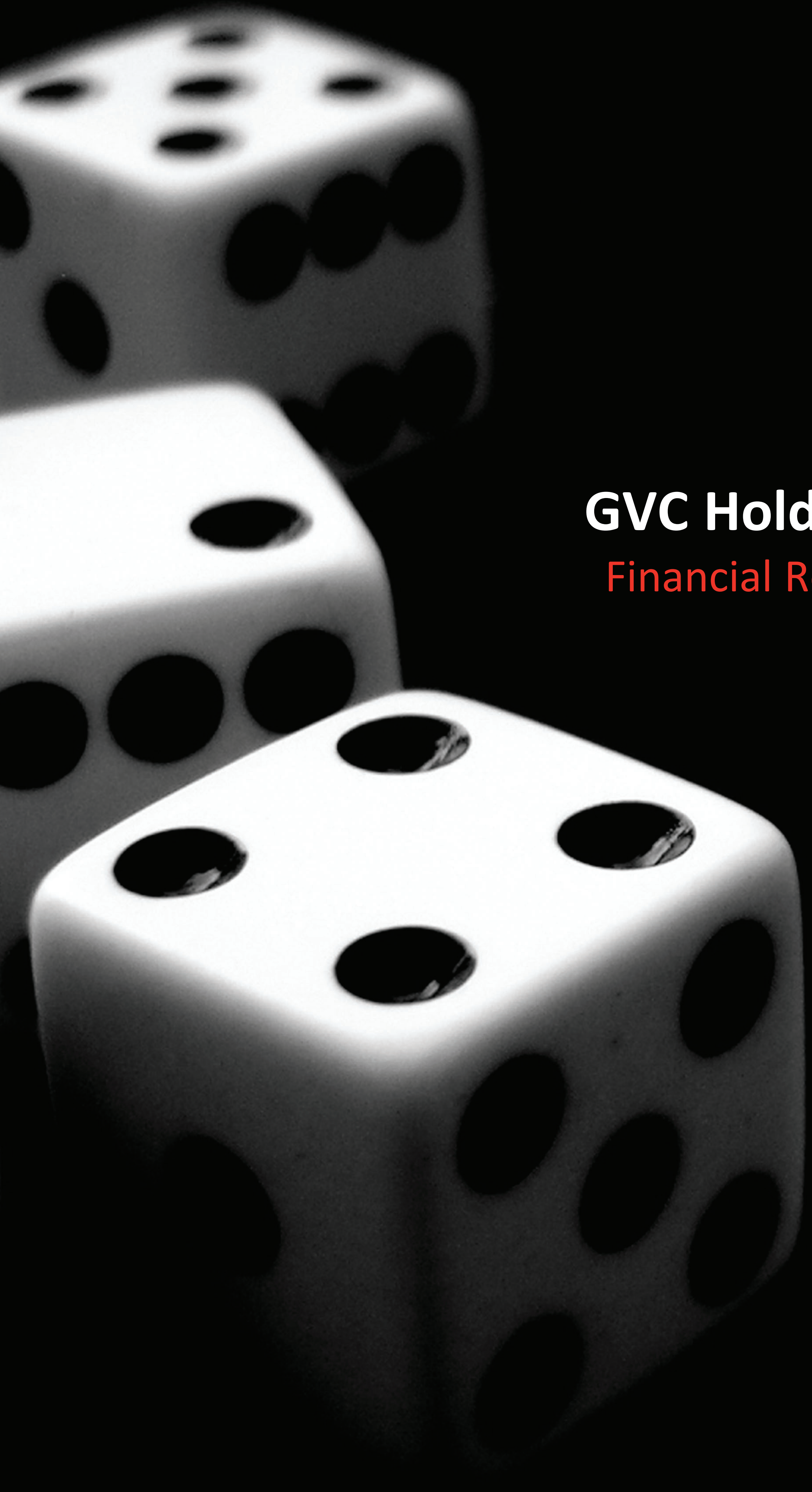

GVC Holdings PLC

Financial Report 2010

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FACTSHEET

GVC Holdings PLC is a leading online gaming company. The Company is incorporated in The Isle of Man and the Group's activities are licensed in Malta and the Netherlands Antilles.

On 21 December 2004, the shares of Gaming VC Holdings S.A., GVC's predecessor company, were admitted to the AIM market of the London Stock Exchange. On 24 May 2010 the shares of GVC Holdings PLC were admitted to trading on AIM. Shareholders voted for this redomiciliation and the admission document is available on the Group's website www.gamingvc.com. The Company is bound by the corporate laws of The Isle of Man, the Company's Articles of Association, the AIM rules of the London Stock Exchange and the City Code on Takeovers and Mergers.

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

Key Milestones

Q3-07 – Granted a class 4 licence by the LGA in Malta
Q3-07 – Sportsbook operation started
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
Q2-10 – Redomiciliation to Isle of Man
Q1-11 – New sports betting operation launched

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.

Principal Brands

CasinoClub
Betaland
Betboo

DIRECTORS

Lee Feldman, Chairman, and non-executive director
Lee Feldman (43), 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, LRN Corporation and RM Auctions. 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 Blyther-Tinker (60), trained as a lawyer 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 the Audit Committee and is Chairman of the Remuneration Committee. He is also the Executive Chairman of Pentasia Limited, a recruitment business specialising in the gaming sector, and a Director of Uluvka Limited, a vodka company.

Karl Diacono, Non-Executive Director - Chairman of the Audit Committee
Karl Diacono (47), holds a masters 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 (40), is a Chartered Accountant. He was formerly the European Managing Director for Sportingbet plc, the pioneering, AIM listed internet gaming and sportsbetting company, where he worked since 2000. Kenneth joined the board in March 2007.

Richard Cooper, Group Finance Director
Richard Cooper (50), is a Chartered Accountant. 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 four times a year and more frequently if required.

Committees of the Board

The Board has both Audit and Remuneration Committees.

The Audit Committee, currently chaired by Karl Diacono, is required to give its approval before the release of the annual report and accounts, the preliminary year-end statement and the interim financial statements. In addition to this the Committee is responsible for assessing the Group's internal controls, monitoring the independence of the Group auditors and assessing the Group's audit arrangements.

The Remuneration Committee, 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. See the Report of the Remuneration Committee on page 61 for further details.

ADVISORS

Registered Office :	Fort Anne Douglas Isle of Man IM1 5PD
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:	*As to matters of UK law* Nabarro LLP Lacon House 84 Theobald's Road London WC1X 8RW *As to matters of Isle of Man law* Cains Fiduciaries Fort Anne Douglas Isle of Man IM1 5PD *As to matters of Maltese law* Fenech & Fenech Advocates 198, Old Bakery Street Valletta, VLT 1455 Malta, Europe
Auditor:	Grant Thornton UK LLP Grant Thornton House Melton Street Euston Square London NW1 2EP
Registrar	Capita Registrars (Isle of Man) Limited 3rd Floor, Exchange House 54-62 Athol Street Douglas Isle of Man IM1 1JD

CHAIRMAN'S STATEMENT

Overview

I am delighted to report on a successful 2010 and a record start to 2011 for GVC.

As previously communicated, 2010 reflected a series of marketing initiatives, the costs of which were taken directly to the income statement.

Net Gaming Revenue "NGR" increased in 2010 by 5% to €54.9 million (2009: €52.1 million). After the previously announced investments in new marketing initiatives and start up costs, clean EBITDA was €12.2 million (2009: €17.6 million). These investments are already bearing fruit, with Q1-2011 NGR being 10% higher at €172k per day than the same period last year (Q1-2010: €157k), and 19% higher than the previous quarter.

Having stabilised CasinoClub's profits, further investment planned for 2011 should drive an uplift in the NGR as already experienced in Q1 2011.

The Board is proposing a final dividend of ten 10 €cents per share for 2010 on top of the interim dividend of 10 €cents and last year's special dividend of 50 €cents per share. Subject to shareholder approval, this will be payable on 19 May 2011 to shareholders on the register at the close of business on 15 April 2011.

Strategy

The Group's strategy is to maximise the long-term cash generative potential of its existing businesses while entering profitable new markets, and maintaining its commitment to pay around at least 75% of its net operating cash flow to shareholders by way of dividends.

This strategy requires not only close monitoring of each brand, but also investment in marketing and infrastructure where deemed beneficial to this strategy. To implement this, in January 2010, GVC announced its intention to make additional marketing investments in its CasinoClub brand. Investment and expenditure will continue throughout 2011.

The Group's Latin American brand, Betboo, is an exciting growth story and its daily revenues continue to grow. The recently restructured and extended earn-out transaction should further aid growth and the Board's aim is for Betboo to become one of Latin America's leading online gaming brands.

GVC has now launched a new sportsbook, using in-house software, into new markets outside Latin America, and early indications are extremely positive. Betaland is continuing to deliver solid results in a highly competitive market.

Cashflow and Dividends

The Board understands the importance of dividends to shareholders. During the year, the Group re-domiciled from Luxembourg to the Isle of Man. One of the major reasons for this was to remove the 15% withholding tax, which was suffered by much of the Group's tax-exempt shareholder base.

To ensure a smooth continuation of dividends, as well as to grow the business and lock-in the founders for a longer time period, GVC restructured its earn-out with the founders of Betboo as announced on 23 February 2011. The earn-out period, and management lock-in period has been extended to run to 31 December 2014.

Boss Media

As reported in the Admission Document, dated 19 April 2010, the Group initiated legal proceedings against Boss Media over an alleged infringement of its intellectual property. In the Maltese Courts the parties have filed various submissions in relation to jurisdiction. The Maltese Court is due to hand down its decision as to whether it has jurisdiction to hear the Group's claim on 29 April 2011.

Boss Media is attempting to have the case heard in Sweden and issued an Arbitration Request in Sweden. GVC has responded to this challenging the Swedish jurisdiction. A date for the jurisdictional challenge has been provisionally fixed for 20 and 21 June 2011.

CHAIRMAN'S STATEMENT
continued

Current Trading and Future Prospects
GVC has started the year well across all of its brands as the table below illustrates.

Average NGR per day (€ 000's)

	Q1-10	Q2-10	Q3-10	Q4-10	Q1-11
CasinoClub	78.6	72.5	67.8	81.8	**83.3**
Betaland	68.1	66.9	60.5	48.4	**67.5**
Betboo	10.4	13.5	17.6	15.7	**19.1**
Emerging markets	-	-	-	-	**2.2**
Total	**157.1**	**152.9**	**145.9**	**145.9**	**172.1**
Gaming	132.3	125.5	114.9	133.6	**134.0**
Sports	24.8	27.4	31.0	12.3	**38.1**
Aggregate sports margin	13.4%	13.9%	22.9%	7.3%	**17%**

Total average NGR for the period 1 January 2011 to 20 March 2011 was 10% higher than in Q1-2010.

On behalf of the Board I thank all of our employees for their contributions to another year of significant achievement. Our executives and employees play a critical role in the Group's success and we remain committed to recruiting, retaining and developing the best people.

Lee Feldman
Chairman, and Non-Executive Director
25 March 2011

REPORT OF THE CHIEF EXECUTIVE

Introduction and Financial Overview

I reported in my statement last year that trading conditions had been difficult for the industry throughout 2009. I am pleased to report that not only did the Group's revenues improve in 2010, but also that they continue to do so. As reported in the Chairman's statement, like-for-like revenues in Q1 2011 were 10% higher than Q1-2010 and 18% higher than Q4-2010.

I am particularly encouraged that the investment during 2010 in the Group's core CasinoClub brand has resulted in an 11% rise in average daily revenues in Q1 2011 over the average for 2010.

The Group's 2010 results were influenced by a number of key events:

- Significant marketing investment in the CasinoClub brand
- FIFA World Cup, benefitting both Betaland and Betboo
- Planned expenditure incurred in preparing the Betboo brand for new markets
- A series of exceptional items as previously announced and more fully explained in the report of the Group Finance Director.

Sports wagers grew by 18% to €69.3 million, although the lower sports margin at 13.8% (2009: 17.2%), led to a slightly lower sports NGR at €8.7 million (2009: €9.2 million). Gaming NGR rose by 8% to €46.2 million (2009: €42.9 million), leading to an overall 5% increase in total NGR to €54.9 million (2009: €52.1 million).

Operations by Brand

CasinoClub

As expected, NGR reduced by €2.0 million (7%) to €27.5 million. The highly competitive poker market, in which GVC is a marginal player, was responsible for €0.6 million of this reduction, whilst casino revenues fell by 5%. However, casino revenues in Q4-2010 were the highest in the year (averaging €79.9k per day, 2009: €76.9k per day) and reflected the marketing initiatives successfully implemented during the year.

Contribution was impacted by this increased marketing spend, and by an increasing proportion of new business being sourced through affiliates (21% and against 15% in 2009). As a result the contribution margin reduced by 10 percentage points to 60% (2009: 70%).

Costs, primarily a fuller complement of staff, rose by 15% but have now stabilised.

Clean EBITDA was €13.9 million, a 51% operating margin (2009: €18.4 million, a 62% operating margin) and should stabilise close to this level.

Betaland

Sports wagers increased by 4% to €55.9 million. A lower sports margin percentage at 15.7% (2009: 17.7%) led to a slightly lower sports NGR of €8.4 million (2009: €9.0 million). Gaming NGR rose by 20% to €13.8 million (2009: € 11.5 million), leading to an overall 8% increase in total NGR to €22.2 million (2009: €20.5 million).

Clean EBITDA was €1.9 million, a 9% operating margin (2009: €1.7 million, an 8% operating margin).

Betboo

Betboo, the Group's Latin American brand, was acquired on 1 July 2009. Comparisons therefore with 2009 should be done on the basis of individual six month periods. The results for the last three six month periods were:

	Sports Wagers	Sports NGR	Gaming NGR	Total NGR	NGR per day
H2-2009	2,867.1k	188.4k	1,991.5k	2,179.9k	12.0k
H1-2010	7,828.5k	(83.3k)	2,245.7k	2,162.4k	11.9k
H2-2010	5,550.3k	381.7k	2,685.5k	3,067.2k	16.7k

REPORT OF THE CHIEF EXECUTIVE
continued

The NGR for H2-2010 was 41% higher than H2-2009, despite sports margins being lower overall than in 2009 leading to a gross margin of 5.7% (2009: 9.3%). During H2-2010 the management of sports risk was transferred to the Group's Maltese hub, leading to an improvement in sports margins. The Board continues to see good growth from this brand in what the Group believes to be a market with significant potential. The revised earn-out arrangements are expected to lead to a faster growth in revenue.

Costs for the last three six-month periods were:

H2-2009	€1,272k
H1-2010	€1,285k
H2-2010	€1,530k

The increase in cost was largely operational and necessary to cater for greater customer volume.

Clean EBITDA was €0.2 million loss (2009: €0.1 million profit).

New sportsbook - Emerging Markets
€0.7 million of expenditure was incurred during 2010 in preparing this operation to go live in January 2011. Early indications are extremely encouraging, and for the 24 day period to 24 March 2011, sports wagers have been averaging €66k per day.

Regulatory
There have been a series of regulatory changes in the last year, notably a number of key judgements in the Court of Justice of the European Union ("ECJ"). The ECJ ruled in *Carmen Media and Markus Stoss* that Germany's lottery and sports betting monopoly in its present form infringed EU law since it did not pursue the stated objectives in a consistent and systematic manner.

The board notes that the Presidents of the German L nder are planning to meet on 6 April 2011 to further discuss the nature of a regulated regime in Germany. GVC awaits the outcome of this meeting with interest and understands that any resulting legislation would not be enacted before 1 January 2012 to replace the current Interstate Treaty which expires on 31 December 2011.

It is further noted that the European Commission announced on 24 March 2011 that it would start an information-gathering exercise on possible measures to overhaul the EU's patchwork of national gaming laws. The EU agency said the consultation will "determine if the differing national regulatory models for gaming can continue to coexist, and whether specific action may be needed in the EU for that purpose."

Outlook
The Board has been encouraged by the improved trading conditions in the markets in which the Group operates and the Group has made a positive start to 2011.

Betboo in Latin America and in Emerging Markets has performed more strongly than expected, and the re-structuring of the earn-out should encourage further growth and allow greater investment in Latin America. The building of the Betboo brand outside Latin America will continue in 2011 and the Board expects that this will move into profitability in H2 2012. Our marketing investments in CasinoClub will also continue throughout 2011.

We remain cautiously optimistic for the forthcoming financial year.

Kenneth Alexander
Chief Executive
25 March 2011

REPORT OF THE GROUP FINANCE DIRECTOR

The purpose of this report is to explain the movements in the income statement, balance sheet and cashflow, along with providing a guide to the financial risks and exposures faced by the Group.

Financial Highlights

NGR	€54.9 million, up €2.8 million (5%) from €52.1 million
Mix of revenues	Casinoclub 50% (2009: 57%); Betaland 40% (2009: 39%); Betboo 10% (2009: 4%) Gaming 84% (2009: 82%); Sports 16% (2009: 18%)
Contribution %	42% (2009: 50%)
Clean EBITDA	€12.2 million (2009: €17.6 million)
Profit before taxes	€4.1 million (2009: €14.0 million)
Cashflows (before dividends)	€4.2 million (2009: €11.7 million)

Net Gaming Revenue

The €2.8 million increase in NGR can be explained as follows:

	€000's	Explanation
NGR in 2009	**52,148**	
Reduction in CasinoClub poker revenues	(593)	Highly competitive market, and little product development from third party software supplier
Reduction in CasinoClub casino revenues	(1,392)	5% drop reflecting an uncertain economic climate and stagnating product offering
Reduction in Betaland sports NGR	(643)	Average sports margins dropped to 15.7% from an exceptional 17.7% in 2009 on an increase in stakes from €53.9m to €55.9m
Increase in Betaland gaming NGR	2,337	An increase of 20% due to an improved product offering
Revenues from Betboo in H1	2,163	Betboo was acquired in July 2009
Increase in Betboo revenues in H2 over prior period	887	Revenues grew by 41% due to improved product offering and increased customer base
NGR in 2010	**54,907**	

Contribution

Whilst the gross profit margin at 82% remained level with 2009, the contribution margin fell from 50% to 42%. This reflects a number of factors:

- A greater proportion of CasinoClub new business being sourced through affiliates (21% up from 15%)
- Increased marketing investment in all three brands, both to grow and protect them.

REPORT OF THE GROUP FINANCE DIRECTOR
continued

Operating Costs - Cash Items

Operating costs excluding amortisation, depreciation, share option charges and exceptional items rose to €11.2 million from €8.5 million. €1.3 million of this increase was attributable to a full year's operations for Betboo. Of the balance of the increase (€1.4 million), 50% was due to incurring start-up costs of the new sportsbook.

	€000's	Notes
Costs in 2009	**8,516**	
An additional half-year's costs for Betboo	1,285	Betboo was acquired on 1 July 2009
Like- for-like costs	9,801	
Start-up costs on new sportsbook	720	
Additional resourcing costs for CasinoClub	344	Strengthening of management team
Additional resourcing and infrastructure costs in Betboo	260	Larger team and office
All other items	40	
Costs in 2010	**11,165**	

Operating Costs - Non-cash Items

Depreciation

Depreciation of property, plant and equipment at €459k was little changed from €495k during 2009. There were modest additions during the year of €148k (2009: €222k).

Amortisation

Amortisation of intangibles rose to €1,637k from €954k. The components of this are shown below:

	2010 €000's	2009 €000's
Amortisation of assets arising from the acquisition of Betboo – H1 charge	**618**	-
Amortisation of assets arising from the acquisition of Betboo – H2 charge	**624**	607
Amortisation of assets arising from the acquisition of Betboo	**1,242**	607
Amortisation of other assets	**395**	347
	1,637	954

Share option charges

Share option charges increased from €213k to €482k reflecting the grant of new options during 2010. 1,675,000 of these options were granted to the Directors at a strike price of £2.13. 400,000 options were granted at a strike price of £0.01, and a further 700,000 at a strike price of £1.50, all to employees and contractors.

Operating Costs – Exceptional Items

There were a series of exceptional items during the year which GVC has already extensively explained to the market. The total charge was €4,428k (2009: €1,538k).

Boss Media

The Group initiated litigation against Boss Media, its principal supplier of gaming software, alleging an infringement of its intellectual property rights. This case is still continuing and the legal costs are being shown as an exceptional item. In 2010 these costs amounted to €626k.

Redomiciliation and other legal restructuring

To ensure the Group was able to mitigate the effect on shareholders of a non-refundable 15% withholding tax, and to afford protection of the City Code on Takeovers and Mergers, the Group re-domiciled during the year from Luxembourg to The Isle of Man. This restructuring was also accompanied by some other technical restructuring costs in its subsidiaries. The cost of this amounted to €1,628k.

LTIP compensation and share option cancellation

As announced in January 2010, the Executive Directors had some of their share options cancelled and were cash compensated for this and for their lack of participation in a long term incentive plan. The cost of this compensation amounted to €1,577k.

Onerous software contracts terminated
GVC uses a number of software suppliers across its brands, and decided to terminate a supplier whose costs were onerous and fixed (rather than varying with revenue) in nature. The cost of terminating these contracts, and similar items amounted to €339k.

Abnormal jackpot win
It is the accounting policy of GVC to treat all cash withdrawals over €250k by a customer following a jackpot win as exceptional items. In September 2010, a player won a large jackpot on a video poker game offered through CasinoClub. €258k was therefore taken to exceptional items (2009: winner of slot machine game Aladdin's Lamp €250k).

Financial Income and Expense

As a result of significantly reduced Euro interest rates, lower profitability and the payment of €18,681k in dividends in the year (2009: €12,454k), financial income has been negligible.

Financial expense at €1,088k represents a full 12 months charge for the unwinding of the discount on the deferred consideration arising from the acquisition of Betboo. In 2009 there was a charge for the period 1 July to 31 December of €467k. Other financial expenses are negligible. Both bank charges and foreign exchange differences are accounted for in operating expenses.

Profits Before Taxes

An explanation of the reduction in profit is shown in the table below:

	€000's	€000's	Explanation
Profits before tax in 2009		**14,042**	
Reduction in contribution arising from investment in marketing initiatives	(4,792)		As previously announced, GVC planned to invest around €5 million during 2009
Change in Betboo clean EBITDA	(292)		Modest loss caused by punter-favourable sports outcomes in H1-2010
Start-up costs for new sportsbook	(709)		Went live in January 2011
Reduction in all other costs	307		
Change in cash based profits before exceptional items		**(5,486)**	
Increase in exceptional items		(2,890)	Combination of the re-domiciliation, the buy–out of share options and similar and legal fees on the Boss Media case
Full year's amortisation of intangible assets acquired on the acquisition of Betboo	(635)		
Change in all other components of depreciation and amortisation	(12)		
Increase in financial income and expenses	(672)		Full year's charge for the release of the discount on deferred consideration arising on the acquisition of Betboo
Increase in share option charge	(269)		Based upon the grant of new share options in May 2010
Change in non-cash based profits		**(1,588)**	
Profits before tax in 2010		**4,078**	

REPORT OF THE GROUP FINANCE DIRECTOR
continued

Taxation
The Group is headquartered in The Isle of Man and has licensed operations in Malta and Curacao, in each of which profits are taxable at local rates. The tax charge for the year reflects the taxable profits arising from these jurisdictions along with a release of the deferred tax asset.

Discontinued Activities
Winzingo, the Spanish-language bingo operation was sold to its management early in 2010 after sustaining losses since inception. The results of this, a loss of €411k (2009: €216k) have been shown under discontinued operations in the consolidated income statement.

Balance Sheet
The Group's net asset base has primarily been affected during 2010 by the payment of €18,681k in dividend payments. Additions in the year of property, plant and equipment and intangible assets are shown in the table below.

	2010 **€000's**	2009 €'000's
On the acquisition of Betboo	**-**	8,133
Other property, plant and equipment acquired	**148**	222
Other intangible assets acquired	**957**	354
Total non-current assets acquired	**1,105**	8,709
Asset acquisition by brand:		
CasinoClub	**394**	136
Betaland	**80**	440
Betboo, on acquisition	**-**	8,133
Betboo	**168**	-
Emerging markets	**463**	-
	1,105	8,709

Net current assets at 31 December 2010 were €5,564k (2009: €18,841k), with free cash balances of €4,935k (2009: €19,380k). An abbreviated statement of the movement in the Group's cash position is shown below:

Cash and Cash Equivalents

	2010 **€000's**	**2010** **€000's**	2009 €000's	2009 €000's
At 1 January		**19,380**		**18,265**
Re-categorisation of payment processing balances				1,862
Dividends paid in year		(18,681)		(12,454)
Clean EBITDA less exceptional items	7,736		16,112	
Property, plant and equipment and intangible assets acquired in the year	(1,105)		(576)	
Corporation taxation received/(paid)	525		(1,304)	
Betboo acquisition/earn-out payments	(271)		(3,140)	
Winzingo losses	(411)		(216)	
Cash movements through reserves	(383)		-	
Movement in working capital and other items	(1,855)		831	
Net cashflow for year excluding dividends		**4,236**		**11,707**
At 31 December		**4,935**		**19,380**
- Total		6,614		20,995
- Less customer balances		(1,679)		(1,615)
		4,935		**19,380**

As at Friday 18 March 2011, the gross cash position was €7,097k, representing €0.23 per share.

Dividends

The Board is proposing a final dividend of ten 10 €cents per share for 2010 on top of the interim dividend of 10 €cents and last year's special dividend of 50 €cents per share. Subject to shareholder approval, this will be payable on 19 May 2011 to shareholders on the register at the close of business on 15 April 2011.

Betboo Earn-out and Deferred Consideration

As announced on 23 February 2011, the Group has changed the structure and the period over which the earn-out can be earned in order to smooth out its cashflows and provide a greater incentive for the Betboo founders to grow the business. The acquisition was accounted for under a previous version of IFRS 3.

Whilst the maximum earn-out remains at US$30 million, the method of calculation has moved from being profits based to being based on NGR.

The Group has undertaken to pay to the founders US$5.65 million in 36 monthly instalments as part of the revised earn-out beginning 1 July 2011.

Additionally, but again part of the earn-out, the Group will pay the founders 25% of the NGR earned in each of the fiscal years 2011, 2012, 2013, and 2014 in the month following each year end and subject to final audit verification of the NGR.

Exposure to Foreign Exchange

The principal trading currency of the Group is Euro. The Group has an income exposure to the Brazilian Real, and a cost exposure to the Israeli Shekel, British Pound, and the Uruguayan Peso. Currently these exposures are unhedged. Should there be significant adverse currency movements, the profits of the Group would be affected. The opportunities for a gaming company to hedge these currencies are limited.

Richard Cooper
Group Finance Director
25 March 2011

PRINCIPAL RISKS, UNCERTAINTIES AND BUSINESS MODEL

PRINCIPAL RISKS AND UNCERTAINTIES

This table should be read alongside the extensive risk disclosures in the Admission Document, a copy of which is available on the Group's website, www.gamingvc.com.

Risk description	Potential impact	Mitigation
ECONOMIC RISK - Customer base becomes less confident about their ability to spend leisure euros	Lower revenues and consequently profits	• Customer retention programmes • Broader geographic spread of products • Migration of third party costs to be aligned with revenues
REGULATORY RISK - Conflict between jurisdictions in which the customer resides and where the service is provided	Reduction in market size	• Diversified product portfolio • Strict adherence to the laws of the jurisdiction in which the service is provided • Close monitoring of regulatory developments and assessment of their longer-term impact
FINANCIAL - Foreign exchange risks	Lower or more volatile profits	• Group tries to match its income and cost exposures to create a natural hedge • Regular evaluation of low cost hedging opportunities
- Withdrawal of payment processing facilities	Short-term interruption of funds deposited by customers	• Multiple payment processing methods used by the Group
OPERATIONAL - Dependence on third party software	Reduction of revenue streams GVC is highly dependent on Boss Media with whom it has a long-term contract, but is also in legal dispute with	• Long-term contracts entered into with suppliers of a good financial covenant • In some cases it is not practicable to mitigate the software reliance risk without significant business and economic disruption
- Dependence on key personnel	Interruption of business continuity	• No one person is deemed critical enough that replacement in a timely fashion cannot be found
- Loss of major introducer of business	Reduction of revenue streams	• Competitive revenue sharing models applied and monitored regularly. Key introducers are offered long-term revenue prospects with the Group.
- Poor sports results	Lower or more volatile earnings	• Sports represents less than 20% of the Groups' NGR and sports results, are as a matter of policy not hedged as over the long-term they trend to the Group's expected margin percentage.
- Abnormal jackpot wins	Lower or more volatile earnings	• Revenues from some business lines have a jackpot insurance scheme. Others do not have as a matter of policy.

Risk description	Potential impact	Mitigation
OPERATIONAL continued - Loss of major customer	Lower earnings	• Highly diversified customer base with over 30,000 customers across all its brands
COMPETITION RISK - The marketplace becomes more competitive via new entrants or by more attractive products available from those or existing competitors	Lower revenues	• Constant monitoring of the competitive landscape • Working with third party software providers where possible to enhance product offering
TECHNOLOGY RISK - The Group may be threatened by Denial of Service attacks or similar - Hosting platforms may suffer critical failure	Temporary disruption of service, blackmail demands Temporary disruption of service, undermining of the confidence built with customers	• Group has highly advanced preventive measures with world-class technology firms

BUSINESS MODELS

	CasinoClub	Betaland	Betboo	Emerging markets
Website	www.casinoclub.com	www.betaland.com	www.betboo.com	www.betboo.com
Business model	Online casino and poker targeting German speaking customers. New business derived primarily from online affiliates who derive a revenue share. Retention served mainly through circulation of a free magazine and personal contact via emails and phone calls.	Online sportsbetting, casino and poker targeting customers in Southern Europe. New business derived from offline affiliates who derive a revenue share. Retention enabled through excellence of customer service and strong relationship with affiliates.	Online sportsbetting, casino, poker and bingo, targeting customers in Latin America. New business derived from online affiliates and offline agents. Retention enabled through excellence of customer service and strong relationship with affiliates.	Online sportsbetting, casino, and poker targeting customers in other markets. New business derived from online affiliates and offline agents. Retention enabled through excellence of customer service and strong relationship with affiliates.
Licensing authority	Lottery and Gaming Authority in Malta	Lottery and Gaming Authority in Malta	Netherlands Antilles	Netherlands Antilles

DIRECTORS' REPORT

The Directors present their report for GVC Holdings PLC and the audited financial statements for the year ended 31 December 2010.

Principal Activities

GVC Holdings PLC was incorporated on 5 January 2010 in The Isle of Man. On 21 May 2010, it took over the assets of Gaming VC Holdings S.A. after approval by the shareholders and is now the holding company of the Group. It is a leading online gaming company in European and Latin American markets.

Results and Dividends

The profit for the year attributable to ordinary shareholders after taxation amounted to €3,445,000.

The proposed dividend for the year is detailed in the Chairman's Statement on page 5.

The Group's consolidated financial statements are set out on pages 20 to 60. For a more detailed review of the Group's result see the Report of the Chief Executive and the Report of the Group Finance Director.

Trading Review and Future Developments

The Directors are pleased with the Group's performance during 2010 and are confident that this performance will continue to improve during 2011 and beyond.

For a detailed review of the trading performance and future developments of the Group see the Chairman's Statement, Report of the Chief Executive and the Report of the Group Finance Director.

Key Performance Indicators

For a more detailed review of the key performance indicators of the Group see the Report of the Chief Executive.

Substantial Shareholdings

On 3 March 2011, the following holdings of 3% or more of the issued share capital of GVC Holdings PLC were known to the Company:

Beneficial owner	Number of shares	%
Audley Capital Management Limited	9,109,911	29.26
Ora Capital Partners	3,062,885	9.84
M&G Investment Management	1,460,000	4.69
Capital Research and Management Co	1,392,400	4.47
Steve Barlow	1,293,427	4.15

Directors and their Interests

The Directors of the Company and their beneficial interest in the ordinary share capital of the Group are as follows:

Ordinary shares of €0.01 each in GVC Holdings PLC	3 March 2011	31 December 2010	31 December 2009
Executive Directors			
K Alexander	80,000	80,000	-
R Cooper	35,000	35,000	-
Non-Executive Directors			
L Feldman	53,700	53,700	12,000
N Blythe-Tinker	-	-	-
K Diacono	-	-	-

The Directors shareholdings represent 0.54% (2009: 0.04%) of the voting shares of the Company.

Details of the Directors who have an interest in share options are disclosed in the Report of the Remuneration Committee.

Creditor Payment Policy

It is the Group's policy to agree terms of business with suppliers prior to the supply of goods and services.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to keep reliable accounting records which allow financial statements to be prepared. In addition, the Directors have elected to prepare Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and applicable law and have elected to prepare the parent company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice). The financial statements are required to give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that year. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable Financial Reporting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for keeping reliable accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with The Isle of Man Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the Directors are aware:

- there is no relevant audit information of which the Company's auditors are unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

For and on behalf of the Board of GVC Holdings PLC.

Richard Cooper

Richard Cooper
Group Finance Director
25 March 2011

Registered office: Fort Anne, Douglas, Isle of Man, IM1 5PD

CONSOLIDATED FINANCIAL STATEMENTS (UNDER IFRS)

In this section:

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GVC HOLDINGS PLC

We have audited the group financial statements of GVC Holdings PLC for the year ended 31 December 2010 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cashflows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with our contract with them. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 17, the Directors are responsible for the preparation of the group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on Financial Statements

In our opinion the group financial statements:

- give a true and fair view of the state of the group's affairs as at 31 December 2010 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union; and
- have been prepared in accordance with the requirements of The Isle of Man Companies Act 2006

Other Matter

We have reported separately on the parent company financial statements of GVC Holdings PLC for the year ended 31 December 2010.

Grant Thornton UK LLP

Grant Thornton UK LLP
Chartered Accountants
London
25 March 2011

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2010

	Notes	2010 €000's	2009* €000's	2008* €000's
Net gaming revenue	3	**54,907**	52,148	48,907
Cost of sales		**(9,812)**	(9,390)	(8,636)
Gross profits		**45,095**	42,758	40,271
Marketing and affiliate costs		**(21,766)**	(16,592)	(12,715)
Contribution	3	**23,329**	26,166	27,556
Operating costs (as below)	4	**(18,171)**	(11,716)	(10,062)
Other operating costs	4	**(11,165)**	(8,516)	(7,947)
Share option charges	4, 17	**(482)**	(213)	(557)
	4	**(11,647)**	(8,729)	(8,504)
Exceptional items	4	**(4,428)**	(1,538)	(842)
Depreciation and amortisation	4, 9, 10	**(2,096)**	(1,449)	(716)
Operating profit		**5,158**	14,450	17,494
Financial income	5	**8**	64	551
Financial expense	5	**(1,088)**	(472)	(6)
Profit before tax		**4,078**	14,042	18,039
Taxation charge	6	**(222)**	(372)	(360)
Profit after taxation from continuing operations		**3,856**	13,670	17,679
Loss after taxation from discontinued operations	7	**(411)**	(216)	(1,136)
Profit after tax		**3,445**	13,454	16,543
Earnings per share		**€**	**€**	**€**
Basic				
Profit from continuing operations		0.124	0.439	0.568
Loss from discontinued operations		(0.013)	(0.007)	(0.036)
Total	8	**0.111**	0.432	0.532
Diluted				
Profit from continuing operations		0.121	0.431	0.557
Loss from discontinued operations		(0.013)	(0.007)	(0.036)
Total	8	**0.108**	0.424	0.521

*restated, see note 1.19 on page 31 for details.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2010

	2010 €000's	2009 €000's	2008 €000's
Profit and total comprehensive income for the year	**3,445**	13,454	16,543

The notes on pages 24 to 60 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

at 31 December 2010

	Notes	**2010 €000's**	2009* €000's	2008* €000's
Assets				
Property, plant and equipment	9	**363**	674	1,118
Intangible assets	10	**62,927**	63,607	56,299
Deferred tax asset	6	**-**	53	11
Total non-current assets		**63,290**	64,334	57,428
Receivables and prepayments	12	**4,833**	3,927	5,939
Income taxes reclaimable	6	**1,356**	3,195	2,611
Other tax reclaimable		**19**	-	-
Cash and cash equivalents	13	**6,614**	20,995	19,262
Total current assets		**12,822**	28,117	27,812
Current liabilities				
Trade and other payables	14	**(5,469)**	(6,554)	(5,477)
Income taxes payable	6	**(1,525)**	(2,670)	(2,982)
Other taxation liabilities	15	**(264)**	(52)	(173)
Total current liabilities		**(7,258)**	(9,276)	(8,632)
Current assets less current liabilities		**5,564**	18,841	19,180
Long term liabilities				
Deferred consideration on Betboo	11	**(6,170)**	(5,354)	-
Total net assets		**62,684**	77,821	76,608
Capital and reserves				
Issued share capital	17	**311**	38,608	38,608
Merger reserve	17	**40,407**	-	-
Share premium		**-**	8,748	13,832
Retained earnings	17	**21,966**	30,465	24,168
Total equity attributable to equity holders of the parent		**62,684**	77,821	76,608

*restated, see note 1.19 on page 31 for details.

The financial statements from pages 20 to 60 were approved by the Board of Directors on 25 March 2011 and signed on their behalf by:

K.J. Alexander
(Chief Executive Officer)

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

The notes on pages 24 to 60 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2010

Attributable to equity holders of the parent company:

	Share Capital €000's	Merger Reserve €000's	Share Premium €000's	Retained Earnings €000's	Total €000's
Balance at 1 January 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
Balance at 1 January 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
Balance at 1 January 2010	38,608	-	8,748	30,465	77,821
Transfer to merger reserve	(38,297)	55,975	(8,748)	(8,930)	-
Share option charges	-	-	-	482	482
Share options cancelled	-	-	-	(383)	(383)
Dividend paid	-	(15,568)	-	(3,113)	(18,681)
Transactions with owners	311	40,407	-	18,521	59,239
Profit and total comprehensive income	-	-	-	3,445	3,445
Balance as at 31 December 2010	**311**	**40,407**	**-**	**21,966**	**62,684**

All reserves of the Company are distributable, as under The Isle of Man Companies Act 2006 distributions are not governed by reserves but by the Directors undertaking an assessment of the Company's solvency.

The notes on pages 24 to 60 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASHFLOWS

for the year ended 31 December 2010

	2010 €000's	2009* €000's	2008* €000's
Cash flows from operating activities			
Cash receipts from customers	53,771	56,335	47,956
Cash paid to suppliers and employees	(48,217)	(36,809)	(30,703)
Corporate taxes recovered	3,189	1,652	-
Corporate taxes paid	(2,664)	(2,956)	(7)
Net cash from operating activities	6,079	18,222	17,246
Cash flows from investing activities			
Interest received	8	72	542
Acquisition of business and earn out	(271)	(3,140)	-
Disposal of business	(411)	(216)	-
Acquisition of property, plant and equipment	(148)	(222)	(1,196)
Acquisition of intangible assets	(957)	(354)	(693)
Net cash from investing activities	(1,779)	(3,860)	(1,347)
Cash flows from financing activities			
Interest paid	-	(5)	(6)
Dividend paid	(18,681)	(12,454)	(12,454)
Net cash from financing activities	(18,681)	(12,459)	(12,460)
Net (decrease)/increase in cash and cash equivalents	(14,381)	1,903	3,439
Cash and cash equivalents at beginning of the year	20,995	19,262	15,859
Effect of exchange rate fluctuations on cash held	-	(170)	(36)
Cash and cash equivalents at end of the year	6,614	20,995	19,262

*restated, see note 1.19 on page 31 for details.

The notes on pages 24 to 60 form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2010

1. SIGNIFICANT ACCOUNTING POLICIES

This note from pages 25 to 33 deals with both the significant accounting policies used in the preparation of these financial statements, together with a note identifying new accounting standards which will affect the Group.

GVC Holdings PLC is a company registered in The Isle of Man and was incorporated on 5 January 2010. It is the successor company of Gaming VC Holdings S.A. and took the assets of Gaming VC Holdings S.A. on 21 May 2010 after formal approval by the shareholders. As a consequence, the results of the Group for the year ended 31 December 2009 and prior periods comprise the results of Gaming VC Holdings S.A. GVC Holdings PLC has continued to apply the same accounting policies as Gaming VC Holdings S.A. The consolidated financial statements of the Group for the year ended 31 December 2010 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 significant subsidiaries are listed in note 22.

1.1 Statement of Compliance

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

The Directors have reviewed the accounting policies used by the Group and consider them to be the most appropriate. The accounting policies are consistent with the prior year with the exception of revisions and amendments to IFRS issued by the IASB, which are relevant to and effective for the annual period beginning 1 January 2010. Significant effects on current, prior or future periods arising from the first-time application of these new requirements in respect of presentation, recognition and measurement are described below.

Standards, Amendments and Interpretations that were effective in 2010:

- IFRIC 19 'Extinguishing financial liabilities with equity instruments' – effective 1 July 2010. Clarifies the requirements of IFRSs when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. The Group has applied IFRIC 19 since 1 July 2010.

- IFRS 3 'Business combinations' (revised) – effective 1 July 2009.
  (a) Transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS. Clarifies that the amendments to IFRS 7, 'Financial instruments: Disclosures', IAS 32, 'Financial instruments: Presentation', and IAS 39, 'Financial instruments: Recognition and measurement', that eliminate the exemption for contingent consideration, do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of IFRS 3 (as revised in 2008).

  (b) Measurement of non-controlling interests. The choice of measuring non-controlling interests at fair value or at the proportionate share of the acquiree's net assets applies only to instruments that represent present ownership interests and entitle their holders to a proportionate share of the net assets in the event of liquidation. All other components of non-controlling interest are measured at fair value unless another measurement basis is required by IFRS.

  (c) Un-replaced and voluntarily replaced share-based payment awards. The application guidance in IFRS 3 applies to all share-based payment transactions that are part of a business combination, including un-replaced and voluntarily replaced share-based payment awards.

  The Group has applied IFRS 3 since 1 July 2010 in respect of acquisitions prospectively from 1 January 2010.

1. SIGNIFICANT ACCOUNTING POLICIES continued

1.1 Statement of Compliance continued

- IAS 27 'Consolidated and separate financial statements' (amendment) – effective 1 July 2009. Clarifies that the consequential amendments from IAS 27 made to IAS 21, 'The effect of changes in foreign exchange rates', IAS 28, 'Investments in associates', and IAS 31, 'Interests in joint ventures', apply prospectively for annual periods beginning on or after 1 July 2009, or earlier when IAS 27 is applied earlier. The Group has applied IAS 27 (amendment) retrospectively since 1 July 2009.

- IFRIC 18 Transfers of Assets from Customers - was adopted by the EU and published in the Official Journal on 1 December 2009 with a mandatory effective date in the endorsed version of financial years starting after 31 October 2009 rather than the effective date in the text itself of periods commencing on or after 1 July 2009. However, the EU-adopted version still permits earlier application than the mandatory EU date.

The Group does not anticipate that the adoption of these standards and interpretations will have a material effect on its financial statements.

Standards that have been issued but are not yet effective can be seen in note 1.20.

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 24.

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, the fair value of an asset or a liability arising from a contingent consideration arrangement. 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 non-controlling interest. Acquisition costs are expensed as incurred. 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.

Prior to 1 January 2010, business combinations were accounted for under the previous version of IFRS 3.

1.4 Foreign Currency

The functional currency of the Company and all companies in the Group as well as the presentational currency of the Group is the Euro.

1.4.1 Foreign Currency Transactions

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

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 significant, 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) and impairment losses (see accounting policy 1.7).

1. SIGNIFICANT ACCOUNTING POLICIES continued

1.6.2 Other Intangible Assets continued

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

Asset category	Valuation methodology
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. In some jurisdictions in which the Group has employees, there are government schemes into which the employing company or branch must make payments.

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. This valuation method takes into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest.

Payments made to repurchase or cancel vested awards are accounted for with the fair value of the options cancelled, measured at the date of cancellation being taken to retained earnings; the balance is taken to the income statement.

See note 19 for further details of the two schemes.

1.10 Provisions

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

1.11 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 charge-backs, and comprises the following elements:

Casino: net win in respect of bets placed on casino games that have concluded in the year, stated net of promotional bonuses, betting duties and similar taxes, and charge-backs.

Sportsbook: gains and losses in respect of bets placed on sporting events in the year, stated net of promotional bonuses, betting duties and similar taxes, and charge-backs. Open positions are carried at fair market value and gains and losses arising on this valuation are recognised in revenue, as well as gains and losses realised on positions that have closed.

Poker: net win in respect of rake for poker games that have concluded in the year, stated net of promotional bonuses, betting duties and similar taxes, and charge-backs.

Bingo: net win in respect of bets placed on bingo games that have concluded in the year, stated net of promotional bonuses, betting duties and similar taxes, and charge-backs.

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

1.12 Financial Expenses

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

1. SIGNIFICANT ACCOUNTING POLICIES continued

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 investments in subsidiaries is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

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

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

1.16 Segment Reporting

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

CasinoClub	Online casino operator, principally in the German language;
Betaland	Italian online sports-book and gaming operator;
Betboo	South American internet gaming operator, offering bingo, casino, poker and sports betting;
Emerging markets	Online sports book using the Betboo brand, outside of South America.

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.

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, call deposits and short term cash in transit held by payment service providers. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

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

1.18 Equity

Equity comprises the following:
'Share capital' represents the nominal value of equity shares.
'Share premium' represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.
'Retained earnings' represents retained profits.
'Merger reserve' arose on the re-domiciliation of the Group from Luxembourg to The Isle of Man. It consists of the pre-redomiciliation reserves of the Luxembourg company plus the difference in the issued share capital (31,135,762 share at €0.01 versus 31,135,762 shares at €1.24).

1.19 Restatements

Revenues relating to the financial years ending 2008 and 2009 have been restated to more appropriately allocate player bonuses and taxes against 'net gaming revenue'; these had previously been recognised in 'cost of sales'.

	2009 €000's	2008 €000's
As originally stated		
Net gaming revenue - continuing operations	52,632	49,831
Net gaming revenue - discontinued operations	1,326	254
	53,958	50,085
As restated		
Net gaming revenue - continuing operations	52,148	48,907
Net gaming revenue - discontinued operations	1,190	254
	53,338	49,161
Change in net gaming revenue - continuing operations	(484)	(924)
Change in net gaming revenue - discontinued operations	(136)	-

1. SIGNIFICANT ACCOUNTING POLICIES continued

1.19 Restatements continued

Technology costs recognised under 'operating costs' relating to the financial years ending 2008 and 2009 have been restated to 'cost of sales', these are calculated based on a percentage of revenue generated and have now more appropriately been recognised as a 'cost of sale'.

	2009 €000's	2008 €000's
Operating costs as originally stated	12,577	10,499
Operating costs as restated	11,806	10,062
Decrease in operating costs / increase in cost of sales	771	437

1.19 Restatements continued

'Free payment processor balances' relating to the financial years ending 2008 and 2009 previously recognised as a trade receivable have now been recognised as 'cash and cash equivalents' and only payment processor retention balances are recognised as a trade receivable.

	2009 €000's	2008 €000's
Receivables and prepayments as originally stated	5,727	6,367
Receivables and prepayments as restated	3,927	5,939
Decrease in receivables and prepayments / increase in cash and cash equivalents	1,800	428

Software licences recognised under 'property, plant and equipment' have been restated in the financial years ending 2008 and 2009 to 'intangible assets' along with the associated 'depreciation' which has been restated to 'amortisation'.

	2009 €000's	2008 €000's
Net book value of software licences	425	420
Decrease in depreciation / increase in amortisation	214	115

1.20 Standards in Issue, not yet Effective

Standards, Amendments and Interpretations that are mandatory for the Group's accounting periods beginning on or after 1 January 2011 and have not been adopted early by the Group:

- IFRIC 13 'Customer loyalty programmes' (amendment) – effective 1 January 2011. The Group will apply IFRIC 13 (amendment) prospectively from 1 January 2011.
- IAS 24 'Related party disclosures (revised 2009)' – effective 1 January 2011. The Group will apply IAS 24 (revised) from 1 January 2011
- IAS 1 'Presentation of financial statements' (amendment) – effective 1 January 2011. The Group will apply IAS 1 (amendment) retrospectively from 1 January 2011.
- IFRS 7 'Financial instruments' (amendment) – effective 1 January 2011. The Group will apply IFRS 7 (amendment) retrospectively from 1 January 2011.
- IAS 34 'Interim financial reporting' (amendment) – effective 1 January 2011. The Group will apply IAS 34 (amendment) retrospectively from 1 January 2011.
- IFRS 9 'Financial instruments' – effective 1 January 2013.

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

- IFRIC 14 'IAS 19 – The limit on a defined benefit assets, minimum funding requirements and their interaction' (amendment) – effective 1 January 2011.

- IFRIC 15 Agreements for the Construction of Real Estate - was adopted by the EU and published in the Official Journal on 23 July 2009.
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation - was adopted by the EU and published in the Official Journal on 5 June 2009.
- IFRIC 17 Distribution of Non-cash Assets to Owners - was adopted by the EU and published in the Official Journal on 27 November 2009.
- IAS 32 'Financial Instruments: Presentation – Classification of rights issues' (amendment) – effective 1 January 2010.

2. 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:

	Notes	**2010 €000's**	2009 €000's	2008 €000's
Sports revenue		**8,712**	9,244	6,284
Gaming revenue		**46,195**	42,904	42,623
Net gaming revenue	3	**54,907**	52,148	48,907
Cost of sales		**(9,812)**	(9,390)	(8,636)
Gross profit		**45,095**	42,758	40,271
Gross profit margin		**82%**	82%	82%
Marketing and affiliate costs		**(21,766)**	(16,592)	(12,715)
Contribution	3	**23,329**	26,166	27,556
Contribution margin		**42%**	50%	56%
Operating costs	4			
Staff costs		**(5,677)**	(4,304)	(4,882)
Professional fees		**(884)**	(919)	(1,102)
Technology costs		**(667)**	(600)	(550)
Office, travel, other		**(1,363)**	(1,220)	(1,377)
Third party service costs		**(2,342)**	(1,303)	-
Foreign exchange differences		**(232)**	(170)	(36)
		(11,165)	(8,516)	(7,947)
Clean EBITDA	3	**12,164**	17,650	19,609
Exceptional items	4	**(4,428)**	(1,538)	(842)
Share Option Charges	4, 17	**(482)**	(213)	(557)
EBITDA		**7,254**	15,899	18,210
Depreciation	4, 9	**(459)**	(495)	(321)
Amortisation	4, 10	**(1,637)**	(954)	(395)
Operating Profit		**5,158**	14,450	17,494
Financial income	5	**8**	64	551
Unwinding of discount on deferred consideration	5, 11	**(1,087)**	(467)	-
Other financial expense	5	**(1)**	(5)	(6)
Profit before tax		**4,078**	14,042	18,039
Taxation charge	6	**(222)**	(372)	(360)
Profit after tax from continuing operations		**3,856**	13,670	17,679
Loss after taxation from discontinued operations	7	**(411)**	(216)	(1,136)
Profit after tax		**3,445**	13,454	16,543

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2010 - continued

3. SEGMENTAL REPORTING
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 segments operating results.

Management also monitors net gaming revenue ('NGR') by geographic location of its customers, monitoring performance by Europe and Latin America.

3.1 Geographical Analysis
The Group's revenues from external customers are divided into the following geographic areas:

	2010	2009	2008
	€000's	€000's	€000's
Europe	**49,677**	49,968	48,907
Latin America	**5,230**	2,180	-
Total	**54,907**	52,148	48,907

The total non-current assets (other than financial instruments, investments accounted for using the equity method, deferred tax assets and post employment benefit assets) located in Europe is €56,543,000 (2009: €56,281,000, 2008: €56,794,000) and the total located in other regions is €6,747,000 (2009: €8,000,000, 2008: €623,000).

The total deferred tax asset located in Europe is €nil (2009: €53,000, 2008: €11,000). There are no deferred tax assets in other regions.

Revenues from external customers in the Group's domicile, Europe, as well as its major markets, Europe and Latin America, have been identified on the basis of the customer's geographical location. Non-current assets are allocated based on their physical location. The above table does not include discontinued operations, for which revenue and assets can be attributed to Europe.

3.2 NGR by Quarter

	CasinoClub	Betaland	Betboo	Total
	€000's	€000's	€000's	€000's
Q1 - 08	9,927	3,156	-	13,083
Q2 - 08	9,453	3,087	-	12,540
Q3 - 08	9,104	2,753	-	11,857
Q4 - 08	7,330	4,097	-	11,427
Total 2008	35,814	13,093	-	48,907
Q1 - 09	7,945	6,540	-	14,485
Q2 - 09	6,991	4,221	-	11,212
Q3 - 09	7,084	3,581	1,126	11,791
Q4 - 09	7,415	6,191	1,054	14,660
Total 2009	29,435	20,533	2,180	52,148
Q1 - 10	7,078	6,125	933	14,136
Q2 - 10	6,601	6,090	1,230	13,921
Q3 - 10	6,241	5,563	1,621	13,425
Q4 - 10	7,530	4,449	1,446	13,425
Total 2010	**27,450**	**22,227**	**5,230**	**54,907**

3.3 Segment Summary

	CasinoClub			Betaland			Betboo		
	2010	2009	2008	**2010**	2009	2008	**2010**	2009	2008
	€000's	€000's	€000's	**€000's**	€000's	€000's	**€000's**	€000's	€000's
NGR	**27,450**	29,435	35,814	**22,227**	20,533	13,093	**5,230**	2,180	-
Gross profit	**22,181**	23,885	30,392	**18,959**	17,203	9,879	**3,955**	1,670	-
Contribution	**16,510**	20,640	25,841	**4,205**	4,151	1,715	**2,626**	1,375	-
Clean EBITDA	**13,924**	18,399	23,856	**1,939**	1,741	(1,231)	**(189)**	103	-

3.4 Reporting by Segment

2010	CasinoClub €000's	Betaland €000's	Betboo €000's	Emerging markets €000's	Central €000's	**Total €000's**
Net gaming revenue	**27,450**	**22,227**	**5,230**	**-**	**-**	**54,907**
Cost of sales	(5,269)	(3,268)	(1,275)	-	-	**(9,812)**
Gross profit	**22,181**	**18,959**	**3,955**	**-**	**-**	**45,095**
Marketing and affiliate costs	(5,671)	(14,754)	(1,329)	(12)	-	**(21,766)**
Contribution	**16,510**	**4,205**	**2,626**	**(12)**	**-**	**23,329**
Contribution margin	*60%*	*19%*	*50%*			
Operating costs	(2,586)	(2,266)	(2,815)	(709)	(2,789)	**(11,165)**
Clean EBITDA	**13,924**	**1,939**	**(189)**	**(721)**	**(2,789)**	**12,164**
Clean EBITDA margin	*51%*	*9%*	*(4%)*			
Exceptional items	(1,021)	-	(202)	-	(3,205)	**(4,428)**
Share option charges	-	-	-	-	(482)	**(482)**
EBITDA	**12,903**	**1,939**	**(391)**	**(721)**	**(6,476)**	**7,254**
Depreciation and amortisation	(467)	(386)	(1,242)	(1)	-	**(2,096)**
Financial income	-	-	-	-	8	**8**
Financial expense*	-	-	(1,087)	-	(1)	**(1,088)**
Profit/(loss) before tax	**12,436**	**1,553**	**(2,720)**	**(722)**	**(6,469)**	**4,078**
Taxation	(691)	(82)	151	40	360	**(222)**
Profit/(loss) after tax from continuing operations	**11,745**	**1,471**	**(2,569)**	**(682)**	**(6,109)**	**3,856**

Net assets						
Non-current assets	55,996	380	6,452	462	-	**63,290**
Current assets	1,785	4,012	696	90	6,239	**12,822**
Current liabilities	(1,625)	(4,386)	(1,079)	(5)	(163)	**(7,258)**
Net current assets	160	(374)	(383)	85	6,076	**5,564**
Long term liabilities	-	-	(6,170)	-	-	**(6,170)**
Net assets	56,156	6	(101)	547	6,076	**62,684**
Total assets	**57,781**	**4,392**	**7,148**	**552**	**6,239**	**76,112**
Total liabilities	**(1,625)**	**(4,386)**	**(7,249)**	**(5)**	**(163)**	**(13,428)**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2010 - continued

3. SEGMENTAL REPORTING continued

3.4 Reporting by Segment continued

2009	CasinoClub €000's	Betaland €000's	Betboo €000's	Central €000's	**Total €000's**
Net gaming revenue	29,435	20,533	2,180	-	**52,148**
Cost of sales	(5,550)	(3,330)	(510)	-	**(9,390)**
Gross profit	23,885	17,203	1,670	-	**42,758**
Marketing and affiliate costs	(3,245)	(13,052)	(295)	-	**(16,592)**
Contribution	20,640	4,151	1,375	-	**26,166**
Contribution margin	*70%*	*20%*	*63%*		
Operating costs	(2,241)	(2,410)	(1,272)	(2,593)	**(8,516)**
Clean EBITDA	18,399	1,741	103	(2,593)	**17,650**
Clean EBITDA margin	*63%*	*8%*	*5%*		
Exceptional items	(420)	(1,003)	-	(115)	**(1,538)**
Share option charges	-	-	-	(213)	**(213)**
EBITDA	17,979	738	103	(2,921)	**15,899**
Depreciation and amortisation	(366)	(476)	(607)	-	**(1,449)**
Financial income	-	-	-	64	**64**
Financial expense*	-	-	(472)	-	**(472)**
Profit/(loss) before tax	17,613	262	(976)	(2,857)	**14,042**
Taxation	(483)	-	34	77	**(372)**
Profit/(loss) after tax from continuing operations	17,130	262	(942)	(2,780)	**13,670**

Net assets					
Non-current assets	56,069	739	7,526	-	**64,334**
Current assets	837	3,299	894	23,087	**28,117**
Current liabilities	(405)	(4,244)	(473)	(4,154)	**(9,276)**
Net current assets	432	(945)	421	18,933	**18,841**
Long term liabilities	-	-	(5,354)	-	**(5,354)**
Net assets	56,501	(206)	2,593	18,933	**77,821**
Total assets	56,906	4,038	8,420	23,087	**92,451**
Total liabilities	(405)	(4,244)	(5,827)	(4,154)	**(14,630)**

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

2008	CasinoClub €000's	Betaland €000's	Central €000's	**Total €000's**
Net gaming revenue	35,814	13,093	-	**48,907**
Cost of sales	(5,422)	(3,214)	-	**(8,636)**
Gross profit	30,392	9,879	-	**40,271**
Marketing and affiliate costs	(4,551)	(8,164)	-	**(12,715)**
Contribution	25,841	1,715	-	**27,556**
Contribution margin	*72%*	*13%*		
Operating costs	(1,985)	(2,946)	(3,016)	**(7,947)**
Clean EBITDA	23,856	(1,231)	(3,016)	**19,609**
Clean EBITDA margin	*67%*	*(9%)*		
Exceptional items	-	-	(842)	**(842)**
Share option charges	-	-	(557)	**(557)**
EBITDA	23,856	(1,231)	(4,415)	**18,210**
Depreciation and amortisation	(366)	(350)	-	**(716)**
Financial income	-	-	551	**551**
Financial expense	-	-	(6)	**(6)**
Profit/(loss) before tax	23,490	(1,581)	(3,870)	**18,039**
Taxation	-	-	(360)	**(360)**
Profit/(loss) after tax from continuing operations	23,490	(1,581)	(4,230)	**17,679**

Net assets				
Non-current assets	56,203	1,225	-	**57,428**
Current assets	2,247	4,056	21,509	**27,812**
Current liabilities	(408)	(2,838)	(5,386)	**(8,632)**
Net current assets	1,839	1,218	16,123	**19,180**
Net assets	58,042	2,443	16,123	**76,608**
Total assets	58,450	5,281	21,509	**85,240**
Total liabilities	(408)	(2,838)	(5,386)	**(8,632)**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2010 - continued

4. OPERATING COSTS

	Notes	**2010 €000's**	2009 €000's	2008 €000's
Other operating costs	4.1	**11,647**	8,729	8,504
Exceptional items	4.2	**4,428**	1,538	842
Depreciation		**459**	495	321
Amortisation		**1,637**	954	395
		18,171	11,716	10,062

4.1 Other Operating Costs

	Notes	**2010 €000's**	2009 €000's	2008 €000's
Other personnel expenditure (excluding share option charges)	4.1.1	**5,677**	4,304	4,882
Share option charges		**482**	213	557
Total personnel expenditure		**6,159**	4,517	5,439
Professional fees	4.1.2	**884**	919	1,102
Technology costs		**667**	600	550
Office, travel and other costs		**1,363**	1,220	1,377
Third party service costs*		**2,342**	1,303	-
Foreign exchange differences		**232**	170	36
		11,647	8,729	8,504

**provided to Betboo by external providers*

4.1.1 Personnel Expenditure (Excluding Share Option Charges)

The Directors who served throughout the year were: Lee Feldman, Kenneth Alexander, Nigel Blythe-Tinker, Richard Cooper and Karl Diacono. For a detailed summary of their remuneration see the Report of the Remuneration Committee on page 61.

The personnel expenditure shown below excludes those items of an exceptional nature shown in note 4.2.

	2010 €000's	2009 €000's	2008 €000's
Wages and salaries, including Directors remuneration	**4,169**	3,590	3,031
Amounts paid to long term contractors	**708**	452	1,594
Compulsory social security contributions	**337**	159	117
Compulsory pension contributions	**130**	44	69
Health and other benefits	**51**	10	6
Recruitment and training	**282**	49	65
	5,677	4,304	4,882

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

	2010	2009	2008
Number of personnel			
With employment contracts or service contracts	**80**	60	59
Contractors	**4**	7	11
	84	67	70

4.1.2 Professional Fees

At 31 December 2010, the Group has legal entities in The Isle of Man, Netherlands Antilles, Cyprus, Malta, United Kingdom and Israel. Accordingly, the Group seeks professional advice in these and other jurisdictions.

	2010	2009	2008
	€000's	€000's	€000's
Other professional fees	**884**	919	1,102

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

4.2 Exceptional Items

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

		2010	2009	2008
	Note	**€000's**	€000's	€000's
Boss dispute	a	**626**	-	-
Re-domiciliation & other restructuring	b	**1,628**	-	-
Options cancelled	c	**450**	-	-
LTIP and similar compensation	d	**1,127**	-	-
Software costs	e	**339**	-	-
Disposal of GVC Corporation SpA	f	**-**	1,005	-
Termination costs related to consultants	g	**-**	283	-
Abnormal individual jackpot win	h	**258**	250	-
Termination and other costs associated with Board changes		**-**	-	526
Professional fees associated with abortive take-over during the year		**-**	-	316
		4,428	1,538	842

Note a: The Group is in a number of legal disputes with Boss Media (see note 25). The legal costs incurred by the Group relating to these disputes has been taken as an exceptional item.

Note b: The Group moved its holding company from Luxembourg to The Isle of Man in May 2010 following approval at an Extraordinary General Meeting. This move also involved a full re-admission of the shares to AIM. The Group is also moving one of its subsidiaries to another jurisdiction. The cost of this restructuring has been taken as an exceptional item.

Note c: On 27 January 2010, the Group announced that it was cancelling the vested share options relating to K Alexander and R Cooper and settling them in cash as a consequence. The total value of the cash compensation was €833,526 (£721,000), of which €449,848 has been taken to the income statement as an exceptional item, and the balance to retained earnings, representing the fair value of the options cancelled, measured at the date of cancellation.

Note d: On 27 January 2010, the Group announced that it had agreed to make one-off discretionary payments to Kenneth Alexander and Richard Cooper in addition to their normal performance based bonus payments, in recognition of their importance to the business and their lack of participation up to that date in a Long-Term Incentive Plan. The total amount of this compensation, which has been taken as an exceptional item, was €1,127,168.

Note e: During the period, the Group incurred costs for both professional fees and technology costs relating to certain software suppliers. These costs have been taken to exceptional items as the Directors consider them both unusual in nature and of significant size to warrant separate disclosure.

Note f: The Group entered into an agreement to dispose of GVC Corporation SpA, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2010 - continued

4. OPERATING COSTS continued
4.2 Exceptional Items continued

Note g: The Group terminated the contracts with certain long-term senior contractors during the year ended 31 December 2009 and has recognised the settlements as exceptional items, being the extension of the restructuring work the Group has undertaken.

Note h: The Group had one single winner of a significant jackpot, winning a video poker game (2009, one winner of a slots game known as 'Roman Empire'). The amount taken to exceptional items was €258,000 (2009: €250,000).

5. FINANCIAL INCOME AND EXPENSES

	2010 €000's	2009 €000's	2008 €000's
Financial income – interest income	**8**	64	551
Financial expense – interest payable			
- Interest payable	**(1)**	(5)	(6)
- Unwinding of discount on deferred consideration*	**(1,087)**	(467)	-
	(1,088)	(472)	(6)

*see note 11 for further details

6. TAXATION

Current tax for the current and prior periods is classified as a current liability to the extent that it is unpaid. Amounts paid in excess of amounts owed are classified as a current asset. There is a current tax liability of €169k (net of tax receivable amounts) at 31 December 2010 (2009: Current tax asset of €525k (net of tax payable amounts)).

6.1 Taxation Amounts Recognised in the Income Statement

	2010 €000's	2009 €000's	2008 €000's
Current tax expense			
Current year	**169**	414	360
Deferred tax			
Origination and reversal of temporary differences	**53**	(42)	-
Total income tax expense in income statement	**222**	372	360

The tax for the year is different from that which would result from applying the standard rate of Corporation Tax in the UK (28%*). A reconciliation is shown below:

	2010	2009	2008
Profit before tax	**4,078**	14,042	18,039
Income tax using the domestic corporation tax rate	**1,142**	3,932	5,051
Effect of tax rates in foreign jurisdictions (Rates decreased)	**(1,126)**	(3,518)	(4,691)
Expenses not deductible for tax purposes	**321**	-	-
Utilisation of tax losses	**(76)**	-	-
Tax losses for which no deferred tax assets have been recognised	**7**	-	-
Adjustment in respect of prior years – deferred tax	**53**	-	-
Capital allowances for period in excess of depreciation	**(99)**	(42)	-
	222	372	360

• The UK Corporation Tax rate in the year was 28%. From 1 April 2011 the rate will change to 26% and from 1 April 2012 the rate will reduce to 25%.

6.2 Taxation Amounts Recognised in the Balance Sheet

	Current Tax		Deferred Tax		
	Payable €000's	Receivable €000's	Asset €000's	Liability €000's	**Total €000's**
At 1 January 2008	(18)	-	11	-	(7)
Paid 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
Credit in the income statement for discontinued operations	-	6	-	-	6
(Charge)/credit in income statement for the year ended 31 December 2009	(2,644)	2,230	42	-	(372)
Balances at 31 December 2009	(2,670)	3,195	53	-	578
Balances at 1 January 2010	(2,670)	3,195	53	-	**578**
Paid/(received) during the year ended 31 December 2010	2,664	(3,189)	-	-	**(525)**
(Charge)/credit in income statement for the year ended 31 December 2010	(1,519)	1,350	(53)	-	**(222)**
Balances at 31 December 2010	**(1,525)**	**1,356**	**-**	**-**	**(169)**

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

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

Unrelieved tax losses remain available to offset against future trading profits. Should suitable taxable profits arise, these losses would represent a deferred tax asset of approximately €760,000.

7. DISCONTINUED OPERATIONS

In April 2010 the Group discontinued its Spanish-facing bingo brand, Winzingo, as it had been loss-making and the Board could see no significant change to this position. The results from Winzingo are shown below:

	2010 €000's	2009 €000's	2008 €000's
Net gaming revenue	**354**	1,190	254
Cost of sales	**(72)**	(194)	(40)
Gross profit	**282**	996	214
Marketing and revenue shares	**(241)**	(489)	(275)
Contribution	**41**	507	(61)
Operating costs	**(452)**	(729)	(1,075)
EBITDA	**(411)**	(222)	(1,136)
Depreciation and amortisation	**-**	-	-
Financial income and expenses	**-**	-	-
Loss before tax	**(411)**	(222)	(1,136)
Tax	**-**	6	-
Loss after tax	**(411)**	(216)	(1,136)

8. EARNINGS PER SHARE

8.1 Basic Earnings Per Share and Basic Earnings Per Share Before Exceptional Items

Basic earnings per share has been calculated by taking the profit attributable to ordinary shareholders and dividing by the weighted average number of shares in issue. Basic earnings per share from continuing operations before exceptional items has been calculated by taking the profit attributable to ordinary shareholders and adding back the cost of exceptional items in the year and dividing by the weighted average number of shares in issue.

	2010	2009	2008
Profit for the year from continuing operations attributable to ordinary shareholders	**3,856,000**	13,670,000	17,679,000
Loss for the year from discontinued operations attributable to ordinary shareholders	**(411,000)**	(216,000)	(1,136,000)
Profit for the year attributable to ordinary shareholders	**3,445,000**	13,454,000	16,543,000
Weighted average number of shares	**31,135,762**	31,135,762	31,135,762
Profit from continuing operations (in €)	0.124	0.439	0.568
Loss from discontinuing operations (in €)	(0.013)	(0.007)	(0.036)
Basic earnings per share (in €)	**0.111**	0.432	0.531
Exceptional items	**4,428,000**	1,538,000	842,000
Profit for the year from continuing operations attributable to ordinary shareholders before exceptional items	**8,284,000**	15,208,000	18,521,000
Basic earnings per share from continuing operations before exceptional items (in €)	**0.266**	0.488	0.595

8.2 Diluted Earnings Per Share and Diluted Earnings Per Share Before Exceptional Items

Diluted earnings per share has been calculated by taking the profit attributable to ordinary shareholders and dividing by the weighted average number of shares in issue as diluted by share options. Diluted earnings per share from continuing operations before exceptional items has been calculated by taking the profit attributable to ordinary shareholders and adding back the cost of exceptional items and dividing by the weighted average number of shares in issue, as diluted by share options.

	2010	2009	2008
Profit for the year from continuing operations attributable to ordinary shareholders	**3,856,000**	13,670,000	17,679,000
Loss for the year from discontinued operations attributable to ordinary shareholders	**(411,000)**	(216,000)	(1,136,000)
Profit for the year attributable to ordinary shareholders	**3,445,000**	13,454,000	16,543,000
Weighted average number of shares	**31,135,762**	31,135,762	31,135,762
Effect of dilutive share options	**703,076**	571,332	590,384
Weighted average number of dilutive shares	**31,838,838**	31,707,094	31,726,146
Profit from continuing operations (in €)	0.121	0.431	0.557
Loss from discontinuing operations (in €)	(0.013)	(0.007)	(0.036)
Diluted earnings per share (in €)	**0.108**	0.424	0.521
Exceptional items	**4,428,000**	1,538,000	842,000
Profit for the year from continuing operations attributable to ordinary shareholders before exceptional items	**8,284,000**	15,208,000	18,521,000
Diluted earnings per share from continuing operations before exceptional items (in €)	**0.260**	0.480	0.584

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for the year ended 31 December 2010 - continued

9. PROPERTY, PLANT AND EQUIPMENT

	Fixtures and Fittings €000's	**Total Property Plant and Equipment €000's**	Allocated by Brand CasinoClub €000's	Betaland €000's	Emerging markets €000's
Cost					
At 1 January 2008	255	255	-	255	-
Additions	1,196	1,196	792	404	-
At 31 December 2008	1,451	1,451	792	659	-
At 1 January 2009	1,451	1,451	792	659	-
Disposals	(320)	(320)	-	(320)	-
Additions	222	222	96	126	-
At 31 December 2009	1,353	1,353	888	465	-
At 1 January 2010	1,353	**1,353**	888	465	-
Additions	148	**148**	27	64	57
At 31 December 2010	1,501	**1,501**	915	529	57
Depreciation					
At 1 January 2008	12	12	-	12	-
Depreciation charge for the year	321	321	150	171	-
At 31 December 2008	333	333	150	183	-
At 1 January 2009	333	333	150	183	-
Disposals	(149)	(149)	-	(149)	-
Depreciation charge for the year	495	495	284	211	-
At 31 December 2009	679	679	434	245	-
At 1 January 2010	679	**679**	434	245	-
Depreciation charge for the year	459	**459**	300	158	1
At 31 December 2010	1,138	**1,138**	734	403	1
Net Book Value					
At 31 December 2008	1,118	1,118	642	476	-
At 31 December 2009	674	674	454	220	-
At 31 December 2010	363	**363**	181	126	56

10. INTANGIBLE ASSETS

	Goodwill €000's	Trade-marks & Trade Name €000's	Software Licence €000's	Consulting & Magazine €000's	Non-contractual Customer Relationships €000's	**Total €000's**
Cost						
At 1 January 2008	73,613	15,144	12,548	4,919	-	106,224
Additions	-	-	693	-	-	693
At 31 December 2008	73,613	15,144	13,241	4,919	-	106,917
At 1 January 2009	73,613	15,144	13,241	4,919	-	106,917
Disposals	-	-	(313)	-	-	(313)
Additions	3,278	696	2,809	-	1,704	8,487
At 31 December 2009	76,891	15,840	15,737	4,919	1,704	115,091
At 1 January 2010	76,891	15,840	15,737	4,919	1,704	**115,091**
Additions:						
Emerging markets	-	-	406	-	-	406
Betboo	-	161	7	-	-	168
CasinoClub	-	-	367	-	-	367
Betaland	-	-	16	-	-	16
	-	161	796	-	-	**957**
At 31 December 2010	76,891	16,001	16,533	4,919	1,704	**116,048**
Amortisation and Impairment						
At 1 January 2008	33,274	-	12,134	4,815	-	50,223
Charge for the year	-	-	291	104	-	395
At 31 December 2008	33,274	-	12,425	4,919	-	50,618
At 1 January 2009	33,274	-	12,425	4,919	-	50,618
Disposals	-	-	(88)	-	-	(88)
Charge for the year	-	87	654	-	213	954
At 31 Dec 2008	33,274	87	12,991	4,919	213	51,484
At 1 January 2010	33,274	87	12,991	4,919	213	**51,484**
Amortisation	-	200	1,011	-	426	**1,637**
At 31 December 2010	33,274	287	14,002	4,919	639	**53,121**
Net Book Value						
At 31 December 2008	40,339	15,144	816	-	-	56,299
At 31 December 2009	43,617	15,753	2,746	-	1,491	63,607
At 31 December 2010	43,617	15,714	2,531	-	1,065	**62,927**

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for the year ended 31 December 2010 - continued

10. INTANGIBLE ASSETS continued

By Brand	Goodwill €000's	Trade-marks & Trade Name €000's	Software Licence €000's	Consulting & Magazine €000's	Non-contractual Customer Relationships €000's	**Total €000's**
Cost						
CasinoClub	73,613	15,144	12,295	4,919	-	105,971
Betaland	-	-	946	-	-	946
At 31 December 2008	73,613	15,144	13,241	4,919	-	106,917
Betboo	3,278	696	2,455	-	1,704	8,133
CasinoClub	73,613	15,144	12,431	4,919	-	106,107
Betaland	-	-	851		-	851
At 31 December 2009	76,891	15,840	15,737	4,919	1,704	115,091
Emerging markets	-	-	406	-	-	**406**
Betboo	3,278	857	2,462	-	1,704	**8,301**
CasinoClub	73,613	15,144	12,798	4,919	-	**106,474**
Betaland	-	-	867	-	-	**867**
At 31 December 2010	76,891	16,001	16,533	4,919	1,704	**116,048**
Amortisation and Impairment						
CasinoClub	33,274	-	12,217	4,919	-	50,410
Betaland	-	-	208	-	-	208
At 31 December 2008	33,274	-	12,425	4,919	-	50,618
Betboo	-	87	307	-	213	607
CasinoClub	33,274	-	12,299	4,919	-	50,492
Betaland	-	-	385	-	-	385
At 31 December 2009	33,274	87	12,991	4,919	213	51,484
Emerging markets	-	-	-	-	-	**-**
Betboo	-	287	923	-	639	**1,849**
CasinoClub	33,274	-	12,466	4,919	-	**50,659**
Betaland	-	-	613	-	-	**613**
At 31 December 2010	33,274	287	14,002	4,919	639	**53,121**
Net Book Value						
CasinoClub	40,339	15,144	78	-	-	55,561
Betaland	-	-	738	-	-	738
At 31 December 2008	40,339	15,144	816	-	-	56,299
Betboo	3,278	609	2,148	-	1,491	7,526
CasinoClub	40,339	15,144	132	-	-	55,615
Betaland	-	-	466	-	-	466
At 31 December 2009	43,617	15,753	2,746	-	1,491	63,607
Emerging markets	-	-	406	-	-	**406**
Betboo	3,278	570	1,539	-	1,065	**6,452**
CasinoClub	40,339	15,144	332	-	-	**55,815**
Betaland	-	-	254	-	-	**254**
At 31 December 2010	43,617	15,714	2,531	-	1,065	**62,927**

10.1 Amortisation

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

	2010	2009	2008
	€000's	€000's	€000's
Net operating expenses	**1,637**	954	395

10.2 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 2010. 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 2011 and 31 December 2012. The assumptions detailed below have been determined based on past experience in this market which the Group's management believes is the best available input for forecasting this market.

Betboo

Significant growth is expected in the short-term and a step-down approach to 20% by 2016 is applied, a long-term growth rate of 2% was used from 2017 to reflect the likely competitive pressures. A discount rate of 35% was used, based on the internal rate of return of the Betboo acquisition. It was concluded that the carrying value of the goodwill and trademarks was not impaired.

CasinoClub

A long-term growth rate of 2% was used to reflect the increasing competitive pressures from large online gaming companies. A discount rate of 18.5% was used, based on company specific pre-tax weighted average cost of capital. Having performed appropriate sensitivity analysis on the key assumptions (including reducing the growth rate to nil and increasing the discount rate to 22%), it was concluded that the carrying value of the goodwill and trademarks was not impaired.

The following units have significant carrying amounts of goodwill:

	2010	2009	2008
	€000's	€000's	€000's
Betboo	**3,278**	3,278	-
CasinoClub	**40,339**	40,339	40,339
	43,617	43,617	40,339

11. 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.

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

The 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%.

11. ACQUISITION OF BETBOO continued

On 23 February 2011, the Group announced a change in the terms of the earn out. Under the new arrangements:

- From 1 July 2011 there will be 36 monthly payments of $156,944.
- From 31 January 2012, there will be four annual payments equal to 25% of the Betboo NGR earned in the previous fiscal year.
- The total earn out cap remains at $30 million.
- The exchange rate between the US Dollar and Euro has been fixed at 1 Euro = US$ 1.4031.

As a non-adjusting event after the balance sheet date, changes to the fair value of the consideration and goodwill will be dealt with in the 2011 financial statements.

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

		Gross €000's	Discount €000's	Net €000's
Fair value		12,103	(4,076)	8,027
Initial consideration		3,040	-	3,040
Acquisition costs		100	-	100
Deferred consideration		8,963	(4,076)	4,887
		12,103	(4,076)	**8,027**
Assets acquired at fair values	Useful economic life			
Non contractual customer relationships	4 years			1,704
Software	4 years			2,455
Trade name	4 years			696
Goodwill on acquisition	indefinite			3,278
			(see note 10)	8,133
Net current liabilities				(106)
				8,027

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	Total
Balance at 1 January	-	**5,354**	6,170	7,497	-
Fair value of deferred consideration on acquisition	4,887	**-**	-	-	4,887
Unwinding of discount charged to income statement	467	**1,087**	1,327	1,195	4,076
Advance of deferred consideration	-	**(271)**	-	-	(271)
Balance at 31 December	5,354	**6,170**	7,497	8,692	8,692

12. RECEIVABLES AND PREPAYMENTS

	2010	2009	2008
	€000's	€000's	€000's
Payment processor retention balances	**863**	805	2,667
Trade receivables	**1,791**	1,995	2,380
Interest receivables	**-**	-	9
Other receivables	**1,215**	464	593
Loans and receivables	**3,869**	3,264	5,649
Prepayments	**964**	663	290
	4,833	3,927	5,939

Payment processor retention balances are funds held by third party collection agencies; these are recovered over a six month period.

Prepayments include payments as at 31 December 2010 for goods or services which will be consumed after 1 January 2011.

13. CASH AND CASH EQUIVALENTS

	2010	2009	2008
	€000's	€000's	€000's
Cash and cash equivalents			
Bank balances	**4,875**	19,195	4,074
Treasury deposits held with banks	**-**	-	14,760
Free balances at payment processors	**1,739**	1,800	428
	6,614	20,995	19,262
Held in the following institutions:			
Barclays Bank	**11**	10,994	17,185
Bank of Valletta (Malta)	**4,688**	7,966	1,000
Payment processors	**1,739**	1,800	428
Other	**176**	235	649
	6,614	20,995	19,262
Held in the following currencies (in Euro equivalents at the balance sheet date):			
Euro	**5,882**	20,286	19,069
US Dollars	**575**	355	25
British Pounds	**44**	44	154
Other	**113**	310	14
	6,614	20,995	19,262
Comprising:			
Own funds	**4,935**	19,380	17,930
Customer balances (note 14)	**1,679**	1,615	997
Funds held in escrow representing withholding tax for founder shareholders	**-**	-	335
	6,614	20,995	19,262
Amount per share represented by own funds (in €)	**0.159**	0.622	0.576

A more meaningful measure of the Group's liquidity is disclosed in the report of the Group Finance Director.

14. TRADE AND OTHER PAYABLES

	2010 €000's	2009 €000's	2008 €000's
Balances with customers	1,679	1,615	997
Other trade payables	1,747	1,121	1,254
Total trade payables	3,426	2,736	2,251
Accruals	2,043	3,818	2,891
Other creditors: balances due to founder shareholders in respect of withholding taxes recovered	-	-	335
	5,469	6,554	5,477

15. OTHER TAXATION PAYABLE

	2010 €000's	2009 €000's	2008 €000's
Social security and other similar taxes	197	24	13
Value added taxes	38	-	78
Betting taxes and similar	29	28	82
	264	52	173

16. COMMITMENTS UNDER OPERATING LEASES

The Group leases various offices under non-cancellable operating leases. The leases have varying terms, escalation clauses and renewal rights.

The future minimum lease payments under non-cancellable leases are as follows:

	2010 €000's	2009 €000's
No later than one year	333	308
Later than one year and no later than five years	300	512
	633	820

17. SHARE CAPITAL AND RESERVES

17.1 Share Capital

On 21 May 2010 shareholders of Gaming VC Holdings S.A., approved a redomiciliation to The Isle of Man which resulted, pari passu, in shareholders receiving shares with a nominal value of €0.01 in GVC Holdings PLC. As a result of this transaction, GVC Holdings PLC acquired all the assets and liabilities of Gaming VC Holdings S.A. Arising from this transaction was the creation of a Merger Reserve. The various transfers into this reserve are shown in the Consolidated Statement of Changes in Equity, see page 22.

The authorised and issued share capital is:

	2010 €000's
Authorised	
Ordinary shares of €0.01 each	
At 31 December - 40,000,000 shares	400
Issued, Called Up and Fully Paid	
Ordinary shares of €0.01 each	
At 31 December - 31,135,762 shares	311

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

17.2 Reserves

	Retained Earnings						
	Pre reconstruction €000's	Post reconstruction €000's	Total €000's	Share capital €000's	Share Premium €000's	Merger reserve €000's	**Total €000's**
At 1 January 2010	30,465	-	30,465	38,608	8,748	-	**77,821**
Result for the year	1,750	1,695	3,445	-	-	-	**3,445**
Arising on reconstruction	(8,930)	-	(8,930)	(38,297)	(8,748)	55,975	**-**
Dividends paid	-	(3,113)	(3,113)	-	-	(15,568)	**(18,681)**
Share option charge	140	342	482	-	-	-	**482**
Share options cancelled*	(383)	-	(383)	-	-	-	**(383)**
At 31 December 2010	**23,042**	**(1,076)**	**21,966**	**311**	**-**	**40,407**	**62,684**

*share options were cancelled and bought out on 27 January 2010, the credit to retained earnings relating to this is €383k.

The 'Merger reserve' arose on the re-domiciliation of the Group from Luxembourg to The Isle of Man. It consists of the pre-redomiciliation reserves of the Luxembourg company plus the difference in the issued share capital (31,135,762 share at €0.01 versus 31,135,762 shares at €1.24)

17.3 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. The Group intends to pay around 75% of its net cashflows to shareholders by way of dividends.

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

Total equity employed at 31 December 2010 was €62.7 million (2009: €78.3 million).

18. 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:

	2010	2009	2008
Total amount	**€3,113,576**	€nil	€6,227,152
Amount per qualifying share	**€0.10**	€nil	€0.20

On the 4 June 2010 a special dividend of €0.50 per share totalling €15,567,881 was paid to shareholders. As this related to the reserves of the former holding company this has been charged against the merger reserve. On the 28 October 2010 an interim dividend of €0.10 per share totalling €3,113,576 was paid to shareholders. See the statement of changes in equity on page 22.

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19. SHARE OPTION SCHEMES

The Group has two share option schemes, the 'original' scheme that has been in place since the IPO of GVC Holdings PLC's predecessor Gaming VC Holdings S.A and the 'new' scheme that was approved by shareholders on 21 May 2010.

The following options to purchase €0.01 ordinary shares in the Company were granted, bought out, lapsed or existing at the year end.

Date of Grant	Exercise Price	Existing at 1 January 2010	Granted in the year	Bought out	Lapsed in the year	Existing at 31 December 2010	Exercisable at 31 December 2010	Vesting criteria
14 Dec 04	420p	310,000	-	-	(310,000)	-	-	Note a
16 May 06	420p	140,000	-	-	(140,000)	-	-	Note a
01 Mar 07	100p	800,000	-	(566,667)	-	233,333	183,337	Note a
15 May 07	129p	154,590	-	-	-	154,590	138,491	Note a
26 Feb 08	138.16p	150,000	-	-	-	150,000	106,250	Note a
12 Dec 08	126p	400,000	-	(108,333)	-	291,667	91,663	Note a
21 May 10	213p	-	1,675,000	-	-	1,675,000	-	Note b
21 May 10	1p	-	300,000	-	-	300,000	-	Note c
21 May 10	1p	-	100,000	-	-	100,000	-	Note d
21 May 10	150p	-	700,000	-	-	700,000	-	Note e
Total all schemes		**1,954,590**	**2,775,000**	**(675,000)**	**(450,000)**	**3,604,590**	**519,741**	

Note a: These awards were granted under the original scheme, on the first anniversary of the grant date, 25% of the option vests. Thereafter, the balance of the option vests over three years, at 1/36th per month. 63% of these options have currently vested and the remaining 37% are expected to vest during 2011 and 2012.

Note b: These options were granted under the new scheme, it is expected that the initial awards will vest over a three year period as follows; one third of the ordinary shares subject to each award will vest 12 months after the date of grant of the awards and the balance of the ordinary shares will vest in eight equal quarterly instalments over the following 24 months. Once vested, awards will normally be exercisable up to ten years from the date of grant at the end of which period they will lapse.

Note c: These options were granted under the new scheme; it is expected that the initial awards will vest over a three year period as follows; one third of the ordinary shares subject to each award will vest 12 months after the date of grant of the awards and the balance of the ordinary shares will vest in eight equal quarterly instalments over the following 24 months. Once vested, awards will normally be exercisable up to ten years from the date of grant at the end of which period they will lapse. The awards are subject to a performance condition which will require the Company's average share price over a period of 30 dealing days to reach 300p per ordinary share before the initial awards are capable of being exercised.

Note d: These options were granted under the new scheme, it is expected that the initial awards will vest over a three year period as follows; one third of the ordinary shares subject to each award will vest 12 months after the date of grant of the awards and the balance of the ordinary shares will vest in eight equal quarterly instalments over the following 24 months. Once vested, awards will normally be exercisable up to ten years from the date of grant at the end of which period they will lapse. The awards are subject to a performance condition which will require the Company's average share price over a period of 30 dealing days to reach 200p per ordinary share before the initial awards are capable of being exercised.

Note e: These options were granted under the new scheme, these options can be exercised after a period of 3 years from the date of grant subject to achieving performance targets set by the Company.

The charge to the consolidated income statement in respect of these options in 2010 was €482,000 (2009: €213,000).

19.1 Weighted Average Exercise Price of Options

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

	Weighted average exercise price 2010	Number of options 2010	Weighted average exercise price 2009	Number of options 2009
Outstanding at the beginning of the year	135p	1,954,590	176p	2,723,359
Granted during the year	167p	2,775,000	-	-
Forfeited during the year	231p	(1,125,000)	155p	(768,769)
Outstanding at the end of the year	156p	3,604,590	184p	1,954,590
Exercisable at the end of the year		519,741		1,254,006

The options outstanding at 31 December 2010 have a weighted average contractual life of 8.3 years (2009: 6.9 years).

The weighted average fair value of the options granted in the year was 39p.

19.2 Valuation of Options

The fair value of services received in return for share options granted in 2010, 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 to the market price 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 07	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
21 May 10	1.85	2.13	60%	2	17%	2.75%	0.39
21 May 10	1.85	0.01	60%	2	17%	2.75%	0.05
21 May 10	1.85	1.50	60%	2	17%	2.75%	0.59

** 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. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Group's principal financial instruments as at 31 December 2010 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.

20.1 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.

20.2 Foreign Exchange Risk

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

The Group 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.

20.2.1 Analysis of the Balance Sheet by Currency

At 31 December 2010	Euro €000's	GBP €000's	USD €000's	Other €000's	Total €000's
Non-current assets	**63,290**	**-**	**-**	**-**	**63,290**
Receivables and prepayments	4,443	40	215	135	4,833
Tax reclaimable	1,356	-	-	-	1,356
Other tax reclaimable	19	-	-	-	19
Cash and cash equivalents	5,882	44	575	113	6,614
Total current assets	**11,700**	**84**	**790**	**248**	**12,822**
Trade and other payables	(4,821)	(213)	(419)	(16)	(5,469)
Taxation payable	(1,525)	-	-	-	(1,525)
Other taxation liabilities	(264)	-	-	-	(264)
Total current liabilities	**(6,610)**	**(213)**	**(419)**	**(16)**	**(7,258)**
Net current assets	5,090	(129)	371	232	5,564
Long Term Liabilities					
- Deferred consideration*	(6,170)	-	-	-	(6,170)
Total assets less current liabilities	**62,210**	**(129)**	**371**	**232**	**62,684**

*priced in US Dollars but at a fixed Euro exchange rate.

At 31 December 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	3,120	202	527	78	3,927
Tax reclaimable	3,195	-	-	-	3,195
Cash and cash equivalents	20,286	44	355	310	20,995
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	77,039	127	821	(166)	77,821

*priced in US Dollars but at a fixed Euro exchange rate.

At 31 December 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	5,793	55	19	72	5,939
Tax reclaimable	2,611	-	-	-	2,611
Cash and cash equivalents	19,069	154	25	14	19,262
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

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.

20.3 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 2010 (2009: 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 2009 or 31 December 2010.

20.4 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) of €0.9 million (2009: €2.07 million) and cash balances held with the Bank of Valetta of €4.7 million (2009: Barclays Bank plc €11 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2010 - continued

20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT continued

20.4 Credit Risk continued

No provision for impairment has been made at 31 December 2010 (2009: €nil). No receivable amounts were past due date at 31 December 2010 (2009: €nil).

20.5 Liquidity Risk

At 31 December 2010, the Group had cash and cash equivalents of €6.6 million (2009: €21.0 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.

20.6 Fair Values

The carrying amounts of the financial assets and liabilities, including deferred consideration in the Balance Sheet at 31 December 2010 and 2009 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.

20.7 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:

	2010 €000's	2009 €000's	2008 €000's
Current assets:			
Financial assets measured as loans and receivables:			
- Trade and Other receivables	**3,869**	3,264	5,649
- Cash and cash equivalents	**6,614**	20,995	19,262
Current liabilities:			
Financial liabilities measured at amortised cost:			
- Trade and other payables	**5,469**	6,554	5,477
- Deferred consideration	**6,170**	5,354	-

21 RELATED PARTIES

21.1 Identity of Related Parties

The Group has a related party relationship with its subsidiaries (see note 22) and with its Directors and executive officers.

21.2 Transactions with Directors and Key Management Personnel

Nigel Blythe-Tinker is the Executive chairman of Pentasia Limited, a leading recruiter in the field of internet gaming. During the year ended 31 December 2010, Pentasia provided recruitment services to various members of the Group to a value of €125,998 (2009: €67,566).

Karl Diacono is the Chief Executive Officer of Fenlex Corporate Services Limited, a corporate service provider incorporated in Malta. During the year ended 31 December 2010, Fenlex received €52,311 from the Group in relation to Company secretarial matters arising in Malta (2009: €52,780).

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 2010, Rousset Capital Limited provided conference and meeting room services amounting to £22,237 (€26,159) (2009: £12,600 (€14,354)).

Lee Feldman is the Managing Partner of Twin Lakes Capital, a private equity firm based in New York. During the year ended 31 December 2010, Twin Lakes Capital received £50,000 (€57,564) (2009: £nil (€nil)) in relation to office services.

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

Details of the remuneration of key management are detailed below:

	2010	2009
	€000's	€000's
Salaries and employee benefits	**3,913**	1,673
Share based payments	**222**	161
	4,135	1,834

Details of Directors remuneration is given in the Report of the Remuneration Committee on page 61.

22. GROUP ENTITIES

Significant subsidiaries	**Country of incorporation**	**Ownership interest**	
		2010	2009
GVC Corporation B.V.*	Netherlands Antilles	**100%**	100%
Intera N.V.	Netherlands Antilles	**100%**	100%
Gaming VC Corporation Limited	Malta	**100%**	100%
GVC Administration Services Limited	England and Wales	**100%**	-

*also has a branch registered in Israel

23. CONTINGENT LIABILTIES

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 29 games, the total of the available jackpots at 31 December 2010 was €5.1 million (2009: 42 games and total available jackpot of €6.5 million). The single largest jackpot available amounted to €2.5 million from the slots game "Aladdin's Lamp" (2009: €2.2 million).

The Group had one single winner of a significant jackpot, winning a video poker game (2009, one winner of a slots game known as 'Roman Empire') In accordance with the Group's policy, the amount withdrawn by the customer (in this case €258,000 (2009: €250,000) has been treated as an exceptional item (see note 4.2).

24. ACCOUNTING ESTIMATES AND JUDGEMENTS

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

In the application of the accounting policies, which are detailed in this note, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The estimates and assumptions, which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Intangible assets

For all acquisitions management has recognised separately identifiable intangible assets on the Balance Sheet. These intangible assets have been valued based on expected future cash flow projections from existing customers. The calculations of the value and estimated future economic life of the assets involve, by the nature of the assets, significant judgement.

Customer liabilities

Customer liabilities represent cash held by the Group on behalf of customers. These are stated net of an allowance for uncollected dormant balances. Management apply judgement calculating the allowance by reference to player terms and conditions

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.

Receivables

Management apply judgement in evaluating the recoverability of receivables. To the extent that the Board believes receivables not to be recovered they have been provided for in the financial statements.

24.1 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 10.2 provides information on the assumptions used in these financial statements.

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

24.2 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 19.

24.3 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.

25. LITIGATION WITH BOSS MEDIA

The Group has two principal disputes with Boss Media, both of which were disclosed in the AIM Admission Document dated 19 April 2010.

Notice of Termination of Italian operations of Gaming VC Corporation of Malta from Boss Media

A judicial protest was filed in Malta by Gaming VC Corporation Limited ("Gaming VC Corporation") on 21 January 2010 refuting a notice of termination sent by Boss Media Malta Casino Limited and Boss Media Malta Poker Limited (together "Boss") to terminate the services provided by Boss to Gaming VC Corporation by which Gaming VC Corporation offers a number of games in Italy using the Boss platform.

The judicial protest was filed on the grounds that the termination letters do not fulfil the termination requirements as set out in the licence agreements currently existing between Boss and Gaming VC Corporation dated 27 March 2009 and should therefore be considered invalid. Gaming VC Corporation, by means of the judicial process, is requiring Boss to withdraw its notice of termination and, in the event that such notice of termination is not withdrawn, Gaming VC Corporation will sue for damages.

A prohibitory injunction preventing Boss from terminating its services provided in Italy was granted in June 2010 by the Maltese Courts. Gaming VC Corporation proceeded to file the substantive claim and the case is presently in front of the First Hall Civil Court of Malta. A sitting was scheduled for the 24th March 2011 but was subsequently postponed until June 2011.

Dispute involving Gaming VC Corporation and Boss Media AB and Boss Media Malta Casino Limited

A dispute has arisen in relation to the Software Licence Agreement dated 27 March 2009 entered into between Boss Media Malta Casino Limited ("Boss Media Malta Casino") and Gaming VC Corporation Limited ("Gaming VC Corporation"). Boss Media Malta Casino's obligations under the Boss Media Malta Casino Software Licence Agreement are guaranteed by its parent company, Boss Media AB ("Boss Media"). The Boss Media Malta Casino Software Licence Agreement is governed by the laws of Malta and is subject to the jurisdiction of the Courts of Malta.

In 2008, GTECH (a company incorporated and registered in the United States) acquired control of Boss Media and Boss Media Malta Casino. GTECH also owns St. Minver Limited (a company incorporated and registered in Gibraltar). St. Minver Limited has a licence from the Gibraltar Gaming Authority to offer online games on the internet. St. Minver Limited offers games on the internet on behalf of clients under this licence. In 2006, Lottomatica S.p.A. (a company incorporated and registered in Italy) acquired GTECH.

The background to the dispute is that certain third parties have obtained unauthorised access to Gaming VC Corporation's customer database and have been unlawfully targeting Gaming VC Corporation's customers, thereby causing Gaming VC Corporation very substantial damage. Gaming VC Corporation alleges that employees and/or representatives of Boss Media Malta Casino, Boss Media and/or St. Minver Limited have been involved in this unauthorised activity.

Gaming VC Corporation has instructed Fenech & Fenech Advocates in Malta. Court proceedings were issued on 20 April 2010 in Malta by Gaming VC Corporation. Substantial damages have been claimed. Boss Media Malta Casino issued a reply, in which it denied the claim and challenged the jurisdiction of the Maltese Courts. The parties have filed various submissions in relation to jurisdiction and a substantive hearing in relation to the issue of jurisdiction took place on 10 March 2011. The Maltese Court is due to hand down its decision as to whether it has jurisdiction to hear Gaming VC Corporation's claim on 29 April 2011.

In addition, Boss Media has issued an Arbitration Request in Sweden against GVC Corporation BV, a company incorporated and registered in the Netherlands Antilles, in accordance with the Arbitration rules of the Arbitration Institute of the Stockholm Chamber of Commerce (the "SCC"). In its Request, Boss Media is seeking declaratory relief that it has not breached its confidentiality obligations set out in a Software Licence Agreement dated 21 December 2004 entered into between Boss Media and GVC Corporation BV, which was the agreement preceding the Software Licence Agreement dated 27 March 2009 referred to above.

25. LITIGATION WITH BOSS MEDIA continued
GVC Corporation BV has issued a Response to the Arbitration Request, in which it challenges the jurisdiction of the SCC. An Arbitral Tribunal made up of three arbitrators has been appointed. The Arbitral Tribunal will consider and decide whether it has jurisdiction to hear the Arbitration Request. A hearing date for the jurisdictional challenge has been provisionally fixed for 20 and 21 June 2011.

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, Chief Executive's and Group Finance Director's statements. Note 20 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
There have been no subsequent events between 31 December 2010 and the date of the signing of these accounts that merit inclusion.

REPORT OF THE REMUNERATION COMMITTEE

Remuneration Committee

The Remuneration Committee is comprised of the three Non-Executive Directors and is currently chaired by Nigel Blythe-Tinker. The Committee determines the remuneration packages of the Executive Directors and other senior management, and is required by the board to review the bonus arrangements of any employee or consultant to the Group. The Committee meets at least twice a year.

Group Remuneration Policy

In accordance with its remit, the Committee's policy is to determine the remuneration packages of the Executive Directors and other senior management in order to ensure that the relevant individuals are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Company.

Remuneration Package

The remuneration package comprises basic salary and benefits, annual bonus and long term incentive arrangements. The Executive Directors and senior management are remunerated using the policy described below.

Basic Salary and Benefits

Basic salary is set for each individual based on individual performance and achievement of objectives and following the consideration of compensation information for other companies in the e-gaming industry, both quoted and unquoted. The Chairman of the Remuneration Committee is also Executive Chairman of the specialist e-gaming recruitment company Pentasia Limited, and therefore has considerable insight into comparable salaries and benefits packages. The Executive Directors are also entitled to health and life cover.

Pension

The Group did not operate a pension plan for the Executive Directors or senior management in 2010.

Annual Bonus

Bonus scheme arrangements are in place for all members of staff, including the Executive Directors. The staff bonuses are based on individual performance and the Executive Directors linked to the performance of the Group as detailed below.

The Remuneration Committee after consulting with shareholders has decided that Executive Directors annual bonuses should be linked directly to the dividends paid by the Company. Accordingly, both Kenneth Alexander and Richard Cooper will receive a bonus each year equal to the dividends (excluding the special dividend paid on 28 June 2010) that would have been paid by the Company to that Director in the relevant period in respect of the GVC Holdings Shares subject to unexercised awards granted under the 'new' scheme to that Director as if those awards had already been exercised (and the GVC Holdings shares issued) at the record date for payment of the relevant dividend.

Directors' Emoluments

Summary

	Salary/Fees €	Bonus €	Benefits in Kind €	**Total 2010** **€**	Total 2009 €
Executive Directors					
K Alexander	581,577	1,531,607	8,956	**2,122,140**	831,435
R Cooper	319,868	527,407	4,813	**852,088**	452,285
Non-Executive Directors					
L Feldman	151,210	334,364	-	**485,574**	100,513
N Blythe-Tinker	97,458	7,500	-	**104,958**	94,916
K Diacono	50,000	-	-	**50,000**	40,000
	1,200,113	2,400,878	13,769	**3,614,760**	1,519,149

REPORT OF THE REMUNERATION COMMITTEE
continued

The Directors emoluments include amounts of an exceptional nature shown in note 4.2 on page 39 and included within 'exceptional items' in the income statement (€1,871,382), the remaining amounts are shown in 'operating costs' (€1,743,378).

Bonus

	Dividend related Note 1 €	Exercise of option Note 2 €	LTIP compensation Note 3 €	Special Note 4 €	**Total 2010** **€**	Total 2009 Note 5 €
Executive Directors						
K Alexander	80,000	708,254	743,353	-	**1,531,607**	463,351
R Cooper	40,000	103,592	383,815	-	**527,407**	251,140
Non-Executive Directors						
L Feldman	40,000	-	-	294,364	**334,364**	-
N Blythe-Tinker	7,500	-	-	-	**7,500**	-
	167,500	811,846	1,127,168	294,364	**2,400,878**	714,491

Note 1: See below; further details can be found in the annual bonus summary on page 61.

	K Alexander	R Cooper	L Feldman	N Blythe-Tinker
Share option base	800,000	400,000	400,000	75,000
Dividend per share after redomiciliation	€ 0.10	€ 0.10	€ 0.10	€ 0.10
Dividend bonus	€ 80,000	€ 40,000	€ 40,000	€ 7,500

Note 2: The Group entered into an agreement as disclosed on AIM on the 27 January 2010 with its Executive Directors, Kenneth Alexander and Richard Cooper, for the cancellation of their existing vested share options. Kenneth Alexander has agreed to cancel 566,667 options with an exercise price of 100p per share in return for a compensation payment of £629,000 and Richard Cooper has agreed to cancel 108,333 options with a strike price of 126p per share in return for a compensation payment of £92,000.

Note 3: One-off discretionary payments in recognition of their importance to the business and their lack of participation to date in a Long-Term Incentive Plan as disclosed on AIM on the 27 January 2010.

Note 4: In recognition of services relating to the redomiciliation from Luxembourg to The Isle of Man.

Note 5: All of this was performance related.

Directors' Service and Consultancy Agreements

	Date appointed	**Service contract***	**Notice period by either party**
Executive Directors			
K Alexander	19 April 2010	Yes	12 Months
R Cooper	19 April 2010	Yes	12 Months
Non-Executive Directors			
L Feldman	19 April 2010	No	3 months
N Blythe-Tinker	19 April 2010	No	3 months
K Diacono	19 April 2010	No	3 months

*All of the Non-Executive Directors are engaged by letters of appointment.

Long-term Incentive Schemes

The Group operates two schemes, the 'original' scheme and a 'new' scheme, the Executive Director's and Senior Management participate in both.

Original Scheme

The original scheme has had ten main grants. At 31 December 2010, 63% of the outstanding grants had vested and the remaining 37% are expected to vest during 2011 and 2012.

New Scheme

Following a vote by shareholders in an Extraordinary General Meeting held in Luxembourg on the 21 May 2010 the Group introduced a new scheme and made an initial award to the Executive Directors and certain Senior Management. It is expected that the initial awards will vest over a three year period as follows; one third of the ordinary shares subject to each award will vest 12 months after the date of grant of the awards and the balance of the ordinary shares will vest in eight equal quarterly instalments over the following 24 months. Once vested, awards will normally be exercisable up to ten years from the date of grant at the end of which period they will lapse.

Initial awards granted to senior management will be subject to a performance condition which will require the Company's average share price reach a pre determined price over a period of 30 dealing days before the initial awards are capable of being exercised. Once the performance condition has been satisfied, the initial awards will be exercisable, to the extent vested until the tenth anniversary of their date of grant. No performance conditions will apply to the initial awards granted to the Executive Directors.

It is the Remuneration Committee's intention that no further awards under the new scheme will be granted to any holder of an initial award within the period of two years following the date of grant of the initial awards.

Directors' Share Options

	Scheme	Option price	Existing at 31 December 2009	Issued in the year	Bought out*	Lapsed in the year	Existing at 31 December 2010	Vested at 31 December 2010	Expiry date
Executive Directors									
K Alexander	Original	100p	800,000	-	(566,667)	-	**233,333**	183,337	28-02-16
K Alexander	New	213p	-	800,000	-	-	**800,000**	-	20-05-20
			800,000	800,000	(566,667)	-	**1,033,333**	183,337	
R Cooper	Original	126p	400,000	-	(108,333)	-	**291,667**	91,663	11-12-18
R Cooper	New	213p	-	400,000	-	-	**400,000**	-	20-05-20
			400,000	400,000	(108,333)	-	**691,667**	91,663	
Non-Executive Directors									
L Feldman	Original	420p	200,000	-	-	(200,000)	**-**	-	N/A
L Feldman	New	213p	-	400,000	-	-	**400,000**	-	20-05-20
			200,000	400,000	-	(200,000)	**400,000**	-	
N Blythe-Tinker	Original	420p	250,000	-	-	(250,000)	**-**	-	N/A
N Blythe-Tinker	New	213p	-	75,000	-	-	**75,000**	-	20-05-20
			250,000	75,000	-	(250,000)	**75,000**	-	

*See page 62 note 2 for details.

Each of the Executive Directors will agree to retain the GVC Holdings PLC shares which he acquires on exercise of his awards under the LTIP until the date of his cessation of employment with the Redomiciled Group (save that each Executive Director will be permitted to sell sufficient of the GVC Holdings PLC shares acquired on exercise to enable him to fund the exercise price of such awards and any income tax and social security contribution liabilities which arise on exercise).

The charge to the consolidated income statement in respect of these options in 2010 was €210,000 (2009: €148,000).

Other Employees and Consultants

The majority of staff in the Group are also able to benefit financially from their endeavours through either a discretionary bonus scheme and/or Group share option plans. Details of the outstanding share options are listed below.

Scheme	Exercise price	Number of options	Vested at 31 December 2010	Vesting criteria
Original	129p	154,590	138,491	Note a
Original	138p	150,000	106,250	Note a
New	1p	300,000	-	Note b
New	1p	100,000	-	Note c
New	150p	700,000	-	Note d

Note a: These awards were granted under the original scheme, on the first anniversary of the grant date, 25% of the option vests. Thereafter, the balance of the option vests over three years, at 1/36th per month and will remain exercisable until 10 years after the date of grant at the end of which period they will lapse.

Note b: These options were granted under the new scheme, it is expected that the initial awards will vest over a three year period as follows; one third of the ordinary shares subject to each award will vest 12 months after the date of grant of the awards and the balance of the ordinary shares will vest in eight equal quarterly instalments over the following 24 months. Once vested, awards will normally be exercisable up to ten years from the date of grant at the end of which period they will lapse. The awards are subject to a performance condition which will require the Company's average share price over a period of 30 dealing days to reach 300p per ordinary share before the initial awards are capable of being exercised.

Note c: These options were granted under the new scheme, it is expected that the initial awards will vest over a three year period as follows; one third of the ordinary shares subject to each award will vest 12 months after the date of grant of the awards and the balance of the ordinary shares will vest in eight equal quarterly instalments over the following 24 months. Once vested, awards will normally be exercisable up to ten years from the date of grant at the end of which period they will lapse. The awards are subject to a performance condition which will require the Company's average share price over a period of 30 dealing days to reach 200p per ordinary share before the initial awards are capable of being exercised.

Note d: These options were granted under the new scheme, these options can be exercised after a period of 3 years from the date of grant subject to achieving performance targets set by the Company.

The charge to the consolidated income statement in respect of these options in 2010 was €272,000 (2009: €65,000).

The total charge to the income statement for the years ending 31 December was:

	2010	2009
Directors	**€210,000**	€148,000
Other staff	**€272,000**	€65,000
	€482,000	€213,000

Nigel Blythe-Tinker
Chairman, Remuneration Committee
25 March 2011

ADDITIONAL UNAUDITED INFORMATION

FIVE YEAR TRADING HISTORY

	2006 €000's	2007 €000's	2008* €000's	2009* €000's	**2010*** **€000's**
Net Gaming Revenue	40,573	42,639	48,907	52,148	**54,907**
Gross profits	30,201	33,405	40,271	42,758	**45,095**
Operating profit	12,630	16,192	17,494	14,450	**5,158**
Profit before tax	12,707	16,631	18,039	14,042	**4,078**
Cash at the balance-sheet date	9,407	15,859	19,262	20,995	**6,614**
Total dividend declared (pence)	26p	29.8p	33.6p	60.22p	**8.77p^**
Interim dividend (euro)	€0.20	€0.20	€0.20	€0.20	**€0.10**
Final dividend (euro)	€0.186	€0.20	€0.20	€0.50	**€0.10**
Total dividend (euro)	€0.386	€0.40	€0.40	€0.70	**€0.20**
Total dividend paid during the year (€'000's)	15,612	12,176	12,454	12,454	**18,681**

* The results for the financial years ending 2008, 2009 and 2010 exclude the results of Winzingo whose operations had been loss making, this has been discontinued, see note 7 on page 42 for further details.

^ Excludes the final dividend announced 28 March 2011.

The one month period from 30 November 2004 to 31 December 2004 has been omitted as being unrepresentative.

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.

COMPANY FINANCIAL STATEMENTS (UNDER UK GAAP)

In this section:

INDEPENDENT AUDITORS REPOT TO THE MEMBERS OF GVC HOLDINGS PLC

We have audited the parent company financial statements of GVC Holdings PLC for the year ended 31 December 2010 which comprise the parent company balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with our contract with them. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

As explained more fully in the Statement of Directors Responsibilities set out on page 17, the Directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on Financial Statements

In our opinion the parent company financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2010;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of The Isle of Man Companies Act 2006.

Other Matter

We have reported separately on the group financial statements of GVC Holdings PLC for the year ended 31 December 2010.

Grant Thornton UK LLP

Grant Thornton UK LLP
Chartered Accountants
London
25 March 2011

COMPANY BALANCE SHEET

	Notes	2010 €000's
Fixed assets		
Investments	3	**63,695**
Current assets		
Debtors	4	**4,531**
Cash at bank and in hand		**102**
		4,633
Creditors: amounts falling due within one year	5	**(30,867)**
Net current assets		**(26,234)**
Net assets		**37,461**
Capital and reserves		
Issued share capital	6, 8	**311**
Merger reserve	8	**40,407**
Retained earnings	8	**(3,257)**
Total equity		**37,461**

The Financial Statements from pages 68 to 73 were approved by the Board of Directors on 25 March 2011 and signed on their behalf by:

K.J. Alexander
(Chief Executive Officer)

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

NOTES TO THE COMPANY FINANCIAL STATEMENTS
for the period ended 31 December 2010

1. ACCOUNTING POLICIES
A summary of the significant accounting policies are set out below, these policies have been applied consistently to the periods presented, unless otherwise stated.

1.1 Basis of Preparation
The financial information has been prepared on the historical cost basis, and in accordance with applicable Isle of Man law and United Kingdom accounting standards.

1.2 Investments
Investments in subsidiary undertakings are stated at cost less amounts written off.

1.3 Cash Flow Statement
As permitted under Financial Reporting Standard 1, the Company has taken advantage of the exemption from preparing a cash flow statement as one is published for the consolidated financial statements.

1.4 Foreign Currency Translation
The Company maintains its accounting records in Euro and the balance sheet and profit and loss account are expressed in this currency. Income and charges are translated at the exchange rates ruling at the transaction date. Fixed assets are valued using historical exchange rates. Other current assets and liabilities expressed in foreign currencies are translated into EUR at the rates of exchange in effect at the balance sheet date. Realised exchange gains and losses and unrealised exchange losses are recognised in the profit and loss account.

1.5 Fixed Assets
Investments in subsidiaries are show as fixed assets in the Company balance sheet, and are valued at cost less any provision for impairment in value.

1.6 Trade and Other Debtors
Trade and other receivables are stated at their fair value and subsequently measured at amortised cost. A provision for impairment will be recorded where there is evidence that the Company will not be able to collect all costs due according to the terms of the receivable concerned. When this is the case the amortised cost for the receivable concerned will be the fair vale less the provision for impairment.

1.7 Trade and Other Creditors
Trade and other payables are stated at their fair value and subsequently measured at amortised cost.

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

The fair value of the options granted is measured using a binomial valuation model. This valuation method take into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest. See note 7 for further details of the two schemes. Payments made to repurchase or cancel vested awards are accounted for with the fair value of the options cancelled, measured at the date of cancellation being taken to retained earnings; the balance is taken to the income statement.

1.8 Related Party Transactions
Financial Reporting Standard 8, ‘Related Party Transactions’, requires the disclosure of the details of material transactions between the reporting entity and related parties. The Company has taken advantage of exemptions under FRS 8 not to disclose transactions between Group companies.

2. PROFIT AND LOSS ACCOUNT
The loss for the year dealt with in the accounts of the Company was €1,357,000. The Company has not presented a separate profit and loss account.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

for the period ended 31 December 2010 - continued

3. INVESTMENTS

	2010 €000's
Investment in subsidiary undertakings	
Additions and 31 December 2010	63,695

Significant subsidiaries	Country of incorporation	Ownership interest 2010	2009
GVC Corporation B.V.*	Netherlands Antilles	100%	100%
Intera N.V.	Netherlands Antilles	100%	100%
Gaming VC Corporation Limited	Malta	100%	100%
GVC Administration Services Limited	England and Wales	100%	100%

*also has a branch registered in Israel

4. DEBTORS

	2010 €000's
Amounts owed by Group undertakings	3,160
Other debtors	1,350
Prepayments	21
	4,531

5. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2010 €000's
Amounts due to Group undertakings	30,866
Other creditors	1
	30,867

6. CALLED UP EQUITY SHARE CAPITAL

On 21 May 2010 shareholders of Gaming VC Holdings S.A., approved a redomiciliation to Luxembourg which resulted, pari passu, in shareholders holding shares with a nominal value of €0.01 in GVC Holdings PLC. As a result of this transaction, GVC Holdings PLC acquired all the assets and liabilities of Gaming VC Holdings S.A. Arising from this transaction was the creation of a Merger Reserve, which is distributable.

	2010 €000's
Authorised	
Ordinary shares of €0.01 each	
At 31 December - 40,000,000 shares	400
Issued, Called Up and Fully Paid	
Ordinary shares of €0.01 each	
At 31 December - 31,135,762 shares	311

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.

7. SHARE OPTION SCHEME

The Group has two share option schemes, the 'original' scheme that has been in place since the IPO of GVC Holdings PLC's predecessor Gaming VC Holdings S.A and the 'new' scheme that was approved by shareholders on 21 May 2010.

The following options to purchase €0.01 ordinary shares in the Company were granted, bought out, lapsed or existing at the year end.

Date of Grant	Exercise Price	Existing at 1 January 2010	Granted in the year	Bought out	Lapsed in the year	Existing at 31 December 2010	Exercisable at 31 December 2010	Vesting criteria
14 Dec 04	420p	310,000	-	-	(310,000)	-	-	Note a
16 May 06	420p	140,000	-	-	(140,000)	-	-	Note a
01 Mar 07	100p	800,000	-	(566,667)	-	233,333	183,337	Note a
15 May 07	129p	154,590	-	-	-	154,590	138,491	Note a
26 Feb 08	138.16p	150,000	-	-	-	150,000	106,250	Note a
12 Dec 08	126p	400,000	-	(108,333)	-	291,667	91,663	Note a
21 May 10	213p	-	1,675,000	-	-	1,675,000	-	Note b
21 May 10	1p	-	300,000	-	-	300,000	-	Note c
21 May 10	1p	-	100,000	-	-	100,000	-	Note d
21 May 10	150p	-	700,000	-	-	700,000	-	Note e
Total all schemes		**1,954,590**	**2,775,000**	**(675,000)**	**(450,000)**	**3,604,590**	**519,741**	

Note a: These awards were granted under the original scheme, on the first anniversary of the grant date, 25% of the option vests. Thereafter, the balance of the option vests over three years, at 1/36th per month. 63% of these options have currently vested and the remaining 37% are expected to vest during 2011 and 2012.

Note b: These options were granted under the new scheme, it is expected that the initial awards will vest over a three year period as follows; one third of the ordinary shares subject to each award will vest 12 months after the date of grant of the awards and the balance of the ordinary shares will vest in eight equal quarterly instalments over the following 24 months. Once vested, awards will normally be exercisable up to ten years from the date of grant at the end of which period they will lapse.

Note c: These options were granted under the new scheme, it is expected that the initial awards will vest over a three year period as follows; one third of the ordinary shares subject to each award will vest 12 months after the date of grant of the awards and the balance of the ordinary shares will vest in eight equal quarterly instalments over the following 24 months. Once vested, awards will normally be exercisable up to ten years from the date of grant at the end of which period they will lapse. The awards are subject to a performance condition which will require the Company's average share price over a period of 30 dealing days to reach 300p per ordinary share before the initial awards are capable of being exercised.

Note d: These options were granted under the new scheme; it is expected that the initial awards will vest over a three year period as follows; one third of the ordinary shares subject to each award will vest 12 months after the date of grant of the awards and the balance of the ordinary shares will vest in eight equal quarterly instalments over the following 24 months. Once vested, awards will normally be exercisable up to ten years from the date of grant at the end of which period they will lapse. The awards are subject to a performance condition which will require the Company's average share price over a period of 30 dealing days to reach 200p per ordinary share before the initial awards are capable of being exercised.

Note e: These options were granted under the new scheme, these options can be exercised after a period of 3 years from the date of grant subject to achieving performance targets set by the Company.

The charge to the profit and loss account in respect of these options in 2010 was €349,000 (2009: €nil).

NOTES TO THE COMPANY FINANCIAL STATEMENTS

for the period ended 31 December 2010 - continued

7.1 Weighted average exercise price of options

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

	Weighted average exercise price 2010	**Number of options 2010**	**Weighted average exercise price 2009**	**Number of options 2009**
Outstanding at the beginning of the year	135p	1,954,590	176p	2,723,359
Granted during the year	167p	2,775,000	-	-
Forfeited during the year	231p	(1,125,000)	155p	(768,769)
Outstanding at the end of the year	156p	3,604,590	184p	1,954,590
Exercisable at the end of the year		519,741		1,254,006

The options outstanding at 31 December 2010 have a weighted average contractual life of 8.3 years (2009: 6.9 years).

The weighted average fair value of the options granted in the year was 39p.

7.2 Valuation of options

The fair value of services received in return for share options granted in 2010, 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 to the market price 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 07	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
21 May 10	1.85	2.13	60%	2	17%	2.75%	0.39
21 May 10	1.85	0.01	60%	2	17%	2.75%	0.05
21 May 10	1.85	1.50	60%	2	17%	2.75%	0.59

** 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.

8. SHARE CAPITAL AND RESERVES

	Share Capital €000's	Merger Reserve €000's	Retained Earnings €000's	**Total €000's**
At 5 January 2010	-	-	-	**-**
Shares issued in the period	311	-	-	**311**
Merger with Gaming VC Holdings S.A.	-	55,975	864	**56,839**
Earnings for the period	-	-	(1,357)	**(1,357)**
Dividends paid	-	(15,568)	(3,113)	**(18,681)**
Share option charge	-	-	349	**349**
At 31 December 2010	**311**	**40,407**	**(3,257)**	**37,461**

9. DIVIDENDS

The dividends paid in the year were as follows:

	2010 €000's
Special dividend at €0.50 per share	**15,568**
Interim dividend at €0.10 per share	**3,113**
	18,681