OPAP International Limited

Report and financial statements
31 December 2011

Contents

OPAP International Limited

Board of Directors and other officers

Board of Directors

Ioannis Spanoudakis (Chairman)
Panagiotis Vrioni
Venetsanos Rogkakos
Nikolaos Sofokleous
Asterios Lachanas
Nikolaos Pavlias

Company Secretary

Elena Pantziarou

Registered office

Likavitou 58
2401 Egkomi
Nicosia

Auditors

PricewaterhouseCoopers Limited
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OPAP International Limited

Report of the Board of Directors

1 The Board of Directors presents its report together with the audited financial statements of the Company for the year ended 31 December 2011.

Principal activity

2 The principal activity of the Company is the provision of consultancy services wholy and exclusively regarding the operation of the game "Pame Stoixima". More specifically, the services relate to the co-operation for the operation of betting, the evaluation of the betting products, the configuation of the betting outcome, the risk assesment, the transfer of the know-how, trading and infocasting services. The objective of the Company is the acquisition of all investments and business activities of OPAP S.A outside Greece.

Review of developments, position and performance of the Company's business

3 The loss of the Company for the year ended 31 December 2011 was €8.628.158 (2010: loss of €65.996). On 31 December 2011 the total assets of the Company were €1.834.328 (2010: €10.269.529) and the net liabilities were €4.364.224 (2010: net assets €4.263.934). The financial position, development and performance of the Company as presented in these financial statements are considered satisfactory.

Principal risks and uncertainties

4 The principal risks and uncertainties faced by the Company are disclosed in Notes 3, 4 and 22 of the financial statements.

Future developments of the Company

5 The Board of Directors does not expect any significant changes or developments in the operations, financial position and performance of the Company in the foreseeable future.

Results

6 The Company's results for the year are set out on page 7.The loss for the year is carried forward.

Share capital

7 There were no changes in the share capital of the Company.

Report of the Board of Directors (continued)

Board of Directors

8 The members of the Board of Directors at 31 December 2011 and at the date of this report are shown on page 1. All of them were members of the Board throughout the year 2011.

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

Events after the balance sheet date

10 There were no material post balance sheet events, which have a bearing on the understanding of the financial statements.

Branches

11 The operations of the Company are carried out through a branch in Greece.

Independent Auditors

12 The Independent Auditors, PricewaterhouseCoopers Limited, have expressed their willingness to continue in office. A resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

By Order of the Board

Ioannis Spanoudakis
Chairman

Nicosia,
20 March 2012

Independent auditor's report

To the Members of OPAP International Limited

Report on the financial statements

We have audited the accompanying financial statements of OPAP International Limited (the "Company"), which comprise the balance sheet as at 31 December 2011, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of OPAP International Limited as at 31 December 2011, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

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Emphasis of matter

We draw attention to Note 22 to the financial statements which indicates that the Company incurred a net loss amounting to €8.628.158 during the year ended 31 December 2011 and, as at that date, its liabilities exceeded total assets by €4.364.224. These factors indicate the existence of a material uncertainty which may cast doubt as to the Company's ability to continue as a going concern without the financial support of the parent and related companies. Our opinion is not qualified in respect of this matter.

Report on other legal requirements

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

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

Other matters

Auditor's responsibility

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

Comparative figures

The financial statements of the Company for the year ended 31 December 2010 were prepared by other auditors who expressed an unmodified opinion on those financial statements on 18 February 2011.

Loizos A. Markides
Certified Public Accountant and Registered Auditor
for and on behalf of

PricewaterhouseCoopers Limited
Certified Public Accountants and Registered Auditors

Nicosia, 20 March 2012

OPAP International Limited

Statement of comprehensive income
for the year ended 31 December 2011

	Note	2011 €	2010 €
Revenue	5	**3.303.518**	1.941.541
Selling and marketing costs		**-**	(5.563)
Administrative expenses		**(3.130.001)**	(1.888.474)
Other income	6	**6.960**	14.673
Other losses - net	7	**(8.587.000)**	-
Operating (loss)/profit		**(8.406.523)**	62.177
Finance costs	10	**(126.424)**	(93.992)
Loss before income tax		**(8.532.947)**	(31.815)
Income tax expense	11	**(95.211)**	(34.181)
Loss and total comprehensive loss for the year		**(8.628.158)**	(65.996)

Items in the statement above are disclosed net of tax. The income tax relating to each component of other comprehensive income is disclosed in Note 11.

The notes on pages 11 to 28 are an integral part of these financial statements.

OPAP International Limited

Balance sheet
at 31 December 2011

	Note	**2011** €	2010 €
Assets			
Non-current assets			
Investments in associates	14	**1.173.000**	9.760.000
Current assets			
Trade and other receivables	15	**483.127**	331.892
Cash and cash equivalents	16	**178.201**	177.637
		661.328	509.529
Total assets		**1.834.328**	10.269.529
Equity and liabilities			
Capital and reserves			
Share capital	17	**5.130.000**	5.130.000
Accumulated losses		**(9.494.224)**	(866.066)
Total equity		**(4.364.224)**	4.263.934
Non-current liabilities			
Borrowings	18	**5.866.424**	5.789.766
Current liabilities			
Trade and other payables	19	**258.358**	184.019
Current income tax liabilities		**73.770**	31.810
		332.128	215.829
Total liabilities		**6.198.552**	6.005.595
Total equity and liabilities		**1.834.328**	10.269.529

On 20 March 2012 the Board of Directors of OPAP International Limited authorised these financial statements for issue.

Ioannis Spanoudakis, Chairman

Venetsanos Rogkakos, Director

The notes on pages 11 to 28 are an integral part of these financial statements.

OPAP International Limited

Statement of changes in equity for the year ended 31 December 2011

	Note	Share capital €	Accumulated losses[1] €	Total €
Balance at 1 January 2010		5.130.000	(800.070)	4.329.930
Comprehensive income				
Loss for the year		-	(65.996)	(65.996)
Balance at 31 December 2010/1 January 2011		5.130.000	(866.066)	4.263.934
Comprehensive income				
Loss for the year		-	(8.628.158)	(8.628.158)
Balance at 31 December 2011		5.130.000	(9.494.224)	(4.364.224)

(1) Companies which do not distribute 70% of their profits after tax, as defined by the Special Contribution for the Defence of the Republic Law, by the end of the two years after the end of the year of assessment to which the profits refer, will be deemed to have distributed this amount as dividend. Special contribution for defence at 15% will be payable on such deemed dividend to the extent that the shareholders for deemed dividend distribution purposes at the end of the period of two years from the end of the year of assessment to which the profits refer, are Cyprus tax residents. Special contribution for defence rate increased to 17% in respect of profits of year of assessment 2009, and to 20% in respect of profits of years of assessment 2010 and 2011. The amount of this deemed dividend distribution is reduced by any actual dividend paid out of the profits of the relevant year by the end of the period of two years from the end of the year of assessment to which the profits refer. This special contribution for defence is paid by the Company for the account of the shareholders.

The notes on pages 11 to 28 are an integral part of these financial statements.

OPAP International Limited

Statement of cash flows
for the year ended 31 December 2011

	Note	2011 €	2010 €
Cash flows from operating activities			
Loss before income tax		**(8.532.947)**	(31.815)
Adjustments for:			
Depreciation of property, plant and equipment		**3.470**	-
Amortisation of intangible assets		**-**	615
Impairment of investments in associates	14	**8.587.000**	-
Interest income	6	**(6.707)**	(14.673)
Interest expense	10	**126.424**	93.992
		177.240	48.119
Changes in working capital:			
Trade and other receivables		**(151.235)**	(286.642)
Trade and other payables		**74.339**	(615.314)
Cash generated from/(used in) operations		**100.344**	(853.837)
Income tax paid		**(53.251)**	(2.371)
Net cash generated from/(used in) operating activities		**47.093**	(856.208)
Cash flows from investing activities			
Purchases of property, plant and equipment		**(3.470)**	-
Purchases of intangibles		**-**	(615)
Interest received		**6.707**	14.673
Net cash from investing activities		**3.237**	14.058
Cash flows from financing activities			
Interest paid		**(49.766)**	(87.104)
Net cash used in financing activities		**(49.766)**	(87.104)
Net increase/(decrease) in cash and cash equivalents		**564**	(929.254)
Cash and cash equivalents at beginning of year		**177.637**	1.106.891
Cash and cash equivalents at end of year	16	**178.201**	177.637

The notes on pages 11 to 28 are an integral part of these financial statements.

Notes to the financial statements

1 General information

Country of incorporation

The Company is incorporated and domiciled in Cyprus as a private limited liability company in accordance with the provisions of the Cyprus Companies Law, Cap. 113. Its registered office is at Likavitou 58, 2401 Egkomi, Nicosia.

Principal activity

The principal activity of the Company is the provision of consultancy services wholy and exclusively regarding the operation of the game "Pame Stoixima". More specifically, the services relate to the co-operation for the operation of betting, the evaluation of the betting products, the configuation of the betting outcome, the risk assesment, the transfer of the know-how, trading and infocasting services. The objective of the Company is the acquisition of all investments and business activities of OPAP S.A outside Greece.

2 Summary of significant accounting policies

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

Basis of preparation

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

As of the date of the authorisation of the financial statements, all International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) that are effective as of 1 January 2011 have been adopted by the EU through the endorsement procedure established by the European Commission, with the exception of certain provisions of IAS 39 “Financial Instruments: Recognition and Measurement” relating to portfolio hedge accounting.

Equity accounting is not applied, due to the fact that the Company is also a subsidiary of another company which prepares consolidated financial statements according to IFRS and IAS 28 "Investments in related companies".

The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

2 Summary of significant accounting policies (continued)

Adoption of new and revised IFRSs

During the current year the Company adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2011. This adoption did not have a material effect on the accounting policies of the Company.

At the date of approval of these financial statements the following financial reporting standards were issued by the International Accounting Standards Board but were not yet effective:

(i) Adopted by the European Union

New standards

- IAS 24 (Revised) “Related Party Disclosures” (effective for annual periods beginning on or after 1 January 2011).

Amendments

- Amendment to IFRIC 14 “Prepayments of a Minimum Funding Requirement” (effective for annual periods beginning on or after 1 January 2011).
- Amendments to IFRS 7 “Financial Instruments: Disclosures” on derecognition of financial instruments (effective for annual periods beginning on or after 1 July 2011).

(ii) Not adopted by the European Union

New standards

- IFRS 9 “Financial Instruments” (and subsequent amendments to IFRS 9 and IFRS 7) (effective for annual periods beginning on or after 1 January 2015).
- IFRS 10 “Consolidated Financial Statements” (effective for annual periods beginning on or after 1 January 2013).
- IFRS 11, “Joint Arrangements” (effective for annual periods beginning on or after 1 January 2013).
- IFRS 12, “Disclosure of Interests in Other entities” (effective for annual periods beginning on or after 1 January 2013).
- IFRS 13, “Fair Value Measurement” (effective for annual periods beginning on or after 1 January 2013).
- IAS 27, “Consolidated and Separate Financial Statements” (effective for annual periods beginning on or after 1 January 2013).
- IAS 28, “Investments in Associates and Joint Ventures” (effective for annual periods beginning on or after 1 January 2013).

Amendments

2 Summary of significant accounting policies (continued)

Adoption of new and revised IFRSs (continued)

- Amendment to IAS 12 “Income Taxes” on deferred tax relating to recovery of underlying assets (effective for annual periods beginning on or after 1 January 2012).
- Amendment to IFRS 1 “First-time adoption of International Financial Reporting Standards” on severe hyperinflation and removal of fixed dates for First Time Adopters (effective for annual periods beginning on or after 1 July 2011).
- Amendments to IAS 19 “Employee Benefits” (effective for annual periods beginning on or after 1 January 2013).
- Amendments to IFRS 7 “Financial Instruments: Disclosures” on Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2013).
- Amendments to IAS 32 “Financial Instruments: Presentation” on Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2014).

The Board of Directors expects that the adoption of these financial reporting standards in future periods will not have a material effect on the financial statements of the Company.

(i) Amendment to IAS 12, “Income Taxes” on deferred tax. IAS 12, “Income Taxes”, currently requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40, “Investment Property”. This amendment therefore introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21, “Income Taxes - recovery of revalued non-depreciable assets”, will no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is withdrawn. This amendment is effective for annual periods beginning on or after 1 January 2012 and has not yet been endorsed by the European Union.

(ii) IFRS 9, “Financial Instruments”. IFRS 9 is the first standard issued as part of a wider project to replace IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity’s business model and the contractual cash flow characteristics of the financial asset. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply. The standard is effective for annual periods beginning on or after 1 January 2015 and has not yet been endorsed by the European Union.

2 Summary of significant accounting policies (continued)

Adoption of new and revised IFRSs (continued)

(iii) IFRS 13, “Fair Value Measurement”. IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards. The standard is effective for annual periods beginning on or after 1 January 2013 and has not yet been endorsed by the European Union.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for the sale of goods and services in the ordinary course of the Company's activities, net of value added taxes, returns and discounts.

The Company recognises revenue when the amount of revenue can be reliably measured, when it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Company's activities as described below. The Company bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Revenues earned by the Company are recognised on the following bases:

(i) Sales of goods

Sales of goods are recognised when significant risks and rewards of ownership of the goods have been transferred to the customer, which is usually when the Company has sold or delivered goods to the customer, the customer has accepted the goods and collectibility of the related receivable is reasonably assured.

(ii) Interest income

Interest income is recognised using the effective interest method. When a loan or receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flows discounted at the original effective interest rate of the instrument and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognised using the original effective interest rate.

Foreign currency translation

(i) Functional and presentation currency

Items included in the Company's financial statements are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The financial statements are presented in Euro (€), which is the Company's functional and presentation currency.

2 Summary of significant accounting policies (continued)

Foreign currency translation (continued)

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the country in which the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. If applicable tax regulation is subject to interpretation, it establishes provision where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on the Company where there is an intention to settle the balances on a net basis.

2 Summary of significant accounting policies (continued)

Financial assets

(i) Classification

The Company classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held to maturity investments and available for sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition.

- **Loans and receivables**

  Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market and for which there is no intention of trading the receivable. They are included in current assets, except for maturities greater than twelve months after the balance sheet date. These are classified as non current assets. The Company's loans and receivables comprise “trade and other receivables” and “cash and cash equivalents” in the balance sheet.

(ii) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade date which is the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

Associates

Associates are all entities over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Company's investment in associates includes goodwill identified on acquisition net of any accumulated impairment losses.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

Equity accounting is not applied, due to the fact that the Company is also a subsidiary of another company which prepares consolidated financial statements according to IFRS and IAS 28 "Investments in related companies".

2 Summary of significant accounting policies (continued)

Associates (continued)

After application of the equity method, including recognising the associates' losses, the carrying amount of the investment in associate which includes the goodwill arising on acquisition is tested for impairment by comparing its recoverable amount with its carrying amount whenever there is an indication of impairment.

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within "selling and marketing costs". When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against "selling and marketing costs" in profit or loss.

Share capital

Ordinary shares are classified as equity.

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2 Summary of significant accounting policies (continued)

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings, using the effective interest method, unless they are directly attributable to the acquisition, construction or production of a qualifying asset, in which case they are capitalised as part of the cost of that asset.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extend there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment (for liquidity services) and amortised over the period of the facility to which it relates.

Borrowing costs are interest and other costs that the Company incurs in connection with the borrowing of funds, including interest on borrowings, amortisation of discounts or premium relating to borrowings, amortisation of ancillary costs incurred in connection with the arrangement of borrowings, finance lease charges and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, being an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of the cost of that asset, when it is probable that they will result in future economic benefits to the Company and the costs can be measured reliably.

Borrowings are classified as current liabilities, unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks with original maturity of three months or less.

2 Summary of significant accounting policies (continued)

Comparatives

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

3 Financial risk management

(i) Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk relating to fair value interest rate risk and cash flow interest rate risk, credit risk and liquidity risk.

The Company does not have a formal risk management policy programme. Instead the susceptibility of the Company to financial risks such as foreign exchange risk, interest rate risk, credit risk and liquidity risk is monitored as part of its daily management of the business.

- **Market risk**

  Cash flow and fair value interest rate risk

  As the Company has no significant interest-bearing assets, the Company's income and operating cash flows are substantially independent of changes in market interest rates.

  The Company's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Borrowings issued at fixed rates expose the Company to fair value interest rate risk.

  Cash flow interest rate risk is not managed on a systematic basis.

- **Credit risk**

  Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions.

  The Company does not have formal policies and procedures for managing and monitoring credit risk.

- **Liquidity risk**

  The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

3 Financial risk management (continued)

(i) Financial risk factors (continued)

	Less than 1 year €	Over 5 years €
At 31 December 2010		
Borrowings (ex finance lease liabilities)	49.744	5.740.000
Trade and other payables	184.019	-
	233.763	5.740.000
At 31 December 2011		
Borrowings (ex finance lease liabilities)	**126.424**	**5.740.000**
Trade and other payables	**253.258**	**-**
	379.682	**5.740.000**

Management does not have a formal policy for managing liquidity risk.

(ii) Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

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

The capital as defined by management at 31 December 2011 and 2010 consists of equity as shown on the face of the balance sheet.

(iii) Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values.

4 Critical accounting estimates and judgements

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

(i) Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

4 Critical accounting estimates and judgements (continued)

(i) Critical accounting estimates and assumptions (continued)

- **Income taxes**

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

- **Impairment of financial assets**

  The Company follows the guidance of IAS 39 to determine when an available-for-sale equity investment is impaired. This determination requires significant judgement. In making this judgement, the Company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost and the financial health and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

5 Revenue

	2011	2010
	€	€
Sales of services to the parent company (Note 21(i))	**3.303.518**	1.941.541

6 Other income

	2011	2010
	€	€
Interest income:		
Bank balances	**6.707**	14.673
Other income	**253**	-
	6.960	14.673

7 Other (losses)/gains - net

	2011	2010
	€	€
Investments in associates:		
Impairment charge (Note 14)	**(8.587.000)**	-

8 Expenses by nature

	2011 €	2010 €
Repairs and maintenance	**284**	5.006
Operating lease payments	**71.527**	89.466
Auditors' remuneration	**8.931**	3.500
Staff costs (Note 9)	**1.914.374**	1.000.466
Advertising and promotion	**-**	5.563
Transportation expenses	**16.033**	4.349
Other expenses	**29.759**	18.205
Professional fees	**1.079.433**	759.082
Legal fees	**9.660**	8.400
Total cost of goods sold, selling and marketing costs, administrative expenses and other expenses	**3.130.001**	1.894.037

9 Staff costs

	2011 €	2010 €
Wages and salaries	**1.551.188**	814.657
Social insurance costs and other funds	**363.186**	185.809
	1.914.374	1.000.466

10 Finance costs

	2011 €	2010 €
Interest expense:		
Loans from related parties (Note 21(iv))	**126.424**	93.992

11 Income tax expense

	2011 €	2010 €
Current tax:		
Corporation tax - from abroad	**73.770**	31.810
Defence contribution	**306**	961
Under provision of prior years' taxes:		
Corporation tax - from abroad	**21.135**	1.410
Income tax expense	**95.211**	34.181

The tax on the Company's loss before tax differs from the theoretical amount that would arise using the applicable tax rate as follows:

	2011 €	2010 €
Loss before tax	**(8.532.947)**	(31.815)
Tax calculated at the applicable corporation tax rate of 10%	**(853.295)**	(3.180)
Special contribution for defence	**306**	961
Transfer of loss	**948.200**	36.400
Income tax charge	**95.211**	34.181

11 Income tax expense (continued)

The Company is subject to corporation tax on taxable profits at the rate of 10%. The branch in Greece is subject to corporation tax on taxable profits at the rate of 20%.

From 1 January 2009 onwards, under certain conditions, interest may be exempt from income tax and only subject to defence contribution at the rate of 10%; increased to 15% as from 31 August 2011.

In certain cases dividends received from abroad may be subject to defence contribution at the rate of 15%; increased to 17% as from 31 August 2011; increased to 20% from 1 January 2012 to 31 December 2013.

Gains on disposal of qualifying titles (including shares, bonds, debentures, rights thereon, etc) are exempt from Cyprus income tax.

12 Financial instruments by category

	Loans and receivables €	Total €
31 December 2010		
Assets as per balance sheet		
Trade and other receivables (excluding prepayments)	331.742	331.742
Cash and cash equivalents	177.637	177.637
Total	509.379	509.379

	Other financial liabilities €	Total €
Liabilities as per balance sheet		
Borrowings (excluding finance lease liabilities)	5.789.766	5.789.766
Trade and other payables (excluding statutory liabilities)	138.046	138.046
Total	5.927.812	5.927.812

	Loans and receivables €	Total €
31 December 2011		
Assets as per balance sheet		
Trade and other receivables (excluding prepayments)	459.608	459.608
Cash and cash equivalents	178.201	178.201
Total	637.809	637.809

	Other financial liabilities €	Total €
Liabilities as per balance sheet		
Borrowings (excluding finance lease liabilities)	5.866.424	5.866.424
Trade and other payables (excluding statutory liabilities)	185.049	185.049
Total	6.051.473	6.051.473

13 Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

	2011 €	2010 €
Counterparties without external credit rating		
Group 1	**459.608**	331.742

	2011 €	2010 €
Cash at bank and short-term bank deposits(1)		
Baa3	**153.297**	32.699
B3	**518**	420
Caa2	**24.156**	143.990
	177.971	177.109

(1) The rest of the balance sheet item 'cash and cash equivalents' is cash in hand.

Group 1 – companies within the group, common control companies and associates with no defaults in the past.

None of the financial assets that are fully performing has been renegotiated in the last year.

None of the loans and receivables from related parties is past due but not impaired.

14 Investments in associates

	2011 €	2010 €
At beginning of year	**9.760.000**	9.760.000
Impairment charge	**(8.587.000)**	-
At end of year	**1.173.000**	9.760.000

The Company's share of the results of its associates, all of which are unlisted, and its share of the assets (including goodwill) and liabilities, are as follows:

Name	**Country of incorporation**	**% interest held**
2010		
Neurosoft Software Production S.A	Greece	25,42
2011		
Neurosoft Software Production S.A	Greece	25,42

The principal activity of Neurosoft Software Production S.A. is that of software production company.

15 Trade and other receivables

	2011 €	2010 €
Receivables from parent entity (Note 21(iii))	**459.608**	331.742
Prepayments	**23.519**	150
	483.127	331.892

The fair values of trade and other receivables approximate their carrying amounts.

As of 31 December 2011, trade receivables of €459.608 (2010: €331.742) were fully performing.

16 Cash and cash equivalents

	2011 €	2010 €
Cash at bank and in hand	**78.201**	147.637
Short-term bank deposits	**100.000**	30.000
	178.201	177.637

The effective interest rate on short term bank deposits was 2,5% (2010: 3,0%) and these deposits have an average maturity of 20 days.

Cash and cash equivalents include the following for the purposes of the statement of cash flows:

	2011 €	2010 €
Cash and cash equivalents	**178.201**	177.637

Cash and cash equivalents are denominated in the following currencies:

	2011 €	2010 €
Euro - functional and presentation currency	**178.201**	177.637

17 Share capital

	2011		2010	
	Number of shares	**€**	Number of shares	€
Authorised				
Shares of €1,71 each	**3 000 000**	**5.130.000**	3 000 000	5.130.000
Issued and fully paid				
Shares of €1,71 each	**3 000 000**	**5.130.000**	3 000 000	5.130.000

18 Borrowings

	2011 €	2010 €
Non-current		
Borrowings from related parties (Note 21(iv))	**5.866.424**	5.789.766
Maturity of non-current borrowings (excluding finance lease liabilities)		
Between 2 and 5 years	**5.866.424**	5.789.766

Loans from related parties are repayable by 14 February 2014 and bear an interest rate of Euribor plus 0,5%.

The carrying amounts of borrowings approximate their fair value.

The carrying amounts of the Company's borrowings are denominated in the following currencies:

	2011 €	2010 €
Euro - functional and presentation currency	**5.866.424**	5.789.766

19 Trade and other payables

	2011 €	2010 €
Trade payables	**18.087**	13.324
Accrued expenses	**166.962**	124.075
Value Added Tax	**73.309**	46.620
	258.358	184.019

The fair value of trade and other payables which are due within one year approximates their carrying amount at the balance sheet date.

20 Commitments

(i) Operating lease commitments – where the Company is the lessee

The Company leases a shop under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

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

	2011 €	2010 €
No later than 1 year	**39.397**	52.530
Later than 1 year and no later than 5 years	**-**	39.397
Later than 5 years	**-**	-
	39.397	91.927

21 Related party transactions

The Company is controlled by OPAP S.A., which is registered in Greece and owns 100% of the share capital of the Company. The shares of OPAP S.A. are listed in Athens Stock Exchange. The Greek Goverment is the ultimate controlling party of the Company.

The following transactions were carried out with related parties:

(i) Sales of goods and services

	2011	2010
	€	€
Sales of services:		
Opap S.A (parent company)	**3.303.518**	1.941.541

Sales to the associated undertakings were made on commercial terms and conditions.

(ii) Directors' remuneration

The total remuneration of the Directors was as follows:

	2011	2010
	€	€
Emoluments in their executive capacity	**86.400**	72.462

(iii) Year-end balances arising from sales/purchases of goods/services

	2011	2010
	€	€
OPAP S.A. (parent company)	**459.608**	331.742

The shareholders' current accounts are interest free and have no specified repayment date.

The above balances relate to trading transactions.

(iv) Borrowings from related parties

	2011	2010
	€	€
Borrowings from related party:		
At beginning of year	**5.789.766**	5.782.878
Borrowings repaid during year	**(49.766)**	(87.104)
Interest charged (Note 10)	**126.424**	93.992
At end of year (Note 18)	**5.866.424**	5.789.766

The loan was provided by OPAP (Cyprus) Limited, a company under common control, bears interest at Euribor plus 0,5% and is repayable on 14 February 2014.

The above balance relates to financing transactions.

22 Going concern

The Company incurred a net loss amounting to €8.628.158 during the year ended 31 December 2011 and, as at that date, its liabilities exceeded total assets by €4.364.224. These factors indicate the existence of a material uncertainty which may cast doubt as to the Company's ability to continue as a going concern without the financial support of the parent and related companies.

23 Events after the balance sheet date

There were no material events after the balance sheet date, which have a bearing on the understanding of the financial statements.

Independent auditor's report on pages 4 to 6.

OPAP International Limited

Additional information to the statement of comprehensive income

Analysis of expenses
for the year ended 31 December 2011

	2011	2010
	€	€
Selling and marketing costs		
Advertising	**-**	5.563

	2011	2010
	€	€
Administrative expenses		
Directors' remuneration	**86.400**	72.462
Salaries and related costs	**1.827.974**	928.004
Subscriptions and donations	**-**	150
Auditors' remuneration	**8.931**	3.500
Legal fees	**9.660**	8.400
Professional fees	**1.079.433**	759.082
Legalisation of documents	**560**	-
Operating lease rentals	**70.530**	89.467
Repairs and maintenance	**284**	5.006
Printing and stationery	**503**	520
Postages and courier	**997**	730
Travelling abroad expenses	**16.033**	4.349
Taxes and licences	**1.985**	455
Tax penalties	**1.088**	-
Bank charges	**4.330**	11.048
Sundry expenses	**19.991**	2.948
Entertainment expenses	**1.302**	2.353
	3.130.001	1.888.474