



THE WORLD'S NO.1 ONLINE CASINO AND POKER ROOM

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888 is one of the world's most popular online gaming entertainment companies. Established in 1997 by pioneers of the online gaming industry, 888 has developed a strong brand, scale and member trust.

The business is based on its fully integrated proprietary operating software infrastructure backed up by impressive member relationship management and diversified payment processing systems. 888 benefits from industry leading multi-channel member acquisition capabilities.

888.com is our umbrella brand. We operate brands across a range of online gaming websites, such as 888.com, Casino-on-Net.com, PacificPoker.com and ReefClubCasino.com. The main products offered at these websites include traditional casino table games such as blackjack, roulette and craps as well as slot machines, video poker, poker ring games and poker tournaments.

Casino-on-Net is available in 11 languages. 888 also enjoys a diversified geographical balance with 45% of Net Gaming Revenue from outside the USA. 888 provides members with a trustworthy and fair gaming environment.



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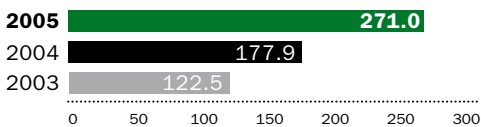
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Highlights

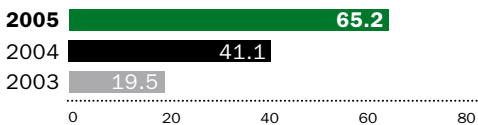
- Net Gaming Revenue for the year rose to **US\$271 million**, an increase of **52%** above 2004
- Net Gaming Revenue from Casino during the year rose to **US\$161 million**, an increase of **16%** above 2004
- Net Gaming Revenue from Poker during the year rose to **US\$110 million**, an increase of **179%** above 2004
- Profit after tax* for the year rose to **US\$65 million**, an increase of **59%** above 2004
- Adjusted EPS* for the year rose to **19.3¢**, an increase of **58%** above 2004
- Net cash generated from operating activities rose to **US\$88 million**, an increase of **72%** above 2004

Financial Highlights

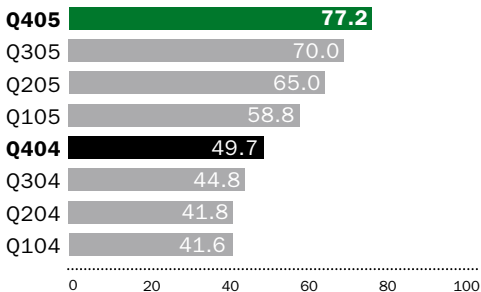
NET GAMING REVENUE (US\$million)



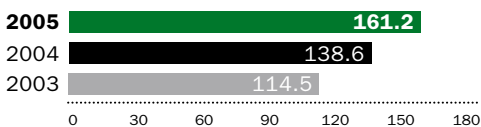
PROFIT AFTER TAX* (US\$million)



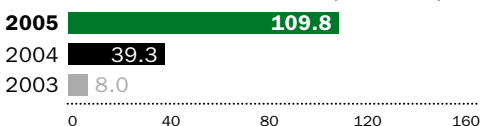
NET GAMING REVENUE (US\$million)



NET GAMING REVENUE: CASINO (US\$million)



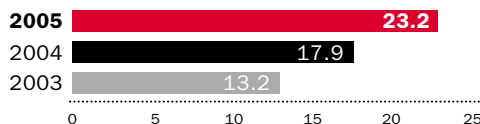
NET GAMING REVENUE: POKER (US\$million)



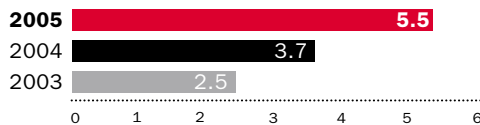
*Excluding share benefit charges

Operational Highlights

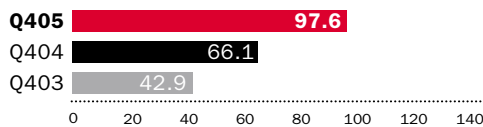
REGISTERED MEMBER ACCOUNTS AT YEAR END (million)



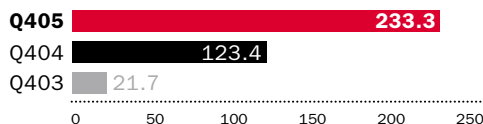
REAL MONEY REGISTERED MEMBER ACCOUNTS (million)



ACTIVE CASINO MEMBERS ('000)



ACTIVE POKER MEMBERS ('000)



888 at a Glance

888 is one of the world's most popular online gaming entertainment companies. 888 develops and manages all significant aspects of its business in-house, including software development, marketing, business development, back-office payment processing, risk management and member relationship management.



OPERATIONS: 888'S OPERATIONAL ARM IN GIBRALTAR IS RESPONSIBLE FOR THE DAY-TO-DAY RUNNING OF THE GROUP'S FLAGSHIP GAMING BRANDS AND PRODUCTS, INCLUDING MEMBER RELATIONSHIP MANAGEMENT, PROMOTIONS, LOYALTY PROGRAMMES AND RISK MANAGEMENT.



MARKETING: 888'S MARKETING IS PRINCIPALLY PLANNED, SOURCED AND EXECUTED THROUGH ITS IN-HOUSE MARKETING ARM WHICH HAS ACCUMULATED SIGNIFICANT CREATIVE AND MARKETING EXPERIENCE FOCUSING ON ACHIEVING HIGH RETURN ON ITS INVESTMENT-DRIVEN CAMPAIGNS.



TECHNOLOGY: 888 DEVELOPS IN-HOUSE ALL OF THE CORE TECHNOLOGY ASPECTS OF ITS MULTI-PLAYER CASINO AND POKER ROOM GAMING SOFTWARE.



PAYMENT SOLUTIONS: EFFICIENT AND RELIABLE PROCESSING OF PAYMENTS IS CRUCIAL TO MEMBER ACQUISITION AND RETENTION. 888 OFFERS ITS MEMBERS A WIDE RANGE OF ONLINE, REAL-TIME PAYMENT OPTIONS.



**NET GAMING REVENUE BY
GEOGRAPHICAL MARKET**

- 1. USA: 55%
- 2. UK: 20%
- 3. EUROPE: 17%
- 4. REST OF THE WORLD: 8%

**WE HAVE OVER 23 MILLION
REGISTERED MEMBER ACCOUNTS
WORLDWIDE WITH MEMBERS
SPANNING 177 COUNTRIES.**

**CASINO-ON-NET IS NOW
OFFERED TO MEMBERS
AROUND THE WORLD IN
11 LANGUAGES. PACIFIC
POKER IS OFFERED IN
FOUR LANGUAGES.**

**888 HAS NEARLY 900
ENTHUSIASTIC AND
TALENTED EMPLOYEES
WORLDWIDE.**

THE WORLD'S NO.1 ONLINE CASINO AND POKER ROOM

Marketing

Our marketing strategy is driven by three key principles:

- Relevant and motivating member proposition: consumer needs underpin our marketing activity. Understanding player behaviour informs our product development. Localising our offer by both country and consumer segment is a key component of driving both trial and repeat usage of our products.
- Quality of brand: one umbrella brand 888.com serves all our products. This helps to maintain high awareness and ensure flexibility in targeted local communication whilst guaranteeing global consistency in messages.
- Integrated marketing campaigns: a consistent communication approach with tailored activities leveraged through all channels. For example, the sponsorship of the “888.com World Snooker Championship” will feature traditional PR and advertising, as well as web-based and viral marketing activity online.



AT ANY ONE TIME, THERE HAVE BEEN HUNDREDS OF AD CAMPAIGNS IN 10 DIFFERENT LANGUAGES, SPANNING 30 DIFFERENT COUNTRIES, EXPOSING OUR PRODUCTS TO THE WIDEST POSSIBLE AUDIENCE.



BY SPONSORING TELEVISED SPORTING EVENTS, TEAMS AND ATHLETES, WE ARE STRENGTHENING OUR BRAND. OUR DEAL WITH MIDDLESBROUGH FOOTBALL CLUB IS ONE OF WHICH WE ARE PARTICULARLY PROUD AND IS NOW IN ITS SECOND YEAR.



SOME 15 NEW BANNERS ARE CREATED ON A DAILY BASIS AND ADDED TO A BANNER BANK NUMBERING MORE THAN 20,000.



IN 2005 OUR TOTAL MARKETING SPEND EXCEEDED US\$100 MILLION ACROSS OUR VARIOUS MARKETING CHANNELS - ONLINE MEDIA, AFFILIATES, OFFLINE AND OTHER MARKETING AND PROMOTIONAL INITIATIVES.





BUILDING A TRULY GLOBAL BRAND



Technology

Having the expertise to develop all significant aspects of gaming software in-house allows us to control and provide a flexible, secure and user-friendly platform for members.

Our information technology platform not only handles over one million site visitors a day with more than 10,000 members playing concurrently at peak times, but it also enables 888 to provide a distinctive product and brand feel.

The front-end playing experience is key, but robust back-office systems, such as payment processing, risk management and data mining, are also vital.



888 HAS APPROACHED THE GAMING INDUSTRY AS AN INFORMATION TECHNOLOGY COMPANY RATHER THAN AS A BOOKMAKER THAT IS MOVING ONLINE.



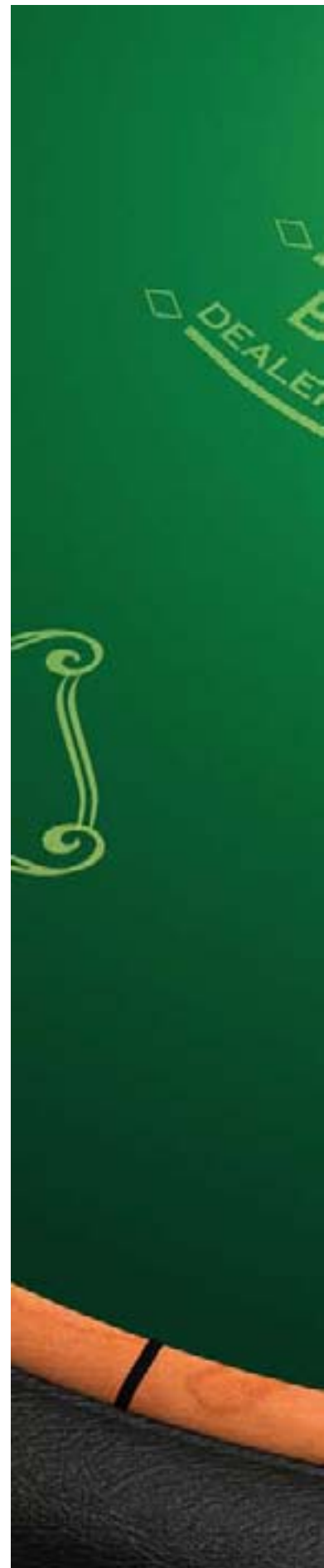
888'S RESILIENT, SCALABLE AND DIVERSIFIED INFORMATION TECHNOLOGY INFRASTRUCTURE COMPRISES HUNDREDS OF SERVERS SUPPORTING NUMEROUS WEB SYSTEMS, PROPRIETARY GAMING PLATFORMS AND BACK-OFFICE SYSTEMS.



888'S STRONG INFORMATION TECHNOLOGY PLATFORM IS BEING DEVELOPED TO INCREASE THE EFFICIENCY WITH WHICH 888 INTEGRATES NEW GAMES, ENABLING IT TO EXPAND ORGANICALLY AND TO INCREASE THE SCALABILITY OF ITS OPERATION.



EFFICIENT AND COST-EFFECTIVE PAYMENT PROCESSING HAS BECOME ESSENTIAL FOR SUCCESS IN THE ONLINE GAMING MARKET.





Min \$1
Max \$300

888.com

BLACKJACK PAYS 3 TO 2
MUST DRAW STAND ON ALL 17'S



A SAFE GAMING ENVIRONMENT



People

888 has nearly 900 enthusiastic and talented individuals. Our member support team is both multiskilled and multicultural enabling us to provide continuous support in 11 different languages, 24/7.

By taking our recruitment “to the source” through a variety of global Open Days, we enhance the quality of our service through the deployment of people who truly understand the local culture they are serving. In all our training and development strategies and initiatives the primary focus is on maintaining excellent member service. The member is at the centre of all our activities.

At 888 we believe that successful business progression comes from an “inclusive” perspective. We therefore strive to ensure that the feelings and ideas of all employees are heard, discussed and, where appropriate, acted upon.

2006 will see the launch of the 888 Certification Scheme, an initiative that develops all employees – regardless of level – covering a range of disciplines unique to our brand. Through this initiative we fully expect to develop and motivate our dedicated employees even further.



THE GREATEST ASSET 888 HAS IS ITS PEOPLE. THE TALENTED TEAM BASED AROUND THE WORLD CREATE, DESIGN, MANUFACTURE AND DELIVER OUR SYSTEMS.



OUR SALES AND MARKETING GROUPS HAVE SUCCEEDED IN CHALLENGING MARKETS WITH WIDE-RANGING CAMPAIGNS GOING LIVE EACH DAY AND MARKET LEADING SPONSORSHIP DEALS RECORDING EXCELLENT RESULTS.



WE PROVIDE 24/7 CONTINUOUS MEMBER SUPPORT IN 11 LANGUAGES FOR CASINO-ON-NET AND FOUR LANGUAGES FOR PACIFIC POKER THROUGHOUT THE WORLD, WITH TOLL-FREE NUMBERS AVAILABLE IN 25 COUNTRIES.



THESE PEOPLE, AND HUNDREDS MORE LIKE THEM, ARE THE MAIN REASON WHY 888 IS TRULY A WORLD LEADER IN THE ONLINE GAMING INDUSTRY.





RELATIONSHIPS BASED ON TRUST

Chairman's Statement

OUR STRENGTHS

- A proven, resilient business model
- Experienced Directors and long serving senior management who are industry pioneers
- Fully integrated proprietary operating software infrastructure
- Scalable technology platform
- Industry leading in-house marketing capabilities
- Industry leading member relationship management
- Sophisticated, effective payment processing and risk management systems



Richard Kilsby, Chairman

888 IS WELL PLACED TO BENEFIT FROM EXPANSION INTO NEW GEOGRAPHIC MARKETS – AS INTERNET PENETRATION CONTINUES APACE

The Board of 888 Holdings Public Limited Company is pleased to present its first set of full year results since the Company's flotation in October 2005 – a major step forward and the successful result of a long-term growth plan for the business.

These results demonstrate the strength and growth potential of our business which is, today, one of the world's most popular online gaming entertainment companies. During the year we continued to improve our financial performance. We

developed our positions in both Casino and Poker by building on our key strengths of an industry leading brand, a highly diversified gaming offering and a widening geographic footprint.

In the year to 31 December 2005 we achieved total Net Gaming Revenue of US\$271 million and underlying Profit after tax excluding share benefit charges of US\$65 million. Continuing to build profitable sustainable topline momentum is key to our long-term success.

Our strategy is clear. We aim to create sustainable shareholder value by becoming the market leader in the global online gaming industry, providing our members with a comprehensive selection of uniquely-created gaming activities.

By the end of the year we had more than 23 million registered member accounts and over 330,000 active members, representing 177 different countries and supported 11 different languages for our Casino-on-Net offering – a real testament to the strength and global appeal of our brand.

The significant achievements of this year would not have been possible without the support, contribution and dedication of our staff whose passion, knowledge and enthusiasm gives us a further competitive advantage in this fast moving market.

The online gaming market is maturing and, whilst online regulation is still in its infancy, we welcome the UK's entry into the online space through the Gambling Act 2005. Of note is the Gibraltar Gambling Ordinance which introduces a bespoke regulatory regime in Gibraltar for remote gaming and further consolidates Gibraltar's position as a first-class online gaming jurisdiction.

Generally, we are seeing a change in emphasis of regulators, who are looking beyond the grant of licences and are focusing more on compliance and codes of conduct within the industry. This is an area where 888 has sought to take the lead. We were one of the founding members of eCOGRA (e-Commerce Online Gaming Regulation and Assurance), an independent body which has

developed a series of self-regulatory guidelines for the online gaming industry. As online gaming develops into a mainstream leisure activity we believe further clarification of the regulatory position in relation to online gaming would be a positive driver for growth by enhancing consumer confidence and trust in the sector.

Board

I am pleased to have the opportunity to chair 888 and to welcome to the Board three new Non-executive Directors: since August 2005, Michael Constantine, a former Inspector and Acting Commissioner of the Gibraltar Financial Services Commission and Brian Mattingley, former Executive Director of Gala Group Plc; and from March 2006 Amos Pickel, Chief Executive of Red Sea Hotels Ltd.

With their outstanding complementary experience, I am confident that our new Non-executive Directors are superbly qualified to provide invaluable support to our executive team in the years ahead.

The Board's commitment to the highest standards of corporate governance and corporate social responsibility is detailed in the Corporate Governance section of this report on pages 24 to 28.

Finally, on behalf of the Board, I would like to express the Group's appreciation to Marie Stevens for her contribution.

Dividend

The Board intends to implement, in 2006, the dividend policy set out in the Financial Review on page 19.

Outlook

Our strategy is clear. We aim to create sustainable shareholder value by becoming the market leader in the

global online gaming industry, providing our members with a comprehensive selection of uniquely-created gaming activities and offering a secure, trusted entertainment experience.

I am pleased to report that we have already begun the new financial year with strong organic growth. 2006 will see continued investment in the 888 brand through worldwide innovative marketing initiatives, such as the recently announced five year sponsorship of the World Snooker Championship, which will be known as the "888.com World Snooker Championship".

888 is well placed to benefit from expansion into new geographic markets – as Internet penetration continues apace and we react to local regulatory developments. We will also look to extend the range of products so that we can offer members the complete online entertainment experience. All of this gives me great confidence about our future prospects.



Richard Kilsby
Chairman

Chief Executive's Review

OUR STRATEGY

- Investment in and leverage of the 888 brand
- Expansion into new geographic markets
- Development and expansion of software platforms to provide a "one stop shop" through organic growth and selective acquisitions
- Leveraging 888's large member database to maximise cross-selling and up-selling opportunities
- Continued development of efficient payment processing options that suit new target markets and audiences



John Anderson, Chief Executive Officer

THE TWO MOST IMPORTANT WORDS IN OUR INDUSTRY, "TRUST ME"

888 is an industry-leading brand which is synonymous with quality, fairness and trust. As a business it has delivered a number of consecutive years of growth in Profits. 2005 was no exception, and we are delighted to report Profit after tax for the year excluding share benefit charges of US\$65 million, up 59% on 2004, a more than satisfactory increase.

Our flotation in October on the London Stock Exchange marked an important step in our goal to become the market leader in the global online gaming entertainment industry. This will enable us to increase further our brand profile, recognition and credibility and will also give us an acquisition currency. This is a key part of our strategy and we believe the industry has matured to a stage

where consolidation is inevitable and I intend that 888 will be at the heart of this. Our industry has arrived and will be here on a permanent basis.

The business is in great shape, and the year to 31 December 2005 saw us achieve record Net Gaming Revenue and Profits. New member registrations in both Casino and Poker were significantly up at 5.3 million.

The main driver behind our outstanding growth has been our in-depth knowledge and experience of the industry built up since our inception in 1997. We understand what our members want and we are continually upgrading our product offering to retain existing and attract new players. Most importantly, we continue to provide

No business should have an over-reliance on any one particular market and those in our industry are no exception. We don't believe in having all our eggs in the one basket and I personally consider our geographic mix of business to be the widest in the industry.

members with a secure and trusted environment in which to play. In the interests of consumer protection, we were a founding member of eCOGRA, the pre-eminent industry benchmark and I am a member of its board.

Whilst member acquisition is key, member retention is paramount. As well as the products we offer, we have invested in the highest quality infrastructure and systems to ensure that we sustain our members' interest and do not give them a reason to play anywhere else. We will continue to add new entertainment options through selective acquisition or in-house development and we will expand our software platforms to allow for increased scalability.

Geographic Spread

No business should have an over-reliance on any one particular market and those in our industry are no exception. We don't believe in having all our eggs in the one basket and I personally consider our geographic mix of business to be the widest in the industry. By making our product available in up to 11 languages we have grown our non-USA business at such a rate so as to reduce our dependence on the USA, to 55% of our business without sacrificing volume. Our second largest revenue stream comes from the UK market, representing 20% of our mix. In the UK, 888 has come from nowhere in 2003 to become the top brand in the industry in 2005. This success is mainly due to the highly successful offline advertising campaigns we ran in the UK and high profile selected



**OPERATOR OF THE
YEAR 2005
EGAMING AWARDS**



**CASINO OF THE
YEAR 2005
EGAMING AWARDS**



**ONLINE CASINO OF
THE YEAR 2006
UK GAMBLING AWARDS**

sponsorships. We will be repeating this strategy of awareness throughout mainland Europe in the coming year.

Our Product Offering

During the year we have succeeded in growing Net Gaming Revenue and new player sign-ups across all our categories.

In 2004 the total amount wagered in the online casino market was estimated at US\$53.9 billion (source: CCA).

Since its inception in 1997 our Casino product, Casino-on-Net, has continued to be the leading online casino brand with member numbers now at a level of 4 million real money registered member accounts.

2005 saw continued growth in Net Gaming Revenue from US\$178 million to US\$271 million, an increase of 52%. This is mainly attributable to the expansion of our online and offline marketing programmes and the introduction of new distribution channels through our affiliate programmes.

We also operate an additional Casino brand, Reef Club Casino, that we introduced in 2002. By offering members another Casino brand we optimise their choice which in turn underpins our member retention by keeping players on our sites.

In January 2006, 888 launched an entirely new Casino product with a new graphical user interface, new industry leading video-slot machines and promotion features to provide our members with an even more sophisticated visual and interactive

experience to enhance their playing environment. We also plan to add an additional language to our Casino in the first quarter of 2006.

The online poker market has experienced remarkable growth since 2002 and I have no doubt it is fast becoming a mainstream entertainment activity. Poker has always been played in the USA and in fact is part of the fabric of USA society. People of all ages, including families, have always played Poker as part of their recreational time. More and more countries throughout the globe are playing the game and this is resulting in a decline in the dominance of the USA market. Poker is cool and here to stay.

Our Poker product, Pacific Poker, was ranked four in 2005 and in the year, Net Gaming Revenue from our Poker business exhibited strong growth, increasing by 179% to US\$109.8 million (2004: US\$39.3 million). This result partly reflects an increase in 888's marketing efforts but is also a by-product of the exponential growth of the phenomenon that is online poker.

We are continually upgrading our proprietary products and have recently upgraded our Poker offering with a multi-language format. It is now operational in English, German, Italian and Swedish. We introduced a new e-wallet focusing on Spain, Germany, Netherlands, Italy and France, thereby expanding further our geographical presence in non-USA markets. 888 plans to roll-out a further two new languages and a new Jackpot feature for Pacific Poker in the first quarter of 2006.

Chief Executive's Review



Betmate, our betting exchange, is a white label product in conjunction with Betdaq, the second largest betting exchange in the UK. It has been in operation since 2004 and acts as a member retention tool by complementing our Casino offerings. It offers access to a betting exchange for non-USA members only. It has performed satisfactorily over the period.

In order for us to give our members a “one stop shopping” experience we need to offer them a sportsbook. We are currently examining our options to achieve this. We will not take sports bets from US citizens, however we will take bets on American sports events from non-US citizens.

Regulatory Developments

Whilst the application of existing laws to online gaming is still to be clarified in most jurisdictions, in April 2005 the UK Government passed the Gambling Act, which includes the licensing of online gaming. I believe the UK's position is the first domino in what will become a legislative network throughout mainland Europe.

We continue to monitor the legislative position in the USA, where many attempts have been made in the past to prevent the instruments for the financial payment of internet gaming to take place. It is our view that this will continue to be our main challenge. We also monitor on a continual

basis all jurisdictions to ensure we understand local regulatory positions and are alerted early to any potential developments. The world has still to get to grips with this industry and the laws which do exist can change very rapidly. Part of what we must do as an industry is to lobby all of the countries of the world so that legalisation and licensing of Internet gaming becomes the norm rather than the exception.

Innovative Marketing Approach

The 888 brand is a core aspect of our marketing strategy and is key to building and maintaining our business. Strong branding is not only critical in differentiating our business but a recognisable brand builds trust which is a key consideration affecting a consumer's choice of provider.

Our marketing strategy includes both online advertising, such as search engine optimisation and offline activities. This includes mass media advertising, direct mail, sports marketing and sponsorship, such as that of Middlesbrough Football Club where our shirt sponsorship deal has been a huge success. Recently we also signed up to be the sponsor of the iconic World Snooker Championship. The event is held at the Crucible in Sheffield, UK and is the most important event in the snooker calendar. Our sponsorship not only catapults us into emerging markets such as China and the Far East, where snooker has a huge following, but our brand will be fully



There is no doubt that this is an industry which is here to stay and the market will continue to grow in line with increasing Internet penetration.

exposed for hundreds of hours in the UK and Europe. We consider the deal to be a major step in continuing to spread global awareness of the 888 brand. As part of this 888 will also be an associate sponsor of the Masters, Grand Prix and UK Championship snooker events.

Member Relationship Management

888 has a first class reputation for its member relationship management. Our member support is as international as our member base and we currently provide support in up to 11 languages, available 24/7. Our call centres offer interactive services and support toll-free/free-phone numbers, email and web-chat platforms as well as online self-help options. Our staff are all highly trained and undergo an ongoing training programme to ensure we remain at the cutting edge of service excellence.

We have consistently focused on maintaining and enhancing our member support services and have developed a valuable proprietary member database of over 23 million registered members. We believe there is significant opportunity in both the cross-selling and up-selling of this database to maximise member retention and lifetime value.

Payment Systems

Payment systems are the lifeblood of our industry. The number of options we use has increased from four in 2000 to 22 in 2005. We must continually upgrade and seek new systems in order to give all of our members in different markets local methods enabling them to pay and play seamlessly.

I cannot emphasise enough the importance of making available a wide variety of payment methods to support members in different locations and with different needs. This alone shatters the myth that barriers to entry to our industry are low. The fact is that barriers to successful entry are extremely high.

Back-office Support

Our proprietary back-office systems are state of the art and form an excellent base to keep our members satisfied. We spend a lot of money to attract new members and it is vital we create a service environment that keeps them.

People

Our people are totally dedicated and include many of the pioneers of the industry. They are not only good at what they do and have a tremendous track record but are focused on the future success of the Group. I would like to add my personal thanks to each one of our employees worldwide for what they have achieved in 2005. Our success is their success.

Future Prospects

I have no doubt that this industry is here to stay and the market will continue to grow in line with increasing Internet penetration throughout the world. As stated at flotation, our goal is to become market leader and offer a "one stop shop" online leisure experience. This expansion will be achieved both organically and through selective acquisition.

Our 2005 results confirm we are heading in the right direction to achieve this. We are confident that the continued focus on our strategic goals, through a systematic and evidence-based approach, will provide the opportunities to deliver further positive results in the future.

The, albeit early, trends in 2006 confirm our confidence in the future. This year we will expand into more countries with better products and we will continue to pursue excellence in every facet of our business.

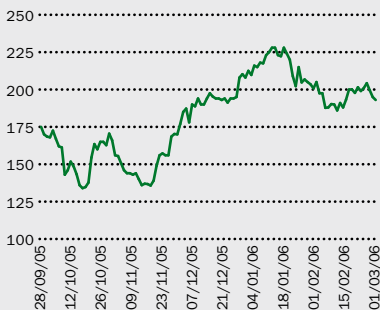
John Anderson
Chief Executive Officer

Financial Review

HIGHLIGHTS

- 2005 was a record year for 888 characterised by strong growth, record profits and cash generation coupled with accelerated geographic diversification, all achieved during a busy IPO year
- 888 finished 2005 with a strong balance sheet and a positive cash position
- Net Gaming Revenue during the year rose to US\$271.0 million, an increase of 52% above 2004
- Profit before tax and share benefit charges during the year rose to US\$67.4 million, an increase of 56% above 2004
- Net cash generated from operating activities rose to US\$88.3 million, an increase of 72% above 2004

888 SHARE PRICE



Aviad Kobrine, Chief Financial Officer

5.3 MILLION NEW REGISTERED MEMBER ACCOUNTS WERE OPENED OF WHICH 1.8 MILLION WERE REAL MONEY MEMBER ACCOUNTS

A Year of Transformation, Growth and Diversification Flotation on the London Stock Exchange

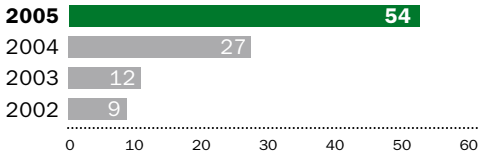
2005 saw the transformation of 888 from private to public company and, on 4 October 2005, Ordinary Shares of the Company were admitted to the main list of the London Stock Exchange at an offer price of £1.75, representing a market capitalisation of £590 million. On 16 December 2005

the Company was admitted to the FTSE 250 Index and as at 30 December 2005 (the last trading day of the year) the closing share price was £1.94.

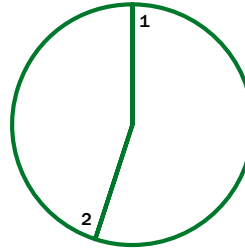
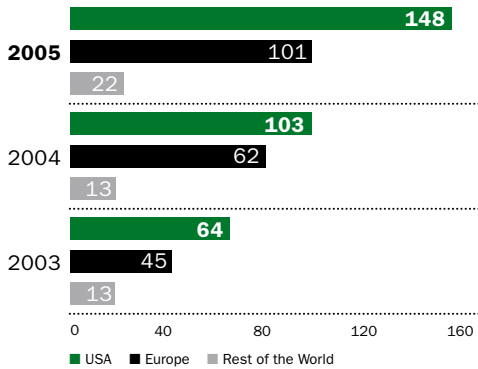
Growth

The year was characterised by record growth with Net Gaming Revenue reaching US\$271.0 million (2004: US\$177.9 million), a 52% increase over 2004 and Profit after tax, excluding share benefit

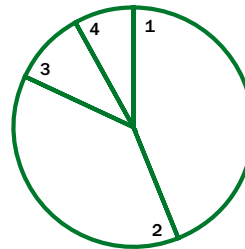
THE UK, NET GAMING REVENUE 2002–2005
(US\$million)



GEOGRAPHIC SEGMENTATION, NET GAMING REVENUE 2003–2005 (US\$million)



GEOGRAPHIC SEGMENTATION, NET GAMING REVENUE 2005
1. USA: 55%
2. NON-USA: 45%



GEOGRAPHIC SEGMENTATION, NET GAMING REVENUE – NON-USA 2005
1. UK: 44%
2. EUROPE: 38%
3. AMERICAS: 10%
4. REST OF THE WORLD: 8%

The rake from ring games plus net tournament fees for Poker grew rapidly during 2005 achieving a rake in December 2005 that was 108% higher than in December 2004.

charges reaching US\$65.2 million (2004: US\$41.1 million), a 59% increase over 2004. This growth accelerated during the second half of the year with Net Gaming Revenue and Profit after tax, excluding share benefit charges increasing in comparison to the first half of the year by 19% and 66%, respectively.

Member Accounts

The Group further increased its member base in 2005. 5.3 million new registered member accounts were

opened (2004: 4.7 million) of which 1.8 million were real money member accounts compared to 2004 at 1.2 million. As at 31 December 2005 the Group had 23.2 million registered member accounts (2004: 18 million) including 5.5 million real money member accounts (2004: 3.7 million).

During the final quarter of the year the Group recorded 330,962 active members representing a 75% increase over the same period in 2004. An active member is a member who has made a game-related balance movement in a real money account.

Geographic Diversification

The Group continued its geographic diversification in 2005 and further diluted concentration of Net Gaming Revenue from the USA to 55% (2004: 58%). Further, in 2005 the Group

recruited the majority of first-time depositors from outside the USA. Members from 177 countries played on 888's sites with 55% of Net Gaming Revenue derived from the USA, 20% from the UK, 17% from the rest of Europe and 8% from other countries. Whilst growth of Net Gaming Revenue in the USA market achieved 44% over 2004 levels, the rest of the world far exceeded this growth rate at 64%.

Casino

Net Gaming Revenue for Casino increased by 16% to US\$161.2 million (2004: US\$138.6 million) and active Casino members increased by 48% to 97,661. The Group's quarterly Net Gaming Revenue per active member indicator tends to fluctuate over time as a result of various promotion and data mining activities. Some of these campaigns are targeted at dormant

Financial Review

members or members at the later stages of their spend profile who tend to spend less than newly recruited members. Due to such promotion activities quarterly Net Gaming Revenue per active Casino member in the final quarter of 2005 was US\$419.

2.9 million new registered Casino member accounts were opened (2004: 3.2 million) of which 0.9 million were real money member accounts compared to 2004 at 0.7 million. As at 31 December 2005 the Group had 18.9 million registered Casino member accounts (2004: 16 million) including 4.1 million real money member Casino accounts (2004: 3.2 million).

Poker

Net Gaming Revenue for Poker rose dramatically by 179% to US\$109.8 million (2004: US\$39.3 million). Active Poker members increased by 89% to 233,301. In the final quarter of 2005 quarterly Net Gaming Revenue per active member was US\$156.

2.3 million new registered Poker member accounts were opened (2004: 1.5 million) of which 0.9 million were real money member accounts compared to 0.5 million in 2004. As at 31 December 2005 the Group had 4.3 million registered Poker member accounts (2004: 2.0 million) including 1.5 million real money Poker member accounts (2004: 0.6 million). The rake from ring games plus net tournament fees for Poker grew rapidly during 2005 achieving a rake

in December 2005 that was 108% higher than in December 2004.

Expenses

Operating Expenses

Operating expenses for 2005 were US\$73.0 million representing 27% of Net Gaming Revenue, a reduction compared to 2004 (28%).

Research and Development

An increase of 65% in research and development expenditure in 2005 from US\$6.9 million to US\$11.3 million further demonstrates the Group's continued commitment to invest in technology. This continues to enhance the offering of innovative gaming products to members.

Selling and Marketing

During the year the Group continued its long term strategy of investment in its global brand, 888, which is not language dependent, by utilising a wide variety of marketing channels to attract new members to its web sites. These include online media, affiliates and offline campaigns, as well as other innovative promotion and marketing activities. Selling and Marketing costs were US\$100.0 million (2004: US\$64.5 million) whilst cost per acquisition, excluding members recruited by affiliates on a revenue share basis, remained competitive in 2005 at US\$183 (2004: US\$192).

Administration

Administrative costs, excluding share benefit charges, were US\$20.1 million (2004: US\$13.6 million) representing a slight reduction to 7% of Net Gaming Revenue (2004: 8%).

Investment in Human Capital

As at year end the Group had 886 employees (2004: 689) at the following locations: Gibraltar – 391; Israel – 369; Antigua – 115; and London – 11. As part of its strategic investment in human capital, at the time of flotation of the Company on the London Stock Exchange, eligible management and employees received share awards (including share options) under the 888 All-Employee Share Plan. In addition, the Principal Shareholder Trusts made a one-time grant of immediately vested shares to management and employees, details of which are set out in the Remuneration Report on page 31. The grants had no cash impact on the Group, but under the applicable accounting standard (IFRS 2) this results in a charge in respect of share benefit against income calculated on a phased basis as set out in the accounting policies on page 42. These two grants resulted in a charge to the Consolidated Income Statement of US\$2.1 million and US\$15.1 million, respectively. Within the 2005 Annual Report and Accounts these are collectively referred to as the share benefit charges.

Tax and Profit

Operating Profit before share benefit charges for the year was 56% higher at US\$66.7 million (2004: US\$42.8 million) with Operating Profit margin (before share benefit charges) having increased to 25% (2004: 24%). In 2005 the Group continued to benefit from a low effective tax rate as a result of its exempt status in both Gibraltar and Antigua, and a transfer pricing agreement with the tax authorities in

Israel. As a result the tax charge in 2005 was unchanged on the prior year at approximately US\$2 million. Profit after tax excluding share benefit charges was 59% higher at US\$65.2 million (2004: US\$41.1 million).

Earnings per Share

Basic earnings per share excluding share benefit charges was 19.3¢ being a 58% increase over 2004. Diluted earnings per share excluding share benefit charges was 19.3¢ being a 58% increase over 2004. Basic earnings per share was 14.2¢.

Dividends

During the year dividends paid totalled US\$63.1 million (2004: US\$26.1 million). The Group has adopted a dividend policy whereby it intends to pay dividends to holders of Ordinary Shares and Depositary Interests representing 50% of annual profits in aggregate. Approximately one third of the amount for the year will be declared as an interim dividend. The first dividend is expected to be declared in relation to the results of the Group for the first six months of 2006 on the basis as set out in the Prospectus.

Cash Flows and Balance Sheet

In accordance with the Group's practice, members are required to deposit funds into their accounts prior to participating in any real money activity. As a matter of policy the Group keeps sufficient liquid resources in US dollars to meet the possible withdrawal of all member balances at any time. The Group is highly cash generative with net cash generated from operating activities in 2005 of US\$88.3 million (2004: US\$51.4

million) representing 132% of Operating Profit for the year before share benefit charges. Cash generated has been used mainly for dividends declared and partly paid prior to flotation of US\$63.1 million (2004: US\$26.1 million). Cash increased for the year by US\$21.9 million (2004: US\$10.7 million) resulting in a cash position at year end of US\$62.2 million (2004: US\$40.3 million). The Group has no debt.

Accounting Standards

The Group's gaming products are all denominated in US dollars and accordingly, the Group's functional and reporting currency is the US dollar. The 2005 financial statements are prepared in accordance with International Financial Reporting Standards.

Summary and Outlook

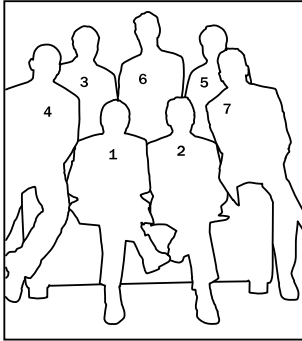
2005 saw the transformation of 888 into a public company characterised by strong growth, profitability and cash generation. The Group's financial strength, continued investment in the brand and technological innovation comprise the robust foundation required to achieve our goals.



Aviad Kobrine
Chief Financial Officer

Board of Directors





1 Richard Kilsby ♥♠
Non-executive Chairman

Richard Kilsby has been Chairman since March 2006 having previously been Deputy Chairman of the Company from August 2005. He is currently a director of Collins Stewart Tullett plc. Since 2001 he has held several board and management positions in various private and venture-capital funded companies. In 2004, he acted as independent monitor for the SEC and USA Department of Justice. From 1999 to 2002, he was Chief Executive of Tradepoint and subsequently Executive Vice Chairman of virt-x plc. From 1995 to 1998 he was an Executive Director of the London Stock Exchange prior to which he was a Managing Director for Bankers Trust from 1992 to 1995. He was also Vice Chairman of Charterhouse Bank from 1988 to 1992 and a partner of Pricewaterhouse from 1984 to 1988. Age 54.

2 John Anderson ♠
Chief Executive Officer

John Anderson has been the Chief Executive Officer of the Company since September 2000. He is currently Non-executive Chairman of Burford Holdings plc and was Chief Executive Officer of Burford Holdings plc from

1996 to 2000. He is also a board member of IGC and eCOGRA. He held a number of senior executive positions within Ladbrokes plc and from 1990 to 1996 he served as an Executive Director. Age 57.

3 Aviad Kobrine
Chief Financial Officer

Aviad Kobrine has been Chief Financial Officer of the Company since June 2005 and was appointed to the Board in August 2005. From October 2004 he was a consultant to 888. Previously, he was a banker with the Media Telecoms Investment Banking Group of Lehman Brothers and prior to that, he was a senior associate with Slaughter and May. He holds a Masters in Finance from the London Business School (Distinction), a BA in Economics and an LLB from Tel Aviv University. Age 42.

4 Shay Ben-Yitzhak
Chief Technical Officer

Shay Ben-Yitzhak is one of 888's founders and has been the Chief Technical Officer of the Company and in charge of research and development since the establishment of its research and development centre in Tel Aviv in 1998. Previously he was a software engineer for Tower Semi Conductor Limited and CIBAM Technologies Limited. He holds a BSc in computer science from Technion – the Israel Institute of Technology. Age 37.

5 Brian Mattingley ♥♥♠
Deputy Chairman and Senior Independent Non-executive Director
 Brian Mattingley has been Deputy Chairman since March 2006 having been appointed to the Board in August 2005. He is currently Non-executive Chairman of the Academy Music Group

and was previously Chief Executive of Gala Regional Developments Limited until 2005. From 1997 to 2003 he was Group Finance and Strategy Director of Gala Group Plc, prior to which he was Chief Executive of Ritz Bingo Limited. He has held senior executive positions within Kingfisher Plc and Dee Corporation Plc. Age 54.

6 Michael Constantine ♥♥♠♠
Independent Non-executive Director

Michael Constantine was appointed in August 2005. He is a chartered accountant and a member of the Compliance Institute. From 1996 to 1998 he was Deputy Superintendent of the Turks and Caicos Islands Financial Services Commission and in 1995 he was head of the Financial Supervision Unit of the Mauritius Offshore Business Activities Authority. From 1991 to 1995 he was an Inspector at the Gibraltar Financial Services Commission, latterly Acting Commissioner. Prior to this he was a Partner of Spain Brothers & Company and served in the Royal Naval Reserve reaching the rank of Commander. Age 67.

7 Amos Pickel ♥♥♠♠
Independent Non-executive Director

Amos Pickel was appointed in March 2006. He is currently Chief Executive Officer and member of the Board of Directors of Red Sea Hotels Ltd. Formerly a Non-executive Director of Gresham Hotel Group Plc, he is a solicitor holding a Masters in Law from New York University and a BA in Law from Tel Aviv University. Age 39.

Committee Memberships

- ♦ Audit
- ♥ Nomination
- ♣ Remuneration
- ♠ Regulatory and Compliance

Responsible Gaming

As a pioneer in the online gaming industry 888 has sought to take the lead in setting the industry standards for self-regulation and is fully committed to responsible gaming.

Gaming is a form of entertainment enjoyed by many people and it is 888's aim to provide members with a comprehensive selection of gaming activities in a secure, trustworthy environment.

Self-Regulation

888 was a founding member of eCOGRA (e-Commerce Online Gaming Regulation and Assurance), an independent body that has developed a series of self-regulatory guidelines. 888's Casinos have adopted the recommendations and procedures laid down by eCOGRA. Compliance with these recommendations and procedures is subject to independent review. This review bolsters and supplements the internal control procedures in place at 888 in order to ensure that objectives of player protection, fair gaming and responsible conduct are met. 888 was awarded a seal of approval by eCOGRA for its casinos following a due diligence audit process by an independent committee of the board of eCOGRA.

888 is a founding member of the Gibraltar Betting and Gaming Association which has been set up to represent the gaming industry in Gibraltar.

888 is also an active participant in the Interactive Gaming Council (IGC) – an online gaming trade association, which was founded to establish, promote and enforce a uniform code of conduct across the entire online gaming industry – and has adopted the IGC's Code of Conduct.

Problem Gaming

To promote responsible gaming 888 has a number of technological and policy measures in place to identify irregular playing patterns. Systems exist to identify behaviour patterns that may indicate problem gaming, including the following:

- all our sites have clear and visible links to assist with gaming problems (Gamblers Anonymous and Helping Hand);
- there are progressive limits on deposits, as well as table limits, that are in place to prevent members from spending large amounts of money over a short period of time;
- our member support staff proactively monitor members' activity, such as total spend, time, length and frequency of playing sessions, in order to identify potential problem gamblers;
- in cases where members are confirmed as having a gaming problem or financial difficulties their accounts are immediately blocked and can only be opened again after a suspension period and after ascertaining that the financial or other problems have been resolved; and
- our member support team is trained in all the above issues to be able to identify and deal with such problems at the earliest practicable stage.

Underage Gaming

888 takes underage gaming extremely seriously, acting quickly to close an account and return monies whenever a complaint or suspicion is raised regarding a member's age.

888 is involved in continuous dialogue with payment processors, the industry and industry regulatory bodies, such as eCOGRA, to establish and implement the best possible solutions to prevent underage gaming.

In the UK, where some debit cards are issued to minors, we have developed specific systems to deal with underage gaming. 888 has created its own tools for identifying possible underage gaming by SOLO, Switch and Visa Electron card holders.

Additionally, 888 has recently installed the state-of-the-art URU (You Are You) system, a new e-authentication scheme for age and identity verification launched by British Telecom and a data management software provider, GB Group. URU does not require members to create an online identity by providing personal details to the service, which then authenticates them but instead uses existing information to verify an individual's identity. The system can confirm an individual's identity in seconds by checking a number of public and private databases.

888 strives to take the lead in evolving best practice, developing new systems and keeping its policies and procedures under continuous review.

Regulatory and Compliance Review

The regulatory framework of online gaming in different countries around the world remains as dynamic and rapidly evolving as ever. While some jurisdictions have moved to curtail the activities of online gaming sites, others are currently contemplating liberalisation and regulation of the industry. The Board notes that there are significant risks, unique to the online gaming industry, including in the USA where members of 888 generated 55% of our Net Gaming Revenue in 2005. The Board remains committed to monitoring closely and addressing regulatory changes as they occur, and to fostering, so far as possible, the trend towards liberalisation and regulation of online gaming throughout the world.

888 is licensed and regulated in Gibraltar. In December 2005, the Government of Gibraltar enacted a new Gambling Ordinance. The Ordinance introduces a tailor-made regime for the regulation of remote gaming. 888 has actively supported the introduction of such legislation and the Board looks forward to full implementation in the coming months, which will include the appointment of a new regulator.

In the USA, several members of Congress have proposed various Bills aimed at prohibiting online gaming in the USA or financial transactions with online gaming sites. These Bills are currently in their preliminary legislative stages and the Board will continue to monitor their progress closely.

In Italy, authorities have recently ordered local Internet Service Providers to prohibit access by Italian users to foreign gaming sites. The Board is carefully monitoring this development and, together with others in the online gaming industry, is weighing up its potential responses, especially in light of the fact that this legislation is perceived to be in contravention of European law.

In Israel, law enforcement authorities have raided the offices of several Internet portals and arrested several individuals on the suspicion that they had advertised online gaming sites in Israel, in contravention of the Israeli Penal Law. 888 does not allow Israelis to wager on its websites and has systems to prevent them doing so.

However, 888 has been advised that since it does not facilitate, offer or provide gaming activities prohibited under the Penal Law to Israeli residents, the Penal Law will not be applicable to 888 since no offence is committed wholly or in part within Israeli territory.

The Board continues to monitor these developments closely and is alert to changes as they may occur in areas where the Group operates.

Corporate Governance

888 is listed on the London Stock Exchange, but it is not technically subject to the UK Combined Code on Corporate Governance issued in July 2003 (the Code) because it is a Gibraltar registered company. The Directors support the high standards of Corporate Governance set out in the Code and will apply the principles as far as practicable for a company based outside the UK. This statement sets out how the Board has applied the principles set out in Section 1 of the Code, from the date of the Company's flotation on 4 October 2005.

The Board

The Directors consider it essential that the Company should be both led and controlled by an effective Board.

Composition

The Board consists of three Independent Non-executive Directors, a Non-executive Chairman, and three Executive Directors, comprising Chief Executive Officer, Chief Financial Officer and Chief Technical Officer. The biographical details of all the Directors are given on page 21.

Strategic approach

The Board focuses upon the Group's long-term objectives, strategic and policy issues and considers management of key risks facing the Group. The Board is responsible for acquisitions and divestments, major capital expenditure projects and considering Group budgets and dividend policy. The Board also determines key appointments. The Board receives regular updates on shareholders' views and more detailed briefings are to be given to the Board immediately following the publication of the Company's annual and interim results.

The Board has established a calendar of business within which it is currently working, post flotation, to structure the conduct of its activities going forward. This provides for the financial calendar, strategic planning, annual budgets and performance self-assessments, as well as the conduct of standing business. The calendar is intended to form the basis for effective integration of business activities as between the Board and its principal Committees (see pages 25 and 26), which individually consider their own operating frameworks against the Board's business programme.

The Board plans to meet eight times a year. In the period from flotation to 31 December 2005, the Board met twice and all of the Directors attended each of the Board meetings. Ad-hoc meetings can be convened to attend to any matters requiring Board consideration in between regular meetings.

The Chairman has responsibility for ensuring that agendas for Board meetings are set in advance. Board papers are, where practicable, issued to Directors sufficiently in advance of meetings to facilitate both informed debate and timely decision.

Non-executive review and performance appraisal

The Chairman plans to hold meetings (at least one per year) with the Non-executive Directors without the Executive Directors being present. Led by the Senior Independent Director, the Non-executive Directors also plan to meet without the Chairman present at least once a year to appraise the performance of the Chairman. In the period from flotation to 31 December 2005, no such meetings were held. The Directors have wide ranging business experience, and no individual, or group of individuals, dominates the Board's decision making.

The Board considers that Brian Mattingley, Michael Constantine and Amos Pickel satisfy the criteria of the Code to act as Independent Non-executive Directors. The Board is satisfied that, at flotation, the former Chairman met the independence criteria of the Code, as did Richard Kilsby upon his appointment as Chairman. The Chairman is not considered as independent for the purposes of assessing the balance of the Board pursuant to the Code.

Brian Mattingley was appointed Deputy Chairman and Senior Independent Director on 9 March 2006.

Reserved powers and delegation

A schedule of matters reserved to the Board has been adopted and its content is being kept under review as the business develops, to align it with operational needs and the Board's preference to monitor and, where appropriate, approve matters of substance to the Group as a whole. Senior executives have given written undertakings to ensure compliance within their business operations with the Board's formal schedule of matters reserved for itself for decision or approval. Within these parameters, a framework of delegated authorities is being developed to ensure that management can exercise on an ongoing basis requisite authority for an effective business operation.

Division of responsibilities

The responsibilities of the Chairman are clearly and formally defined, with the Chairman being responsible for the effective operation of the Board as a whole and supporting key external relationships.

The Executive Directors are responsible for the day-to-day management of the business. The Chief Executive Officer chairs an Operations Forum, which is a working group comprising key senior executives. Its principal function is to act as a conduit for communication between different areas of the Group's business and allow the interchange of ideas, as well as feedback, between the research and development, marketing and operational functions across the Group. Executive Directors meet individually and collectively with heads of functions and line management to coordinate business priorities.

Other issues

All Directors have access to the advice and services of the Company Secretary and the Company's nominated advisers, who are responsible for ensuring that Board procedures are followed. Directors are able to seek independent professional advice, if required, at the Company's expense provided that they have first notified their intention to do so. The appointment or removal of the Company Secretary is a matter for the Board as a whole.

The Board accepts that there should be a formal, rigorous and transparent procedure for the induction of new Directors, which is to be formulated with the guidance of the Nominations Committee.

The opportunity to hold office as Non-executive Directors of other companies enables Directors of 888 to broaden their experience and knowledge, which will benefit the Company. Executive Directors may be allowed to accept Non-executive appointments with the Board's prior permission, so long as these are not likely to lead to conflicts of interest. Directors may be required to account for fees received from such other companies.

The Company has arranged insurance cover in respect of any legal action against its Directors. To the extent permitted by Gibraltar law, the Company also indemnifies the Directors. Neither the insurance nor the indemnity provides cover where a Director has acted fraudulently or dishonestly.

Re-election of Directors

All Directors are subject to re-appointment by shareholders at the first Annual General Meeting after their appointment, and thereafter, in accordance with the Articles of Association of the Company, at intervals of no more than three years. Richard Kilsby (Non-executive Chairman), Brian Mattingley, Michael Constantine and Amos Pickel (the Independent Non-executive Directors) are appointed for an initial period of three years, following re-appointment, if approved, by shareholders at the first Annual General Meeting after their appointment.

Audit Committee

The Audit Committee comprises three Independent Non-executive Directors: Brian Mattingley (Chair), Michael Constantine and Amos Pickel. During 2005, Richard Kilsby was Chairman of the Audit Committee until his appointment as Chairman of the Company in March 2006. The Board is satisfied that Brian Mattingley has sufficient recent and relevant financial experience to chair the Audit Committee. Normally, by invitation, the Chief Financial Officer and Internal Auditor attend Committee meetings, as can representatives of the external Auditors. In 2005, the Committee met once and all of the Committee members attended the meeting.

The Audit Committee's terms of reference are available on request to the Company Secretary and are included on the Company's website, www.888holdingsplc.com.

In summary, the Committee assists the Board in discharging its responsibilities with regard to financial reporting, external and internal audits and controls, including reviewing 888's annual financial statements, considering the scope of annual audit and the extent of non-audit work undertaken by external Auditors, approving 888's internal audit programme, advising on the appointment of external Auditors and reviewing the effectiveness of internal control systems.

Following a review in 2005 by the Audit Committee, the Board adopted on 31 January 2006 a Group-wide framework enabling employees to raise any concerns under a formalised "Whistleblowing" policy, in confidence, and with the assurance of employment protection under the policy. The Audit Committee is responsible for monitoring and reviewing the operation of this policy.

Nominations Committee

The Nominations Committee assists the Board in discharging its responsibilities relating to the composition of the Board. The Nominations Committee is responsible for reviewing, from time to time, the structure of the Board, determining succession plans for the Chairman and Chief Executive Officer, and identifying and recommending suitable candidates for appointment as Directors. The Nominations Committee's terms of reference are available on request to the Company Secretary and are included on the Company's website, www.888holdingsplc.com.

The Nominations Committee comprises three Independent Non-executive Directors, Michael Constantine (Chair), Brian Mattingley, Amos Pickel and Richard Kilsby, Chairman. The Nominations Committee did not meet during 2005 and at this early stage from flotation, has not undertaken a formal evaluation of the balance of skills, knowledge and experience on the Board. This extends to director training, induction and succession planning.

The Nominations Committee will, in 2006, be considering a structured framework for Board, Committee and Director evaluations and other matters within a programme of activities designed to address its assigned terms of reference.

Corporate Governance

Remuneration Committee

The Company's Remuneration Committee was formed at flotation and comprises solely Independent Non-executive Directors. Brian Mattingley chairs the Committee and its other members are Michael Constantine and Amos Pickel. Richard Kilsby was a member of the Committee up until his appointment as Chairman of the Company. The Remuneration Committee met twice during 2005. Both meetings of the Committee were attended by all of the Committee members during the period. It anticipates meeting not less than twice in 2006 to address its responsibilities under its formal terms of reference, through the creation of a considered schedule of business.

The Committee assists the Board in determining its responsibilities in relation to remuneration, including making recommendations to the Board on 888's policy on executive remuneration, determining the individual remuneration and benefits of each of the Executive Directors, and recommending and monitoring the remuneration of senior management below Board level.

The Remuneration Report, which outlines the Committee's work and details of Directors' remuneration, is on pages 29 to 34. The Remuneration Committee's terms of reference are available on request to the Company Secretary and are included on the Company's website, www.888holdingsplc.com.

Regulatory and Compliance Committee

Although not specifically recommended by the Combined Code, the Board has established a Regulatory and Compliance Committee to assist 888 to conduct its operations in accordance with the highest ethical standards. In particular, the Regulatory and Compliance Committee assists the Board in relation to compliance with all current and prospective applicable regulatory and legal requirements, as well as the development and implementation of 888's internal codes and policies.

The Committee comprises Michael Constantine (Chair since March 2006), Richard Kilsby, Amos Pickel and John Anderson. The Committee did not meet during 2005 but has done so since the year end to plan a calendar of activities and determine interaction with the Audit Committee.

The Regulatory and Compliance Committee's terms of reference are available on request from the Company Secretary and are included on the Company's website, www.888holdingsplc.com.

Risk Management and Internal Control

The Directors acknowledge that they are responsible for the Company's system of internal control, for setting policy

on internal control, and for reviewing the effectiveness of internal control. It is management's role to implement Board policies on risk and control, including reporting. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable, and not absolute, assurance against material misstatement or loss.

The Regulatory and Compliance Committee has responsibility for assisting in the implementation of an effective framework of policies and procedures, Group-wide.

The Board has delegated responsibility to the Audit Committee to review, ongoing, the appropriateness and adequacy of systems of internal control and make recommendations to the Board. The Company has an Internal Auditor who reports to the Audit Committee, whose audit program for 2006 has been reviewed by the Audit Committee.

888's risk management team, based in Gibraltar, has developed stringent risk management and fraud control procedures. The team makes use of external and internal systems to manage the risks faced by 888's operational systems. Detailed procedures exist throughout the Company's operations and compliance is monitored by operational management and the Internal Auditor.

An extensive risk review was conducted preparatory to the flotation in October 2005; Part II of the Prospectus described risk factors faced by the Group. The Directors have reviewed the effectiveness of the Group's systems of internal control, taking account of key risks identified during the flotation process. The review considered individual risk control responsibilities, reporting lines and qualitative assessments of residual risks. The results have been discussed by the Audit Committee, which has advised the Board on the ongoing development of corporate controls. The Audit Committee is guiding internal audit on the establishment of a framework for the monitoring of management processes operated to develop, integrate and embed effective Group-wide controls.

Relations with Shareholders and Key Financial Audiences

The Company maintains an active and regular dialogue with principal and institutional shareholders and sell-side analysts through a planned programme of investor relations and financial PR activity. The outcome of these meetings is reported to the whole Board to ensure it keeps in touch with shareholder and City opinion. The programme includes formal presentations of full year and interim results.

Brian Mattingley, the Senior Independent Director, is available to shareholders to address any issues that normal contact with the Chairman, Chief Executive Officer and Chief Financial Officer has failed to resolve or is inappropriate.

All shareholders are welcome to attend the 2006 Annual General Meeting and private investors are encouraged to take advantage of the opportunity given to ask questions. The Chairmen (or nominated members) of the Audit, Remuneration, Nominations and Regulatory and Compliance Committees will attend the meeting and be available to answer questions.

Compliance with the Code Provisions

As 888 Holdings Public Limited Company is registered in Gibraltar, it is subject to compliance with Gibraltar statutory requirements and is not technically bound by the UK Combined Code. The main legislation relevant to companies in Gibraltar is the Gibraltar Companies Ordinance, which is based on the UK Companies Act 1929.

The Board of Directors confirm that, since flotation, the Company has complied with the majority of the provisions set out in Section 1 of the Combined Code. The exception is the performance evaluation of the Board which has not been undertaken given that there has been insufficient time, since flotation, for it to be meaningful.

Going Concern

After reviewing the Group's budget for 2006 and its medium term plans, the Directors are confident that the Company and the Group have adequate financial resources to continue in operational existence for the foreseeable future. They have therefore continued to adopt the going concern basis in preparing its financial statements.

Corporate and Social Responsibility Statement

The Group's Chief Executive Officer is the Director responsible for monitoring corporate and social responsibility within 888. The Board receives periodic reports on the Group's activities in this area from the Chief Executive Officer.

Members

The Board is eager to promote online gaming as a responsible, self-regulating industry which is prepared to submit itself to regulatory licensing and believe this is a key factor in attracting more participation in online gaming activities. 888 has sought to take the lead in setting the industry standards and a separate report on Responsible Gaming is set out on page 22.

Other aspects which 888 promotes include:

- providing the highest levels of service and support to the Group's members;
- protecting member privacy and the proper handling and use of data in accordance with applicable law;
- ongoing training, development and motivation of employees to retain the widest possible range of talented staff; and
- provision of a safe and healthy workplace in accordance with relevant legislation.

Service and Support to Members

888 is committed to providing the highest levels of service and support to its members. There is a dedicated team of in-house trained member support representatives for each of the Group's brands providing support 24/7 in up to 11 different languages. A separate, highly skilled team is dedicated to VIP members. Member support representatives are strictly monitored and benefit from ongoing refresher training courses. 888 has retained leading call centre experts to further enhance the quality of its member support.

Protecting Member Privacy

All 888's online products maintain a privacy policy which is clearly accessible from each of the Group's websites, explaining how the Group deals with members' personal data. All processing of members' personal data is undertaken in-house and where personal data is transferred between Group companies, appropriate intra-Group processing contracts are put in place.

The EU Directive on Data Protection has recently been enacted in Gibraltar but has not yet been brought into force. 888 has for some time carried out the processing of its members' personal data accordingly, in accordance with the EU Directive.

Employees

The Group respects individuals' human rights and treats individuals with dignity and respect. The Board supports high standards of employment practice, including providing equal opportunities in the workplace in terms of selection, promotion, training and development and a safe environment in which to work. The Group has reviewed its compliance with health and safety legislation in its various locations.

Corporate Governance

Training and Development

Training and development is provided to individuals throughout their career to enable employees to maintain and improve standards of performance, deal effectively with any changes to the work environment and to develop their abilities and realise their potential. Selection for further training and development is based upon individual and business needs. 2006 will see the launch of the 888 Certification Scheme, an initiative that develops all employees, regardless of level, covering a range of disciplines unique to our brand.

Equal Opportunities

888 is an equal opportunity employer. No employee or potential employee will therefore receive less favourable treatment due to their race, creed, colour, nationality, ethnic origin, religion, political or other opinion, affiliation, gender, sexual orientation, marital status, family connections, membership or non-membership of a trade union or disability.

Communication

The Board values the involvement of all the Group's employees and is committed to communicating effectively with them through formal and informal meetings and internal publications, including in-house newsletters and employee reports.

Community

Sponsorship

888 is a sizeable employer with a visible presence in Gibraltar and enjoys a good relationship with the local community. During 2005 the Group has reinforced this relationship by making contributions to a number of local causes, primarily educational.

Charities

In 2005 the Group made regular donations to Free the Children, EarthAction and NetAid. The Group also made a donation to the Disasters Emergency Committee Tsunami Appeal.

Remuneration Report

This is the first Remuneration Report of the Board as a UK Listed Public Company. The Company is not required to comply with the directors Remuneration Report requirements in Schedule 7A to the UK Companies Act 1985, but has chosen to prepare this Remuneration Report on the basis of those requirements.

The report sets out the structure and details of the remuneration of the Directors for the year ended 31 December 2005. It also describes the Board's approach to the Principles of Good Governance relating to Directors' remuneration.

A resolution to approve the Remuneration Report will be proposed, annually, to shareholders for approval. This first Remuneration Report will be put to shareholder vote at the 2006 Annual General Meeting.

Remuneration Committee

The Remuneration Committee consists solely of independent Non-executive Directors: Brian Mattingley (Chair), Michael Constantine and Amos Pickel. Since flotation up to his appointment as Chairman of the Company, Richard Kilsby was also a member of the Committee. Details of attendances at Committee meetings are contained in the statement on Corporate Governance on page 26. The Remuneration Committee has formal terms of reference (which are available on request in writing to the Company Secretary and on the Company's website, www.888holdingsplc.com).

The Board has overall responsibility for determining the framework of executive remuneration and its cost. It is required to take account of any recommendation made by the Remuneration Committee in determining the remuneration, benefits and employment packages of the Executive Directors and senior management and the fees of the Chairman.

Independent Advice

The Board intends that executive remuneration policies be both formal and transparent. It further acknowledges the importance of taking into consideration independent advice in setting remuneration policies and benefit levels.

In the preparatory period for the Company's flotation on the London Stock Exchange, the Board was advised by BDO Stoy Hayward LLP (which also acted as reporting Accountants) on its initial policies, Freshfields Bruckhaus Deringer as English legal counsel and Herzog, Fox & Neeman as Israeli counsel. Since the end of the financial year, a process has been commenced to identify an independent executive remuneration adviser to advise the Remuneration Committee. The selected adviser will be familiar with benefit structures operated within comparable technology businesses, with a global spread and the leisure sector.

Remuneration Policy

Executive Directors

Remuneration packages must be sufficient to attract, retain and motivate Directors of the calibre appropriate to a global business in a competitive environment.

The current remuneration packages of the Executive Directors were implemented preparatory to the October 2005 flotation. Each Executive Director signed a new service agreement on 14 September 2005. The components of the remuneration structure are set out on page 30.

At least half of the total potential remuneration of the Chief Executive Officer and Chief Financial Officer is represented by a variable element, dependent on the performance of the Company. The Remuneration Committee considers that these represent achievable and motivational levels of personal rewards commensurate with stipulated levels of corporate performance. The Chief Technical Officer receives only a base salary and no additional performance related remuneration. His significant share interest in 888 is considered to provide substantive linkage to corporate performance.

The Remuneration Committee is mandated by the Board to satisfy itself that the level of the Directors' and senior management's remuneration is appropriate having regard to pay and conditions throughout the rest of the Group. It will further satisfy itself that such remuneration aligns with the risks and rewards to shareholders. In this context the Remuneration Committee will regularly review individual and corporate performance targets.

The 888 Long Term Incentive Plan (LTIP) was approved prior to flotation but no awards have been granted under the LTIP. Performance criteria are to be set in relation to the planned operation of the LTIP (see pages 30 to 31), and it is intended that they will be suitably stretching and linked to the Company's performance.

In 2006, after taking independent advice and with due regard to existing contractual arrangements and relevant statements made at flotation, the Remuneration Committee will consider, and thereafter keep under review, the level and composition of executive remuneration within 888. The Committee acknowledges the importance of balancing fixed and performance-related remuneration elements, such that appropriate targets and aspirational levels for executives align with the corporate objectives set and the successful operation of business strategies. The review will take into account the balance between fixed and variable remuneration, and short and long term components of remuneration, together with the justification for any salaries exceeding a comparator group median.

Non-executive Directors

The Chairman and the Non-executive Directors receive fees only, and are not eligible to participate in any bonus plan,

Remuneration Report

pension plan, share plan, or long-term incentive plan of the Company. The Chairman and the Executive Directors determine the fees paid to the Non-executive Directors. The Chairman's fee is determined by the Remuneration Committee.

Fees paid to the Non-executive Directors were set by reference to an assessment of the time commitment and responsibility associated with each role. Levels take account of additional demands placed upon individual Non-executive Directors by virtue of their holding particular offices, such as Committee Chairman and/or Deputy Chairman. The fees paid to each Non-executive Director during 2005 are disclosed in the Directors' remuneration summary on page 32.

Remuneration Structure

Base Salary and Benefits

Base salaries are subject to annual review with the first review following flotation taking place in June 2006 for Aviad Kobrine and Shay Ben-Yitzhak. In considering reviews in the future, it is anticipated that the Remuneration Committee will take into account key factors, including individual performance appraisals, market competitive levels, geographic issues and the salary levels of other higher paid executives across the organisation as a whole.

To assist the Remuneration Committee in their judgements, benchmark comparator group information (comprising the Company's principal competitors and other companies of similar size and complexity in the FTSE 250) is to be commissioned for compilation from independent remuneration consultants. The positioning of 888's executive salary levels within the benchmark group distribution will then be submitted to the Remuneration Committee for consideration with independent advice.

Benefits provided to senior executives include a car allowance, and health, disability and life insurance.

Annual Cash Bonus

John Anderson and Aviad Kobrine are each entitled to an annual cash bonus subject to the achievement of a predetermined level of net earnings by their respective employers (in the case of John Anderson, the Company and in the case of Aviad Kobrine, the Company and Cassava Enterprises (Gibraltar) Limited). The maximum annual cash bonus entitlement for John Anderson is 200% of basic salary and for Aviad Kobrine, 100% of basic salary. Shay Ben-Yitzhak is not entitled to an annual cash bonus.

Pensions

John Anderson and Aviad Kobrine are each entitled to an annual contribution to their personal pension schemes of 15% of their respective basic salaries (in the case of Aviad Kobrine, 15% of his basic salary under both service agreements). Shay Ben-Yitzhak is entitled to an annual contribution to his personal pension scheme and managers' insurance scheme of 13.33% of his basic salary.

Long Term Incentives

On 30 August 2005 the Company adopted two employee share incentive plans which took effect from flotation: (i) the 888 All-Employee Share Plan, and (ii) the 888 Long Term Incentive Plan. On flotation, awards were granted under the 888 All-Employee Share Plan. During 2005, no awards were granted under the 888 Long Term Incentive Plan and none have been made to date.

888 All-Employee Share Plan

All employees and Executive Directors of the Group who are not within six months of their normal retirement age are eligible to participate in the 888 All-Employee Share Plan at the discretion of the Remuneration Committee. At the 2006 Annual General Meeting shareholder approval will be sought to extend the definition of eligible participants to include consultants of the Company or any of its subsidiaries.

Awards under the 888 All-Employee Share Plan can either be granted for no/nominal consideration (or with a nil exercise price) or at an exercise price that will normally not be less than the market value of an Ordinary Share at the time of grant. In countries where an award or option involving real shares is not appropriate or feasible for legal, regulatory or tax reasons, a phantom award may be used.

The maximum number of Ordinary Shares that an eligible employee may acquire pursuant to share awards or options granted to him in any calendar year under the 888 All-Employee Share Plan may not have an aggregate market value, as measured at the date of grant, exceeding 200% of his annual base salary or such higher limits as the Remuneration Committee may determine is appropriate in any individual case. Awards vest in instalments over a fixed period of up to four years. The Remuneration Committee may determine that the vesting and release or exercise of share awards and options under the 888 All-Employee Share Plan is subject to performance conditions imposed at the time of grant. The initial grant of awards upon flotation under this scheme was not subject to performance conditions, other than the actual occurrence of the flotation.

888 Long Term Incentive Plan

All employees and Executive Directors of the Group who are not within six months of their normal retirement age are eligible to participate in the 888 Long Term Incentive Plan at the discretion of the Remuneration Committee.

Share incentives under the 888 Long Term Incentive Plan can be awarded either for no/nominal consideration (or with a nil exercise price) or granted as an option at an exercise price that will normally not be less than the market value of an Ordinary Share at the time of grant. In both cases, the share award or option vests subject to, and to the extent that, performance conditions determined at the time of grant are satisfied during the applicable performance period. Performance conditions are not capable of being retested, so that any proportion of a performance share award or option, which does not vest on the normal vesting date will lapse.

In countries where a share award or option involving real shares is not appropriate or feasible for legal, regulatory or tax reasons, a phantom award may be used. The maximum number of Ordinary Shares that an eligible employee may acquire pursuant to share awards or options granted to him in any calendar year under the 888 Long Term Incentive Plan may not have an aggregate market value, as measured at the date of grant, exceeding 200% of his annual base salary or such higher limits as the Remuneration Committee may determine is appropriate in any individual case.

No share award or option may be granted to an employee under the 888 Long Term Incentive Plan in any calendar year if he has previously been granted a share award or option under the 888 All-Employee Share Plan in the same calendar year.

Subject to the satisfaction of applicable performance conditions, performance share awards and options will normally vest in equal tranches over a four-year vesting period, on each anniversary of the date of the grant or on such other period or such other basis as the Remuneration Committee may decide.

As at the date of this report, no awards have been granted pursuant to the 888 Long Term Incentive Plan. In the Prospectus published at flotation, the Remuneration Committee anticipated granting awards under the 888 Long Term Incentive Plan to members of the senior executive management team including the Executive Directors. The Remuneration Committee has yet to consider and determine how many shares will be subject to such awards or what performance conditions will apply to them. It is intended that they be suitably stretching and linked to the Company's performance.

Policy on Long Term Incentives

The Remuneration Committee will obtain and consider independent advice in setting policy on the grant of options and awards, the performance criteria to which options and awards are subject and the period over which options and awards will vest when operating the 888 All-Employee Share Plan and 888 Long Term Incentive Plan in future. The Remuneration Committee will also have regard to the total remuneration packages of all senior executives and Directors when determining the amount of share awards.

Scheme Limits

Awards and options granted under the 888 All-Employee Share Plan and the 888 Long Term Incentive Plan may be satisfied through the issue of new shares. In accordance with the Association of British Insurers Guidelines on Executive Remuneration, grants of options and awards are to be planned so as not to exceed 5% of the issued Ordinary Share capital in any rolling 10 year period for the 888 Long Term Incentive Plan, and 10% of the issued Ordinary Share capital in any rolling 10 year period for both the 888 All-Employee Share Plan and the 888 Long Term Incentive Plan. The Committee intends to have regard to appropriate annual flow-rates so as to ensure that these limits are not breached.

Employee Trusts

The Company has established two Trusts to further the interests of the Company, its subsidiaries and shareholders by providing share incentives to employees (including Executive Directors) of any Group company to enable the Group to attract, retain and motivate employees.

The 888 Holdings Public Limited Company Share Plan Trust was created pursuant to a Trust Deed dated 14 September 2005 and operated in connection with share awards made to certain employees upon the 2005 flotation. The Trust currently holds no shares in the Company.

The 888 IPO Share Award Trust was created pursuant to a Trust Deed dated 14 September 2005 and operated in connection with the grant of share awards and nil cost options to employees of the Group upon the 2005 flotation. The Trust currently holds 211,432 Ordinary Shares in the Company.

Director Appointments – Service Contracts and Directors' Fees

Executive Directors

In accordance with the Combined Code, each Executive Director's service agreement is terminable on no more than 12 months written notice. Each Executive Director's employment can be terminated by making a payment equal to the salary and pension contributions and the value of other contractual benefits due to the Executive Director in lieu of any unexpired notice period. John Anderson and Aviad Kobrine continue to be entitled to be paid a bonus during any unexpired part of the notice period even if the employment is terminated by making payment in lieu of notice. Awards granted under the 888 All-Employee Share Plan to John Anderson and Aviad Kobrine pursuant to their service agreements and conditional upon flotation (as described in the Prospectus) shall continue to vest during any unexpired part of the notice period and they shall be treated as a "good leaver" under the terms of the 888 All-Employee Share Plan where their employment has been terminated by making a payment in lieu of notice. No other benefits upon termination of employment are payable. An Executive Director's entitlement to share awards and share options under any share incentive plan on termination of employment will be governed by the terms of the relevant plan (and in the case of John Anderson and Aviad Kobrine by the relevant provisions of their service agreements).

Resignations

Peter Montegriffo and Eyal Shaked resigned from the Board in August 2005. Eyal Shaked did not have a service contract and Peter Montegriffo served under a Letter of Appointment for a fixed one year term subject to the Company's articles of association and the Board resolving to re-appoint Mr Montegriffo for a further term. Clive Needham, whose services were provided to the Company by Skyefid Limited until his resignation in February 2005, did not have a Letter of Appointment.

Remuneration Report

Name	Position	Employer/contracting party	Annual salary/fee	Document date
John Anderson ¹	Chief Executive Officer	The Company	£475,000	14/09/2005
Aviad Kobrine	Chief Financial Officer	The Company	£112,500	14/09/2005
Aviad Kobrine	Chief Financial Officer	Cassava Enterprises (Gibraltar) Limited ²	£137,500	14/09/2005
Shay Ben-Yitzhak	Chief Technical Officer	Random Logic Limited ²	US\$250,000	14/09/2005

1 John Anderson is Non-executive Chairman of Burford Holdings plc and is not required to account to the Company in respect of his earnings from that company.

He does not receive fees in respect of his directorships of IGC or eCOGRA.

2 Wholly-owned subsidiary companies.

3 The unexpired term of the Executive Directors' Service Agreements is 12 months.

Chairman and Non-executive Directors

The Chairman and the Non-executive Directors do not have service contracts but have entered into Letters of Appointment.

Non-executive Directors' appointments may be terminated by the Company without notice in accordance with the Company's Articles of Association and the Gibraltar Companies Ordinance, except for the Chairman who is required to be given six months prior written notice of termination. No compensation is payable on the termination of the appointment. Each of the Non-executive Directors is appointed to serve until the 2006 Annual General Meeting and, if renewed at the Annual General Meeting, each Director's appointment will continue for a term of three years.

Name	Position	Employer/contracting party	Annual salary/fee	Document date
Richard Kilsby	Chairman	The Company	£140,000	14/03/2006
Brian Mattingley	Deputy Chairman	The Company	£80,000	14/03/2006
Michael Constantine	Non-executive Director	The Company	£60,000	14/09/2005
Amos Pickel	Non-executive Director	The Company	£60,000	14/03/2006

Directors' Remuneration Summary

The cash emoluments or fees received by the Directors for 2005 are shown below:

	Base salary/fees US\$'000	Annual bonus US\$'000	Benefits US\$'000	Total 2005 US\$'000	Total 2004 US\$'000
Executive					
John Anderson	847	1,100	217	2,164	1,678
Aviad Kobrine ²	147	250	37	434	–
Shay Ben-Yitzhak ³	63	–	12	75	–
Eyal Shaked	66	42	22	130	148
Non-executive					
Marie Stevens	222	–	5	227	–
Richard Kilsby	46	–	–	46	–
Brian Mattingley	35	–	–	35	–
Michael Constantine	35	–	–	35	–
Clive Needham ⁴	3	–	–	3	1
Peter Montegriffo	27	–	–	27	31
Total	1,491	1,392	293	3,176	1,858

1 Where Directors' remuneration is denominated in Sterling, costs have been converted at the applicable rate of exchange at the transaction date.

2 Part of Mr Kobrine's remuneration is paid by one of his employers, Cassava Enterprises (Gibraltar) Limited, a wholly-owned subsidiary of the Company.

3 Mr Ben-Yitzhak's remuneration was paid by his employer, Random Logic Limited, a wholly-owned subsidiary of the Company.

4 The fees in relation to the services provided by Mr Needham were paid to SkyeFid Limited.

The Bonuses became payable to John Anderson and Aviad Kobrine upon achievement of the corporate performance target which requires that Net Profit excluding share benefit charges for 2005 exceed US\$60 million.

Directors' Interests in Ordinary Shares

The notified interests of Executive and Non-executive Directors in the issued share capital of the Company are:

	Ordinary Shares	
	31 December 2005 ²	1 January 2005 ¹
Executive		
John Anderson	724,758	–
Aviad Kobrine	55,621	–
Shay Ben-Yitzhak ³	57,522,356	77,238,562
Eyal Shaked ³	86,283,535	115,857,845
Non-executive		
Marie Stevens	142,857	–
Richard Kilsby	114,285	–
Brian Mattingley	142,857	–
Michael Constantine	22,857	–
Clive Needham	–	–
Peter Montegriffo	–	–

1 Or date of appointment if later and adjusted for the share capital restructures during 2005.

2 Or date of resignation if earlier.

3 These shares are held on Trust and are subject to a Relationship Agreement dated 14 September 2005 between, among others, the Company and the Principal Shareholder Trusts. Further details can be found on page 35. Details of share capital restructures made during 2005 are explained in note 14 to the consolidated financial statements.

No changes in Directors' share interests have been notified between 31 December 2005 and the date of this report.

Except where stated, all interests were held beneficially.

Directors' Interests in Share Awards and Share Options

The number of shares subject to Share Awards or Share Options granted to the Executive Directors in 2005 and outstanding as at 31 December 2005 are set out below:

	Date of award	Earliest exercise/ vesting date	Exercise period end-date	Exercise price	Awarded 2005	Vested 2005	Exercised/ transferred 2005 ¹	Awards at 31 December 2005
John Anderson								
Admission Bonus	29/9/05	4/10/05	n/a	£nil	1,685,482	1,685,482	1,685,482	–
888 All-Employee Share Plan	4/10/05	4/10/06	4/10/15	£nil	421,371	–	–	421,371
	4/10/05	4/10/07	4/10/15	£nil	421,371	–	–	421,371
	4/10/05	4/10/08	4/10/15	£nil	421,370	–	–	421,370
	4/10/05	4/10/09	4/10/15	£nil	421,370	–	–	421,370
Aviad Kobrine								
Admission Bonus	29/9/05	4/10/05	n/a	£nil	55,621	55,621	55,621	–
888 All-Employee Share Plan ²	29/9/05	4/10/06	n/a	£nil	55,621	–	–	55,621
	29/9/05	4/10/07	n/a	£nil	55,621	–	–	55,621
	29/9/05	4/10/08	n/a	£nil	55,621	–	–	55,621
	29/9/05	4/10/09	n/a	£nil	55,621	–	–	55,621
888 All-Employee Share Plan ³	4/10/05	1/1/06	4/10/15	£nil	45,508	–	–	45,508
	4/10/05	4/10/06	4/10/15	£nil	45,508	–	–	45,508
	4/10/05	4/10/07	4/10/15	£nil	45,508	–	–	45,508
	4/10/05	4/10/08	4/10/15	£nil	45,508	–	–	45,508
	4/10/05	4/10/09	4/10/15	£nil	45,508	–	–	45,508

All awards were made under the 888 All-Employee Share Plan during the year. None existed on or prior to 1 January 2005. No consideration was paid for the grant of any awards.

1 At the date of Exercise/Transfer the market price of an Ordinary Share was 175p.

2 Awarded as a share award.

3 Awarded as a nil cost option.

Remuneration Report

The market value of one Ordinary Share was 194p at 30 December 2005. The highest market value during 2005 was 197.5p and the lowest was 134p.

No Director was materially interested during the year in any contract which was significant in relation to the business of the Company otherwise than as disclosed in the Prospectus or these Report and Accounts.

Graph of Total Shareholder Return

The period between flotation and 31 December 2005 is considered too short to provide a meaningful comparison of 888 total shareholder return against a benchmark group and has not been shown in this first report.

Approval

This report was approved by the Board and signed on its behalf by:



Brian Mattingley

Chairman of the Remuneration Committee
16 March 2006

Directors' Report

The Directors submit to the members their Annual Report and Accounts of the Group for the year ended 31 December 2005. The report on Corporate Governance and the Remuneration Report on pages 24 and 29 respectively, form part of this Directors' Report.

Principal Activities

During 2005 the Group's principal activities were the provision of online gaming entertainment. A review of the business is given in the Chairman's statement on pages 10 to 11, the Chief Executive's Review on pages 12 to 15 and the Financial Review on pages 16 to 19.

The principal subsidiary undertakings are listed on page 52.

Results and Dividends

The Group's Profit for the financial year of US\$48.0 million is reported in the Consolidated Income Statement on page 38. As stated in the Prospectus, a final dividend will not be paid in respect of the financial year but that it is the intention of the Directors to declare an interim dividend payable in October 2006.

Directors and their Interests

Biographical details of the current Board of Directors are shown on page 21. The Directors who served during the year are shown below:

John Anderson	
Marie Stevens	(appointed 1 February 2005, resigned 10 March 2006)
Aviad Kobrine	(appointed 30 August 2005)
Shay Ben-Yitzhak	(appointed 30 August 2005)
Richard Kilsby	(appointed 30 August 2005)
Brian Mattingley	(appointed 30 August 2005)
Michael Constantine	(appointed 30 August 2005)
Peter Montegriffo	(resigned 30 August 2005)
Eyal Shaked	(resigned 30 August 2005)
Clive Needham	(resigned 16 February 2005)

The beneficial and non-beneficial interests of the Directors in shares of the Company are set out in the Remuneration Report on pages 29 to 34.

Except as noted above, none of the Directors had any interests in the shares of the Company or in any material contract or arrangement with the Company or any of its subsidiaries.

Shay Ben-Yitzhak, Aviad Kobrine, Richard Kilsby, Brian Mattingley and Michael Constantine who were each appointed as Directors during the year, will retire at the Annual General Meeting and, being eligible, will offer themselves for election.

John Anderson will retire by rotation at the Annual General Meeting and, being eligible, will offer himself for re-election.

Amos Pickel, who was appointed as an Independent Non-executive Director on 14 March 2006, will retire at the Annual General Meeting and, being eligible, will offer himself for re-election.

Share Capital

Changes in the Company's share capital during the period are given in note 14 to the Consolidated Financial Statements.

Substantial Shareholdings

As at 16 March 2006 the Company had been notified of the following interests in 3% or more of its Share Capital:

	Number of shares	% Issued share capital
E Shaked Shares Trust	86,283,535	25.60
O Shaked Shares Trust	86,283,535	25.60
Ben-Yitzhak Family Shares Trust	57,522,356	17.06

As disclosed in the Prospectus, a Relationship Agreement governing the relationship between the above Principal Shareholder Trusts and the Company was entered into in connection with the Company's flotation. The Relationship Agreement provides that all transactions between the Group and the Principal Shareholder Trusts will be on a normal business basis, that the Group will be allowed to carry on business independently of them and that the Principal Shareholder Trusts will not cause the Group to contravene the Combined Code unless required by law or as contemplated in the Relationship Agreement. It further provides that each of the Principal Shareholder Trusts will not solicit Group employees without consent, that only Independent Directors can vote on proposals to amend the Relationship Agreement, that the Principal Shareholder Trusts will consult the Group prior to disposing of a significant number of shares in order to maintain an orderly market and shall not disclose confidential information unless required to do so or having first received consent. The Relationship Agreement also includes restrictions on the Principal Shareholder Trusts power to appoint Directors and obligations to ensure that the majority of the Board, excluding the Chairman, is independent. The Principal Shareholder Trusts can nominate a Non-executive Director for appointment to the Board and the Directors will consider the appointment of the nominated person to the Remuneration Committee. In the event that this right is exercised and it results in fewer than half the Board (excluding the Chairman of the Board) being Independent Directors, such appointment shall only become effective upon the appointment to the Board of an additional Independent Director. Such restrictions and obligations apply whilst the E Shaked Shares Trust and O Shaked Shares Trust collectively or the Ben-Yitzhak Family Shares Trust individually, hold not less than 7.5%.

Directors' Report

Charitable Contributions

Contributions for charitable purposes were made during the year amounting to approximately US\$70,000.

Directors' Responsibility Statement

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a Directors' report which complies with the Gibraltar Companies (Accounts) Ordinance 1999, the Gibraltar Companies (Consolidated Accounts) Ordinance 1999 and the Gibraltar Companies Ordinance 1930, as amended.

Financial statements are published on the Group's website in accordance with legislation in the UK governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Group's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

The Directors are responsible for preparing the annual report and the financial statements. The Directors are required to prepare financial statements for the Group in accordance with International Financial Reporting Standards (IFRSs) and have also chosen to prepare financial statements for the Company in accordance with IFRSs.

Group and Parent Company Financial Statements

Company law requires the Directors to prepare such financial statements in accordance with International Financial Reporting Standards and the Gibraltar Companies (Accounts) Ordinance 1999, the Gibraltar Companies (Consolidated Accounts) Ordinance 1999 and the Gibraltar Companies Ordinance 1930, as amended.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the

International Accounting Standards Board's "Framework for the preparation and presentation of financial statements". In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable International Financial Reporting Standards. A fair presentation also requires the Directors to:

- consistently select and apply appropriate accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable members to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

Auditors

During the year ended 31 December 2005 BDO Stoy Hayward LLP were appointed auditors for the purposes of the Company meeting its obligations to prepare financial statements under the Listing Rules of the UK Listing Authority. For the purposes of meeting the Company's statutory requirements under Section 182 of the Gibraltar Companies Ordinance 1930, as amended and the filing of the Company's financial statements in Gibraltar pursuant to Section 10 of the Gibraltar Companies (Accounts) Ordinance 1999, as amended, BDO Fidecs Chartered Accountants Limited have been appointed to act as auditors.

A resolution for the re-appointment of BDO Stoy Hayward LLP and BDO Fidecs Chartered Accountants Limited will be proposed at the Annual General Meeting on 10 May 2006.

On behalf of the Board



John Anderson
Chief Executive Officer
16 March 2006

Independent Auditors' Report To The Shareholders of 888 Holdings Public Limited Company

We have audited the Group and the Company financial statements (the "financial statements") of 888 Holdings Public Limited Company for the year ended 31 December 2005 which comprise the Group Income Statement, the Group and Company Balance Sheets, the Group and Company Cash Flow Statements, the Group and Company Statement of Changes in Equity and the related notes 1 to 22 to the Consolidated Financial Statements and notes 1 to 8 to the Company Financial Statements. These financial statements have been prepared under the accounting policies set out therein.

Respective Responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the European Union are set out in the Statement of Directors' Responsibilities. 888 Holdings Public Limited Company has complied with the requirements of rules 9.8.6 and 9.8.8 of the Listing Rules in preparing its Annual Report as if it was incorporated in the UK.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Gibraltar Companies (Accounts) Ordinance 1999, Gibraltar Companies (Consolidated Accounts) Ordinance 1999 and the Gibraltar Companies Ordinance 1930, as amended and the part of the Remuneration Report to be audited has been properly prepared in accordance with Schedule 7A of the UK Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit or if information specified by the Listing Rules and Gibraltar legislation is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2003 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report, Chairman's Statement, Chief Executive's Review, Financial Review, Regulatory and Compliance Review, Corporate Governance Statement and Remuneration Report. We consider the implications for our report if we become aware of any apparent misstatements

or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information. Our report has been prepared pursuant to the terms of our engagement letter and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of the terms of our engagement letter or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's and the Company's affairs as at 31 December 2005 and of the Group's Profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Gibraltar Companies (Accounts) Ordinance 1999, Gibraltar Companies (Consolidated Accounts) Ordinance 1999 and the Gibraltar Companies Ordinance 1930, as amended; and
- the part of the Remuneration Report to be audited has been properly prepared in accordance with Schedule 7A of the UK Companies Act 1985.



BDO Stoy Hayward LLP
Chartered Accountants
8 Baker Street,
London W1U 3LL
UK
Date: 16 March 2006



BDO Fidecs Chartered Accountants Limited
Montagu Pavilion,
8-10 Queensway,
Gibraltar

Consolidated Income Statement

for the year ended 31 December 2005

	Note	Year ended 31 December 2005 US\$'000	Year ended 31 December 2004 US\$'000
Net Gaming Revenue	2(d)	271,031	177,904
Operating expenses		72,960	50,141
Research and development expenses		11,318	6,866
Selling and marketing expenses		100,009	64,488
Administrative expenses	4	37,328	13,586
Operating Profit before share benefit charges		66,650	42,823
Charges in respect of shares granted to employees on IPO		15,087	–
Charges in respect of share and option awards		2,147	–
Total share benefit charges		17,234	–
Operating Profit	5	49,416	42,823
Finance income		735	266
Profit before tax		50,151	43,089
Taxation	6	2,136	1,991
Profit after tax for the year attributable to equity holders of parent		48,015	41,098
Earnings per share			
Basic	7	14.2¢	12.2¢
Diluted		14.2¢	12.2¢

All amounts relate to continuing activities.

The notes on pages 42 to 55 form part of these financial statements.

Consolidated Balance Sheet

at 31 December 2005

	Note	31 December 2005 US\$'000	31 December 2004 US\$'000
Assets			
Non-current assets			
Intangible assets	9	-	-
Property, plant and equipment	10	8,341	7,242
Deferred taxes	11	361	-
		8,702	7,242
Current assets			
Cash and cash equivalents	12	62,202	40,335
Trade and other receivables	13	15,013	15,225
Amounts due from related parties	19	1,649	2,245
		78,864	57,805
Total assets		87,566	65,047
Equity and liabilities			
Equity attributable to equity holders of the parent			
Share capital	14	3,068	3,066
Share benefit reserve		2,147	-
Retained earnings		27,115	27,113
Total equity attributable to equity holders of the parent		32,330	30,179
Liabilities			
Current liabilities			
Trade and other payables	15	25,593	15,346
Member deposits		29,325	19,141
Amounts due to related parties	19	318	381
Total liabilities		55,236	34,868
Total equity and liabilities		87,566	65,047

Approved by the Board and authorised for issue on 16 March 2006.



John Anderson
Chief Executive Officer



Aviad Kобрine
Chief Financial Officer

The notes on pages 42 to 55 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2005

	Share capital US\$'000	Share Benefit reserve US\$'000	Accumulated profit US\$'000	Total US\$'000
Balance at 1 January 2004	15,443	-	12,115	27,558
Net Profit for the year	-	-	41,098	41,098
Dividend paid	-	-	(26,100)	(26,100)
Capital reduction	(12,442)	-	-	(12,442)
Share capital issued	65	-	-	65
Balance at 1 January 2005	3,066	-	27,113	30,179
Net Profit for the year	-	-	48,015	48,015
Dividend paid	-	-	(63,100)	(63,100)
Redemption of preference share capital	(1)	-	-	(1)
Share benefit charge	-	17,234	-	17,234
Transfer of shares granted on IPO	-	(15,087)	15,087	-
Redenomination translation effect	3	-	-	3
Balance at 31 December 2005	3,068	2,147	27,115	32,330

The notes on pages 42 to 55 form part of these financial statements.

Consolidated Statement of Cash Flows

for the year ended 31 December 2005

	Year ended 31 December 2005 US\$'000	Year ended 31 December 2005 US\$'000	Year ended 31 December 2004 US\$'000	Year ended 31 December 2004 US\$'000
Cash flows from operating activities				
Profit before income tax	50,151		43,089	
Adjustments for				
Depreciation	2,700		2,427	
Loss on sale of property, plant and equipment	32		19	
Amortisation	20		-	
Impairment	832		-	
Translation effect of redenomination of share capital	3		-	
Interest received	(683)		(266)	
Share benefit charges	17,234		-	
	70,289		45,269	
Decrease/(increase) in trade receivables	579		(2,080)	
Increase in related party balances	(638)		(1,286)	
Decrease/(increase) in other accounts receivable	142		(1,548)	
Increase/(decrease) in trade payables	1,177		(2,350)	
Increase in member deposits	10,184		10,751	
Increase in other accounts payable	9,680		3,699	
Cash generated from operations	91,413		52,455	
Income tax paid	(3,160)		(1,016)	
Net cash generated from operating activities		88,253		51,439
Cash flows from investing activities				
Purchase of intangibles	(400)		-	
Cash acquired on combination with ACTeCASH	263		-	
Purchase of property, plant and equipment	(3,831)		(1,555)	
Proceeds from sale of property, plant and equipment	-		78	
Acquisition of Random Logic Limited net of cash acquired	-		(937)	
Interest received	683		266	
Net cash used in investing activities		(3,285)		(2,148)
Cash flows from financing activities				
Reduction in share capital	(1)		(12,442)	
Dividends paid	(63,100)		(26,100)	
Net cash used in financing activities		(63,101)		(38,542)
Net increase in cash and cash equivalents		21,867		10,749
Cash and cash equivalents at the beginning of the year		40,335		29,586
Cash and cash equivalents at the end of the year		62,202		40,335

The notes on pages 42 to 55 form part of these financial statements.

Notes to the Consolidated Financial Statements

1 General information

(a) Company description and activities

888 Holdings Public Limited Company (the “Company”) and its subsidiaries (together the “Group”) was founded in 1997 and originally operated as a holding company domiciled in the British Virgin Islands. On 12 January 2000, the Company was continued in Antigua and Barbuda as a corporation under the International Business Corporation Act 1982 with registered number 12512. On 17 December 2003, the Company redomiciled in Gibraltar with the Company number 90099. On 4 October 2005, the Company listed on the London Stock Exchange.

The Group has developed innovative proprietary software applications solutions for virtual Casinos, Poker rooms, e-commerce, credit-card clearing services and online advertising methodologies.

Cassava Enterprises (Gibraltar) Limited (a subsidiary) carried out the operations of the Group during the year, principally under the name www.888.com under the terms of a gaming license issued in Gibraltar.

(b) Definitions

In these financial statements:

The Company	888 Holdings Public Limited Company.
The Group	888 Holdings Public Limited Company and its subsidiaries.
Subsidiaries	Companies over which the Company has control (as defined in International Accounting Standard 27 “Consolidated and Separate Financial Statements” and whose accounts are consolidated with those of the Company.
Related parties	As defined in International Accounting Standard 24 – “Related Party Disclosures”.

2 Significant accounting policies

The significant accounting policies applied in the preparation of the financial statements are as follows:

(a) Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards, including International Accounting Standards (“IAS”) and Interpretations, adopted by the International Accounting Standards Board (“IASB”) and endorsed for use by companies listed on an EU regulated market.

The significant accounting policies applied in the financial statements of the Group in the prior years are applied consistently in these financial statements.

The financial statements are presented in thousands of US dollars (US\$’000) because that is the currency the Group primarily operates in.

The consolidated financial statements comply with the Gibraltar Companies (Accounts) Ordinance 1999, the Gibraltar Companies (Consolidated Accounts) Ordinance 1999 and the Gibraltar Companies Ordinance 1930, as amended.

2 Significant accounting policies continued

(b) Basis of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries. The subsidiaries are companies controlled by 888 Holdings Public Limited Company. Control exists where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are consolidated from the date the parent gained control until such time as control ceases.

The financial statements of the subsidiaries are included in the consolidated financial statements using the purchase method of accounting. On the date of the acquisition, the assets and liabilities of a subsidiary are measured at their fair values and any excess of the fair value of the acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill.

Inter-company transactions and balances are eliminated on consolidation.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company and using consistent accounting policies.

(c) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

(d) Net Gaming Revenue

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Group and the revenue can be reliably measured.

Net Gaming Revenue is defined as follows:

Casino

Casino winnings that are the differences between the amounts of bets placed by members less amounts won by members.

Poker

Ring games: Rake, which is the commission charged from each winning hand played.

Tournaments: Entry fees charged for participation in poker tournaments.

Casino winnings and revenues from the poker business are stated after deduction of certain bonuses granted to members.

(e) Foreign currency

Monetary assets and liabilities denominated in non-US dollar currencies are translated into US dollar equivalents using year-end spot foreign exchange rates. Non-monetary assets and liabilities are translated using exchange rates prevailing at the dates of the transactions. Exchange rate differences on foreign currency transactions are included in administrative expenses.

The results and financial position of all Group entities that have a functional currency different from US dollars are translated into the presentation currency as follows:

- (i) monetary assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each income statement are translated at an average exchange rate (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (iii) exchange rate differences on translation of Group entities that have functional currencies different from US dollars are included in administrative expenses.

Notes to the Consolidated Financial Statements

2 Significant accounting policies continued

(f) Research and development costs

Research and development expenditure is charged to the statement of income as incurred. IAS 38 “Intangible Assets” requires capitalisation of certain software development costs, subsequent to technological and commercial feasibility being established and the Group having sufficient resources to complete development. Based on the Group’s product-development process, technological feasibility and therefore the creation of substantially improved product, is only established upon the completion of a working model. The Group generally does not incur any significant costs between the completion of the working model and the point at which the product is ready for general release.

(g) Taxation

The tax expense represents tax payable for the year based on currently applicable tax rates.

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the balance sheet differs from its tax base. Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised. The amount of the asset or liability is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered). Deferred tax balances are not discounted.

(h) Intangible assets

All intangible assets are initially recognised at cost.

Amortisation is provided to write off the cost, less estimated residual values, of all intangible assets, evenly over their expected useful lives, and the charge is included within operating expenses. Intangible assets are reviewed annually for evidence of impairment. The annual amortisation rates are as follows:

Domain names: 10%

(i) Property, plant and equipment

Property, plant and equipment is stated at historic cost less accumulated depreciation. Carrying amounts are reviewed at each balance sheet date for impairment.

Depreciation is calculated using the straight-line method, at annual rates estimated to write off the cost of the assets less their estimated residual values over their expected useful lives. The annual depreciation rates are as follows:

IT equipment	33%
Office furniture and equipment	7–15%
Motor vehicles	15%
Leasehold improvements	Over the shorter of the term of the lease or useful lives.

(j) Impairment of non-financial assets

Impairment tests on goodwill and other intangible assets with indefinite useful economic lives are undertaken annually on 31 December. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset’s cash generating unit (i.e. the lowest group of assets in which the asset belongs for which there are separately identifiable cash flows).

(k) Trade receivables

Trade receivables are recognised and carried at the original transaction value and principally comprise amounts due from the credit-card companies and from e-payment companies. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

2 Significant accounting policies continued

(l) Cash and cash equivalents

Cash comprises cash in hand and balances with banks. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash. They include short-term bank deposits originally purchased with maturities of three months or less.

(m) Equity

Equity issued by the Company is recorded as the proceeds received, net of direct issue costs.

(n) Trade and other payables

Trade and other payables are recognised and carried at the original transaction value.

(o) Chargebacks and returned e-cheques

The cost of chargebacks and returned e-cheques is included in operating expenses.

(p) Leases

Leases are classified as finance leases wherever the terms of the lease transfer substantially all the risks and rewards of ownership to the Group. All other leases are classified as operating leases and rentals payable are charged to income on a straight-line basis over the term of the lease.

(q) Provisions

Provisions are recognised when the Group has a present or constructive obligation as a result of a past event from which it is probable that it will result in an outflow of economic benefits that can be reasonably estimated.

(r) Financial instruments

The carrying amounts of cash and cash equivalents, related parties, trade receivables, other accounts receivable, trade payables, member deposits and other accounts payable approximate to their fair value.

The Group does not hold or issue derivative financial instruments for trading purposes.

(s) Segment information

A business segment is a distinguishable component of the Group that is engaged in providing an individual product or service or a Group of related products or services and that is subject to risks and returns that are different from those of other business segments. A geographical segment is a distinguishable component of the Group that is engaged in providing products or services within a particular environment and that is subject to risks and returns that are different from those of components operating in other economic environments.

The Group operates in the following online gaming segments:

- Casino
- Poker

(t) Member deposits

Member deposits are the amounts that clients place in the Group's electronic "wallet" or bankroll, including provision for bonuses granted by the Group, less management fees and charges applied to member accounts, along with full provision for casino jackpots. These amounts are repayable on demand.

Notes to the Consolidated Financial Statements

3 Segment information

Business segments

	Casino		Poker		Consolidated	
	Year ended	Year ended	Year ended	Year ended	Year ended	Year ended
	31 December	31 December	31 December	31 December	31 December	31 December
	2005	2004	2005	2004	2005	2004
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Net Gaming Revenue	161,214	138,587	109,817	39,317	271,031	177,904
Result						
Segment result	79,555	77,207	55,169	13,218	134,724	90,425
Unallocated corporate expenses ¹					85,308	47,602
Operating Profit					49,416	42,823
Finance income					735	266
Income tax expense					(2,136)	(1,991)
Net Profit for the year					48,015	41,098
Assets						
Unallocated corporate assets					87,566	65,047
Total assets					87,566	65,047
Liabilities						
Segment liabilities – Poker					20,099	11,613
Segment liabilities – Casino					9,226	7,528
Unallocated corporate liabilities					25,911	15,727
Total liabilities					55,236	34,868

1 Including share benefit charges of US\$17,234,000 (2004: US\$nil).

Other than where amounts are allocated specifically to the Casino and Poker segments above, the expenses, assets and liabilities relate jointly to both segments. Any allocation of these items would be arbitrary.

Geographical segments

The Group's performance can also be reviewed by considering the geographical markets and geographical locations within which the Group operates. This information is outlined below:

Net Gaming Revenue by geographical market

	Year ended	Year ended
	31 December	31 December
	2005	2004
	US\$'000	US\$'000
USA	148,049	102,799
UK	53,871	26,585
Europe	47,289	35,654
Americas	12,007	6,118
Rest of World	9,815	6,748
	271,031	177,904

3 Segment information continued**Assets by geographical location**

	Carrying amount of segment assets by location		Additions to property, plant and equipment		
	Year ended 31 December 2005 US\$'000	Year ended 31 December 2004 US\$'000	Year ended 31 December 2005 US\$'000	Year ended 31 December 2004 US\$'000	
	Caribbean	235	457	72	–
	Europe	74,589	53,661	1,731	709
Rest of World	12,742	10,929	2,028	846	
	87,566	65,047	3,831	1,555	

4 Administrative expenses

	Year ended 31 December 2005 US\$'000	Year ended 31 December 2004 US\$'000
Share benefit charges – all equity settled	17,234	–
Other administrative expenses	20,094	13,586
Administrative expenses	37,328	13,586

5 Operating Profit

	Year ended 31 December 2005 US\$'000	Year ended 31 December 2004 US\$'000
Operating Profit is stated after charging:		
Staff costs	41,936	28,916
Audit fees	357	168
Other fees paid to auditors	104	4
Depreciation	2,700	2,427
Amortisation	20	–
Impairment	832	–
Chargebacks and returned e-cheques	18,643	12,910
Exchange losses/(gains)	423	(268)
Payment service providers' commissions	17,655	11,013
Share benefit charges – all equity settled	17,234	–

During the year the auditors were paid fees for work done in respect of the Company's listing on the London Stock Exchange. Those fees totalled US\$2,759,000 (2004: US\$nil) and were reimbursed to the Group by the selling shareholders.

In the income statement total staff costs, excluding share benefit charges, of US\$41,936,000 (2004: US\$28,916,000) are included within the following expenditure categories:

	2005 US\$'000	2004 US\$'000
Operating expenses	24,049	17,157
Research and development expenses	9,968	5,991
Administrative expenses	7,919	5,768
	41,936	28,916

At 31 December 2005 the Company employed 886 (2004: 689) staff.

Notes to the Consolidated Financial Statements

6 Taxation

Corporate taxes

	Year ended 31 December 2005 US\$'000	Year ended 31 December 2004 US\$'000
Current tax	2,497	1,991
Deferred tax	(361)	–
Taxation expense	2,136	1,991

Analysis of current tax for the year

	Year ended 31 December 2005 US\$'000	Year ended 31 December 2004 US\$'000
Profit before taxation	50,151	43,089
Current tax at the effective tax rate for the year	2,497	1,991
Deferred tax (note 11)	(361)	–
Taxation expense	2,136	1,991

Current tax is calculated with reference to the profit of the Company and its subsidiaries in their respective countries of operation:

Gibraltar – 888 and its Gibraltar registered subsidiaries are subject to the provisions of the Gibraltar Companies (Taxation and Concessions) Ordinance (the “CTCO”) as a tax-exempt Company. Subject to a change of ownership or activity of a tax-exempt Company, the grandfathering of tax-exempt benefits in respect of existing tax-exempt companies will extend up to 31 December 2010. Domestic corporate tax in Gibraltar is 35% (2004: 35%).

Israel – 888’s subsidiaries in Israel have entered into separate transfer pricing agreements on an arm’s-length basis with the Israeli Income Tax Commissioner. Those agreements are effective until the end of 2007 in respect of the Israeli branch of Intersafe Global Limited and 2010 in respect of Random Logic Limited. Domestic corporate tax in Israel is 34% (2004: 35%).

UK – 888’s subsidiary in the UK pays corporate tax in the UK at the applicable rate of 30% (2004: 30%).

7 Earnings per share

Basic earnings per share

Basic earnings per share has been calculated by dividing the Net Profit attributable to ordinary shareholders (profit for the year) by the weighted average number of shares in issue during the year.

Diluted earnings per share

In accordance with IAS 33, “Earnings per share”, the weighted average number of shares for diluted earnings per share takes into account all potentially dilutive shares and share options granted, which are not included in the number of shares for basic earnings per share.

	Year ended 31 December 2005 US\$'000	Year ended 31 December 2004 US\$'000 (Adjusted)
Net Profit attributable to ordinary shareholders	48,015	41,098
Weighted average number of Ordinary Shares in issue ¹	337,096,320	337,096,320
Basic earnings per share	14.2¢	12.2¢
Diluted earnings per share	14.2¢	12.2¢

1. Comparative weighted average number of Ordinary Shares in issue has been restated in order to reflect the share split that took place on 14 September 2005.

7 Earnings per share continued**Earnings per share excluding share benefit charges**

Reconciliation of Net Profit to Net Profit excluding share benefit charges:

	Year ended 31 December 2005 US\$'000	Year ended 31 December 2004 US\$'000
Net Profit attributable to ordinary shareholders	48,015	41,098
Share benefit charges	17,234	–
Net Profit excluding share benefit charges	65,249	41,098
Weighted average number of Ordinary Shares in issue ¹	337,096,320	337,096,320
Basic earnings per share excluding share benefit charges	19.3¢	12.2¢
Weighted average number of dilutive Ordinary Shares	338,419,476	337,096,320
Diluted earnings per share excluding share benefit charges	19.3¢	12.2¢

1 Comparative weighted average number of Ordinary Shares in issue has been restated in order to reflect the share split that took place on 14 September 2005.

8 Dividends

	Year ended 31 December 2005 US\$'000	Year ended 31 December 2004 US\$'000
Dividends paid	63,100	26,100

9 Intangible assets

	Goodwill US\$'000	Domain names US\$'000	Total US\$'000
Cost			
At 1 January 2005	–	–	–
Additions	452	400	852
At 31 December 2005	452	400	852
Amortisation and impairment			
At 1 January 2005	–	–	–
Amortisation charge for the year	–	(20)	(20)
Impairment charge for the year	(452)	(380)	(832)
At 31 December 2005	(452)	(400)	(852)
Amortised cost			
At 31 December 2005	–	–	–
At 31 December 2004	–	–	–

Goodwill relates to the business combination detailed in note 18.

Notes to the Consolidated Financial Statements

10 Property, plant and equipment

	IT equipment US\$'000	Office furniture and equipment US\$'000	Motor vehicles US\$'000	Leasehold improvements US\$'000	Total US\$'000
Cost					
At 1 January 2005	8,194	1,375	249	4,765	14,583
Additions	2,420	702	272	437	3,831
Disposals	–	–	(62)	–	(62)
At 31 December 2005	10,614	2,077	459	5,202	18,352
Accumulated depreciation					
At 1 January 2005	5,946	288	34	1,073	7,341
Charge for the year	1,630	330	57	683	2,700
Disposals	–	–	(30)	–	(30)
At 31 December 2005	7,576	618	61	1,756	10,011
Depreciated cost					
At 31 December 2005	3,038	1,459	398	3,446	8,341
At 31 December 2004	2,248	1,087	215	3,692	7,242
Prior year amounts					
Depreciated cost at 1 January 2004	3,123	1,102	54	3,932	8,211
Additions in 2004	1,058	92	176	229	1,555
Disposals in 2004	(97)	–	–	–	(97)
Depreciation in 2004	(1,836)	(107)	(15)	(469)	(2,427)
Depreciated cost at 31 December 2004	2,248	1,087	215	3,692	7,242

11 Deferred taxes

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The Group's deferred tax assets resulting from temporary differences are as follows:

	31 December 2005 US\$'000	31 December 2004 US\$'000
Accrued severance pay	195	–
Provision for vacation	154	–
Provision for convalescence	12	–
	361	–

12 Cash and cash equivalents

	31 December 2005 US\$'000	31 December 2004 US\$'000
Cash and cash equivalents	56,146	36,574
Restricted cash	6,056	3,761
	62,202	40,335

Restricted cash primarily relates to deposits held by banks for guarantees.

13 Trade and other receivables

	31 December 2005 US\$'000	31 December 2004 US\$'000
Trade receivables	12,535	12,605
Other receivables and prepayments	2,478	2,620
	15,013	15,225

The carrying value of trade and other receivables approximates to their fair value.

14 Share capital

Share capital comprises the following:

	31 December		Authorised	
	2005 Number	31 December 2004 Number	31 December 2005 US\$'000	31 December 2004 US\$'000
Ordinary Shares of US\$1 each	3,101,000	–	3,101	–
Effect of share split	(3,101,000)	–	(3,101)	–
Ordinary "A" shares of US\$1 each	–	3,100,000	–	3,100
Redeemable preference "B" shares of US\$1 each	–	1,000	–	1
Ordinary Shares of £0.005 each	426,387,500	–	3,880	–
	426,387,500	3,101,000	3,880	3,101

	31 December		Allotted, called up and fully paid	
	2005 Number	31 December 2004 Number	31 December 2005 US\$'000	31 December 2004 US\$'000
Ordinary Shares of US\$1 each	3,064,512	–	3,065	–
Effect of share split	(3,064,512)	–	(3,065)	–
Ordinary "A" shares of US\$1 each	–	3,064,512	–	3,065
Redeemable preference "B" shares of US\$1 each	–	1,000	–	1
Ordinary Shares of £0.005 each	337,096,320	–	3,068	–
	337,096,320	3,065,512	3,068	3,066

On 10 February 2005 the Company passed a resolution to reclassify the 1,000 US\$1 preference "B" shares in issue into 100,000 US\$0.01 preference "B" shares.

On 31 March 2005 the 100,000 US\$0.01 preference "B" shares in issue were redeemed in full.

The 100,000 authorised preference "B" shares were subsequently converted into and reclassified as 1,000 US\$1 Ordinary Shares.

The 3,100,000 authorised Ordinary "A" Shares were also reclassified into 3,100,000 US\$1 Ordinary Shares.

On 14 September 2005 a share split of 110 to 1 was effected. 888's share capital was also re-denominated from the US dollar to pounds sterling at a rate of US\$1.82/£1. In addition, the authorised share capital was increased by the creation of 85,277,500 Ordinary Shares of £0.005 each. The combination of these events resulted in 888 having an authorised share capital of 426,387,500 Ordinary Shares of £0.005 each (£2.1 million nominal value) and an issued share capital of 337,096,320 Ordinary Shares of £0.005 each (£1.7 million nominal value).

Notes to the Consolidated Financial Statements

15 Trade and other payables

	31 December 2005 US\$'000	31 December 2004 US\$'000
Trade payables	4,550	3,320
Corporate taxes	766	1,429
Other payables and accrued expenses	20,277	10,597
	25,593	15,346

The carrying value of trade and other payables approximates to their fair value.

16 Investments in subsidiaries

Name	Country of incorporation	Percentage of equity interest	Percentage of equity interest	Nature of business
		2005 %	2004 %	
Intersafe Global Limited	Gibraltar	100	100	Payment processor
Cassava Enterprises Limited	Antigua	100	100	Member call centre operator
Virtual Services Limited	BVI	100	100	Advertising
Virtual Holdings Management Services (Gibraltar) Limited	Gibraltar	100	100	Operates Group headquarters
Intersafe Global (Europe) Limited	Gibraltar	100	100	Payment processor
Cassava Enterprises (Gibraltar) Limited	Gibraltar	100	100	Gaming web site operator
Virtual Marketing Services (UK) Limited	UK	100	100	Advertising
Cassava Sports Limited	Gibraltar	100	100	Domain site owner through which which a third party operates a betting exchange
Active Media Limited	BVI	100	100	Member call centre employer
Virtual Marketing Services (Gibraltar) Limited	UK	100	100	Marketing acquisition
Dixie Operation Limited	Antigua	100	100	Member call centre operator
Random Logic Limited	Israel	100	100	Research, development and marketing

17 Share-based payment

Prior to flotation, the Company adopted two equity-settled employee share incentive plans – the 888 All-Employee Share Plan and the Long Term Incentive Plan. Awards have been granted under the 888 All-Employee Share Plan conditional upon flotation. The 888 All-Employee Share Plan is open to all employees and Executive Directors of the Group who are not within six months of their normal retirement age at the discretion of the Remuneration Committee. Awards under this scheme will vest in instalments over a fixed period of up to four years.

It is intended that the Long Term Incentive Plan will be open to all employees and Executive Directors of the Group at the discretion of the Remuneration Committee. Awards under the Long Term Incentive Plan will be subject to performance conditions imposed by the Remuneration Committee at the date of grant. As at 31 December 2005 no awards were made under the Long Term Incentive Plan.

17 Share-based payment continued

Details of Shares and Share Options granted as part of the 888 All-Employee Share Plan and shares granted vesting immediately on IPO and thereafter:

Share options granted

	31 December 2005 Number	31 December 2004 Number
Outstanding at the beginning of the year	–	–
Market value options granted during the year	3,578,287	–
Outstanding at the end of the year	3,578,287	–
Weighted average exercise price	£1.75	–

Shares granted

	31 December 2005 Number	31 December 2004 Number
Outstanding at the beginning of the year	–	–
Shares granted – future vesting	5,292,622	–
Shares granted – immediate vesting	5,078,357	–
Shares vested during the year	(5,078,357)	–
Outstanding at the end of the year	5,292,622	–

Of the total number of options outstanding at the end of the year none had vested and were exercisable at the end of the year.

The following information is relevant in the determination of the fair value of options granted during the year under the equity-settled 888 All-Employee Share Plan:

Valuation information

	2005	2004
Option pricing model used	Binomial	–
Share price at grant date	£1.75	–
Weighted exercise price	£1.75	–

Exercise period of the market value options is from vesting until expiry of ten years after grant date.

In accordance with International Financial Reporting Standards a charge to the income statement in respect of any shares or options granted under the above schemes will be recognised and spread over the vesting period of the shares or options based on the fair value of the shares or options at the date of grant, adjusted for changes in vesting conditions at each balance sheet date. This charge has no cash impact.

Share benefit charges

	Year ended 31 December 2005 US\$'000	Year ended 31 December 2004 US\$'000
Charges in respect of shares granted to employees on IPO	15,087	–
Charges in respect of share and option awards	2,147	–
Charge for the year	17,234	–

Notes to the Consolidated Financial Statements

17 Share-based payment *continued*

The source of the shares granted to employees on IPO was the shareholders immediately before the IPO rather than the Company. An amount equalling the charge in relation to these shares has therefore been transferred from the share benefit reserve to accumulated profit.

The Group did not enter into any share-based payment transactions with parties other than employees during the current or previous period.

18 Business combination

On 20 December 2005, the Group took responsibility for the management of ACTeCASH Limited, a company with common shareholders. From this date ACTeCASH was managed as a unit of the Group and utilised staff employed by the Group. In accordance with IAS 27 "Consolidated and Separate Financial Statements", the Group is deemed to have control of ACTeCASH by virtue of the fact it has the power to govern the financial and operating policies of this company and derives economic benefit from doing so. As such ACTeCASH has been consolidated as part of the Group.

The principal activity of ACTeCASH Limited is operating an e-wallet service as a company registered in Gibraltar. There has been minimal activity since 20 December 2005.

Details of the fair value of the identifiable assets and liabilities acquired are as follows:

	US\$'000
Cash at bank	263
Trade receivable	509
Balance with related party	(1,171)
Creditors	(53)
Total	(452)

No purchase consideration was paid in respect of ACTeCASH Limited.

Therefore goodwill of US\$452,000 arose on the transaction. This goodwill has been fully impaired as of 31 December 2005.

19 Related party transactions

At 31 December 2005, the Group was owed US\$1,649,000 by companies controlled by shareholders of the Group and by its shareholders (2004: US\$2,245,000), of which US\$1,633,000 (2004: US\$nil) is due from shareholders relating to flotation expenses.

At this date the Group owed to its shareholders US\$318,000 (2004: US\$381,000).

During the year the Group paid US\$198,768 (2004: US\$69,000) in respect of rent and office expenses to Burford Holdings Limited and Cabot Property Partnership, companies of which Mr John Anderson is a Director. At 31 December 2005 the amount owed to Burford Holdings Limited and Cabot Property Partnership was US\$nil (2004: US\$nil).

Remuneration paid to the directors in the year totalled US\$3,176,000 (2004: US\$1,858,000).

20 Commitments and contingencies

Lease commitments

Future minimum lease commitments under property operating leases for the year ended 31 December 2005, are as follows:

	31 December 2005 US\$'000	31 December 2004 US\$'000
Leases expiring within		
One year	1,985	1,386
One to five years	2,617	1,563
	4,602	2,949

The amount paid in the year was US\$2,052,463 (2004: US\$1,419,000).

Lease commitments on the Group's property are shown to the date of the first break clause.

21 Financial risk management objectives and policies

The Group is exposed through its operations to currencies, interest rate and credit risk. Policy for managing these risks is set by the Board following recommendations from the Chief Financial Officer. Certain risks are managed centrally, while others are managed locally following guidelines communicated from the centre. The policy for each of these risks is detailed below.

Currency risk

The Group's overall financial risk arising from exchange rate fluctuations to the Group is minimal as receipts and the majority of payments are transacted in US dollars.

Interest rate risk

The Group's exposure to interest rate risk is limited to the interest bearing deposits in which the Group invests surplus funds. Downside interest rate risk is minimal as the Group has no borrowings. Management monitors liquidity to ensure that sufficient liquid resources are available to the Group.

Credit risk

The Group's credit risk is primarily attributable to receivables from payment service providers.

22 Events subsequent to the balance sheet date

On 7 March 2006, a Group company, Random Logic Limited, signed a new operating lease agreement for its rental facilities for a period of 10 years. As a result, Random Logic's previous operating lease agreements will be terminated.

Company Balance Sheet

at 31 December 2005

	Note	31 December 2005 US\$'000	31 December 2004 US\$'000
Assets			
Non-current assets			
Investments in subsidiaries	2	2,130	2,130
Current assets			
Trade and other receivables	3	40,466	22,846
Cash and cash equivalents	4	36,531	18,100
		76,997	40,946
Total assets		79,127	43,076
Equity and Liabilities			
Equity			
Share capital	5	3,068	3,066
Share benefit reserve	6	2,147	–
Retained earnings		21,900	7,357
Total equity attributable to equity holders of the parent		27,115	10,423
Liabilities			
Current liabilities			
Trade and other payables	7	51,748	32,383
Amounts due to shareholders		264	270
Total liabilities		52,012	32,653
Total equity and liabilities		79,127	43,076

Approved by the Board and authorised for issue on 16 March 2006.



John Anderson
Chief Executive Officer



Aviad Kobrine
Chief Financial Officer

The notes on pages 59 to 60 form part of these financial statements.

Company Statement of Changes in Equity

for the year ended 31 December 2005

	Share capital US\$'000	Share benefit reserve US\$'000	Accumulated profit US\$'000	Total US\$'000
Balance at 1 January 2004	15,443	–	7,212	22,655
Net Profit for the year	–	–	26,245	26,245
Dividend paid	–	–	(26,100)	(26,100)
Capital reduction	(12,442)	–	–	(12,442)
Share capital issued	65	–	–	65
Balance at 1 January 2005	3,066	–	7,357	10,423
Net Profit for the year	–	–	62,556	62,556
Dividend paid	–	–	(63,100)	(63,100)
Redemption of preference share capital	(1)	–	–	(1)
Redenomination translation effect	3	–	–	3
Share benefit charges	–	17,234	–	17,234
Transfer of shares granted on IPO	–	(15,087)	15,087	–
Balance at 31 December 2005	3,068	2,147	21,900	27,115

The notes on pages 59 to 60 form part of these financial statements.

Company Statement of Cash Flows

for the year ended 31 December 2005

	Year ended 31 December 2005 US\$'000	Year ended 31 December 2005 US\$'000	Year ended 31 December 2004 US\$'000	Year ended 31 December 2004 US\$'000
Cash flows from operating activities				
(Loss)/Profit before income tax		(544)		145
Adjustments for		(751)		(145)
Interest received				
Translation effect of redenomination of share capital	3		-	
Share benefit charges	17,234		-	
(Increase) in amounts owed from subsidiaries	(17,243)		(3,468)	
(Increase) in other accounts receivable	(377)		-	
Increase in trade payables	555		-	
Increase in amounts owed to subsidiaries	14,565		32,360	
Increase/(decrease) in other accounts payable	4,239		(244)	
Increase in amounts due from shareholders	-		589	
Cash generated from operations		18,976		29,237
Net cash generated from operating activities		17,681		29,237
Cash flows from investing activities				
Acquisition of Random Logic Limited net of cash acquired	-		(937)	
Interest received	751		145	
Dividends received	63,100		26,100	
Net cash used in investing activities		63,851		25,308
Cash flows from financing activities				
Reduction in share capital	(1)		(12,442)	
Dividends paid	(63,100)		(26,100)	
Net cash used in financing activities		(63,101)		(38,542)
Net increase in cash and cash equivalents		18,431		16,003
Cash and cash equivalents at the beginning of the year		18,100		2,097
Cash and cash equivalents at the end of the year		36,531		18,100

The notes on pages 59 to 60 form part of these financial statements.

Notes to the Company Financial Statements

1 General information and accounting policies

A description of the Company, its activities and definitions are included in note 1 to the consolidated financial statements.

The Company has applied accounting policies identical to the Group's accounting policies listed in note 2 to the consolidated financial statements other than in relation to investments in its subsidiaries which are held at cost less any impairment provision required.

Under Section 10(2) of the Gibraltar (Consolidated Accounts) Ordinance 1999, the Company is exempt from the requirement to present its own income statement.

2 Investments in subsidiaries

The Company's subsidiaries are listed in note 16 to the consolidated financial statements and are held at cost less provision for any impairment.

3 Trade and other receivables

	31 December 2005 US\$'000	31 December 2004 US\$'000
Amounts due from subsidiaries	40,089	22,846
Other receivables and prepayments	377	–
	40,466	22,846

4 Cash and cash equivalents

	31 December 2005 US\$'000	31 December 2004 US\$'000
Cash and cash equivalents	33,497	17,450
Restricted cash	3,034	650
	36,531	18,100

Restricted cash primarily relates to deposits held by banks for guarantees.

Notes to the Company Financial Statements

5 Share capital

The disclosures in note 14 to the consolidated financial statements are identical for the Company.

6 Share-based payment

The disclosures in note 17 to the consolidated financial statements are identical for the Company.

7 Trade and other payables

	31 December 2005 US\$'000	31 December 2004 US\$'000
Trade payables	555	–
Amounts due to subsidiaries	46,926	32,361
Other payables and accrued expenses	4,267	22
	51,748	32,383

The carrying value of trade and other payables approximates to their fair value.

8 Financial risk management objectives and policies

The Company's financial risk management objectives and policies are identical to those of the Group as disclosed in note 21 to the consolidated financial statements.

Shareholder Information

Group Websites

A range of shareholder information is available in the Investor Relations area of the Group's website, www.888holdingsplc.com, including:

- Latest information on the Group's share price
- Information on the Group's financial performance
- News and events

The following websites can also be accessed through the Group's main web portal 888.com.

Casino

888's Casino games are offered through its Casino-on-Net and Reef Club Casino offerings.

- www.Casino-on-Net.com
- www.ReefClubCasino.com

Poker

888's Poker offering is through Pacific Poker.

- www.PacificPoker.com

Betmate

Offers access to a betting exchange for non-USA members only, including sporting and non-sporting betting.

- www.Betmate.com

888.tv

A portal for skill games allowing members to download games, open accounts and play tournaments.

- www.888.tv

888.info

Allows members to practise their gaming skills for fun through a number of key Casino and Poker games.

- www.888.info

Shareholder Services

All enquiries relating to Ordinary Shares, Depository Interests, dividends and changes of address should be directed to the Group's Transfer Agent:

Capita Registrars
The Registry, 34 Beckenham Road
Beckenham, Kent BR3 4TU
Tel: 0870 162 3100
www.capitaregistrars.com

Further Information

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