

BESTGAMES HOLDINGS LIMITED

Company Registration No 5796787 (England and Wales)

BESTGAMES HOLDINGS LIMITED

Report and Financial Statements

for the year ended 31 December 2009

Annual Report and Financial Statements

For the year ended 31 December 2009

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Company Information

Directors	Henrik Magnusson Claes Magnusson	Chief Executive Officer Finance Director and Chairman
Secretary	Loizos Yerolemou	
Registration office	Crown House 72 Hammersmith Road London W14 8TH	
Solicitors	Mathew Arnold & Baldwin 85 Fleet Street London EC4Y 1AE	
Auditors	BSG Valentine Lynton House 7-12 Tavistock Square London WC1H 9BQ	
Banker	The Royal Bank of Scotland 180 Brompton Road London SW3 1HL	
Registrars	Share Registrars Limited Suite E, 1 st Floor 9 Lion & Lamb Yard Farnham Surrey GU9 7LL	
Company number	Incorporated in England and Wales with registered number 5796787	

Chief Executive's Review

Introduction

The Group offers Poker, Casino, and Bingo gaming.

BestPoker.com is an established online poker-room within its markets, with a genuine focus on customer service, player retention and technical development. BestBingo.com offers its customers online bingo and various casino games. BestCasino.com offers its customers an extensive range of casino games.

Regulations

Gaming operates in a regulated environment in most of the EU member states (as in many domiciles outside EU) but we believe that the ongoing discussions within the EU will result in a more liberalised regulatory environment in many EU member states.

Results

The financial statements for the year ended 31 December 2009 comply with International Financial Reporting Standards (IFRS) as adopted by the European Union. Under IFRS 3, the acquisition of Bestpoker by BestGames constitutes a reverse acquisition and consequently, the group financial information has been prepared under reverse acquisition accounting rules.

The Group's total revenue was down by 6.5% to " 5.58 million (2008: " 5.96 million), delivering an operating loss before goodwill impairment of " 239,000 (2008: profit " 80,000).

Key performance indicators:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Group turnover growth	(6.5%)	23.2%	37.3%
Gross profit percentage	36.6%	38.3%	47.5%
Group current ratio	1.12	1.17	2.16
Company current ratio	1.01	1.01	1.42

Business strategy

The Group is focused on continuing to grow its business through a combination of innovative marketing, product development and by providing an excellent customer experience. At the same time, the Group is seeking to broaden its geographic spread to reduce further the Group's dependence on the Scandinavian market.

During 2009 the Group's marketing approach continued to be focused on driving new poker sign-ups through a series of highly targeted and effective campaigns as well as similar activities within the bingo and casino area.

Our exploitation of the gaming market is based on a local business approach. We have established, as examples, local affiliates in Brazil. The Brazilian establishment has made important progress, and represents 33.2% of the Group's registered players. We believe our chosen strategy will generate superior returns for shareholders over the long-term.

Chief Executive's Review - continued

Business development

Bestpoker's development has been founded upon attractive product, technological and marketing customer propositions. The pace of development remains rapid.

During June 2009 our back end system, provided by Ogame Network, was upgraded to meet the next generation of Online Poker Players. As a result of all the major technical changes that had to be made, the deployment of the upgrade was not 100% successful. Ogame Network is currently working with updates in order to stabilize the system. The system is expected to be fully functional by end of June 2010. The effect of the downtime caused by the upgrade of the system had a direct negative impact on our poker revenue streams for the last six months of 2009. This has been the major driver in the resulting group loss for the calendar year 2009.

During the year our Bingo platform has been further upgraded in order to better meet the needs of our female clients. We are currently running two parallel platforms but are expected to be integrated into one by the end of the second quarter of 2010. Currently our bingo market is mainly targeting Scandinavia. We will be working to launch our Bingo platform in a new territory during 2010.

Bestbet.com is our new contribution to the group and offers its customers an extensive range of sports betting. Bestbet.com will be launched throughout our current poker markets during 2010. A substantial part of our marketing budget will be allocated to promote sports betting in Brazil as we believe that this market has an enormous potential for us, especially with the World Cup 2014 and Olympic Games 2016 coming up in Brazil.

The launch of sports betting will enable us to offer players a complete poker, casino, bingo and sports betting which will give the Group a balanced product portfolio of revenue streams and superior growth and business opportunities.

The Group's player statistics are as follows:

- total number of registered players as at 31 December 2009 were 123,000 (31 December 2008: 87,000 registered players); and
- total active player base across all countries increased during the period from 5,900 in the first quarter of 2009 to 6,874 in the fourth quarter of 2009, up by 16.5%.

Further enhancements of our systems infrastructure are expected this year due to the continued effort to add new features, systems upgrades and generally improve the overall customer experience.

The Group's affiliate network continues to be a differentiating factor compared with many of its competitors and through the BestPartners Affiliate Programme the Group rewards affiliates for driving real money sign-ups to the Group's product portfolio. Other important elements of the marketing mix include online and offline marketing, as well as the sponsoring of well known personalities and other events within the off-line poker industry.

Bestpoker's customer support team is available almost 24/7, helping customers to resolve any issues they may have with the games that they are playing as well as issues regarding payments to and from their account. Our bingo and casino players are being assisted 24/7.

Chief Executive's Review - continued

Current trading and outlook

The directors are of the opinion that the company and group is a going concern.

The activities since 31 December 2009 have overall been in line with management's expectations.

The Group's marketing function continues to be the primary driver behind the continued growth in the Group's global customer base. The total number of registered players as at 31 March 2010 has reached to 129,000, from more than 80 nations around the world.

We remain confident about the Group's prospects for the coming year.

Henrik Magnusson

Directors' Report

The Directors present their annual report together with the audited financial statements of Bestgames Holdings Limited (the "Company" or "Group") for the year ended 31 December 2009.

The Company changed its name to Bestgames Holdings Limited following the reverse acquisition of Bestpoker.com Public Limited on 23 February 2007. The acquisition of Bestpoker.com Public Limited by the Company was accounted for as a reverse acquisition, under International Financial Reporting Standards.

Principal activity

The principal activity of the Group continued to be the provision of internet online gaming services.

Business review

A review of the business is given in the Chief Executive's Review on pages 3 to 5.

Principal risks and uncertainties

The Board routinely monitors risks that could materially and adversely affect the group's business, financial condition and results of operations. The key risks are as follows:

- Increases in taxation and levies.
- High dependence on technology, which may fail or be subject to disruption.
- Economic conditions.
- Competition.
- Impact of laws and regulations.
- Failure to detect fraudulent activities of customers.
- Impact of currency fluctuations.

Financial risk management

Details of the Group's financial instruments and its policies with regard to financial risk management are given in note 27 to the financial statements.

Results and dividends

The financial statements have been prepared under International Financial Reporting Standards as adopted by the European Union, and in Euros. The Group's loss for the year of "263,331 (2008: profit "27,768) is reported in the Consolidated Income Statement on page 12.

The Board do not recommend the payment of a dividend.

Directors and their interests

The Directors who served during the year are shown below:

Henrik Magnusson	appointed 5 July 2007	
Claes Magnuson	appointed 09 Mar 2007	
Ivan Fialdini	appointed 09 Mar 2007	resigned 19 February 2009

Henrik Magnusson indirect holding in the Company amounts to 7,978,885 Ordinary Shares which represents 14.41% of the Company.

Henrik Magnusson will retire at the Annual General Meeting and, being eligible, will offer himself for re-election.

Directors' Report - continued

Share capital

The authorised and issued share capital of the Company is shown in note 22 of the consolidated financial statements.

Substantial shareholdings

As at 31 December 2009, the following notifications have been received from holders of material interests in 3 per cent or more of the Company's issued share capital:

	Ordinary shares of 1p each Number	Percentage of shareholding %
Lynchwood Nominees Limited	21,478,661	38.80
HSBC Global Custody Nominee (UK) Limited (*)	18,039,523	32.58
Vidacos Nominees Limited	1,986,627	3.59
Markoolio Invest Limited	1,840,000	3.32

(*) Includes the indirect holding of Henrik Magnusson amounting to 7,978,885 Ordinary Shares representing 14.41% of the Company.

Supplier payment policy and practice

It is the Company's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the Company and its suppliers, provided that all trading terms and conditions have been complied with.

As at 31 December 2009, the Company had an average of 14 days (2008: 11 days) purchases owed to trade creditors.

Corporate Governance and Internal Controls

The Directors recognise the importance of sound corporate governance, whilst taking into account the size and nature of the Company. As the Company grows, the Directors intend that the Company should develop policies and procedures, which reflect the principles of good governance, to the extent that they are appropriate to the size of the Company.

At present, due to the Company's size, the risk and audit management is addressed by the Board. As the Company grows, the Board will consider establishing an audit and risk management committee. The Board will also consider developing further policies and procedures which reflect the principles of good governance.

Disclosure of information to the auditors

In the case of each person who was a Director at the time this report was approved, they have:

- taken all the necessary steps in order to make themselves aware of any information relevant to the audit and to establish that the auditors are aware of that information; and
- so far as they are aware, there is no relevant audit information of which the auditors have not been made aware.

BESTGAMES HOLDINGS LIMITED

Director's Report - continued

Auditors

A resolution to reappoint BSG Valentine as auditors will be proposed at the Annual General Meeting.

**Approved by the board of directors
and signed on behalf of the board**

Loizos Yerolemou
Company Secretary

Date: 30 April 2010

Statement of Directors' Responsibilities

The directors are responsible for preparing the Directors' Report and the Group financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom law and International Financial Reporting Standards (IFRS) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group & company and of the profit or loss of the group & company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group & company's transactions and disclose with reasonable accuracy at any time the financial position of the group & company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group & company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Report of the Independent Auditors to the members of Bestgames Holdings Ltd

We have audited the financial statements of Bestgames Holdings Limited for the year ended 31 December 2009 on pages 12 to 43. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's shareholders, as a body, in accordance with Sections 495 and 496 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group and of the parent company's affairs as at 31 December 2009 and of the group and the parent company's loss for the year then ended;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Report of the Independent Auditors to the members of Bestgames Holdings Ltd continued

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Athanasios Athanasiou (Senior statutory auditor)
for and on behalf of BSG Valentine, Statutory Auditor

Lynton House
7-12 Tavistock Square
London
WC1H 9BQ

Dated: 30 April 2010

Consolidated Income Statement

For the year ended 31 December 2009

		2009	2008
	Note	€	"
Continuing operations			
Income from operations	2,4	5,576,349	5,962,532
Operating costs		(3,533,036)	(3,678,331)
Gross profit		2,043,313	2,284,201
Administrative expenses before goodwill impairment		(217,344)	(623,130)
Goodwill impairment	11	-	-
Total administrative expenses		(217,344)	(623,130)
Selling and distribution expenses		(2,064,896)	(1,580,648)
(Loss)/ Profit from operations before goodwill impairment		(238,927)	80,423
Goodwill impairment	11	-	-
(Loss) / Profit from operations	3	(238,927)	80,423
Finance income	6	1,255	9,834
Finance costs	6	(48,298)	(59,102)
(Loss) / Profit before taxation		(285,970)	31,155
Taxation	7	22,639	(3,387)
Profit/ (Loss) for the period		(263,331)	27,768
Loss per share		Cents	Cents
- Basic and diluted	8	(0.48)	0.05

Consolidated Balance Sheet

As at 31 December 2009

	Note	2009 €	2008 €
ASSETS			
Non-current assets			
Property, plant and equipment	10	7,761	-
Intangible assets . Goodwill	11	-	-
Intangible assets - Other	12	228,681	242,201
Deferred tax asset	13	60,370	37,731
		<u>296,812</u>	<u>279,932</u>
Current assets			
Trade receivables	14	1,286,092	2,768,161
Current tax assets		49,464	109,418
Other current assets	16	87,410	147,880
Cash and cash equivalents	18	1,846,309	1,204,991
		<u>3,269,275</u>	<u>4,230,450</u>
Total assets		<u>3,566,087</u>	<u>4,510,382</u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	22	809,823	809,823
Share premium		1,048,059	1,048,059
Merger reserve		21,179,999	21,179,999
Reverse acquisition reserve		(19,458,303)	(19,458,303)
Other reserve		(10,950)	(14,442)
Retained earnings		(2,927,043)	(2,663,712)
		<u>641,585</u>	<u>901,424</u>
Current Liabilities			
Trade and other payables	20	2,924,502	3,608,072
Current tax liabilities		-	886
		<u>2,924,502</u>	<u>3,608,958</u>
Total equity and liabilities		<u>3,566,087</u>	<u>4,510,382</u>

The financial statements were approved by the Board of Directors on 30 April 2010 and were signed on its behalf by:

Claes Magnusson

Consolidated Statement of Changes in Equity

For the year ended 31 December 2009

	Share Capital €	Share Premium €	Merger Reserve €	Reverse Acquisition Reserve €	Other Reserve €	Retained Earnings €	Total €
Balance as at 31 December 2006	64,119	602,641	-	533,018	-	(790,254)	409,524
Changes in equity for the period to 31 December 2007							
Loss for the period	-	-	-	-	-	(1,901,226)	(1,901,226)
Other recognised income and expenses - exchange differences	-	-	-	-	(1,478)	-	(1,478)
Total recognised income and expense for the period	-	-	-	-	(1,478)	(1,901,226)	(1,902,704)
Issue of new shares prior to acquisition	15,359	445,418	-	-	-	-	460,777
Issue of new shares on reverse acquisition	730,345	-	21,179,999	-	-	-	21,910,344
Legal entity adjustment arising from reverse acquisition of Company	-	-	-	(19,991,321)	-	-	(19,991,321)
Balance as at 31 December 2007	809,823	1,048,059	21,179,999	(19,458,033)	(1,478)	(2,691,480)	886,620
Changes in equity for the period to 31 December 2008							
Profit for the period	-	-	-	-	-	27,768	27,768
Other recognised income and expenses - exchange differences	-	-	-	-	(12,964)	-	(12,964)
Total recognised income and expense for the period	-	-	-	-	(12,964)	27,768	14,804
Balance as at 31 December 2008	809,823	1,048,059	21,179,999	(19,458,033)	(14,442)	(2,663,712)	901,424
Changes in equity for the period to 31 December 2009							
Loss for the period	-	-	-	-	-	(263,331)	(263,331)
Other recognised income and expenses - exchange differences	-	-	-	-	3,492	-	3,492
Total recognised income and expense for the period	-	-	-	-	3,492	(263,331)	(259,839)
Balance as at 31 December 2009	809,823	1,048,059	21,179,999	(19,458,303)	(10,950)	(2,927,043)	641,585
Attributable to:							
Equity holders of the Company	809,823	1,048,059	21,179,999	(19,458,303)	(10,950)	(2,927,043)	641,585

The merger reserve arises as a result of the acquisition of Bestpoker by BestGames and represents the difference between the market value of the shares issued, for the purpose of this transaction, and the nominal value of the shares issued.

The acquisition of Bestpoker by BestGames constitutes a reverse acquisition and consequently, group accounts have been prepared under reverse acquisition accounting rules which gives rise to a reverse acquisition reserve.

Foreign exchange differences arising from conversion from the functional currency to presentational currency forms part of the movement in equity and is disclosed separately under other reserve.

Consolidated Cash Flow Statement

For the year ended 31 December 2009

	Note	2009 €	2008 €
Net cash used in operating activities	23	649,790	865,209
Investing activities			
Interest received		1,255	9,834
Purchase of intangible assets		-	(76,732)
Proceeds of sale of investment		-	-
Purchases of property, plant and equipment		(9,727)	-
Net cash used in investing activities		(8,472)	(66,898)
Net (decrease)/ increase in cash and cash equivalents		641,318	798,311
Cash and cash equivalents at beginning of period		1,204,991	406,680
Cash and cash equivalents at end of period	18	1,846,309	1,204,991

Company Balance Sheet

As at 31 December 2009

	Note	31 December 2009 €	31 December 2008 €
ASSETS			
Non-current assets			
Property, plant and equipment	10	7,761	-
Investment in subsidiaries	9	16,933,054	15,651,405
		<u>16,940,815</u>	<u>15,651,405</u>
Current assets			
Trade receivables	15	11,113	-
Current tax assets		6,272	4,933
Other current assets	17	1,147,992	2,540,984
Cash and cash equivalents	19	1,634,296	881,751
		<u>2,799,673</u>	<u>3,427,668</u>
Total assets		<u>19,740,488</u>	<u>19,079,073</u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	22	809,823	809,823
Share premium		1,048,059	1,048,059
Merger reserve		21,179,999	21,179,999
Other reserve		(5,371,336)	(6,656,478)
Retained earnings		(690,426)	(686,990)
		<u>16,976,119</u>	<u>15,694,413</u>
Current Liabilities			
Trade and other payables	21	2,764,369	3,383,774
Current tax liabilities		-	886
		<u>2,764,369</u>	<u>3,384,660</u>
Total equity and liabilities		<u>19,740,488</u>	<u>19,079,073</u>

The financial statements were approved by the Board of Directors on 30 April 2010 and were signed on its behalf by:

Claes Magnusson

Company Statement of Changes in Equity

For the year ended 31 December 2009

	Share Capital €	Share Premium €	Merger Reserve €	Other Reserve €	Retained Earnings €	Total €
Balance as at 30 April 2007	809,823	1,048,059	21,179,999	-	(382,999)	22,654,882
Changes in equity for the period to 31 Dec 2007						
Loss for the period	-	-	-	-	(318,869)	(318,869)
Other recognised income and expenses - exchange differences	-	-	-	(1,573,090)	-	(1,573,090)
Total recognised income and expense for the period	-	-	-	(1,573,090)	(318,869)	(1,891,959)
Balance as at 31 Dec 2007	809,823	1,048,059	21,179,999	(1,573,090)	(701,868)	20,762,923
Changes in equity for the period to 31 Dec 2008						
Profit for the period	-	-	-	-	14,878	14,878
Other recognised income and expenses - exchange differences	-	-	-	(5,083,388)	-	(5,083,388)
Total recognised income and expense for the period	-	-	-	(5,083,388)	14,878	(5,068,510)
Balance as at 31 Dec 2008	809,823	1,048,059	21,179,999	(6,656,478)	(686,990)	15,694,413
Changes in equity for the period to 31 Dec 2009						
Profit for the period	-	-	-	-	(3,436)	(3,436)
Other recognised income and expenses - exchange differences	-	-	-	1,285,142	-	1,285,142
Total recognised income and expense for the period	-	-	-	1,285,142	(3,436)	1,281,706
Balance as at 31 Dec 2009	809,823	1,048,059	21,179,999	(5,371,336)	(690,426)	16,976,119
Attributable to:						
Equity holders of the Company	809,823	1,048,059	21,179,999	(5,371,336)	(690,426)	16,976,119

The merger reserve arises as a result of the acquisition of Bestpoker by BestGames and represents the difference between the market value of the shares issued, for the purpose of this transaction, and the nominal value of the shares issued.

Foreign exchange differences arising from conversion from the functional currency to presentational currency forms part of the movement in equity and is disclosed separately under other reserve.

Company Cash Flow Statement

For the year ended 1 January 2009 to 31 December 2009

	Note	31 December 2009 €	31 December 2008 €
Net cash used in operating activities	24	762,071	842,519
Investing activities			
Interest received		201	4,269
Purchase of property, plant and equipment		(9,727)	-
Net cash generated from/(used in) investing activities		(9,526)	4,269
Net increase/ (decrease) in cash and cash equivalents		752,545	846,788
Cash and cash equivalents at beginning of period		881,751	34,963
Cash and cash equivalents at end of period	19	1,634,296	881,751

Notes to the Financial Statements

For the year ended 31 December 2009

1. Presentation of financial statements

On 23 February 2007, the Company acquired the entire issued share capital of Bestpoker.com Public Limited. Under IFRS 3, the acquisition of Bestpoker.com Public Limited by the Company constitutes a reverse acquisition and consequently, group financial statements have been prepared under reverse acquisition accounting.

Reverse acquisitions are treated as a business combination so that the consolidated financial statements, including the comparative information prepared following the acquisition represents a continuation of the financial statements of the legal subsidiary acquired.

The Company's functional currency is Pounds Sterling and transactions in foreign currencies are converted into the functional currency using the policy described under 'Foreign currency'. The financial statements are presented in Euros, which is the presentational currency. The Group has adopted the Euro as its presentational currency as the majority of its revenues and costs are anticipated to be linked to the Euro. In translating from the functional currency to the presentational currency, income and expenses are translated at the average exchange rate for the period unless the exchange rate fluctuates significantly and assets and liabilities (excluding equity items) are translated at the exchange rate prevailing at the balance sheet date. Equity items are stated at historical rates.

The £/\$ exchange rates used for the periods ending 31 December 2009, 31 December 2008, 31 December 2007 and 30 April 2007 are 1.11130, 1.02720, 1.35997 and 1.46278 respectively.

2. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the period covered by these financial statements.

Basis of preparation

These financial statements are for the year ended 31 December 2009. The financial statements have been prepared in accordance with International Financial Reporting Standards as endorsed by the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with generally accepted accounting practice requires management to make estimates and judgements that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period.

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

Notes to the Financial Statements

For the year ended 31 December 2009

2. Accounting policies – continued

Impairment of goodwill and intangible assets

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. A provision for impairment has been made during 2007 amounting to "1,919,184 which reduced the carrying value of goodwill to " nil.

Intangible assets are initially recorded at acquisition cost and are amortised on a straight-line basis over their useful economic life. Intangible assets that are acquired through a business combination are initially recorded at fair value at the date of acquisition. Intangible assets with indefinite useful life are reviewed for impairment at least once per year. The impairment test is performed using the discounted cash flows expected to be generated through the use of the intangible assets, using a discount rate that reflects the current market estimations and the risks associated with the asset. When it is impractical to estimate the recoverable amount of an asset, the Group estimates the recoverable amount of the cash-generating unit in which the asset belongs to.

Income taxes

Judgement is required in determining the Company's and the Group's provision for income tax. Where the final tax outcome is different from the amounts that were initially recorded, the differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Fair value of investment in subsidiaries

The fair value of the investment in subsidiaries is assessed for possible impairment. The Company uses its judgement to make assumptions based upon financial performance of the subsidiaries.

New standards and interpretations

At the date of authorisation of these financial statements, IFRS 7 Financial Instruments: Disclosures has been adopted.

During the period the International Accounting Standards Board (IASB) and the IFRIC have issued certain standards and interpretations with an effective date after the date of these financial statements. The Directors do not anticipate that the adoption of these statements and interpretations will have a material impact on the Group's financial statements in the period of initial application.

Basis of consolidation

The Group's financial statements incorporate the financial statements of Bestgames Holdings Limited, Bestpoker.com Public Limited and other entities controlled by the Company (the subsidiaries) comprising Bestbingo Limited, Bestbet Limited, Bestpoker.com Ltd and Bestbet.com Limited. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

Certain acquisitions whereby the substance of the acquisition is that the acquirer is the entity whose equity interests have been acquired, and the issuing entity is the acquiree, are considered to represent a reverse acquisition. The legal subsidiary being acquired is the acquirer if it has the power to govern the financial and operating policies of the legal parent so as to obtain benefits from its activities.

Notes to the Financial Statements

For the year ended 31 December 2009

2. Accounting policies – continued

Reverse acquisitions are treated as a business combination whereby the consolidated financial statements prepared following the acquisition represent a continuation of the financial statements of the legal subsidiary acquired.

For the purpose of these financial statements, the acquisition of, Bestpoker.com Public Limited by Bestgames Holdings Limited on 23 February 2007, is accounted as a reverse acquisition by Bestgames Holdings Limited.

Under the requirements of the Companies Act 1985 it would normally be necessary for the Company's consolidated financial statements to follow the legal form of the business combination. In that case, the pre-combination results would be those of Bestgames Holdings Limited. The results of Bestpoker.com Public Limited would then be brought into the Group from 23 February 2007. However, this would portray the combination as an acquisition of Bestpoker.com Public Limited by Bestgames Holdings Limited and would, in the opinion of the directors, fail to give a true and fair view of the substance of the business combination.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Business combinations and goodwill

On acquisition, the assets and liabilities and contingent liabilities of subsidiaries are measured at their fair values at the date of acquisition. Any excess of cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to the income statement in the period of acquisition.

Goodwill arising on consolidation is recognised as an asset and reviewed for impairment at least annually. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes.

Revenue arising from the sale of services is recognised when and to the extent that the group obtains the right to consideration in exchange for the performance of its contractual obligations.

Notes to the Financial Statements

For the year ended 31 December 2009

2. Accounting policies – continued

Income from operations is defined as:

Poker - net gaming wins represents the commission due to the Group from each winning hand played (the %ake+), rebate and tournament entry fees where the player has concluded his participation in the tournament.

Casino . casino revenues that are the difference between the amount of bets placed by members less amounts won by members.

Bingo . bingo revenues that are the difference between the amount of bets placed by members less amounts won by members.

Interest income is recognised on a time base, by reference to the principal outstanding and at the interest rate applicable.

Foreign currency

Transactions in foreign currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are included in the net profit or loss for the period.

Taxation

The charge for current tax is based on the results for the period as adjusted for items which are non-assessable or disallowed. It is calculated using rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction which affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interest in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the rates that are expected to apply when the asset or liability is settled. Deferred tax is charged or credited in the income statement, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legal enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Notes to the Financial Statements

For the year ended 31 December 2009

2. Accounting policies – continued

Plant and equipment

Plant and equipment comprising computer equipment is stated at cost less accumulated depreciation and any recognised impairment loss. Depreciation is charged so as to write off the cost of assets, over their estimated useful lives, using the straight-line method, 20% per annum.

Intangible assets

Intangible assets such as software development costs, domain names and patents and trademarks are stated at cost less accumulated amortised costs and any recognised impairment loss.

Amortisation is charged so as to write off the cost of intangible assets, over their estimated useful lives, using the straight-line method, on the following bases:

Software development costs	-	33.33%
Domain names	-	5%
Patents and trademarks	-	5%

The amortisation of software development costs has been changed from 5 years to 3 years following a review of the estimated useful life by the directors.

Investments in subsidiaries

Investments in subsidiaries are stated at cost less any provision for impairment.

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the assets carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. Cash and cash equivalents comprise cash in hand, deposits held at call with banks, other short term, highly liquid investments with original maturities of three months or less, and bank overdrafts.

Trade and other payables

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

Equity instruments

Equity instruments are recorded at the proceeds received, net of direct issue costs.

Notes to the Financial Statements

For the year ended 31 December 2009

2. Accounting policies – continued

Dividend distribution

Dividend distribution to the Group's shareholders is recognised as a liability in the Company's financial statements in the year in which they are approved.

Provisions

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

Segmental reporting

In accordance with the Group's risk and returns, the definition of segments for primary and secondary reporting reflects the internal management reporting structure. A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments.

A geographical segment is engaged in providing products or services within a particular environment that is subject to risks and returns different from those of components operating in other economic environments.

Impairment of non-financial assets

Non-current assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Value in use is based on the present value of the future cash flows relating to the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

Financial risk management

The Group uses a limited number of financial instruments, comprising cash, short-term deposits, and various items such as trade receivables and payables, which arise directly from operations. The Group does not trade in financial instruments.

Fair value estimation

The carrying value of trade receivables and payables is assumed to approximate their fair value. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

Notes to the Financial Statements

For the year ended 31 December 2009

3. Operating result

Profit from operations for the period is stated after charging/(crediting):

	2009 €	2008 €
Auditors remuneration	24,265	38,694
Amortisation of intangible assets	13,520	66,853
Depreciation of plant and equipment	1,966	-
Staff costs (see note 5)	39,173	56,929

The Company has taken advantage of the exemption provided under section 408 of the Companies Act 2006 not to publish its individual income statement and related notes. The loss dealt with in the financial statements of the parent Company was " 3,436 (2008: profit " 15,764).

4. Segment reporting

The Company's main business segments are the provision of gaming services for poker casino and bingo.

Primary reporting format – business segments

	Poker €	Bingo €	Casino €	Other €	2009 Total €
Net gaming wins	4,653,504	334,322	588,523	-	5,576,349
Segmental gross profits/ (loss)	1,526,163	271,659	245,491	-	2,043,313
Administrative expenses before goodwill impairment	-	-	-	(217,344)	(217,344)
Goodwill impairment	-	-	-	-	-
Selling and distribution expenses	(1,723,171)	(123,798)	(217,927)	-	(2,064,896)
Profit/ (loss) from operations before goodwill impairment	(197,008)	147,861	27,564	(217,344)	(238,927)
Goodwill impairment	-	-	-	-	-
(Loss)/ profit from operations	(197,008)	147,861	27,564	(217,344)	(238,927)
Net finance charges	(24,027)	-	-	(23,016)	(47,043)
Taxation	17,498	(11,705)	(2,182)	19,028	22,639
(Loss)/ profit after taxation	(203,537)	136,156	25,382	(221,332)	(263,331)
Total assets	3,566,087	-	-	-	3,566,087
Total current liabilities	2,924,502	-	-	-	2,924,502
Other segmental items:					
Capital expenditure	9,727	-	-	-	9,727
Depreciation	1,966	-	-	-	1,966
Amortisation	13,520	-	-	-	13,520

Notes to the Financial Statements

For the year ended 31 December 2009

4. Segment reporting continued

	Poker €	Bingo €	Casino €	Other €	2008 Total €
Net gaming wins	5,222,107	249,209	491,216	-	5,962,532
Segmental gross profits/ (loss)	1,832,584	247,470	204,147	-	2,284,201
Administrative expenses before goodwill impairment	-	-	-	(623,130)	(623,130)
Goodwill impairment	-	-	-	-	-
Selling and distribution expenses	(1,384,363)	(66,065)	(130,220)	-	(1,580,648)
Profit/ (loss) from operations before goodwill impairment	448,221	181,405	73,927	(623,130)	80,423
Goodwill impairment	-	-	-	-	-
Profit/ (loss) from operations	448,221	181,405	73,927	(623,130)	80,423
Net finance charges	(38,506)	-	-	(10,762)	(49,268)
Taxation	(1,593)	(645)	(263)	(886)	(3,387)
Profit/ (loss) after taxation	408,122	180,760	73,664	(634,778)	27,768
Total assets	4,510,382	-	-	-	4,510,382
Total current liabilities	3,608,958	-	-	-	3,608,958
Other segmental items:					
Capital expenditure	76,732	-	-	-	76,732
Depreciation	-	-	-	-	-
Amortisation	66,853	-	-	-	66,853

Secondary reporting format – geographical segments

The Group manages its business segments on a global basis. The player database details is held on servers located in Malta. The Company's intangible assets comprising software development costs, domain names and patents and trademarks are owned by Bestpoker.com Public Limited, a company registered in Cyprus.

The Company's revenues are derived as follows:

	2009 €	2008 €
Europe	4,002,116	4,523,189
South America	1,462,289	1,289,469
Rest of the world	111,944	149,874
Total income	5,576,349	5,962,532

Notes to the Financial Statements

For the year ended 31 December 2009

5. Staff costs

The average number of persons employed, including executive directors, was:

	2009	2008
	Number	Number
Management	2	2
	2	2
	€	€
Staff costs for the above persons were:		
Wages and salaries	29,436	47,388
Social security costs	9,737	9,541
	39,173	56,929
Directors' emoluments:	€	€
Aggregate emoluments	29,436	46,309
	29,436	46,309
	€	"
Highest paid director, amounts included above:		
Aggregate emoluments	29,436	33,067
	29,436	33,067

Key management are those persons having authority and responsibility for planning, directing and controlling the activities of the entity. In the opinion of the Board, the Group's key management comprises the Executive and Non-executive Directors of the Company. Information regarding their emoluments is set out below.

The following disclosures are in respect of employee benefits payable to the directors of the Company across the Group and are stated in accordance with IFRS:

	2009	2008
	€	"
Short-term employee benefits	39,173	55,501
	39,173	55,501

Notes to the Financial Statements

For the year ended 31 December 2009

6. Finance costs and income

	2009 €	2008 "
Interest payable and other finance charges	48,298	59,102
Finance costs	<u>48,298</u>	<u>59,102</u>
Bank interest receivable	1,255	9,834
Finance income	<u>1,255</u>	<u>9,834</u>

7. Taxation

	2009 €	2008 "
Current tax		
UK Corporation tax @ 28% (2008: 28.6%)	-	886
Foreign tax	-	1,387
Total current tax	<u>-</u>	<u>2,273</u>
Deferred tax		
Arising from tax losses in subsidiaries	(22,639)	1,114
Total deferred tax	<u>(22,639)</u>	<u>1,114</u>
	<u>(22,639)</u>	<u>3,387</u>

Current tax is calculated with reference to the loss of the Company and its subsidiaries in their respective countries of operation in Cyprus and the UK. The difference between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax is as follows:

Notes to the Financial Statements

For the year ended 31 December 2009

7. Taxation – continued

	2009 €	2008 "
(Loss) / Profit before taxation	<u>(259,087)</u>	<u>117,531</u>
Tax on profit on ordinary activities at standard UK corporation tax rate of 28% (2008:28.6%)	(72,544)	33,496
Effects of:		
Expenses not allowable for taxation	18,977	19,053
Expenses and income not subject to tax	(11,318)	(44,463)
Utilisation of losses brought forward	-	(3,276)
Current period losses carried forward	(64,885)	-
Differential in tax rates applicable to foreign subsidiaries	-	(2,537)
Deferred tax asset	(22,639)	1,114
	<u>(22,639)</u>	<u>3,387</u>
Group tax (credit)/ charge for the period	<u>(22,639)</u>	<u>3,387</u>

8. Profit per share

	2009 €	2008 "
Profit		
(Loss)/ Profit for the purposes of basic and diluted loss per share being net loss attributable to equity shareholders	<u>(263,331)</u>	<u>27,768</u>
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	55,361,733	55,361,733
Number of dilutive shares under option	-	-
Weighted average number of ordinary shares for the purposes of dilutive earnings per share	<u>55,361,733</u>	<u>55,361,733</u>

Notes to the Financial Statements

For the year ended 31 December 2009

9. Investment in subsidiaries

Company	Shares in subsidiary undertakings
Cost and net book value	"
As at 30 April 2007	22,288,385
Exchange differences arising from the restatement of the investment	(1,566,557)
As at 31 December 2007	20,721,828
Exchange differences arising from the restatement of the investment	(5,070,423)
As at 31 December 2008	15,651,405
Exchange differences arising from the restatement of the investment	(1,281,649)
As at 31 December 2009	16,933,054

Details of significant investments in which the Company holds 20% or more of the nominal value of any class of share capital are as follows:

<u>Name</u>	<u>Country of Incorporation</u>	<u>Principal activities</u>	<u>Shares held %</u>
Bestpoker.com Public Limited	Cyprus	Internet gaming promotion	100

On 23 February 2007 the Company acquired the entire share capital of Bestpoker.com Public Limited and its subsidiary Bestbingo Limited for a consideration of "22,288,385, which included a sum of "378,038 for the costs incurred. The consideration had been satisfied by the issue of ordinary shares at a price of £0.30 each and, as part of the arrangement; the former shareholders of Bestpoker.com Public Limited became the majority shareholders with 90.186% of the Company's enlarged share capital. Further, the Company's continuing operations and executive management were those of Bestpoker.com Public Limited. Accordingly, the substance of the combination was that Bestpoker.com Public Limited acquired Bestgames Holdings Limited in a reverse acquisition.

At 31 December 2009, the Group held 20% or more of the equity of the following:

	Country of incorporation	Shares held	Class of proportion held	Nature of business
Bestpoker.com Public Limited	Cyprus	100%	100%	Internet gaming promotion
Bestbingo Limited	Cyprus	100%	100%	Internet gaming promotion
Bestpoker.com Limited	UK	100%	100%	Dormant
Bestbet.com Limited	UK	100%	100%	Dormant
Bestbet Limited	Isle of Man	100%	100%	Dormant

Notes to the Financial Statements

For the year ended 31 December 2009

10. Plant and equipment

Group & Company	Computer Equipment €	Total €
Cost		
At 1 January 2009	-	-
Additions	9,727	9.727
Disposals	-	-
	<hr/>	<hr/>
At 31 December 2009	9,727	9.727
	<hr/>	<hr/>
Depreciation		
At 1 January 2009	-	-
Charge for the period	1,966	1,966
On disposals	-	-
	<hr/>	<hr/>
At 31 December 2009	1,966	1,966
	<hr/>	<hr/>
Net book amount		
At 31 December 2009	7,761	7,761
	<hr/>	<hr/>
At 31 December 2008	-	-
	<hr/>	<hr/>

Notes to the Financial Statements

For the year ended 31 December 2009

11. Intangible assets – goodwill

Group

Cost at 1 January 2009	€ 1,919,184
	<hr/>
At 31 December 2009	1,919,184
	<hr/>
Impairment loss	
At 1 January 2009	1,919,184
	<hr/>
At 31 December 2009	1,919,184
	<hr/>
Net book amount	
At 31 December 2009	-
	<hr/>
At 31 December 2008	-
	<hr/>

The goodwill arose on the reverse acquisition of Bestpoker.com Public Limited by the Company. As the Company has no trading activity the goodwill has no intrinsic value. Full provision for impairment against goodwill arising has been made in these accounts.

Details of the reverse acquisition and goodwill arising are as follows:

Fair value of the net assets of Bestgames Holdings Limited at acquisition:	€
Cash and cash equivalent	344,440
Other current assets	500,582
Trade and other payables	(384,406)
Net assets acquired:	<hr/> 460,616
Goodwill arising from reverse acquisition	1,919,184
Total consideration	<hr/> 2,379,800

The Directors consider that the fair value of the net assets of the Company is not materially different from the carrying amounts.

Notes to the Financial Statements

For the year ended 31 December 2009

12. Intangible assets - other

Group	Software development costs €	Patents and trademarks €	Domain names €	Total €
Cost				
At 1 January 2008	160,000	1,820	193,652	355,472
Additions	-	-	76,732	76,732
At 1 January 2009	160,000	1,820	270,384	432,204
Additions	-	-	-	-
At 31 December 2009	160,000	1,820	270,384	432,204
Depreciation				
At 1 January 2008	106,667	-	16,483	123,150
Charge for the period	53,333	-	13,520	66,853
At 1 January 2009	160,000	-	30,003	190,003
Charge for the period	-	-	13,520	13,520
At 31 December 2009	160,000	-	43,523	203,523
Net book amount				
At 31 December 2009	-	1,820	226,861	228,681
At 31 December 2008	-	1,820	240,381	242,201

Notes to the Financial Statements

For the year ended 31 December 2009

13. Deferred tax

Deferred tax is calculated in full on all temporary differences under the liability method using the applicable tax rates. The applicable corporation tax rate in the case of tax losses is 28%.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority.

Deferred tax assets arises as follows:

	2009 €	2008 "
On 1 January	37,731	38,845
Transfer to/ (from) income statement	22,639	(1,114)
	<hr/>	<hr/>
As at 31 December	60,370	37,731
	<hr/>	<hr/>

At the balance sheet date, a deferred tax asset of "60,370 has been recognised in respect of tax losses of Bestpoker.com Public Limited, Cyprus due to the anticipated future profit streams from its operations. The Company has unrelieved tax losses of approximately "532,136, the utilisation of which is uncertain and consequently, no deferred tax asset has been recognised.

14. Trade receivables - Group

	2009 €	2008 "
Trade receivables	1,286,092	2,768,161
	<hr/>	<hr/>
	1,286,092	2,768,161
	<hr/>	<hr/>

The Group's credit risk is primarily attributable to its trade receivables. Based on prior experience and an assessment of the current economic environment, the Directors did not consider any provision for irrecoverable amounts was required and consider that the carrying amount of these assets approximates their fair value.

Trade receivables constitute the only financial assets. Trade receivables are non-interest bearing and generally have a 30-90 day term. Due to their short maturities, the fair value of trade receivables approximates their book value. There are no overdue balances.

Notes to the Financial Statements

For the year ended 31 December 2009

15. Trade receivables - Company

	2009 €	2008 "
Trade receivables	11,113	-
	<hr/>	<hr/>
	11,113	-
	<hr/>	<hr/>

The Group's credit risk is primarily attributable to its trade receivables. Based on prior experience and an assessment of the current economic environment, the Directors did not consider any provision for irrecoverable amounts was required and consider that the carrying amount of these assets approximates their fair value.

Trade receivables constitute the only financial assets. Trade receivables are non-interest bearing and generally have a 30-90 day term. Due to their short maturities, the fair value of trade receivables approximates their book value. There are no overdue balances.

16. Other current assets - Group

	2009 €	2008 "
Deposits and prepayments	87,410	35,775
Receivables from related companies	-	112,105
	<hr/>	<hr/>
	87,410	147,880
	<hr/>	<hr/>

The fair value of other current assets is considered by the Directors not to be materially different to carrying amounts.

17. Other current assets – Company

	2009 €	2008 "
Amounts owed by group undertakings	-	-
Deposits and prepayments	1,147,992	2,540,984
	<hr/>	<hr/>
	1,147,992	2,540,984
	<hr/>	<hr/>

The fair value of other current assets is considered by the Directors not to be materially different to carrying amounts.

Notes to the Financial Statements

For the year ended 31 December 2009

18. Cash and cash equivalents - Group

	2009 €	2008 "
Cash at bank and in hand	1,846,309	1,204,991
Short term bank deposits	-	-
	<u>1,846,309</u>	<u>1,204,991</u>

Cash and cash equivalents comprises cash and short term deposits held by the Group with a maturity date of three months or less at varying interest rates over the period of between 0.10% to 1.09% (2008: 1.09% to 4.59%). The directors consider that the carrying amount of these assets approximate to their fair value. The credit risk on liquid funds is limited because the counter-party is a bank with a high credit rating.

19. Cash and cash equivalents - Company

	2009 €	2008 "
Cash at bank and in hand	1,634,296	881,751
Short term bank deposits	-	-
	<u>1,634,296</u>	<u>881,751</u>

Cash and cash equivalents comprises cash and short term deposits held by the Company with a maturity date of three months or less at varying interest rates over the period of between 0.10% to 1.09% (2008: 1.09% to 4.59%). The carrying amount of these assets approximate to their fair value. The credit risk on liquid funds is limited because the counter party is a bank with a high credit rating.

20. Trade and other payables - Group

	2009 €	2008 "
Trade payables	2,858,110	3,380,514
Other creditors	-	22,269
Accruals and deferred income	66,392	205,289
	<u>2,924,502</u>	<u>3,608,072</u>

The directors consider that the carrying amount of trade and other payables approximates to their fair value.

Notes to the Financial Statements

For the year ended 31 December 2009

21. Trade and other payables – Company

	2009 €	2008 "
Trade payables	2,714,266	3,229,581
Other creditors	-	-
Amounts owed to group undertakings	23,433	138,785
Accruals and deferred income	26,670	15,408
	<hr/>	<hr/>
	2,764,369	3,383,774
	<hr/> <hr/>	<hr/> <hr/>

The directors consider that the carrying amount of trade and other payables approximates to their fair value.

22. Share capital

	2008 €	2007 "
Called up share capital		
Authorised		
5,000,000,000 ordinary shares of 1 pence each	73,139,214	73,139,214
	<hr/>	<hr/>
Allotted, called up and fully paid		
55,361,733 ordinary shares of 1 pence each (2006: 4,383,333 ordinary shares)	809,823	809,823
	<hr/>	<hr/>

Notes to the Financial Statements

For the year ended 31 December 2009

22. Share capital continued

The Company was incorporated on 26 April 2006, with an authorised share capital of 1,000 ordinary shares of £1 each.

On 26 May 2006, the authorised share capital of the Company was increased to 50,000,000 ordinary shares of £1 each. On the same date, each ordinary share of £1 each was sub-divided into 100 ordinary shares of £0.01 each to create 5,000,000,000 ordinary shares of £0.01 each. The ordinary shares rank pari passu in all respects.

On 26 April 2006, the Company issued 2 ordinary shares of £1 each for a total consideration of £2. On 26 May 2006, the issued share capital was sub-divided into 200 ordinary shares of £0.01 each.

On 1 June 2006, the Company issued 3,099,800 ordinary shares of £0.01 for a total consideration of £99,814.

On 22 June 2006, the Company issued 900,000 ordinary shares of £0.01 for a total consideration of £270,000.

On 23 October 2006, the Company issued 383,333 shares of £0.01 for a total consideration of £115,000.

On 9 February 2007, the Company allotted 1,050,000 ordinary shares to an existing shareholder of the Company, taking the form of a share application at a price per share of £0.30.

On 23 February 2007, 49,928,400 shares were issued as consideration for the acquisition of the entire issued share capital of 2,170,000 shares in Bestpoker.com Public Limited at a price per share equivalent to the consideration issue price of £0.30. The difference between the nominal value of the ordinary shares and consideration value, amounted to " 21,179,999 was transferred to the merger reserve.

Notes to the Financial Statements

For the year ended 31 December 2009

23. Cash used in operations - Group

	2009 €	2008 "
(Loss)/ Profit before tax	(285,970)	31,155
Adjustments for:		
Interest income	(1,255)	(9,834)
Amortisation of intangibles	13,520	66,853
Depreciation charge	1,966	-
Exchange differences	3,492	(12,964)
	<hr/>	<hr/>
Operating profit before working capital movements	(268,247)	75,210
Decrease/ (Increase) in trade receivables and other current assets	1,602,493	(2,289,207)
(Decrease)/ Increase in trade and other payables	(683,570)	3,079,206
	<hr/>	<hr/>
Cash used in operations	650,676	865,209
Tax paid	(886)	-
	<hr/>	<hr/>
Net cash used in operating activities	649,790	865,209

24. Cash used in operations – Company

	2009 €	2008 "
Profit/ (loss) before tax	(3,436)	15,764
Adjustments for:		
Interest income	(201)	(4,269)
Depreciation charge	1,966	-
Exchange differences	3,492	(12,965)
	<hr/>	<hr/>
Operating profit before working capital movements	1,821	(1,470)
Decrease/ (Increase) in trade receivables and other current assets	1,405,659	(2,442,449)
(Decrease)/ Increase in trade and other payables	(644,523)	3,286,438
Tax paid	(886)	-
	<hr/>	<hr/>
Net cash used in operating activities	762,071	842,519

Notes to the Financial Statements

For the year ended 31 December 2009

25. Operating lease commitments – Group and Company

The Group and the Company has no operating lease commitments.

26. Related party transactions

Claes Magnusson, a director of the Company, is also a director of QCC Corporate Advisers AB who were engaged to provide services in respect of the reverse acquisition of Bestpoker.com Public Limited by the Company. The total value of services provided during the year ended 31 December 2009 amounted to " Nil (period ended 31 December 2008: " 182,500). No amounts were outstanding as at 31 December 2009.

The Company provided management consultancy services on behalf of Bestpoker.com Public Limited in relation to its customer database. The amount invoiced during the year ended 31 December 2009 was " 190,905 (2008: " 226,742). The balance outstanding as at 31 December 2009 was " 23,433 (2008: " 138,785) representing the balance owed by the Company to Bestpoker.com Public Limited.

27. Financial instruments

The Group uses a limited number of financial instruments, comprising cash, short-term deposits, and various items such as trade receivables and payables, which arise directly from operations. The Group does not trade in financial instruments.

The Group's activities expose it to a variety of financial risks: currency risk, credit risk, interest rate risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effect on the financial performance.

Credit risk

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the balance sheet date. The Group has no significant concentration of credit risk.

The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history and monitors on a continuous basis the ageing profile of its receivables. Cash balances are held with high credit quality financial institutions and the Group has policies to limit the amount of credit exposure to any financial institution.

The carrying amount of financial assets represents the maximum credit exposure. The maximum credit exposure to credit risk at the reporting date was:

	Group		Company	
	2009	2008	2009	2008
	€	"	€	"
Trade receivables	1,286,092	2,768,161	11,113	-
Cash and cash equivalents	1,846,309	1,204,991	1,634,296	881,751
	3,132,401	3,973,152	1,645,409	881,751

Notes to the Financial Statements

For the year ended 31 December 2009

27. Financial instruments continued

Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Group has interest bearing assets and are exposed to interest rate risk. The Group's management monitors the interest rate fluctuations on a continuous basis and acts accordingly. The directors will revisit the appropriateness of this policy should the Group's operations change in size or nature. The Group has not entered into any derivative transactions during the period under review.

The Group's cash and cash equivalents earned interest at a variable rate over the period of between 0.10% to 1.09% (2008: 1.09% and 4.59%). The Company's cash and cash equivalents earned interest at a variable rate over the period of between 0.10% to 1.09% (2008: 1.09% and 4.59%).

Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. The Group has procedures with the object of minimising such risks such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

The following table shows the contractual maturities of the Group's financial liabilities, all of which are measured at amortised cost:

	Trade and other payables €
At 31 December 2009	
6 months or less	2,924,502
6 . 12 months	-
1 . 2 years	-
2 . 5 years	-
More than 5 years	-
	<hr/>
Total contractual cash flows	2,924,502
	<hr/> <hr/>
Carrying amount of financial liabilities measured at amortised cost	2,924,502
	<hr/> <hr/>
At 31 December 2008	
6 months or less	3,608,072
6 . 12 months	-
1 . 2 years	-
2 . 5 years	-
More than 5 years	-
	<hr/>
Total contractual cash flows	3,608,072
	<hr/> <hr/>
Carrying amount of financial liabilities measured at amortised cost	3,608,072
	<hr/> <hr/>

Notes to the Financial Statements

For the year ended 31 December 2009

27. Financial instruments continued

The Company's financial liabilities comprise of trade and other payables with a carrying amount equal to the gross cash flows payable of "2,858,110 (2008: "3,380,514) all of which are payable within 6 months.

Market risk and sensitivity analysis

Foreign currency exchange rate risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the UK Pound, the Euro, Swedish Kroner and the US Dollar. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the Group's functional currency. The Directors monitor the exchange rate fluctuations on a continuous basis and act accordingly.

Trade receivables which are settled in US Dollars, following the move to Safepay International in December 2006, who hosts its gaming platform. During the year the Group did not enter into any arrangements to hedge this risk, as the directors did not consider the exposure to be significant given the short term nature of the balances. The Group will review this policy as appropriate in the future.

As at 31 December 2009, if the US Dollar had strengthened or weakened by 10% against the Euro with all other variables held constant, cost of sales, which are primarily denominated in US Dollars, post tax profits and equity would have deteriorated or improved by "204,000 respectively (2008: "228,000).

Approximately "2.153 million of overhead costs are transacted in Swedish Kroner (2008: approximately "2.041 million). As at 31 December 2009, if the Swedish Kroner had strengthened or weakened by 10% against the Euro with all other variables held constant, post tax profits and equity for the period would have deteriorated or improved by "215,000 respectively (2008: "204,000).

Other risks

The general economic environment prevailing in Cyprus and internationally may affect the Company's operations to a great extent. Concepts such as inflation, unemployment, and development of the gross domestic product are directly linked to the economic course of every country and any variation in these and the economic environment in general may create chain reactions in all areas hence affecting the Company.

Interest rate risk

The Group is exposed to interest rate risk as a result of positive cash balances, denominated in Euros, Sterling, US Dollars and Swedish Kroner, which earn interest at variable rates. The impact on post-tax profit and equity for the periods ending 31 December 2009 and 2008, if interest rates fluctuated by 0.5% with all other variables held constant, would have been negligible given the low levels of finance income reported in the consolidated income statement.

Notes to the Financial Statements

For the year ended 31 December 2009

28. Capital risk management

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

The Group defines capital as being share capital plus reserves. Where applicable, the Board of Directors will monitor the level of capital as compared to the Group's long term debt commitments and will adjust the ratio of debt to capital as is determined to be necessary for example by a combination of, issuing new shares, reducing or increasing debt, paying dividends and or returning capital to shareholders. The Group does not have any long term debt commitments at present.

The Group is not subject to any externally imposed capital requirements.