31 March 2011

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

Annual financial report for the year ended 31 December 2010

888, one of the world's most popular online gaming entertainment and solutions providers, presents its annual financial report for the year ended 31 December 2010.

Financial Summary

	Year ended 31 December 2010[1]	Year ended 31 December 2009[1]
	$ million	$ million
Revenue		
B2C		
Casino	116.9	118.7
Poker	38.4	51.6
Bingo	50.1	10.7
Emerging Offering	16.2	14.4
Total B2C	**221.7**	**195.4**
B2B	**40.4**	**51.3**
Revenue	**262.1**	**246.7**
Operating Expenses[2,3]	98.7	89.9
Research and Development Expenses[3]	21.8	24.2
Selling and Marketing Expenses	91.5	67.3
Administrative Expenses [3,4,5]	21.6	19.8
EBITDA[3,4,5]	**28.6**	**45.6**
Exchange losses and net Finance costs	(1.2)	(2.5)
Depreciation and Amortisation	(12.3)	(8.5)
Profit Before Tax [3,5]	**15.1**	**34.6**

[1] Figures may not cast due to rounding
[2] Excluding depreciation of US$8.5 million (2009: US$7.0 million), amortisation of US$3.8 million (2009: US$ 1.5 million)
[3] Excluding restructuring costs totaling US$2.2 million (2009: nil): US$1.2 million from Operating expenses, US$0.6 million from Research and development and US$0.4 million from Administrative expenses
[4] Excluding exchange rate loss of US$ 0.3 million (2009: US$2.7 million)
[5] Excluding share benefit charges of US$ 2.3 million (2009: US$7.0 million)

Financial Highlights

- Revenue up 6% to US$262.1m (2009: US$246.7m)
- B2C Revenue up 13.5% to US$221.7m (2009: US$195.4m)
- B2B Revenue down 21.2% to US$40.4m (2009: US$51.3m), up 4% on a pro-forma basis[1]
- EBITDA US$28.6m (2009: US$45.6m), impacted by increased marketing spend, the World Cup and poker industry decline in H1
- As at 31 December 2010, 888 had 8.7 million Casino, Poker and Sport real money registered customer accounts, representing an increase of 23% since 31 December 2009
- Agreement with Wink Bingo vendors on payment of earn-out

[1] On the basis that Wink had remained in B2B revenue and certain licensees remained recognised on a gross basis.

Operational Highlights

B2C

- Roll-out of new branding across all segments
- New Bingo B2C network launched in Sweden
- Poker version 6 released following a complete re-coding of the software client with fresh new look and feel, enhanced features, game play and user experience, and an online loyalty store, resulting in a significant increase in poker activity and revenue
- Innovative PokerCam product released
- 3D 888 casino launched
- Award of licence by Autorité de Régulation des Jeux En Ligne (ARJEL), the French Gaming regulator, to operate poker betting websites, following strategic agreement with Microgaming to launch a joint poker network for the French market

B2B

- Supplier relationship with Caesars Interactive Entertainment approved by the Nevada Gaming Commission, indicating 888's ability to be approved by the toughest and most demanding regulators in the world
- Launch of a free play World Series of Poker (WSOP) offering for the United States as part of Dragonfish's agreement with Caesars Interactive Entertainment
- Agreements signed with bwin Italia, Gioco Digitale and, Microgame S.p.A. for the provision of casino products to the Italian gaming market
- Launched Full Fun (www.pokerXtrem.fr), ad Astra (www.pokersubito.fr) and 888poker.fr on the joint liquidity poker network in France
- Launch of new standalone bingo networks, with Bingo Hollywood, Cashcade (Rollover Bingo) and Costa (City Bingo and Sing Bingo). Dragonfish now powers over twenty standalone bingo networks
- Awarded two of the most prestigious awards at the inaugural eGaming Review B2B Awards – 'White Label Partner of the Year' and 'Bingo Network of the Year' – and 'Most Popular Online Bingo Software' at the 2011 BingoPort.co.uk Players' Choice Awards
- New Managing Director appointed

Current Trading

The first quarter of 2011 has begun strongly with average daily revenues increasing by approximately 7% compared to a record performance in Q4 2010. Continuing the very positive trends of the previous quarter new customer acquisition has also increased 7% over the same period.

Discussions with Ladbrokes are ongoing. A further announcement will be made as and when appropriate.

Gigi Levy, CEO of 888 commented:

"Following a challenging start to the year 888 finished 2010 strongly. Due to steps taken throughout the year we ended the year with record 18% quarterly sequential growth in Q4, and Revenue grew 6% compared with 2009.

888 has begun the year with strong current trading and continues to make good progress across all segments of the business. We have an exciting base on which to build in 2011, with a high proportion of sustainable locally regulated earnings and a well diversified business, product line and geographic revenue stream. We expect that soon to come further improvements in our product offering will lead to increased success in driving players to our sites and retaining them going forward. This, alongside our expanding licensee base within Dragonfish, puts us in a strong position for the future."

Gigi Levy, Chief Executive Officer and Aviad Kobrine, Chief Financial Officer, will be hosting an analyst and investor conference call at 10.30am (BST) today.

Dial-in number:	+44 (0)20 7806 1951
Passcode:	4678284
Replay number:	+44 (0)20 7111 1244
Replay passcode:	4678284

The presentation will be available from the investor relations section of 888's website (http://www.888holdingsplc.com) this morning.

Contacts and enquiries

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This announcement includes statements that are, or may be deemed to be, "forward-looking statements". By their nature, forward-looking statements involve risk and uncertainty since they relate to future events and circumstances. Forward-looking statements may and often do differ materially from actual results. Any forward-looking statements in this announcement reflect 888's view with respect to future events as at the date of this announcement. Save as required by law or by the Listing Rules of the UK Listing Authority, 888 undertakes no obligation publicly to release the results of any revisions to any forward-looking statements in this announcement that may occur due to any change in its expectations or to reflect events or circumstances after the date of this announcement.

Chairman's Statement

2010 was a challenging year for the Company in which trading was impacted by a number of factors. 888 was able to achieve solid financial results while continuing to invest in its B2C offering to ensure that it remains at the forefront of online gaming. At the same time, the Company has worked to position itself to take advantage of the opportunities arising through the forthcoming opening of significant locally regulated markets in Europe.

As the start of 2011 has already demonstrated, 888 is well placed to harness the many opportunities that the changing regulatory environment will bring. Our reputation as a trusted, leading international operator was demonstrated by the approval by the Nevada Gaming Control Board and the Nevada Gaming Commission of the suitability of the commercial relationship between Caesars Entertainment and Dragonfish. This enables us to continue to work with Caesars to offer support for its UK product. This is the first deal ever approved between a state-licensed gaming company and a foreign-based Internet gaming operator and is a significant development.

Financial Results and Dividend

Revenue increased 6% to US$262 million (2009: US$247 million) impacted by difficult trading conditions mainly due to weak poker and unfavourable exchange rates especially during the first half and the World Cup in the summer. EBITDA* was US$29 million (2009: US$46 million) in part impacted by increased marketing investment. Our cash position as at 31 December 2010 was US$27 million net of customers' liabilities. Given the higher than expected earn out payment related to the Wink acquisition, the Board is recommending that no dividend be paid for 2010. We believe this is in the best interests of the business and we will continue to review the dividend policy with a view to reinstating payment of dividends as appropriate.

B2C

This year, 888 made significant innovative strides to expand and maintain its customer base, as new locally regulated markets start to open up. Our new suite of sites was officially launched at the beginning of the year as 888casino, 888poker, 888bingo and 888sport, all under the 888.com umbrella brand.

After some 12 months in development, we launched Poker 6 in June. Poker 6, which is targeted at the more casual player, is a significant leap forward and has increased our player numbers noticeably.

888 continues to monitor developments as markets become locally regulated. At the forefront of these is Italy. Italy has huge potential for online gaming, and the new licensing regime permitting cash gaming Poker and Casino is expected in 2011. 888 is well placed to capitalise on its position when the market opens, through a B2C joint venture with Endemol (the largest independent production company in Italy).

Wink Bingo has been an extremely successful acquisition for the Group and continued to be an immensely popular web destination.

In June we made an entry into the nascent but significant social gaming market through the acquisition of a social games development studio, Mytopia. This not only complements our core offering, but gives us access to millions of potential customers.

** Excluding share benefit charge of US$2.3 million (2009: US$7.0 million) and restructuring costs of US$2.2 million (2009: nil) as more fully described in the Expenses section of the Financial Review below.*

Dragonfish

The first half of the year saw a number of landmark casino deals in Italy with Bwin Italia/Gioco Digitale and Microgame S.p.A.. These provide 888 with a strong platform ahead of the opening of the significant Italian market, though launch dates for these deals were delayed as a result of slower than anticipated enactment of the Italian legislation.

During the year Dragonfish has further improved its Total Gaming Services offering, launching new games and features. We have added new partnerships as well as extending existing ones, such as our agreement with Cashcade.

We received a number of awards in the year including two of the most prestigious awards at the inaugural EGaming Review B2B Awards - Bingo Network of the Year and White Label Partner of the Year. More recently, players voted Dragonfish as the provider of the 'Most Popular Online Bingo Software' at the iGB Affiliate Awards.

Responsible Gaming and CSR

888 is committed to a pro-active policy of corporate and social responsibility and we place the community and the customer at the centre of all our endeavours. In recognition of our commitment to combining the best gaming experience with the most responsible gaming environment, we were awarded "Socially Responsible Operator of the year at the eGaming Review Awards. Our dedicated multi-lingual website www.888responsible.com provides information regarding all aspects of responsible gaming.

People

I would like to take this opportunity to express my thanks and appreciation and that of the Board, to all of our management and employees for their support and efforts throughout a challenging year.

Outlook

2010 was a testing year for the business but we have continued to drive growth in both our B2C and B2B businesses organically and through acquisition. As the economy moves on from the global financial crisis, the wider online gaming industry can look to the future with confidence. The strength and diversity of our offering and the strong trading performance at the start of the new financial year, leaves us well positioned to create sustainable value for our shareholders.

Richard Kilsby
Chairman

Chief Executive Officer's Review

Introduction

Following a challenging start to the year 888 finished 2010 strongly. Due to steps taken throughout 2010 we ended the year with record 18% growth in Revenue Q4 on Q3, 6% growth compared with 2009. The fourth quarter of the year was the strongest in our history, since withdrawing from the USA, with 283,000 active B2C Casino and Poker customers, and Revenue of US$71.3m.

The pace of regulatory change in many markets, adverse F/X movement and the impact of the World Cup in relation to Poker and Casino all affected the business adversely and to differing degrees. This variability dominated much of the year.

Our strategy of continuously improving our market leading customer offering has again led to significant progress in product innovation, including an overhauled poker platform, the addition of new games, increased localisation of our various products and further CRM and bonus tools. These developments began to make an impact towards the end of the year, and we expect them to facilitate further growth in 2011.

Dragonfish added new partnerships and increased the scope of existing ones, including contract extensions, such as its existing agreement with Cashcade, which operates some of the leading brands in the UK bingo market. Newly locally regulated markets form a core focus of the Dragonfish strategy and significant deals were signed, especially in Italy.

Our EBITDA* for the year was US$29 million (2009: US$46 million), a 37% decline compared to previous year mainly as a result of the disappointing performance of our poker business as well as unfavourable exchange rates during the first half of the year and increased marketing spend. Similarly, Profit Before Tax * was US$15 million (2009: US$35 million).

** Excluding share benefit charge of US$2.3 million (2009: US$7.0 million) and restructuring costs of US$2.2 million (2009: nil) as more fully described in the Expenses section of the Financial Review below.*

B2C

Trading in 2010 has been challenging. It was impacted in the first half by the deterioration of online poker across the industry, with the daily average ring game players falling by approximately 25% in the period from January to July. There were encouraging signs towards the end of the year that 888's Poker 6 offering is significantly bucking this trend, with Revenue from poker rising 28% to US$11 million from Q3 to Q4 in 2010.

This change in fortune followed the launch and marketing of Poker 6 in June, which had been nearly 12 months in development. This interface is widely considered to be the best in breed in the industry today and marked a huge leap forward. It has helped 888 transform its focus to capture a larger proportion of our customers 'share of time'. We built a strong community platform that is state of the art in the industry and we also have a dedicated team that focuses on engaging more with customers through community forums.

We also made substantial improvements this year to our customer interfaces, with the aim of providing the customer with the best possible online gaming experience. Amongst our latest releases are a new poker playing concept, as well as the innovative PokerCam product (launched in 2011) allowing players to play real-money poker with real time video streams from their webcams, giving for the first time a real meaning to the term 'poker face' in online poker.

We have increased marketing spend in proven growth categories and are achieving very impressive results. Marketing has included high profile campaigns and promotions, such as the Shane Warne poker multi-media advertising campaign, and the launch of the Casino *8 Free Spins to win £8.88 million* TV campaign.

This year in casino we added 42 new games to the Quickplay suite of products and launched a new brand - Euro City.

We are delighted that our innovation and success was recognised when 888 received the award for Best Operator of Online Casino at the prestigious Monaco iGaming Awards.

We are a leader in the online bingo field, Wink Bingo in particular is enormously popular. We launched two new offerings in the second quarter of the year – Tasty Bingo and Red Bus Bingo. We also entered into new territories such as Sweden. The Bingo Golden ticket campaign at the beginning of the year, offering players the opportunity to win golden tickets to 888's £5m Jackpot game, was one of our many marketing initiatives.

Our rebranded 888sport site has been well received by customers and in the first half we launched a new horseracing offering, including live race streaming. During the year we also launched a mobile product for Smartphones enabling customers to place bets anywhere and anytime, including in-play, a VIP and High Value Rewards program and a site promotion with the Fontwell racecourse.

Dragonfish

Dragonfish has continued to improve its Total Gaming Services offer, and has signed a number of strategic deals during the year. These include material casino deals in Italy with Bwin Italia/Gioco Digitale and Microgame S.p.A., set to provide a significant market share in the potentially huge Italian online casino market. Newly locally regulated markets are a core focus and Dragonfish tailors its solutions to assist partners in these markets by offering a flexible solution ranging from software only to fully managed service.

Contract extensions were signed with Moon Bingo and Costa Bingo, and we were pleased to sign an extension to Dragonfish's existing agreement with Cashcade (now owned by PartyGaming). The Cashcade offering includes some of the biggest brands in the UK bingo market, such as Foxy Bingo, Cheeky Bingo and Think Bingo, all of which are standalone networks powered by Dragonfish bingo software.

During the year we appointed a new Managing Director David Zerah, who has significant B2B experience in the media industry, both broadcast and online. We believe that as the industry moves towards a greater emphasis on content and flexible solutions his experience and contacts will enable Dragonfish to capitalise on new opportunities.

A number of new standalone bingo networks were launched in 2010, including ones with Cashcade (Rollover Bingo) and Costa (Sing Bingo), underlining Dragonfish's position as the market leader in online bingo in the UK. MTV Networks UK & Ireland also marked their entry into online gaming by selecting Dragonfish to provide a bingo product. There are now more than 20 standalone bingo networks powered by Dragonfish, and the Dragonfish network supports over 80 skins offering instant liquidity, industry leading software and top tier brands.

In recognition of Dragonfish's leading market position we were awarded White Label Partner of the Year and Bingo Network of the Year at the prestigious eGaming Review B2B awards.

Social and Mobile Gaming

Social gaming in its broadest sense is set to be a mature multi-billion-dollar industry in 2011. This meteoric rise of social networks and the emergence of the social gaming trend, alongside recent developments in the online gaming industry, mean social networking will be key to the future of the industry.

The industry now concentrates on casual players and social networks can play a key role. To support that future vision, we acquired the assets comprising the Mytopia social games development studio, giving us an immediate footprint in the social gaming arena and access to millions of potential customers.

Access to this new gaming audience provides a number of cross-selling opportunities, and ensures that we are at the forefront of what is expected to be a key trend in the habits of consumers in our industry.

People

The key driver in the success of 888 is the quality of our people. Everyone has worked enormously hard in what was a tough, though satisfying year. I want to recognise that enormous collective effort, and to add how fortunate I am to work with such talented and dedicated people.

Regulation

888, as a regulated and responsible company, constantly reviews actual and potential changes in the online gaming regulatory regime all over the world. This serves to allow the Company to pursue any possible opportunities to seek, receive and operate under local licenses and to guide decision making in relation to existing operations. In Europe, the Company has been granted licenses in Italy and France and is pursuing additional licensing possibilities in Italy and Denmark. In addition, 888 is considering potential licensing opportunities outside Europe. We believe that the online gaming industry is making big strides towards being fully locally regulated in an increasing number of jurisdictions, which will change forever the industry landscape. 888's positioning makes it well placed to take advantage of these changes. This is illustrated by the recent approval by the Nevada Gambling Commission of the suitability of the supplier relationship between Dragonfish and Caesars Interactive Entertainment.

Responsible Gaming

888 is committed to a pro-active policy of corporate and social responsibility that reflects the high professional and ethical standards we have set for ourselves. Conducting our business responsibly is fundamental to the future success of 888 and the sustainability of the business. At 888, we understand that our responsible approach is both the correct way to do business and one that enhances our credibility, thereby supporting the development of the business. In 2010 our efforts were recognised when we were voted "Socially Responsible Operator of the Year" at the eGaming Review Awards.

2011 Focus

We will continue to innovate in products and marketing in order to attract customers to our offerings and build brand loyalty. There are many customer and product developments planned for the coming year.

Poker 6.5 will further improve what is already accepted as a leading platform in our B2C offering, through the introduction of video play and improved social features, including the opportunity to play as part of a team.

Locally regulated markets will form a key focus for both B2C and Dragonfish. The flexibility of the Dragonfish platform means that it is ideally placed to help partners capture regulated market share. We are well-placed to capitalise on the Italian market potential, and will monitor other opportunities as they arise.

Outlook

2010 saw a move towards locally regulated markets across Europe, and this should continue in 2011. The market with most immediate potential is Italy, through the recent online casino and poker cash games regulation. This development is very exciting for both our B2C joint venture with Endemol and for Dragonfish, which is supporting the Italian market leaders – bwin/Gioco Digitale and Microgame S.p.A.. Additional high potential markets include Spain, Greece and other European jurisdictions.

Wink has been an extremely successful acquisition for 888, performing well above our expectations. As previously announced, we have reached agreement with the Wink Vendors to defer part of the earn out to May 2012.

We were delighted that, in March 2011, both the Nevada Gaming Control Board and the the Nevada Gaming Commission voted unanimously to grant a finding of suitability to Caesars Entertainment regarding its commercial relationship with Dragonfish.

This finding, which resulted from a rigorous and lengthy process of scrutiny, underlines the integrity, sophistication and professionalism that the Company maintain as core tenets of its business model.

888 has begun 2011 well and continues to make good progress across all segments of the business. We have an exciting base on which to build in 2011, with a high proportion of sustainable locally regulated earnings and a well diversified business, product line and geographic revenue stream. Further imminent improvements in our product offering will lead to increased success in driving players to our sites and retaining them going forward. This, alongside our expanding licensee base within Dragonfish, puts us in a strong position for the future.

Gigi Levy
Chief Executive Officer

Enhanced Business Review

Financial Review

Financial Summary

	Year ended 31 December 2010[1]	Year ended 31 December 2009[1]
	$ million	**$ million**
Revenue		
B2C		
Casino	116.9	118.7
Poker	38.4	51.6
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Emerging Offering	16.2	14.4
Total B2C	**221.7**	**195.4**
B2B	**40.4**	**51.3**
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Research and Development Expenses[3]	21.8	24.2
Selling and Marketing Expenses	91.5	67.3
Administrative Expenses [3,4, 5]	21.6	19.8
EBITDA[3,4,5]	**28.6**	**45.6**
Exchange losses and net Finance costs	(1.2)	(2.5)
Depreciation and Amortisation	(12.3)	(8.5)
Profit Before Tax [3,5]	**15.1**	**34.6**

[1] Figures may not add to totals due to rounding
[2] Excluding depreciation of US$8.5 million (2009: US$7.0 million), amortisation of US$3.8 million (2009: US$ 1.5 million)
[3] Excluding restructuring costs totaling US$2.2 million (2009: nil): US$1.2 million from Operating expenses, US$0.6 million from Research and development and US$0.4 million from Administrative expenses
[4] Excluding exchange rate loss of US$ 0.3 million (2009: US$2.7 million)
[5] Excluding share benefit charges of US$ 2.3million (2009: US$7.0 million)

Financial Results

General

Our financial results in 2010 were adversely impacted by challenging trading conditions especially in the online poker market and unfavourable exchange rates during the first half and the World Cup during the summer. Despite this, Revenue increased 6% to US$262 million (2009: US$247 million). However, the increased marketing investment, which resulted in record new player recruitment, had an inevitable impact on margins. EBITDA* was $29 million (2009: US$46 million), Profit before tax US$15* million (2009: US$35 million) and Basic Earnings per share* 3.6¢ (2009: 9.2¢).

** Excluding share benefit charge of US$2.3 million (2009: US$7.0 million) and restructuring costs of US$2.2 million (2009: nil) as more fully described in the Expenses section of the Financial Review below.*

Geographical segmentation

The Group's revenue stream is diversified across geographies, with the majority arising from Europe. The UK remained the largest single market. The table below shows the Group's geographic revenue distribution:

Revenue by geographical market:

	Year ended 31 December 2010*		**Year ended 31 December 2009***	
Revenue	**$million**	**% share**	**$million**	**% share**
UK	128.2	49	90.4	37
Europe (excl. UK)	96.8	37	113.7	46
Americas (excluding USA)	16.1	6	19.1	8
Rest of World	21.0	8	23.4	9
Total	262.1	100	246.7	100

* Figures *may not add to totals due to rounding*

As the table illustrates, in 2010 888's turnover grew by 42% in the UK but declined elsewhere: 15% in Europe (excluding UK), 16% in the Americas (excluding USA) and 10% in the rest of the World. The relative size of the UK increased significantly to 49% of Revenue.

Expenses

Operating expenses, mainly comprising salaries, chargebacks, payment service providers' commissions and revenue share due to B2B partners, totaled US$112.1 million (2009: US$98.4 million), an increase of 14%. Most of the increase is driven by the addition of Wink bingo and Mytopia from January and June respectively, an increase in B2B revenue share due to partners which were launched in late 2009 and the establishment of a supplementary low cost support centre in Eastern Europe. Staff Costs representing the largest component of operating expenses, were US$48.5 million (2009: US$45.5 million) reflecting the additional staff joining with Wink bingo and Mytopia, mitigated in part by the restructuring cost cutting announced in May (staff costs in Q4 reduced by approximately 5% compared to Q1). Chargebacks reduced significantly during the year to US$3.0 million (2009: US$9.0 million) as the business reverted to historic levels following the fraud attacks in 2009.

During 2010, the Group continued its investment in infrastructure across business lines, however Research and Development expenses reduced 7% to US$22.4 million (2009: US$24.2 million). The reduction was driven by utilising a more cost-effective workforce based on the new outsource development centre established in late 2008 in Ukraine.

Marketing expenses, driven almost exclusively by B2C activities, were US$91.5 million (2009: US$67.3 million). The increase was driven by the addition of the Wink bingo business and by multiple marketing initiatives across 888's business aimed at driving growth. The result of this is reflected in the strong trading in Q4 2010 and 2011 year to date.

In 2010, the Group continued to optimise cost per acquisition across various customer recruitment channels. During the year, 888's marketing team recruited more than 213,334 new Casino and Poker first time depositors from more than 1.4 million (2009: 1.1 million) new real money registrations with an average cost per acquisition in 2010 of US$201 (2009: US$177).

Administrative expenses[1] increased 9% to US$21.6 million (2009: US$19.8 million).

[1] Excluding exchange rate loss of US$ 0.3 million (2009: US$2.7 million), share benefit charges of US$ 2.3 million (2009: US$7.0 million) and restructuring costs of US$0.4 million (2009: nil).

Share benefit charges

In 2010, the Group reduced the level of equity awards made under the All Employee Share Plan and scope of eligible grantees and the charge to the profit and loss account reduced significantly. The non-cash charge for 2010 was US$2.3 million (2009: $7.0 million), comprising a US$0.2 million charge relating to grants in the current year (2009: US$1.1 million) and US$2.1 million (2009: US$5.9 million) relating to grants made in the past.

Finance Income

Low interest rates resulted in interest income of US$197,000 (2009: US$633,000).

Profit and Earnings per share

EBITDA[1] was US$29 million (2009: US$46 million). EBITDA[1] margin was 10.9% (2009: 18.5%).

Taxation

The tax charge for 2010 was US$2.7 million (2009: US$2.7 million) reflecting the group's efficient tax position.

Earnings per share

Adjusted Basic Earnings per share[1] were 3.6 ¢ in 2010 (2009: 9.2¢) whereas Basic Earnings per share were 2.3 ¢ in 2010 (2009: 7.2 ¢).

[1] Excluding share benefit charge of US$2.3 million (2009: US$7.0 million) and restructuring costs of US$2.2 million (2009: nil).

Dividend

The Board recommended that no final dividend be paid for the 2010 financial year.

Cash flow

During the year, the Group generated net cash from operating activities of US$16.2 million (2009: US$41.5 million).

During 2010, the Group made cash payments of US$28.3 million (2009: US$30.0 million) in investment in activities including the Mytopia acquisition at US$12.3 million and capital expenditure at US$8.6 million (2009: US$8.3 million). The Group returned US$10.5million (2009: US$22.4 million) in dividends to its shareholders.

Balance Sheet

The Group's cash position as at 31 December 2010 was US$61.5 million (31 December 2009: US$87.5 million). Balances owed to customers were US$34.7 million (2009: US$37.6 million).

As at 31 December 2010 Current Liabilities include Contingent Consideration of US$78 million (2009: nil) comprising discounted amounts of US$72 million in respect of Wink Bingo and US$6 million in respect of Mytopia acquisitions. As announced on 18 March 2011, the Wink related earn out payment has now been rescheduled such that £21.7 million is deferred and is due on 21 May 2012.

B2C

888 remains at the cutting edge of the online gaming experience, and 2010 saw the Company take large and innovative strides forward across the B2C offering.

The customer experience is of paramount importance, and 888 provides online entertainment destinations where players can combine an unparalleled gaming offering with a more complete internet experience, including social networking and personalised activities.

In 2010 the offering was enhanced to provide customers with an experience that they could not find elsewhere. The new Poker 6 platform was an enormous step forward and is widely considered one of the best in the industry. It has helped 888 significantly outperform peers through providing an enjoyable, accessible and different gaming environment. The opportunity to play online using live video stream games also reminds players that, at 888, 'We Play Different.'

The year also saw the roll-out of the new branding for our four core offerings. With a reinvigorated look and feel under unified logos, the brands all speak with one language and link into one offering. This creates brand continuity, leveraging the strength of the 888 brand and increasing its reach. The new sites were launched at the beginning of 2010 as 888casino, 888poker, 888bingo and 888sport, all under the 888.com umbrella brand.

Leadership through Innovation

Online gaming continues to evolve, and 888's offering continues to innovate and change with it.

888 is a truly global gaming destination, with localised offerings providing players in different geographies with games that appeal to them in the language that they speak. The 888 gaming experience is now available in more than 20 languages in over 150 countries.

Poker

In 2009 the decision was taken to carry out a complete overhaul of 888's poker offering and deliver a ground-breaking environment for players of all abilities. Analysis showed that there was a gap in the market for a poker offer that provided a bridge between soft social game poker and real money online poker, catering for beginners as well as experienced players.

A year in development, the result was the launch of Poker 6 in June 2010. The new platform was built from scratch, with feedback throughout the whole process from focus groups comprised of 888players and people representing the demographics that 888 was looking to reach.

Poker 6 was a huge leap forward, with an intuitive usability that targeted the casual player. This included the creation of a beginners lobby with one-click options to immediately place players at the table of their choice. At the same time a new tournament lobby appealed across the demographic, and an improved multi-table playability ensured that experienced players remained well-catered for.

As well as these functional improvements, the look and feel of the sites was greatly improved. Features implemented include a customisable lobby, individual avatars and tag icon options, new table themes and card choices. Improved social aspects were also incorporated, and an extensive online shop for players to redeem their poker points helped to create a personalised experience that helps to build loyalty and drive repeat visits.

Reaction to the changes has been extremely positive, with an increase of more than 50% in the liquidity of ring cash games since launch.

Casino

During the year the flash casino was significantly enhanced, with the addition of dozens of new games and further core features. This no-download product allows players at 888 to enjoy faster access to all their favorite games and is available in more than 20 languages at both 888casino and 888sport. The product contains a lounge for VIP Players and high-rollers, where they can see their status prominently displayed and receive an impressive list of membership benefits. Additionally high stake versions of roulette and blackjack are available in the VIP arena.

Alongside these eye-catching innovations, the instant games offering was expanded, with dozens of new games added to the quickplay suite. In the first half of the year a new casino brand, Euro City, was launched, targeted at particular European markets.

888 continues to monitor developments in new markets. At the forefront of these is Italy. Italy has huge potential for online gaming, and the new licensing regime that permits cash gaming Poker and Casino is already in force. 888 is well placed to capitalise on our position, both directly and through Dragonfish. A joint venture with Endemol Italy, the prominent independent TV production company in Italy, is being set up to co-invest in the Italian market. The deal will see the launch of a comprehensive gaming offering, operating on 888.it, which will benefit from the exclusive utilisation of Endemol's brands in Italy. This modus operandi is becoming a cornerstone of our strategy in the new locally regulated markets, where we will be seeking strong partners who will assist us by providing access to significant local assets and by investing additional funds into our activity.

The success of our work in 2010 was recognised when 888 received the award for Best Operator of Online Casino at the prestigious Monaco iGaming Awards.

Bingo

888 continues to be a leader in the online bingo field. Following its acquisition in December 2009, 2010 was the first full year of Wink Bingo's contribution and the site proved once again one of the most popular in the UK. 888ladies continued to perform well, boosted by an overhaul of the lobby. The new look and feel of the 888ladies site was very well received by its loyal players.

888's share of the UK bingo market was further increased through the addition of two new offerings – Tasty Bingo and Red Bus Bingo, launched in March and April respectively. The two sites both offer regular promotions, attractive prizes and the wealth of interactive features that make 888's bingo sites social destinations that draws users to make repeat visits.

The successful bingo offering was introduced into new markets in 2010, notably in June with the launch of 888bingo in Sweden.

Sport

888sport made significant steps forward in 2010. The rebranding, alongside the other core 888 offerings, heralded a major change in its look and feel. The homepage was improved through the addition of promotional videos, one-click prices for key events, a live betting widget and live odds carousel banners, all supported on a new and wider screen resolution.

In the first quarter of the year a new horse racing offering was launched, which included a new 'i-card', showing detailed and comprehensive graphical statistics and information. A Bet & Watch application enabling the streaming of live racing from a number of UK tracks, was another popular addition.

As well as the improvements made to the 888sport website, an all new 888sport mobile product for Smartphones was launched, allowing customers to place bets anywhere and anytime, including in-play.

Social Gaming

The rise of social networking sites, now the most visited sites on the internet, and the emergence of social gaming, illustrate the growing importance of social features to the future of the industry.

Understanding and adapting to this changing consumer behaviour has led 888 to embrace the new era of social interaction. The acquisition of the assets comprising the Mytopia social games development studio from Real Dice Inc. in June 2010 gave us an immediate footprint in the social gaming arena, complementing our core offering and giving us access to millions of customers.

Access to this new gaming audience provides a number of cross-selling opportunities, and ensures that we are at the forefront of what is expected to be a key trend in the habits of consumers in the online gaming industry. The acquisition forms the cornerstone of our social gaming and mobile strategy, allowing us to offer a seamless experience across different platforms to both our B2C customers and via Dragonfish.

Marketing and Promotions

888 continued to seek out ground-breaking and timely offline marketing opportunities to build brand awareness amongst key demographics and increase online traffic. 888 launched some of its most high-profile campaigns in 2010, reaching new customers and helping to bring old players back onto the improved offerings.

2010 was the third year of 888's partnership with Shane Warne, and he continues to represent 888 at international poker events such as the 888 Poker Open, the Aussie Millions and the World Series of Poker. Shane also fronted a multi-media advertising campaign around the launch of the new poker offering. The campaign, based around the slogan 'We Play Different', yielded very good results.

The television campaign was the culmination of marketing activities surrounding 888poker. As the new offering was introduced, an innovative marketing campaign offered players a proposition never seen before. The "8 ways to 88 WSOP packages" global campaign offered new players a variety of ways to win 1 of 88 packages to the WSOP, not all of which were at poker tables – there was even a way to win by creating a YouTube video to plea for the prize. To jump start the campaign, US$500,000 worth of free US$8 registration accounts were handed out.

In addition to the “8 ways” campaign, an online promotion with the tagline “A New Era has Begun” heralded the arrival of the new 3D poker software and offered players the chance to turn 8¢ into US$30,000, iPads, Sony Home Cinemas and Kindles.

Marketing for both of these promotions was undertaken using global online affiliates, search engine marketing, localized promotional landing pages in 11 languages, offline print advertisements in several poker publications and via on the ground poker leagues.

888sport continued to be prominently marketed at key sporting events, building brand awareness. The biggest casino promotion was a repeat of the £8,888,888 campaign, which offered the chance to use seven free spins to win the biggest online jackpot of all time. The campaign appealed to players across the playing spectrum – including new, registered, and high value players, VIPs and inactive players. The promotion was supported by a 360 degree marketing drive across all media outlets, including direct mail, television, online, and prominent public advertising, and also by search engine optimisation and cross selling from 888 sites.

High profile sponsorship of events, with corresponding online promotions, also helps to drive customers to 888 sites. In February 2011 it was announced that 888 has teamed up with the Professional Darts Corporation to sponsor what is now called the 888.com Premier League Darts. The tournament is the biggest indoor sporting event in the United Kingdom, with a significant international reach. The tournament this year features a new format with two teams battling it out for superiority, with Team Blue and Team Green representing 888poker and 888casino respectively.

888sport is also the proud partner of Fontwell Park Racecourse, which fittingly is home to the world’s only figure of eight race track. Fontwell Park, in East Sussex in the south of England, has recently undertaken a significant facelift, with the £6.5m 888sport Premier Grandstand now providing breathtaking views of the course.

Customer Relationship Management

Strong customer relationships are the bedrock of our success. Whilst eye-catching promotions help to drive customer acquisition, customer retention comes from engendering loyalty through building bonds with players. This leads to people playing more games, more often, for a longer time.

888’s ongoing commitment to localisation strengthens relationships worldwide through speaking to people in their language and culture, while the market-leading usage of social features and interactivity with players strengthens brand loyalty.

888 never forgets that the customer has a choice, and strong customer relationships are the bedrock of our success. A positive customer experience has a direct impact on engaging customer loyalty and subsequently improving retention.

In 2010, further initiatives were introduced in order to meet our retention goals, included loyalty schemes and our successful VIP programs. The use of sophisticated data mining helps to focus marketing efforts and target players with the right offers at the right time. Offline events help the Company to meet VIP clients face to face and build relationships. These relationships are managed by dedicated VIP Loyalty Managers.

The numerous offline events that took place in 2010 included a trip for VIPs to the FIFA World Cup and Royal Ascot, an event for 888ladies in Manchester, and for 888poker members a trip to the WSOP and an exclusive 888Poker party.

Search Engine Optimisation (‘SEO’)

The specialist Search and Web Optimisation Technologies (‘SWOT’) team continue to give 888’s websites prominence on worldwide search engines, maximising the impact of the product offering. Successful use of SWOT has helped to bring players to 888 brands, helping customer acquisition and the ongoing growth of 888sport and 888ladies.

In the UK, 888 sites were top in Google searches for ‘casino’, ‘online casino’, and ‘bingo.’ This positioning is replicated across core markets.

Dragonfish

Dragonfish continued to mature in 2010, further improving the Total Gaming Services offering, adding new partnerships while increasing the scope of existing ones, and moving into new markets.

To oversee this expansion a new Managing Director was appointed, David Zerah, who has significant B2B experience in the media industry, both broadcast and online. As the industry moves towards a greater emphasis on content and flexible solutions his experience and contacts will enable Dragonfish to capitalise on these opportunities.

In recognition of Dragonfish's position as a leading B2B provider helping companies deliver online gaming results, we were delighted to receive two of the most prestigious awards at the inaugural eGaming Review B2B Awards - White Label Partner of Year and Bingo Network of the Year.

The Total Gaming Services Offering

New entrants to the online gaming market require diverse gaming content, a technology platform to work with, expertise in setting up operations as well as marketing and, above all, knowledge of how to leverage their assets and target the gaming consumer.

Steps were taken in 2010 to ensure that Dragonfish continues to offer just such a compelling product across all core gaming areas.

The Poker 6 upgrade provided a more contemporary look and feel for poker clients, with enhanced usability, functionality and playability on the tables.

The casino offering continues to reflect 888's decade long experience as a leading casino operator. This allows Dragonfish to provide a suite of games that helps partners to appeal to beginners and experts, through the vast range of games available, easy to navigate casino lobby with intuitive buttons for communicating promotions, tutorials, 24/7 customer help, wins and bonuses.

Each product is tailored for individual markets, and can take advantage of multi-platform compatibility. Casino games are now available in more than 20 languages across a variety of platforms.

In order to enhance the gaming experience, further casino games were added in 2010. Due to Dragonfish's integration platform, these games can be integrated into the poker, sport, or bingo offerings swiftly, using a single wallet application that provides seamless account processing.

Dragonfish launched more than 30 new Quickplay games across the year, including the global brands 'Monopoly' and 'Wheel of Fortune'. As well as these famous brands, Dragonfish also utilises major events to increase the relevance of offerings and provide an enjoyable gaming experience. The highest profile example of this in 2010 was the launch of a suite of Quickplay games built specifically for the FIFA World Cup. The games are highly sought after by partners as Dragonfish aims to deliver best in class offerings. Providing a more diverse offering, such games are a proven formula for increasing player retention and lifetime customer value.

Another way to increase player retention and drive traffic to sites is through interactive and social features. The rise of social networking has been one of the key internet trends of the last few years, and a number of additions have been made to help fulfill the social wants of players. In Bingo, "Virtual" gifts were added to chat applications, together with a live video streaming feature that enables the chat moderators to build a more personal dialogue with the players.

Back office services continue to be a core part of the proposition. Dragonfish provides a customisable deposit and cash-out cashier per country, localised with a look and feel tailored to a partner's specification. This provides innovative payment optimisation technology and fraud management, including anti-money laundering services. The Total Payment Services offering gives 24/7 multi-lingual customer operations that assist customers' deposits and withdrawals both reactively and proactively.

2010 saw the launch of Dragonfish Affiliates. The program currently has tens of thousands of affiliates focused on customised sponsorship promotions, with new and existing affiliate partners, driving partner growth activity. The program was supported through attendance at major affiliate shows in London, Prague and Budapest.

Partners

Dragonfish helps a wide range of companies to maximise their online revenues and fulfill the potential of their brands, including e-gaming companies, media portals, offline casinos and pools operators.

Contract extensions were signed with Moon Bingo and Costa Bingo, and we were pleased to sign an extension to Dragonfish's existing agreement with Cashcade (now owned by Party Gaming). The Cashcade offering includes some of the biggest brands in the UK bingo market, such as Foxy Bingo, Cheeky Bingo and Think Bingo, all of which are standalone networks powered by Dragonfish bingo software. As part of this extension, Dragonfish developed a bingo network for Nordic countries with localised bingo game, localised currencies and payment methods. This new offering enabled UK market leaders 888ladies and Foxy Bingo to enter the Swedish market with new product initiatives while sharing the same liquidity.

In total, 2010 saw the launch of several new standalone bingo networks, with Cashcade (Rollover Bingo) and Costa (Sing Bingo), emphasizing Dragonfish's position as the market leader in online bingo in the UK. MTV Networks UK & Ireland also marked their entry into online gaming by selecting Dragonfish to provide their bingo product.

There are now over 20 standalone bingo networks powered by Dragonfish, and the Dragonfish bingo network supports over 80 skins offering instant liquidity, industry leading software and top tier brands. We were proud to see this leading position in bingo recognised at the eGaming Review B2B Awards, and also to be voted by players as the provider of the 'Most Popular Online Bingo Software' at the 2011 BingoPort.co.uk Players' Choice Awards.

Regulated Markets

Newly locally regulated markets form a core focus of the Dragonfish strategy, and the Company has tailored its product and marketing towards this area. Dragonfish provides flexible gaming solutions to help partners capture locally regulated market share. This flexibility gives partners the ability to cherry pick from the Total Gaming Services offering to create bespoke solutions fully customised for individual markets.

Partners can combine those products and services that complement their own and the relevant market, from as little as one gaming product with no back office, to a full managed service. In 2010 advertising campaigns concentrated on Dragonfish's flexible gaming solutions for locally regulated markets, and there were a number of notable successes.

Italy

The Italian eGaming market is one of the largest in Europe and, with the market now open to online casino providers, there are huge opportunities in the country.

Dragonfish worked hard to identify the best games for this market, and the best product for partners. Two major agreements were signed in 2010.

In March an agreement was signed with bwin Italia, a subsidiary of bwin, to provide a casino games portfolio for the Italian market. This was followed in August by the signing of an agreement with Microgame, Italy's leading remote gaming service provider, for the provision of a comprehensive casino product.

The partnerships are significant steps forward for Dragonfish in the locally regulated Italian gaming market and provide the platform to become one of the largest casino providers in Italy. Dragonfish was able to provide both partners with a flexible casino platform that included casino games combined with a Player Management System that could be seamlessly integrated into their existing operating systems.

France

The online gaming environment in France entered a new phase of regulation in 2010. 888's award of a licence by Autorité de Régulation des Jeux En Ligne (ARJEL), the French Gaming regulator, allowed Dragonfish to enter this new environment. A joint venture was signed with Microgaming for a comprehensive poker network offering of a suite of games, multiple tournaments and a fully customized poker solution. Whilst at an early stage, it is anticipated that over time the network will provide a shared pool of player liquidity on a single platform available to licensees and also 888's own B2C poker customers.

The network was launched in October, with French poker sites Poker Subito and Poker Xtrem launching alongside 888's own poker site.

United States

The partnership with Caesars Interactive Entertainment (CIE) was significantly augmented in August by the launch of a free play World Series of Poker offering for the United States. The new free play poker software, utilising the Poker 6 software upgrade, provided US players with the opportunity to play on the pre-eminent brand in poker worldwide, tailored to their local market.

Caesars, which is registered with the Nevada Gaming Commission ('NGC'), submitted to the NGC and the Nevada State Gaming Control Board ('GCB') an application for a finding of suitability concerning CIE's supplier relationship with Dragonfish. The application relates to state law in Nevada that covers Nevada gaming companies conducting gaming outside the state of Nevada.

On 9 March 2011, the GCB considered the application and recommended to the NGC that the requested finding of suitability be granted to CIE regarding its commercial relationship with Dragonfish. On 24 March 2011 the Nevada Gaming Control Board unanimously approved the suitability of the commercial relationship between Caesars Entertainment and Dragonfish.

2011 Focus

Dragonfish continues to be focused on the achievement of growth both organic, through driving increased revenue from partners, and through the acquisition of new partners.

The Company will continue to deliver market-leading Total Gaming Services from the most complete gaming platform to cutting edge back office services. It will strive to be the first to enter locally regulated markets. For example, having secured agreements with some of the largest operators in the newly locally regulated Italian market, we are launching our flexible casino product in line with the new legislation set by AAMS. As the regulatory landscape continues to alter, the flexibility of Dragonfish's offering allows us to focus on partnerships in markets where regulation is still to be defined, including Belgium, Spain, Germany, and Denmark. We will continue to monitor developments in North America, and we are currently exploring opportunities to build our presence in Canada.

Growth has been supported through a prominent media campaign across trade media outlets, and through a significant presence at conferences and exhibitions throughout 2010. This will continue into 2011 together with the expansion into advertising in newly locally regulated territories.

Technological Infrastructure

888's success is built on the strength of its technological infrastructure which provides the platform for the cutting edge innovation for which it is renowned. The cutting-edge offering, including the ground-breaking Poker 6, as well as numerous back office and infrastructure capabilities, are all aimed to improve the way 888 operates, utilising automated tools allowing efficient customer acquisition and retention. During 2010, 888 casino introduced new bonus and promotion tools, a new No-Download client and more than 40 new games together with a Games-Tab offering. All of this is a result of the behind the scenes expertise that is at the heart of 888.

888 has invested significantly in its physical infrastructure, and has more than 1,000 servers in the development and testing environments, and 900 in production. To enhance development efforts and reduce costs, 888 operates a large outsourced software development facility in Eastern Europe. This development centre, in Ukraine, allows access to excellent, well-trained, highly professional and cost-efficient talent.

As well as the considerable work that has gone into the eye-catching improvements to the B2C offering and the new standalone casino product which opened up new markets for 888, a number of notable technological enhancements were also made:

Unified Offering Infrastructure

During the first half of 2010 our infrastructure was upgraded in order to support our next generation platform. This was the culmination of two years' work and ensured that our back office services are at the forefront of customer management abilities and cross sale support. The new platform supports single registration and a single wallet for all of our 888 brands, while also improving services to include real time risk management checks, automatic cashout restrictions, presentation of the bonus details in My Account and more. The new infrastructure forms the basis for our new B2B casino standalone product. During H1 2011 we plan to move most of our brands to this infrastructure.

Regulatory Environments
To comply with changing regulatory environments, all systems must fulfill the requirements of local regulators. During the second half of 2010 significant changes were made to satisfy the regulations around Italian cash games. The changes that were made, position the platform well to adapt to new markets as and when further regulatory changes are introduced.

Content Management
During 2010, our web infrastructure was upgraded with a new Content Management System that allows a quick turnaround on changes to 888 sites. By using this system, 888 can now alter its websites and banners across all domains at a single touch of a button.

Gaming Solutions Platform
The Gaming Solutions Platform, which supports external wallet and external user management, can now support Dragonfish partners' gaming platforms, allowing them to take advantage of our advanced unified offering capabilities. The first brands to work with the GSP platform are set to be the Italian partners of Dragonfish - bwin, Gioco Digitale and Microgame.

Promotions
In order to support our Free Spins Casino campaign, the promotion management system was improved to allow players to claim bonuses via email, and for bonuses to be granted in stages. Campaign management was improved through enhanced, automated campaign effectiveness analysis. Systems were also developed that allow us more effectively to manage and operate customer campaigns, targeting relevant promotions at players quickly and cost-effectively.

Online analytical processing
Secured Analytical Services were introduced for Dragonfish Partners, on software as a service basis, allowing them direct access to aggregated data.

Enterprise resource planning
In January 2010, a new enterprise resource planning system was successfully implemented and integrated into 888's business infrastructure, the result of a large undertaking carried out during 2009. This new system streamlines 888's capability to carry out daily business processes in an optimal manner.

ePayments

2010 was the first year that 888 provided payment services to non-gaming operators, following the signing of an agreement with the world's leading virtual world technology company Linden Lab, the creator of Second Life, to provide e-payments, fraud and customer support management services. This collaboration represented an extension of Dragonfish's offering beyond the gaming industry into the wider retail environment, and signified its emergence as a strong player in the regulated payment services market.

The comprehensive Total Payment Services offering includes payment processing tailored for local markets, fully managed fraud detection and prevention services as well as customer support services.

Several new payment options were introduced in 2010, allowing customers to make deposits using their preferred currency and payment medium.

The prevention of fraud is central to an ePayments platform, and new capabilities were added in 2010 to reduce the cost of fraud to both 888 and our partners. These included the use of 3D secure code and Verified by Visa.

888 will continue to invest in technology across the business, ensuring that leading back office systems provide the basis for an unparalleled experience for both players and partners.

Customer Support and Service

Customer Relationship Management
888 remains committed to its goal of providing the best customer support and service in the global online gaming industry. Strong customer relationships are the bedrock of 888's success. Whilst eye-catching promotions help to drive customer acquisition, customer retention is generated by fostering loyalty through building bonds with players. This leads to people playing more games, more often, for more time.

First class customer support is offered for each of the Group's brands and White Labels via telephone, e-mail and chat 24 hours a day, 7 days a week, to customers around the world in 11 different languages.

888's ongoing commitment to localisation strengthens relationships worldwide, through speaking to people in their language and cultural context, while the market-leading usage of social features and interactivity with players strengthens brand loyalty.

Through improving the customer experience and ensuring that sites are intuitive, 888 aims to increase customer conversion and retention. In 2010 the UNICA Campaign Manager was integrated into 888's back office application. This effective marketing tool enables support staff to offer tailored promotions to players based on their activity & status, and is used during live inbound contacts to reinforce loyalty and promote up/cross sells. On average, 888's support teams converted 24% of all incoming phone calls and 10% of relevant incoming chats to deposits; expanding this convenient service to players and further benefiting the business.

The Telemarketing and Proactive Chat department has continued to deliver excellent performance, accounting for millions of deposits in 2010. The department has increased its performance year on year in all three key metrics - efficiency, productivity and revenue generated. The department recently expanded the proactive chat capabilities to help boost customer acquisition, with more improvements in the pipeline.

The Group continues to invest in industry leading technology in order to enhance its Customer Relationship Management ('CRM') capabilities and support its online customer experience initiatives. In 2010 888 upgraded to a new Telecommunications system at both the Gibraltar and Antigua contact centres, and completed the deployment of RightNow's CRM full solution within the entire Business Operation Division.

This project integrates existing Online Web Self-Service capabilities and enables 888 to reduce its operational expenditure and manage its resources more effectively. Dynamic and flexible user interfaces help to improve agent efficiency and advanced contact management tools facilitate higher customer satisfaction.

RightNow capabilities such as monitoring Social Networks and the option of sending feedback surveys to players at any point will enable actionable next steps in the future, and will connect 888 to the growing trend of customer conversations occurring in the social cloud.

The main Gibraltar contact centre focuses on providing support for 888's principal markets in Europe, Asia Pacific and Latin America while the Antiguan contact centre focuses on supporting the English speaking markets in Europe, Australia, Asia Pacific and Canada.

The fully established contact centre in Romania is providing inbound customer support in several languages for Dragonfish and 888's main markets in Europe, Asia Pacific and Latin America. In addition, support staff at this contact centre focus on providing customer support for the recently locally regulated French poker market.

Support teams in all locations aim to close the majority of issues during the first contact, as exemplified in the Service Level Achievement reached in 2010.

The increased usage of the Online Web Self Service by 888's customers, coupled with new measures aimed at optimising resources and improving operational efficiency have resulted in a *decrease* in overall contact volumes in 2010; even with the addition of several new Bingo White Label Partners which increased contacts from Bingo customers alone by an 82% in 2010.

Customer Satisfaction

888 monitors customer satisfaction at key points throughout their lifetime cycle in order to assist stakeholders in the group to identify and understand habits and expectations of loyal players, as well as to design service initiatives and ongoing refresher training, based on the results.

In addition to the customary study conducted to benchmark 888's service level within its primary markets, the 2010 survey for the first time included English speaking 888sport customers. 888 is pleased that all of the main language markets once again gave their highest rating to the level of professionalism of our support representatives.

The survey also sought insight into customer awareness and usage of the Online Self-Help facility available to English, German, Spanish, French and Italian customers. In 2010, 66% of respondents were aware of the Online Web Self-Service tool and reported using it.

To further increase usage of this facility, 888's Content Management staff continue to refine Help access points and FAQ content, and as a result facilitate zero contact resolution for customers who prefer this avenue of support.

Regulation and General Regulatory Developments

The regulatory framework of online gaming in different countries around the world remains as dynamic and rapidly evolving as ever. While some jurisdictions have moved to curtail the activities of online gaming sites, many others (including many European jurisdictions and even some US states) are currently contemplating liberalisation and regulation of the industry, and some have already taken this route. The Group 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.

EU

The European Commission holds that gaming and gambling fall within the scope of the Free Movement of Goods and Services enshrined by European law. In the past, the Commission launched infringement proceedings against numerous EU States (including Spain, Germany, Portugal, Finland, Austria, Hungary, Italy, Sweden, the Netherlands, Denmark and France). These proceedings contributed to the present European trend towards liberalization of the online gaming market.

The European Court of Justice, in the bwin v. Santa Casa case (and later in other cases), recognized the relatively wide sphere of discretion available to Member States in regulating gaming activities. However, in several rulings handed down during 2010 (most notably those regarding the German Inter-State Gambling Treaty), the European Court of Justice reiterated that the gaming legislation of Member States must conform to the basic principles of EU law, including the free passage of goods and services and the freedom of association. Specifically, the Court struck down legislation which it found curtailed these freedoms, despite the fact that such legislation was ostensibly aimed at protecting local interests, ruling that it was disproportionate, inconsistent and unsystematic. Against this backdrop, the European Commission will continue to review Member States' legislation in the gambling sphere on a case by case basis.

Several EU Member States are either contemplating or have already put in place, a liberalised (or partially liberalised) gaming sector; The UK, France, Italy, Denmark, Belgium and Estonia have already adopted a regulatory regime for online gaming. Other EU Member States comprising Ireland, Hungary, Germany, Bulgaria, Latvia, Lithuania, The Netherlands, Switzerland, Sweden, Poland, Greece, Spain, Romania and the Czech Republic are also considering (or are already in the process of) revising their gaming laws possibly to include liberalization of the online gaming market.

Thus, in France, a 2010 law introduced a licensing regime for online poker, sports betting and horserace wagering. Over the past year, licenses were issued by the newly created state regulator. The new regime resulted in the European Commission abandoning its infringement proceedings against France. Under the 2010 French law, the online regime will be evaluated 18 months after coming into force (i.e. at the end of 2011). This review could lead to further amendments of the French legal regime, including further liberalization of the market, or changes to the tax structure.

Also in 2010, Denmark passed a law introducing a licensing regime for online gaming operators. This law is now the subject of an EU Commission investigation, following claims by terrestrial operators that the tax regime applicable to online gaming is a form of unlawful State Aid. The investigation has postponed the entry of the new regime into force of the law.

In 2009, Belgium passed a law allowing issuance of online gambling licences as an extension of existing terrestrial gambling licences; therefore, pure online gambling operators may face difficulties in obtaining online gambling licences in that jurisdiction. However, the Belgian Gambling Commission has expressly supported partnerships between existing online gambling operators and terrestrial licensees, aimed at offering services to the Belgian market.. Italy, where the Group holds an online gambling concession, has recently introduced new legislation, expanding the scope of licensable online activities, and significantly easing access to the market by EU-based operators.

Spain is anticipated to be one of the next EU member states to introduce a regulatory and licensing regime for online gambling. The Spanish authorities have already published draft legislation on this matter, which has been presented to the Spanish Parliament and notified to the European Commission.

In Germany, following the European Court of Justice rulings mentioned above, momentum is gathering for adoption of a new legal regime to govern online gambling, to replace the existing (prohibitive) Inter-State Gambling Treaty (which is scheduled to expire at the end of 2011).

The European 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 WTO process described below).

The EU Council of Ministers recently adopted a declaration supporting the development of regulatory regimes for online gaming by Member States, while recognizing the need for joint efforts by Member States to remove barriers hampering free access for online gaming providers across borders within the European Union.

In March 2011, the European Commission published a long awaited Green Paper on online gaming The Green Paper launches a public consultation between EU Members, the EU institutions and other stakeholders regarding the legal and technical challenges arising from the activities of both "lawful" and "unlawful" online gambling operations. In this context, the draft recognizes the existence of the two regulatory models adopted by EU Member States - a liberalized licensing model and the national monopoly model. In line with the declaration adopted by the EU Council of Ministers, the Green Paper recognizes that the online gaming market has not been the subject of pan-European regulation, and that this state of affairs is unlikely to change. The Green Paper indicates the need to identify ways in which cooperation between national regulatory authorities at EU level will assist Member States in achieving more effectively the objectives of their gambling policy, in line with the principles of the EU internal market.

UK

The DCMS announced in 2010 that it will review the current online gaming licensing regime, and is considering whether to require all gaming operators targeting British consumers to be licensed in the UK.

USA

In the USA, several federal legislative initiatives aimed at creating a regulatory regime for online gaming were promoted by various political factions. The most prominent examples were initiatives backed by US Representative Barney Frank and Senator Harry Reid to regulate online poker in the US. However, neither of these initiatives eventually became law. In March 2011, Representatives John Campbell and Barney Frank introduced a federal bill to provide for the licensing and regulation of Internet gaming in the USA. This bill is identical to H.R. 2267 promoted by Representative Frank and reported by the House Financial Services Committee during 2010.

In early 2011 the New Jersey Legislature passed a bill allowing terrestrial licensees to offer online gaming services to State residents. However, this bill was vetoed by the Governor of New Jersey on 3 March 2011. Other US jurisdictions (including California, Iowa, and Florida) are also reviewing the possibility of licensing some form of intra-state online gambling activities. In March 2011, Hawaii legislators proposed a bill to allow for hosting of a limited number of global online poker operations from the State.

Corporate Social Responsibility

As a global leader in online gaming entertainment, 888 is committed to a pro-active policy of corporate and social responsibility that reflects the high professional and ethical standards we have set for ourselves.

Conducting our business responsibly is fundamental to the future success of 888 and the sustainability of the business. At 888, we understand that our responsible approach is both the correct way to do business and one that enhances our credibility, thereby supporting the development of the business. In 2010 our efforts were recognised when we were voted “Socially Responsible Operator of the Year” at the eGaming Review Awards.

Our philosophy

We aim to contribute to the global community in which we operate in order to benefit society as a whole:

- We sponsor and participate in activities in the neighbourhoods in which we live and work.
- We create collaborative and rewarding work environments where new ideas can flourish and employees can develop.
- We encourage responsible gaming practices to avoid the dangers of problem gambling, and we have taken rigorous steps at all our online sites to prevent underage gambling.

Our values

At 888 we place the community and the customer at the centre of all our endeavours. We are constantly looking at new and innovative ways to create a caring, responsible gaming environment and to ensure that underage persons are unable to access our games. For customers who suspect they have a problem, our Director of Responsible Gaming and our well-trained staff provide individual assistance that is considerate, supportive, and helpful.

Employees

At 888 we work hard to nurture and retain our talented employees. We acknowledge and value them and always strive to be an employer of choice. At 888 we value everyone’s contribution, regardless of their background or gender, and believe that diversity helps us meet the needs of our global customers.

Internal communication

As we are a global organisation, we strive to ensure that our employees have the best technology with which to communicate. In this regard, a new social platform was introduced in 2010 for our employees and a new global intranet portal established to connect employees in a new social context. Some of the new features of the portal include: professional online forums and informal blogs run by specific employees, special features to connect employees who are based in different locations, and fun gimmicks that facilitate and increase employee interaction.

In addition, candidates from the Company were selected to run three different social communities: ‘competitive intelligence’, ‘social gaming’, and ‘Know your customer’.

The aim of is: (i) to establish user-to-user interaction by enabling employees to come together for networking and support, (ii) to facilitate an exchange of ideas and information, and (iii) to promote greater awareness and understanding by providing a focus for discussions and collaboration on issues of mutual relevance.

Employee Engagement

Our goal at 888 is to ensure that employees remain motivated and engaged in their working life.
During 2010 a number of social activities took place across all our sites in the UK, Israel and Gibraltar. Activities were aimed to celebrate professional successes and special achievements. Each office celebrated with a year end party at their various locations. Some activities included end of year gifts and outstanding employee of the year awards.

We value our employees' opinions, and conduct a regular global employee opinion survey to understand their thoughts about different aspects of their life at 888. The survey's findings are treated seriously and are taken into account as part of our ongoing improvement plans.

Professional development and training

We strive to enable employees to grow with the business, which helps us to retain talent. During 2010, a number of programs were developed for employees:

Talking @ 888 Annual Review: The annual performance review process, run globally, was rolled out towards the end of 2010. A new online system was implemented incorporating an assessment model focusing on measuring the performance and importance of tasks within an employee's role. This allows managers to assess the importance of individual activities, making for richer feedback discussion and closer assessment of task prioritisation for employees and teams.

Management Development Training: A training program based in Israel, run twice a year, specialises in introductory management training for first time managers. The course is divided into four main areas: (i) general management skills, (ii) expanding managerial points of view, (iii) enhancing self awareness in management, and (iv) theoretical enrichment in the subject of management. Participants are selected from those who have been with the Company for a minimum of a year.

High Potential Program: This 18 month program concluded in July 2010, and had the aim of identifying future leaders within the organisation. By maximizing internal human capital, we created an internal tool for career progression and retention of key personnel, thus driving business success by retaining and relying on internal business knowledge. The program included two groups: (i) team leaders, training to be future senior managers, and (ii) employees, training to be future team leaders.

Business Leaders Forum Annual Conference: Business leaders from each location get together once a year for a 3 day conference in a relaxed and low-key environment to discuss strategy and business planning. The conference takes place in Israel and also includes an outdoor trip for team building.

Community

Community Involvement

888 is committed to supporting the various local communities in which it operates and also the broader global community. Our community investment program includes cash donations and long standing community involvement in our key areas across the world.

Local Community Involvement

In the later part of the year, 20 employees in the Gibraltar office volunteered to raise money for 'Children in Need'. A cake sale was organised giving volunteers who participated, the chance to cook and bake as well as to prepare the event. In addition, donations of Easter eggs were made to St Martin's Special Needs School at Easter as a gift for all children at the school.

Our employees in the Israel office continue their year long relationship with the national Derech Haetgar charity which focuses on enhancing the education of disadvantaged teenagers. The program allows volunteers to assist with homework and studies by combining fun and educational indoor and outdoor activities. Various field trips are also arranged with volunteers from the Company to different educational sites and learning centres around Israel.

As has been the case for each of the past four years, employees in Israel joined the Ruach Hatova national volunteering organization for a day of goodwill. A group of 20 employees helped at a special school for refugees, with volunteers working with the children to create baskets and ornaments.

For the first time, the Israel office participated in the universal charity organisation FIRST, a non profit organization devoted to helping young people develop a passion for maths and science. The programme involves building a robot which will eventually be submitted to an international robotic competition. A group of 20 employees volunteer in the programme which, aside from helping to build the robot, imparts solid project management and teamwork skills.

Charity and our members

Following feedback from the 888 community, the fourth annual charity day was expanded. The day became the 888charity Weekend and involved all 888 players. The slogan, “It's Time for Giving”, was used to inform players that 8% of 888's total revenues (up to US$70,000) generated over the weekend of 3-5th December would be donated to 888's three chosen charities: Oxfam GB, Bliss and Against. These charities were chosen following consultation with our customers. The weekend was supported through extensive cross product marketing activities – including emails, alterations to our landing pages and banners. Further to this, pin badges with the 888charity weekend logo were produced and displayed to casino VIPs at the VIP Christmas party. An extensive campaign internally ensured that all staff were aware of the event.

In response to the Australian flood crisis we ran a fundraising poker tournament in aid of the Australia Charity Relief fund.

Environment

As an online businesses 888's activities have a relatively small impact on the environment, but 888 continues to develop its commitment to environmental issues:

- Green IT: Recycling IT: all 888's redundant I IT equipment is now recycled and Virtualisation (VDI project): More than 120 stations were transformed from a PC to the VDI system, enabling us to use less hardware
- Energy consumption: Alongside these projects we continuously monitor our energy consumption to help us ensure we are being as energy efficient as possible.
- Recycling: We recycle as much as possible. Paper, bottles and cans are collected from all of our sites.
- Water: We use only ecological detergents in our offices and use water saving devices in all our locations.
- Travel: To minimise the impact of travel on the environment we encourage employees to either cycle to work and, in certain locations, provide buses for commuters. We also continue to invest in the state of the art technology to help meetings occur remotely.

Responsible gaming

Our values place the community and the customer at the centre of all our endeavors. We are constantly creating new and innovative ways to create a caring, responsible gaming environment and to ensure underage persons are unable to access our gaming sites.

888 aims to provide responsible adults with the best online gaming entertainment experience. However, we acknowledge that gaming poses a potential danger to a small minority of people. We continuously train all our staff in how to provide a safe gaming experience. Our training program incorporates methods and techniques to help our employees recognise and take appropriate actions if they identify compulsive or underage gambling.

Protecting Customers

As a responsible, regulated gaming company we comply with both the GamCare and the eCOGRA guidelines, and during 2009 had our certification renewed. GamCare is the leading authority on the provision of counselling, advice and practical help in addressing the social impact of gambling in the UK. eCOGRA ensures that approved online casinos are properly and transparently monitored to provide player protection.

Our site has links to helping agencies and we have placed many safeguards for those who need help with controlling their gaming. For gamblers who are worried about their gambling habits and want to know more about the signs of compulsive gambling we have a self-assessment test. Should members feel the need to, they can control their gambling by self-limiting the amounts they deposit per day, per week or per month.

A member can request to be self excluded for a chosen period, for whatever reasons. Based on studies carried out internally, we decided to increase time cool off periods available for members. Members can choose from six different exclusion periods from one day to six months. During this period, 888 blocks the account and no promotional e-mails are sent to the customer.

Protecting minors

Underage gambling on our sites is prohibited and 888 takes the matter of underage gaming extremely seriously. Our offering is not designed to attract minors. We make every effort to prevent minors from playing on our sites and use sophisticated verification systems as well as a third party verification suppliers to identify and track minors if they log into our software. The process utilises two verification systems, 192.com and URU. We train our staff to be highly sensitive to the possibility of underage gambling and make sure we suspend any account suspected to be an underage account. Once identified, an underage account is blocked permanently and deposits are re-funded.

888responsible

Since 2007 a dedicated website, www.888responsible.com, has been available, providing information regarding all aspects of responsible gaming. The site is available in English, French, Spanish and German.

This year we upgraded and expanded the site so that the content reflects our holistic CSR approach, while the updated platform allows for greater flexibility in content changes, as well as supporting more languages.

United Nations Global Compact (UNGC)

During 2009, 888 entered into in the United Nations Global Compact.

The UNGC is the largest global initiative to promote the social responsibility of businesses. It is a voluntary initiative, which brings together thousands of businesses across more than 100 sectors worldwide. Representatives confirm their commitment to the UNGC in order to promote ten universally accepted principles in the field of human rights, workplace standards and anti-corruption.

We believe that the activities of 888 are in line with the principles of the Global Compact, and it therefore seemed appropriate that we should publicly declare our support and ensure greater exposure to a wider public. By joining the Un Global Compact we are now in line with an established and globally recognised policy framework of environmental, social, and governance policies and practices.

Risk Report

The Group operates in a 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 in the Regulation and General Regulatory Developments section above.

Reputational risk

Underage and problem gaming are inherent risks associated with the online gaming industry. 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 in previous pages.

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 and designed to protect its networks from malicious attacks and other such risks. These measures include traffic filtering, anti-DDoS (Distributed Denial of Service) devices and Anti-Virus protection from leading vendors. Physical and logical network segmentation is also 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 dependence on telecommunication service providers, the Group invests in network infrastructure redundancies whilst regularly reviewing its service providers. The Group has two internet service providers 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 rerouting traffic using different routes or providers. 888 operates a 24/7 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 the group's activity which could have a material adverse effect on the amount of tax payable by the Group or on customers' behaviour.

The Group benefits from favourable fiscal arrangements in some of the jurisdictions in which it has taxable presence without which its results would be adversely affected. Most of the Group's gaming activities are based in Gibraltar. The Group has to date benefited from tax exempt status but, such tax exempt status regime was abolished as of December 31, 2010, as part of the introduction by the Government of Gibraltar of a new fiscal regime that complies with EU requirements.

Commencing as of January 1, 2011, Gibraltar companies will be subject to a corporate tax rate of 10%. However, certain forms of income, including royalty income, will be exempt from corporate tax. 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 and Bingo activities and, separately, at the same rate in respect of the Group's Sports offering. The applicability of such gaming taxes following the implementation of the new tax regime is, as yet, unclear.

The Group's subsidiary in Israel, Random Logic Limited entered into a transfer pricing agreement on an arm's length basis with the Israeli Income Tax Commissioner. The agreement was effective until 31 December 2010.

The operation in Antigua also benefits from a low tax regime.

Corporate Governance

888 Holdings plc is admitted to the UK Official List and its shares are traded on the London Stock Exchange. During 2010, the Company was not subject to the Combined Code (2008) or the UK Corporate Governance Code (the 'Code') as it is a Gibraltar incorporated company. However, as the Company has 'Premium Listed' equity shares, the Code will begin to apply to the Company in respect of the accounting period commencing 1 January 2011. Until this time, the Directors continue to support high standards of Corporate Governance and continued to voluntarily comply with the Combined Code (2008) as far as it is appropriate for a company incorporated in Gibraltar.

The Board

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

Composition

The Board consists of seven Directors as follows: three independent Non-executive Directors, one non-independent Non-executive Director, a Non-executive Chairman, and two Executive Directors, comprising the Chief Executive Officer and Chief Financial Officer.

Strategic approach

The Board focuses upon the Group's long-term objectives, strategic and policy issues and considers the management of key risks facing the Group. The Board is responsible for acquisitions and divestments, major capital expenditure projects and considering Group budgets and dividend policy. The Board also determines key appointments. The Board receives regular updates on shareholders' views. The Board has established a calendar of business. This covers the financial calendar, strategic planning, annual budgets and performance self-assessments, as well as the conduct of standing business. The calendar forms the basis for effective integration of business activities as between the Board and its principal Committees, which individually consider their own operating frameworks against the Board's business programme. The Board has established a formal process for the annual evaluation of its performance, its committees and individual Directors. The evaluation process covered a range of issues such as Board processes, Board roles and responsibilities, Board agendas and committee processes. The Board and its committees were found to be operating effectively. The Board plans to meet six times a year. During 2010, the Board met six times. Set out below are details of the Directors' attendance record at Board and Committee meetings in 2010.

	Total number of meetings held during the year ended December 2010 and the number of meetings attended by each Director			
	Board	**Audit committee**	**Remuneration committee**	**Nominations committee**
Total held in year	6	3	4	-
Richard Kilsby	5	n/a	n/a	-
Gigi Levy	6	n/a	n/a	n/a
Aviad Kobrine	6	n/a	n/a	n/a
John Anderson	5	n/a	n/a	n/a
Michael Constantine	5	3	4	-
Brian Mattingley	6	3	4	-
Amos Pickel	5	3	3	n/a

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

Non-executive review and performance appraisal

The Chairman holds meetings at least once per year with the Non-executive Directors without the Executive Directors being present. Led by the Senior Independent Director, the Non-executive Directors meet once per year without the Chairman present in order to appraise the performance of the Chairman. The Directors have wide ranging business experience, and no individual, or group of individuals, dominates the Board's decision making.

The Board considers that Brian Mattingley, Michael Constantine and Amos Pickel satisfy the independence criteria of the Code. The Board is satisfied that, upon his appointment as Chairman, Richard Kilsby met the independence criteria of the Code. The Board considers that Mr Kilsby's other commitments do not interfere with the discharge of his responsibilities to the Group and is satisfied that he makes sufficient time available to serve the Company effectively.

Reserved powers and delegation

A schedule of matters reserved to the Board has been adopted and its content is reviewed to align it with operational needs and the Board's preference to monitor and, where appropriate, approve matters of substance to the Group as a whole. Senior executives have given written undertakings to ensure compliance within their business operations with the Board's formal schedule of matters reserved to it for decision or approval.

Division of responsibilities

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

Other issues

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

The appointment or removal of the Company Secretary is a matter for the Board as a whole.

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

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

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

Re-election of Directors

Commencing as of the 2011 AGM, all Directors are subject to reappointment by shareholders on an annual basis.

Audit Committee

The Audit Committee comprises three independent Non-executive Directors: Brian Mattingley (Chair), Michael Constantine and Amos Pickel. The Board is satisfied that Brian Mattingley has sufficient recent and relevant financial experience to Chair the Audit Committee. Normally, by invitation, the Chairman, Chief Executive Officer and Chief Financial Officer and, where appropriate, representatives of the Company's external auditors attend the Audit Committee meetings.

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

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

Nominations Committee

The Nominations Committee comprises three independent Non-executive Directors: Michael Constantine (Chair), Brian Mattingley and Amos Pickel, as well as Richard Kilsby, Chairman. The Nominations Committee did not meet during 2010.

The Nominations Committee assists the Board in discharging its responsibilities relating to the composition of the Board. The Nominations Committee is responsible for reviewing, from time to time, the structure of the Board, determining succession plans for the Chairman and Chief Executive Officer, and identifying and recommending suitable candidates for appointment as Directors. The Nominations

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

Remuneration Committee

The Company's Remuneration Committee comprises three independent Non-executive Directors: Brian Mattingley (chair), Michael Constantine and Amos Pickel.

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

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

Risk Management and Internal Control

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

The Board has delegated responsibility to the Audit Committee to review the appropriateness and adequacy of systems of internal control and risk management in relation to the financial reporting process on an ongoing basis and to make recommendations to the Board. The Company has an Internal Auditor who reports to the Audit Committee.

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

The Directors periodically review the effectiveness of the Group's systems of internal control and risk management. The review considers individual risk control responsibilities, reporting lines and qualitative assessments of residual risks.

Relations with Shareholders and Key Financial Audiences

The Company maintains an active and regular dialogue with principal and institutional shareholders and sell-side analysts through a planned programme of investor relations and financial PR activity. The outcome of these meetings is reported to the Board. The programme includes formal presentations of full year and interim results, quarterly release of Interim Management Statements, analysts' conference calls and periodic road shows.

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

All shareholders are welcome to attend the 2011 Annual General Meeting (scheduled to be held on 24 May 2011) and private investors are encouraged to take advantage of the opportunity given to ask questions. The Chairmen (or nominated members) of the Audit, Remuneration and Nominations Committees will attend the meeting and be available to answer questions.

Compliance with Statutory Provisions

As 888 Holdings Public Limited Company is registered in Gibraltar, it is subject to compliance with Gibraltar statutory requirements. The main legislation relevant to companies in Gibraltar is the Gibraltar Companies Act, which is based on the UK Companies Act 1929. 888 Holdings Public Limited Company is in full compliance with the Gibraltar Companies Act.

Going Concern

As at 31 December 2010 the Group has a liability in respect of the acquisition of Wink Bingo, which has been computed at the maximum amount payable under the purchase agreement of £48.7 million (approximately US$75 million) and arises due to an increase in contingent consideration following the strong performance of that business during 2010 and the first quarter of 2011. Accordingly, as announced on 18 March 2011, the Board have renegotiated and agreed revised payment terms with the vendors of the Wink business such that the liability is settled over the period March 2011 through to May 2012, rather than in a single payment in May 2011 as envisaged under the original purchase agreement.

The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, the Board's recommendation that no dividend should be paid for 2010 and the revised payment profile in respect of the Wink business consideration, show that the Group should be able to continue its ordinary course of business within its available financial resources. After careful review of these forecasts and projections, the Group's medium-term plans, and all relevant matters, the Directors are confident that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. They have therefore continued to adopt the going concern basis in preparing the financial statements.

The principal risks and uncertainties faced by the Group are disclosed in the Risk report above.

Corporate Social Responsibility Statement

The Group's Chief Executive Officer is the Director responsible for monitoring corporate social responsibility within 888. The Board receives periodic reports on the Group's activities in this area from the Chief Executive Officer. Further details are set out in the Corporate Social Responsibility report above.

Responsibility Statement of the Directors

The Directors confirm, in relation to the 2010 Annual Report and Accounts, that to the best of their knowledge:

The financial statements, prepared in accordance with the International Financial Reporting Standards as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and

The "Enhanced Business Review" includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole and that the "Risk Report" includes a description of the principal risks and uncertainties that the Group faces.

Consolidated Income Statement

For the year ended 31 December 2010

	Note	2010	2009
		Year ended 31 December	
		US $ '000	
Revenue	3	**262,113**	246,703
Operating expenses		**112,145**	98,360
Research and development expenses		**22,356**	24,164
Selling and marketing expenses		**91,501**	67,329
Administrative expenses	4	**24,622**	29,510
Operating profit before share benefit charges and restructuring costs		**16,017**	34,352
Restructuring costs		**2,219**	-
Share benefit charges		**2,309**	7,012
Operating profit	5	**11,489**	27,340
Finance income		**197**	633
Finance expenses		**(1,141)**	(407)
Share of post tax profit of equity accounted joint ventures	13	**19**	-
Profit before tax before share benefit charges and restructuring costs		**15,092**	34,578
Restructuring costs		**2,219**	-
Share benefit charges	22	**2,309**	7,012
Profit before tax		**10,564**	27,566
Taxation	7	**2,701**	2,733
Profit after tax for the year attributable to equity holders of the parent		**7,863**	24,833

	Note	2010	2009
		Year ended 31 December	
		US $ '000	
	8		
Earnings per share			
Basic		**2.3¢**	7.2¢
Diluted		**2.3¢**	7.1¢

The notes below form part of these financial statements.

Consolidated Balance Sheet

At 31 December 2010

	Note	31 December 2010	2009
		US $ '000	
Assets			
Non-current assets			
Intangible assets	11	**162,291**	70,832
Property, plant and equipment	12	**21,547**	20,984
Investment in equity accounted joint ventures	13	**1,297**	-
Available for sale investment	14	**175**	-
Deferred taxes	15	**586**	797
		185,896	92,613
Current assets			
Cash and cash equivalents	16	**61,520**	87,511
Trade and other receivables	17	**24,344**	21,208
		85,864	108,719
Total assets		**271,760**	201,332
Equity and liabilities			
Equity attributable to equity holders of the parent			
Share capital	18	**3,145**	3,152
Share premium		**65**	65
Capital Redemption Reserve		**24**	-
Retained earnings		**113,716**	117,883
Total equity attributable to equity holders of the parent		**116,950**	121,100
Liabilities			
Current liabilities			
Trade and other payables	19	**37,814**	38,851
Liabilities to customers	20	**34,725**	37,570
Contingent consideration		**78,033**	-
		150,572	76,421
Non-current liabilities			
Contingent consideration		**4,238**	3,811
Total liabilities		**154,810**	80,232
Total equity and liabilities		**271,760**	201,332

The financial statements herein were approved and authorised for issue by the Board of Directors on 31 March 2011.

The notes below form part of these financial statements

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010

	Share capital	Share premium	Capital Redemption Reserve	Available-for-sale reserve	Retained earnings	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Balance at 1 January 2009	3,115	65	-	(536)	108,716	111,360
Dividend paid	-	-	-	-	(22,445)	(22,445)
Issue of shares	37	-	-	-	(37)	-
Share benefit charges	-	-	-	-	7,012	7,012
Total comprehensive income for the period	-	-	-	536	24,637	25,173
Balance at 1 January 2010	3,152	65	-	-	117,883	121,100
Dividend paid	-	-	-	-	(10,491)	(10,491)
Share buy back	(24)	-	24	-	(3,465)	(3,465)
Share benefit charges	-	-	-	-	2,309	2,309
Issue of shares	17	-	-	-	(17)	-
Total comprehensive income for the period	-	-	-	-	7,497	7,497
Balance at 31 December 2010	**3,145**	**65**	**24**	**-**	**113,716**	**116,950**

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.
Capital redemption reserve – represents amounts transferred from the share capital reserve following the buy back and cancellation of equity shares.
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 recognized in the consolidated income statement.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

	31 December 2010	31 December 2009
	US $ '000	US $ '000
Profit for the year	**7,863**	24,833
Valuation gain of available-for-sale investments	**-**	513
Actuarial losses on defined benefit pension plan	**(366)**	(196)
Disposal of available for sale asset	**-**	23
Total comprehensive income for the year attributable to equity holders of the parent	**7,497**	25,173

Consolidated Statement of Cash Flows

For the year ended 31 December 2010

	Year ended 31 December		Year ended 31 December	
	2010	2010	2009	2009
	US $ '000			
Cash flows from operating activities:				
Profit before income tax	**10,564**	**-**	27,566	-
Adjustments for:				
Depreciation	**8,480**	**-**	7,044	-
Amortization	**3,796**	**-**	1,458	-
Interest received	**(197)**	**-**	(633)	-
Interest expense	**1,141**	**-**	-	-
Share of post Tax profit of equity accounted joint ventures	**(19)**	**-**	-	-
Share benefit charges	**2,309**	**-**	7,012	-
	26,074	**-**	42,447	-
Decrease (increase) in trade receivables	**1,050**	**-**	(4,356)	-
Decrease (increase) in other accounts receivables	**(3,393)**	**-**	1,715	-
Decrease in trade payables	**(1,060)**	**-**	(868)	-
Increase (decrease) in liabilities to customers	**(2,845)**	**-**	3,681	-
Increase in other accounts payables	**48**	**-**	2,964	-
Cash generated from operations	**19,874**		45,583	
Income tax paid	**(3,659)**	**-**	(4,086)	-
Net cash generated from operating activities		**16,215**		41,497
Cash flows from investing activities				
Acquisition of Mytopia (see Note 10)	**(12,320)**	**-**	-	-
Acquisition of assets comprising the online Wink bingo business (See note 10)	**-**	**-**	(18,052)	-
Purchase of property, plant and equipment	**(8,610)**	**-**	(8,288)	-
Investment in equity accounted joint ventures	**(1,131)**	**-**	-	-
Available-for-sale investments	**(175)**	**-**	-	-
Interest received	**197**	**-**	633	-
Proceeds from disposal of available-for-sale assets	**-**	**-**	732	-
Acquisition of intangible assets	**(341)**	**-**	(100)	-
Internally generated intangible assets	**(5,870)**	**-**	(4,910)	-
Net cash used in investing activities		**(28,250)**		(29,985)
Cash flows from financing activities				
Share buy-back	**(3,465)**	**-**	-	-
Dividends paid	**(10,491)**	**-**	(22,445)	-
Net cash used in financing activities		**(13,956)**	-	(22,445)
Net decrease in cash and cash equivalents		**(25,991)**	-	(10,933)
Cash and cash equivalents at the beginning of the year		**87,511**	-	98,444
Cash and cash equivalents at the end of the year		**61,520**	-	87,511

The notes below form part of these financial statements.

1 General information

The financial information does not constitute the Group's statutory accounts for the year ended 31 December 2010 or the year ended 31 December 2009, but is derived from those accounts.

Statutory accounts for the year ended 31 December 2010 will be filed with Companies House Gibraltar 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 2009 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 2009 and 2010, without qualifying the opinion therein, draws attention to the issue set out in note 26(d) on Contingent Liabilities in the financial 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 games to end users and also provides these services through its business to business independent unit Dragonfish to business partners. In addition, the Group provides 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 licences 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 financial statements continue to be prepared on a going concern basis as explained in the Corporate Governance Report.

The consolidated financial statements comply with the Gibraltar Companies (Accounts) Act 1999, the Gibraltar Companies (Consolidated Accounts) Act 1999 and the Gibraltar Companies Act.

The following standards and interpretations, issued by the IASB or the International Financial Reporting Interpretations Committee (IFRIC), are effective from 1 January 2010 (current financial year) and have been adopted by the Group with no significant impact on its consolidated results or financial position.

IFRS 3 (revised) – Business combinations (effective for annual periods beginning on or after 1 July 2009).

Amendments to IAS 27 - Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2009).

2 Significant accounting policies (Cont.)

Amendment to IAS 39 Financial Instruments - Recognition and Measurement: Eligible Hedged Items. (effective for annual periods beginning on or after 1 July 2009).

IFRIC 17 - Distributions of Non-cash Assets to Owners. (effective for annual periods beginning on or after 1 November 2009).

IFRIC 18 - Transfer of Assets from Customers. (effective for annual periods beginning on or after 1 November 2009).

The IASB 2009 annual improvement project includes further minor amendments to various accounting standards and is effective from various dates from 1 January 2010.

IFRS 2 (amended) - Group Cash-settled Share-based Payment Transactions. (effective for annual periods beginning on or after 1 January 2010).

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 2010. The Group is currently assessing the impact these standards and interpretations will have on the presentation of its consolidated results in future periods.

IAS 32 (amendment) - Classification of Rights Issues. (effective for accounting periods beginning on or after 1 February 2010).

Revised IAS 24 - Related Party Disclosures. (effective for accounting periods beginning on or after 1 January 2011). This revision will only impact disclosure and have no effect on the net assets or result of the Group.

Amendments to IFRIC 14 (IAS 19) – Limit on a Defined Benefit Asset Minimum Funding Requirements and their Interaction (effective for accounting periods beginning on or after 1 January 2011).

Amendments to IFRS 7 – Disclosures: Transfers of Financial Assets (effective for accounting periods beginning on or after 1 July 2011). This amendment has not yet been endorsed for use in the EU.

Amendments to IAS 12 - Deferred Tax: Recovery of Underlying Assets (effective for accounting periods beginning on or after 1 January 2012). This amendment has not yet been endorsed for use in the EU.

IFRS 9 Financial Instruments (effective for accounting periods beginning on or after 1 January 2013). IFRS 9 has not yet been endorsed for use in the EU.

The IASB 2010 annual improvement to the IFRS's project clarify the requirements of IFRSs and eliminate inconsistencies within and between Standards, further minor amendments to various accounting standards and is effective from various dates from 1 January 2011 onwards, but has not yet been endorsed for use in the EU.

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.

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:

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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.

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.

Revenue consists of revenue from online gaming and revenue generated from processing customers' cross currency deposits and withdrawals. It comprises:

Casino and Bingo
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 mainly comprise winnings from Sportsbook activity.

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

B2B
In the case of white label activity, revenue is the net commission charged.

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) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet; and

(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).

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 the acquisition completed during the year 2007, the useful economic life of the intangible assets acquired is estimated to be between three months and four years. For the 2009 acquisition, the useful economic life of the intangible assets acquired is estimated to be eighteen months. The intangible assets acquired during 2010 are assumed to have useful economic lives of between nine months and four years.
The exception is acquisitions of trade names, which have an indefinite useful economic life and therefore an annual impairment test is conducted.

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 transferred, liabilities assumed and equity instruments issued, plus, for acquisition completed prior to 1 January 2010, any direct costs associated with the 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.
For business combinations completed prior to 1 January 2010 changes in the estimated value of contingent consideration post acquisition are treated as an adjustment to cost and therefore change the carrying value of goodwill. For business combinations completed after that date changes in the fair value of the contingent consideration are charged or credited to the income statement. In addition for those business combinations completed after 1 January 2010 the direct cost of acquisition are treated immediately as an expense.

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

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 recognised 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.

Investment in equity accounted joint ventures

Jointly controlled entities (JCE) are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.
JCEs are accounted for using the equity method (equity accounted investees) and are recognized initially at cost. The Group’s share of post-acquisition profits and losses is recognised in the consolidated income statement, except that losses in excess of the Group’s investment in the JCEs are not recognised unless there is an obligation to make good those losses.
Profits and losses arising on transactions between the Group and its JCEs are recognised only to the extent of unrelated investors’ interests in the JCE. The investor’s share in the JCEs profits and losses resulting from these transactions is eliminated against the carrying value of the JCEs.
Any premium paid for a JCE above the fair value of the Group’s share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the JCE. Where there is objective evidence that the investment in a JCE has been impaired the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

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 there is objective evidence that the full amount may not be collected.

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 are credited to customers' bankroll (the Group's electronic 'wallet'), 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 and comprise principally the Group's investments in entities not qualifying as joint ventures or 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. On disposal of an available-for-sale asset any balance within equity is transferred to 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.

Segment information

Segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the management team comprising the Chief Executive Officer and the Chief Financial Officer. These segments are:

- B2C (Business to Customer) Casino, Poker ,Bingo and Emerging Offering which mainly comprises 888's Sportsbook, Live dealer offering and games; and

- B2B (Business to Business) which offers Total Gaming Services under the Dragonfish trading brand. Dragonfish offers to its business partners use of technology, software, operations, E-payments and advances marketing services, through the provision of offline/ online marketing, management of affiliates, SEO, CRM and business analytics.

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.

Severance pay schemes

Severance scheme surpluses and deficits are measured at:

- the fair value of plan assets at the reporting date; less
- plan liabilities calculated using the projected unit credit method discounted to its present value using yields available on Israeli government bonds that have maturity dates appropriately to the terms of the liabilities; plus
- unrecognised past service costs.

Any difference between the expected return on assets and that actually achieved, and any changes in liabilities over the year due to changes in assumptions or experience within the scheme, are recognised in other comprehensive income in the period in which they arise.

3 Segment information

	Year Ended 31 December, 2010						
	B2C						
	Casino	Poker	Bingo	Emerging offering	Total B2C	B2B	Consolidated
	US $ '000						
Revenue	116,922	38,407	50,140	16,206	221,675	40,438	262,113
Result							
Segment result					114,470	22,993	137,463
Unallocated corporate expenses[1]							125,974
Operating profit							11,489
Financial expenses, net							(944)
Share of post Tax profit of equity accounted joint ventures							19
Tax expense							(2,701)
Profit for the year							7,863
Assets							
Unallocated corporate assets							271,760
Total assets							271,760
Liabilities							
Segment Liabilities					29,142	5,547	34,689
Unallocated corporate liabilities							120,121
Total liabilities							154,810

1) Including share benefit charges of US$2,309,000.

3 Segment information

	Year ended 31 December, 2009						
	B2C						
	Casino	Poker	Bingo	Emerging offering	Total B2C	B2B	Consolidated
	US $ '000						
Revenue	118,693	51,592	10,659	14,457	195,401	51,302	246,703
Result							
Segment result					117,815	31,089	148,904
Unallocated corporate expenses[1]							121,564
Operating profit							27,340
Financial income							226
Tax expense							(2,733)
Profit for the year							24,833
Assets							
Unallocated corporate assets							201,332
Total assets							201,332
Liabilities							
Segment Liabilities					29,162	8,408	37,570
Unallocated corporate liabilities							42,662
Total liabilities							80,232

1) Including share benefit charges of US$7,012,000.

Other than where amounts are allocated specifically to the B2C and B2B segments above, the expenses, assets and liabilities relate jointly to all segments. These amounts are not discretely analysed between the two operating segments as any allocation would be arbitrary. Analysis of revenue across the B2C segment has been presented purely as additional information and these revenue streams do not constitute separate operating segments for the purposes of IFRS8 “Operating Segments”.

Geographical information

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:

Revenue by geographical market[1]

	Year ended 31 December,	
	Revenue	
	2010	2009
	US $ '000	
UK	**128,216**	90,442
Europe (excluding UK)	**96,814**	113,672
Americas (excluding USA)	**16,084**	19,145
Rest of world	**20,999**	23,444
	262,113	246,703

1) Allocation of geographical segments is based on Net Revenue Commission received by the Group.

3 Segment information

Assets by geographical location

	Year ended 31 December			
	Carrying amount of segment assets by location		Additions to property, plant and equipment	
	2010	2009	2010	2009
	US $ '000			
Europe (including UK)	**229,954**	144,663	**7,365**	6,017
Rest of World	**41,806**	56,669	**1,700**	2,271
	271,760	201,332	**9,065**	8,288

4 Administrative expenses

	Year ended 31 December,	
	2010	2009
	US $ '000	
Share benefit charges - all equity-settled	**2,309**	7,012
Other administrative expenses	**22,313**	22,498
Administrative expenses	**24,622**	29,510

5 Operating profit

	Year ended 31 December,	
	2010	2009
	US $ '000	
Operating profit is stated after charging:		
Staff costs (see note 6)	**73,386**	71,313
Directors remuneration (see note 6)	**1,468**	1,900
Audit fees	**402**	343
Other fees paid to auditors in respect of taxation services	**11**	11
Depreciation (within operating expenses)	**8,480**	7,044
Amortisation (within operating expenses)	**3,796**	1,458
Chargebacks	**2,987**	9,044
Exchange losses	**321**	2,718
Payment service providers' commissions	**13,882**	13,750
Share benefit charges - all equity-settled	**2,309**	7,012
Restructuring costs [1]	**2,219**	-

[1] Restructuring costs - During the year the Group initiated measures designed to reduce its overheads and increase operational efficiency. These measures mainly affected employment costs and included redundancies across the Group’s locations. Costs associated with these redundancies are included as per above.

6 Employee benefits

Staff cost including Directors' remuneration comprises the following elements:

	2010	2009
	US $ '000	
Wages and salaries	**71,673**	70,580
Social security	**2,898**	2,788
Pension costs	**4,521**	4,091
	79,092	77,459
Staff costs capitalized in respect of internally generated assets	**(4,238)**	(4,246)
	74,854	73,213

In the income statement total staff costs, excluding share benefit charge of US$2,309,000 (2009: US$7,012,000), are included within the following expenditure categories:

	2010	2009
	US $ '000	
Operating expenses	**48,525**	45,483
Research and development expenses	**14,483**	15,512
Administrative expenses	**11,846**	12,218
	74,854	73,213

Average headcount number of employees by category:

	2010	2009
	US $ '000	
Operation	**632**	669
Research and development	**179**	136
Administration	**126**	142
	937	947

At 31 December 2010 the Company employed 928 (2009: 975) staff.

Severance pay liability - Israel

The Group's 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.

The following table summarises the employee benefits figures as included in the Group's financial statements for 2010 and 2009, respectively:

	2010	2009
	US $ '000	
Severance pay liability (within trade and other payables)	**273**	229
Income statement	**2,548**	2,365
Actuarial movements on severance pay liability (included in statement of comprehensive income)	**366**	196

Movement in severance pay liability:

Severance pay plan assets

	Year ended 31 December, 2010	2009
	US $ '000	
At beginning of year	**6,784**	4,220
Expected return	**359**	160
Contributions	**2,630**	2,542
Benefits paid	**(2,254)**	(1,103)
Actuarial gain on assets	**181**	865
Exchange differences	**579**	100
At end of year	**8,279**	6,784

Severance pay plan liabilities

	Year ended 31 December, 2010	2009
	US $ '000	
At beginning of year	**7,013**	4,496
Interest cost	**299**	126
Current service costs	**2,608**	2,399
Benefits paid	**(2,380)**	(1,135)
Actuarial loss on obligations	**547**	1,061
Exchange differences	**465**	66
At end of year	**8,552**	7,013

Severance pay plan trends

	Year ended 31 December, 2010	2009	2008
	US $ '000		
Plan assets	**8,279**	6,784	4,220
Plan liabilities	**(8,552)**	(7,013)	(4,496)
Severance pay liability	**(273)**	(229)	(276)

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

	2010	2009
	%	
Discount rate (nominal)	**4.71**	5.06
Estimated increase in employee benefits costs	**3**	3
Voluntary termination rate	**70**	70

The discount rates are based on Israeli government bonds and reflect inflation rates of 2.86% in 2010 (2009: 2.81%).

7 Taxation

Corporate taxes

	Year ended 31 December, 2010	2009
	US $ '000	
Current tax	**2,490**	2,924
Deferred tax	**211**	(191)
Taxation expense	**2,701**	2,733

	Year ended 31 December, 2010	2009
	US $ '000	
Profit before taxation	**10,564**	27,566
Tax at effective tax rate in Gibraltar	**-**	-
Effect of overseas taxation	**2,490**	2,924
Effect of deferred tax originating in overseas jurisdictions	**211**	(191)
Total tax charge for the year	**2,701**	2,733

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 extended up to 31 December 2010. Commencing as of January 1, 2011, Gibraltar companies are subject to a corporate tax rate of 10%. However, certain forms of income, including royalty income, are exempt from corporate tax.

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. Domestic corporate tax in Israel in 2010 is 25% (2009: 26%) and is scheduled to go down to 18% from 2011 until 2016.

UK - 888's subsidiary in the UK pays corporate tax in the UK at the applicable rate of 28% (2009: 28%).

8 Earnings per share

Basic earnings per share

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 781,953 (2009: 2,124,274).

	Year ended 31 December,	
	2010	2009
	US $ '000	
Profit from continuing operations attributable to ordinary shareholders	**7,863**	24,833
Weighted average number of Ordinary Shares in issue	**345,709,869**	345,182,718
Effect of dilutive Ordinary Shares and Share options	**2,620,010**	3,960,938
Weighted average number of dilutive Ordinary Shares	**348,329,879**	349,143,656
Basic	**2.3¢**	7.2¢
Diluted	**2.3¢**	7.1¢

Earnings per share excluding share benefit charges and restructuring costs

The Directors believe that EPS excluding share benefit charges and restructuring costs 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 and restructuring costs:

	Year ended 31 December,	
	2010	2009
	US $ '000	
Profit from continuing operations attributable to ordinary shareholders	**7,863**	24,833
Share benefit charges and restructuring costs	**4,528**	7,012
Profit excluding share benefit charges and restructuring costs	**12,391**	31,845
Weighted average number of Ordinary Shares in issue	**345,709,869**	345,182,718
Weighted average number of dilutive Ordinary Shares	**348,329,879**	349,143,656
Adjusted basic earnings per share	**3.6¢**	9.2¢
Adjusted diluted earnings per share	**3.6¢**	9.1¢

9 Dividend

	Year ended 31 December,	
	2010	2009
	US $ '000	
Dividends paid	**10,491**	22,445

10 Acquisitions made during the year

Mytopia social games

On 16 June 2010 the Group acquired the trade and assets comprising the Mytopia social games development studio ("Mytopia") from Real Dice Inc. for an all cash consideration in order to enter this fast growing market.
In calculating the goodwill arising on acquisition, the fair value of the assets of Mytopia were valued by a professional valuation firm and recognised in accordance with IFRS 3 (revised) 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
Intangible assets	-	1,870	1,870
Assets	-	1,870	1,870

The fair value relates to the recognition of online bingo game application (US$830,000), software license agreement (US$410,000), non-compete agreement (US$540,000) and a service agreement (US$90,000) acquired as part of the acquisition. The online bingo game application intangible asset is being amortised over its estimated useful economic life of 3 years. The software license agreement intangible asset is being amortised over its estimated useful economic life of 9 months. The non-compete agreement intangible asset is being amortised over its estimated useful economic life of 4 years. The service agreement is being amortised over its estimated useful economic life of 1 year. All intangible assets on acquisition have been identified and fair valued. The remaining goodwill represents the access to future trade associated with the operation of Mytopia.

	US$'000
Fair value of intangible assets acquired	1,870
Goodwill	20,173
Fair value of consideration	22,043
Which is represented by:	
Cash consideration to Real Dice Inc.	12,320
Contingent consideration (included with current liabilities) [1]	5,955
Contingent consideration (included with non-current liabilities) [2]	3,768
Total fair value of consideration at time of acquisition	**22,043**

[1] US$6.0 million due upon meeting certain milestones connected to the mobile and social networking games was paid in February 2011. This earn-out payment has been discounted.

[2] An estimated earn-out payment of US$5.1 million is payable in cash during the second quarter of 2012 based on achieving certain performance criteria during the period from January 2011 to December 2011. The estimated earn-out payment has been discounted.

Revenue and operating loss for the post acquisition period was $1 million and $1.4 million respectively. Had the business been owned by the Group for the entire year, the revenue and operating profit for the year ended 31 December 2010 would have been approximately $1.8 million higher and $1.6 million lower respectively.
Acquisition costs of US$360,000 were incurred and have been charged to the income statement during the year.

Wink online Bingo business (Prior year acquisition)

On 31 December 2009 the Group acquired the trade and assets comprising the Wink online Bingo business of Daub Limited ('Wink Bingo Business') for an all cash consideration.
Intangible assets acquired consisted of customer relationship (US$1,626,000) and trade names intangible assets (US$789,000). The remaining goodwill (US$20,053,000) represented the access to future trade associated with the operation of the Wink online Bingo business.
The fair value of consideration originally estimated at the time of acquisition, including contingent consideration, was $21,863,000. As set out in note 11, subsequent financial performance has led to an increase in the consideration payable.

The unwinding of the discount element of contingent consideration is charged to finance expenses in the Income statement.

11 Intangible assets

	Internally generated intangible assets	Acquired intangible assets	Goodwill	Total
		US $ '000		
Cost or valuation				
At 1 January 2009	5,303	4,327	38,558	48,188
Additions	4,910	100	-	5,010
Acquisitions	-	2,415	20,053	22,468
At 31 December 2009	10,213	6,842	58,611	75,666
Additions	5,870	-	67,001	72,871
Acquisitions	-	2,211	20,173	22,384
At 31 December 2010	**16,083**	**9,053**	**145,785**	**170,921**
Amortisation:				
At 1 January 2009	363	3,013	-	3,376
Charge for the year	908	550	-	1,458
At 31 December 2009	1,271	3,563	-	4,834
Charge for the year	1,785	2,011	-	3,796
At 31 December 2010	**3,056**	**5,574**	**-**	**8,630**
Carrying amounts				
At 31 December 2010	**13,027**	**3,479**	**145,785**	**162,291**
At 31 December 2009	8,942	3,279	58,611	70,832
At 31 December 2008	4,940	1,314	38,558	44,812

Analysis of goodwill by cash generating unit:

	Bingo online business	Mytopia social games	Internet domain name	Total Goodwill
		US $ '000		
Valuation at 1 January 2009	38,058	-	500	**38,558**
Acquisitions	20,053	-	-	**20,053**
Valuation at 1 January 2010	58,111	-	500	**58,611**
Acquisitions of Mytopia social games (see note10)	-	20,173	-	**20,173**
Adjustment to the Wink bingo business contingent consideration[1]	67,001	-	-	**67,001**
Valuation at 31 December 2010	125,112	20,173	500	**145,785**

[1] Since the commencement of the earn-out period on 1 April 2010 the financial performance of the Wink bingo business has improved. As a result the board has revised its estimate in respect of the potential contingent

consideration, that will become payable to US$ 75.5 million. This estimate is based on the assumption that the earn-out payment will reach its contractual cap. As a result US$ 72.0 million has consequently been recognized in current liabilities. As the Wink Bingo acquisition was accounted for under IFRS3 (2004) the adjustment to contingent consideration has been taken to goodwill. See note 27, Post balance sheet events, for details in respect of payment deferral arrangement agreed on 18 March 2011.

Bingo Online Business

Intangible assets and goodwill associated with the cash generating online Bingo business unit relates to the acquisition of the online Bingo business of Globalcom Limited during 2007 and the acquisition of the Wink Bingo business in 2009. All of the income streams generated from the bingo business acquisitions have been treated as a single cash generating unit as the risks and rewards associated with those income streams are deemed to be sufficiently similar.

At the year end, the carrying value-in-use was determined by discounting the expected future cash flows of the online Bingo cash generating unit 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 assessment 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 12% (2009: 12%) being the Group's specific weighted average cost of capital which also applies to the online Bingo cash generating unit.

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 demonstrate year on year growth. The Group has used lower 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 7% (2009: 2%) was used for 2011 mainly attributed to the success of the Wink online bingo business. For 2012-2015, on average, no growth was assumed, consistent with prior year assumption. Following year five, the Group extrapolates cash flows in perpetuity, using an estimated conservative growth rate of 1% (2009: 1%), which is lower than the forecast long-term growth rate of the UK economy. Marketing costs associated with the Bingo cash generating unit were projected as a fixed percentage of revenues. All other operational costs are forecasted as percentage of revenue, such percentage increased conservatively by 7% (2009: 10%) in each of the five year periods to 2015, over and above the level of growth in revenues and well above actual level of 2010.

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% 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.

Mytopia social games

Intangible assets and goodwill are associated with the cash generating Mytopia social games unit acquired during June 2010 (see note 10). The intangible assets including an online bingo game application, software license agreement, non-compete agreement and a service agreement, 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 generated by the Mytopia social games cash generating unit to their present value. The key assumptions for the value-in-use calculations were those regarding discount rate, users' life time value, marketing spend and growth rates of the business. The Directors estimate discount rates that reflect the current market assessment of the time value of money and risks appropriate to the Mytopia social games business. The discount rate that is considered by the Directors to be appropriate is 18%. This discount rate is higher than group discount rate in line with the risk profile of the cash expected to be generated by Mytopia and consistent with the rates applied at acquisition.

In estimating the future cash flows the Directors have used appropriate estimates in respect of revenues generated and costs incurred. Growth rates of the Mytopia social games business are based on projections of future changes in the Social games market, taking into account external sources of information such as analysts' research reports and publicly available information that analyzes KPIs of various social networks game providers. The Directors have used forecasts for the next four years of the expected cash flows, of which the first year is based on the Group's current approved budget. Revenue is forecast to grow between 2011 and 2014 assuming a compound quarterly growth rate of 21%

The Mytopia social games cash generating unit is in the process of developing two new branded social games. Launch is scheduled for the fourth quarter of 2011 and first quarter of 2012. Forecast revenues assume lower user's life time value compared to other major social games.

The Directors assumed steady Cost Per Install ("CPI") during 2011-2014 based on analysis of empirical data of marketing campaigns that took place on Mytopia's current bingo social game platform. In the case of the two new social games, CPI is assumed to increase by 50% after the first four months of operation, by an additional 33% after a period of one year and 20 months for each of the games respectively and by 10% thereafter. Marketing costs were projected to increase by a fixed compounded monthly percentage during 2012 to 2014 across all games.

Cost of sales is forecast at an average of 23% of revenue. All other overhead costs (mainly comprise of wages) are forecast in line with the 2011 budget which assume an increase of 50% over 2010 actual figure on an annualized basis. Thereafter these costs are assumed to increase by 3% in each of 2012 to 2014. Following year four, the Group has used a long term growth rate of 2%.

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% decrease in the growth rate nor a 1% increase in the discount rate would have led to an impairment of the acquired intangible assets and goodwill in the current year

Internet domain name

During 2008 the Group acquired an internet domain name based business which is used to generate traffic into the Group's various web sites. Out of total consideration of $US513,000, an intangible asset of US$13,000 was recognized whilst the remainder of US$500,000 was recognised as goodwill.

The Directors performed an impairment review in respect of the carrying value-in-use of the internet domain name. The directors have assumed a discount rate of 12% (2009: 12%) which is being the Group's specific weighted average cost of capital. No growth was assumed for the period 2011-2015.

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% decrease in the growth rate nor a 5% increase in the discount rate would have led to an impairment of the goodwill in the current year

Internally generated intangible assets

The Group has put in place processes and procedures 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 capitalised when the development cost meets 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 2010 no impairment needs to be recognised and the carrying value of internally generated assets is considered appropriate.

Yearly impairment review

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 as at 31 December 2010, was that no impairment needs to be recognised and the carrying value of the acquired intangible assets and goodwill is considered appropriate.

12 Property, plant and equipment

	IT equipment	Office furniture and equipment	Motor vehicles	Leasehold improvements	Total
			US $ '000		
Cost					
At 1 January 2009	25,515	2,501	528	14,617	43,161
Additions	7,917	140	-	231	8,288
Disposals	(307)	-	(25)	-	(332)
At 31 December 2009	33,125	2,641	503	14,848	51,117
Additions	8,617	120	63	265	9,065
Disposals	-	-	(35)	-	(35)
At 31 December 2010	**41,742**	**2,761**	**531**	**15,113**	**60,147**
Accumulated depreciation					
At 1 January 2009	16,491	1,271	238	5,421	23,421
Charge for the year	5,485	219	74	1,266	7,044
Disposals	(307)	-	(25)	-	(332)
At 31 December 2009	21,669	1,490	287	6,687	30,133
Charge for the year	6,920	251	75	1,234	8,480
Disposals	-	-	(13)	-	(13)
At 31 December 2010	**28,589**	**1,741**	**349**	**7,921**	**38,600**
Depreciated cost					
At 31 December 2010	**13,153**	**1,020**	**182**	**7,192**	**21,547**
At 31 December 2009	11,456	1,151	216	8,161	20,984
At 31 December 2008	9,024	1,230	290	9,196	19,740

13 Investment in equity accounted joint ventures

The following entity meets the definition of a Jointly controlled entity and has been equity accounted in the consolidated financial statements:

Name	Country of incorporation	Percentage of equity interest 2010 %	Percentage of equity interest 2009 %
Technology Solutions (Gibraltar) Limited	Gibraltar	**50%**	-

On 6 October 2010 the Group entered into a Joint Venture Agreement ("JVA") via 888 Regulated Markets Ltd. ("888 RM"), a wholly owned subsidiary, with Prima Networks Ltd. ("PNL") and Technology Solutions (Gibraltar) Ltd. ("TSG"), a Gibraltar company jointly owned by 888 RM and PNL in equal parts.

The Group through 888 RM obtained during the year a license to operate online poker games in France.

Under the terms of the JVA, 888 RM, PNL and TSG operate the network jointly, utilizing rights to use poker software technology and related services required to make the Games available for use in the French poker networks of PNL (licensed to TSG) and 888 RM and combining them into one French poker network sharing the liquidity of their respective members.

Aggregated amounts relating to TSG are as follows:

	2010	2009
	US$'000	
Current assets	6	-
Non-current assets	2,502	-
Current liabilities	2,467	-
Non-current liabilities	-	-
Revenues	414	-
Expenses	(376)	-
Profit	38	-
Share of before tax profit of Joint Venture	19	-
Investment including loans in equity accounted Joint Venture	1,297	-

14 Financial Assets – Available for sale investments

	Year ended 31 December,	
	2010	2009
	US $ '000	
Opening balance at the beginning of the year	-	223
Investments during the year	175	-
Adjustment to market price	-	513
Disposal of available for sale assets during the year	-	(736)
	175	-

Available-for-sale assets in 2009 are quoted equity securities, the fair value of which is based on their published market price. In 2010 available for sale investments comprised of unquoted securities. The fair value of these has been determined on the basis of expected cash flows discounted using a rate based on the market interest rate and a premium specific to the unlisted securities. Fair value movements for 2010 were insignificant.

15 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:

	Year ended 31 December,	
	2010	2009
	US $ '000	
Accrued severance pay	88	25
Provision for share benefit charges	94	238
Provision for vacation	382	508
Provision for convalescence	22	26
	586	797

16 Cash and cash equivalents

	31 December,	
	2010	2009
	US $ '000	
Cash and cash equivalents	60,569	86,836
Restricted cash	951	675
	61,520	87,511

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

17 Trade and other receivables

	31 December, 2010	31 December, 2009
	US $ '000	
Trade receivables	**12,332**	13,382
Corporate tax	**796**	-
Other receivables and prepayments	**11,216**	7,826
	24,344	21,208

The carrying value of trade and other receivables approximates to their fair value as the credit risk has been addressed as part of impairment provisioning and, due to the short-term nature of the receivables; they are not subject to ongoing fluctuations in market rates.

18 Share capital

Share capital comprises the following:

	Authorized			
	31 December			
	2010	2009	2010	2009
	Number		US $ '000	
Ordinary Shares of £0.005 each	**426,387,500**	426,387,500	**3,880**	3,880

	Allotted, called up and fully paid			
	31 December			
	2010	2009	2010	2009
	Number		US $ '000	
Ordinary Shares of £0.005 each	**346,534,097**	342,848,261	**3,152**	3,115
Issue of ordinary shares of £0.005 each	**2,190,090**	3,685,836	**17**	37
Share buy-back	**(3,294,678)**	-	**(24)**	-
	345,429,509	346,534,097	**3,145**	3,152

The following tables include details on issue of ordinary shares of £0.005 each as part of the Group's employee share option plan (see note 22) during 2010 and 2009:

Issued during 2010	**Ordinary shares of £0.005 each**
January 2010	255,812
March 2010	88,884
April 2010	613,110
May 2010	145,055
June 2010	421,905
July 2010	125,884
August 2010	231,653
September 2010	279,306
October 2010	28,481

Issued during 2009	Ordinary shares of £0.005 each
January 2009	850,741
March 2009	609,060
April 2009	358,925
May 2009	51,659
June 2009	683,068
July 2009	141,975
September 2009	468,232
October 2009	521,999

During 2010, the Company did not issue shares (2009: Nil) in respect of employees' exercising 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$3,210,000 (2009: US$3,217,000) and is split into 345,429,509 (2009: 346,534,097) ordinary shares. The share capital in UK sterling (GBP) is £1,727,148 (2009: £1,732,670) and translates at an average exchange rate of US$1.86 (2009: US$1.86) to GBP.

19 Trade and other payables

	31 December,	
	2010	2009
	US $ '000	
Trade payables	**4,179**	5,239
Corporate taxes	**309**	210
Other payables and accrued expenses	**33,326**	33,402
	37,814	38,851

The carrying value of trade and other payables approximates to their fair value given the short maturity date of these balances.

20 Liabilities to customers and progressive prize pools

	31 December,	
	2010	2009
	US $ '000	
Liabilities to customers	**30,630**	34,194
Progressive prize pools	**4,095**	3,376
	34,725	37,570

21 Investments in significant subsidiaries

Name	Country of incorporation	Percentage of equity interest 2010 %	Percentage of equity interest 2009 %	Nature of business
Cassava Enterprises (Gibraltar) Limited	Gibraltar	100	100	Gaming website operator
Virtual Marketing Services (UK) Limited	UK	100	100	Advertising services
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 center employer
Virtual Marketing Services (Gibraltar) Limited	Gibraltar	100	100	Marketing acquisition
Dixie Operation Limited	Antigua	100	100	Customer call center operator
Random Logic Limited	Israel	100	100	Research, development and marketing
Brigend Limited	Gibraltar	100	100	Bingo business operator
Fordart Limited	Gibraltar	100	100	General commercial business activities
New Wave Virtual Ventures Limited	Gibraltar	100	100	Development of social games – Mytopia.
Virtual Internet Services limited	Gibraltar	100	100	General commercial business activities
Gisland Limited	Gibraltar	100	100	Provider of payments service solutions; Holds money transmission license
888 Regulated Markets Limited	Malta	100	100	Holder of French online gaming license

22 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. 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 installments 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:

Share options granted

	31 December,			
	2010		2009	
	Weighted average exercise price	Number	Weighted average exercise price	Number
Outstanding at the beginning of the year	**£ 1.38**	**6,027,789**	£ 1.50	5,422,027
Market value options granted during the year	**-**	**-**	£ 1.06	2,095,864
Market value options lapsed during the year	**£ 1.36**	**(1,440,308)**	£ 1.36	(1,490,102)
Outstanding at the end of the year[1]	**£ 1.38**	**4,587,481**	£ 1.38	6,027,789

1) Of the total number of options outstanding at the end of the year, 2,836,040 had vested and were exercisable at the end of the year (2009: 2,450,188).

2) Range of exercise price for options outstanding at the end of the year is £1.02-£1.80 (2009: £1.02-£1.80).

Shares granted

	31 December,	
	2010	2009
	Number	Number
Outstanding at the beginning of the year	**7,182,929**	9,786,426
Shares granted - future vesting	**1,689,103**	2,429,049
Lapsed future vesting shares	**(2,240,804)**	(1,346,710)
Shares issued during the year	**(2,190,090)**	(3,685,836)
Outstanding at the end of the year	**4,441,138**	7,182,929

Shares are granted at a nominal exercise price.

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

Valuation information – Market value options

	2010	2009
Option pricing model used	-	Monte Carlo
Weighted average share price at grant date	-	£ 1.11
Weighted exercise price	-	£ 1.11
Risk-free interest rate range	-	3.99-5.48%
Expected volatility of the price of the underlying share	-	55-63%

During 2010 no market value options were granted.

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 behavior and the risk-free interest rate for the expected term of the option.

Valuation information – Shares granted

	2010	2009
Weighted average share price at grant date	**£ 0.50**	£ 1.06
Weighted average share price at issue of shares	**£ 0.66**	£ 0.97
Average remaining life until vesting (Months)	**15**	15

Shares granted for future vesting are fair valued at the share price at grant date. The restrictions on the shares during the vesting period, primarily relating to non-receipt of dividends, have an immaterial effect on this fair value estimate at grant date.

In accordance with International Financial Reporting Standards a charge to the income statement in respect of any shares or options granted under the above schemes will be recognised and spread over the vesting period of the shares or options based on the fair value of the shares or options at the date 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	
	2010	**2009**
	US $ '000	
Charges in respect of share and option awards granted this year	**246**	1,146
Charges in respect of share and option awards granted in previous years	**2,063**	5,866
Charge for the year	**2,309**	7,012

23 Related party transactions

During the year the Group paid US$258,815 (2009: US$258,506) in respect of rent and office expenses to companies of which Mr. John Anderson is a Director. At 31 December 2010 the amount owed to those companies was US$nil (2009: US$nil).

Remuneration paid to the Directors in the year totalled US$2,284,000 (2009: US$2,729,000). Share benefit charge in respect of awards granted to the Directors totalled US$348,380 (2009: US$1,919,127).

24 Commitments

Lease commitments

Future minimum lease commitments under property operating leases for the year ended 31 December 2010 are as follows:

	Year ended 31 December	
	2010	**2009**
Leases expiring within	**US $ '000**	
One year	**2,937**	2,463
Two to five years	**12,956**	8,104
	15,893	10,567

The amount paid in the year was US$3,060,000 (2010: US$2,646,000).

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

25 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;
- Trade and other payables;
- Liabilities to customers;
- Contingent consideration on acquisition.
- Available for sale financial investments

Detailed analysis of these financial instruments is as follows:

	31 December	
	2010	**2009**
Financial assets	**US $ '000**	
Trade receivables	**12,332**	13,382
Other receivables	**12,012**	7,826
Cash and cash equivalents	**60,569**	86,836
Restricted cash	**951**	675
Available for sale financial investments	**175**	-
	86,039	108,719

In accordance with IAS 39, with the exception of available-for-sale assets, all financial assets are classified as loans and receivables.

Financial liabilities	31 December 2010	2009
	US $ '000	
Trade payables	**4,179**	5,239
Other payables and accrued expenses	**33,635**	33,612
Contingent Consideration	**82,271**	3,811
Liabilities to customers	**34,725**	37,570
	154,810	80,232

In accordance with IAS 39, all of the above financial liabilities are held at amortised cost, except for US$10,225,000 relating to the contingent consideration arising on acquisitions accounted for under IFRS3 (revised) which are recognised as fair value.

At 31 December 2010 and 2009, 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 composed 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 24, 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 withdrawals 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 settlement 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 (2009: Nil).

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 fulfill 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 PSPs 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 2010 was $886,000 (2009: $1,586,000).

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 PSPs, as described above, are paid into bank accounts controlled by the Treasury function.

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 2010		31 December 2009	
	Carrying value	Maximum exposure	Carrying value	Maximum exposure
	US $ '000			
Trade receivables	**12,332**	**12,332**	13,382	13,382
Other receivables	**12,012**	**12,012**	7,826	7,826
Cash and cash equivalents	**60,569**	**60,569**	86,836	86,836
Restricted cash	**951**	**951**	675	675
Available for sale financial investments	**175**	**175**	-	-
	86,039	**86,039**	108,719	108,719

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.

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

	31 December 2010				
	Trade payables	Other payables[1]	Contingent consideration	Liabilities to customers	Total
	US $ '000				
On demand	1,857	7,356	-	34,725	43,938
In 3 months	2,068	24,621	5,987	-	32,676
Between 3 months and 1 year	254	662	72,046	-	72,962
More than 1 year	-	996	4,238	-	5,234
	4,179	33,635	82,271	34,725	154,810

1 Includes other payables, accrued expenses and provisions.

	31 December 2009				
	Trade payables	Other payables[1]	Contingent consideration	Liabilities to customers	Total
	US $ '000				
On demand	2,002	4,592	-	37,570	44,164
In 3 months	3,237	25,774	-	-	29,011
Between 3 months and 1 year	-	3,017	-	-	3,017
More than 1 year	-	229	3,811	-	4,040
	5,239	33,612	3,811	37,570	80,232

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 arranges 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. Given current low US$ interest rate a 0.5% downward movement in bank interest rates would not have a significant impact on finance income for the year. However, a 0.5% increase in interest rates would, based on the year end deposits, increase annual profits by US$300,000.

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) and Euros (EUR) 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 sterling (GBP), the euro (EUR) and the New Israeli Shekel (ILS).

- The Wink Bingo contingent consideration is denominated in GBP. The Group will enter into a specific forward contract in order to fix the economic impact of the currency mismatch.

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 2010 and 31 December 2009, there were no outstanding forward contracts. There were no significant fair value movements on these contracts during the year.

The tables below detail the net financial position by currency at 31 December 2010 and 2009:

	31 December, 2010					
	GBP	EUR	ILS	USD	Other	Total
	US $ '000					
Cash and cash equivalent	**11,820**	**9,430**	**5,706**	**31,496**	**3,068**	**61,520**
Receivables	**10,779**	**4,631**	**1,454**	**5,863**	**1,617**	**24,344**
Available for sale financial investments	**-**	**-**	**-**	**175**	**-**	**175**
Net monetary assets	**22,599**	**14,061**	**7,160**	**37,534**	**4,685**	**86,039**
Payables	**(94,226)**	**(2,828)**	**(9,308)**	**(48,115)**	**(333)**	**(154,810)**
Net monetary liabilities	**(94,226)**	**(2,828)**	**(9,308)**	**(48,115)**	**(333)**	**(154,810)**
Net financial position	**(71,627)**	**11,233**	**(2,148)**	**(10,581)**	**4,352**	**(68,771)**

	31 December, 2009					
	GBP	EUR	ILS	USD	Other	Total
	US $ '000					
Cash and cash equivalent	11,753	4,803	7,636	62,195	1,124	87,511
Receivables	7,577	1,541	665	9,395	2,030	21,208
Net monetary assets	19,330	6,344	8,301	71,590	3,154	108,719
Payables	(23,969)	(2,977)	(9,868)	(42,924)	(494)	(80,232)
Net monetary liabilities	(23,969)	(2,977)	(9,868)	(42,924)	(494)	(80,232)
Net financial position	(4,639)	3,367	(1,567)	28,666	2,660	28,487

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, 2010		
	GBP	EUR	ILS
10% Strengthening	**7,163**	**1,123**	**215**
10% Weakening	**(7,163)**	**(1,123)**	**(215)**

	Year ended 31 December, 2009		
	GBP	EUR	ILS

10% Strengthening	464	336	156
10% Weakening	(464)	(336)	(156)

26 Contingent liabilities and regulatory issues

(a) 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.

(b) Given the nature of the legal and regulatory landscape of the industry, from time to time the Group has received notices, communications and legal actions from a small number of regulatory authorities and other parties in respect of its activities. The Group has taken legal advice as to the manner in which it should respond and the likelihood of success of such actions. Based on this advice and the nature of the actions, the Board is unable to quantify reliably any material outflow of funds that may result, if any. Accordingly, no provisions have been made.

(c) The Group operates in numerous jurisdictions. Accordingly, the Group is filing tax returns, providing for and paying all taxes it believes are due based on local tax laws, transfer pricing agreements and tax advice obtained. The Group is periodically subject to audits and assessments by local taxing authorities. The Board is unable to quantify reliably any exposure for additional taxes, if any, that may arise from the final settlement of such assessments. Accordingly no additional provisions have been made

(d) 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.

27 Post balance sheet events

On 18 March 2011 the Group announced that it has entered into an amendment agreement with the Wink Bingo vendors to reschedule the earn out payment payable in May 2011. As announced on 7 February 2011 the earn out payment is expected to be at the upper end of the earn out range. Under the revised payment terms the Group made a payment out of its cash resources of £9.26 million on 18 March 2011 and further payments of £9.26 million is due on 21 May 2011 and £6.173 million on 31 August 2011. The balance will be payable on 21 May 2012. Payments due after 21 May 2011 bear interest at 15% per annum. The Group may prepay outstanding amounts without penalty. The Group has agreed to implement security over the assets comprising the Wink bingo business in favor of the vendors.