and on September 28, 2005, a grant was made to other eligible individuals under the programme. On 23 January 2006 and 16 May 2006, grants were made to eligible individuals under the programme. During 2007 and 2008, additional grants were made to eligible individuals under the programme.

In accordance with these programmes, options are exercisable at a set price, normally the market price, of the shares at the date of grant. Options vest and become exercisable as to one quarter on the first anniversary of the date of grant with the balance vesting and becoming exercisable in 36 equal monthly installments over the subsequent three years.

As of December 31, 2009, 1,954,590 (2,723,359 as of December 31, 2008) share options were outstanding and no share option had been exercised under this programme.

