GVC Holdings PLC

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Annual Report 2011

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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. 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.

The Group does not and has never conducted wagering or betting business in the United States of America.

Key Events

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
Q4-11 – GVC enters into first B2B contract with Curacao based East Pioneer Corporation B.V. ("EPC") to provide back-end support to the Superbahis business, acquired by EPC from Sportingbet.
Q2-12 – Announced disposal of Betaland

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. The Group will be re-launching its website on Tuesday 1 May 2012, which as of that date can be found at the new URL of www.gvc-plc.com.

Principal Brands

CasinoClub (www.casinoclub.com)
Betboo (www.betboo.com)

DIRECTORS

Lee Feldman, Chairman, and non-executive director
Lee Feldman (44), a US citizen, 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 (61), 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.

Karl Diacono, Non-Executive Director - Chairman of the Audit Committee
Karl Diacono (49), a Maltese citizen, 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 (43), 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 (51), 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 60 for further details.

ADVISORS

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CHAIRMAN'S STATEMENT

Overview

2011 was a significant year for the Group as it moved into providing B2B services for the first time with its support agreement with East Pioneer Corporation B.V. ("EPC").

This marks a change of direction for the Group away from pursuing growth in pure B2C markets.

The Group has two B2C brands: CasinoClub, a leading casino brand targeting German speaking markets, which has been trading since 2001; and Betboo, a mix of sports and gaming products that targets the Brazilian marketplace. The Group disposed of Betaland in April 2012 (subject to Maltese regulatory approval) due to poor prospects regarding growth and cash generation.

Total revenues in 2011 increased by 17% to €64.3 million (2010: €54.9 million). This rise in revenue is the fifth successive year of increase, against a backdrop of tight consumer spending across the Group's core markets.

Following substantial planned investments in marketing and TV campaigns in GVC's B2C brands, Clean EBITDA (earnings before interest, taxation, depreciation, amortisation and share option changes and exceptional items) decreased to €10.0 million from €12.2 million. The full value of these investments is expected to be seen in the next two years.

Strategy and Dividend Policy

The Group's strategy is to maximise the long-term cash generative potential of its existing businesses while entering profitable new markets.

This strategy results in an ability to pay attractive dividends to shareholders. Over the past five years, shareholders have received a total of €62 million by way of dividends, equal, at historical exchange rates, to £1.50 per share.

The Group aims to pay not less than 75% of its net operating cash flow to shareholders by way of dividends. Indeed the executive bonus plans are only triggered by dividend payments, thus aligning the interest of executives with shareholders.

The Group announces today that it is going to move towards paying dividends quarterly, beginning in February 2013, as the Board recognises the importance of a more regular income stream to our shareholders.

Boss Media

There have been no material developments in the litigation with Boss Media. Court and arbitration cases are ongoing, and in accordance with local procedures.

Current Trading, Future Prospects and the Final Dividend for 2011

The Group continues to see strong revenue growth in its B2C and B2B markets. In the 113 day period to 22 April 2012 total revenues increased by 57% on the same period last year.

The Board is therefore proposing to increase its final dividend to 11 €cents per share for 2011 (2010: 10 €cents). This 10% increase is ahead of market expectations.

Shareholders

The Group is proposing to hold its Annual General Meeting at the Group's Registered Office in the Isle of Man on Thursday 24 May 2012. The Board recognises that the location of the AGM might make attendance difficult for some of our shareholders. The Group therefore proposes to hold a separate investor meeting in London at 11 a.m. on Friday 25 May 2012 at the offices of Abchurch Communications at 125 Old Broad Street, London EC2. This meeting will provide an opportunity for our private shareholders to meet the executive team.

Lee Feldman
Chairman and Non-Executive Director
24 April 2012

For the fifth year in succession, and against the backdrop of difficult economic climates in its markets, the Group has grown its revenues substantially.

Revenues

In 2011, the revenue growth was even more marked, up by 17% on 2010 as the Group's B2C brands performed well and the Group diversified to B2B offerings by entering into the back-office services agreement with East Pioneer Corporation B.V.

In the last five years the Group has transformed itself from being solely a German online casino to being a multi-product, multi-jurisdictional operator and now with a B2B division.

There were two particular drivers of growth in revenue for 2011: Betboo in Latin America where the revenues grew by 69% and, the successful launch of our B2B division during the year. During the year total sports wagers grew by 74% (this was against the backdrop of no significant football tournaments in 2011, whereas 2010 was flattered by wagering activity around the FIFA World Cup).

An analysis of the Group's revenues is shown below:

	2011 €million	2010 €million
Sports Wagers:		
Betaland	**51.8**	55.9
Betboo Latam	**24.4**	13.4
Total B2C	**76.2**	69.3
B2B	**44.5**	-
Total	**120.7**	69.3
Sports Margin %		
B2C	**15.0%**	13.8%
B2B	**9.9%**	0.0%
Total	**13.1%**	13.8%
Total revenues:		
B2C (see below)	**58.2**	54.9
B2B	**6.1**	-
Total	**64.3**	54.9

B2C revenues

B2C - by product	€million 2011	€million 2010	€million change	% change
Sports NGR	**10.6**	8.7	1.9	22%
Casino & Bingo	**44.7**	41.8	2.9	7%
Poker	**2.9**	4.4	(1.5)	(34%)
	58.2	54.9	3.3	6%
B2C - by brand				
CasinoClub	**29.4**	27.4	1.9	7%
Betboo	**8.8**	5.2	3.6	69%
Betaland	**20.0**	22.2	(2.2)	(10%)
	58.2	54.9	3.3	6%

Contribution
Contribution, the Group's measure of performance of revenues less variable costs and marketing expenditure, also grew despite the considerable investment in marketing through TV campaigns to grow the Group's B2C brands.

Cost Base
As expected and planned for, the Group's cost base has increased reflecting additional staff and further resources provided by third-party partners, particularly in Latin America. This increase in cost and resources has been necessary to facilitate further growth and to establish the Group's B2B offering. A more detailed analysis is provided in the Report of the Group Finance Director.

Clean EBITDA
The planned cost increase has led to an overall decrease in Clean EBITDA, in line with market expectations, as set out in the table below:

	2011 €million	**2010 €million**
Betaland	**1.6**	1.9
Other B2C	**11.1**	13.8
Total B2C	**12.7**	15.7
B2B	**0.7**	(0.7)
Central	**(3.4)**	(2.8)
	10.0	12.2

Developments
The most significant development during 2011 was the commencement of trading of the Group's B2B division. This provides back-office support to East Pioneer Corporation B.V., the company which acquired the Superbahis business of Sportingbet Plc on 21 November 2011.

This is a major initiative by the Group. The Board is very encouraged by this new business line and believes that it will help underpin the Group's dividend policy.

The Superbahis/East Pioneer transaction was complex, and is dealt with in the Report of the Group Finance Director. Other than income enhancements, these contracts require costs to be incurred by the Group, not least in the form of staff and office facilities which impact the income statement in terms of operating costs but also in increased depreciation charges.

Additionally, the costs of entering into this transaction were substantial, and amounted to €3.6 million during the year which have been shown as exceptional items. The transaction is expected to yield material benefits for the Group in 2012 and beyond.

As announced on 10 April 2012, the Group has entered into arrangements to dispose of Betaland to a third party (subject to regulatory consents) as the Board believes the prospects for this business are limited, particularly from a cash generation perspective. This disposal avoids significant closure costs and debtor default risk which the Group believes would have incurred. In these financial statements, however the Group has made a provision within exceptional items of €0.9 million against the deferred proceeds arising from the prior disposal of GVC Corporation S.p.A (the owner of Betpro), the Group's old Italian business which, with the disposal of Betaland, the Board believes is no longer recoverable.

The dispute with Boss Media continues, and legal costs of €0.3 million were incurred during 2011 (2010: €0.6 million). These have been treated as exceptional items.

As announced on 23 February 2011, the Group revised and extended the earn-out relating to the acquisition of Betboo in July 2009. This was designed to spread the payments over a longer period. There is a non-cash accounting consequence of this, which increased the financial charges in the income statement by around €1.3 million during 2011.

REPORT OF THE CHIEF EXECUTIVE
continued

The combination of lower EBITDA, Betpro write-offs, deal transaction costs (disclosed separately as exceptional items), higher (non-cash) depreciation and higher (non-cash) finance costs has resulted in a profits before tax of €0.1 million (2010: €4.1 million).

	2011 €million	2010 €million	Change €million
Clean EBITDA	**10.0**	**12.2**	**(2.2)**
Boss legals	(0.3)	(0.6)	0.3
Transaction costs	(3.6)	-	(3.6)
Betaland write-offs	(0.9)	-	(0.9)
Other exceptional items	-	(3.8)	3.8
EBITDA	**5.2**	**7.8**	**(2.6)**
Non-Cash items			
Share option charges	(0.4)	(0.5)	0.1
Depreciation and amortisation	(2.3)	(2.1)	(0.2)
Finance costs	(2.4)	(1.1)	(1.3)
Profit before tax	**0.1**	**4.1**	**(4.0)**

It should be noted however that cash generated from the operations increased to €6.6 million from €4.2 million.

Regulatory

There was, and remains, division in Germany between Schleswig-Holstein ("SH") and the other 15 Lander ("E15"). SH drew-up its own regulatory framework and had it approved by the EU. E15 proposed their own framework which was rejected by the EU. The Board continues to monitor the regulatory situation in Germany and looks forward to a resolution that allows all gaming products to be offered at commercial rates of taxation.

Outlook

The table below shows the average revenues per day (€000's) over the last five quarters:

	Q1-12	Q1-11	Q2-11	Q3-11	Q4-11
Continuing B2C revenues	**101.6**	102.7	101.1	108.9	106.0
Betaland revenues	**49.2**	62.5	53.1	47.4	56.4
Total B2C revenues	**150.8**	165.2	154.2	156.3	162.4
B2B revenues	**55.5**	2.8	12.5	14.5	37.0
Total revenues	**206.3**	**168.0**	**166.7**	**170.8**	**199.4**

Total continuing B2C revenues	**Q1-12**	**Q1-11**	**Q2-11**	**Q3-11**	**Q4-11**
Gross sports margin %	**7.3%**	13.4%	9.2%	12.8%	8.3%
Sports NGR	**5.3**	4.7	4.4	9.7	5.2
Gaming NGR	**96.3**	98.0	96.7	99.2	100.8
	101.6	**102.7**	**101.1**	**108.9**	**106.0**

In the 113 day period to Sunday 22 April 2012 compared to the same period in 2011, total revenues per day (excluding the discontinued activities of Betaland) have increased by 57% to €160k (2011: €102k).

The growth in revenue has been achieved despite a softness in the B2C sports margin percentage at 7.6% (2011: 11%) through punter-friendly results and some unusually high casino winners across both B2C and B2B.

Final Dividend and Dividend Payment Profile

Over the last five years, shareholders have already received €62 million in dividends, equal, at historic exchange rates to around £52 million or £1.50 per share. GVC is pleased to announce the following enhancements relating to dividends.

1. The declaration today, of a final dividend of 11 €cents per share, which is 10% higher than the final dividend for 2010 and ahead of market expectations. As a result, the total dividend for 2011 will be 21 €cents per share.

2. The Board plans to move to a quarterly dividend payment profile from 2013 onwards with payment dates intended to be February, May, August and November.

Outlook

Trading in 2012 has started encouragingly, despite a softness in the B2C sports margin percentage through punter-friendly results and some unusually high casino winners across both B2C and B2B. The Latin American business continues to grow with sports wagers 165% higher than the same period last year.

Today the Board has declared a final dividend of 11 €cents per share, which is not only ahead of market expectations but also a 10% increase on 2010, providing our shareholders with a total dividend of 21 €cents per share for 2011. The Board believes that the Group's dividend policy reflects the Board's confidence for 2012 and we remain cautiously optimistic that the Group is well placed for both medium and longer-term growth.

Kenneth Alexander
Chief Executive
24 April 2012

REPORT OF THE GROUP FINANCE DIRECTOR

This statement guides readers through the primary financial statements and provides a description and explanation of the service contract with East Pioneer Corporation B.V. ("EPC") along with an overview of the financial risks faced by the Group.

Business Lines

The Group has two principal business lines; Business to Consumer ("B2C"), and Business to Business ("B2B"), along with a central support operation.

The B2C business unit consists of CasinoClub, an online casino operating principally in German speaking markets; Betboo, offering a sports book and bingo operation on its own platform along with casino and poker on third-party platforms to mainly Brazilian customers; and until 1 April 2012, Betaland, a sports and gaming operation focusing on off-line agent-derived Italian business.

The B2B business unit consists principally of the third-party support contract for EPC, which acquired the Superbahis brand from Sportingbet in November 2011. B2B also includes the Group's operations in the same geographical markets as Superbahis, although these are relatively small.

Description of the Contract with East Pioneer Corporation B.V. ("EPC")

Listed gaming operator Sportingbet Plc ("SBT") sold its Superbahis business to EPC with effect from 21 November 2011. Contemporaneously, the Group entered into a support contract with EPC and a guarantee with SBT.

EPC effectively pays an earn-out for Superbahis, and this is subject to performance.

The Group provides a full suite of back-office services to EPC.

The financial arrangements are that the Group earns a fee of 25% of the combined adjusted gross profits* of Superbahis and the Group's own operation in the same geographical market. €1.1 million of revenue has been included within the Income Statement which reflects this financial arrangement. The Group bears the support (largely people, office and administrative costs) of EPC.

* *revenues, less customer bonuses, less software royalties, payment processing costs, bad debts and affiliate marketing costs.*

Financial Highlights

Revenues	17% increase to €64.3 million (2010: €54.9 million)
Sports margin %	13.1% (2010: 13.8%)
Contribution	6% increase to €24.7 million (2010: €23.3 million)
Clean EBITDA	€10.0 million (2010: €12.2 million)
Profit before taxes	€0.1 million (2010: €4.1 million)
Operating Cashflows	Increased to €6.6 million (2010: €4.2 million)
Dividends paid in 2011	€6.2 million, 21 €cents per share. This bring the total payments to shareholders over the past five years up to €62 million

Analysis of the Income Statement

A Summary of the Income Statement by operating segment (in €million) is shown below:

	B2C	B2B	CENTRAL	TOTAL
Sports NGR				
2011	**10.6**	**2.7**	**-**	**13.3**
2010	8.7	-	-	8.7
Sports margin %				
2011	**15.0%**	**9.9%**	**-**	**13.1%**
2010	13.8%	-	-	13.8%
Gaming NGR				
2011	**47.6**	**2.3**	**-**	**49.9**
2010	46.2	-	-	46.2
Other revenues				
2011	**-**	***1.1***	**-**	***1.1***
2010	-	-	-	-
Total revenues				
2011	**58.2**	**6.1**	**-**	**64.3**
2010	54.9	-	-	54.9
Contribution				
2011	**21.9**	**2.8**	**-**	**24.7**
2010	23.3	-	-	23.3
Expenditure				
2011	**(9.3)**	**(2.1)**	**(3.3)**	**(14.7)**
2010	(7.7)	(0.7)	(2.8)	(11.2)
Clean EBITDA				
2011	**12.6**	**0.7**	**(3.3)**	**10.0**
2010	15.7	(0.7)	(2.8)	12.2
Exceptional items				
2011	**(1.2)**	**(3.6)**	**-**	**(4.8)**
2010	(1.2)	-	(3.2)	(4.4)
Non-cash items				
2011	**(4.3)**	**(0.3)**	**(0.5)**	**(5.1)**
2010	(3.2)	-	(0.5)	(3.7)
Profit/(loss) before tax				
2011	**7.4**	**(3.2)**	**(3.8)**	**0.1**
2010	11.3	(0.7)	(6.5)	4.1

Review of B2C

Revenues

Sports NGR rose by 21% to €10.6 million (2010: €8.7 million) on the back of a 10% increase in sports wagers and gross margins of 15% (2010: 13.8%). This rise was attributable to Betboo in Latin America. Betaland sports NGR was static at €8.4 million,

Gaming revenues increased by 3% overall, and by 11% in the retained brands of CasinoClub and Betboo despite a €1.5 million decrease in poker revenues experienced by the Group. Betaland gaming revenues decreased by 16%. Decreases in poker revenues are an industry-wide issue.

Total revenues increased by 6% to €58.2 million (2010: €54.9 million), with CasinoClub growing by 7% to €29.4 million (2010: €27.5 million) and Betboo growing by 69% to €8.8 million (2010: €5.2 million).

Contribution

Lower contribution reflected the significant cost of TV campaigns (€3.9 million) and other marketing expenditure which is expected to have a longer-term benefit.

Expenditure

Total expenditure within B2C brands increased to facilitate their expansion in the year along with forward planning for anticipated growth in their markets.

Clean EBITDA

As a result of higher marketing and expenditure, Clean EBITDA decreased to €12.7 million (2010: €15.7 million). There was a 16% fall in the Clean EBITDA from Betaland to €1.6 million (2010: €1.9 million).

Review of B2B

This is a new business line, although some costs in establishing this were incurred in 2010.

Revenues

Total revenues amounted to €6.1 million (2010: €nil).

Contribution

A contribution of €2.8 million was earned during the year.

Expenditure

Expenditure of €2.1 million was incurred during the year (2010: €0.7 million).

Clean EBITDA

Clean EBITDA from B2B amounted to €0.7 million (2010: loss of €0.7 million).

Review of Central Costs

There were additions to Group headcount along with associated office space and travel. Costs rose from €2.8 million to €3.3 million.

Review of Group Costs

Staff costs represent around 50% of the Group's cost base. Staff costs rose by €2.1 million in the year and the largest contributor was the B2B division, adding €1.2 million in staff costs and a further €0.2 million in other costs. This division now employs close to 80 staff across two sites, Dublin and Malta.

The other significant increase in costs during the year were; CasinoClub adding €0.7 million to €3.3 million; Betboo adding €0.6 million to €3.4 million; and central costs increasing €0.5 million to €3.3 million.

Clean EBITDA

This amounted to €10.0 million in the year (2010: €12.2 million). The principal reasons for this decrease were:

- The investment in marketing in B2C brands
- The reduced profitability of Betaland (which, subject to regulatory consents was disposed of with effect from 1 April 2012)
- Increase in costs in running an Enlarged Group.

Below the level of Clean EBITDA are the combination of cash-based exceptional items, and non-cash items, both of which rose in the year.

Exceptional Items

	2011 €000's	2010 €000's
Legal & professional costs incurred on transaction with EPC	**2,275**	-
Professional and other costs incurred in the re-domiciliation from Luxembourg to Isle of Man	**-**	1,628
Bonuses paid to Directors and staff on EPC transaction	**1,310**	-
Share option and LTIP arrangements	**-**	1,577
Boss legal costs	**334**	626
Provision against deferred proceeds on the disposal of Betpro	**904**	-
Other exceptional items	**-**	597
Total	**4,823**	4,428

The tripartite transaction with EPC and SBT was highly complex and required a full re-admission to AIM. The costs were incurred as follows:

	€000's
Legal costs	1,175
Fees to reporting accountants	426
Fees to Nomads	416
Other fees	258
	2,275

The Directors received success bonuses on this transaction as approved by shareholders in the General Meeting held on 16 November 2011.

Costs were incurred in pursuing a legal claim with Boss Media. This dispute concerns the alleged infringement of property rights, and is continuing.

On 10 April 2012, the Group announced the disposal of Betaland, effective 1 April 2012 and subject to regulatory consents. As part of its prior disposal of GVC Corporation S.p.A., the owners of another Italian brand, Betpro, the Group had a loan outstanding which, following the disposal of Betaland has been provided for as an exceptional item, as the Group believes it will not be recoverable.

REPORT OF THE GROUP FINANCE DIRECTOR

continued

Non-Cash Items

There are a series of non-cash items debited to the income statement. The impact on the Income Statement in 2011 was €5.1 million (2010: €3.7 million).

	2011 €000's	2010 €000's
Depreciation	**288**	459
Amortisation	**1,969**	1.637
Finance charges	**2,387**	1,088
Share options charges	**440**	482
	5,084	3,666

Depreciation fell as more assets reached the end of their useful life.

Amortisation rose to €2.0 million from €1.6 million as €1.2 million of intangible assets were acquired in the year, mainly on website development costs.

Finance charges relate to the unwinding of the discount on the deferred consideration on the acquisition of Betboo. As announced on 23 February 2011, the earn-out arrangements for this acquisition were revised and extended, although the cap on the amount payable remains the same. The accounting effect of this was to:

- increase the goodwill carried on this investment by €5.1 million
- increase the deferred consideration by a corresponding amount
- increase the unwinding of the discount on the deferred consideration from €1.1 million in 2010 to €2.4 million in 2011.

Share option charges remained at a similar level to those in 2010.

Profit Before Taxation

	2011 €million	**2010 €million**	**Change €million**	**Comment**
Clean EBITDA	10.0	12.2	(2.2)	Marketing investments and additional group resources
Exceptional items	(4.8)	(4.4)	(0.4)	
Non-cash items	(5.1)	(3.7)	(1.4)	Betboo earn-out
Profit before tax	**0.1**	**4.1**	**(4.0)**	

Taxation

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

Cashflow

A summary of the Group's significant cashflows is shown below:

	2011 €000's	2010 €000's
Profit before tax	**115**	4,078
Losses from discontinued business (winzingo)	-	(411)
Add:		
Non-cash items expensed through income statement	5,084	3,666
Non-cash exceptional item	904	-
Equals: net cash generated through income statement	**6,103**	7,333
Add:		
Funds injected via exercise of share options	420	-
Decrease/(increase) in working capital	2,543	(2,245)
Less:		
Taxes (paid)/recovered	(186)	525
Betboo earn-out paid	(671)	(271)
Capital expenditure	(1,606)	(1,105)
Total operating cashflows generated	**6,603**	4,237
Add: Opening cash balances	6,551	20,995
Add: loans repayable in less than one year	2,924	-
Dividends paid	(6,225)	(18,681)
Cash and cash equivalents at 31 December	**9,853**	6,551

Total operating cashflows generated increased to €6.6 million (2010: €4.2 million).

The total paid to the founders of Betboo since the acquisition in July 2009 to 31 December 2011 has amounted to €4.0 million.

Balance Sheet

An explanation of the movement in the Balance sheet is shown below. The principal reasons for a reduction when compared to the operating cashflows generated are:

- the expensing of €5.1 million of non-cash items through the Income Statement
- the payment of €6.2 million of dividends in the year.

A summary of the balance sheet movements is shown below:

	€000's	**€000's**
Balance sheet at 1 January 2011		62,684
EBITDA	10,018	
Exceptional items	(4,823)	
Non-cash items	(5,084)	
Taxation	(261)	
Financial income	5	
Loss after taxation		(145)
Share option charge		440
Exercise of share options		420
Dividends paid		(6,225)
Balance sheet at 31 December 2011		**57,174**

REPORT OF THE GROUP FINANCE DIRECTOR
continued

The move into the B2B sector has also changed the composition of the balance sheet. A summary of the main items is shown below:

	2011 €million	2010 €million	Change €million
Net current assets before loan repayable in less than one year	5.3	5.6	(0.3)
Loan repayable in less than one year	(2.9)	-	(2.9)
Current assets less current liabilities	**2.4**	**5.6**	**(3.2)**
Tangible and intangible fixed assets	67.7	63.3	4.4
Deferred consideration on Betboo	(12.9)	(6.2)	(6.7)
Net assets at 31 December	**57.2**	**62.7**	**(5.5)**

Foreign Exchange
The Group conducts its business in a variety of currencies. The Group currently does not hedge the currency exposures it has, but is discussing the opportunity to do this with a number of FX providers.

Dividend
The final dividend of 11 €cents per share will be paid on 25 May 2012 to shareholders on the register at the close of business on Friday 11 May 2012. The Group will enter into a foreign exchange transaction at that time and publish the GBP equivalent of 11 €cents on its website. The shares will go ex-dividend on Wednesday 9 May 2012.

Dispatch of Documents to Shareholders
Copies of the Financial Report together with the Notice of Annual General Meeting will be dispatched on Tuesday 1 May 2012. Copies will also be made available electronically from the Group's website at www.gamingvc.com.

Website Under AIM Rule 26
The Group will be re-launching its website on Tuesday 1 May 2012, which as of that date can be found at the new URL of www.gvc-plc.com.

Richard Cooper
Group Finance Director
24 April 2012

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 also legal disputes	• 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 25% 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.

PRINCIPAL RISKS, UNCERTAINTIES AND BUSINESS MODEL

continued

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	Betboo	B2B
Website	www.casinoclub.com	www.betboo.com	N/A
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, 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.	Providing a full suite of back-office services to third-party B2C providers. New contracts likely to be gained through reputational excellence Long-term contracts entered into
Licensing authority	Lottery and Gaming Authority in Malta	Netherlands Antilles	N/A

DIRECTORS REPORT

The Directors present their report for GVC Holdings PLC and the audited financial statements for the year ended 31 December 2011.

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.

Results and Dividends

The loss for the year attributable to ordinary shareholders after taxation amounted to €145,000 (2010: profit of €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 23 to 59. 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 2011 and are confident that this performance will continue to improve during 2012 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 31 March 2012, 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	9,030,911	28.70
Ora Capital Partners	3,062,885	9.73
Seren Capital Management Limited	2,814,025	8.94
M&G Investment Management	1,460,000	4.64
Capital Research and Management Co	1,392,400	4.42

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	**31 March 2012**	**31 December 2011**	**31 December 2010**
Executive Directors			
K Alexander	313,333	313,333	80,000
R Cooper	135,000	135,000	35,000
Non-Executive Directors			
L Feldman	73,700	73,700	53,700
N Blythe-Tinker	-	-	-
K Diacono	-	-	-

The Directors shareholdings represent 1.66% (2010: 0.54%) 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.

DIRECTORS REPORT
continued

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
24 April 2012

Registered office: Milbourn House, St. Georges Street, Douglas, Isle of Man, IM1 1AJ

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 2011 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 Auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 20, 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 2011 and of its loss 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 2011.

Grant Thornton UK LLP

Grant Thornton UK LLP
Chartered Accountants
London
24 April 2012

CONSOLIDATED INCOME STATEMENT

	Notes	2011 €000's	2010 €000's
Revenue	3	**64,346**	54,907
Cost of sales		**(12,743)**	(9,812)
Gross profit		**51,603**	45,095
Marketing and affiliate costs		**(26,894)**	(21,766)
Contribution	3	**24,709**	23,329
Operating costs (as below)	5	**(22,211)**	(18,171)
Other operating costs	5	**(14,691)**	(11,165)
Share option charges	5, 18	**(440)**	(482)
	5	**(15,131)**	(11,647)
Exceptional items	5	**(4,823)**	(4,428)
Depreciation and amortisation	5, 10, 11	**(2,257)**	(2,096)
Operating profit		**2,498**	5,158
Financial income	6	**5**	8
Financial expense	6	**(2,387)**	(1,088)
Profit before tax		**116**	4,078
Taxation charge	7	**(261)**	(222)
(Loss)/profit after taxation from continuing operations		**(145)**	3,856
Loss after taxation from discontinued operations	8	**-**	(411)
(Loss)/profit after tax		**(145)**	3,445
Earnings per share		**€**	€
Basic			
(Loss)/profit from continuing operations		(0.005)	0.124
Loss from discontinued operations		-	(0.013)
Total	9	**(0.005)**	0.111
Diluted			
(Loss)/profit from continuing operations		(0.005)	0.121
Loss from discontinued operations		-	(0.013)
Total	9	**(0.005)**	0.108

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2011

	2011 €000's	2010 €000's
(Loss)/profit and total comprehensive (expense)/income for the year	**(145)**	3,445

The notes on pages 27 to 59 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

	Notes	2011 €000's	2010 €000's
Assets			
Property, plant and equipment	10	470	363
Intangible assets	11	67,223	62,927
Deferred tax asset	7	83	-
Total non-current assets		67,776	63,290
Receivables and prepayments	13	8,983	4,896
Income taxes reclaimable	7	1,529	1,356
Other tax reclaimable		-	19
Cash and cash equivalents	14	9,853	6,551
Total current assets		20,365	12,822
Current liabilities			
Trade and other payables	15	(15,926)	(5,469)
Income taxes payable	7	(1,771)	(1,525)
Other taxation liabilities	16	(330)	(264)
Total current liabilities		(18,027)	(7,258)
Current assets less current liabilities		2,338	5,564
Long term liabilities			
Deferred consideration on Betboo	12	(12,940)	(6,170)
Total net assets		57,174	62,684
Capital and reserves			
Issued share capital	18	315	311
Merger reserve	18	40,407	40,407
Share premium		416	-
Retained earnings	18	16,036	21,966
Total equity attributable to equity holders of the parent		57,174	62,684

The financial statements from pages 23 to 59 were approved by the Board of Directors on 24 April 2012 and signed on their behalf by:

K.J. Alexander
(Chief Executive Officer)

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

The notes on pages 27 to 59 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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 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
Balance at 1 January 2011	311	40,407	-	21,966	62,684
Share option charges	-	-	-	440	440
Share options exercised	4	-	416	-	420
Dividend paid	-	-	-	(6,225)	(6,225)
Transactions with owners	315	40,407	416	16,181	57,319
Loss and total comprehensive expense	-	-	-	(145)	(145)
Balance as at 31 December 2011	**315**	**40,407**	**416**	**16,036**	**57,174**

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

The notes on pages 27 to 59 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASHFLOWS

	2011 €000's	2010 €000's
Cash flows from operating activities		
Cash receipts from customers	61,289	55,508
Cash paid to suppliers and employees	(49,640)	(48,217)
Corporate taxes recovered	1,356	3,189
Corporate taxes paid	(1,627)	(2,664)
Net cash from operating activities	11,378	7,816
Cash flows from investing activities		
Interest received	5	8
Acquisition of business and earn out	(671)	(271)
Disposal of business	-	(411)
Acquisition of property, plant and equipment	(395)	(148)
Acquisition of intangible assets	(1,210)	(957)
Net cash from investing activities	(2,271)	(1,779)
Cash flows from financing activities		
Proceeds from issue of share capital	420	-
Dividend paid	(6,225)	(18,681)
Net cash from financing activities	(5,805)	(18,681)
Net increase/(decrease) in cash and cash equivalents	3,302	(12,644)
Cash and cash equivalents at beginning of the year	6,551	19,195
Cash and cash equivalents at end of the year	9,853	6,551

The notes on pages 27 to 59 form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

This note from pages 28 to 35 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 2011 comprise the Company and its subsidiaries (together referred to as the 'Group'). The Group has two business line, Business to Consumer ("B2C"), whose principal activities are that of operating online casinos, access to online poker rooms, online bingo and online sports betting, Business to Business ("B2B"), whose principal activities are to provide a full support service to third party B2C operators.

The Group's significant subsidiaries are listed in note 23.

1.1 Statement of Compliance

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

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 2011. 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 2011:

- IFRIC 13 'Customer loyalty programmes' (amendment) – effective 1 January 2011. The Group has applied IFRIC 13 (amendment) since 1 January 2011.

- IAS 24 'Related party disclosures (revised 2009)' – effective 1 January 2011. The Group has applied IAS 24 (revised 2009) since 1 January 2011.

- IAS 1 'Presentation of financial statements' (amendment) – effective 1 January 2011. The Group has applied IAS 1 (amendment) since 1 January 2011.

- IFRS 7 'Financial instruments' (amendment) – effective 1 January 2011. The Group has applied IFRS 7 (amendment since 1 January 2011)

The Group does not believe that the adoption of these standards and interpretations had 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 27).

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.

1.2 Basis of Preparation continued

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

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

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

The accounting policies have been applied consistently by Group entities.

1.3 Basis of Consolidation

1.3.1 Subsidiaries

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

1.3.2 Transactions Eliminated on Consolidation

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

1.3.3 Business Combinations

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

1.3.4 Associates

Associates are those entities over which the Group is able to exert significant influence but which are neither subsidiaries nor joint ventures. Investments in associates are initially recognised at cost and subsequently accounted for using the equity accounting method. Any goodwill or fair value adjustment attributable to the Group's share in the associate is not recognised separately and is included in the amount recognised as investments in associates.

The carrying amount of the investment in associates is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate, adjusted where necessary to ensure consistency with the accounting policies of the Group.

Where the Group does not have a legal right to a share in the underlying assets and liabilities of an associate no entries are made to the investment in the Associate in the balance sheet.

1.4 Foreign Currency

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

1. SIGNIFICANT ACCOUNTING POLICIES continued

1.4 Foreign Currency

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
Plant and equipment:	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).

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

Asset category	**Valuation methodology**
Consulting	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

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 on a defined contribution basis.

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. Also on cancellation an accelerated charge would be recognised over the remaining vesting period.

See note 20 for further details of the two schemes.

1. SIGNIFICANT ACCOUNTING POLICIES continued

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 B2B income

B2B income comprises the amounts receivable for services to other online gaming operators. Income is recognised when a right to consideration has been obtained through performance and reflects contract activity during the year. B2B income includes amounts due for the provision of services to East Pioneer Corporation B.V. ("EPC"). The amounts have been shown as income as they represent normal trading transactions and match costs incurred by the Group as a result of providing services to EPC.

1.13 Financial Expenses

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

1.14 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.

1.15 Financial Income

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

1.16 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.

1.17 Segment Reporting

Management in the year moved from identifying its key operating segments as the Group's key brands and now follows two distinct business lines as reportable operating segments:

Business to Consumer "B2C"	including the brands CasinoClub, Betaland and Betboo;
Business to Business "B2B"	includes the revenue from East Pioneer Corporation B.V. and the Group's activities in similar territories.

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.

The prior year comparatives have been re-stated to reflect the change in Management's approach to follow the two new operating segments.

1.18 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. SIGNIFICANT ACCOUNTING POLICIES continued

1.18.1 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.

1.18.2 Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances, call deposits, short term cash in transit held by payment service providers and any balances with payment processors that are subject to regular timed settlements. 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 1.15 and 1.13 respectively.

1.19 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).

1.20 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 2012 and have not been adopted early by the Group are as follows:

- IFRS 9 Financial Instruments (effective 1 January 2015), the Group will apply IFRS 9 from 1 January 2015.
- IFRS 10 Consolidated Financial Statements (effective 1 January 2013), the Group will retrospectively apply IFRS 10 from 1 January 2013.
- IFRS 11 Joint Arrangements (effective 1 January 2013), the Group will apply IFRS 11 from 1 January 2013.
- IFRS 12 Disclosure of Interests in Other Entities (effective 1 January 2013), the Group will apply IFRS 12 from 1 January 2013.
- IFRS 13 Fair Value Measurement (effective 1 January 2013), the Group will apply IFRS 13 from 1 January 2013.
- IAS 19 Employee Benefits (Revised June 2011) (effective 1 January 2013), the Group will apply IAS 19 (revised) from 1 January 2013.
- IAS 27 (Revised), Separate Financial Statements (effective 1 January 2013), the Group will apply IAS 27 (revised) from 1 January 2013.
- IAS 28 (Revised), Investments in Associates and Joint Ventures (effective 1 January 2013), the Group will apply IAS 28 (revised) from 1 January 2013.
- Deferred Tax: Recovery of Underlying Assets - Amendments to IAS 12 Income Taxes (effective 1 January 2012), the Group will apply amendments to IAS 12 from 1 January 2012.

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

- Presentation of Items of Other Comprehensive Income - Amendments to IAS 1 (effective 1 July 2012).
- Disclosures - Offsetting Financial Assets and Financial Liabilities - Amendments to IFRS 7 (effective 1 January 2013).
- Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32 (effective 1 January 2014).
- Mandatory Effective Date and Transition Disclosures - Amendments to IFRS 9 and IFRS 7 (effective 1 January 2015).
- Disclosures - Transfers of Financial Assets - Amendments to IFRS 7 (effective 1 July 2011).

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	**2011 €000's**	2010 €000's
B2C revenue		**58,218**	54,907
B2B revenue		**6,128**	-
Total revenue	3	**64,346**	54,907
Cost of sales		**(12,743)**	(9,812)
Gross profit		**51,603**	45,095
Gross profit margin		**80%**	82%
Marketing and affiliate costs		**(26,894)**	(21,766)
Contribution	3	**24,709**	23,329
Contribution margin		**38%**	42%
Operating costs	5		
Staff costs		**(7,741)**	(5,677)
Professional fees		**(1,105)**	(884)
Technology costs		**(974)**	(667)
Office, travel, other		**(1,608)**	(1,363)
Third party service costs		**(3,088)**	(2,342)
Foreign exchange differences		**(175)**	(232)
		(14,691)	(11,165)
Clean EBITDA	3	**10,018**	12,164
B2C		***12,695***	*15,675*
B2B		***651***	*(722)*
Central		***(3,328)***	*(2,789)*
Exceptional items	5	**(4,823)**	(4,428)
Share Option Charges	5, 18	**(440)**	(482)
EBITDA		**4,755**	7,254
Depreciation	5, 10	**(288)**	(459)
Amortisation	5, 11	**(1,969)**	(1,637)
Operating Profit		**2,498**	5,158
Financial income	6	**5**	8
Unwinding of discount on deferred consideration	6, 12	**(2,387)**	(1,087)
Other financial expense	6	**-**	(1)
Profit before tax		**116**	4,078
Taxation charge	7	**(261)**	(222)
(Loss)/profit after tax from continuing operations		**(145)**	3,856
Loss after taxation from discontinued operations	8	**-**	(411)
(Loss)/profit after tax		**(145)**	3,445

3. SEGMENTAL REPORTING

Management currently identifies two distinct business lines Business to Consumer ("B2C") and Business to Business "B2B" as operating segments. These operating segments are monitored and strategic decisions are made on the basis of segment operating results.

Management also monitors revenue by geographic location of its customers, monitoring performance in Europe and Latin America.

3.1 Geographical Analysis

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

	2011 €000's	2010 €000's
Europe	55,533	49,677
Latin America	8,813	5,230
Total	**64,346**	54,907

All of the Group's other income comes from Europe.

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 €57,096,000 (2010: €56,543,000) and the total located in other regions is €10,597,000 (2010: €6,747,000).

The total deferred tax asset located in Europe is €83,000 (2010: €nil). 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 Revenue by Quarter

	B2C €000's	B2B €000's	Total €000's
Q1 - 10	14,136	-	14,136
Q2 - 10	13,921	-	13,921
Q3 - 10	13,425	-	13,425
Q4 - 10	13,425	-	13,425
Total 2010	54,907	-	54,907
Q1 – 11	14,863	251	15,114
Q2 – 11	14,033	1,135	15,168
Q3 – 11	14,378	1,334	15,712
Q4 – 11	14,944	3,408	18,352
Total 2011	**58,218**	**6,128**	**64,346**

3.3 Reporting by Segment

2011	B2C €000's	B2B €000's	Unallocated central €000's	**Total €000's**
Sports wagers	76,279	44,453	-	**120,732**
Sports margin	*15%*	*10%*		
Sports NGR	10,569	2,753	-	**13,322**
Gaming NGR	47,649	2,311	-	**49,960**
Total NGR	58,218	5,064	-	**63,282**
B2B income	-	1,064	-	**1,064**
Total revenue	**58,218**	**6,128**	**-**	**64,346**
Cost of sales	(11,012)	(1,731)	-	**(12,743)**
Gross profit	**47,206**	**4,397**	**-**	**51,603**
Marketing and affiliate costs	(25,290)	(1,604)	-	**(26,894)**
Contribution	**21,916**	**2,793**	**-**	**24,709**
Contribution margin	*38%*	*46%*		
Operating costs	(9,221)	(2,142)	(3,328)	**(14,691)**
Clean EBITDA	**12,695**	**651**	**(3,328)**	**10,018**
Clean EBITDA margin	*22%*	*11%*		
Exceptional items	(1,238)	(3,585)	-	**(4,823)**
Share option charges	-	-	(440)	**(440)**
EBITDA	**11,457**	**(2,934)**	**(3,768)**	**4,755**
Depreciation and amortisation	(2,034)	(223)	-	**(2,257)**
Financial income	3	1	1	**5**
Financial expense*	(2,387)	-	-	**(2,387)**
Profit/(loss) before tax	**7,039**	**(3,156)**	**(3,767)**	**116**
Taxation	(186)	-	(75)	(261)
Profit/(loss) after tax from continuing operations	**6,853**	**(3,156)**	**(3,842)**	**(145)**
Net assets				
Non-current assets	61,859	5,917	-	**67,776**
Current assets	11,648	8,698	19	**20,365**
Current liabilities	(9,027)	(8,719)	(281)	**(18,027)**
Net current assets	2,621	(21)	(262)	**2,338**
Long term liabilities	(12,940)	-	-	**(12,940)**
Net assets	51,540	5,896	(262)	**57,174**
Total assets	**73,507**	**14,615**	**19**	**88,141**
Total liabilities	**(21,967)**	**(8,719)**	**(281)**	**(30,967)**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
continued

3. SEGMENTAL REPORTING continued
3.3 Reporting by Segment continued

2010	B2C €000's	B2B €000's	Unallocated central €000's	Total €000's
Sports wagers	69,313	-	-	69,313
Sports margin	*14%*			
Sports NGR	8,712	-	-	8,712
Gaming NGR	46,195	-	-	46,195
Total NGR	54,907	-	-	54,907
B2B income	-	-	-	-
Total revenue	54,907	-	-	54,907
Cost of sales	(9,812)	-	-	(9,812)
Gross profit	45,095	-	-	45,095
Marketing and affiliate costs	(21,753)	(13)	-	(21,766)
Contribution	23,342	(13)	-	23,329
Contribution margin	*43%*			
Operating costs	(7,667)	(709)	(2,789)	(11,165)
Clean EBITDA	15,675	(722)	(2,789)	12,164
Clean EBITDA margin	*29%*			
Exceptional items	(1,223)	-	(3,205)	(4,428)
Share option charges	-	-	(482)	(482)
EBITDA	14,452	(722)	(6,476)	7,254
Depreciation and amortisation	(2,095)	(1)	-	(2,096)
Financial income	-	-	8	8
Financial expense*	(1,087)	-	(1)	(1,088)
Profit/(loss) before tax	11,270	(723)	(6,469)	4,078
Taxation	(622)	40	360	(222)
Profit/(loss) after tax from continuing operations	10,648	(683)	(6,109)	3,856
Net assets				
Non-current assets	62,828	462	-	63,290
Current assets	6,493	90	6,239	12,822
Current liabilities	(7,090)	(5)	(163)	(7,258)
Net current assets	(597)	85	6,076	5,564
Long term liabilities	(6,170)	-	-	(6,170)
Net assets	56,061	547	6,076	62,684
Total assets	69,321	552	6,239	76,112
Total liabilities	(13,260)	(5)	(163)	(13,428)

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

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

4. CONTRACT WITH EAST PIONEER CORPORATION B.V.

On 21 November the Group entered into a B2B arrangement with East Pioneer Corporation B.V. ("EPC") to provide a suite of back office services to the company following EPC's acquisition of Sportingbet Plc's ("SBT") Superbahis business.

The terms of the contracts between SBT, EPC and the group are complex. In return for the back office services provided, the Group is entitled to receive a fee from EPC equating to a share of the profits of the business. Management assert that the group does not currently control any of the operating or financial policies of EPC.

The amounts received in respect of the arrangement during the year of €1,064,000 have been recognised as revenue as the amount represents a fee for services provided under the arrangement rather than a share of the underlying net assets of the business. The Group incurs internal costs in relation to providing the services under the arrangement which are held within other operating expenses.

As part of the agreement between the Group and EPC the Group agreed to guarantee the performance of EPC's obligations to SBT and therefore entered into the acquisition agreement alongside EPC as its guarantor. A contingent liability has been disclosed in respect of this guarantee as detailed in note 24.

5. OPERATING COSTS

	Notes	**2011 €000's**	2010 €000's
Other operating costs	5.1	**15,131**	11,647
Exceptional items	5.2	**4,823**	4,428
Depreciation		**288**	459
Amortisation		**1,969**	1,637
		22,211	18,171

5.1 Other Operating Costs

	Notes	**2011 €000's**	2010 €000's
Other personnel expenditure (excluding share option charges)	5.1.1	**7,741**	5,677
Share option charges		**440**	482
Total personnel expenditure		**8,181**	6,159
Professional fees	5.1.2	**1,105**	884
Technology costs		**974**	667
Office, travel and other costs		**1,608**	1,363
Third party service costs*		**3,088**	2,342
Foreign exchange differences		**175**	232
		15,131	11,647

**provided to Betboo by external providers*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
continued

5. OPERATING COSTS continued

5.1.1 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 60.

The personnel expenditure shown below excludes those items of an exceptional nature shown in note 5.2.

	2011 €000's	2010 €000's
Wages and salaries, including Directors remuneration	**6,200**	4,169
Amounts paid to long term contractors	**634**	708
Compulsory social security contributions	**471**	337
Compulsory pension contributions	**203**	130
Health and other benefits	**38**	51
Recruitment and training	**195**	282
	7,741	5,677

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

	2011	2010
Number of personnel		
With employment contracts or service contracts	**116**	80
Contractors	**7**	4
	123	84

5.1.2 Professional Fees

At 31 December 2011, the Group has legal entities in The Isle of Man, Netherlands Antilles, Cyprus, Malta, United Kingdom, Ireland and Israel. Accordingly, the Group seeks professional advice in these and other jurisdictions.

	2011 €000's	2010 €000's
Other professional fees	**1,105**	884

5.2 Exceptional Items

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

	Notes	**2011 €000's**	2010 €000's
Transaction with East Pioneer Corporation B.V.			
- legal and professional costs	a	**2,275**	-
- bonuses paid to Directors and staff	a	**1,310**	-
Provision against deferred proceeds on the disposal of Betpro	b	**904**	-
Boss dispute	c	**334**	626
Re-domiciliation & other restructuring	d	**-**	1,628
Options cancelled	e	**-**	450
LTIP and similar compensation	f	**-**	1,127
Software costs	g	**-**	339
Abnormal individual jackpot win	h	**-**	258
		4,823	4,428

Note a: On 21 November 2011 the Group entered into a service agreement and guarantee relating to the acquisition by East Pioneer Corporation B.V. from Sportingbet Plc of Superbahis. The pre contract costs of entering into this agreement along with the Directors transaction success bonuses have been taken as an exceptional item.

Note b: On 10 April 2012 the Group announced that it had entered into an arrangement to dispose of its Betaland business with effect from 1st April. As part of this the Group has made a provision against deferred proceeds on the disposal of Betpro.

Note c: The Group is in a number of legal disputes with Boss Media (see note 26). The legal costs incurred by the Group relating to these disputes has been taken as an exceptional item.

Note d: 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 moved one of its subsidiaries to another jurisdiction. The cost of this restructuring was taken as an exceptional item.

Note e: 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 was taken to the income statement as an exceptional item, and the balance, €383,678 to retained earnings, representing the fair value of the options cancelled, measured at the date of cancellation.

Note f: 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 was taken as an exceptional item, was €1,127,168.

Note g: During the prior year, the Group incurred costs for both professional fees and technology costs relating to certain software suppliers. These costs were taken to exceptional items as the Directors considered them both unusual in nature and of significant size to warrant separate disclosure.

Note h: The Group had one single winner of a significant jackpot in the prior year, winning a video poker game. The amount taken to exceptional items was €258,000.

6. FINANCIAL INCOME AND EXPENSES

	2011 €000's	2010 €000's
Financial income – interest income	**5**	8
Financial expense – interest payable		
- Interest payable	**-**	(1)
- Unwinding of discount on deferred consideration (see note 12)	**(2,387)**	(1,087)
	(2,387)	(1,088)

7. 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 €344k (net of tax receivable amounts) at 31 December 2011 (2010: Current tax liability of €169k (net of tax receivable amounts)).

	2011 €000's	2010 €000's
Current tax expense		
Current year	**281**	169
Prior year	**63**	-
	344	169
Deferred tax		
Origination and reversal of temporary differences	**(83)**	53
Total income tax expense in income statement	**261**	222

The tax for the year is different from that which would result from applying the standard rate of Corporation Tax in the UK (26.5%*). A reconciliation is shown below:

	2011	2010
Profit before tax	**116**	4,078
Income tax using the domestic corporation tax rate	**31**	1,142
Effect of tax rates in foreign jurisdictions (rates decreased)	**(177)**	(1,126)
Expenses not deductible for tax purposes	**482**	321
Utilisation of tax losses	**(13)**	(76)
Tax losses for which no deferred tax assets have been recognised	**25**	7
Adjustment in respect of prior years – corporation tax	**61**	-
Adjustment in respect of prior years – deferred tax	**(38)**	53
Capital allowances for period in excess of depreciation	**(110)**	(99)
	261	222

**From 1 April 2011 the UK Corporation Tax rate changed from 28% to 26% and from 1 April 2012 the rate will reduce to 25%.*

7.1 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**
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)
Balances at 1 January 2011	(1,525)	1,356	-	-	**(169)**
Paid/(received) during the year ended 31 December 2011	1,627	(1,356)	-	-	**271**
(Charge)/credit in income statement for prior years	(63)	-	38	-	**(25)**
(Charge)/credit in income statement for the year ended 31 December 2011	(1,810)	1,529	45	-	**(236)**
Balances at 31 December 2011	**(1,771)**	**1,529**	**83**	**-**	**(159)**

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 €840,000.

8. DISCONTINUED OPERATIONS (2010)

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:

	2011 €000's	2010 €000's
Net gaming revenue	-	354
Cost of sales	-	(72)
Gross profit	-	282
Marketing and revenue shares	-	(241)
Contribution	-	41
Operating costs	-	(452)
EBITDA	-	(411)
Depreciation and amortisation	-	-
Financial income and expenses	-	-
Loss before tax	-	(411)
Tax	-	-
Loss after tax	-	(411)

9. EARNINGS PER SHARE

9.1 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.

	2011	2010
(Loss)/profit for the year from continuing operations attributable to ordinary shareholders	**(145,000)**	3,856,000
Loss for the year from discontinued operations attributable to ordinary shareholders	-	(411,000)
(Loss)/profit for the year attributable to ordinary shareholders	**(145,000)**	3,445,000
Weighted average number of shares	**31,170,465**	31,135,762
(Loss)/profit from continuing operations (in €)	(0.005)	0.124
Loss from discontinued operations (in €)	-	(0.013)
Basic earnings per share (in €)	**(0.005)**	0.111
Exceptional items	**4,823,000**	4,428,000
Profit for the year from continuing operations attributable to ordinary shareholders before exceptional items	**4,678,000**	8,284,000
Basic earnings per share from continuing operations before exceptional items (in €)	**0.150**	0.266

9. EARNINGS PER SHARE continued

9.2 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.

	2011	2010
(Loss)/profit for the year from continuing operations attributable to ordinary shareholders	**(145,000)**	3,856,000
Loss for the year from discontinued operations attributable to ordinary shareholders	-	(411,000)
(Loss)/profit for the year attributable to ordinary shareholders	**(145,000)**	3,445,000
Weighted average number of shares	**31,170,465**	31,135,762
Effect of dilutive share options	**396,565**	703,076
Weighted average number of dilutive shares	**31,567,030**	31,838,838
(Loss)/profit from continuing operations (in €)	**(0.005)**	0.121
Loss from discontinued operations (in €)	-	(0.013)
Diluted earnings per share (in €)	**(0.005)**	0.108
Exceptional items	**4,823,000**	4,428,000
Profit for the year from continuing operations attributable to ordinary shareholders before exceptional items	**4,678,000**	8,284,000
Diluted earnings per share from continuing operations before exceptional items (in €)	**0.148**	0.260

10. PROPERTY, PLANT AND EQUIPMENT

	Plant and Equipment €000's	Fixtures and Fittings €000's	Total €000's
Cost			
At 1 January 2010	463	890	1,353
Additions	99	49	148
At 1 January 2011	562	939	**1,501**
Additions	166	229	**395**
At 31 December 2011	728	1,168	**1,896**
Depreciation			
At 1 January 2010	201	478	679
Depreciation charge for the year	153	306	459
At 1 January 2011	354	784	**1,138**
Depreciation charge for the year	144	144	**288**
At 31 December 2011	498	928	**1,426**
Net Book Value			
At 31 December 2010	208	155	363
At 31 December 2011	230	240	**470**

11. 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 2010	76,891	15,840	15,737	4,919	1,704	115,091
Additions	-	161	796	-	-	957
At 1 January 2011	76,891	16,001	16,533	4,919	1,704	**116,048**
Additions	5,055	118	1,092	-	-	**6,265**
At 31 December 2011	81,946	16,119	17,625	4,919	1,704	**122,313**
Amortisation and Impairment						
At 1 January 2010	33,274	87	12,991	4,919	213	**51,484**
Amortisation	-	200	1,011	-	426	**1,637**
At 1 January 2011	33,274	287	14,002	4,919	639	**53,121**
Amortisation	-	239	1,304	-	426	**1,969**
At 31 December 2011	33,274	526	15,306	4,919	1,065	**55,090**
Net Book Value						
At 31 December 2010	43,617	15,714	2,531	-	1,065	**62,927**
At 31 December 2011	48,672	15,593	2,319	-	639	**67,223**

11.1 Amortisation

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

	2011 €000's	2010 €000's
Net operating expenses	**1,969**	1,637

11.2 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 2011. The goodwill relates to B2C and B2B businesses and trademarks all relate to the B2C business. The carrying values of the assets were compared with the recoverable amounts, the recoverable amount was estimated based upon a value in use calculation, based upon management forecasts for the years ending 31 December 2012 and up to 31 December 2016. 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 17.2% 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.

11. INTANGIBLE ASSETS continued

11.2 Impairment Tests for Cash-Generating Units Containing Goodwill and Trademarks

The following units have significant carrying amounts of goodwill:

	2011 €000's	2010 €000's
Betboo*	**8,333**	3,278
CasinoClub	**40,339**	40,339
Total Goodwill	**48,672**	43,617

**€3,278,000 relates to B2C business and €5,055,000 to B2B business*

12. ACQUISITION OF BETBOO

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

The terms of the acquisition were an upfront payment of US$4 million (€3,040k) with the sellers able to earn up to a further US$26 million depending on performance.

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.

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 revised earn out results in total deferred consideration increasing to €18,530k and the discount to €8,588k resulting in the new discounted value being €9,942k.

The fair values of the revised earn out has been estimated using cash flow projections for the 4 years to 31 December 2014, and discounted using the estimated weighted average cost of capital of 21%.

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

		Year ended 31/12/2010 €000's	Impact of the revised earn out €000's	Year ended 31/12/2011 €000's
Acquisition price of Betboo				
- Initial consideration		3,040	-	3,040
- Acquisition costs		100	-	100
- Deferred consideration		8,963	9,567	18,530
Fair value		12,103	9,567	21,670
Discount		(4,076)	(4,512)	(8,588)
Net		**8,027**	**5,055**	**13,082**
Assets acquired at fair values	*Useful economic life*			
- Trade name	*4 years*	696	-	696
- Customer list	*4 years*	1,704	-	1,703
- Software	*4 years*	2,455	-	2,455
- Goodwill	*Indefinite*	3,278	5,055	8,333
		8,133	5,055	13,188
Net current liabilities		(106)	-	(106)
Net		**8,027**	**5,055**	**13,082**

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	2013 €000's	2014 €000's	2015 €000's	Total €000's
Balance at 1 January	-	5,354	**6,170**	12,940	15,145	16,822	17,532	-
Fair value of deferred consideration on acquisition	4,887	-	**-**	-	-	-	-	4,887
Fair value of additional deferred consideration on revision of earn out	-	-	**5,055**	-	-	-	-	5,055
Unwinding of discount charged to income statement	467	1,087	**2,387**	2,205	1,677	710	55	8,588
Advance of deferred consideration	-	(271)	**(672)**	-	-	-	-	(943)
Balance at 31 December	5,354	6,170	**12,940**	15,145	16,822	17,532	17,587	17,587

13. RECEIVABLES AND PREPAYMENTS

	2011 €000's	2010 €000's
Payment processor balances	**3,792**	926
Trade receivables	**3,060**	1,791
Other receivables	**659**	1,215
Loans and receivables	**7,511**	3,932
Prepayments	**1,472**	964
	8,983	4,896

Payment processor balances described as receivables are funds held by third party collection agencies subject to collection after one month, or balances used to make refunds to players.

Prepayments include payments as at 31 December 2011 for goods or services which will be consumed after 1 January 2012.

14. CASH AND CASH EQUIVALENTS

	2011 €000's	2010 €000's
Cash and cash equivalents		
Bank balances	5,211	4,875
Balances at payment processors collectable within one month	4,642	1,676
	9,853	6,551
Held in the following institutions:		
Barclays Bank	-	11
Bank of Valletta (Malta)	5,109	4,688
Payment processors	4,642	1,676
Other	102	176
	9,853	6,551
Held in the following currencies (in Euro equivalents at the balance sheet date):		
Euro	7,764	5,858
US Dollars	1,895	567
British Pounds	59	44
Other	135	82
	9,853	6,551
Comprising:		
Own funds	4,737	4,872
Short term loan	2,924	-
Balances with customers (note 15)	2,192	1,679
	9,853	6,551
Amount per share represented by own funds (in €)	0.151	0.156

15. TRADE AND OTHER PAYABLES

	2011 €000's	2010 €000's
Balances with customers	2,192	1,679
Short term loan*	2,924	-
Other trade payables	7,099	1,747
Total trade payables	12,215	3,426
Accruals	3,711	2,043
	15,926	5,469

**provided by Sportingbet Plc as part of the transaction with East Pioneer Corporation, the loan is interest free and repayable on the 31 May 2012.*

16. OTHER TAXATION PAYABLE

	2011 €000's	2010 €000's
Social security and other similar taxes	276	197
Value added taxes	18	38
Betting taxes and similar	36	29
	330	264

17. 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:

	2011 €000's	2010 €000's
No later than one year	**237**	333
Later than one year and no later than five years	**354**	300
	591	633

18. SHARE CAPITAL AND RESERVES

18.1 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 25.

The authorised and issued share capital is:

	2011 €000's	2010 €000's
Authorised		
Ordinary shares of €0.01 each		
At 31 December - 40,000,000 shares	**400**	400
Issued, Called Up and Fully Paid		
Ordinary shares of €0.01 each		
At 31 December - 31,469,095 shares	**315**	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.

On 25 November 2011, 333,333 ordinary shares of €0.01 were issued to Kenneth Alexander (233,333) and Richard Cooper (100,000) following the exercise of options under the Share Option Plan, at exercise prices of £1.00 and £1.26 respectively.

18.2 Reserves

	Share Capital €000's	Share Premium €000's	Merger Reserve €000's	Retained Earnings €000's	**Total €000's**
At 1 January 2011	311	-	40,407	21,966	**62,684**
Result for the year	-	-	-	(145)	**(145)**
Dividends paid	-	-	-	(6,225)	**(6,225)**
Share option charge	-	-	-	440	**440**
Share options exercised	4	416	-	-	**420**
At 31 December 2011	**315**	**416**	**40,407**	**16,036**	**57,174**

18. SHARE CAPITAL AND RESERVES continued

18.2 Reserves continued

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)

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 desires to pay not less than 75% of its net operating 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 2011 was €57.2 million (2010: €62.7 million).

19. DIVIDENDS

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

	2011	2010
Total amount	**€3,475,139**	€3,113,576
Amount per qualifying share	**€0.11**	€0.10

20. SHARE OPTION SCHEMES

The Group has three share option schemes:

(a) the 'original' scheme that has been in place since the IPO of GVC Holdings PLC's predecessor Gaming VC Holdings S.A

(b) a 'new' scheme that was approved by shareholders on 21 May 2010. (the "21 May 2010 scheme")

(c) a further grant of options under the new scheme to three directors, approved by shareholders on 16 November 2011 ("16 November 2011 scheme"). A total of 1,600,000 shares under this scheme were granted on 30 January 2012 at an exercise price of 154.79p.

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 2011**	**Exercised in the year**	**Existing at 31 December 2011**	**Exercisable at 31 December 2011**	**Vesting criteria**
01 Mar 07	100p	233,333	(233,333)*	-	-	Note a
15 May 07	129p	154,590	-	154,590	154,590	Note a, f
26 Feb 08	138.16p	150,000	-	150,000	143,750	Note a
12 Dec 08	126p	291,667	(100,000)*	191,667	91,659	Note a
21 May 10	213p	1,675,000	-	1,675,000	837,500	Note b
21 May 10	1p	300,000	-	300,000	150,000	Note c
21 May 10	1p	100,000	-	100,000	50,000	Note d
21 May 10	150p	700,000	-	700,000	-	Note e
Total all schemes		**3,604,590**	**(333,333)**	**3,271,257**	**1,427,499**	

**The average weighted share price on the date of exercise was 121.6p.*

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. The remaining options are expected to vest during 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 installments 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.

Note f: A total of 123,077 share options at an exercise price of 129p relating to a departing employee were permitted to be exercised between 25 April 2012 and 30 April 2012.

The charge to the consolidated income statement in respect of these options in 2011 was €440,000 (2010: €482,000).

20.1 Weighted Average Exercise Price of Options

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

	Weighted average exercise price 2011	Number of options 2011	Weighted average exercise price 2010	Number of options 2010
Outstanding at the beginning of the year	156p	3,604,590	135p	1,954,590
Granted during the year	-	-	167p	2,775,000
Exercised during the year	108p	(333,333)	231p	(1,125,000)
Outstanding at the end of the year	161p	3,271,257	156p	3,604,590
Exercisable at the end of the year		1,427,499		519,741

The options outstanding at 31 December 2011 have a weighted average contractual life of 7.2 years (2010: 8.3 years).

20.2 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.

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20. SHARE OPTION SCHEMES continued
20.2 Valuation of Options continued
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.

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT
The Group's principal financial instruments as at 31 December 2011 comprise cash and cash equivalents. The main purpose of these financial instruments is to finance the Group's operations. The Group has other financial instruments which mainly comprise receivables and payables, which arise directly from its operations. Cash and cash equivalents and trade and other receivables have been classified as loans and receivables and trade and other payables, and deferred consideration as financial liabilities measured at amortised cost.

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

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

21.2 Foreign Exchange Risk
Foreign exchange risk arises from transactions, recognised assets and liabilities and net investments in foreign operations. The Group does not use foreign exchange contracts to hedge its currency risk. The Group dividend is declared in the Euro. 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.

21.2.1 Analysis of the Balance Sheet by Currency

At 31 December 2011	Euro €000's	GBP €000's	USD €000's	TRY €000's	Other €000's	Total €000's
Non-current assets	**67,776**	**-**	**-**	**-**	**-**	**67,776**
Receivables and prepayments	6,545	12	263	1,559	604	8,983
Tax reclaimable	1,529	-	-	-	-	1,529
Other tax reclaimable	-	-	-	-	-	-
Cash and cash equivalents	7,764	59	1,895	-	135	9,853
Total current assets	**15,838**	**71**	**2,158**	**1,559**	**739**	**20,365**
Trade and other payables	(13,324)	(795)	(753)	(684)	(370)	(15,926)
Taxation payable	(1,697)	(57)	-	-	(17)	(1,771)
Other taxation liabilities	(146)	(113)	-	-	(71)	(330)
Total current liabilities	**(15,167)**	**(965)**	**(753)**	**(684)**	**(458)**	**(18,027)**
Net current assets	671	(894)	1,405	875	281	2,338
Long Term Liabilities						
- Deferred consideration*	(12,940)	-	-	-	-	(12,940)
Total assets less current liabilities	**55,507**	**(894)**	**1,405**	**875**	**281**	**57,174**

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

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	5,986	40	224	166	6,416
Tax reclaimable	1,356	-	-	-	1,356
Other tax reclaimable	19	-	-	-	19
Cash and cash equivalents	4,339	44	566	82	5,031
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.*

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

21.3 Interest Rate Risk

The Group earns interest from bank deposits. During the year, the Group held cash on deposits with a range of maturities of less than three months. The Group had no committed borrowing facilities as at 31 December 2011 (2010: €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 2010 or 31 December 2011.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT continued

21.4 Credit Risk

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

The Group has material exposure to credit risk through amounts owed by Webdollar (a third party collection agency) of €1.1 million (2010: €0.9 million) and cash balances held with the Bank of Valetta of €5.1 million (2010: Bank of Valetta of €4.7 million). The Group considers the credit risk associated with these balances to be low, having assessed the credit ratings and financial strength of the counter-parties involved. The Group is seeking to diversify its banking deposits to further reduce credit risk.

No provision for impairment has been made at 31 December 2011 (2010: €nil). No receivable amounts were past due date at 31 December 2011 (2010: €nil).

21.5 Liquidity Risk

At 31 December 2011, the Group had cash and cash equivalents of €9.9 million (2010: €6.6 million) and considers liquidity risk to be low for the business. All financial liabilities at the year-end are due within one year, with the exception of the deferred consideration on Betboo.

21.6 Fair Values

The carrying amounts of the financial assets and liabilities, including deferred consideration in the Balance Sheet at 31 December 2011 and 2010 for the Group and Company are a reasonable approximation of their fair values. All trade and other receivables and payables have a maturity of less than one year.

21.7 Summary of Financial Assets and Liabilities by Category

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

	2011 €000's	2010 €000's
Current assets:		
Financial assets measured as loans and receivables:		
- Trade and Other receivables	**7,511**	3,932
- Cash and cash equivalents	**9,853**	6,551
Current liabilities:		
Financial liabilities measured at amortised cost:		
- Trade and other payables	**15,926**	5,469
- Deferred consideration	**12,940**	6,170

22 RELATED PARTIES

22.1 Identity of Related Parties

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

22.2 Transactions with 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 2011, Pentasia provided recruitment services to various members of the Group to a value of €36,472 (2010: €125,998).

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 2011, Fenlex received €31,138 from the Group in relation to Company secretarial matters arising in Malta (2010: €52,311).

Richard Cooper received dividends during the year of €7,000 in respect of his beneficial interest in the ordinary share capital of the Group. 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 2011, Rousset Capital Limited provided conference and meeting room services amounting to £9,908 (€11,513) (2010: £22,237 (€26,159)).

Lee Feldman received dividends during the year of €10,740 in respect of his beneficial interest in the ordinary share capital of the Group. Lee Feldman is the Managing Partner of Twin Lakes Capital, a private equity firm based in New York. During the year ended 31 December 2011, Twin Lakes Capital received £50,000 (€58,910) (2010: £50,000 (€57,564)) in relation to office services.

Kenneth Alexander received dividends during the year of €16,000 in respect of his beneficial interest in the ordinary share capital of the Group.

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:

	2011	2010
	€000's	€000's
Salaries and employee benefits	**3,233**	3,913
Share based payments	**273**	222
	3,506	4,135

Details of Directors remuneration is given in the Report of the Remuneration Committee on page 60.

23. GROUP ENTITIES

Significant subsidiaries	**Country of incorporation**	**Ownership interest**	
		2011	2010
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*

24. 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.

24. CONTINGENT LIABILTIES continued

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 33 games, the total of the available jackpots at 31 December 2011 was €5.9 million (2010: 29 games and total available jackpot of €5.1 million). The single largest jackpot available amounted to €2.7 million from the slots game "Aladdin's Lamp" (2010: €2.5 million).

The Group had no winners of a significant jackpot (2010, one winner of a video poker game). In accordance with the Group's policy, the amount withdrawn by the customer in 2010 (€258,000) was treated as an exceptional item (see note 5.2).

East Pioneer Corporation Guarantee

On 21 November 2011 the Group entered into a service agreement and guarantee relating to the acquisition by East Pioneer Corporation B.V. ("EPC") from Sportingbet Plc of Superbahis, a Turkish language website . The maximum contingent liability under this agreement at inception was €171 million. The Directors consider this has a fair value of €nil.

GVC is providing back office and support services to EPC, and hence entered into the agreement with Sportingbet.

Additionally GVC entered into the agreement for the purpose of guaranteeing to a subsidiary of Sportingbet the payment and performance by EPC of all amounts and obligations under the Business Purchase Agreement and certain other Transaction Documents. The full detail of the arrangements is contained in the circular to shareholders dated 31 October 2011 which is available on the Group's website.

The consideration due from EPC to Sportingbet under the terms of the Business Purchase Agreement will be payable in monthly instalments in arrears. The amounts payable are dependent on whether the software being used remains on the Sportingbet platform, and are calculated as follows:

(a) for each month of the first three years following 21 November 2011 until the software platform being used ceases to be that of Sportingbet, an amount equal to 75 per cent. and, following the software platform ceasing to be that of Sportingbet, 67.5 per cent., of a definition of Adjusted Combined Net Revenue (close to GVC's definition of gross profit, but before marketing expenditure but after affiliate commissions, and subject to certain allowances and thresholds). The calculation is a combination of the revenue from Superbahis and similar sites operated by GVC. This is known as the Initial Profit Share.

(b) for each calendar month during the fourth year following 21 November 2011, if the Initial Profit Share is less than €142.5 million ("Minimum Consideration"), the profit share will continue as outlined in (a) above capped at an amount equal to the sum of €28.5 million and the amount by which the Initial Profit Share is less than the Minimum Consideration. If the Initial Profit Share is greater than the Minimum Consideration, the profit share will continue as outlined in (a) above capped at €28.5 million (the "Second Profit Share"); and

(c) for each calendar month during the fifth and sixth years following Completion, if the aggregate of the Initial Profit Share and the Second Profit Share is less than the Minimum Consideration, the profit share will continue as outlined in (a) above capped at an amount equal to the amount by which the Initial Profit Share, together with the Second Profit Share, is less than the Minimum Consideration. If the aggregate of the Initial Profit Share and the Second Profit Share is more than or equal to the Minimum Consideration, no further Consideration is payable.

25. ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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.

25.1 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.

25.2 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.

25.3 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.

25.4 Impairment of Goodwill and Trademarks

Determining whether goodwill and trademarks with an indefinite useful life are impaired requires an estimation of the value in use of the cash-generating units. The value-in-use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and select a suitable discount rate in order to calculate present value. Note 11.2 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 internally by management.

25.5 Share Options

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

25.6 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.

25.7 East Pioneer Corporation B.V.

On 21 November the Group entered into a B2B arrangement with East Pioneer Corporation B.V. ("EPC") to provide a suite of back office services to the company following EPC's acquisition of Superbahis, a business operated by Sportingbet Plc ("SBT").

25. ACCOUNTING ESTIMATES AND JUDGEMENTS continued

25.7 East Pioneer Corporation B.V. continued

The terms of the contracts between SBT, EPC and the group are complex. Neither the Group nor EPC currently provide the platform or licensing, hold the customers on their servers, retain the brand nor set and control the sports book odds of the website. In return for the back office services provided, the Group is entitled to receive income from EPC equating to a share of the profits of the business. The Group does not, however have any interest in the net assets or equity of EPC which is an independently held entity. Management assert that the group does not currently control any of the operating or financial policies of EPC. The Group does recognise there are material transactions between itself and EPC and the provision of back office services necessitates an interchange of management personnel and the provision of essential technical information between EPC and the Group. Accordingly, such amounts due under the B2B transaction with EPC are therefore included within revenue.

The Directors consider that the guarantee relating to the acquisition by EPC as referred to in note 24 has a fair value of €nil due to the uncertainty regarding the regulatory environment in which EPC operates and also due to the fact that much of the cash used to fund such payments resides within payment processor accounts operated by the Group.

26. LITIGATION WITH BOSS MEDIA

The Group continues to be in dispute with Boss Media.

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 has yet to hand down its decision on this case.

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.

Proceedings under Arbitration are continuing.

27. 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 21 to the financial statements sets out the Group's financial risk management policies, and its exposure to credit risk and liquidity risk.

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

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

28. SUBSEQUENT EVENTS

Betaland Disposal

On 10 April 2012, the group announced that it had entered into an arrangement to dispose of its Betaland business to a third party and for a nominal sum. The declining profitability of Betaland led the Board to conclude that it was no longer in the shareholder's interests for GVC to continue to own this business. The disposal is subject to regulatory and third party contractual consents, but is expected to be completed shortly after the signing of these financial statements.

The Group made the decision to dispose of the Betaland business after the year end culminating in the announcement dated the 10 April 2012. Hence, the Directors have not included the assets and liabilities of the Betaland business as 'held for sale' at 31 December 2011 as the disposal was not 'highly probable' at that date.

In the year ended 31 December 2010, the date of the last audited accounts, the results and net assets of Betaland were:

	€000's
Net Gaming Revenue	22,200
Clean EBITDA	1,900
Profit before taxation	1,600
Gross assets	4,400
Net assets	6

In the six month period to 30 June 2011, the unaudited results were:

	€000's
Net Gaming Revenue	10,500
Clean EBITDA	1,000
Profit before taxation	900
Gross assets	5,000

Share Option Ecercise

A total of 123,077 share options at an exercise price of 129p relating to a departing employee were permitted to be exercised between 25 April 2012 and 30 April 2012.

There have been no other subsequent events between 31 December 2011 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 2011.

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 2011** **€**	Total 2010 €
Executive Directors					
K Alexander	638,702	789,937	3,138	**1,431,777**	2,122,140
R Cooper	351,286	426,465	2,921	**780,672**	852,088
Non-Executive Directors					
L Feldman	150,966	228,894	-	**379,860**	485,574
N Blythe-Tinker	101,294	15,000	-	**116,294**	104,958
K Diacono	50,000	-	-	**50,000**	50,000
	1,292,248	1,460,296	6,059	**2,758,603**	3,614,760

The Directors emoluments include amounts of an exceptional nature shown in note 5.2 on page 40 and included within 'exceptional items' in the income statement (€1,125,297), the remaining amounts are shown in 'operating costs' (€1,633,306).

Bonus

	Dividend related Note 1	Transaction success Note 2	**Total 2011**	Total 2010
	€	€	**€**	€
Executive Directors				
K Alexander	160,000	629,938	**789,938**	1,531,607
R Cooper	80,000	346,465	**426,465**	527,407
Non-Executive Directors				
L Feldman	80,000	148,894	**228,894**	334,364
N Blythe-Tinker	15,000	-	**15,000**	7,500
	335,000	1,125,297	**1,460,297**	2,400,878

Note 1: See below; further details can be found in the annual bonus summary on page 60.

Reinvestment criteria for Directors' bonuses
The Directors are under an obligation to re-invest not less than 20% of the post-tax amount of bonus received by them. This reinvestment can take the form of either purchasing shares in the open market, or through the exercise of share options whereby the Company receives the re-investment funds and issues shares.

	K Alexander	R Cooper	L Feldman	N Blythe-Tinker
Share option base	800,000	400,000	400,000	75,000
Dividend per share	€ 0.20	€ 0.20	€ 0.20	€ 0.20
Dividend bonus	€ 160,000	€ 80,000	€ 80,000	€ 15,000

Note 2: Awarded on the completion of the transaction entering into a services agreement and guarantee relating to the acquisition by East Pioneer Corporation B.V. of Superbahis, a Sportingbet Plc brand, as disclosed in the AIM admission document dated 31 October 2011.

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

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 2011, 79% of the outstanding grants had vested and the remaining 21% are expected to vest during 2012.

REPORT OF THE REMUNERATION COMMITTEE
continued

21 May 2010 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 to 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.

16 November 2011 scheme

On 16 November 2011, shareholders approved the grant of additional share options with the same rights as the 21 May 2010 scheme to three directors as follows:

Director	Number of shares subject to options	Exercise period
Kenneth Alexander	800,000	Date of grant to the fifth anniversary of grant
Richard Cooper	400,000	Date of grant to the fifth anniversary of grant
Lee Feldman	400,000	Date of grant to the fifth anniversary of grant

These share options were granted at an exercise price of 154.79p being 120% of the average mid-market closing price over the period from 17 November 2011 to 28 January 2012.

It is the Remuneration Committee's intention that no further awards will be made under either the 21 May 2010 scheme or the 16 November 2011 scheme within the period of two years following the date of grant of the initial awards unless the group enters into a material transaction which the Remuneration Committee feels warrants additional incentives.

Each of the Executive Directors has agreed to retain the shares which he acquires on exercise of his awards under the LTIP until the date of his cessation of employment with the GVC Group (save that each Executive Director will be permitted to sell sufficient of the 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).

Directors' Share Options

	Scheme	Option price	Existing at 31 December 2010	Exercised in the year	Existing at 31 December 2011	Vested at 31 December 2011	Expiry date
Executive Directors							
K Alexander	Original	100p	233,333	(233,333)	**-**	-	-
K Alexander	21 May 2010	213p	800,000	-	**800,000**	400,000	20-05-20
K Alexander	16 Nov 2011	154.79p	-	-	**-**	-	27-01-22
R Cooper	Original	126p	291,667	(100,000)	**191,667**	91,659	11-12-18
R Cooper	21 May 2010	213p	400,000	-	**400,000**	200,000	20-05-20
R Cooper	16 Nov 2011	154.79p	-	-	**-**	-	27-01-22
Non-Executive Directors							
L Feldman	21 May 2010	213p	400,000	-	**400,000**	200,000	20-05-20
L Feldman	16 Nov 2011	154.79p	-	-	**-**	-	27-01-22
N Blythe-Tinker	New	213p	75,000	-	**75,000**	37,500	20-05-20

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 2011 was €268,000 (2010: €210,000).

Other Employees and Consultants

The majority of staff in the Group are also able to benefit financially from their endeavors 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 2011	Vesting criteria
Original	129p	154,590	154,590	Note a
Original	138p	150,000	143,750	Note a
New	1p	300,000	150,000	Note b
New	1p	100,000	50,000	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.

Following the disposal of Betaland the following options for other employees will lapse:

Scheme	Exercise price	Number of options
Original	138p	150,000
New	1p	200,000
New	150p	700,000

REPORT OF THE REMUNERATION COMMITTEE
continued

The charge to the consolidated income statement in respect of the options for other employees and consultants in 2011 was €172,000 (2010: €272,000).

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

	2011	2010
Directors	**€268,000**	€210,000
Other staff	**€172,000**	€272,000
	€440,000	€482,000

Nigel Blythe-Tinker
Chairman, Remuneration Committee
24 April 2012

ADDITIONAL UNAUDITED INFORMATION

	2007 €000's	2008* €000's	2009* €000's	2010* €000's	**2011** **€000's**
Revenue	42,639	48,907	52,148	54,907	**64,346**
Gross profits	33,405	40,271	42,758	45,095	**51,603**
Clean EBITDA	**19,983**	**19,609**	**17,650**	**12,164**	**10,018**
Operating profit	16,192	17,494	14,450	5,158	**2,498**
Profit before tax	16,631	18,039	14,042	4,078	**116**
Cash at the balance-sheet date	15,859	19,262	19,195	6,551	**9,853**
Total dividend declared (pence)	29.8p	33.6p	60.22p	17.61p	**8.61p^**
Interim dividend (euro)	€0.20	€0.20	€0.20	€0.10	**€0.10**
Final dividend (euro)	€0.20	€0.20	€0.50	€0.10	**€0.10**
Total dividend (euro)	€0.40	€0.40	€0.70	€0.20	**€0.20**
Total dividend paid during the year (€'000's)	12,176	12,454	12,454	18,681	**6,225**

** 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 8 on page 43 for further details.*

^ Excludes the final dividend announced 25 April 2012.

COMPANY FINANCIAL STATEMENTS (UNDER UK GAAP)

In this section:

INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF GVC HOLDINGS PLC

We have audited the parent company financial statements of GVC Holdings PLC for the year ended 31 December 2011 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 Auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 20, 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 2011;
- 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 2011.

Grant Thornton UK LLP

Grant Thornton UK LLP
Chartered Accountants
London
24 April 2012

COMPANY BALANCE SHEET

	Notes	**2011 €000's**	2010 €000's
Fixed assets			
Investments	3	**64,153**	63,695
Current assets			
Debtors	4	**5,887**	4,531
Cash at bank and in hand		**-**	102
		5,887	4,633
Creditors: amounts falling due within one year	5	**(34,227)**	(30,867)
Net current assets		**(28,340)**	(26,234)
Net assets		**35,813**	37,461
Capital and reserves			
Issued share capital	6, 8	**315**	311
Share premium	8	**416**	-
Merger reserve	8	**40,407**	40,407
Retained earnings	8	**(5,325)**	(3,257)
Total equity		**35,813**	37,461

The Financial Statements from pages 69 to 74 were approved by the Board of Directors on 24 April 2012 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

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 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.

1.4 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.

1.5 Trade and Other Debtors

Trade and other receivables are stated 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.

1.6 Trade and Other Creditors

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

1.7 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 profit for the year dealt with in the accounts of the Company was €3,717,000 (2010: loss of €1,357,000). The Company has not presented a separate profit and loss account.

3. INVESTMENTS

	2011 €000's	2010 €000's
Investment in subsidiary undertakings		
At 1 January 2011 and 5 January 2010	63,695	63,695
Investments in the year*	458	-
At 31 December	64,153	63,695

**Additional investment in Gaming VC Corporation Limited in the year*

Significant subsidiaries	Country of incorporation	Ownership interest 2011	2010
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

	2011 €000's	2010 €000's
Amounts owed by Group undertakings	4,351	3,160
Other debtors	1,532	1,350
Prepayments	4	21
	5,887	4,531

5. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2011 €000's	2010 €000's
Amounts due to Group undertakings	34,203	30,866
Other creditors	24	1
	34,227	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.

	2011 €000's	2010 €000's
Authorised		
Ordinary shares of €0.01 each		
At 31 December - 40,000,000 shares	400	400
Issued, Called Up and Fully Paid		
Ordinary shares of €0.01 each		
At 31 December - 31,469,095 shares	315	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 three share option schemes:

(d) the 'original' scheme that has been in place since the IPO of GVC Holdings PLC's predecessor Gaming VC Holdings S.A

(e) a 'new' scheme that was approved by shareholders on 21 May 2010. (the "21 May 2010 scheme")

(f) a further grant of options under the new scheme to three directors, approved by shareholders on 16 November 2011 ("16 November 2011 scheme"). A total of 1,600,000 shares under this scheme were granted on 30 January 2012 at an exercise price of 154.79.

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 2011	Exercised in the year	Existing at 31 December 2011	Exercisable at 31 December 2011	Vesting criteria
01 Mar 07	100p	233,333	(233,333)*	-	-	Note a
15 May 07	129p	154,590	-	154,590	154,590	Note a, f
26 Feb 08	138.16p	150,000	-	150,000	143,750	Note a
12 Dec 08	126p	291,667	(100,000)*	191,667	91,659	Note a
21 May 10	213p	1,675,000	-	1,675,000	837,500	Note b
21 May 10	1p	300,000	-	300,000	150,000	Note c
21 May 10	1p	100,000	-	100,000	50,000	Note d
21 May 10	150p	700,000	-	700,000	-	Note e
Total all schemes		**3,604,590**	**(333,333)**	**3,271,257**	**1,427,499**	

**The average weighted share price on the date of exercise was 121.6p.*

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.

Note f: A total of 123,077 share options at an exercise price of 129p relating to a departing employee were permitted to be exercised between 25 April 2012 and 30 April 2012.

The charge to the consolidated income statement in respect of these options in 2011 was €440,000 (2010: €482,000).

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 2011	Number of options 2011	Weighted average exercise price 2010	Number of options 2010
Outstanding at the beginning of the year	156p	3,604,590	135p	1,954,590
Granted during the year	-	-	167p	2,775,000
Exercised during the year	108p	(333,333)	231p	(1,125,000)
Outstanding at the end of the year	161p	3,271,257	156p	3,604,590
Exercisable at the end of the year		1,427,499		519,741

The options outstanding at 31 December 2011 have a weighted average contractual life of 7.2 years (2010: 8.3 years).

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	Share Premium €000's	Merger Reserve €000's	Retained Earnings €000's	**Total €000's**
At 1 January 2011	311	-	40,407	(3,257)	**37,461**
Earnings for the period	-	-	-	3,717	**3,717**
Dividends paid	-	-	-	(6,225)	**(6,225)**
Shares option charge	4	416	-	440	**860**
At 31 December 2011	**315**	**416**	**40,407**	**(5,325)**	**35,813**

9. DIVIDENDS

The dividends paid in the year were as follows:

	2011 €000's	2010 €000's
Final dividend at €0.10 per share (2010: special dividend at €0.50)	**3,113**	15,568
Interim dividend at €0.10 per share (2010: interim dividend of €0.10)	**3,112**	3,113
	6,225	18,681

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

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Incorporated in the Isle of Man under number 4685V