

30 March 2009

888 Holdings Public Limited Company
('888' or the 'Company')

Annual financial report for the year ended 31 December 2008

888, one of the world's most popular online gaming entertainment companies, presents its annual financial report for the year ended 31 December 2008.

Financial Summary

<i>\$million</i>	Year ended 31 December 2008¹	Year ended 31 December 2007¹	Change %
Revenue			
Casino	135.1	118.1	14%
Poker	77.2	80.8	(4)%
Emerging offerings	44.5	14.4	208%
Total revenue	256.8	213.4	20%
Other operating income	5.7	3.6	
Total operating income	262.5	216.9	21%
Operating expenses ²	77.3	59.1	
Research and development expenses	27.4	23.5	
Selling and marketing expenses	80.2	70.9	
Administrative expenses ^{3,4}	22.0	17.9	
EBITDA ^{3,4}	55.7	45.5	23%
Finance income and exchange gains	0.3	6.1	
Depreciation and amortisation	(7.3)	(5.8)	
Profit before tax ⁴	48.6	45.8	6%

¹ Rounded

² Excluding depreciation of US\$5.5m (2007: US\$4.2m) and amortisation of US\$1.8m (2007: US\$1.6m)

³ Excluding exchange rate loss of US\$2.6m (2007: gain of US\$1.1m)

⁴ Excluding share benefit charges of US\$8.4m (2007: US\$7.8m)

Financial Highlights

- 888 reports another record year with EBITDA^{3,4} up 23% to US\$55.7m (2007: US\$45.5m)
- Profit before tax up 6% to US\$48.6m (2007: US\$45.8m)
- Total operating income up 21% to US\$262.5m (2007: US\$216.9m)
- Emerging offerings (Bingo, Sportsbook, Live Dealer Casino, Backgammon and B2B) up 208% to US\$44.5m (2007: US\$14.4m)
- Casino revenue up 14% to US\$135.1m (2007: US\$118.1m)
- Poker revenue down 4% to US\$77.2m (2007: US\$80.8m)
- EBITDA^{3,4} margin increased slightly to 21.2% (2007: 21.0%)
- Cash and equivalents US\$98m (2007: US\$104m)
- Final dividend of 2.9 cents, total dividend for the year 5.4 cent following 2.5 cents interim dividend.

Operational Highlights

- Continued accelerated growth in the B2B line of business with 14 new customers signed in 2008 including a groundbreaking partnership with Sportech PLC in June 2008.
- Three new bingo networks contracts signed toward the end of the year in addition to the seven already in operation
- New B2B deal announced today with the Racing Post, the pre-eminent horse-racing industry publication plus two other new B2B deals signed, bringing the total for 2009 to four
- 888 B2C line of business further developed through the launch of 888sport and 888ladies, the prominent UK bingo brand. 888 B2C now offers the complete suite of online gaming segments -Casino, Poker, Sportsbetting, Bingo and Backgammon.
- A dozen games integration contracts signed giving the group access to more than 1,000 new games, of which 22 are already launched
- 888 becomes the first online gaming company to obtain Trust-e certification
- ¹ Rounded
- ² Excluding depreciation of US\$5.5m (2007: US\$4.2m) and amortisation of US\$1.8m (2007: US\$1.6m)
- ³ Excluding exchange rate loss of US\$2.6m (2007: gain of US\$1.1m)
- ⁴ Excluding share benefit charges of US\$8.4m (2007: US\$7.8m)

Gigi Levy, CEO of 888 commented:

“Our latest deal with the Racing Post announced today, demonstrates that we enter 2009 with an innovative, fast-growing B2B operation which is now already one of the leading providers in the sector. We believe that this successful model, offering both B2B and B2C businesses, is key to growth in the online gaming market in the coming years. Despite the difficult economic circumstances during the last few months of 2008, our underlying business remained strong throughout 2008 and we delivered a 23% rise in EBITDA⁴ and a 21% rise in Total Operating Income.

Current trading to date in Q1 has been stronger than December with daily average revenue higher by more than 5%. While we are encouraged by this positive trend, the broader economic climate remains challenging and overall revenue in Q1 is expected to be slightly

lower than Q4, which was a slightly longer quarter. Poker and Emerging Offering grew quarter on quarter and new customer levels were considerably better than expected, while Casino trading was challenging. Given the above, our new B2B deals announced in 2009, our healthy B2B pipeline and various B2C initiatives, we remain confident that we will continue to grow our business even in the current downturn.”

<ends>

Gigi Levy, Chief Executive Officer and Aviad Kobrine, Chief Financial Officer, will be hosting a presentation to analysts at 10.30am (BST) today at Numis Securities, London Stock Exchange Building, 10 Paternoster Square, London, EC4M 7LT.

The presentation to analysts will be available from the investor relations section of 888's website (<http://www.888holdingsplc.com>) from late afternoon today.

Contacts and enquiries

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Chairman's Statement

On behalf of the Board of 888 Holdings Plc, I am pleased to present the financial results for the year ended 31 December 2008. This has been a year of significant change, both to our business model and to the macroeconomic environment in which we compete.

B2C

We grew our core B2C offering impressively in 2008, and now offer all four key online gaming segments: Casino, Poker, Sportsbetting and Bingo. Our leading Casino business was again one of the main drivers for the group's revenue growth and our online brand, 888Casino, had a very successful year. It is now available in 19 different languages and underpinned 888 being awarded the prestigious eGaming Awards 2008 Casino Operator of the Year Award. Our Poker operation recorded a small decline in Total Revenue but expanded geographically with a new localised offering launched in 11 new languages in 2008, bringing it to a total of 20 languages.

We have continued the successful consolidation of our business away from a US market dominated Casino and Poker model to a more internationally diverse gaming entertainment business with a significantly expanded product offering. This now includes our market leading Bingo offering, sports betting, 'Live Dealer' and backgammon and importantly an integration infrastructure which opens up our platform to games from other vendors.

B2B

As part of a strategic move to expand our business model, we have continued the development of our B2B offering to become a leading provider of technology, operations and knowledge to business partners, using our existing capabilities. We believe there is a huge opportunity in this area especially as the operator environment is fragmented and existing lottery operators are optimistic that online offerings will become major future growth opportunity. This development has required many technological and cultural changes in our organisation but we are now reaping the rewards and we have first mover advantage as a B2C operator 'moving into' B2B with complete package of services we can offer to our B2B customers.

Employees

I would like to thank all 888 employees, management and customers for making 2008 another record year, despite what developed into an extremely difficult economic environment in the latter part of the year.

Responsible Gaming

Responsible gaming is a fundamental pillar to our business. Our aim is to ensure our services are used responsibly. During the year we have expanded our activities in this important area as more fully described in the Enhanced Business Review.

Financial Results

2008 was another year of strong growth for 888. Total Operating Income ("TOI") increased 21% to US\$263 million (2007: US\$217 million) underpinned by 208% growth in our Emerging Offering to US\$45 million (2007: US\$14 million) and a 15% rise in TOI from Casino to US\$139 million (2007: US\$120 million). EBITDA* increased 23% to US\$56 million (2007: US\$46 million).

** Before share benefit charges of US\$8.4 million (2007: US\$7.8 million) and exchange rate losses of US\$ 2.6 million (2007: gains of US\$1.1 million)*

Dividend

Given our strong financial results, the Board has recommended a final dividend of 2.90 cents per share in addition to our interim dividend of 2.5 cents per share paid in October 2008.

Outlook

2008 has been a transformational year for 888 and we have made tremendous progress in uniquely challenging economic circumstances. We have become a world class B2B end-to-end gaming solution provider whilst maintaining and growing our position as one of the leading operators in the e-gaming world serving consumers globally under our own B2C brands. Our pipeline for 2009 is promising and your Board expects to continue our progress across all business parts for the foreseeable future.

Richard Kilsby
Chairman

Chief Executive's Review

Introduction

The first half of 2008 was again a very successful trading period for 888 delivering record half year results and a seventh consecutive period of semi-annual growth. Trading during the traditionally weaker summer months of July and August remained solid with TOI in August growing above July's level. However, like most business sectors, we were not immune to the unprecedented ferocity with which the global economy slowed. Growth in September began to slow and that coupled with the extraordinarily volatile exchange rate movements – especially the sharp decline in the value of European currencies versus the US dollar - has impacted the business.

Despite the difficult circumstances, our underlying business remained solid throughout the year, and we have delivered 21% revenue growth year on year. We are confident in our business model and strategy and find our successful combination of a world class B2C organisation and an innovative B2B provider in the sector a strong model that enables us to deal better with the current challenges the industry faces. As proof, our firm foundation of B2C earnings, which was significantly expanded and diversified in 2008, was complemented by a rapid growth in our B2B business in the year.

TOI increased 21% to US\$263 million (2007: US\$217 million) underpinned by 208% growth in our Emerging Offering to US\$45 million (2007: US\$14 million) with EBITDA* increase of 23% to US\$56 million (2007: US\$46 million).

** Before share benefit charges of US\$8.4 million (2007: US\$7.8 million) and exchange rate losses of US\$ 2.6 million (2007: gains of US\$1.1 million)*

Delivering on our Strategy

2008 marked another milestone in the delivery of our strategic goals in the completion of the transformation of our product offering and the significant evolution of our strategic partnership programme into a significant B2B business.

In the first half of the year we made strategic investments in both our offering and our brand. The constant drive to acquire and retain customers through an enhanced and innovative offering saw 888 transformed into a comprehensive provider of the four key online gaming segments: Casino, Poker, Sportsbetting and Bingo as well as additional niche products such as Backgammon.

In March we launched www.888sport.com ("888sport"), a pan-European sports betting offering, developed with Blue Square, the interactive gaming and betting division of Rank Group Plc. The service was initially launched in five markets and we have also recently launched in one additional market and plan to further expand our geographic reach in 2009. Our sports product delivered solid performance in its first year.

Our Bingo offering has been significantly expanded and enhanced during the year. 888ladies, our new sub-brand targeted predominantly at a female audience was officially launched in February and backed by a high profile TV campaign featuring well-known celebrity comedian Vic Reeves. The launch was a huge success with customers and the industry alike, as was recognised when we were named Bingo Operator of the Year at the eGaming Awards.

At the end of the year we announced the further expansion in the B2B side of our Bingo business, achieved by signing agreements to launch three new Bingo networks in addition to the seven we already operate. One of these in Spain will be, for the first time, a localised offering tailored specifically for local tastes and customers. In addition to operating our own brands we also host, on a full managed service basis, a number of skins and during the year agreements were signed to add another six new partners to the network. Bingo remains the fastest growing segment in the online gaming industry and we feel we are very well positioned in this market. The result of these activities was significant growth in the bingo business in 2008.

As well as launching our own new products, in 2008 we have evolved our strategy toward the creation of a games-ecosystem powered by our industry-leading integration infrastructure. This enables us to introduce a diversified offering to existing and new players rapidly and with a low cost of development and integration. By opening up our platform for integration with games from other vendors we are offering our customers an accelerated rate of new game launches while offering third party game providers the best platform on which to debut or grow the exposure of their titles. Over a dozen games integration contracts have been signed giving us access to more than 1,000 new games – of which 22 are already launched in various parts of our business.

This dual approach, which gives us the ability to introduce games easily and quickly into local markets, will remain a core element of our strategy as we strive to increase customer loyalty and life-time value and continue to attract new players.

2008 was a transformational year in terms of our B2B business, which grew rapidly throughout the year. The real step change for our B2B operations came in June with the groundbreaking partnership we signed with Sportech PLC, one of the UK's leading gaming businesses. Under the partnership 888 provides Sportech with a turnkey online gaming operation which includes our market leading gaming and back-end software, customer support and payments processing as well as – for the first time – the marketing of all their products online. We believe the combination of Sportech's brands in global pools sports betting coupled with our software, operations, internet marketing and online gaming capabilities will yield significant mutual benefits. Following this deal we are well positioned as one of the leading B2B providers to the

industry, and given our recently announced deals and ongoing activity with some of the leading online gaming operators, B2B will continue to be our main growth engine in the coming years.

I am pleased that we continue to be awarded industry accolades for our innovation and our offering. In 2008 we retained, for the third successive year, eGaming Awards Casino operator of the Year endorsing our global reach and market-leading position in this category and were also awarded the aforementioned Bingo Operator of the Year. We also picked up Leisure Report's "Best Betting and Gaming Award" for a second year running and "Operator of the Year" beating strong competition from across the general leisure sector.

Our approach and success in B2C marketing is one of 888's key differentiators; where 888 innovates, many follow. Marketing was a key component to the success of our product launches for both 888sport and 888ladies. Strategic sport sponsorships and associations such as Sevilla FC, World Snooker Championship and the Shane Warne captaincy of the 888 poker team give the brand valuable high profile visibility. These initiatives, coupled with our ability to localise our marketing efforts across multiple channels, to support successfully our geographic expansion and generation of significant numbers of new players.

We continue to recognise the importance of customer loyalty, as building strong relationships leads to people playing more games, more often, for more time. As product offerings are increasingly tailored to individual markets and segments, the CRM teams continued to run localised promotions throughout the year. Alongside front of house promotions, ongoing improvement in our support systems and services also helped to ensure that customers kept coming back to 888.

During 2008 we also opened up further communication channels through which we are able to contact customers. The magazine 'Eight' remains popular amongst customers, and direct mail has now been augmented with SMS messaging. This, coupled with targeted segmentation of the customer base, now means players receive information of particular interest to them immediately. The delivery of promotions and tournament reminders in this way also helps to drive traffic online.

People

Our ability to recruit and retain high calibre employees is fundamental to our success and we continue to add talented people to our world-class team. It is not just that our people have a direct influence on the way our customers feel when they are playing our games - the integrity and expertise of our people is central to our strategy, execution and innovation. I would like to personally thank each and every employee for their support and hard work in the past year.

Regulation

The regulatory landscape within which we operate remains unstable in some regions. Whilst the European Court of Justice's ruling in the Placanica case restated the importance of EU regulations to our industry, there have been some mixed messages from the EU Parliament. Generally, however, we view EU developments positively and we have seen a continued trend throughout the year of additional European jurisdictions embarking on a path to license and regulate online gaming, a route which we clearly welcome.

As stated in our announcement dated 5th June 2007, we have initiated preliminary discussions with the United States Attorney's Office for the Southern District of New York relating to our activity in the US prior to the signing of the UIGEA. It is too early to assess any particular outcome of these discussions.

Responsible Gaming

We take our responsibilities as an international gaming operator extremely seriously. We continue to lead the market in our support of the prevention of underage and problem gaming and promotion of responsible gaming. 2008 was no exception and was marked by the introduction of a unique product called the Observer. Observer was developed with Dr. Mark Griffiths, a Chartered Psychologist and Professor of Gambling Studies at the Nottingham Trent University. A complex set of parameters including financial and behavioural data are used to flag up customers who might be at risk from becoming a problem gambler. This data is analysed and investigated and action taken in partnership with the customer to prevent or resolve a potential problem situation.

Last year we launched a specialist website www.888responsible.com dedicated exclusively to responsible gaming. It is a comprehensive site covering all aspects of responsible gaming practices, dealing with problem gambling and preventing underage gambling. In 2008 we also ran a specific campaign aimed at raising potential underage gamers and parents' awareness of underage gambling issues.

Our 2009 Focus

We believe that the combined B2C/B2B model is an essential key to growing successfully the business in 2009, and therefore intend to continue focusing on both these lines of business.

We have taken the decision to operate B2B as a separate business unit as our strategy for our B2B business is to become a leading provider of technology, operations and knowledge to new entrants to the market using our existing capabilities. The B2B business will be re-launched under a separate brand with its own sales force and we have appointed a separate Managing Director to the business. We have a very strong pipeline with more than 50 deals at various stages. We will expand organically but will also look to grow our footprint through the acquisition of B2B technology enablers to accelerate our growth. We have already announced a deal this year, signed in January, focusing on continental Europe and expect to announce more deals during the year.

Alongside the fast developing B2B business we will continue to focus on our B2C offerings with the introduction of a no download 'games tab', Live dealer in Europe and Bingo into a number of additional European markets including Spain. These developments, alongside further geographic expansion, are expected to drive the growth of our B2C business even in these turbulent times.

Third party games integration continues and 2009 will see a major step as the platform will become a full multi-currency offering, allowing customers to play localised games that appeal to them, in their local language, in their local currency. This is expected to have a positive impact on both our B2C and B2B businesses.

Outlook

Our plans for 2009 will be to both grow our player base and maximise customers' Life Time Value – for both us and our B2B partners - by offering new and innovative products. Our B2B business, which saw the first full year of operation in 2008, is already showing further growth in 2009.

Our sustained performance in B2C will be achieved by a continued focus on customer needs and the growing attractiveness of our offering. Specifically, opening up our platform to

integration with games created by other vendors, will continue delivering customers with ongoing innovation in 2009.

The combination of our leading B2C business and our fast growing B2B business gives us a very good base for growth in 2009 and beyond.

The broader economic climate remains challenging as does the weakness of the European currencies, affecting our US\$ reported revenues. However, whilst remaining cautious in our outlook we are confident our customers will continue to enjoy our services and that the overall strength and resilience of the business will ensure we weather this turbulent period well. Just as we managed to grow market share after the industry was hit by the closure of the US market, we are confident we will outperform the market in these challenging times and continue to grow our business.

Gigi Levy
Chief Executive Officer

Enhanced Business Review

Financial Summary

	Year ended 31 December 2008 ¹	Year ended 31 December 2007 ¹	% change
	\$ million	\$ million	%
Revenue			
Casino	135.1	118.1	14%
Poker	77.2	80.8	-4%
Emerging Offerings	44.5	14.4	208%
Total Revenue	256.8	213.4	20%
Other Operating Income	5.7	3.6	
Total Operating Income	262.5	216.9	21%
Operating Expenses ²	77.3	59.1	
Research and Development Expenses	27.4	23.5	
Selling and Marketing Expenses	80.2	70.9	
Administrative Expenses ^{3,4}	22.0	17.9	
EBITDA^{3,4}	55.7	45.5	23%
Finance Income and Exchange gains	0.3	6.1	
Depreciation and Amortisation	(7.3)	(5.8)	
Profit Before Tax from Continuing Operations⁴	48.6	45.8	6%

¹ Rounded

² Excluding depreciation of US\$5.5 million (2007: US\$4.2 million) and amortisation of US\$1.8 million (2007: US\$ 1.6 million)

³ Excluding exchange rate loss of US\$ 2.6 million (2007: gain of US\$1.1 million)

⁴ Excluding share benefit charges of US\$ 8.4 million (2007: US\$7.8 million)

Financial Results

General

The Group achieved strong financial results in 2008 with TOI increasing by 21% to \$263 million (2006: \$217 million), EBITDA^{1,2} increasing by 23% to \$56 million (2007: \$46 million), Profit before tax¹ increasing 6% to \$49 million (2007: \$46 million) and basic Earnings Per Share¹ increasing 8% to 13.4¢ (2007:12.4¢). The Group continued to be highly cash generative with Net cash generated from operating activities increasing 22% to \$56 million (2007: \$46 million) and its financial position remains strong as ever with cash and equivalents at year end at \$98 million with no debt (2007: US\$104 million).

Turnover growth was particularly strong in Emerging Offerings, mainly Bingo, generating \$45 million in 2008 (2007: \$14 million).

Excellent growth was achieved during the first nine months of 2008. In August, the Group reported record half year results and a seventh consecutive period of semi-annual growth with revenue from core operations boosted by the successful launch of 888ladies and 888sport. Growth continued until September when performance was impacted by the global economic crisis and extreme volatility in exchange rates. Our underlying business was not immune to these unprecedented conditions although our core business remained solid.

¹ Before share benefit charges of US\$8.4 million (2007: US\$7.8 million)

² Exchange rate losses of US\$ 2.6 million (2007: gains of US\$1.1 million)

Geographical segmentation

As the table below illustrates, in 2008 888's turnover grew in all reported geographic markets led by 28% in Europe (excluding UK), followed by 23% in the Americas (excluding USA), 15% in the UK and 13% in the Rest of The World.

TOI by geographical market:

	Year ended 31 December 2008 ³		Year ended 31 December 2007 ³		2008 Growth
	\$million	% share	\$million	% share	
Total operating income					
UK	107.4	41	93.0	43	15
Europe (excl. UK)	115.1	44	90.1	42	28
Americas (excl. USA)	22.2	8	18.0	8	23
Rest of World	17.9	7	15.9	7	13
Total	262.6	100	216.9	100	21

³ Rounded

As a result of the strong revenue growth during the year in Europe (excluding the UK), this region now represents 44% of 888's TOI (2007: 42%) followed by the UK at 41%, Americas (excluding USA) at 8% and the Rest of The World at 7%.

Expenses

During 2008 the Group continued its investment in infrastructure as required to enable its B2B capabilities while continuing the development of its B2C offerings.

Operating expenses, which include mainly salaries, chargebacks, returned e-cheques and payment service providers' commissions, totalled \$84.6 million (2007: \$64.9 million) representing 32% of TOI (2007: 30%). Salaries and benefits, representing the largest component of operating expenses, increased by 30% to \$40.3 million (2007: \$31.0 million) reflecting the investment in infrastructure required to complete the build up of our B2B line of business.

Chargebacks increased during the year to \$4.8 million in 2008 (2007: \$2.8 million). However when combined with expenses related to commissions paid to payment service providers, \$15.3 million (2007: \$13.4 million), the total (\$20.1 million (2007: \$16.2 million)) represents a stable ratio to TOI 7.6% (2007: 7.5%). This shift between these cost items is a result of the Group's efficient implementation of processing optimisation aimed at increased processing volume and an increased approval rate while keeping over all costs stable. Finally, given that 2007 comparative figures represent less than seven months of Bingo activity, the comparable ratio reflects enhanced efficiency.

Research and development expenses increased in 2008 by 17% to \$27.4 million (2007: \$23.5 million). This was primarily a result of necessary investment in the Group's technological infrastructure and upgrading B2B capabilities to become a service provider to business partners and due to adverse currency movements during the first three quarters of the year.

Marketing expenses during the year were \$80.2 million (2007: \$70.9 million), representing a 31% ratio to TOI (2007: 33%), and well within our target.

Attracting valuable new customers at the right cost is a key driver of 888's business profitability. In 2008, the Group continued to focus on attracting and retaining customers from selected segments aiming to maximise customer life time value and maximum return on marketing cost. During the year, 888's marketing team recruited more than 246,000 new Casino and Poker first time depositors ("FTDs") from more than 1.1 million new real money registrations with an average cost per acquisition ("CPA") in 2008 of \$232 (2007: \$225).

Administrative expenses* increased by 22% to \$22.0 million (2007: \$17.9 million). The increase in Administrative expenses during the year is attributable mainly to a \$2.6 million foreign exchange loss (2007: gain of \$1.1) and a \$2.2 million adverse currency effect within the salary component in this line item.

** Before share benefit charges of US\$8.4 million (2007: US\$7.8 million) and exchange rate losses of US\$ 2.6 million (2007: gains of US\$1.1 million)*

Share benefit charges

As part of 888's commitment to invest in human capital, eligible management and employees receive equity awards under the 888 All Employee Share Plan ("Share Plan"). In 2008, the Group continued to award shares and options to employees under the Share Plan. The non-cash charge for 2008 was \$8.4 million (2007: \$7.8 million), comprising a \$2.2 million charge relating to grants in the current year (2007: \$1.8 million) and \$6.2 million relating to grants made in the past.

Finance Income

With the Group continuing to generate and retain cash surpluses throughout the year, net interest income was \$3.0 million (2007: \$5.0 million), reflecting the sharp decrease in interest rates compared to previous years.

EBITDA

As a result of strong revenue growth, a stable marketing to turnover ratio, maintaining cost control and better management of resources, we increased EBITDA* by 23% to \$56 million (2007: \$46 million). EBITDA* margin increased slightly to 21.2% (2007: 21.0%).

Taxation

The tax charge for 2008 was \$3.1 million (2007: \$3.2 million) reflecting the group's efficient tax position.

Profit and Earnings per share

Profit before tax * increased during the year 6% to \$48.6 million (2007: \$45.8 million) and Basic Earnings per share* increased 8% to 13.4 ¢ in 2008 (2007: 12.4¢).

** Before share benefit charges of US\$8.4 million (2007: US\$7.8 million)*

Dividend

The Group's stated policy is that it intends generally making an annual dividend payment representing 50% of profits after tax and the policy would also reflect long term earnings and cash flow potential of the Group. On 27 October 2008, the Company paid an interim dividend of 2.5 cents per share totalling \$8.6 million (2007 interim dividend totalling \$6.1 million). Given the strong financial performance in 2008, the Board recommends a final dividend of 2.9 cents per share.

Cash flow

The Group's strong profitability during the year was matched by strong cash generation with net cash generated from operating activities reaching \$56.4 million (2007: \$46.2 million), representing 101% ratio to EBITDA*.

** Before share benefit charges of US\$8.4 million (2007: US\$7.8 million)*

During 2008, the Group made cash payments of \$36.7 million (2007: \$20.0 million) in investment activities – principally the final payment in respect of the 2007 bingo acquisition and the on-going acquisition of technology equipment. In addition, the Group returned \$25.6 million (2007: \$36.2 million) in dividends to its shareholders consistent with its dividend policy.

Balance Sheet

The Group's balance sheet remains strong. The Group has no debt, and retains ample liquid resources. The Group's cash position as at 31 December 2008 was \$98.4 million (31 December 2007: \$104.3 million). This strong position allows the group to benefit from suitable acquisition opportunities in the consolidating market.

Balances owed to customers increased to \$33.3 million (2007: \$26.4 million) representing natural growth in the business. The group maintain 100% cash reserves to cover immediate withdrawal of all customer deposits at will at any time.

888 Strategic Review

888 has addressed the evolving challenges of the competitive landscape in the e-gaming industry by transforming its business into two separate lines of business: “B2C” and “B2B”.

888’s growth strategy is to maintain its position as one of the leading operators in the industry, serving consumers worldwide under its various B2C brands (B2C), but also to become a leading provider of technology, operations and know-how to business partners, using its existing capabilities (B2B).

Within its B2C division, 888 continues to promote its consumer targeted offering under its own brands including Casino, Poker, Sportsbetting, Bingo, Backgammon and Live Dealer.

B2C

From being a provider of Casino, Poker and Bingo in 2007, 888 is now a comprehensive provider of all gaming segments, including the four cornerstones of online gaming (Casino, Poker, Sportsbetting and Bingo) and additional secondary products (Backgammon and Live Dealer Casino). This expansion and diversification of our offering can be seen in the rapid growth in our “Emerging Offerings” segment (including Bingo, Sportsbook, Live Dealer Casino and Backgammon and B2B income) from US\$14 million in 2007 to US\$45 million in 2008.

Our offerings have become more geographically diverse and have been complemented by product expansion in existing territories. We have invested in two completely new regions - South-East Asia and South America. We introduced localised products appealing directly to Asian consumers where consumers’ tastes are quite different to our traditional markets in the UK and Continental Europe. South America showed healthy growth and is a region where poker is a popular pastime. For the first time, 888 has also expanded into Eastern Europe and has the infrastructure in place for a more aggressive 2009. Our offerings have been translated into new languages: Russian, Polish, Romanian, Latvian, Estonian, Lithuanian, Hungarian and Bulgarian. We have also established local relationships and partnerships with business development and marketing firms to allow us to maximize our potential in these jurisdictions.

This market leading offering and expansion strategy will continue to be the foundation of our business.

Marketing

2008 was a very busy and highly successful year for 888’s industry leading marketing activities.

We believe that marketing is a key component in the success of both of our newly launched products, 888 sport and 888ladies. This was recognised by the industry magazine, eGaming Review, which presented 888ladies with its prestigious Bingo Operator of the Year Award.

888 was also named the magazine’s Casino of the Year for the third successive year and picked up the “Land Links Partnership of the Year” award, given to the operator which forged ahead with bridging the gap between offline and online in the most innovative way during 2008.

Winning three eGaming Awards, in addition to being nominated in an industry leading nine different categories, yet again confirmed 888's position as an industry leader.

In addition to the eGaming Awards, 888 also won Leisure Report's "Best Betting & Gaming Award" for 2008 for the second successive year as well as its "Operator of the Year" Award; a category in which 888 beat strong opposition from not only the gaming sector but the leisure industry as a whole.

Another example of 888's innovation, its in-house customer magazine "Eight" was awarded the influential "Most Effective Membership" title at the 2008 Association of Publishing Agencies (APA) Effectiveness Awards. The award was given by the APA in the UK and is one of the most coveted prizes for an in-house publication.

The magazine was mailed to all of the Group's casino and poker customers in the UK and contains lifestyle features and gaming content, seeking to further cement the relationship between 888 and its players.

Branding

888's brand awareness continues to be one of its key strengths within the sector. The 'Enjoy the Game' tagline remains one of the most well-known phrases in the gaming industry and this has been heightened by use across Europe within the sportsbook product and through extended media coverage over the last year via sports sponsorships, partnerships and associations.

Sports sponsorships, partnerships and associations

888 has a long history of ground breaking, innovative sports sponsorships across various fields and geographies including football, snooker, speedway motorcycle racing and darts to name a few . The 888.com World Snooker Championship, the highlight of the snooker year and one of the major events in the British sporting calendar, took place in April 2008, at the Crucible Theatre in Sheffield.

The event was televised for nearly three weeks by the BBC resulting in over 140 hours of primetime 888sport branding on every player's waistcoat and on all advertising boards in the Crucible arena.

In addition, 888 became the official partner of the world's number one ranked player and current World Champion, Ronnie O'Sullivan. This partnership enabled us to maximise our investment in the 2008 888.com World Snooker Championship creating increased media coverage and generating a significant number of first time depositors (FTDs) within the recently launched 888sport as well as increasing turnover figures.

888 also sponsored former world snooker champion John Higgins who over the last twelve months played in a number of online Poker tournaments and attended a number of media interviews.

888 also offered those at the venue an opportunity to join 888sport at the event itself and to place wagers on the snooker over the three week period which proved a successful initiative.

Cricketer Shane Warne, one of the world's most recognisable sporting stars was also employed by 888 in the last twelve months as an ambassador. He captained the 888 poker team in both Australia and in the United Kingdom.

Shane competed in the World Series, the European World Series, the Aussie Millions and the 888.com Open always wearing 888.com branded clothing generating notable media coverage wherever he went, including a significant number of national and International television, radio and press interviews.

Our shirt sponsorship with one of Spain's biggest football clubs, Sevilla FC, has also seen 888 achieve a significant amount of global media exposure, as Sevilla competed in tournaments against high profile European football teams. 888's partnership with Sevilla is another in a line of sports sponsorships the Group has engaged in to promote the brand, and to generate FTDs.

In Germany, sponsorship of former star football player Thomas Brodrick has seen him endorse and compete in a number of poker tournaments, whilst in Australia 888 has sponsored the world famous former boxer and trainer Jeff Fenech in a number of high profile international poker tournaments during 2008.

Recognising the success of these partnerships, 888 was awarded the e-Gaming Awards 2008 "Land-links Partnership of the Year" with the judges noting "888's link-ups were innovative and well-timed, with impressive results.

The Future

We are set to see even more exposure through our various sponsorships and associations throughout 2009.

With the Ashes set to captivate the hearts and minds of two nations, our continued association with Shane Warne during this period will ensure that 888 receives more than its fair share of branding.

We plan to grow even bigger, do even better, and conquer even more horizons. We will still be 888. We will still urge customers to 'enjoy the game', but we will do it in a bigger and better way than ever before

Customer relationship management

The Group continues to recognise the importance of customer loyalty, as building strong relationships leads to people playing more games, more often, for more time. The Customer Relationship Management ('CRM') team aims to ensure that 888 customers feel valued and continue to enjoy the game.

The CRM team is split into two departments, one focusing on the Group's broader market customer base and the other on VIP customers.

In order to reinforce loyalty, and ultimately increase customer spend, a number of initiatives were undertaken in 2008. Key to CRM is giving people the right messages at the most opportune times – successfully segmenting customers in order to provide them with opportunities that appeal to them directly. The Group's commitment to localisation helps strengthen relationships with customers and provides an opportunity for the CRM team. As our product offerings become increasingly tailored to individual markets, the CRM team developed and implemented many promotions across geographic areas during the year.

Alongside the eye-catching front of house promotions, improvements in back room support also help to ensure that customers keep coming back to 888. Improvements in analytical processing in 2008 have helped to identify customers struggling with technical issues, for example customers having difficulties depositing money are identified and contacted personally within ten minutes.

2008 has also seen the opening of further communication channels through which the Group is able to contact customers. The magazine 'Eight' remains popular amongst customers, and direct mail has now been augmented with SMS messaging - further personalising the customer relationship. SMS, coupled with targeted segmentation of the customer base helps players now receive information of immediate interest to them, immediately. Promotions and tournament reminders being delivered in this way also help to drive traffic online.

The Group's market leading VIP department builds real one-on-one relationships with VIPs so that 888 remains their online gaming operator of choice. VIP Account Manager Representatives are available in ten languages to provide the highest level of personal support.

Our VIP program was expanded in 2008 to offer this personal service across the Group's gaming portfolio. The launch of 888ladies was followed by the introduction of *Gold Ladies*, and VIP services were introduced for Pacific Poker and 888sport customers. VIP services are set to roll out across further areas of the 888 portfolio throughout 2009.

Alongside hands on account management, relationships with VIPs are strengthened through exclusive promotions and offline events. In 2008, over 80 promotions were run for VIPs, with various prizes as well as large bonuses. As a means to further personalising interaction between VIPs and 888, 40 different offline events were held in nine different countries all personally hosted by an 888 VIP Account Manager.

Search and Web Optimisation Technologies ("SWOT")

888's SWOT team utilise proprietary techniques developed over almost a decade designed to optimise customer recruitment. SWOT is much more than traditional simple search engine optimisation. Successful use of SWOT helped to exploit the opportunity provided by the launch of 888ladies and 888sport to increase the acquisition of players through these new channels, especially in the United Kingdom. Increasing search engine visibility also helped drive player acquisition success in other markets worldwide, notably Canada and the Scandinavian countries.

The Group will continue to focus on SWOT in order to maximise the impact of the product offering, and new launches in 2009 will bring further customer acquisition opportunities.

Our Offering

888's core product offerings (casino, poker, bingo and, sport) together with its secondary offerings (Live Dealer and Backgammon) are available to end customers under 888's various B2C brands and also through carefully selected strategic B2B partners where 888 acts a service provider, including Sportech – UK, Rileys– UK, Tower Torneos - Latin America, LuckyAce – Europe and PokerDome – Australia.

Casino

888's primary online Casino brand, Casino on Net, had a successful year in 2008 – building on its strengths and continuing to innovate in order to retain its position as the leading online Casino in the world. Continued improvements to the customer experience coupled with the addition of popular new games helped driving revenue levels, with TOI from Casino increasing 15% in 2008 to US\$139 million.

During 2008 the Group focussed on the integration of many new games, whilst maintaining its core propositions of trust and simplicity alongside first class customer service.

888's strategy is to create a 360 degree gaming ecosystem, offering best in class casino and soft games, 'blockbusters' being built in house and a wide choice of games introduced through integration ensuring that the site stays fresh and 888 remains a one stop shop for all casino and gaming requirements. Through providing customers with a large variety of choice and entertainment, in the localised format that appeal most to them, 888 continues to expand its target audience.

As 888's gaming arena becomes broader through the continued internal development of sophisticated games and the integration of external content, the Group has sought to seek partners that can keep adding novelty to the offering.

Throughout 2008, 888 carefully selected 'best-of-breed' partners to provide these innovative and attractive additional games. A total of 22 new games have been integrated to date onto the 888 platform and the Group continues to work to add further exciting games to complement its current offering.

In addition to increasing the range and quality of games on offer through the integration of new games, the Group continues to improve its offering and provide customers with up to date and relevant offerings to match their gaming needs. The Live Dealer Casino has continued to be popular, and additional Video Slot games were developed in-house throughout the course of the year. Often these games would be themed around a major worldwide event such as the Olympic Games and European Football Championships, helping to drive customers regularly back to the site in the knowledge that there will be new and innovative content.

A revamp of the Casino lobby helped to keep a cutting edge look and feel of the site and changes to the 'no download' offering helped to make it easier for new users to begin playing as 888 customers. Additional games were added to the 'no download' offering, in five different languages and further improvements are planned for 2009.

In order to expand the worldwide appeal of the offering, as well as the games being targeted for specific regions and demographics, so are the languages and currencies in which they can be played. Casino on Net is now available in 14 different languages, and 2009 will see the Group take a major step as the platform will become a fully multi-currency offering, allowing customers to play localised games that appeal to them in their local language and currency.

These constant improvements and our refusal to rest on our laurels has helped the Casino to maintain its position as the number one online Casino, a fact recognised as the Group was proud to be awarded the prestigious e-Gaming Awards 2008 Casino Operator of the Year. The judges noted that, '888 continues its global reach and market leading position in this category, retaining the title of Casino Operator of the Year'.

Casino KPIs

Year	2007*				2008			
Quarter	1	2	3	4	1	2	3	4
Total Revenue* (US\$'000)	25,952	27,900	28,992	35,276	35,015	35,459	34,350	30,245
Active Customers	70,769	72,362	72,847	73,737	77,370	77,837	77,949	72,762
Total Revenue per Active Customer (US\$)	367	386	398	478	453	456	441	416

* Total Revenue figures rounded.

888 enjoyed a steady level of revenues and active customer Casino participation in 2008, until a disappointing Q4. Due to the prolonged and deepening economic downturn, unprecedented challenging trading conditions were experienced following the end of the summer holiday season. Active customers played slightly less and the strengthening US\$ exacerbated the impact on reported US\$ denominated revenues.

Poker

The Group has continued to further the global reach of its Poker operations and as a result the market share of its poker network, among networks that do not accept US players, has increased during 2008. 2008 saw an expansion in Pacific Poker's offering with the launching of localised websites in 11 new languages: Russian, Polish, Czech, Bulgarian, Hungarian, Romanian, Lithuanian, Latvian, Estonian, Greek and Japanese. The Group offers a global Poker room in which customers can find the game of their choice, at the time of their choice, in the language of their choice.

888 has continued to take steps to enrich the user experience. Features were introduced across the year to maintain customers' engagement, including the addition of advanced community tools and localized content, while ongoing promotions and regular big-money events provided incentives for players to continue to play regularly.

The regular Pacific Poker events were bolstered in 2008 through the introduction of the World Poker Crown. The WPC had a guaranteed minimum prize pool of US\$ 3 million making it the largest single event of its kind offered to the non-US market. Traffic was driven to the site as qualifiers were played out exclusively through Pacific Poker, with daily and weekly online tournaments being run, customised to match 888's geographic customer base profiles. The qualifiers ended with an online final in April deciding the eight participants to go forward to the 888 branded offline final held in Peralada, Spain.

Improvements to the Poker platform allowed the Group to make significant advancements in monetising players, with the unification of the popular 'Demo' mode into the real money environment which helped customers transfer seamlessly from demo to real money play. System updates also allow 888's customer relationship managers to monitor individual customers' playing habits and tailor marketing activities accordingly, providing players with the opportunities that will most appeal to them.

As 888 changes into a one stop shop for all online gaming entertainment needs, cross-selling opportunities are further exploited. The launch of 888's sportsbetting platform, 888sport, was followed quickly by the introduction of Sport in Poker, providing customers with the opportunity to play across different 888 products using a single login and a unified wallet.

The Group will continue to ensure that customers have the best possible gaming experience, and there will be a number of customer facing improvements carried out during 2009. The Pacific Poker site will be given a new look and feel, with additional products and poker side bets enhancing the customer experience of the Poker room.

Poker KPIs

Year	2007*				2008			
Quarter	1	2	3	4	1	2	3	4
Total Revenue* (US\$'000)	20,918	19,890	18,590	21,419	21,903	19,756	18,653	16,940
Active Customers	168,066	166,772	168,105	170,401	170,988	169,898	169,607	158,557
Total Revenue per Active Customer (US\$)	124	119	111	126	128	116	110	107

* Total Revenue figures rounded.

Levels of poker active players and revenue held up well until the last quarter, 888 enjoyed steady levels of active customer Poker participation and revenue in 2008 until a disappointing Q4. Due to the prolonged and deepening economic downturn, unprecedented challenging trading conditions were experienced following the end of the summer holiday season. Active customers played slightly less and volatile adverse foreign exchange movements exacerbated the effect on US\$ denominated revenues.

Combined Poker and Casino KPIs

Year	2007*				2008			
Quarter	1	2	3	4	1	2	3	4
Total Revenue* (US\$'000)	46,870	47,790	47,582	56,695	56,918	55,215	53,003	47,185
Active Customers	205,907	208,876	209,811	209,918	213,115	214,725	216,727	201,119
Total Revenue per Active Customer (US\$)	228	229	227	270	267	257	245	235

* Total Revenue figures rounded.

Combined Casino and Poker KPIs

As more customers continue to migrate onto the Group's unified offering, the distinction between Casino and Poker revenue becomes more and more difficult. As a result, the Group reports it's KPIs for the combined Casino and Poker activity in the table above.

Bingo

Following the acquisition of the Bingo business in 2007 which enabled 888 to enter the bingo arena as a major white label network operator, February 2008 saw a milestone in the evolution of 888's bingo offering - the launch of the new 888 Bingo network, 888ladies. The site was positioned to appeal to a whole new market for the Group and has been a huge success. A high profile television advertising campaign starring Vic Reeves, aligned with positive customer experiences, helped to quickly establish the network with over 2,500 daily active players and over 30,000 real money players.

There are 10 bingo rooms, four of which are open 24 hours a day, seven days a week, which offer a number of bingo variants. Customers can play 75/90 ball bingo and buy tickets for big cash games, including a £8,888 jackpot once a month.

888ladies is not simply an online bingo room, and the Group has worked to crystallise its position as a leading entertainment and content destination for women, enhancing customer satisfaction and retention levels, through providing a dynamic, surprising and inclusive online experience.

Regular promotions give customers a reason to return, and blogs and chat rooms help to personalise relationships. Editorial capabilities have also been developed both in regards to topic variety and content and an increased number of new editorials offered to customers on a daily basis.

The Group has continued to strengthen the community feel of the site, a feeling engendered through a combination of friendly, welcoming moderators who follow customers throughout their stay within 888's bingo rooms, and a website that includes a variety of interaction opportunities, chat tools and venues.

888's community platform allows customer retention teams to chat, interact with customers and observe their behaviour, and when combined with the latest technology developments, including RSS feeds and WEB 2.0 widgets, 888 is able to offer customers what they want and truly personalise their experience. 888ladies links what people read, consume and win, ranging from personalised online horoscopes, bonuses and invitations to play on birthdays and lucky days, to games themed after the brands 888's customers care the most about, such as their favourite TV show or celebrity. The Group was proud to be awarded *Bingo Operator of the Year* at the eGaming Awards 2008 recognising the success of the offering.

In 2009 the Group will look to expand the bingo platform globally. We aim to establish a presence in Continental European countries by the end of the year. We will also be launching new networks and skins in additional languages and with localised multi currency support. Enhanced customer features will also ensure that the 888 bingo offering remains best of breed.

Sportsbetting

The launch of a sports betting platform in March was a significant milestone for the Group. Following the introduction of 888sport, the Group became a comprehensive provider of all gaming segments. The international launch reinforced 888's strategy of creating a large community of people consuming entertainment content online. Sportsbetting is also a customer acquisition and retention tool and enables 888 to cross-sell from its existing products.

888sport is an international sports betting offering, with editorial content and sports and betting selections, as well as live in-running betting and coverage of a large number of sports including: UK and Irish horseracing, UK, European and international football, Greyhound racing, Golf, Cricket, Rugby, Tennis, Novelty events such as Big Brother, and many more.

888sport is offered in seven markets with fully tailored and localised language-specific offerings in all areas allowing customers to bet on events of relevance to them in the currency of their choice. Over the course of the year 888sport was rolled out in a further four countries.

The offering was developed in conjunction with Blue Square, one of the most popular and well established sportsbooks in the UK. As a result of the partnership 888 is able to rely on Blue Square's experience in trading and risk management to reduce the risks associated with this business, allowing the Group to concentrate on fulfilling its strategy of cross-selling its sports betting services to its existing customer base whilst leveraging its robust multi-channel marketing engines to acquire new sportsbook customers globally.

The offering was combined with a high profile advertising campaign targeting new customers around specific events ranging from Euro 2008 and the Olympics to major horse races such as the Cheltenham Festival and the Grand National, with localised campaigns and promotions coinciding with the start of local football leagues. Existing sport related sponsorships such as Seville football club and the 888 World Snooker Championship also helped to build the awareness of the 888sport brand.

The Group sees further opportunities in sportsbetting. The launch of an improved 'in play' application taking in a wider variety of live events, the addition of new content and statistics and the introduction of soft games will help to further improve the player experience. 2009 will also see the expansion of the sport offering through further expansion of 888sport into key territories and white label agreements.

E-Payment

Improvements to the E-Payments offering played a significant role in underpinning some of 888's key strategic initiatives in 2008, helping to personalise the customer experience and localise the offering.

The focus on attractive front of house options is matched by 888's state of the art payments processing system, which offers both cutting-edge back office functionality and an advanced cashier interface. The cashier user interface was significantly upgraded this year to include the implementation of Live Person interactive chat, which is proactively initiated by the support team. This gives customers the opportunity to get live help from an 888 agent, assisting in improving 888 customers' playing and depositing experience whilst at the same time increasing cash conversions.

When customers sign up with 888 they can deposit using a range of payment options tailored to suit their local market based on their physical location, from which they can choose their preferred payment method. As a truly global provider of gaming entertainment, it is important that 888 offer customers the games relevant to them, in their local language, with the choice of their preferred payment method.

This was illustrated by the roll out of 888sport, which is now offered in seven markets, each in the local language, and all in the local currency. A multi currency bonus feature was also added across the service offering.

Constant improvements in payment processing have seen a total of 11 new languages added to the client interface, improving penetration in untapped and emerging gaming markets. 888 will continue to add variety of localised payment methods offered worldwide for the benefit of customers.

2009 will see further improvements to 888's payment systems, starting in the first quarter with the now completed integration of PayPal, the world's best known eWallet, into the 888 cashier for countries where PayPal may be used for gaming payments. The Group will also implement a

new multi-functional cashout client with additional cashout methods, significantly increasing customers' ability to receive their winnings easily and efficiently while greatly reducing the number of chargebacks and the risk of fraudulent transactions. This will improve the user experience as well as further streamline and enhance the cashout process for customers.

B2B

888 has always been at the forefront of developments in the internet gaming industry. A pioneer and leader in the B2C industry, 888 made the strategic decision in 2007 to lead the way in becoming the largest B2C operator to move into the B2B arena. Capitalising on its experiences as a B2C operator for well over a decade, 888 is uniquely positioned to work with carefully selected strategic partners who are either aiming to monetise their existing database, brand loyalty and media assets or looking to enhance their existing online gaming operations.

888 has already secured a number of high profile agreements which highlight both the potential of this strategic direction and 888's unique position as a leading operator offering a full service model in the B2B field.

This B2B business move began in 2007 with agreements with Riley's, Tower Torneos and LuckyAce. 2008 has seen an acceleration in B2B development with several more deals in Western, Central and Eastern Europe, including the groundbreaking partnership with the UK Football Pools (Sportech Plc) highlighting the potential for 888 in this area. The development and growth of the B2B business is an integral part of the 888's growth strategy for 2009 and beyond

It was the signing in June 2008 of a strategic partnership with Sportech that saw a step-change in 888's B2B activities, as 888 started providing a full managed service including all technology, operations and marketing of Sportech's leading Littlewoods brand.

888 provide Littlewoods with a full turnkey solution including its market-leading gaming and back-end software, customer support and payments processing services. 888 also provides advanced marketing services to Littlewoods marketing, brand and customer base, helping to extend the reach of Littlewoods' business. This agreement represented the full evolution of 888's B2B offering – Total Gaming Services - and is a milestone agreement.

Internal restructuring

As part of a restructuring of the 888 team to facilitate the growth in 888's B2B model, 888 has appointed a dedicated B2B Managing Director and recruited a specialist B2B sales and marketing team, the ideal platform for delivering new deals in 2009.

As the B2B business expands, it has become of increasing commercial importance to have a clear division from 888's B2C business. Accordingly, 888 is in the process of selecting and developing a new brand under which to market its B2B business, Whilst promoting the strengths of 888's core knowledge and experience as an operator, this move clearly differentiates the B2B business as a separate and distinct part of the 888 group.

A marketing strategy is currently being devised to roll-out this new B2B brand and will be designed to enhance visibility amongst the media and target markets of 888's growing B2B business. Activities will include advertising and PR in core trade and business magazines, key speaker positions and trade stands at leading conferences and exhibitions and sponsorship of industry events.

'Total Gaming Services' is the strapline that will underpin the unique positioning in the market for 888's B2B business. This reflects the opportunity for clients to not only benefit from 888's decade of experience in technology and operations but also utilise the advanced marketing services, through the provision of offline / online marketing, management of affiliates, SEO, CRM and business analytics.

In addition to developing the B2B team, 888 has also restructured the rest of its group in order to create independent departments in such areas as Research & Development and Customer Care, focusing separately on both the B2B and B2C businesses. This move enabled 888 to scale the service to the growing requirements of its B2B clients, and helped the B2B business in meeting existing project delivery timescales, increasing the speed to market for new clients and maximising profitability of the business. This restructuring augmented the independent B2B business that was structured as a separate business unit with several departments in it, focused entirely on B2B partners: Sales & Business Development, Programs & Integrations, Client executive unit, Client marketing & Operations, B2B Marketing and PR and B2B Finance.

New partners

888 sees three main sources of new B2B partners: (i) existing online gaming operators searching for additions to their existing suite of gaming products or to replace entirely their current software suppliers, (ii) media companies and land-based casinos looking to monetise their brands; and (iii) lottery companies seeking experienced online gaming partners, with a heritage of successful business delivery and strong responsible gaming systems and capabilities, that can facilitate a smooth transition from leadership in land-based gaming to significant market-share holding and combat the threat of competition.

New entrants to the online gaming market require a technology platform to work with, expertise in setting up operations and, above all, knowledge of how to leverage their assets and target the gaming consumer. 888's experience through operating its own B2C businesses makes it well positioned to partner with these new entrants to mutual advantage.

Bingo

The successful acquisition of Globalcom in May 2007 gave the Group a perfect springboard to enter into the B2B bingo arena, providing software, customer support and payment processing to some of the premium Bingo partners in the UK.

Utilising these acquired foundations, 888 is also a leading player in bingo B2B, providing solutions to business partners operating their own networks and other third party sites. 888 powers some of the most prominent players in the bingo market such as Foxy Bingo, Mirror Bingo, Think Bingo, Cheeky Bingo, Bingo Scotland and Wink Bingo. 888 now has a white label network of more than 45 online bingo sites or "skins" including bingoballroom.com, poshbingo.com, bingofabulous.com and twofatladies.co.uk.

888 plans to utilise its B2B platform to tap into new growth markets. A perfect example of the implementation of this strategy was the launch of a localised Spanish Bingo offering in 2008.

Poker

888's B2B business offers a total gaming service solution for white label Poker operators with a wide range of tournaments, multi-language capabilities and the most popular games. New developments will include upgrading the existing poker client to create a new and improved player experience, designed to get players to the right tables faster and playing more. Significant white label agreements have been launched with Poker Dome (Australia),

Littlewoods (UK) and Lucky Ace (Europe), all of whom have benefited from 888's CRM expertise in reducing churn rate, activating dormant accounts and delivering increased returns. The rapid development of new skins will further bolster activity enabling the network to grow and provide greater liquidity as new partners are integrated in 2009.

The B2B team is currently working on a strong transaction pipeline for 2009 with a number of deals at various stages, across a variety of game offerings. 2009 will mark a significant step forward in the development of the B2B business making an increased contribution to the profitability of the Group. The Group believes that the B2B business will provide a significant portion of total revenues and profits by the financial year 2010.

Technology Infrastructure

888's technological strength has been its ability to develop and manage all aspects of its operations in-house, including software development. This enabled 888 to produce a distinctive product and brand feel for its B2C offering, and to exercise flexibility in relation to its online products and services, implement efficiency in customer support and maximise the security of its system architecture.

888's information technology platform, hosted in Gibraltar, consists of over 700 production and over 900 development servers and uses a fully integrated proprietary software infrastructure developed in house. 888's information technology infrastructure handles over two million visitors a day to its various websites with over 30,000 customers playing concurrently at peak times. Substantial investment has been, and continues to be, made in 888's choice of technology, its architecture design, planning systems and implementation. The system architecture has been designed and built with security, resilience and scalability as a priority, which has underpinned the Group's growth in recent years. 888 has invested million of US dollars to enhance its technology platform using best of breed approach, implementing solution from the leading vendors (Cisco, HP, EMC, CA, VMware etc). 888 is also a recipient of the TRUSTe Web Privacy Seal of approval for all its websites and online gaming activities. TRUSTe runs the world's largest privacy seal program, with more than 2,400 websites certified and reflects 888's commitment to client privacy.

In 2007, 888 opened up its technological platform in order to become a B2B provider and enable easy integration with games from other providers. This focused on a single point of integration to 888's platform, involved a number of infrastructure challenges and required technological advancements in 888's back-office capabilities.

In order to facilitate the addition of third-party games and to complement 888's own core games with carefully selected 'best-of-breed' partners, an Integration Platform was developed and expanded during 2008.

The Integration Platform allows the integration of new, third party, games by multiple vendors, especially new entrants to the markets who require a technology platform for games and back office facilities. This industry-leading integration infrastructure enables third party game providers to swiftly connect into 888's gaming environment, wallet, cashier and customer support systems. The almost turn-key addition of these games, often with content to appeal to localised audiences, has enabled 888 to introduce rapidly a diversified and localised offering to existing and new players worldwide.

In total, 22 new games were integrated onto the 888 platform across 2008, and the Group has now access to over 1,000 new games from over 10 suppliers to complement its wider offering.

In 2008 we also introduced a new financial transactions system enabling optimization as well as localization and customization of financial transaction processing based on customer preferences, risk and cost considerations.

We continue to invest in software development which takes place in our state-of-the-art Research, Development and Marketing centre in a suburb of Tel Aviv supported by our recently added lower cost development location in Eastern Europe. This investment has enabled 888 to add innovative slot machines to the existing home-grown offering of casino, poker and backgammon games. 2008 also saw multiple new releases of Poker, Casino and Bingo, as well as a complete new offering – Sports Betting, significantly enhancing 888's offering.

Customer Support and Service

888 remains committed to its goal of being the market leader in the global online gaming industry, including in respect of customer satisfaction.

Our customer service operation is staffed by dedicated teams of highly trained in-house customer support representatives providing the highest levels of service and support for each of the Group's brands and White Labels.

In 2008 we continued to invest in our support infrastructure and notably expanded our language portfolio. We offer first class customer support via email and telephone, 24 hours a day, 7 days a week, to customers around the world in 14 different languages. Our Live Chat service is now offered in four languages. In 2008 we also launched 888sport supported in four languages and expanded Pacific Poker's Offering to 11 new languages.

The Group has invested in industry leading technology provided by "RightNow Technologies" to help support its online customer experience initiatives. This investment allowed 888 to reduce its operational expenditure, effectively manage its resources and gain valuable insight into its customers' needs and preferences.

Excellent customer service continues to be a central tenet of the Company's offering. The ongoing dialogue with clients is maintained by Customer Relationship Management teams in two dedicated contact centres, located in Gibraltar and Antigua.

The main Gibraltar contact centre focuses on providing support for our principal markets in Europe, Asia/Pacific and Latin America, while the Antiguan contact centre focused on supporting our English speaking markets in Europe, Asia Pacific and Canada.

Expert teams initiate outbound interaction with new and existing customers that may experience issues depositing into their respective 888 accounts. Our outbound teams proactively contact selected populations with the aim to update customers about special offers, new products and to reactivate customers that have become inactive.

During 2008, we introduced a new proactive chat application (provided by "LivePerson") with much success. We also expanded those activities for more brands, White Labels and languages. 888 also expanded available contact channels by offering the first ever Promotion sent via SMS (targeting Casino and Bingo players).

The contact centres continue to play a vital role in the successful launch of 888's strategic partnerships such as LucyAce, PokerDome and Littlewoods.

The Support teams aim to close the majority of issues during the first contact as demonstrated in the customer performance figures attained in 2008:

Casino in English

- 97.6% of all phone calls are answered within 25 seconds
- 99.0% of all emails are replied to within 24 hours
- 96.5% of all chats are answered within 30 seconds

Poker in English

- 97.7% of all calls are answered within 25 seconds
- 98.5% of all e-mails are replied to within 24 hours
- 95.2% of all chats are answered within 35 seconds

Bingo in English

- 94.8% of all calls are answered within 25 seconds
- 90.5% of all e-mails are replied to within 24 hours
- A total of 80,046 chats were answered within the customary highest service level (SLA)

Customer Satisfaction

We continuously monitor customer satisfaction by requesting and analysing real-time feedback. In 2008, we again conducted a comprehensive survey to benchmark 888's service level within our primary markets.

Respondents accredited their highest rating to the level of professionalism of our representatives and when compared to previous studies, the results show a considerable increase in satisfaction, most notably for our important German market.

- Casino players rated the level of professionalism of our representatives at 4.20 (out of 5)
- Poker players rated the level of professionalism of our representatives at 4.10 (out of 5)
- German players rated their overall satisfaction with 888's customer support at 3.91 in 2007 and in 2008 rated their overall satisfaction at an impressive 4.17 (out of 5)
- Casino players rated their overall satisfaction with the service received at 3.94 (out of 5)
- Poker players rated their overall satisfaction with the service received at 3.74 (out of 5)
- Response time ratings were 4.10 and 4.00 for Casino and Poker respectively (out of 5)

888's unparalleled customer service and our leadership in the e-gaming industry have been repeatedly recognised and we were honoured to be named 'Best Betting & Gaming Company 2008' at the Leisure Report Awards.

A vital component in maintaining and exceeding customer expectations is our ability to access each client's full and complete history in real time, thus optimising customer interactions on all levels. Customer contacts are strictly monitored to ensure quality and parity.

888's proprietary back office application is probably the most advanced application of its kind in the industry and functions as the backbone of our entire business operation. Data from various divisions is integrated and streamlined into a single point of reference and gives representatives from every department - Customer Support, VIP, Risk Management, Business Production and Finance - the tool to provide superior assistance to customers, regardless of the department a query is directed to.

Responsible Gaming

The Group believes that its primary responsibility is to provide the best online gaming entertainment to its customers. However the Group acknowledges the potential danger that its games may pose for a small minority of people and it strives to reach excellence in its responsible gaming policy and ethical conduct.

888 is devoted to promoting a responsible gaming culture within the organisation. The aim is to raise awareness through education and to continuously provide staff with tools and training necessary to ensure a responsible gaming environment.

We continuously monitor our policies and generate new innovative ways to foster caring and ethical gaming, and above all to make certain our customers are safe. Responsible gaming is a key feature of our business strategy, reflecting the seriousness we attach to the issue and the value we attribute to “caring” within the organisation.

Training

The Group has developed a global training programme whereby employees receive training on overall awareness of the Group’s commitment and policies on responsible gaming and more specific and detailed knowledge depending on their specific business role.

During the year we developed a further in-depth second level specialized training day in association with Gamcare for those employees whose role may possibly lead them to encounter problem gamers and those that handle difficult cases. One of the first of its kind in the industry it covered topics such as: the cycle of problem gambling, psychology and temperament of problem gamblers and dealing with reactions. We intend to repeat this specialised training in 2009.

Protecting Customers

The Group carries a Gamcare certification. Gamcare is the leading authority on the provision of counselling, advice and practical help in addressing the social impact of gambling in the UK. The certification recognises gaming businesses that have successfully implemented robust policies and practices of social responsibility and player protection.

As a responsible, regulated gaming organisation, we also comply with all guidelines published by our regulator in Gibraltar and eCOGRA, a non-profit, independent, regulatory body based in the UK. eCOGRA ensures that approved online casinos are properly and transparently monitored to provide player protection.

Protecting Minors

Underage gambling on our sites is prohibited and the Group takes the matter of underage gaming extremely seriously.

Our offerings are not designed to attract minors. In compliance with our licensing obligations, we pro-actively discourage persons under the age of 18 who attempt to play on any of our sites. We use sophisticated verification systems to identify and track minors who log in to our software, and we make every effort to prevent them from playing.

We have trained staff to be highly sensitive to the possibility of underage gambling, whenever an account is suspected of belonging to an underage customer, it is suspended until a full investigation has been carried out.

The Group's dedicated responsible gaming website 888responsible.com launched a new campaign in 2008 aimed at raising potential underage gaming and parent's awareness to the issue of underage gambling. It includes an educational movie that tells the story of a mother who takes control of her underage gambling son, an extreme situation which 888, as a company that cares for its clients, will do everything in its power to help prevent.

The Group also adheres to the stringent rules concerning underage gambling established by the Interactive Gaming Council (IGC), of which 888 is a member.

Preventative Measures

888 works closely with its customers in all aspects of the gambling experience. If however that experience become a problem for the customer we work with them towards the best and most comfortable solution for them.

We have several established measures in place to help prevent gambling becoming a problem for players. These include setting personal limits, opportunities for self-exclusion during which time the customer will not receive any promotional material and a "Gambling Therapy" button providing customers with information and support to anyone affected by problem gaming.

In addition, during 2008 we implemented a totally unique proprietary project called the "Observer", the aim of which is to develop a bespoke set of algorithms to identify patterns that are likely to indicate early problem gamblers. We developed this data mining system in consultation with Dr. Mark Griffiths, a Chartered Psychologist and Professor of Gambling Studies at the Nottingham Trent University. A complex set of parameters including financial and behavioural data are used to flag up any customers who might be at risk from becoming a problem gambler. This data is analysed and investigated and then action taken in partnership with the customer to prevent or resolve a potential problem situation occurring.

Raising Awareness and Education

Our specialist website www.888responsible.com is dedicated exclusively to responsible gaming. It is a comprehensive site covering all aspects of responsible gaming practices, dealing with problem gambling and preventing underage gambling. In 2008 we ran a specific campaign aimed at raising potential underage gaming and parent's awareness of the issue of underage gambling.

A direct link is accessible to the site from all of 888's sites.

We continue to support the work of the RIGT (Responsibility in Gambling Trust) through contributions to their educational programmes. The aim of which is to help young people better understand the dangers of problem gaming and to help them develop the personal and social skills that are also relevant to a wide range of choices and not just to gambling.

Regulation and General Regulatory Developments

The regulatory framework of online gaming in different countries around the world is as dynamic and rapidly evolving as ever. While some jurisdictions have moved to curtail the activities of online gaming sites, many others are currently contemplating liberalisation and

regulation of the industry, and some have already taken this route. The Board notes that there are significant risks, unique to the online gaming industry, including from activity with customers in the USA prior to the Group's withdrawal from the market in October 2006, when US customers of 888 generated 55% of its Total Revenue. 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.

Gibraltar

888 is licensed and regulated in Gibraltar.

European Union (EU)

The European Commission is challenging the online gambling and betting regulatory regimes of various European States, as the Commission holds that as regards EU licensed companies, these regimes might infringe the enshrined freedom to provide services, the freedom of establishment and the concept of mutual recognition. This effort is reflected in, inter alia, the infringement proceedings initiated against several EU States – Italy, Denmark, Finland, Germany, Hungary, the Netherlands, Sweden, France, Austria and Greece. Should these Member States fail to supply adequate reasoning of their gambling legislation, the Commission may refer the issue with each Member State to the European Court of Justice. While these proceedings may, in the end, cause the European States to liberalise their gambling markets, it should be noted that it could be a very long time before resolutions or judgments are reached (if at all). However, the pressure exerted by the EU Commission has resulted in several EU Member States contemplating and, in some cases advancing, a liberalised gaming sector. These Member States include France, Spain, Sweden, Greece and Denmark. Indeed, the French Budget Minister recently presented a liberalisation scheme, which will see (according to the Minister) French licensed online gambling activities in 2010.

Other EU Member States such as Ireland, Cyprus, Belgium, Estonia and the Czech Republic are also considering revising their gaming laws so as to possibly regulate online gaming.

In addition to these infringement proceedings, the EU Commission is involved in other instances in which the online gambling and betting regulatory regimes appear to contravene rights and freedoms of online gambling and betting operators (e.g., issuing detailed opinions against the enactment of prohibitive legislation, and intervening in the World Trade Organisation (WTO) process described below).

In March 2009, the EU Parliament approved a report calling to, inter alia, respect the States' rights to protect consumers, fight crime and preserve the structures used to finance sport and social activities. This report is, to a large part, inconsistent with the views held by the EU Commission and lacks any formal operational impact.

In Italy, 888 holds a sports betting license, which allows it to offer sports betting services (supervised by the State Monopoly Authority). Following regulations issued by the Italian authorities in 2007, the license will allow 888 to offer skill games (including Poker tournaments), subject to receiving the proper authorisations from the Italian authorities.

USA/WTO

In the USA, the Unlawful Internet Gambling Enforcement Act (UIGEA) added a new section to the United States Code making it illegal for anyone engaging in the business of betting or

wagering to knowingly accept any credit, electronic funds transfer, check, draft, etc. in connection with the participation of another person in unlawful internet gaming. In essence, the UIGEA prohibits online gambling operators from receiving the proceeds of financial transactions in connection with internet gaming if the gaming is illegal in the state where the bettor is located. In addition, the United States' Treasury Department and Federal Reserve promulgated regulations that require financial institutions to implement measures intended to block transactions in connection with internet gaming; these regulations entered into force on 19th January, 2009, although their implementation date is delayed to 1st, December, 2009. In October 2006 the Group stopped taking bets from US customers.

On 5 June 2007, the Group announced that it had initiated preliminary discussions with the United States Attorney's Office for the Southern District of New York regarding activity prior to enactment of the legislation. It is too early to assess any particular outcome of these discussions.

It was recently found by the World Trade Organisation that the US legislative position with respect to Internet Gambling violates US trade commitments. Following this decision, the USA has seen is seeking to withdraw its trade commitment in the sphere of gambling; while several trade partners required compensation from the USA following this withdrawal, none of the agreements reached, so far, between the USA and trade partners, have had an impact on the online gambling market. Antigua did not reach an agreement with the US, and applied to the WTO to arbitrate a settlement between it and the USA, in connection with the withdrawal of the USA commitment. There are ongoing negotiations between the US and Antigua in this respect.

In December 2007, the Remote Gaming Association (a trade body representing several online gaming operators, of which the Group is a member) filed a complaint with the European Union against the USA in connection with the breach of its trade commitments. Following this complaint, the European Commission decided to open an investigation into whether the United States is in breach of its WTO obligations in the sphere of gambling (in relation to the period prior to the withdrawal of its commitment). The investigation is expected to conclude during the first few months of 2009, at which date the Commission will present its findings, which could lead to the initiation of WTO proceedings.

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

Corporate Social Responsibility

CSR is fast becoming one of the key benchmarks of an organisation's overall success and reputation in the marketplace and our commitment to CSR is a reflection of its importance to staff, customers, local communities and the environment in which our business operates.

Community

Our goal is to serve as positive influence on the communities in which we operate.

During December 2008, 888 held its second Charity Day.. We raised a significant sum which will be donated to global charity World for World which focuses on improving the nutrition and living standards of some of the world's poorest communities.

As part of the Group's ongoing community projects our staff have been involved in a number of projects throughout the year.

In Gibraltar donations were made throughout the year to a number of local charities including the Research into Childhood Cancer charity and Childline Gibraltar. We continue to support St Martin's School through various activities including a Gardening Day in March and the donation of a Christmas tree.

In Antigua we organised a poster competition for the Adele School for Special Children, a day's event for the whole school and we held a Christmas lunch for the residents and donated much needed supplies for craft activities to the National Vocational and Rehabilitation Center for the Disabled.

In Israel, for the second year running 45 employees joined the Ruach Hatova (the "Good Wind") national volunteering organisation for a day of goodwill comprising an outing for refugees. We continue to support the Netanya-based non-profit charity "Derech Ha'Etgar" that helps disadvantaged teenagers. In June we held a day's cycle outing and in December we held a Hanukah party for the children and donated games, prizes and holiday treats. We have also helped to redecorate the centre.

Environment

888 has been a constituent member since 2007 of the FTSE4Good Index, which aims to provide a tool for investors to identify and invest in companies that meet globally recognised corporate responsibility standards.

Whilst pure online-based businesses have a low impact on the environment, the Group is still committed to taking a proactive approach to minimise its environmental footprint. In 2008 we established a global green forum, the "Bee Green Forum". The forum meets monthly to discuss and implement environmental policies and initiatives throughout the Group's operational sites.

The first of these initiatives was an awareness campaign to encourage employees to think about the impact of their actions on the environment and to recycle and save energy by switching off machinery and lights when appropriate. We produced a Bee logo to front the campaign with posters and signs displaying useful environmental information which has proved very popular with staff.

One of the key operational goals was the reduction of our electricity consumption. A pilot scheme that was introduced in our Israel office in 2007 was subsequently fully implemented and the following steps were taken:

- Installation of energy efficient light sources
- Automated control of air conditioning and lighting systems with motion sensors in meeting rooms
- Installation of solar energy device for water heating
- Optimisation system installed to our air-conditioning saving 15% of energy used
- Anti-sun stickers installed on windows improving air conditioning efficiency

We have, through these actions, reduced our energy consumption by 11%.

All our offices recycle as many materials as possible and employees are discouraged from using disposable cups. We use only ecological detergents in our offices and have installed a number of water saving devices.

In order to minimise the impact of travel on the environment we encourage employees to cycle by providing allocated parking, showers and changing rooms. In order to minimise international travel 888 has invested in state of the art teleconferencing facilities which encourages staff to use virtual conference meetings instead of travel.

Employees

In a fast moving and competitive industry the management, communication, reward and retention of our employees is a key factor in our continued success. We strive to be an employer of choice where employees have an opportunity to be successful and fulfil their potential.

We recognise that our employees represent a centre of excellence for the online gaming industry and we are keen to nurture and maintain that pool of talent. We adopt a consultative approach with our employees through various means including the intranet and employee surveys.

In 2008 our focus was on employee engagement levels and how to improve employee satisfaction. We conducted a global employee opinion survey to understand, in a formal, well-structured, measurable and traceable manner, our employee's feedback towards different aspects of their daily work, atmosphere and culture. The survey's findings have formed the basis for defining objectives for improvement and a number of actions are being taken across the business as a direct result. This will become an annual event.

Professional Development

Beyond financial rewards, 888 aims to provide clear opportunities for development and progression enabling employees to improve their skill set and performance. We have implemented an annual global appraisal system called "talking@888" using a web-based platform. The main target of the appraisal & goals process is to conduct an open dialogue between employees and their managers, while examining performance and achievement of goals throughout the past year and defining goals for the upcoming year. Each employee is also evaluated on the expression of the values in their everyday work.

We hold an annual business leadership convention to keep senior managers informed of strategy and business performance, this information is then cascaded down to all employees.

In 2008 we also sent our key managers from different locations and divisions on an executive development programme for companies competing in global markets.

Training

Training and development programmes help employees develop their skills and experience and to reach their full potential, benefiting both themselves and the Group. During 2008 over 80% of all Group employees participated in both internal and/or external training courses including soft skills, technology and industry led training.

Equal opportunity

We believe that inclusion is about ensuring everyone has an equal opportunity to access 888 as an employer. We value everyone's contribution, regardless of their background or gender, and firmly believe that our diverse workforce helps us to meet the needs of our global customers.

At the year end, the Group had 931 employees (2007: 805) in the following locations: Gibraltar, Israel, Antigua and London.

Life@888 – the 888 Creed

Entertainment@888 - We believe that entertainment is what completes our lives. After the challenges and routine that occupy most of our time, everyone is entitled to some fun and excitement.

Customers@888 - We believe that our first responsibility is to provide the best experience and world-class service to our customers and business partners at all levels. This means tailoring the most perfect offering for each customer, client and partner from the high level of the business down to each and every player, at all locations at any given time. 888 is proud to both develop and acquire new products to maintain its edge. We are always mindful of the complex regulatory environment that we operate in and the social responsibility that comes with our industry. 888 understands that in order to create value, it must protect values; and that demands an investment of time and resources in caring for its more vulnerable customers.

Employees@888 - We are responsible for our employees who work with us worldwide. We must provide an enjoyable work environment where people are challenged and motivated to excel, where flare is rewarded, compensation is fair and the balance between work and family is respected. Individual development is encouraged and advancement is based solely on merit. We must always invest in developing our employees so that they can achieve their personal aspirations. All employees should expect their managers to be capable, knowledgeable and motivating. We must always treat our suppliers and other partners with respect, enabling them to make a fair profit. We will never expose our employees to regulatory risk and all employees should be comfortable that their actions are just and ethical.

Responsibility@888 - We must use our financial success for the greater good. We are in a great position to invest back in to the charities and organizations that are important to our employees and to our customers. We must especially encourage and support the social responsibility that accompanies our work. We are committed to provide a fair and responsible gaming environment and to guide our customers to play responsibly.

Investors@888 - We must strive to operate as efficiently as possible, achieving profitable excellence always ensuring that we treat their capital as if it was our own. We must take risks that allow step-changes in performance while always calculating the risk and measuring our results, retaining knowledge and learning from our experiences. By doing all of the above we will increase shareholder value.

Our Values:

Excellence: We consistently challenge ourselves to reach the highest performance level in everything we do.

Innovation: We dare to question our own 'way of doing things', keeping an open mind, experimenting, and constantly creating new surprising and effective solutions.

Caring: We value every employee, colleague and customer. We show it by creating a nurturing environment of respect and sensitivity to the needs of others. We do not forget our commitment to provide a responsible gaming environment to all.

Customer centricity: We keep our customers (both internal and external) at the centre of all decision-making processes, we strive to exceed customer expectations and provide the best customer experience.

Leading: We strive to remain one step ahead of the competition. This means we are constantly on our toes, thinking ahead and keeping a close eye on industry developments.

Collaboration: We know our success depends on our ability to work as a single unit while sharing our knowledge, capabilities and opinions in an open, respectful and trusting environment.

These values underpin the Group's strategic goals, giving all employees a sense of identification and a defined way of behaving as well as ensuring alignment between the organisation's business objectives and those of individual employees. These values serve us as our guidelines and we strive to obtain a high level of integrity in the way we work, communicate and act.

Risk Report

The Group operates in a new and dynamic business environment. In addition to the day to day commercial risks faced by most enterprises, the online gaming industry faces particular challenges in respect of Regulatory risk, Reputational risk, Information Technology risk and Taxation risk, each of which is detailed below.

Regulatory risk

The regulatory framework of online gaming is dynamic and complex. Change in the regulatory regime in a specific jurisdiction could have a material adverse effect on business volume and financial performance in that jurisdiction. A detailed regulatory review is set out below.

Reputational risk

The Group is exposed to the risk of under-age and problem gamblers accessing its online real money gaming sites. The Group devotes considerable resources to putting in place prevention measures coupled with strict internal procedures designed to prevent under-aged players from accessing its real money sites. In addition, the Group promotes a safe and responsible gaming environment to its customers supplemented by its corporate culture. The Group has a dedicated director of CSR & Responsible Gaming tasked with the responsibility of implementing such policies. Further details about the Group's responsible gaming initiatives are set out above.

Information technology risks

As a leading online business, the Group's IT systems are critical to its operation. The Group is reliant on the performance of these systems.

Cutting-edge technologies and procedures are implemented throughout the Group's technology operations designed to protect its networks from malicious attacks and other such risks. These measures include traffic filtering, anti-DDoS (Distributed Denial of Service) devices, Anti-Virus protection from leading vendors and other such means. Physical and logical network segmentation is used to isolate and protect the Group's networks and restrict malicious activities. In order to ensure systems are protected properly and effectively, external security

scans and assessments are carried out in a timely manner. The Group has a high-end storage solution to ensure storage availability and performance. All critical data is replicated to another storage device for disaster recovery purposes and all data is stored off-site on a daily basis.

In order to minimise dependencies on telecommunication service providers, the Group invests in network infrastructure redundancies whilst regularly reviewing its service providers. The Group has contracted with a second internet service provider in Gibraltar in order to minimise reliance on one provider.

As a part of its monitoring system, the Group deploys set user experience tests which measure performance from different locations around the world. Network-related performance issues are addressed by re-routing traffic using different routes or providers.

888 operate a 24x7 Network Operations Centre (NOC). The NOC's role is to conduct real time monitoring of production activities using state-of-the-art systems. These systems are designed to identify and provide alerts regarding problems related to systems, key business indicators and issues surrounding customer usability experience.

Taxation risk

The Group aims to ensure that each legal entity within the Group is a tax resident of the jurisdiction in which it is incorporated and has no taxable presence in any other jurisdiction. While the Group's customers are located worldwide, certain jurisdictions may seek to tax such activity which could have a material adverse effect on the amount of tax payable by the Group or on customers' behaviour.

The Group benefit from favourable fiscal arrangements in some of the jurisdictions in which it has taxable presence without which its results would be adversely affected. All gaming activities are based in Gibraltar, where the Group currently benefits from a tax exempt status. A change of control or activity of a tax exempt subsidiary would result in the loss of its tax status. However, this is not expected to have a material adverse effect on the overall tax rate of the Group. The tax exempt status is due to expire by the end of 2010 when the Government of Gibraltar intends to introduce a new fiscal regime that complies with EU requirements.

Domestic corporate tax in Gibraltar is 27% (2008 / 2009). Gibraltar's Chief Minister has announced further reductions in anticipation of the introduction of a flat tax rate of 10% in 2010. A consultation is in place with respect to the new tax regime in Gibraltar and it is widely anticipated, following Government indications, that the new rules will be in place by July 2009 but not come into effect until July 2010 with gaming companies subject to an effective rate of tax well below the new flat tax rate. The Group is currently required to pay a gaming duty, currently set at 1% of gaming yield, with an annual maximum cap of £425,000 in aggregate, in respect of its Casino, Poker, Bingo and Backgammon activities and, separately, at the same rate in respect of the Group's new Sports offering. The applicability of the gaming taxes following the implementation of the new tax regime is, as yet, unclear.

The Group's subsidiary in Israel, Random Logic Limited, and the Israeli branch of Intersafe Global Limited, have each entered into separate transfer pricing agreements on an arm's-length basis with the Israeli Income Tax Commissioner. The arrangements for Random Logic Limited are effective until 2010, while the arrangement for the Intersafe Global Limited branch terminated on 31 December 2007. Accordingly, the Group has discontinued the use of this branch.

The operation in Antigua also benefits from a low tax regime further mitigated by the current small scale of the operation.

Group Income Statement

for the year ended 31 December 2008

	Note	Year ended 31 December 2008 US\$'000	Year ended 31 December 2007 US\$'000
Total Revenue	2	256,862	213,383
Other operating income	2	5,692	3,563
Total operating income		262,554	216,946
Operating expenses		84,637	64,864
Research and development expenses		27,379	23,496
Selling and marketing expenses		80,155	70,897
Administrative expenses	4	33,069	24,660
Operating Profit before share benefit charges		45,705	40,829
Share benefit charges		8,391	7,800
Operating Profit	5	37,314	33,029
Finance income		2,928	4,957
Profit before tax before share benefit charges		48,633	45,786
Share benefit charges	21	8,391	7,800
Profit before tax		40,242	37,986
Taxation	7	3,057	3,199
Profit from Continuing operations		37,185	34,787
Loss from Discontinued operations	25	-	(552)
Profit after tax for the year attributable to equity holders of parent		37,185	34,235

	Note	Year ended 31 December 2008	Year ended 31 December 2007
Earnings per share			
Continuing operations	8		
Basic		10.9¢	10.3¢
Diluted		10.7¢	10.1¢
Discontinued operations	25(d)		
Basic		-	(0.2)¢
Diluted		-	(0.2)¢
Total			
Basic		10.9¢	10.1¢
Diluted		10.7¢	9.9¢

Group Statement of Recognised Income and Expenses

for the year ended 31 December 2008

	Note	Year ended 31 December 2008	Year ended 31 December 2007
Actuarial movements on severance pay liability	6	(949)	-
Net expense recognised directly in equity		(949)	-
Net profit for the year		37,185	34,235
Total recognised income and expense for the year attributable to equity holders of the parent		36,236	34,235

The notes below form part of these financial statements.

Group Balance Sheet

at 31 December 2008

	Note	31 December 2008 US\$'000	31 December 2007 US\$'000
Assets			
Non-current assets			
Intangible assets	11	44,812	40,656
Property, plant and equipment	12	19,740	16,496
Financial assets	13	223	654
Deferred taxes	14	606	537
		65,381	58,343
Current assets			
Cash and cash equivalents	15	98,444	104,308
Trade and other receivables	16	18,673	19,530
		117,117	123,838
Total assets		182,498	182,181
Equity and liabilities			
Equity attributable to equity holders of the parent			
Share capital	17,18	3,115	3,097
Share Premium	18	65	-
Available for sale reserve	18	(536)	(105)
Retained earnings	18	108,716	89,735
Total equity attributable to equity holders of the parent		111,360	92,727
Liabilities			
Current liabilities			
Trade and other payables	19	37,854	63,040
Liabilities to Customers		33,284	26,414
Total liabilities		71,138	89,454
Total equity and liabilities		182,498	182,181

The financial statements herein were approved and authorised for issue by the Board of Directors on 30 March 2009.

Group Statement of Cash Flows

for the year ended 31 December 2008

	Year ended 31 December 2008 US\$'000	Year ended 31 December 2008 US\$'000	Year ended 31 December 2007 US\$'000	Year ended 31 December 2007 US\$'000
Cash flows from operating activities				
Profit before income tax	40,242		37,434	
Adjustments for				
Depreciation	5,504		4,192	
Loss on sale of property, plant and equipment	75		-	
Amortisation	1,826		1,550	
Interest received	(3,255)		(5,434)	
Share benefit charges	8,391		7,800	
	52,783		45,542	
Decrease/(increase) in trade receivables	4,404		(7,241)	
Increase in other accounts receivables	(3,441)		(2,620)	
Increase in trade payables	810		2,186	
Increase in liabilities to customers	6,870		3,743	
(Decrease)/Increase in other accounts payables	(669)		7,663	
Cash generated from operations	60,757		49,273	
Income tax paid	(4,363)		(3,075)	
Net cash generated from operating activities		56,394		46,198
Cash flows from investing activities				
Acquisition of assets comprising the online bingo business of Globalcom Limited (see note 10)	(25,311)		(17,142)	
Purchase of property, plant and equipment	(8,852)		(7,574)	
Proceeds from sale of property, plant and equipment	29		-	
Interest received	3,255		5,434	
Acquisition of available for sale assets	-		(759)	
Acquisition of intangible assets	(513)		-	
Internally generated Intangible assets	(5,303)		-	
Net cash used in investing activities		(36,695)		(20,041)
Cash flows from financing activities				
Exercise of Market Value options	65		-	
Dividends paid	(25,628)		(36,205)	
Net cash used in financing activities		(25,563)		(36,205)
Net decrease in cash and cash equivalents		(5,864)		(10,048)
Cash and cash equivalents at the beginning of the year		104,308		114,356
Cash and cash equivalents at the end of the year		98,444		104,308

The notes below form part of these financial statements.

Notes to the Consolidated Financial Statements

1 General information

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 is the owner of innovative proprietary software solutions providing a range of virtual online gaming services over the internet including Casino, Poker, Bingo, Sport and Backgammon to end users and also provide these services through business partners. In addition the group provide payment services, customer support and online advertising.

Cassava Enterprises (Gibraltar) Limited and Brigend Limited (both subsidiaries) carried out the operations of the Group during the year, principally under the name www.888.com under the terms of the gaming licenses issued in Gibraltar.

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:

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) Act 1999, the Gibraltar Companies (Consolidated Accounts) Act 1999 and the Gibraltar Companies Act.

Statutory accounts for the year ended 31 December 2008 will be made available following the Company's Annual General Meeting. The auditors have reported on those accounts and their report was unqualified and did not contain statements under section 10(2) of the Gibraltar Companies (Accounts) Act 1999 or section 182(1) (a) of the Gibraltar Companies Act. Statutory accounts for the year ended 31 December 2007 have been delivered to the Registrar of Companies in Gibraltar together with a report under section 10 of the Gibraltar Companies (Accounts) Act 1999. The audit report for both 2007 and 2008, without qualifying the opinion therein, draws attention to the issue set out in note 26 on Contingent Liabilities in the financial information.

The following standards and interpretations, issued by the IASB or the International Financial Reporting Interpretations Committee (IFRIC), are effective for the first time in the current financial year and have been adopted by the Group with no significant impact on its consolidated results or financial position:

IFRIC 11 IFRS 2– Group and treasury share transactions (effective for annual periods beginning on or after 1 March 2007). IFRIC 11 has been endorsed for use in the EU. The Group has adopted IFRIC 11 'Group and treasury share transactions'. The effect of adopting this is that the parent company recognises as a cost of investment the value of its own shares that it makes available for the purpose of granting share options to employees or contractors of its subsidiaries. This has no impact on the Group financial statements, and no impact on the prior year profit or net assets of the parent company.

IFRIC 12 – Service concession arrangements (effective for annual periods beginning on or after 1 January 2008). IFRIC 12 was due to be applied in these financial statements but it has not yet been endorsed for use in the EU. However, it has no impact on these financial statements.

IFRIC 14– The Limit on a Defined Benefit Asset Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after 1 January 2008). IFRIC 14 has been endorsed for use in the EU.

Notes to the Consolidated Financial Statements

2 Significant accounting policies continued

The following standards and interpretations, issued by the IASB or IFRIC, have not been adopted by the Group as these were not effective for the year 2008. The Group is currently assessing the impact these standards and interpretations will have on the presentation of its consolidated results in future periods:

IAS 1 (Amendment) – Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2009) - IAS 1 has been endorsed for use in the EU.

IFRIC 13 – Customer Loyalty Programmes (effective for annual periods beginning on or after 1 July 2008). IFRIC 13 has been endorsed for use in the EU.

IAS 23 (Amendment) – Borrowing costs (effective for annual periods beginning on or after 1 January 2009). IAS 23 has been endorsed for use in the EU.

IAS 27 (Amendment)– Consolidated and separate financial statements (effective for periods beginning on or after 1 July 2009). IAS 27 has not been endorsed for use in the EU.

IFRS 2 (Amendment) – Vesting conditions and cancellations (effective for accounting periods beginning on or after 1 January 2009). IFRS 2 (Amendment) has been endorsed for use in the EU.

IFRS 3 (Revised) – Business combinations (effective for accounting periods beginning on or after 1 January 2009). IFRS 3 (Revised) has not yet been endorsed for use in the EU.

IFRS 8 – Operating segments (effective for annual periods beginning on or after 1 January 2009) contains requirements for the disclosure of information about an entity's operating segments and also about the entity's products and services, the geographical areas in which it operates, and its major customers. The standard is concerned only with disclosure and replaces IAS 14 – Segment reporting. IFRS 8 has been endorsed for use in the EU.

Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations arising on Liquidation (effective for accounting periods beginning on or after 1 January 2009). These amendments have not been endorsed for use in the EU.

IFRS1 (revised) – First time adoption of IFRS (effective for accounting periods beginning on or after 1 July 2009). IFRS1 (revised) has not yet been endorsed for use in the EU.

IFRIC15 – Agreements for the Construction of Real Estate (effective for accounting periods beginning on or after 1 January 2009). IFRIC15 has not yet been endorsed for use in the EU.

IFRIC16 – Hedges of a net investment in a foreign operation (effective for accounting periods beginning on or after 1 October 2008). IFRIC16 has not yet been endorsed for use in the EU.

IFRIC17 – Distributions of non-cash assets to owners (effective for accounting periods beginning on or after 1 July 2009). IFRIC17 has not yet been endorsed for use in the EU.

IFRIC 18 – Transfer of Assets from Customers (effective for accounting periods beginning on or after 1 July 2009). IFRIC18 has not yet been endorsed for use in the EU.

IAS39 (amended) – Financial Instruments: Recognition and Measurement: Eligible Hedged Items (effective for accounting periods beginning on or after 1 July 2009) IAS39 (amended) has not yet been endorsed for use in the EU.

IAS39 (amended) – Reclassification of financial assets: effective date and transition (effective for accounting periods beginning on or after 1 July 2009). IAS39 (amended) has not yet been endorsed for use in the EU.

IFRS1 First Time Adoption of IFRS and IAS27 Consolidated and Separate Financial Statements (amended) effective for accounting periods beginning on or after 1 January 2009. This amendment has not yet been endorsed for use in the EU.

IAS39 Financial Instruments: Recognition and Measurement and IFRS7 Financial Instruments: Disclosures (amended) (effective for periods beginning on or after 1 July 2008). This amendment has not been adopted for use in the EU.

Critical accounting policies, estimates and judgments

The preparation of consolidated financial statements under IFRS requires the Group to make estimates and judgments that affect the application of policies and reported amounts. Estimates and judgments are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Notes to the Consolidated Financial Statements

2 Significant accounting policies continued

Included in this note are accounting policies which cover areas that the Directors consider require estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year. These policies together with references to the related notes to the financial statements can be found below:

Taxation	Note 7
Intangible assets	Note 11
Impairment of Goodwill and intangible assets	Note 11
Share-based payments	Note 21
Regulatory compliance and contingent liabilities	Note 26

Discontinued operations

As a result of enactment of the Unlawful Internet Gambling Enforcement Act (“UIGEA”) in October 2006, the Group withdrew from offering real-money activity to the US facing market.

Although the Group did not operate the US facing business as a separate business, it was a separate geographical segment of the Group’s business and in accordance with IFRS 5 – “Non-Current Assets Held for Sale and Discontinued Operations” the income statement and related notes were required to show continued and discontinued operations separately.

There was no impact of these matters in respect of the year ended 31 December 2008

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 consideration 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.

Total 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. Revenue is recognised in the accounting periods in which the transactions occurred.

Total Revenue consists of revenue from online gaming and revenue generated from processing customers’ cross currency deposits and withdrawals. Total revenue comprises of the following:

Casino

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

Poker

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

Tournaments: Entry fees charged for participation in Poker tournaments are recognised when the tournament has concluded.

Emerging Offerings

Revenue from Emerging Offerings is defined as the commission charged from winnings or entry fees charged for participation in a tournament and winnings from Sportsbook activity. In the case of white label activity, Revenue is the net commission charged.

Casino winnings, revenues from the Poker business and Emerging Offerings are stated after deduction of certain bonuses granted to customers.

Other operating income

Other operating income consists mainly of revenue generated from processing customers’ cross currency deposits and withdrawals.

Notes to the Consolidated Financial Statements

2 Significant accounting policies continued

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.

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. It is accounted for using the balance sheet liability method. 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. Such assets and liabilities are not recognised if the temporary differences arise from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the deferred tax liabilities/assets are settled/recovered.

Intangible assets

Acquisitions

Identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date. The identified intangibles are amortised over the useful economic life of the assets. For acquisitions during the year 2007, the useful economic life of the intangible assets acquired is estimated to be between three months and four years. Intangible assets are reviewed annually for evidence of impairment. Any impairment in carrying value is charged to the consolidated income statement.

Internally generated intangible assets

Expenditure incurred on development activities is capitalised only when the expenditure will lead to new or substantially improved products or processes, the products or processes are technically and commercially feasible and the Group has sufficient resources to complete development. All other development expenditure is expensed. Subsequent expenditure on capitalised intangible assets is capitalised only where it clearly increases the economic benefits to be derived from the asset to which it relates. The group estimates the useful life of these assets as between 3 and 5 years.

Goodwill

Goodwill represents the excess of the cost of a business combination over the interest in the fair value of the identifiable assets, liabilities and contingent liabilities acquired. Cost comprises the fair value of any assets acquired, liabilities assumed and equity instruments issued, plus any direct costs of acquisition.

Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the consolidated income statement. Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is credited in full to the consolidated income statement on the acquisition.

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

Notes to the Consolidated Financial Statements

2 Significant accounting policies continued

Impairment of non-financial assets

Impairment tests on goodwill and other intangible assets with indefinite useful economic lives are undertaken annually on 31 December, and where applicable an impairment loss is recognized immediately in the income statement. 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).

Financial instruments

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

Trade receivables

Trade receivables are recognised at fair value and carried at amortised cost and principally comprise amounts due from 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.

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 deposits originally purchased with maturities of three months or less.

Equity

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

Trade and other payables

Trade and other payables are recognised at fair value and carried at amortised cost.

Liabilities to Customers

Liabilities to customers comprises the amounts that customers place in the Group's electronic "wallet" or bankroll, including provision for bonuses granted by the Group, less management fees and charges applied to customer accounts, along with full provision for jackpots. These amounts are repayable on demand in accordance with the applicable terms and conditions.

Available for sale financial assets

Available for sale financial assets comprise non-derivative financial assets not included in any of the above financial asset categories are classified as available for sale and comprise principally the Group's investments in entities not qualifying as subsidiaries. They are carried at fair value with changes in fair value recognised directly in a separate component of equity. Where there is a significant decline in the fair value of an available for sale financial asset the full amount of the impairment, including any amount previously charged to equity, is recognised in the income statement.

Chargebacks

The cost of chargebacks is included in operating expenses.

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.

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.

Notes to the Consolidated Financial Statements

2 Significant accounting policies continued

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
- Emerging Offerings comprises mainly of the newly established B2B business, Bingo business, 888's Sportsbook, Live dealer offering and 888's Backgammon offering.

Dividends

Dividends are recognised when they become legally payable. In the case of interim dividends this is when paid. In the case of final dividends, this is when approved by the shareholders at the Annual General Meeting.

Share based payments

Where the Company grants its employees or contractors shares, nil priced options or market value options, the fair value at the date of grant is charged to the income statement over the vesting period. Non-market performance conditions are taken into account by adjusting the number of instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of instruments that eventually vest.

Notes to the Consolidated Financial Statements

3 Segment information

Business segments

	Year ended 31 December 2008			
	Casino US\$'000	Poker US\$'000	Emerging offerings US\$'000	Consolidated US\$'000
Total Revenue	135,069	77,252	44,541	256,862
Other operating income	3,621	2,071	-	5,692
Total operating income	138,690	79,323	44,541	262,554

Result

Segment result	98,865	37,358	23,101	159,324
Unallocated corporate expenses ¹				122,010
Operating Profit				37,314
Finance income				2,928
Tax expense				(3,057)
Profit for the year attributable to equity holders of parent				37,185

Assets

Unallocated corporate assets				182,498
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Total assets				182,498
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Liabilities

Segment liabilities - Poker				23,275
Segment liabilities - Casino				5,681
Segment liabilities - Emerging Offerings				2,524

Unallocated corporate liabilities				39,658
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Total liabilities				71,138
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¹ Including share benefit charges of 8,391,000 US\$.

	Year ended 31 December 2007			
	Casino US\$'000	Poker US\$'000	Emerging offerings US\$'000	Consolidated US\$'000
Total Revenue	118,120	80,817	14,446	213,383
Other operating income	2,111	1,452	-	3,563
Total operating income	120,231	82,269	14,446	216,946

Result

Segment result	74,061	41,814	5,547	121,422
Unallocated corporate expenses ¹				88,393
Operating Profit				33,029
Finance income				4,957
Tax expense				(3,199)
Profit for the year -continuing operations				34,787
Profit of the year -discontinued operations -note 25(a)				(552)
Profit for the year attributable to equity holders of parent				34,235

Assets

Unallocated corporate assets				182,181
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Total assets				182,181
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Liabilities

Segment liabilities - Poker				20,013
Segment liabilities - Casino				5,533
Segment liabilities - Emerging Offerings				868
Deferred acquisition liability - Emerging Offerings				25,145
Unallocated corporate liabilities				37,895

Total liabilities				89,454
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¹ Including share benefit charges of US\$7,800,000.

3 Segment information continued

Other than where amounts are allocated specifically to the Casino, Poker and Emerging Offerings segments above, the expenses, assets and liabilities relate jointly to all 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:

Total operating income by geographical market

	Total Revenue	Other operating income	Total operating income
	Year ended 31 December 2008	Year ended 31 December 2008	Year ended 31 December 2008
	US\$'000	US\$'000	US\$'000
UK	105,122	2,301	107,423
Europe (Excluding UK)	112,093	2,974	115,067
Americas (excluding USA)	21,743	417	22,160
Rest of World	17,904	-	17,904
Total operating income	256,862	5,692	262,554

	Total Revenue	Other operating income	Total operating income
	Year ended 31 December 2007	Year ended 31 December 2007	Year ended 31 December 2007
	US\$'000	US\$'000	US\$'000
UK	91,404	1,597	93,001
Europe (Excluding UK)	88,445	1,622	90,067
Americas (excluding USA)	17,684	344	18,028
Rest of World	15,850	-	15,850
Total operating income	213,383	3,563	216,946

Assets by geographical location

	Carrying amount of segment assets by location		Additions to property, plant and equipment	
	Year ended 31 December 2008	Year ended 31 December 2007	Year ended 31 December 2008	Year ended 31 December 2007
	US\$'000	US\$'000	US\$'000	US\$'000
Caribbean	373	454	192	51
Europe (Including UK)	151,468	161,168	6,105	2,546
Rest of World	30,657	20,559	2,555	5,058
	182,498	182,181	8,852	7,655

4 Administrative expenses

	Year ended 31 December 2008	Year ended 31 December 2007
	US\$'000	US\$'000
Share benefit charges – all equity settled	8,391	7,800
Other administrative expenses	24,678	16,860
Administrative expenses – Continuing operations	33,069	24,660
Administrative expenses – Discontinued operations	-	552
Administrative expenses	33,069	25,212

5 Operating profit

	Year ended 31 December 2008 US\$'000	Year ended 31 December 2007 US\$'000
Operating profit is stated after charging:		
Staff costs (see note 6)	74,695	61,301
Audit fees	381	349
Other fees paid to auditors in respect of taxation services	29	26
Depreciation(within operating expenses)	5,504	4,192
Amortisation(within operating expenses)	1,826	1,550
Chargebacks	4,816	2,846
Exchange losses (gains)	2,630	(1,117)
Payment service providers' commissions	15,256	13,359
Share benefit charges – all equity settled	8,391	7,800

6 Employee benefits

Staff cost comprise of the following elements:

	2008 US\$'000	2007 US\$'000
Wages and salaries	69,636	54,009
Social security	4,966	4,410
Pension costs	4,050	2,882
	78,652	61,301
Staff costs capitalized in respect of internally generated assets	(3,957)	-
	74,695	61,301

In the income statement total staff costs, excluding share benefit charge of US\$8,391,000 (2007: US\$7,800,000), are included within the following expenditure categories.

	2008 US\$'000	2007 US\$'000
Operating expenses	40,287	30,967
Research and development expenses	20,588	18,672
Administrative expenses	13,820	11,662
	74,695	61,301

Average headcount number of employees by category:

	2008 Number	2007 Number
Operation	574	493
Research and development	167	148
Administration	143	124
	884	765

At 31 December 2008 the Company employed 931 (2007: 805) staff.

Severance pay liability – Israel

The Groups' employees in Israel are eligible to receive certain benefits from the Group in certain defined circumstances. As such the Group operates a defined benefit severance pay plan which requires contributions to be made to separately administrated funds.

The method used to determine the current service cost and the present value of the defined benefit obligation, according to IAS 19 'Employee Benefits' is the Projected Unit Credit actuarial cost method. Actuarial gains and losses are recognised by the Group using the equity method.

In prior years, the Group neither recorded nor accrued any actuarial gains or losses using the equity method, since there were no material adjustments or effects of actuarial changes. In 2008, the Group recognised actuarial losses according to the equity method as reflected in the consolidated statement of Recognised Income and Expenses.

The following table summarises the employee benefits figures as included in the Groups' financial statements for 2008 and 2007, respectively:

	2008 US\$'000	2007 US\$'000
Severance pay liability (within trade and other payables)	276	280
Income statement	1,732	1,471
Actuarial movements on severance pay liability (deducted from retained earnings)	949	-

The main actuarial assumptions used in determining the fair value of the Groups' employee benefits plan are shown below:

	2008 %	2007 %
Discount rate (nominal) ¹	3.22%	6.5%
Estimated increase in employee benefits costs	3%	3%
Voluntary termination rate	70%	85%

1 The discount rates are based on Israeli government bonds and reflect inflation rates of 0.6% and 2.75% in 2008 and 2007, respectively.

7 Taxation

Corporate taxes

	Year ended 31 December 2008 US\$'000	Year ended 31 December 2007 US\$'000
Current tax	2,988	3,190
Deferred tax	69	9
Taxation expense	3,057	3,199

	Year ended 31 December 2008 US\$'000	Year ended 31 December 2007 US\$'000
Profit before taxation	40,242	37,434
Tax at effective tax rate in Gibraltar	0	0
Effect of overseas taxation	2,988	3,190
Effect of deferred tax originating in overseas jurisdictions	69	9
Total tax charge for the year	3,057	3,199

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

Gibraltar – The Company and its Gibraltar registered subsidiaries are subject to the provisions of the Gibraltar Companies (Taxation and Concessions) Act (the "CTCA") as tax-exempt companies. 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 27% (2008 / 2009). Gibraltar's Chief Minister has announced further reductions in anticipation of the introduction of a flat tax rate of 10% in 2010. A consultation is in place with respect to the new tax regime in Gibraltar but it is widely anticipated, following Government indications that it is expected the new rules will be in place by July 2009 but not come into effect until July 2010.

Israel – 888 have entered into certain transfer pricing agreements with the Israeli Income Tax Commissioner. The agreement in respect of Random Logic Limited is effective until the end of 2010. The agreement in respect of the Israeli branch of Intersafe Global Limited was effective until the end of 2007. Accordingly, the Group has discontinued the use of this branch. Domestic corporate tax in Israel in 2008 is 27% (2007: 28%) and is scheduled to go down to 25% from 2010 and onwards.

UK – 888's subsidiary in the UK pays corporate tax in the UK at the applicable rate of 28% (2007: 30%).

8 Earnings per share

Basic earnings per share from continuing operations

Basic earnings per share have been calculated by dividing the profit attributable to ordinary shareholders 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. In addition, certain employee options have also been excluded from the calculation of diluted EPS as their exercise price is greater than the weighted average share price during the year and it would not be advantageous for the holders to exercise the option. The number of options excluded from the diluted EPS calculation is 3,117,110 (2007: 4,765,036).

	Year ended 31 December 2008 US\$'000	Year ended 31 December 2007 US\$'000
Profit from continuing operations attributable to ordinary shareholders	37,185	34,787
Weighted average number of Ordinary Shares in issue	341,515,007	338,837,328
Effect of dilutive Ordinary Shares and Share options	5,807,035	7,232,097
Weighted average number of dilutive Ordinary Shares	347,322,042	346,069,425
Continuing operations		
Basic	10.9¢	10.3¢
Diluted	10.7¢	10.1¢
Discontinued operations - Note 25(d)		
Basic	-	(0.2)¢
Diluted	-	(0.2)¢
Total		
Basic	10.9¢	10.1¢
Diluted	10.7¢	9.9¢

Earnings per share excluding share benefit charges

The Directors believe that EPS excluding share benefit charges better reflects the underlying performance of the business and assists in providing a clearer view of the performance of the Group. It is also a performance measure used internally to manage the operations of the business.

Reconciliation of profit to profit excluding share benefit charges:

	Year ended 31 December 2008 US\$'000	Year ended 31 December 2007 US\$'000
Profit from continuing operations attributable to ordinary shareholders	37,185	34,787
Share benefit charges	8,391	7,800
Profit excluding share benefit charges	45,576	42,587
Weighted average number of Ordinary Shares in issue	341,515,007	338,837,328
Weighted average number of dilutive Ordinary Shares	347,322,042	346,069,425
Continuing operations		
Basic earnings per share excluding share benefit charges	13.4¢	12.6¢
Diluted earnings per share excluding share benefit charges	13.1¢	12.3¢
Discontinued operations - Note 25(e)		
Basic earnings per share excluding share benefit charges	-	(0.2)¢
Diluted earnings per share excluding share benefit charges	-	(0.2)¢
Total		
Basic earnings per share excluding share benefit charges	13.4¢	12.4¢
Diluted earnings per share excluding share benefit charges	13.1¢	12.1¢

9 Dividends

	Year ended 31 December 2008 US\$'000	Year ended 31 December 2007 US\$'000
Dividends paid	25,628	36,205

The Board of Directors will recommend to the Shareholders a final dividend in respect of the year ended 31 December 2008, of 2.9¢.

10 Acquisitions made during the prior year

Online Bingo business

On 16 May 2007 the Group acquired the assets comprising the online Bingo business of Globalcom Limited ("Bingo Business") for an all cash consideration.

In calculating the goodwill arising on acquisition, the fair value of the net assets of the Bingo business were valued by a professional valuation firm and recognised in accordance with IFRS 3 and adjustments from book value have been made where necessary. These adjustments are summarized as follows:

	Book Value on acquisition US\$'000	Fair value adjustments US\$'000	Fair Value US\$'000
Property, plant and equipment ¹	81	-	81
Intangible assets ²	200	4,114	4,314
Net assets	281	4,114	4,395

1 See note 12

2 See note 11

The fair value relates to the recognition of customer lists (US\$888,000), royalty agreements (US\$1,113,000), licensing agreements (US\$2,113,000) and other intangible assets (US\$200,000) acquired as part of the acquisition. These intangibles are being amortised over their estimated useful economic lives of between three months and four years. All intangible assets on acquisition have been identified and fair valued. The remaining goodwill represents the access to future trade with the Bingo customers.

	US\$'000
Fair value of net assets acquired	4,395
Goodwill	37,892
Fair value of consideration including expenses	42,287
Which is represented by:	
Cash consideration to Globalcom Limited	10,723
Deferred cash consideration to Globalcom Limited (paid during 2007)	5,398
Deferred cash consideration to Globalcom Limited (paid during 2008)	16,095
Earn-out payment (paid during 2008) ¹	9,050
Expenses & other costs	1,021
Total cash consideration	42,287

1 An earn-out payment of US\$9.05 million was payable in cash 12 months from completion on the basis of actual performance during financial year 2007, which was accomplished.

The revenue and operating profit generated from this acquisition in the post-acquisition period to 31 December 2007 were \$14.4 million and \$5.2 million respectively. Had the business been owned for the entire year, the revenue and operating profit for 2007 would have been \$20.2 million and \$8.3 million respectively.

11 Intangible assets

	Internally generated Intangible Assets US\$'000	Acquired Intangible Assets US\$'000	Goodwill US\$'000	Total US\$'000
Cost or valuation				
At 1 January 2007	-	-	-	-
Acquisitions	-	4,314	37,892	42,206
At 31 December 2007	-	4,314	37,892	42,206
Cost or valuation				
Additions	5,303	-	166	5,469
Acquisitions	-	13	500	513
At 31 December 2008	5,303	4,327	38,558	48,188
Amortisation				
At 1 January 2007	-	1,550	-	1,550
At 31 December 2007	-	1,550	-	1,550
Charge for the year	363	1,463	-	1,826
At 31 December 2008	363	3,013	-	3,376
Carrying amounts				
At 31 December 2008	4,940	1,314	38,558	44,812
At 31 December 2007	-	2,764	37,892	40,656

Acquired intangible assets and Goodwill

Brought forward intangible assets and goodwill, including an increase in Goodwill during the year of US\$166,000 due to a further contingent consideration paid during the year, are associated with the cash-generating online Bingo business unit acquired during the prior year. The intangible assets include acquisitions of customer lists, royalty agreements, licensing agreements and certain software developed acquired as part of the acquisition of the assets comprising the online Bingo business of Globalcom Limited. These intangibles are being amortised over their estimated useful economic lives of up to four years. On acquisition, the intangible assets have been identified and valued using third party professional valuers.

At the year end, the carrying value-in-use was determined by discounting the expected future cash flows of the online Bingo business to their present value. The key assumptions for the value-in-use calculations were those regarding discount rate and growth rates of the business. The Directors estimate discount rates that reflect the current market assessments of the time value of money and risks appropriate to the online Bingo business. The discount rate that is considered by the Directors to be appropriate is a discount rate of 12% being the Group's specific weighted average cost of capital.

In estimating the future cash flows the Group has used conservative estimates in respect of revenues generated and costs incurred. Growth rates of the online Bingo business are based on past experience and projections of future changes in the online gaming market, taking into account external sources of information such as analysts' research reports. These suggest that Bingo is expected to remain one of the fastest developing sectors with an estimated Compound Annual Growth Rate (CAGR) of 14% by the end of 2012. The group has used lower and declining growth rates in estimating the future cash flows conservatively reflecting the current uncertainties about the medium term global economic outlook. The Directors have used forecasts for the next five years of the expected cash flows, of which the first year is based on the Group's current approved budget.

An annual growth rate of 4% was used for 2009 and 2010, 2% for 2011 and nil for 2012-2013. Following year five, the Group extrapolates cash flows in perpetuity, using an estimated growth rate of 1%, which is based upon the expected long-term growth rate of the UK economy. Costs associated with the Bingo cash generating unit were projected as a percentage of revenues and have been assumed to continue to increase by 10% in each of the five year period to 2013, over and above the level of growth in revenues.

The directors are not aware at this time of any need to change their key assumptions on which they have based their determination of the recoverable amount of the goodwill which would cause its carrying amount to exceed its recoverable amount. In fact, although such movements are not expected to arise, neither a 1% a decrease in the growth rate in each of the next three years nor a 5% increase in the discount rate would have led to an impairment of the acquired intangible assets and goodwill in the current year.

The Group regularly monitors the carrying value of its acquired intangible assets and goodwill, or when such events or changes in circumstances indicate that these may be impaired. The result of the review, undertaken at 31 December 2008, was that no impairment needs to be recognised and the carrying value of the acquired intangible assets and goodwill is considered appropriate.

During the year the Group acquired a internet domain name based business which is used to generate traffic into the Group's various web sites. Consideration of \$US513,000 was fully paid before year end. Contingent consideration of up to \$US800,000 is not expected to be paid.

The Director's have preformed a valuation of the intangible asset acquired. The Director's took into account the following factors, amongst other, in determining the fair value of this intangible asset:

- Domain's ranking with search engines
- Traffic ranking as a measure of popularity
- Number of unique visitors to the site
- Number of links pointing to the domain

The Director's concluded that the fair value that should be assigned to the intangible asset is of US\$13,000 whilst the remainder of US\$500,000 is to be recognised as goodwill (given that trade balances acquired were incidental). No further IFRS 3 disclosures have been given on the grounds of materiality.

Internally generated intangible assets

During the year the Group has put in place processes and procedure which enable it to ascertain technological feasibility before development costs are incurred and therefore be in a position to capitalise costs incurred after that point. Such expenditure is only capitalized when the development cost meet the definition of an intangible asset and the recognition criteria as set out in IAS 38 'Intangible assets'.

The Group estimates the useful life of these assets as between 3 and 5 years. These assets are subject to impairment test wherever events or changes in circumstances indicate their carrying amount may not be recoverable on the same basis as described above for acquired intangible assets. At 31 December 2008 no impairment needs to be recognised and the carrying value of internally generated assets is considered appropriate.

12 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 2007	13,777	2,331	296	10,406	26,810
Additions	4,156	105	110	3,203	7,574
Acquisitions	81	-	-	-	81
Disposals	(1)	-	-	-	(1)
At 31 December 2007	18,013	2,436	406	13,609	34,464
Additions	7,502	137	205	1,008	8,852
Disposals	-	(72)	(83)	-	(155)
At 31 December 2008	25,515	2,501	528	14,617	43,161
Accumulated depreciation					
At 1 January 2007	9,661	826	154	3,136	13,777
Charge for the year	2,845	230	49	1,068	4,192
Disposals	(1)	-	-	-	(1)
At 31 December 2007	12,505	1,056	203	4,204	17,968
Charge for the year	3,986	232	69	1,217	5,504
Disposals	-	(17)	(34)	-	(51)
At 31 December 2008	16,491	1,271	238	5,421	23,421
Depreciated cost					
At 31 December 2008	9,024	1,230	290	9,196	19,740
At 31 December 2007	5,508	1,380	203	9,405	16,496

13 Financial Assets

	31 December 2008 US\$'000	31 December 2007 US\$'000
Opening balance at the beginning of the year	654	-
Acquisition of available for sale assets during the year	-	759
Adjustment to market price at year end	(431)	(105)
	223	654

There were no disposals or impairment provisions in respect of available for sale financial assets.

Available for sale assets are quoted equity securities, the fair value of which is based on their published market price.

All the financial assets are available for sale investments.

14 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 2008 US\$'000	31 December 2007 US\$'000
Accrued severance pay	37	38
Provision for share benefit charges	174	181
Provision for vacation	370	300
Provision for convalescence	25	18
	606	537

15 Cash and cash equivalents

	31 December 2008 US\$'000	31 December 2007 US\$'000
Cash and cash equivalents	97,522	103,505
Restricted cash	922	803
	98,444	104,308

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

16 Trade and other receivables

	31 December 2008 US\$'000	31 December 2007 US\$'000
Trade receivables	9,026	13,430
Corporate Tax	106	-
Other receivables and prepayments	9,541	6,100
	18,673	19,530

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

17 Share capital

Share capital comprises the following:

	31 December 2008 Number	Authorised 31 December 2007 Number	31 December 2008 US\$'000	31 December 2007 US\$'000
Ordinary Shares of £0.005 each	426,387,500	426,387,500	3,880	3,880
	426,387,500	426,387,500	3,880	3,880

	31 December 2008 Number	Allotted, called up and fully paid 31 December 2007 Number	31 December 2008 US\$'000	31 December 2007 US\$'000
Ordinary Shares of £0.005 each	340,108,035	337,618,820	3,097	3,073
Issue of ordinary shares of £0.005 each	2,740,226	2,489,215	18	24
	342,848,261	340,108,035	3,115	3,097

The following table includes details on issue of ordinary shares of £0.005 each in respect of shares exercised and nil cost options exercised as part of the Group's employee share option plan (see note 21) during 2008 and 2007:

Issued during 2008	ordinary shares of £0.005 each	Issued during 2007	Ordinary shares of £0.005 each
16 March 2008	105,503	16 April 2007	138,403
14 April 2008	635,621	4 May 2007	1,002,169
30 April 2008	320,590	5 July 2007	475,941
30 May 2008	230,671	20 September 2007	212,174
18 June 2008	475,941	4 October 2007	649,777
10 September 2008	184,672	10 October 2007	10,751
15 September 2008	152,004		
29 September 2008	5,000		
6 October 2008	527,535		
20 October 2008	73,855		

During 2008, the company issued 28,834 shares (2007: Nil) due to employee's exercises of market value options.

Shares issued are converted into US\$ at the exchange rate prevailing on the date of issue. The issued and fully paid share capital of the Group amounts to US\$3,180,000 (2007: US\$3,097,000) and is split into 342,848,261 (2007: 340,108,035) ordinary shares. The share capital in UK Sterling (GBP) is £1,714,241 (2007: £1,700,540) and translates at an average exchange rate of US\$1.85 (2007: \$1.82) to GBP.

18 Share capital and Reserves

	Share capital	Share premium	Available for sale reserve	Retained earnings	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Balance at 1 January 2007	3,073	-	-	83,929	87,002
Net Profit for the year	-	-	-	34,235	34,235
Dividend paid	-	-	-	(36,205)	(36,205)
Issue of shares	24	-	-	(24)	-
Valuation (losses) of available for sale investments	-	-	(105)	-	(105)
Share benefit charges	-	-	-	7,800	7,800
Balance at 1 January 2008	3,097	-	(105)	89,735	92,727
Net Profit for the year	-	-	-	37,185	37,185
Actuarial movements on severance pay liability	-	-	-	(949)	(949)
Dividend paid	-	-	-	(25,628)	(25,628)
Exercise of market value options	-	65	-	-	65
Issue of shares	18	-	-	(18)	-
Valuation (losses) of available for sale investments	-	-	(431)	-	(431)
Share benefit charges	-	-	-	8,391	8,391
Balance at 31 December 2008	3,115	65	(536)	108,716	111,360

The following describes the nature and purpose of each reserve within equity.

Share capital – represents the nominal value of shares allotted, called-up and fully paid for.

Share premium – represents the amount subscribed for share capital in excess of nominal value.

Available for sale reserve – represents the gain or loss arising from a change in the fair value of an available-for-sale financial assets.

Retained earnings – represents the cumulative net gains and losses recognised in the consolidated income statement.

19 Trade and other payables

	31 December 2008	31 December 2007
	US\$'000	US\$'000
Trade payables	6,107	5,297
Corporate taxes	-	1,131
Other payables and accrued expenses	31,747	31,467
Deferred acquisition liability	-	25,145
	37,854	63,040

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

20 Investments in significant subsidiaries

Name	Country of Incorporation	Percentage of equity interest 2008 %	Percentage of equity interest 2007 %	Nature of business
Intersafe Global Limited	Gibraltar	100	100	Payment processor
Cassava Enterprises Limited	Antigua	100	100	Customer 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 a third party operates a betting exchange
Active Media Limited	BVI	100	100	Customer call centre employer
Virtual Marketing Services (Gibraltar) Limited	Gibraltar	100	100	Marketing acquisition
Dixie Operation Limited	Antigua	100	100	Customer call centre operator
Random Logic Limited	Israel	100	100	Research, development and marketing
Brigend Limited	Gibraltar	100	100	Bingo business operator
ACTeCASH Limited ¹	Gibraltar	-	-	e-Wallet service
Fordart Limited	Gibraltar	100	100	General commercial business activities

1 ACTeCASH is managed as a unit of the Group and utilises 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. ACTeCASH is owned by the ACTeCASH and SPO ventures Trust and shares are held for the benefit of the Group. As such ACTeCASH has been consolidated as part of the Group.

21 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 were 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.

The Company grants awards to certain executive directors and members of its senior management. These awards are subject to performance conditions imposed by the Remuneration Committee at the dates of grant.

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 2008 Number	31 December 2007 Number
Outstanding at the beginning of the year	5,088,447	4,204,919
Market value options granted during the year	1,871,423	2,004,880
Market value options lapsed during the year	(1,509,009)	(1,121,352)
Exercised during the year	(28,834)	-
Outstanding at the end of the year ^{1,2}	5,422,027	5,088,447
Weighted average exercise price for options outstanding at the end of the year	£1.50	£1.49
Weighted average exercise price for options lapsed during the year	£1.45	£1.64

1 Of the total number of options outstanding at the end of the year 1,843,545 had vested and were exercisable at the end of the year (2007: 1,321,145).

2 Range of exercise price for options outstanding at the end of the year is £1.14 - £1.80 (2007: £1.14 - £1.80).

Shares granted

	31 December 2008 Number	31 December 2007 Number
Outstanding at the beginning of the year	9,802,660	8,316,639
Shares granted – future vesting	4,258,381	5,218,255
Lapsed future vesting shares	(1,563,223)	(1,243,019)
Shares issued during the year	(2,711,392)	(2,489,215)
Outstanding at the end of the year	9,786,426	9,802,660

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

Valuation information

	2008	2007
Option pricing model used	Monte Carlo	Monte Carlo
Weighted average share price at grant date	£1.47	£1.18
Weighted exercise price	£1.47	£1.19
Risk free interest rate range	4.52-4.66%	4.82-5.40%
Expected volatility of the price of the underlying share	47-52%	37-78%

Exercise period of the market value options is from vesting until expiry of 10 years after grant date.

The Monte Carlo model takes into account all the minimum requirements set by IFRS 2 such as: the exercise price of the option, the current price of the underlying share, the expected volatility of the price of the underlying share, the expected dividend on the underlying share, the expected term of the option both contractual term and based on employees' expected behaviour and the risk-free interest rate for the expected term of the option.

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 at 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 2008 US\$'000	Year ended 31 December 2007 US\$'000
Charges in respect of share and option awards granted this year	2,176	1,756
Charges in respect of share and option awards granted in previous years	6,215	6,044
Charge for the year	8,391	7,800

22 Related party transactions

During the year the Group paid US\$296,176 (2007: US\$290,401) in respect of rent and office expenses to companies of which Mr John Anderson is a Director. At 31 December 2008 the amount owed to those companies was US\$nil (2007: US\$nil).

Remuneration paid to the Directors in the year totaled US\$3,079,000 (2007: US\$4,328,000).

Share benefit charge in respect of awards granted to the Directors totaled US\$1,699,587 (2007: US\$3,163,000).

23 Commitments

Lease commitments

Future minimum lease commitments under property operating leases for the year ended 31 December 2007 are as follows:

	31 December 2008 US\$'000	31 December 2007 US\$'000
Leases expiring within		
One year	1,986	2,278
Two to five years	7,010	7,533
	8,996	9,811

The amount paid in the year was US\$ 2,801,000 (2007: US\$2,574,000).

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

24 Financial risk management

The Group is exposed through its operations to risks that arise from use of its financial instruments. Policies and procedures for managing these risks are set by the Board following recommendations from the Chief Financial Officer. The Board reviews the effectiveness of these procedures and, if required, approves specific policies and procedures in order to mitigate these risks.

The main financial instruments used by the Group, on which financial risk arises, are as follows:

- Cash and cash equivalents
- Restricted cash
- Trade and other receivables
- Available for sale financial assets
- Trade and other payables
- Liabilities to customers

Detailed analysis of these financial instruments is as follows:

	31 December 2008	31 December 2007
	US\$'000	US\$'000
Financial assets		
Trade receivables	9,026	13,430
Other receivables	9,541	6,100
Cash and cash equivalents	97,522	103,505
Restricted cash	922	803
Available for sale financial asset	223	654
	117,234	124,492

In accordance with IFRS 7 with the exception of available for sale assets, all financial assets are classified as loans and receivables.

	31 December 2008	31 December 2007
	US\$'000	US\$'000
Financial liabilities		
Trade payables	6,107	5,297
Other payables and accrued expenses	31,747	31,467
Deferred acquisition liability	-	25,145
Liabilities to customers	33,284	26,414
	71,138	88,323

In accordance with IFRS 7 all of the above financial liabilities are held at amortised cost.

At 31 December 2008 and 2007, the fair value and the book value of the Group's financial assets and liabilities were materially the same.

Capital

The Capital employed by the Group is comprised of equity attributable to shareholders. The primary objective of the Group is maximizing shareholders' value, which, from the capital perspective, is achieved by maintaining the capital structure most suited to the Group's size, strategy, and underlying business risk. Other than disclosed elsewhere in note 26 there are no demands or restrictions on the Group's capital.

The main financial risk areas are as follows:

Credit risk

Trade receivables

The Group's credit risk is primarily attributable to trade receivables who are the Group's payment service providers ("PSP"). These are third party companies that facilitate deposits and withdrawal of funds to and from customers' virtual wallet with the Group. These are mainly intermediaries that transact on behalf of the main credit card companies.

The risk is that a PSP would fail to discharge its obligation with regard to the balance owed to the Group.

The Group reduces this credit risk by:

- Monitoring those balances on a regular basis
- Arranging for the shortest possible cash settlements intervals
- Replacing rolling reserve requirements, where they exist, with a Letter of Credit by a reputable financial institution.
- Ensuring a new PSP is only contracted following various due diligence and "Know Your Customer" procedures.
- Ensuring policies are in place to reduce dependency on any specific PSP.

The group believes that based on the above and on extensive past experience the PSP receivables are of good credit quality and there is no requirement to provide for any potential bad debts arising from a PSP failing to discharge its obligation. None of the balances owed by the various PSP are overdue or impaired.

An additional credit risk the Group faces relates to customers disputing charges made to their credit cards ("chargebacks") or any other funding method they have used in respect of the services provided by the Group. Customers may fail to fulfil their obligation to pay which will result in funds not being collected. These chargebacks and uncollected deposits, when occurring will be deducted at source by the PSP's from any amount due to the Group. As such the Group provides for these eventualities by way of a provision

based on analysis of past transactions. This provision is netted off from the trade receivables balance and at 31 December 2008 was \$1,070,000 (2007: \$845,000).

The Group's in house Fraud and Risk Management department carefully monitors deposits and withdrawals by following prevention and verification procedures using internally developed bespoke systems integrated with commercially available third party measures.

Cash and cash equivalents

The Group controls its cash position out of its Gibraltar headquarters. Subsidiaries in its other locations (Israel, Antigua and London) maintain minimum cash balances which are deemed required for their operations.

Cash settlement proceeds from PSP's as described above, are paid into bank accounts controlled by the Treasury function in Gibraltar.

The Group segregates funds due to customers and holds these funds in separate bank accounts. These funds are not used to fund activity other than that directly related to customers.

The Group maintains its funds with highly reputable financial institutions and will not hold funds with financial institutions with low credit rating.

The Group maintains its cash reserve in highly liquid deposits and regularly monitors rates in order to maximize yield.

Restricted cash

Restricted cash is mainly attributed to a deposit in respect of the Group's obligation with the developer of the offices of its subsidiary in Israel.

The Group's maximum exposure to credit risk by type of financial instrument is summarized below:

	31 December 2008		31 December 2007	
	Carrying value US\$'000	Maximum exposure US\$'000	Carrying value US\$'000	Maximum exposure US\$'000
Trade receivables	9,026	9,026	13,430	13,430
Other receivables	9,541	9,541	6,100	6,100
Cash and cash equivalents	97,522	97,522	103,505	103,505
Restricted cash	922	922	803	803
Available for sale financial asset	223	223	654	654
	117,234	117,234	124,492	124,492

Liquidity risk

Liquidity risk exists in the case where the Group will encounter difficulties in meeting its financial obligations as they become due.

The Group monitors its liquidity in order to ensure that sufficient liquid resources are available to allow it to meet its obligations.

In the case of the Group's liability to its customers, the Group maintains these deposits in separate bank accounts which are not used for its day to day operations.

The Group has ensured that cash earmarked to fund its final dividend payment for 2008, is in place.

The Group expects to have sufficient liquidity to meet all of its financial obligations under all reasonably expected circumstances and will not need to resort to any borrowing.

The following table details the contractual maturity analysis of the Group's financial liabilities:

	31 December 2008					Total US\$'000
	Trade payables US\$'000	Other payables ¹ US\$'000	Deferred acquisition liability US\$'000	Liabilities to Customers US\$'000		
On demand	2,614	7,255	-	33,284		43,153
In 3 months	3,493	21,955	-	-		25,448
Between 3 months and 1 year	-	2,261	-	-		2,261
More than 1 year	-	276	-	-		276
	6,107	31,747	-	33,284		71,138

1 Includes other payables, accrued expenses and provisions.

	31 December 2007					Total US\$'000
	Trade payables US\$'000	Other payables ¹ US\$'000	Deferred acquisition liability US\$'000	Liabilities to Customers US\$'000		
On demand	1,047	5,612	-	26,414		33,073
In 3 months	3,669	23,562	-	-		27,231
Between 3 months and 1 year	581	1,835	25,145	-		27,561
More than 1 year	-	458	-	-		458
	5,297	31,467	25,145	26,414		88,323

1 Includes other payables, accrued expenses and provisions.

Market risk

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. The Group's policy is to invest surplus funds in low risk money market funds or on call over night facilities. The Group also arranged with its principal bankers that excess funds are swept automatically across its accounts, every night, in order to maximize availability of funds for investments.

Downside interest rate risk is minimal as the Group has no borrowings. A 0.5% movement in bank interest rates would not have a significant impact on finance income for the year or the prior year.

Currency risk

The Group's financial risk arising from exchange rate fluctuations is mainly attributed to:

- Mismatch between Balance sheet Liabilities to customers which is predominately denominated in US\$ and the net receipts from customers which are settled in the currency of the customer's choice of which Sterling (GBP), Euros (EUR), and Canadian dollar (CAD) are significant,
- Mismatch between reported revenue which is mainly generated in USD (the Group's functional and reporting currency) and significant portion of deposits which are settled in local currencies.
- Expenses the majority of which are denominated in foreign currencies including the Sterling (GBP), the Euro (EUR) and the New Israeli Shekel (ILS).

The Group continually monitors the foreign currency risk and takes steps , where practical, to ensure that the net exposure is kept to an acceptable level, inter alia by using foreign exchange forward contracts designed to fix the economic impact of known liabilities. At 31 December 2008 and 31 December 2007, there were no outstanding forward contracts. There were no significant fair value movements on these contracts during the year.

The table below details the net financial position by currency at 31 December 2008 and 2007

	31 December 2008						
	GBP US\$'000	EUR US\$'000	ILS US\$'000	CAD US\$'000	USD US\$'000	Other US\$'000	Total US\$'000
Cash and cash equivalent	8,755	1,891	8,254	570	78,837	137	98,444
Receivables	4,432	2,703	717	413	10,145	380	18,790
Net Monetary Assets	13,187	4,594	8,971	983	88,982	517	117,234
Payables	(12,212)	(3,544)	(11,308)	(21)	(10,769)	-	(37,854)
Liabilities to customers	(3,514)	(233)	-	-	(29,501)	(36)	(33,284)
Net Monetary Liabilities	(15,726)	(3,777)	(11,308)	(21)	(40,270)	(36)	(71,138)
Net Financial Position	(2,539)	817	(2,337)	962	48,712	481	46,096

	31 December 2007						
	GBP US\$'000	EUR US\$'000	ILS US\$'000	CAD US\$'000	USD US\$'000	Other US\$'000	Total US\$'000
Cash and cash equivalent	91,728	6,661	1,238	1,425	3,256	-	104,308
Receivables	6,846	4,378	1,374	222	7,244	120	20,184
Net Monetary Assets	98,574	11,039	2,612	1,647	10,500	120	124,492
Payables	(14,004)	(2,222)	(12,201)	(26)	(33,456)	-	(61,909)
Liabilities to Customers	(855)	(13)	-	-	(25,546)	-	(26,414)
Net Monetary Liabilities	(14,859)	(2,235)	(12,201)	(26)	(59,002)	-	(88,323)
Net Financial Position	83,715	8,804	(9,589)	1,621	(48,502)	120	36,169

During 2008 the Board authorised the creation of a dedicated treasury function within the Finance division which was set up. Its responsibility is to manage the cash resources of the Group and minimise the various exposures associated with holding, and investing these funds.

Sensitivity analysis

The table below details the effect on profit before tax of a 10% strengthening (and weakening) in the US Dollar exchange rate at the balance sheet date for balance sheet items denominated in Sterling, Euros and New Israeli Shekels:

	Year ended 31 December 2008		
	GBP	EUR	ILS
10% Strengthening	237	(82)	191
10% weakening	(237)	82	(191)

	Year ended 31 December 2007		
	GBP	EUR	ILS
10% Strengthening	(8,389)	(880)	923
10% weakening	8,389	880	(923)

25 Discontinued Operations

As a result of the matters fully described in note 26, the Group incurred legal expenses in the prior year in assessing the extent of any contingent liability, if any.

(a) Consolidated Income Statement

	Year ended 31 December 2008 US\$'000	Year ended 31 December 2007 US\$'000
Total operating income	-	-
Operating expenses	-	-
Research and development expenses	-	-
Selling and marketing expenses	-	-
Administrative expenses	-	552
Operating loss before reorganization costs	-	(552)
Charges in respect of reorganization costs	-	-
Operating loss	-	(552)
Finance income	-	-
Loss from discontinued operations	-	(552)

(b) Segment information

Business segments

	Year ended 31 December 2008		
	Casino US\$'000	Poker US\$'000	Consolidated US\$'000
Total Revenue	-	-	-
Result			
Segment result	-	-	-
Unallocated corporate expenses	-	-	-
Operating loss	-	-	-
Net loss for the year	-	-	-

	Year ended 31 December 2007		
	Casino US\$'000	Poker US\$'000	Consolidated US\$'000
Total Revenue	-	-	-
Result			
Segment result	-	-	-
Unallocated corporate expenses			(552)
Operating Profit			(552)
Net loss for the year	-	-	(552)

The expenses relate jointly to both segments. Any allocation of these items would be arbitrary.

(c) Cash flows from discontinued operations

	Year ended 31 December 2008 US\$'000	Year ended 31 December 2007 US\$'000
Net cash used in operating activities	-	(552)
Net cash generated from investing activities	-	-
Net cash used in financing activities	-	-
Net decrease in cash and cash equivalents	-	(552)

(d) Earnings per share

	Year ended 31 December 2008 US\$'000	Year ended 31 December 2007 US\$'000
Loss)from discontinued operations attributable to ordinary shareholders	-	(552)
Weighted average number of Ordinary Shares in issue	-	338,873,328
Weighted average number of dilutive Ordinary Shares	-	346,069,425
Basic Losses per share	-	(0.2)¢
Diluted Losses per share	-	(0.2)¢

26 Contingent liabilities

From time to time the Group is subject to legal claims and actions against it. The Group takes legal advice as to the likelihood of success of such claims and actions.

Regulatory issues

As part of the Board's ongoing regulatory compliance and operational risk assessment process, the Board continues to monitor legal and regulatory developments, and their potential impact on the business, and continues to take appropriate advice in respect of these developments.

Following the enactment of the UIGEA on 13 October 2006, the Group stopped taking any deposits from customers in the US and barred such customers from wagering real-money on all of the Group's sites.

Notwithstanding this, there remains a residual risk of an adverse impact arising from the Group having had customers in the US prior to the enactment of the UIGEA. The Board is not able to identify reliably at this stage what if any liability may arise and accordingly no provision has been made.

On 5 June 2007 the Group announced that it has initiated preliminary discussions with the United States Attorney's Office for the Southern District of New York. It is too early to assess any particular outcome of these discussions.