

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 20-F

(MARK ONE)

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(g) OF THE  
SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934 For the fiscal year ended December 31, 2003

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934

Commission file number 0-32793

WORLD GAMING PLC

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(Exact Name of Registrant as Specified in Its Charter)

England and Wales  
(Jurisdiction of Incorporation or Organization)  
KFH Building, Liat Rd, Coolidge  
Antigua, West Indies  
Tel: (268) 480-1650 Fax: (268) 480-1656  
(Address of Principal Executive Offices)

Securities registered pursuant to Section 12(b) of the Act: NONE

Securities registered pursuant to Section 12(g) of the Act: Ordinary  
Shares, nominal value (pound)0.002 per share, represented by American Depositary  
Shares evidenced by American Depositary Receipts.

Securities for which there is a reporting obligation pursuant to  
Section 15(d) of the Act: NONE

Indicate the number of outstanding shares of each of the issuer's  
classes of capital or common stock as of the close of the period covered by the  
annual report: As of December 31, 2003, the Registrant had 45,781,407 Ordinary  
Shares issued and outstanding, nominal value (pound)0.002 per share.

Indicate by check mark whether the registrant: (1) has filed all  
reports required to be filed by Section 13 or 15(d) of the Securities Exchange  
Act of 1934 during the preceding 12 months (or for such shorter period that the  
registrant was required to file such reports), and (2) has been subject to such  
filing requirements for the past 90 days.

Yes  No

Indicate by check mark which financial statement item the registrant  
has elected to follow.

Item 17  Item 18

WORLD GAMING PLC  
ANNUAL REPORT ON FORM 20-F  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2003

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## CERTAIN DEFINITIONS AND CONVENTIONS

IN THIS ANNUAL REPORT, REFERENCES TO THE "COMPANY", "OUR COMPANY," "WORLD GAMING," "WE," "US" AND "OUR" REFER TO WORLD GAMING PLC AND ONE OR MORE OF ITS OPERATING SUBSIDIARIES AS THE CONTEXT MAY REQUIRE. WORLD GAMING PLC AND ITS SUBSIDIARY, WG INTERNATIONAL LTD., ARE HOLDING COMPANIES AND THEY CONDUCT THEIR BUSINESSES THROUGH THEIR OPERATING SUBSIDIARIES. ALL REFERENCES TO "STARNET" REFER TO ONE OF OUR SUBSIDIARIES, STARNET COMMUNICATIONS INTERNATIONAL, INC. AS A RESULT OF A HOLDING COMPANY REORGANIZATION EFFECTED IN MAY 2001, WE BECAME A SUCCESSOR TO THE BUSINESS OF STARNET. REFERENCES TO \$ AND "U.S. DOLLARS" ARE TO UNITED STATES CURRENCY, ANY REFERENCES TO "(POUND)", "POUNDS STERLING", "PENCE" OR "P" ARE TO U.K. CURRENCY, AND ANY REFERENCES TO "CDN" ARE REFERENCES TO CANADIAN CURRENCY. PERCENTAGES AND CERTAIN AMOUNTS CONTAINED HEREIN HAVE BEEN ROUNDED FOR EASE OF PRESENTATION. ANY DISCREPANCIES IN ANY TABLE BETWEEN TOTALS AND THE SUMS OF AMOUNTS LISTED ARE DUE TO ROUNDING.

## SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

We make certain forward-looking statements in this Form 20-F within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, relating to our financial condition, profitability, liquidity, resources, business outlook, proposed acquisitions (if any), market forces, corporate strategies, contractual commitments, capital requirements and other matters. The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements. To comply with the terms of the safe harbor, we note that a variety of factors could cause our actual results and experience to differ substantially from the anticipated results or other expectations expressed in our forward-looking statements. When words and expressions such as: "believes," "expects," "anticipates," "estimates," "plans," "intends," "objectives," "goals," "aims," "projects," "forecasts," "possible," "seeks," "may," "could," "should," "might," "likely," "enable" or similar words or expressions are used in this Form 20-F, as well as statements containing phrases such as "in our view," "there can be no assurance," "although no assurance can be given" or "there is no way to anticipate with certainty," forward-looking statements are being made. These forward-looking statements speak as of the date of this Form 20-F.

The forward-looking statements are not guarantees of future performance and involve risk and uncertainties. These risks and uncertainties may affect the operation, performance, development and results of our business and could cause future outcomes to differ materially from those set forth in our forward-looking statements. These statements are based on our current beliefs as to the outcome and timing of future events, and actual results may differ materially from those projected or implied in the forward looking statements. Further, some forward-looking statements are based upon assumptions of future events which may not prove to be accurate. The forward-looking statements involve risks and uncertainties including, but not limited to, the risks and uncertainties referred to under "Item 3. KEY INFORMATION - RISK FACTORS," and elsewhere within the document and in other of our filings with the Securities and Exchange Commission.

We undertake no obligation to publicly update or revise any forward-looking statements as a result of future developments, events and conditions outside of our control. New risk factors emerge from time to time and it is not possible for us to predict all such risk factors, nor can we assess the impact of all such risk factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ significantly from those forecast in any forward-looking statements. Given these risks and uncertainties, investors should not overly rely or attach undue weight to our forward-looking statements as an indication of our actual future results.

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISORS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE.

Not applicable.

ITEM 3. KEY INFORMATION

SELECTED FINANCIAL DATA

The data below should be read in conjunction with "Item 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS" and our audited consolidated financial statements and notes relating thereto appearing elsewhere in this annual report, and which have been audited by our independent auditors, HJ & Associates, as of and for the year ended December 31, 2003, as of and for the eight months ended December 31, 2001 and as of and for the years ended April 30, 2001 and 2000; by Baker Tilly, our prior independent auditors, as of and for the year ended December 31, 2002; and by Ernst & Young, our prior independent auditors, as of and for the year ended April 30, 1999. The selected financial data for the financial years ended April 30, 2000 and 1999 is derived from the financial statements of our subsidiary Starnet, which we acquired subsequent to the fiscal year ended April 30, 2001 pursuant to a holding company reorganization.

The data below, except for per share information, is in thousands of U.S. dollars.

	For the years ended December 31,				For the years ended April 30,		
	2003	2002	2001* (unaudited)	Eight months ended December 31, 2001	2001	2000	1999
STATEMENT OF OPERATIONS DATA:							
Net sales .....	\$17,698	\$ 16,777	\$ 18,175	\$ 12,107	\$ 20,153	\$ 17,881	\$6,255
Income (loss) from operations .....	2,127	(5,410)	(16,465)	(2,371)	(17,019)	(4,886)	1,004
Income (loss) from continuing operations ..	2,958	(5,318)	(16,277)	(2,236)	(16,756)	(4,462)	1,031
Income (loss) from operations per share ...	0.05	(0.16)	(0.49)	(0.07)	(0.52)	(0.17)	0.04
Income (loss) from continuing operations per share .....	0.07	(0.16)	(0.50)	(0.07)	(0.52)	(0.16)	0.04
Basic Income (loss) .....	0.07	(0.16)	(0.50)	(0.07)	(0.52)	(0.12)	0.09
Basic Weighted average number of shares (in thousands) .....	42,932	34,193	33,442	33,997	32,201	29,625	22,952
Fully Diluted earnings per share .....	\$ 0.05	\$ (0.16)	\$ (0.50)	\$ (0.07)	\$ (0.52)	\$ (0.12)	\$ 0.08
Fully Diluted Weighted average number of shares (in thousands) .....	56,402	34,193	33,442	33,997	32,201	29,625	25,960
Cash dividends declared per common share .....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

\* IN CONNECTION WITH THE COMPANY'S HOLDING COMPANY REORGANIZATION ON MAY 17, 2001, THE COMPANY CHANGED ITS FISCAL YEAR END FROM APRIL 30 TO DECEMBER 31. ALTHOUGH THE COMPANY HAS INCLUDED FINANCIAL INFORMATION FOR THE YEAR ENDED APRIL 30, 2001 AND EIGHT MONTHS ENDED DECEMBER 31, 2001, THE COMPANY HAS ALSO INCLUDED UNAUDITED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2001 FOR COMPARATIVE PURPOSES.

Selected balance sheet data as at December 31 and April 30 for the years indicated (in thousands of U.S. dollars):

	As of December 31,			As of April 30,		
	2003	2002	2001	2001	2000	1999
BALANCE SHEET DATA:						
Total assets .....	\$12,591	\$ 8,377	\$12,181	\$20,188	\$27,983	\$13,439
Net assets .....	828	(3,545)	1,686	2,211	19,376	9,420
Debt obligations .....	2,944	3,804	1,083	2,784	979	818
Capital stock .....	25,992	24,192	24,188	22,394	22,143	8,584

RISK FACTORS

YOU SHOULD CAREFULLY CONSIDER THE FOLLOWING RISKS IN MAKING AN INVESTMENT DECISION REGARDING OUR COMPANY. IF ANY OF THE FOLLOWING RISKS ACTUALLY OCCUR, OUR BUSINESS, FINANCIAL CONDITION OR RESULTS OF OPERATIONS MAY SUFFER. AS A RESULT, THE TRADING PRICE OF OUR AMERICAN DEPOSITARY SHARES AND THE VALUE OF OUR ORDINARY SHARES COULD DECLINE, AND YOU MAY LOSE ALL OR PART OF YOUR INVESTMENT.

WE HAVE EXPERIENCED NET LOSSES IN THE PAST.

We achieved a net profit from continuing operations of \$3.0 million for the year ended December 31, 2003. However, our independent auditors have noted in past years that we have accumulated significant losses, had negative working capital and a deficit in stockholders' equity, all of which our independent auditors believed in prior years raised concerns about our ability to continue as a going concern. Future performance will depend in part on the amount and rates of growth in our net revenue from licensing of our gaming software products and on management's ability to control our operating expenses. In addition, our future success will depend upon many factors, including those which may be beyond control or which cannot be predicted at this time, such as the emergence of additional competitors, influence of the global economy, emergence of new technologies and changes in governmental regulations. As a result of these and other factors, there can be no assurance that we will continue to achieve profitability.

WE HAVE ONE CUSTOMER WHO ACCOUNTS FOR A SUBSTANTIAL PORTION OF OUR REVENUES, AND THE LOSS OF THIS CUSTOMER WOULD SIGNIFICANTLY DECREASE OUR CASH FLOW.

The Company's largest licensee accounts for 67% of the Company's consolidated revenues for the year ended December 31, 2003. The loss of this licensee would materially and adversely affect the Company's business, financial condition, results of operations and cash flow. (See Item 10. MATERIAL CONTRACTS - SOFTWARE LICENSE AGREEMENT BETWEEN INTERNET OPPORTUNITY ENTERTAINMENT LTD. AND SOFTEC SYSTEMS CARIBBEAN INC. DATED MARCH 19, 1998).

WE MAY NEED ADDITIONAL FINANCING AND THERE IS NO ASSURANCE IT CAN BE OBTAINED.

We currently have sufficient capital to meet our planned development objectives. Should these development objectives change significantly or current revenue streams decline materially, it is likely that we will require additional financing. There can be no assurance that any such capital or additional financing will be available on terms acceptable to us, or at all. Any such additional financing, if available, could result in further dilution of the equity interests of existing shareholders. If additional financing is not available in such circumstances, we are not certain whether we would have sufficient cash flow and expense flexibility to maintain a positive cash flow position and continue to improve our products.

WE HAVE BEEN INVOLVED IN CIVIL AND IN THE PAST CRIMINAL LITIGATION, WHICH HAS RESULTED IN SIGNIFICANT EXPENSES AND OTHER CONSEQUENCES.

Many of the lawsuits that may have been seriously threatening to our future have now been settled; however, there are some remaining lawsuits that we are party to. If we were to lose these pending lawsuits we could be subject to significant damages, although the aggregate of such damages has been substantially reduced. The Company has been a defendant in a class action lawsuit. These lawsuits are primarily in respect of an ex-employee and other lesser claims in respect of past licensee arrangements. In accordance with a court-approved settlement of the class action lawsuit, we issued 6,506,204 American Depositary Shares in March 2003. There can be no assurances that the Company or its subsidiaries will not be subject to similar lawsuits or government actions in the future. (See Item 8. LEGAL PROCEEDINGS and see also Item 4. GOVERNMENT REGULATION AND RELATED RISKS).

WE HAVE EXPERIENCED SIGNIFICANT TURNOVER AMONG OUR SENIOR MANAGEMENT AND DIRECTORS.

Several of our senior management including the Chairman of the Board, the Chief Executive Officer, and the Chief Financial Officer resigned during the first five months of 2003. Effective in April 2003, an aggregate of four new members were added to the Board of Directors as well as a new Chief Executive Officer. During June 2003, one of the directors appointed to the Board of Directors in April 2003 resigned. Our new Chief Financial Officer was appointed in August 2003. In January 2004, our Chief Technology Officer resigned. Such senior management turnover may affect our earnings, product development schedules, and relationships with our customers and licensees. While we believe otherwise, there is a risk that we will continue to experience senior management turnover and would not be able to attract and keep the experienced senior personnel necessary for our stability and development.

THE INTERNET GAMING INDUSTRY MAY BE SENSITIVE TO ECONOMIC CONDITIONS.

The Internet gaming industry is relatively new and there is insufficient history for us to predict the impact that changes in economic conditions will have on our business over extended time. Although it is likely that a downturn in the economy may have a negative impact on our revenues, the extent of such impact is uncertain.

WE MAY BE SUBJECT TO REGULATION OR PROHIBITION OF INTERNET GAMING IN CERTAIN JURISDICTIONS, INCLUDING THE UNITED STATES, WHICH COULD HAVE A SIGNIFICANT ADVERSE EFFECT ON OUR BUSINESS.

The licensees of our software products, and our company itself, are subject to applicable laws in various jurisdictions. As companies and consumers involved in Internet gaming are located around the globe, including the end-users of our licensees, there is uncertainty regarding exactly which governments have jurisdiction or authority to regulate or legislate with respect to various aspects of the industry. The uncertainty surrounding the regulation of Internet gaming could have a material adverse effect on our business, revenues, operating results and financial condition.

There is a risk that criminal and civil proceedings could be initiated in various jurisdictions against our licensees, or even the Company, and such proceedings could involve substantial litigation expense, penalties, fines, diversion of the attention of key executives, injunctions or other prohibitions being invoked against our licensee or us. Such proceedings could have a material adverse effect on our business, revenues, operating results and financial condition. In addition, as electronic commerce develops further, it may generally be the subject of government regulation including taxation which could impact our financial position. Also, current laws that pre-date or are incompatible with Internet electronic commerce may be enforced in a manner that restricts the electronic commerce market. Any such developments could have a material adverse effect on our business, revenues, operating results and financial condition.

The Company and the industry as a whole are under threat from certain factions within the U.S. Congress that seek to ban certain Internet gambling.

Early in the 108th Congress, U.S. Congressman Jim Leach (R-IA) introduced HR 21, the Unlawful Internet Gambling Funding Prohibition Act, which was based on similar legislation that he introduced in the 107th Congress. This legislation attempts to prohibit Internet gambling by forbidding the use of credit instruments of United States banks from being used to make bets or wagers over the Internet. Shortly afterwards, U.S. Senator Jon Kyl (R-AZ) introduced similar legislation, S. 627, in the U.S. Senate. In June of 2003, HR 21 was reintroduced as HR 2143 by U.S. Congressman Spencer Bachus (R-AL) without any civil and criminal sanctions in order to bypass the U.S. House of Representatives Committee on Judiciary. After a very close vote on an amendment to HR 2143, the House of Representatives passed that legislation. In late July 2003, the U.S. Senate's Committee on Banking voted to report an altered version of S. 627. We continue to monitor this situation since the passage of this legislation could have a substantial impact on the business of our licensees and ultimately the Company. IF THIS LEGISLATION PASSES AND BECOMES LAW, IT WOULD HAVE AN IMMEDIATE DETRIMENTAL EFFECT ON THE INDUSTRY AND WOULD POSE A SERIOUS THREAT TO THE COMPANY'S CONTINUED OPERATION.

In March 2004, the World Trade Organization held in favor of Antigua and Barbuda and against the United States of America with regard to unlawful trade restrictions relating to Internet gaming. Due to the recent timing of this ruling and without the ruling being published in full, it is too early to determine what, if any, influence this may have on United States led legislation. (See Item 4. GOVERNMENT LICENSING AND REGULATION AND RELATED RISKS; and Item 8. LEGAL PROCEEDINGS.)

WE FACE SIGNIFICANT COMPETITION AND THERE IS NO ASSURANCE THAT WE WILL BE ABLE TO COMPETE.

The Internet gaming industry involves rapid technological change and is characterized by intense and substantial competition. Some of our competitors are well established, substantially larger and have substantially greater resources than we do. It is also likely that other competitors offering gaming software technology will emerge in the future. Additionally, we will have to compete with other companies that have greater market recognition, greater resources and broader distribution capabilities than us. Increased competition by existing and future competitors could materially and adversely affect our business, financial condition and results of operations.

OUR SOFTWARE AND HARDWARE SYSTEMS MAY FACE PROBLEMS IF THE VOLUME OF USAGE INCREASES WHICH COULD HARM OUR REPUTATION AND THUS OUR BUSINESS.

The performance of our online services is critical to our reputation and to achieving market acceptance. An increase in the volume of usage of online services could strain the capacity of the software or the hardware employed, which could lead to slower response time or system failures, thereby adversely affecting our revenues. Any system failure, including network, software or hardware failure, that causes interruption or an increase in response time of our online services provided to our licensees could result in decreased usage of our services and, if sustained or repeated, could reduce the attractiveness of our online services to our clients.

The process of managing traffic within large, high traffic Internet online services such as those provided by us is an increasingly important and complex task. Our operations are dependent in part upon our ability to protect our operating systems against physical damage from acts of God, power loss, telecommunications failures, physical break-ins and similar events. The occurrence of any of these events could result in interruptions, delays or cessation in service to users of our online services, which could have a material adverse effect on our business, financial condition and results of operations. A large portion of our network infrastructure is located at a single, leased facility in Antigua, West Indies. Our systems and operations are vulnerable to damage or interruption from fire, flood, power loss, telecommunications failure, Internet failure, break-ins, hurricanes and similar events. We do not have redundant facilities at a secondary location in the event of an emergency, but we have a variety of backup servers at our primary site to deal with system failures.

Services based on sophisticated software and computer systems often encounter development delays and the underlying software may contain undetected errors ("bugs") that could cause system failures when introduced. We are also dependent upon search engines, web browsers, Internet service providers ("ISPs") and online service providers ("OSPs") to provide Internet users access to our web sites. Our clients may experience difficulties accessing or using our web sites due to system failures or delays unrelated to our systems. We do not carry business interruption insurance to compensate us for these types of losses.

IF WE ARE UNABLE TO SUCCESSFULLY PROTECT OUR COMPUTER SYSTEMS FROM ONLINE SECURITY RISKS, OUR BUSINESS COULD SUFFER.

Despite the implementation of security measures by the Company, our network may be vulnerable to unauthorized access, computer viruses, denial of service attacks and other disruptive problems. For example, given the content of our web sites, there is an incentive for "hackers" to penetrate our network security. A party that is able to circumvent security measures could misappropriate proprietary information and, perhaps, most critically, cause interruptions in our operations. ISPs and OSPs have in the past experienced, and may in the future experience, interruptions in service as a result of the accidental or intentional actions of Internet users, current and former employees or others. We may be required to expend significant capital or other resources to protect against the threat of security breaches or to alleviate problems caused by such breaches. There can be no assurance that any measures implemented will not be circumvented in the future. Eliminating computer viruses and alleviating other security problems may require interruptions, delays or cessation of service to clients accessing our web sites, which could have a material adverse effect on our business, results of operations and financial condition.

OUR LICENSEES RELY ON CREDIT CARDS FOR A SUBSTANTIAL PORTION OF THE DEPOSITS BY THEIR CUSTOMERS.

We derive most of our revenues from the revenues of our licensees, which are directly dependent on the amounts of funds deposited by their customers. A substantial portion of these deposits are made by credit cards. Many issuing banks of major credit cards (i.e., Visa and MasterCard) such as MBNA, Bank of America, Chase Manhattan Bank and Citibank have announced that they will decline authorization to U.S. persons who try to use their credit cards for online gaming. Non-U.S. Banks processing the online gaming transactions can become targets of U.S. criminal proceedings under the newly enacted Patriot Act. The jurisdiction of the United States, under the Patriot Act, now extends to all non-U.S. banks that have correspondent accounts in the United States. The United States can freeze the non-U.S. bank's U.S. correspondent account, if that bank is processing U.S. gaming transactions or holding operating funds or the profits of an operator accepting U.S. wagers, because the U.S. Department of Justice currently views all offshore gaming funds as tainted, and all offshore gaming as illegal. This creates a serious disincentive to the banks to process online gaming transactions and adversely impacts the revenues of our licensees.

THE MARKET FOR INTERNET SERVICES IS IN A STATE OF RAPID TECHNOLOGICAL CHANGE AND WE MAY NOT BE ABLE TO KEEP UP.

The market for Internet services is characterized by rapid technological developments, frequent new product introductions and evolving industry standards. The emerging character of these products and services and their rapid evolution will require us to effectively use leading technologies, continue to develop our technological expertise, enhance our current services and continue to improve the performance, features and reliability of software. In addition, the widespread adoption of new Internet technologies or standards could require substantial expenditures to modify or adapt our software. There can be no assurance that we will be successful in responding quickly and sufficiently to these or other such developments which could have a material adverse effect on our business, results of operations and financial condition.

WE MUST CONTINUE TO IMPROVE AND EXPAND OUR SKILLS AND PERSONNEL TO ENHANCE AND EXPAND OUR BUSINESS OPERATIONS, BUT MAY NOT BE ABLE TO DO SO.

In order to enhance and expand our business operations, we must continue to improve and expand the expertise of our personnel and must attract, train and manage qualified managers and employees to oversee and manage our enhanced operations. There can be no assurance that we will be able to manage effectively the expansion of our operations or that our current personnel, systems, procedures and controls will be adequate to support operations. Although management intends to ensure that our internal controls remain adequate to meet the demands of further growth, there can be no assurance that our systems, controls or personnel will be sufficient to meet these demands. Inadequacies in these areas could have a material adverse effect on our business, financial condition and results of operations.

WE HAVE LIMITED INTELLECTUAL PROPERTY PROTECTION AND THERE IS RISK THAT OUR COMPETITORS WILL BE ABLE TO MISAPPROPRIATE OUR TECHNOLOGY.

We regard our proprietary software, trade secrets and similar intellectual property as critical to our success. In that context, we rely on a combination of copyright and trademark laws, trade secret protection, confidentiality and non-disclosure agreements and other contractual provisions. There is no guarantee that these efforts will be adequate, or that third parties will not infringe upon or misappropriate our proprietary rights. In addition, although we obtain copyright and trademark protection, effective copyright and trademark protection may be unenforceable or limited in certain countries, and the global nature of the Internet makes it impossible to control the ultimate

destination of our web sites. Since trademark and copyright protections are not "self-enforcing", future litigation may be necessary to enforce and protect our secrets and other intellectual property rights. We may also be sued for claims of infringement of the rights of others or to determine the scope and validity of the intellectual property rights of others. Such litigation could result in substantial costs. Any litigation regarding proprietary rights could be costly and divert management's attention, result in the loss of certain of proprietary rights, require us to seek licenses from third parties and prevent us from selling our services, any one of which could have a material adverse effect on our business, results of operations and financial condition.

WE MAY BE HELD LIABLE FOR THE CONTENT OF WEB SITES FOR WHICH WE PROVIDE CONTENT.

As a distributor of Internet content, we face potential liability for negligence, copyright, patent, trademark infringement, defamation, indecency, disparagement and other claims based on the nature and content of the materials that we transmit. Any imposition of liability that is not covered by insurance, is in excess of insurance coverage or is not covered by an indemnification by a content provider could have a material adverse effect on our business, results of operations and financial condition.

THE TRADING MARKET FOR OUR SHARES MAY BE ILLIQUID.

Our ordinary shares represented by American Depositary Shares are presently quoted on the National Association of Securities Dealers' ("NASD") Over-The-Counter Bulletin Board ("OTC Bulletin Board"). This quotation system generally supports companies that do not meet the listing requirements of the NASDAQ SmallCap Market. As a result, investors may find it more difficult to dispose of or to obtain accurate quotations of our shares. A lack of volume in the trading of our shares could impact prices for any shareholder wishing to dispose of such shares. In addition, quotations on the OTC Bulletin Board depend on the willingness of broker-dealers to make a market for the shares. Such quotations have been known to have large spreads between bid and offer prices. There can be no assurance that our shares will continue to be quoted on the OTC Bulletin Board or that there will continue to be a market for such shares.

WE MAY BE SUBJECT TO PRODUCT LIABILITY CLAIMS, AND WE LACK PRODUCT LIABILITY INSURANCE.

We face an inherent risk of exposure to product liability claims in the event that the products we develop and license contain errors, "bugs" or defects. There can be no assurance that we will avoid significant product liability exposure. We do not currently have product liability insurance, and there can be no assurance that insurance coverage will be available in the future on commercially reasonable terms, or at all. Further, there can be no assurance that such insurance, if obtained, will be adequate to cover potential product liability claims, or that a loss of insurance coverage or the assertion of a product liability claim or claims would not materially adversely affect our business, financial condition and results of operations.

WE MAY BECOME SUBJECT TO CHANGES IN ENGLISH LAW OR POLITICAL CIRCUMSTANCES.

World Gaming plc is a public limited company organized under the laws of England and Wales, and is thus subject to changes in English law. On March 26, 2002 the British Government published a white paper "Safe Bet For Success-Modernizing Britain's Gambling Laws" in response to the Government published report of the independent Gambling Review Body, which contained 176 recommendations for changes to Britain's gambling laws and regulations in July 2001. In this report, the Government accepted

157 of the Review Body's recommendations; 10 were felt to require further substantive consideration, while 9 were rejected. On 19 November 2003, the Government published clauses of the Draft Gambling Bill. The clauses published cover the key elements of the new regulatory regime. A number of additional clauses have been added subsequent to this date. The draft bill is currently being scrutinized by a Joint Committee of both Houses of Parliament. The Committee is due to report back to Parliament no later than 8 April 2004. The Government will consider its report and introduce the Bill into Parliament as soon as Parliamentary time becomes available. The draft bill is generally supportive of the industry provided it takes place in a properly regulated environment.

We are unable to predict with certainty when any resulting legislation may be enacted, and what impact it will have on our business. Therefore, there remains a risk that any future legislation could be unfavorable to any of our business that may be carried on in the United Kingdom.

YOU MAY BE SUBJECT TO BOTH UNITED STATES AND UNITED KINGDOM TAXES.

We strongly urge you to consult with your tax advisors concerning the consequences of investing in our ordinary shares. Our ordinary shares represented by American Depositary Shares are traded in the United States, but we are incorporated under the laws of England and Wales. A U.S. holder of our American Depositary Shares will be treated as the owner of the underlying ordinary shares for purposes of U.S. and U.K. tax laws. Therefore, U.S. federal, state and local tax laws and U.K. tax laws may apply to ownership of our American Depositary Shares and the underlying ordinary shares. Tax laws of other jurisdictions may also apply.

UNITED STATES CIVIL LIABILITIES MAY NOT BE ENFORCEABLE AGAINST US.

Most of our directors and all of our executive officers named in this annual report are not residents of the United States, and virtually all of the assets of these non-U.S. persons, and virtually all of our assets are located outside the United States. As a result, you may be unable to serve summons and complaints within the United States upon these persons. Similarly, it may not be possible to enforce in U.S. courts, against these persons or against us, judgments of the U.S. courts based upon civil liability provisions of the U.S. federal or state securities laws. In addition, it may be difficult for you in original suits or in suits for the enforcement of judgments of U.S. courts to enforce certain civil liabilities based upon U.S. federal or state securities laws in England against us, our directors, executive officers, or our experts.

OUR REPORTING OBLIGATIONS UNDER THE U.S. SECURITIES LAWS DIFFER FROM THOSE OF U.S. ISSUERS, AND YOU MAY FIND IT DIFFICULT TO EVALUATE OUR PERFORMANCE QUARTERLY.

We are a foreign private issuer for the purposes of reporting to the SEC, and we are not required under the Securities Exchange Act of 1934 to file quarterly reports after the end of each financial quarter, although we have elected voluntarily to file such reports. We are exempt from the SEC rules prescribing the solicitation of proxies and content of annual reports and proxy statements to our shareholders. Additionally, major shareholders and insiders are not required to report their transactions in our stock. As a result it may not be possible for you to evaluate our financial performance as often as you could for a non-foreign private issuer SEC reporting company. You may not become aware of trading activities of our insiders and major shareholders, and may generally be less informed in making a reasonable decision on how to vote your shares.

UNDER ENGLISH LAW A VOTE OF THE HOLDERS OF 75% OR MORE OF OUR ISSUED ORDINARY SHARES REPRESENTED AT A SHAREHOLDERS MEETING IS REQUIRED TO APPROVE CERTAIN CORPORATE MATTERS.

Under English law a vote of 75% or more of our issued ordinary shares represented at a shareholders meeting is required to complete certain corporate matters. This supermajority requirement may make it more difficult for shareholders to approve certain transactions even though the Board recommends and approves such transactions. (See Item 10. VOTING RIGHTS OF ORDINARY SHARES AND SHAREHOLDER MEETING.)

CERTAIN PROVISIONS OF OUR ARTICLES OF ASSOCIATION AND OTHER CONTRACTUAL RESTRICTIONS TO WHICH WE ARE SUBJECT MAY HAVE THE EFFECT OF DETERRING ANY ACQUISITION OR SALE OF THE COMPANY NOT APPROVED BY THE BOARD OR CERTAIN OTHER PERSONS.

We have a "classified" Board of Directors because our directors must retire by rotation. This means that (if the retiring directors are willing to continue to act and are approved by the Board and offer themselves for re-election) only approximately one-third of our directors are eligible for election each year (in addition to any directors appointed by the Board since the last annual general meeting).

In addition to the shareholders rights not to re-appoint retiring directors who are willing to continue to act and are approved by the Board of Directors and to re-appoint directors appointed by the Board since the last annual general meeting, shareholders can remove directors by ordinary resolution or the holders of 50% of our issued ordinary shares represented at a shareholders meeting.

Pursuant to a financing completed in April 2003, we agreed to certain restrictions on our corporate actions and other corporate governance matters. These restrictions included (i) an agreement to seek approval of a resolution restricting certain issuances of our shares and (ii) a covenant not to take the following actions (subject to certain qualifications and voluntary waivers) without the consent of the party providing such financing (see Item 10. ADDITIONAL INFORMATION - MATERIAL CONTRACTS):

- o any change to World Gaming's Memorandum and Articles of Association other than as contemplated by the Stock Acquisition Agreement between the Company and Goodison Park Limited ("Acquisition Agreement");
- o the presentation of any petition for winding-up or petition for an administration order;
- o any change in the share capital or the creation, allotment or issue of any shares or of any other subscription for or to convert any instrument into such shares or securities other than as contemplated by the Acquisition Agreement and other than any shares issued pursuant to the normal operation of World Gaming's 2001 Share Option Plan, but excluding all executive arrangements;
- o any reduction of the share capital or variation of the rights attaching to any class of shares or any redemption, purchase or other acquisition of any shares or other securities;
- o the adoption after April 2003 of any bonus or profit-sharing scheme, any share option or share incentive scheme or employee share trust or share ownership plan or retirement benefit scheme;
- o capital expenditure of greater than US\$200,000;
- o the entry into of any contract or commitment under which World Gaming may incur costs of US\$200,000 or more or which may not be fulfilled or completed within one year or with a director or connected person of a director;
- o the borrowing of amounts (or indebtedness in the nature of borrowings) other than in the ordinary course of trading or the creation of any charge or other security over any of the Company's assets or property;
- o the giving of any guarantee or indemnity; and
- o the commencement or settlement of any litigation, arbitration, or other proceedings which are material in the context of the Company's business.

WE MAY BE SUBJECT TO TAX IN A NUMBER OF JURISDICTIONS, FOR WHICH NO PROVISION HAS BEEN MADE.

We may be subject to tax in a number of jurisdictions, including jurisdictions in which our subsidiaries are incorporated, or have a branch or agency or permanent establishment or office. We may also be subject to tax in jurisdictions where any of our servers or ISPs or computers or customers or licensees are situated or operate from. Most laws relating to taxation in most jurisdictions pre-date or are not drafted with the potential of their applying to Internetcross-jurisdictional Internet businesses. Consequently, there is uncertainty as to the jurisdictions in which our subsidiaries could be subject to tax, the extent to which they could be so subject to tax and what their overall tax liability in respect of any income, profit or gain could be. There is a risk that the overall tax liability could be quite high, depending on the terms and conditions of the legislation relating to tax in each of the relevant jurisdictions. No provision has been made by us for such tax liabilities. To the extent that such risk materializes, this could materially adversely affect our business, financial condition and results of operation.

SIGNIFICANT ADVERSE U.S. FEDERAL TAX CONSEQUENCES COULD ARISE FOR U.S. HOLDERS UNDER THE PASSIVE FOREIGN INVESTMENT COMPANY RULES.

If we are a passive foreign investment company, or PFIC, a U.S. Holder of our American Depositary Shares or ordinary shares could be subject to significant adverse U.S. federal tax consequences. Part or all of our distributions, and gain inherent in our American Depositary Shares or ordinary shares at the time of a disposition thereof, whether or not that disposition is a taxable event, could be subject to a special set of rules. In general, those rules would treat the distributions (whether or not they are dividends paid out of our earnings and profits) and any gain inherent in the shares of the Company as being realized ratably over the period the U.S. Holder held, or is treated as having held, the American Depositary Shares or ordinary shares. Income or gain allocable to prior years would be taxable at the highest effective rates in effect in those years, regardless of the rate actually applicable to the U.S. Holder. The income or gain would be treated as ordinary income and could not be offset by any losses available in those years, and the foregoing amount would be subject to an interest charge as if the tax on those amounts were due in the prior years. Stock in a PFIC is generally not eligible for a step-up in basis on the death of a holder.

Certain elections can be available to change the tax consequences to U.S. Holders described in the preceding paragraph. One of those elections, the "qualified electing fund", or QEF, election, however, requires the electing U.S. Holder to include in income each year his share of our ordinary earnings and profits and net capital gain, whether or not distributed to him. However, a QEF election generally is available to U.S. Holders only if we provide certain information to our U.S. Holders, and we provide no assurance that we will make that information available. Another election, a mark-to-market election, requires the electing U.S. Holder to pay U.S. federal income tax as if he sold his American Depositary Shares or ordinary shares at the end of each year, recognizing gains and, subject to limitations, certain losses. However, a mark-to-market election is available only if our American Depositary Shares or ordinary shares are "marketable stock" as specially defined in Treasury regulations. We believe that our American Depositary Shares and ordinary share are not "marketable stock" at this time within the meaning of those Treasury regulations.

We have not undertaken any determination of whether we are a PFIC and therefore cannot provide any assurance that we are not. In addition, we can provide no assurance that we will make any determination in the future whether we are a PFIC at that time. In the absence of an analysis of our status as a PFIC performed by us, any assertion by the IRS with respect to a U.S. Holder that we are a PFIC could be upheld against that U.S. Holder, whether or not we are in fact a PFIC.

Accordingly, U.S. Holders should take into account the risk that they may be subject to the rules described in the second preceding paragraph. You are urged to read the more detailed rules regarding PFICs set forth in the discussion below under the headings "Taxation--United States Federal Income Tax CONSEQUENCES--TAX CONSEQUENCES FOR U.S. HOLDERS--TAX CONSEQUENCES IF WE ARE A PASSIVE FOREIGN INVESTMENT COMPANY." In addition, you are strongly urged to consult your tax adviser regarding the risk that our American Depositary Shares and ordinary shares may be treated as stock in a PFIC, whether or not we are a PFIC, the unavailability of various elections regarding the tax treatment of stock in PFICs and the tax consequences to you under the PFIC rules with respect to an investment in our American Depositary Shares or ordinary shares.

OUR CURRENT BUSINESS IS SUBJECT TO SIGNIFICANT SEASONALITY.

Because of the current mix of our products and services, our revenues from licensees decrease significantly during periods when American professional and college football is not played. This substantially reduces our cash flow and could make it difficult to meet our commitments. We are addressing this risk through the development and licensing of non-event reliant gaming products, however there is no guarantee that the gaming market in which we operate will continue to respond favorably to these new products.

#### ITEM 4. INFORMATION ON THE COMPANY

##### HISTORY AND DEVELOPMENT

World Gaming plc is a public limited company incorporated under the laws of England and Wales, and, as a holding company, conducts its business through its operating subsidiaries. As a result of a holding company reorganization effected in May 2001, which is described below, we have become a successor to the business of Starnet Communications International Inc. ("Starnet"), which now functions as one of our subsidiaries. Our other subsidiaries comprise WG International Ltd., Starnet Systems International Inc., EFS USA Inc., EFS Caribbean Inc., EFS NV., Inphinity Interactive Inc., World Gaming Services Inc., EFS St. Kitts Inc., Starnet Communications Canada Inc.,. (See Item 4 "ORGANIZATION STRUCTURE").

Starnet was incorporated on June 28, 1996 in the State of Nevada as Creative Sports Marketing Inc., and subsequently its name was changed to Gelato Brats Inc. On February 24, 1997, the name of the company was changed to Starnet Communications International Inc. In March of 1997, Starnet was redomiciled in Delaware.

On March 25, 1997, Starnet entered into a share purchase agreement with Murray Partners (BVI) Inc. ("Murray Partners"), pursuant to which Starnet acquired all of the outstanding shares of Starnet Communications Canada Inc. ("Starnet Canada"), a company incorporated in British Columbia. In exchange, Murray Partners received 10,000,000 Class A Common Voting Shares of Starnet. Shares held by Murray Partners were subsequently distributed to its constituent members. On March 17, 2000, Starnet Canada sold its business and assets that were not related to the Internet gaming business. On January 1, 2000, Starnet transferred its software development business from Starnet Canada to Inphinity Interactive, Inc.

Starnet became our wholly-owned subsidiary through a holding company reorganization completed in May 2001. The reorganization was structured as a merger, in accordance with the laws of the State of Delaware, of Starnet with WG Reorganization Sub, Inc., our wholly-owned subsidiary, formed for the purposes of the reorganization, with Starnet as the surviving company. The reorganization was approved by the shareholders of Starnet who exchanged their shares of Starnet common stock for our American Depositary Shares (ADSs), each representing one ordinary share, on a one-for-one basis. Each American

Depository Share issued in connection with the reorganization was evidenced by one American Depositary Receipt (ADR) issued in accordance with a Deposit Agreement with Continental Stock Transfer and Trust Company located in New York, New York, USA.

Subsequently, all of Starnet's stock was exchanged for shares of WG International Limited, our wholly-owned subsidiary. The acquisition by WG International Limited was effected by way of a share for share exchange such that the existing shares held by us in WG International Limited were subdivided and re-designated as B shares of (pound)0.002 each. The balance of the authorized share capital was subdivided and re-designated as A shares of (pound)0.002 each, 20,000 of which were issued and allotted to us as consideration for the acquisition of Starnet's stock.

Through our wholly-owned subsidiaries, we now focus our business on the development and production of Internet technologies for gaming applications by our licensees. One of our business strategies is to identify and commercialize leading edge technologies for the online gaming markets.

On February 11, 2004 we closed two divisions of the business that detracted from our core software development business and had resulted in losses for the Company. These divisions provided a customer service solution and performed transaction processing on behalf of some licensees. The affected licensees now source these functions through another supplier.

Our corporate office is located at Minerva House, 5 Montague Close, London, England, with operations managed out of our office in Antigua located at the KFH Building, Liat Rd, Coolidge, Antigua West Indies. The telephone number is 1 (268) 480-1650.

#### OUR OPERATIONS

We are a developer and provider of Internet gaming software systems. Through various wholly-owned subsidiaries (see Item 4. ORGANIZATIONAL STRUCTURE below), we develop and provide our software products and online gaming management services to independent licensees. Our gaming systems have been designed to:

- o offer customers a user-friendly interface, high quality interactive experience and a wide selection of gaming options;
- o provide licensees with the tools to potentially generate financial returns, easy site maintenance and limited administration; and
- o protect gaming customers and licensees through our proprietary fully integrated technology.

We offer fully integrated gaming software and systems, developed by our wholly-owned Vancouver-based subsidiary, Inphinity Interactive Inc. ("Inphinity"). Our gaming software is owned by our wholly-owned Antigua-based licensing subsidiary, Starnet Systems International, Inc. ("Starnet Systems") which licenses the software. Starnet Systems provides a licensee with an installed turnkey gaming system. Starnet Systems receives a monthly royalty based on the licensee's net revenues in exchange for the licensee being able to utilize its proprietary software as well as hosting the licensee's interactive casino and sportsbook on its servers. In addition, the licensees obtain a gaming license from the Government of Antigua and Barbuda or another jurisdiction that licenses online gaming systems. The Company's first license sale closed in March 1998, and as of December 31, 2003, the Company had 9 licensees signed and operating.

We formerly offered fee-based use of our Electronic Financial Services ("EFS") Internet transaction system until February 11, 2004 when this division was closed.

Along with the current suite of gaming products which include over 17 C++ casino games, a variety of "instant play" Java Games and a complete live sports wagering product line, in March 2004, we released an enhanced horse racing pari-mutuel betting system and have plans to add a fixed odds Horsebook in 2004. In addition, we released a virtual games product suite in December 2003 and anticipate that a multi-player poker product will be available in 2004.

We develop a new licensee's interactive casino to reflect their intended market segment. This development can reflect a particular motif (e.g. sports theme or French Riviera theme) or ethnic market (e.g., Japan, China, Indonesia, or Latin America).

#### RESTRUCTURING OF OPERATIONS

In March 2000, our subsidiary, Starnet Canada, completed the sale of substantially all of the assets and undertakings outside of our core software development business. (SEE ALSO ITEM 7. "RELATED PARTY TRANSACTIONS").

In January 2001, we terminated the employment of 26 employees at Inphinity's development office in Vancouver, Canada, in order to reduce expenditure levels and increase operational efficiencies. The employees affected were in the areas of management, administration, operational support and production. Inphinity's core development team remains intact.

In April 2001, we restructured our operations in St. John's, Antigua and Vancouver, Canada to decrease our costs by reducing inefficiencies and eliminating duplicated functions. Reductions in staff were made throughout the organization and included management and administration, sales, marketing, software development, production and operations. A total of 29 staff were terminated, 11 in Antigua and 18 in Canada. The combined cost of the terminations both in January and April of 2001 was \$1,536,000.

In June 2002, we closed our Toronto sales office and terminated four employees. This was done as part of the relocation of our administrative functions to London. In May 2003, we closed our London office and terminated three staff members. This was done as part of the relocation of our corporate activity to the Antigua office.

In February 2004, we closed the transaction processing and customer service divisions in Antigua resulting in the termination of 23 employees. These closures eliminated two non-core business units that the company could not efficiently administer. The cost of the terminations was \$160,000.

#### BUSINESS STRATEGY

Throughout 2003, we continued to emerge from a difficult time that had seen us accumulate excessive levels of debt resulting in a negative working capital position, lose focus of our key strengths, and lack competitiveness for possible new business. Beginning in April 2003, we concentrated on reducing debt through actively seeking settlement with various creditors. These settlements reduced our debt to a manageable level and mitigated the risk of detrimental repercussions in our operations as well as possible litigation. Our concentration is now on improving our products, services and infrastructure. We are focusing on our core business of developing software and working closely with our licensees in order to grow our existing revenue streams. Success in this direction will allow us to attract qualified and existing new licensee business that could accelerate the growth in our Company's value.

The Board's long term goals for business development are as follows:

- o Concentrate on improving our software functionality to ensure competitiveness within the market. As we have large numbers of bettors already playing on our licensees' web sites, by offering them more choice in product they will have wider betting options that we expect will increase total amounts wagered with our licensees. With the additional features, we believe our licensees will in turn increase their revenues and this will have a follow on effect with our revenues. (The main new product features are listed below in the GAMING PRODUCTS UNDER DEVELOPMENT section below).

- o Continue business rationalization through improvements in internal process and cost reductions. The board has already made a number of decisions that are intended to have a significant effect on the ongoing cash flow including: ceasing the loss making worldgaming.com website, closing down the London office, ceasing exploration of further business under a Curacao gaming license and ceasing customer service and transaction processing operations of the business. The effect of these changes is to reduce our cost base to a level that allows investment in product enhancement while meeting our debt obligations.
- o During the period when American professional and college football is not played our revenues decrease significantly due to seasonality. We are addressing this situation by offering more products that are less susceptible to seasonality. Examples of these products include the expanded horse racing offering, virtual games, a poker product and other lottery style games.
- o We recognize the need to spread our revenue base over more licensees. This may be achieved by adding new licensees that preferably are already in business and need a software provider that (a) can offer a wide variety of premium betting products and (b) can handle large amounts of simultaneous betting transactions. As the industry continues to go through a consolidation World Gaming is working to be the provider to these industry players.

#### MARKETING

As we concentrate our marketing on attracting new licensees, the licensees, in turn, advertise their sites to the end user. At present, no active marketing is taking place outside of business exposure through our existing licensees.

Our licensees utilize Internet based marketing activities, such as e-mail broadcasts and affiliate programs, as well as traditional media, such as print in industry publications. In addition to potential licensees, we seek strategic partnerships for content as well as other entertainment and media opportunities.

We have focused over the past year on improving our software so that we can attract new licensees. It is management's intent to increase our marketing focus.

#### COMPETITIVE ENVIRONMENT

The Internet gaming and software industry is increasingly competitive. New competitors have entered industry segments such as development and licensing of casino games, sports betting software, pari-mutuel wagering, multi-player poker and lottery and bingo products. In each of these segments there currently exist several major competitors. However, nearly all these competitors offer only a portion of the breadth of product that we offer.

The Company's largest competitors for casino and multi-payer poker products - Boss Media, Cryptologic, and Microgaming - do not offer any complementary products such as sportsbook. Because these competitors presently focus on delivering limited products, as opposed to a full suite of products as we do, the competition may offer an equivalent or superior single product compared to ours. However, it is believed that the Company currently has a competitive advantage by offering complementary products with the flexibility to be packaged as an entire product suite.

One company, IQ-Ludorum, is a competitor in the sportsbook product segment. It is also now offering a downloadable casino software package, which although not as extensive as ours, increases its competitive threat.

We also face increased competition from name brand land based sportsbooks and casinos. European companies, such as William Hill and Ladbrokes, already have an online presence and compete for end-users. This is a direct threat to our licensees and therefore also to us.

We expect to compete directly with all the companies discussed above, as well as other established companies that may enter the industry. Several of our current and potential competitors have far greater resources than us.

#### INTELLECTUAL PROPERTY

Our intellectual property includes all software products and URLs. We own the software that we license to third parties and we own copyright in the source code to that software. Our software that is completed and in development is protected through a combination of non-disclosure and non-competition agreements with employees, restricted and controlled use of third party developers, a check in/check out system for code, and copyright law (though no software is registered). Our products are dependent on platforms that are licensed from other parties. These include Oracle databases, Sun Microsystems for Java products, and Microsoft for C++/xml applications. Trademark protection for the World Gaming brand has not yet been applied for, but we possess common law trademark rights in the various trademarks and service marks used in our business.

#### TECHNOLOGY

##### HIGH-SPEED NETWORK

Our network is connected to the Internet via dual Fast Ethernet connections. This high performance network infrastructure is intended to ensure reliable and responsive game play for our licensees and their end users/players. Most of the critical system components, such as the game servers and web servers, are distributed across multiple machines, which protect the gaming service from failures due to malfunctioning equipment. The highly scalable nature of the design of our system makes provisioning for additional capacity relatively easy. The network monitoring staff tracks the system at all times to maintain constant awareness of the system's operating parameters. New equipment is installed when necessary to compensate for increased activity or anticipated peak demands for popular events.

The Internet connection at our network facility in Antigua is provided by an international service provider and contributes to responsive game play. Each gaming transaction is stored on a database that is replicated for redundancy and backed up daily to prevent data loss and the gaming components communicate using the Secure Sockets Layer (SSL) to encrypt and protect sensitive data from potential hackers.

##### SECURITY MEASURES

We offer four protective security layers of prevention, protection, and response. These components, available 24 hours a day, 7 days a week, 365 days a year consist of:

SOFTWARE. Our engines are designed to assume that all communication is from "hostile" clients so that only specific message types from a known game client are acknowledged. The software incorporates industry "DE FACTO" security standards such as industry leading firewall protection, 128 bit encryption and SSL. The 'n-tier' software architecture has been designed with security at the forefront and is monitored through 'real-time' System and Game event monitoring and logging.

The Gaming Client Application is a casino graphical interface. The game server performs gaming calculations, while the client application displays the results and accepts input from the player for further interaction. Communications between the client and server are encrypted using the SSL protocol. The SSL prevents hackers from monitoring a gaming session should they be able to intercept communications.

FRAUD DETECTION AND LEGAL COMPLIANCE. Legal compliance and player protection through industry leading financial fraud protection are addressed software. Further, Address Verification Services (AVS), a basic fraud detection system offered by the financial industry, is incorporated into our fraud detection solution for players.

While no system is 100% secure, we believe that we have the ability to identify attempts and prevent attacks such as Denial of Service and 'Invasive' hacks into game payout code or customer information. Specifically, Denial of Service Attacks can be alleviated through our network of close business partnerships with global ISP's and through utilization of hardware that was acquired in January, 2004 that specifically defuses such attacks. Using a combination of the aforementioned four layers of security i.e. Software, Fraud Detection, Hardware and Vigilance, we offer security protection that reduces the risks that would lead to prolonged periods of irregular game play and access to, and manipulation of, the game code.

We have implemented a leading software-based Random Number Generator to support our game play payouts. The Random Number Algorithm employed by us is known as the "Mersenne Twister" algorithm.

The machines on which the game server processes run are only accessible from our private network. The database systems are completely shut off from the Internet and can only be accessed by a limited number of applications on a closed network, such as the game servers and report generators.

Any information provided to us is held as strictly confidential, and is used only to support the player's relationship with us and the licensee.

## PRODUCTS AND SERVICES

Our current software product areas include casino gaming, sportsbook wagering, pari-mutuel wagering, and virtual games, while multi-player poker and an enhanced horse racing product is in the latter stages of integration. During the last fiscal year, casino gaming contributed approximately 35 percent of royalty revenue, while sports book wagering accounted for the remaining 65 percent.

### CASINO

Our casino games can be categorized into two types of platforms: Java and Windows Download software.

Our Java games utilize the Java language to provide quick access online games to the licensees' web sites. The cross-platform nature of Java makes it possible to play these games on all major operating systems, online, with virtually no downloading required. The Java games are optimized for quick browser loading times.

We currently have 16 Java casino games (Blackjack, Blackjack Super 7s, Baccarat, Bermuda Poker, Free Ride, Pai Gow Poker, Roulette, Craps, Sic Bo, Red Dog, Battle Royale, two slot machines, and three video poker machines) for players to wager on.

More than 17 different casino games are available in the Windows Download version of the casino gaming product line. These games are provided for players who are willing to take the time required to download and install the games. However, once downloaded, they are easy and convenient to play and offer a more heightened visual and audio experience. The Windows Download games are also offered by most software licensees via compact disc, which is mailed to players who request this version.

#### THE SPORTSBOOK

Our Sportsbook product generates revenues based on booking bets that have fixed payouts. These payouts have a commission that provides revenue for the Sportsbook. There are varying commissions that are dependent on a variety of bet offerings. These include: pointspreads, totals, moneylines, prices, straight wagers, parlays, teasers, futures, propositions, buy points, if bets and others.

#### VIRTUAL GAMES

Virtual Games was launched in December 2003 on World Gaming's system featuring two games: Virtual Derby and Super Hi Lo. Virtual Derby is an interactive fantasy horse racing game that allows bettors to place wagers on a six-horse field. Bettors can research the standings of jockeys, trainers, horses and track conditions before placing a win and/or exacta wagers. Super Hi Lo is card game that allows bettors to wager on various card combinations. Bettors have the opportunity to win big by attempting to place a number of cumulative wagers as part of the same game.

#### PARI-MUTUEL GAMING

We fully launched our pari-mutuel horse betting software on July 31, 2001, and upgraded the product in December 2002. The product has been delivered to over thirty-one gaming sites.

In developing the proprietary, interactive pari-mutuel software, our subsidiary, Inphinity Interactive Inc., again employed the cross-platform nature of Java, making it possible to play this game on all major operating systems, online, with virtually no downloading required. This interface is simplified to optimize loading times.

After signing a simulcast distribution agreement with the host raceway, this system links directly to the host track's pool, enabling instant access to real-time betting lines and the live host pool. (Also see "Gaming Products Under Development").

#### PARTNERS PROGRAM

Our affiliate program provides a powerful marketing tool for our licensees by creating an advertising vehicle with no up-front costs. The affiliate program transforms webmasters into a sales force for our licensees, as webmasters earn a commission on the "sales" they make. Webmasters will earn their commission based on the players that they send through their sites. The licensee pays webmaster only after the casino has generated revenues from webmaster's players.

#### WORLD GAMING MANAGEMENT CONSOLE

World Gaming Management Console (WGMC) is an integrated application that supports operations management for World Gaming and its licensees, with an initial focus on customer service support. WGMC was launched in March 2003. Licensee's customer service agents use WGMC to support customers' inquiries under a single application model using one technology and security model. WGMC's expandable framework allows for future releases that can complement other operational areas.

## GAMING PRODUCTS UNDER DEVELOPMENT

### POKER

Development is underway to offer a multiplayer poker to our current licensees. With the online poker market growing exponentially each year, licensees will have the opportunity to earn significant revenues and complement current products. We expect that the addition of Poker will increase the attractiveness of our product offerings in the marketplace and is expected to be released in Summer 2004.

### HORSE RACING

Development and testing is close to completion on a new Racing product that will offer payout at track odds and enhanced horse betting propositions. This product will feature major tracks and offer an increase to the current offerings by our licensees. In addition, development is underway on the horsebook product and will be integrated with the Racing product. The horsebook product will offer dynamic wagering content that fits our licensees' competitive needs and earn solid revenues in this growing product area.

### SPORTSBOOK

A new version of the Sportsbook software will be released in 2004 focusing on enhanced parlay and teaser bet types as well as upgrading functionality for licensees' operations. The Sportsbook product will continue to receive upgrades based on the feedback from our licensees throughout the year.

### VIRTUAL GAMES

With the early success of the Virtual Games, further assessment is underway to add new Virtual Games such as dice, wheel type and sport themed games to the current line up. In addition, feedback is being acquired from our licensees for new features and upgrades for our existing games.

### WGMC

WGMC will continually be upgraded throughout the year to incorporate customer support functionality for new products to be released such as Racing, Poker, Virtual Games, and others. In addition, regular software upgrades focused on customer service functions are planned based on the feedback from our licensees. We are currently assessing the unification of all administration and reporting within the WGMC platform.

### CASINO

The Casino product has received ongoing upgrades and we will continue to enhance the product with added features and enhancements based upon the feedback from our licensees. Licensees have expressed interest in increasing the number of machine games - slots and video poker for the casino product. Further assessment will be required to determine the types of games that will meet our licensees' needs in the marketplace.

### PARTNERS PROGRAM

Licensees have indicated the need to further their online marketing efforts with affiliate marketing programs to generate incremental revenues. The Partners Program has been evaluated in this respect, and it was determined to enhance the product to include greater functionality to meet the licensees' marketing expansion efforts.

## OUR LICENSEES

We have historically focused our growth strategy on licensing our software and services in order to become a leading technology provider to the online gaming industry. Our gaming software is owned by our Antigua-based licensing subsidiary, Starnet Systems, which licenses its fully-integrated systems to prospective licensees. A one-time license fee provides an installed, fully operational system. The licensee's interactive casino is generally operational within 90-120 days of signing a license agreement. We receive monthly fees and a royalty based on the licensee's revenues, in exchange for continuing to host and maintain the site. The licensee must obtain a gaming license from the jurisdiction where the gaming servers are located, which currently is Antigua. We modify the new licensee's interactive casino to reflect its intended market segment. This change can reflect a particular motif or niche market (e.g., Japanese, Indonesia, or Latin America). We never modify the random number generator or the game rules and cannot, therefore, affect the odds. We also provide continuous support for both software and hardware, 24 hours a day and 7 days a week. We seek a licensee with knowledge of the target market in order to maximize sales potential. Licensees generally establish their marketing efforts from within their target market and are generally expected to be capable of investing more than \$1 million to purchase the software, apply for the gaming license and invest in marketing.

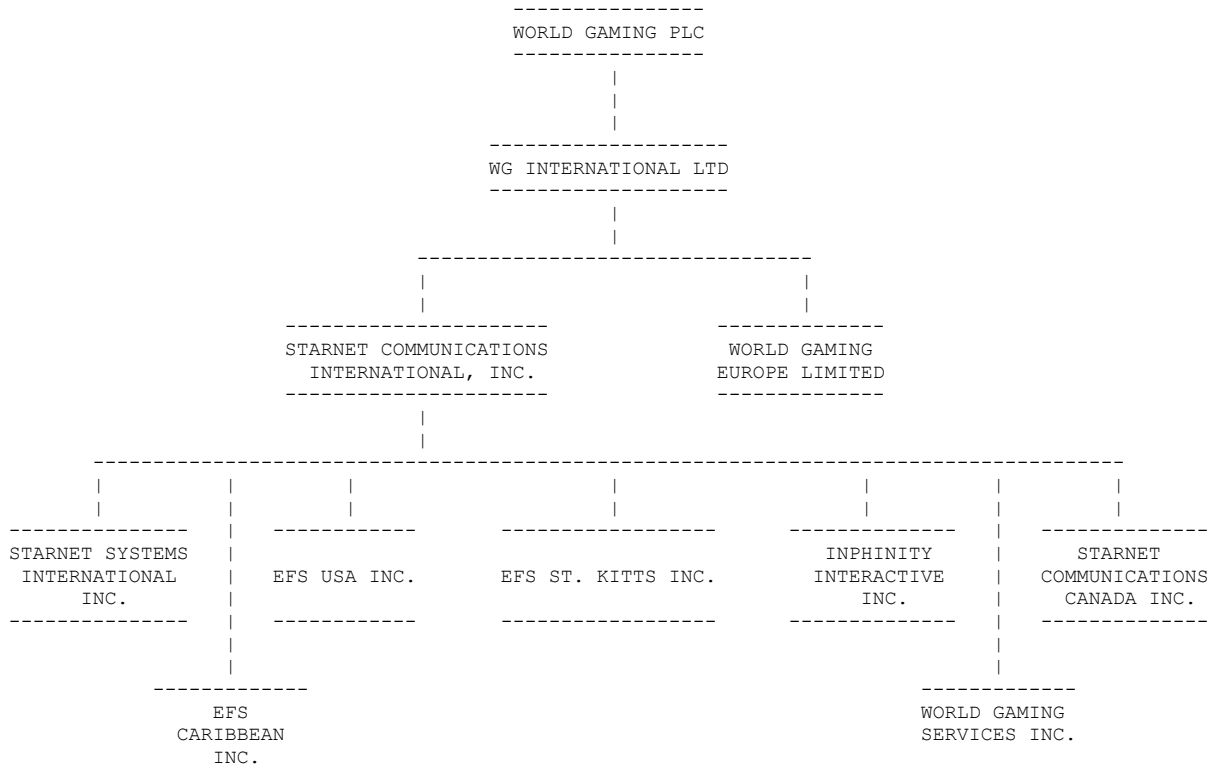
Should any licensee become delinquent in payments due to us, we have the technological ability to "shut down" the licensee's interactive casino(s) remotely.

Our largest licensee accounted for 67% of our consolidated revenues in 2003, and the loss of this licensee would have a material adverse effect on our results of operations. The Company has agreed in principle with this licensee on a 2 year extension of its licensing arrangement and the parties are now seeking to agree on how the companies may be able to restructure their relationship in the best interests of both parties.

It is anticipated that the majority of our future revenue and earnings growth will continue to come from our ongoing participation in the licensees' revenue stream. We receive a sliding scale from 25 percent to 10 percent of a licensee's net revenue (wagers less payouts, less chargebacks (credit card reversals), house bonuses and other compensation). For most customers, we convert available credit on credit cards to Internet gaming funds, known as V-chips, through our offshore E-commerce subsidiary, EFS. Our primary cost with regard to continuing license income is the cost of continuing software improvements, upkeep of hosting facilities and direct site operating costs.

Management emphasizes that the licensees are structured operationally so that a licensee's prime responsibility, aside from the ownership of the customer data base and the casino web pages, is to market its gaming site to its respective market.

ORGANIZATIONAL STRUCTURE



We are a holding company and conduct our operations worldwide through our operating subsidiaries, which are located in various jurisdictions as described elsewhere in this annual report.

WG INTERNATIONAL LIMITED

We created WG International Ltd. as an intermediate holding company to hold interests in Starnet, which in turn holds the interests in the operating subsidiaries.

WORLD GAMING EUROPE LIMITED

World Gaming Europe Limited was incorporated to provide us with a European-based company to market the services of our various subsidiaries, including Starnet.

STARNET COMMUNICATIONS INTERNATIONAL, INC.

Starnet holds the interests in our operating subsidiaries. It became our subsidiary in the course of the holding company reorganization discussed elsewhere in this annual report. (See Item 4. HISTORY AND DEVELOPMENT).

#### STARNET SYSTEMS INTERNATIONAL INC.

Starnet Systems, based in St. John's, Antigua, is in the business of licensing customized, fully-integrated Internet gaming systems to independent parties wishing to enter the online gaming industry. Starnet Systems provides a complete range of services that the operator needs in order to launch an online gaming website, including customized software, website development and management on our network, custom database systems to manage customer accounts, 24-hour technical support for the licensee and its customers, and an EFS gateway to facilitate online wagers and financial transactions. Starnet Systems provides these services in exchange for a monthly royalty fee, providing us with the opportunity to spread our gaming development and operating costs among multiple operators and broaden our penetration of the market.

#### EFS SUBSIDIARIES

There five subsidiaries were dedicated to the electronic transferring of funds: EFS Caribbean Inc. (based in Antigua) ("EFS Carribbean"), EFS NV., EFS USA Inc. (based in Nevada) and EFS St. Kitts Inc. (collectively, the "EFS Subsidiaries") The EFS Subsidiaries are established in these countries in order to facilitate local banking relationships for transaction processing. Online revenues generated by our subsidiaries and licensees are processed through the EFS Subsidiary appropriate to the country they are domiciled in. The EFS Subsidiaries utilize proprietary processing technology which processes credit card transactions via the Internet with ease and security. In February, 2004 the service offerings of our EFS subsidiaries were terminated. (See also Item 4. HISTORY AND DEVELOPMENT).

#### INPHINITY INTERACTIVE INC.

Inphinity Interactive Inc. ("Inphinity") was incorporated in British Columbia in 1999 as our software development arm and its primary focus is to design, create and develop software products for the interactive gaming industry. Traditional gaming product categories have been adapted to online applications for real-time wagering capabilities while new types of gaming have been created strictly for the Internet environment. Inphinity employs over 40 software professionals who provide a variety of products and services to our Antigua-based licensing subsidiary, Starnet Systems.

#### WORLD GAMING SERVICES INC.

World Gaming Services, Inc. ("World Gaming Services") (www.worldgaming.com), also based in Antigua, was a full-service online gaming operation which ceased operations in June 2003.

#### STARNET COMMUNICATIONS CANADA INC.

Since the sale of substantially all of the assets and undertakings comprising the adult entertainment division of Starnet Canada, and the transfer of substantially all of its other assets to Inphinity, Starnet Canada has been inactive.

#### GOVERNMENT LICENSING AND REGULATION AND RELATED RISKS

Our subsidiaries have various connections with the online gaming industry. Inphinity develops interactive gaming software under contract with Starnet Systems. Starnet Systems, in turn, licenses online gaming systems to various licensees, including affiliates, which deploy such software for the purpose of conducting interactive gaming casinos utilizing the Internet. These licensees are licensed to operate interactive casinos in the country where their gaming equipment is physically located. Until February 2004, EFS International (Antigua) Inc. and EFS Caribbean Inc. from its offices in Antigua performed various services for our licensees, including financial transaction processing. Starnet Systems, from its offices in Antigua, performs various services for the licensees, including, but not limited to, providing licensee support and technical support. Inphinity also provides development support to Starnet Systems, which benefits our licensees, by maintaining software systems developed by Inphinity for Starnet Systems.

The licensees operate their interactive casinos from servers maintained by Starnet Systems and located in Antigua.

A significant debate exists whether the laws of any country other than the country where the computer gaming servers are physically located have jurisdiction over the operations of the licensees of Starnet Systems. In addition, a significant debate exists whether the laws of any country other than the country where the computer gaming servers are physically located have jurisdiction over the operations of our affiliates, which perform services for the licensees.

Starnet Systems and its licensees each hold a gaming license in the Country of Antigua and Barbuda. Our licensees each have the responsibility to determine from which countries they will accept gaming transactions and ensure that their own gaming license is maintained. All of our licensees gaming transactions are accepted on servers located in Antigua and are governed by the conditions of those licensees gaming licenses. No gaming transactions are accepted or recorded by any subsidiary of the Company other than those processed on our servers located in Antigua and licensed by the government of Antigua and Barbuda under our subsidiary, Starnet Systems.

Historically, gaming activities have been subject to extensive statutory and regulatory control by government authorities, and have been very dependant and likely significantly affected by any changes in the political climate and economic and regulatory policies of the countries where gaming facilities are located. These changes may impact our operations in a materially adverse way. Various laws and regulations could have a direct and material effect on the business, and indirectly could have a material effect on the public demand for our gaming software. Most countries and jurisdictions within countries have laws or regulations restricting gaming activities. For example, in the United States, the Wire Act contains provisions which make it a crime for anyone in the business of gaming to use an interstate or international wire communication line to make wagers or to transmit information assisting in the placing of wagers. Other United States laws impacting gaming activities include the Interstate Horse Racing Act, the Interstate Wagering Paraphernalia Act, the Travel Act, the Organized Crime Control Act and the Patriot Act.

While we have been advised that the activities of our subsidiaries do not violate or are not subject to such laws and regulations, because there is very little clear statutory and case law authority, this conclusion is not free from doubt. We face the risk of either civil or criminal proceedings brought by governmental or private litigants who disagree with our interpretation of laws and regulations. Because there is little guiding authority, there is a risk that we could lose such lawsuits or actions and be subject to significant damages or civil or criminal penalties and fines. Such proceedings could also involve substantial litigation expense, diversion of the attention of key executives, injunctions or other prohibitions being invoked against our licensees or us and our subsidiaries. The uncertainty surrounding regulation of the Internet gaming could have a material adverse effect on our business, revenues, operating results and financial condition.

Several countries and governmental authorities, most notably law enforcement agencies in the United States, believe that the laws of their country restrict, and in some instances prohibit, interactive gaming operators from doing business with residents of their countries and, in some instances, prohibit or restrict residents of their respective countries from doing business with interactive gaming operators located in a foreign country. Specifically the United States federal law (18 U.S.C. ss. 1084), commonly referred to as the Wire Act, is a federal statute that purports to make it illegal for a betting or wagering business to use a wire communication facility to transmit bets or wagers in interstate or foreign commerce.

In response to the events of September 11, 2001 the United States enacted the Patriot Act, which is intended to address worldwide terrorism. However, the Patriot Act also contains provisions which could be used against the Internet gaming industry. The jurisdiction of the United States now extends to all non-U.S. banks that have correspondent accounts in the United States. This means that any such non-U.S. bank processing U.S. gaming transactions will be violating U.S. law, regardless of the fact that they are in full compliance with the laws of their own country. Pursuant to the Patriot Act, the United States can now obtain a pretrial restraining order freezing assets, including

bank accounts, of defendants in U.S. civil actions, once process has been served on the non-U.S. party. This means that the U.S. merely has to serve papers on a non-U.S. bank, and it can freeze the non-U.S. bank's U.S. correspondent account, if that bank is processing U.S. gaming transactions or holding operating funds or the profits of an operator accepting U.S. wagers. Thus, if allegedly tainted funds are deposited in a non-U.S. bank account of a non-U.S. bank, the United States can seize and forfeit an equal amount of funds on deposit in the non-U.S. bank's correspondent account.

Currently, the U.S. Justice Department has taken the view that all offshore gaming funds are tainted, because all offshore gaming is illegal. This creates a serious disincentive for non-U.S. banks to provide banking services to Internet gaming operators, and thus negatively impacts our market of potential licensees. MBNA, Bank of America and Chase Manhattan Bank and Citibank have announced that they will decline authorization to Americans who try to use their credit cards for online gaming.

We believe that if current laws or any future laws become applicable to activities of our licensees or our affiliates that perform services for the licensees, such laws would have a material adverse effect on our business, revenues, operating results and financial condition. If it was determined that such law was applicable to the activities of our licensees and affiliates, the licensees would have to change the types of wagering provided to residents of the United States. This would impact their current operations and there may be a delay in offering acceptable wagering products to such customers. There would be no assurance that the wagering products offered to such customers would be as profitable to our licensees or to our affiliates as the wagering products currently offered to such customers by the licensees.

The Company and the industry as a whole are under threat from certain factions within the U.S. Congress that seek to ban certain aspects of Internet gambling. Early in the 108th Congress, U.S. Congressman Jim Leach (R-IA) introduced HR 21, the Unlawful Internet Gambling Funding Prohibition Act, which was based on similar legislation that he introduced in the 107th Congress. This legislation attempts to prohibit Internet gambling by forbidding the use of credit instruments of United States banks from being used to make bets or wagers over the Internet. Shortly afterwards, U.S. Senator Jon Kyl (R-AZ) introduced similar legislation, S. 627, in the U.S. Senate. In June of 2003, HR 21 was reintroduced as HR 2143 by U.S. Congressman Spencer Bachus (R-AL) without any civil and criminal sanctions in order to bypass the U.S. House of Representatives Committee on Judiciary. After a very close vote on an amendment to HR 2143, the House of Representatives passed that legislation. In late July 2003, the U.S. Senate's Committee on Banking voted to report an altered version of S. 627. We continue to monitor this situation since the passage of this legislation could have a substantial impact on the business of our licensees and ultimately the Company. IF THIS LEGISLATION PASSES AND BECOMES LAW, IT WOULD HAVE AN IMMEDIATE DETRIMENTAL EFFECT ON THE INDUSTRY AND WOULD POSE A SERIOUS THREAT TO THE COMPANY'S CONTINUED OPERATION.

In March 2004, the World Trade Organization held in favor of Antigua and Barbuda and against the United States of America with regard to unlawful trade restrictions relating to Internet gaming. Due to the recent timing of this ruling and without the ruling being published in full, it is too early to determine what, if any, influence this may have on United States led legislation.

#### PROPERTY, PLANTS AND EQUIPMENT

##### UNITED KINGDOM

The Company's corporate office which was located at Station House, Station Road, Barnes Common, London, U.K. was closed in May 2003. Our registered office now operates from Minerva House, 5 Montague Close, London. Corporate activities are managed from our office in Antigua.

#### ANTIGUA

The operations of Starnet Systems and EFS International (Antigua) are located in 6,500 square feet of commercial space at the KF Hadeed building located at Liat Road, Coolidge, Antigua, at an annual cost of approximately \$112,000 plus utilities. The one-year lease expired on September 1, 2003. While no formal extension of the lease has been requested, the lease has automatically rolled into a further two year term, terminable on 3 months notice. In March 2004 the Company served 3 months notice of its intention to terminate this lease. The company is currently negotiating the terms of new leased premises in Antigua.

#### CANADA

Inphinity leases 27,000 square feet for its development and production activities at 1401 West 8th Avenue, Vancouver, Canada. The base rent is approximately \$198,000 per year for the term of the lease. The five year lease expires May 31, 2005 with an option to renew for an additional five years at market rates. The annual cost is approximately \$382,000. We have sublet approximately 75% of the 15,000 square feet available to two tenants. The sublets offset our annual lease costs in the amount of \$123,000.

We are currently in the process of terminating the lease or subleasing our office space in Toronto. The lease was for a term of five years expiring September 30, 2006 and a base rent of approximately \$90,000 in the first year, increasing to approximately \$110,000 per year by the end of the lease. The Company has vacated the office and the landlord has sublet a portion of the office space.

#### EQUIPMENT

During the years ended December 31, 2003 and 2002, eight months ended December 31, 2001, and the fiscal year ended April 30, 2001, we made capital expenditures of approximately \$0.4 million, \$2.0 million, \$0.7 million and \$2.2 million, respectively. The expenditures were primarily for computer equipment and related items in order to increase our capacity to process transactions and improve overall system reliability.

#### ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

YOU SHOULD READ THE FOLLOWING DISCUSSION AND ANALYSIS IN CONJUNCTION WITH "ITEM 3. SELECTED FINANCIAL DATA" AND OUR CONSOLIDATED FINANCIAL STATEMENTS AND NOTES THERETO SET FORTH ELSEWHERE IN THIS ANNUAL REPORT. IN ADDITION TO HISTORICAL INFORMATION, THE FOLLOWING DISCUSSION CONTAINS CERTAIN FORWARD-LOOKING STATEMENTS THAT INVOLVE KNOWN AND UNKNOWN RISKS AND UNCERTAINTIES, SUCH AS STATEMENTS OF OUR PLANS, OBJECTIVES, EXPECTATIONS AND INTENTIONS. SEE "SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS" APPEARING ON PAGE 1 OF THIS ANNUAL REPORT. CURRENCY AMOUNTS IN THOUSANDS OF U.S. DOLLARS, UNLESS OTHERWISE SPECIFIED.

#### CHANGE IN FISCAL YEAR

On May 17, 2001, we changed our fiscal year end from April 30 to December 31.

#### RESULTS OF OPERATIONS

On May 25, 2001, pursuant to an Agreement and Plan of Reorganization executed on May 17, 2001, Starnet Communications International Inc. became a wholly-owned subsidiary of World Gaming Plc, a company organized in England and Wales for the purpose of facilitating a new holding company structure.

Starnet Systems International Inc., a wholly-owned subsidiary of Starnet incorporated and operating out of Antigua, licenses its gaming software to third parties for an initial licensing fee and monthly royalties. Inphinity Interactive Inc., another wholly-owned subsidiary of Starnet develops gaming software and web pages.

The following tables set out selected consolidated information from the statements of operations for the years ended December 31, 2003, 2002 and 2001 (unaudited), for the eight months ended December 31, 2001 and the year ended April 30, 2001; and, the balance sheets as at December 31, 2003, 2002 and 2001 and April 30, 2001:

SELECTED STATEMENT OF OPERATIONS INFORMATION

	For the years ended December 31,			Eight months ended December 31, 2001	For the year ended April 30, 2001
	2003	2002	2001		
			(Unaudited)		
Net Sales .....	\$17,698	\$ 16,777	\$ 18,175	\$ 12,107	\$ 20,153
Gross Margin .....	15,548	15,073	13,859	9,831	14,224
Operating Expenses .....	13,421	20,483	30,324	12,202	31,243
Profit/(Loss) from Operations .....	2,127	(5,410)	(16,465)	(2,371)	(17,019)
Net Profit/(Loss) .....	2,958	(5,318)	(16,277)	(2,236)	(16,756)

\* ALTHOUGH THE COMPANY HAS INCLUDED FINANCIAL INFORMATION FOR THE YEAR ENDED APRIL 30, 2001 AND EIGHT MONTHS ENDED DECEMBER 31, 2001, THE COMPANY HAS ALSO INCLUDED UNAUDITED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2001 FOR COMPARATIVE PURPOSES.

SELECTED BALANCE SHEET INFORMATION

	At December 31, 2003 -----	At December 31, 2002 -----	At December 31, 2001 -----	At April 30, 2001 -----
Working Capital .....	\$ (126)	\$ (5,581)	\$ (2,426)	\$ (1,253)
Total Assets .....	12,591	8,377	12,181	20,188
Long Term Debt .....	2,944	3,804	1,083	2,784
Accumulated Deficit .....	(23,723)	(26,681)	(21,363)	(19,127)
Total Shareholders' Equity .....	828	(3,545)	1,686	2,211

OPERATING RESULTS FOR FISCAL 2003

Revenues from all components of the gaming business, which include licensing and financial transaction processing, increased 5 percent or \$921 to \$17,698 for the year ended December 31, 2003 when compared to \$16,777 for the same period last year.

Revenue consists of the following elements: 1.) Royalty income from our licensees for utilization of our proprietary software and hosting facilities, charged as a percentage of those licensees' net win; 2.) Fee income, representing amounts charged to certain licensees for management of transaction processing activity; 3.) Development and Web Page design fees, representing certain amounts charged to licensees for unique development projects and 4.) License fee revenue, representing upfront costs of purchasing a license to utilize our proprietary software.

Net win for our licensees is calculated as the difference between the amount wagered (bet placed) by a customer and the amount paid back to (won by) that customer. Subject to the volume of total amounts wagered net win on live sports events are higher than those on interactive casino gaming.

Contributing to the increase in total revenue was a 7 percent or \$1,056 increase in royalty revenue to \$15,856 when compared to \$14,800 for the same period last year. For the year ended December 31, 2003 the continued growth in royalty revenue was driven primarily by the following:

- o An increase of 12 percent in licensee's wagering activity utilizing our gaming infrastructure. The value of wagers placed for the year ended December 31, 2003 was \$3.8 billion when compared to \$3.4 billion for the same period last year.
- o The 9 percent increase in overall licensee wagering activity was represented equally in increases in both the sportsbook and casino and other gaming wagers.
- o The increase in sportsbook wagers yielded an 11 percent increase in licensee net win as licensees managed to retain greater net win on sporting events due to a combination of effective risk management, greater offerings of higher net-win bet types and results of chance.
- o The increase in total casino wagers yielded a 2 percent increase in total licensee net win. Percentage net win on casino gaming fell primarily as a result of increased player win on blackjack and the introduction of progressive jackpots on some games. The increase in total wagering activity is primarily as a result of the casino product upgrade that took place in July 2003. This upgrade increased the number of games offered and the types of bets that could be placed. In addition, the increase in wagering activity and volumes were made possible by the upgrade in Gaming Software to the 3.3.1 Release which provided a stable platform and increased the system capacity to handle higher volumes without significant system failures or significant breakdowns.

- o A 4 percent increase in deposits across all licensees thus increasing the amount of funds available to wager. This increase was primarily as a result of more stable transaction processing routes, particularly towards the latter part of 2003.
- o These increases occurred despite the impact of losing a licensee in May, who at that time contributed 6 percent of total revenues.

It should be noted that royalty revenue from one of our operating licensees represented approximately 67 percent of our total sales for the year ended December 31, 2003, compared to the same 67 percent for the year ended December 31, 2002. While there was a 7 percent growth in gaming revenue generated by this licensee, there was a 50 percent growth in gaming revenues generated by our other continuing licensees. We anticipate that the revenues generated by our other licensees will continue to increase during 2004, thereby partially reducing the dependence on our largest licensee to more acceptable levels.

During the year ended December 31, 2003, we lost one licensee resulting in a total of 9 active licensees as of December 31, 2003.

Revenue from fees charged in respect of transaction processing on behalf of certain licensees increased 56 percent or \$634 to \$1,765 when compared to the same period last year. This increase is the result of a revision of fees charged to our licensees in June 2003 to a level that covered the charges we were incurring from the transaction processing gateways we utilized. In addition, the increase in deposit volume also contributed to the overall increase in revenues. Transaction processing fees increased considerably during the year as processors willing to accept gaming transactions became more scarce. In February 2004, we closed the transaction processing and customer service divisions of our business. This was in recognition that licensees utilizing these divisions were better serviced outside our core software development business. The transaction volume that we processed at the time of closure represented 6% of system-wide transaction volume.

Our margin increased 3 percent or \$475 when compared to \$15,073 for the same period last year. Gross margin represents our total revenues less charges primarily for transaction processing, described above and Internet bandwidth. Gross margin percentage declined to 88 percent for the year ended December 31, 2003 from 90 percent when compared to the same period last year. The decline in gross margin percentage reflected a less profitable revenue mix as transaction processing revenue increased as a percentage of total revenue. Such revenues have close to 100% direct costs. Therefore any increase in these revenues as a percentage of overall revenues has the effect of reducing our gross margin percentage.

As a result of our continuing effort to reduce operating costs, expenses including interest and depreciation decreased by 34 percent to \$13,421 during the year ended December 31, 2003 compared to \$20,483 for the same period last year. The decrease was primarily due to the following:

- o Bad debts for the year ended December 31, 2003 decreased 90 percent or \$3,056 compared to the same period last year. Last year the Company experienced significant write-offs in failed transaction processing routes. The failure of these routes typically occurred due to implementation of transaction processes that lacked transparency. Improved due diligence procedures and reinforcement of risk sharing policies with licensees has resulted in a significant reduction in this cost in the year ended December 31, 2003.

- o Depreciation expense decreased 39% or \$1,235 when compared to the same period last year. This reduction was the result of a number of significant assets becoming fully depreciated in the third quarter of 2003.
- o Communication costs decreased 46% or \$397 when compared to the same period last year as contracts with certain suppliers were cancelled or renegotiated and the use of voice-over IP telecommunication was utilized.
- o Salaries and wages decreased 10% or \$670 despite severance costs incurred on a number of senior employees in the year.
- o Professional fees declined 22% or \$390 as litigious matters requiring third party advice declined and other advisors were not utilized or changed.
- o Other corporate overhead including occupancy costs, board expenses and travel declined 30% or \$1,314 when compared to the same period last year through initiatives such as relocation or closure of offices and renegotiation or changes in certain supplier accounts.

We expect that operating expenses for the year ending December 31, 2004 will continue to decline, particularly as a result of most recent restructuring resulting in the closure of our customer service and transaction processing divisions in February 2004.

Other income increased by \$889 to \$981 from \$92 for the same period last year. The increase in other revenue is primarily due to significant lease liability settlements agreed during the year.

#### OPERATING RESULTS FOR FISCAL 2002

The following tables set out selected consolidated information from the statements of operations for the years ended December 31, 2002 and 2001 (unaudited), for the eight months ended December 31, 2001 and the years ended April 30, 2001 and 2000; and, the balance sheets as at December 31, 2002 and 2001 and April 30, 2001 and 2000:

#### SELECTED STATEMENT OF OPERATIONS INFORMATION

	For the years ended		Eight months ended December 31, 2001	For the years ended	
	December 31, 2002	December 31, 2001 *		April 30, 2001	April 30, 2000
		(Unaudited)			
Net Sales .....	\$ 16,777	\$ 18,175	\$ 12,107	\$ 20,153	\$ 17,881
Gross Margin .....	15,073	13,859	9,831	14,224	12,738
Operating Expenses .....	20,483	30,324	12,202	31,243	17,624
(Loss) From Operations.....	(5,410)	(16,465)	(2,371)	(17,019)	(4,886)
Net (Loss) .....	(5,318)	(16,277)	(2,236)	(16,756)	(3,255)

\* ALTHOUGH THE COMPANY HAS INCLUDED FINANCIAL INFORMATION FOR THE YEAR ENDED APRIL 30, 2001 AND EIGHT MONTHS ENDED DECEMBER 31, 2001, THE COMPANY HAS ALSO INCLUDED UNAUDITED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2001 FOR COMPARATIVE PURPOSES.

SELECTED BALANCE SHEET INFORMATION

	At December 31, 2002	At December 31, 2001	At April 30, 2001	At April 30, 2000
	-----	-----	-----	-----
Working Capital .....	\$ (5,581)	\$ (2,426)	\$ (1,253)	\$ 6,714
Total Assets .....	8,377	12,181	20,188	27,983
Long Term Debt .....	3,804	1,083	2,784	979
Accumulated Deficit .....	(26,681)	(21,363)	(19,127)	(2,371)
Total Shareholders' Equity .....	(3,545)	1,686	2,211	19,376

Revenues from all components of the gaming business, which include licensing and financial transaction processing, decreased eight percent or \$1,398 to \$16,777 for the year ended December 31, 2002 when compared to \$18,175 for the year ended December 31, 2001.

The decrease in total revenue is primarily due to lower transaction processing revenue as an increasing number of licensees assumed their own merchant processing responsibilities. For the year ended December 31, 2002, revenue derived from transaction processing decreased 62 percent or \$1,847 to \$1,131 when compared to the year ended December 31, 2001.

The decrease in total revenue was partially offset by a four percent or \$545 increase in royalty revenue to \$14,950 when compared to the year ended December 31, 2001. For the year ended December 31, 2002, the continued growth in royalty growth was driven primarily by the following:

- o A 23 percent increase in revenue generated by the Company's licensees through the utilization of its software offering. Royalty revenue is calculated as a percentage of gaming revenue generated by our licensees.
- o An increase of 41 percent in wagering activity managed by our gaming infrastructure when measured as a value of wagers placed to over \$3.4 billion. Revenue generated by our licensees is driven by wagering volumes.
- o Specifically, an increase in income from sports betting wagering activity by our licensees. For the year ended December 31, 2002, commission rates realized through the utilization of our sportsbook product remained relatively consistent with prior years' levels. As a result, the 40 percent increase in sportsbook wagering our licensees experienced translated into a 33 percent increase in sportsbook revenue.

It should be noted that royalty revenue from one of our operating licensees represented approximately 67 percent of our total sales for the year ended December 31, 2002, compared to 47 percent for the year ended December 31, 2001. Furthermore, even with a 23 percent increase in revenue generated by all of our licensees, the 46 percent growth in gaming revenue generated by our largest licensee resulted in a significant increase in royalty revenue contribution from this licensee. As a result of the increased gaming revenue contribution from the largest licensee, our average royalty rate decreased resulting in the Company only realizing a four percent increase in royalty revenue.

Licensing revenue remained relatively unchanged for the year ended December 31, 2002 increasing only two percent to \$632. For the year ended December 31, 2002, licensing revenue was generated primarily from the sale of gaming licenses in Curacao.

During the year ended December 31, 2002, we cancelled or lost eight licensees mostly as a result of some smaller, low revenue licensees merging with larger licensees or ceasing operation, resulting in a net decrease of four for a total of 24 active licensees as of December 31, 2002.

Gross margin increased significantly to 90 percent for the year ended December 31, 2002 from 76 percent when compared to the year ended December 31, 2001 reflecting a more profitable revenue mix. The reduction of revenues from transaction processing and reselling of gaming licenses played a role in improving our gross margins as these revenue sources have historically been low margin revenue.

As a result of our continuing effort to reduce operating costs, expenses decreased by 32 percent to \$20,483 during the year ended December 31, 2002 compared to \$30,324 for the year ended December 31, 2001. The decrease was primarily due to the following:

- o During fiscal 2001, the Company incurred one time charges totaling \$9,045. These charges consists primarily of a provision of \$4,341 against funds seized during 1999, restructuring costs of \$1,536 completed in 2001 and the write off of amounts due from the sale of our online entertainment group totaling \$1,484. The remaining amounts relate to the legal costs associated with our U.K. redomiciling efforts.
- o Operation costs in 2002 decreased 23 percent primarily due to restructuring efforts employed in the year ended 2001.
- o The Company terminated its direct sales force in July 2002. As a result, sales and marketing expenses decreased 35 percent to \$1,375 from \$2,130 for the year ended December 31, 2001.
- o The reduced costs in 2002 were partially offset by increased general and administrative costs primarily resulting from significantly higher legal costs in connection with our efforts to raise financing in early 2002 and increased occupancy costs associated with the opening of a corporate office in London, England.
- o In 2002, the Company also wrote off \$3,514 in provisions, charges, write-offs, and restructuring costs. This amount consisted primarily of unrecoverable transaction processing costs of \$1,823, provision for uncollectible royalty fees of \$695, unrecoverable casino losses of \$515 from unsuccessful licensees, and severance costs resulting from restructuring efforts of \$294.

#### LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2003, we had \$2,657 in cash balances, up from \$922 at December 31, 2002. The increase in the period resulted from a combination of a \$1,500 investment received in April 2003 from Goodison Park Ltd. and increased and improved cash collections from our licensees who enjoyed higher revenues during 2003. Cash profits during the year together with the Goodison Park investment were utilized in meeting debt commitments including significant overdue creditor balances, severance disputes with former employees and lease settlements completed during the year. Cash was also used to purchase new capital equipment of \$373.

The investment by Goodison Park Ltd., a wholly owned subsidiary of our largest licensee, Sportingbet Plc., was made through i) the purchase of 5,000,000 ordinary shares of World Gaming Plc., at \$0.12 per share and ii.) an unsecured convertible loan note due in April 2005 in the principal amount of \$900. If the convertible loan note is converted into ordinary shares, Sportingbet Plc., would then have voting control over approximately 40% of the issued share capital of the Company.

Working capital at December 31, 2003 improved to \$(126) from \$(5,581) at December 31, 2002. The significant improvement in working capital is primarily due to profit before non-cash items such as depreciation generated during the year and the investment made by Goodison Park Ltd., as explained above. We believe we currently have sufficient working capital to meet our planned development objectives. However, should these development objectives change significantly or current revenue streams decline materially, it is likely that we will require additional financing. Provided the Company can continue to maintain profitability, we believe that any such additional financing would be obtainable in regular capital markets.

We also had reserves and deposits held by credit card processors on behalf of our licensees totaling \$5,948 at December 31, 2003 up from \$1,484 for the same period last year. The funds are held as rolling reserves and are typically released to us after six months. The increase in these reserves results from the significant transaction volume processed in the fourth quarter together with a number of these accounts holding funds of our licensees for longer periods than anticipated. Where funds are held for longer periods than anticipated, there are instances where we have commenced collection procedures on behalf of our licensees. Accounts receivable decreased from \$2,810 at December 31, 2002 to \$1,538 at December 31, 2003 as a result of improved collections from licensees.

The Company did not actively seek new licensees during the year but concentrated on improving the product quality offered to its existing licensee base. There were no major collection problems during the year for the existing licensee base. Royalty and transaction fees due from operating licensees are usually collected prior to the end of the following month. At December 31, 2003, accounts receivable consisted primarily of royalty fees due from operating licensees that have been fully collected subsequent to December 31, 2003.

Prepaid expenses and deposits increased by \$364 to \$594 as at December 31, 2003 compared to \$230 at December 31, 2002. The increase is primarily as a result of unamortized portions of an Oracle maintenance contract and Directors and Officer insurance premiums. Deferred gaming license costs were fully amortized as at December 31, 2003. At December 31, 2003, there were no new licensees waiting to go live on our system from whom deposits were previously collected.

Accounts payable increased by \$1,246 to \$6,444 as at December 31, 2003 compared to \$5,198 at December 31, 2002. Accounts payable is comprised of trades payable and amounts due to licensees for transactions processed on their behalf. The increase in payables is primarily due to an increase of \$2,493 in funds payable to Licensees from transaction processing. Such amounts will not be paid across to respective licensees until these amounts are collected from credit card processors discussed above. Trades payable have declined by 54% or \$901 as at December 31, 2003, as a result of settlements made during the year and terminating unnecessary suppliers.

Net cash used in investing activities for the year ended December 31, 2003 was \$(219) compared to \$(1,412) for the year ended December 31, 2002. In addition, the Company acquired Oracle software to upgrade the Company's gaming platform. This has provided improved quality of service to our licensee base, funded through a financing plan provided by the supplier.

Net cash utilized by financing activities for the year ended December 31, 2003 was \$(747) compared to \$2,101 in the year ended December 31, 2002. On April 4, 2003, one of the Company's major licensees, Sportingbet PLC (through its wholly-owned subsidiary Goodison Park Limited) acquired a shareholding in the Company for \$600. This shareholding, together with shares held by parties acting in concert with Sportingbet PLC, comprises 29.7 percent of our issued share capital. Sportingbet PLC (through its wholly-owned subsidiary Goodison

Park Limited) has further loaned to the Company \$900 which is convertible at Sportingbet PLC's sole discretion into shares or is repayable after a two year term. If the loan is converted into shares, Sportingbet PLC would then have voting control over of 39.6 percent of the issued share capital of the Company. (SEE ITEM 7. RELATED PARTY TRANSACTION)

On August 1, 2002, the Company entered into a loan agreement with Sportingbet PLC, one of our licensees. Sportingbet PLC loaned the Company \$1,250, which was repaid in full in April 2003. Repayments were netted from amounts due to us from Sportingbet PLC under our license agreement with them. (See Item 10. MATERIAL CONTRACTS).

CONTRACTUAL OBLIGATIONS

At December 31, 2003, the company had the following contractual obligations:

Contractual obligations	Payments due by period				
	Total	less than 1 year	1 - 3 years	3 - 5 years	more than 5 years
Long-term debt obligations .....	1,780	1,780	-	-	-
Capital (Finance) Lease Obligations .....	264	264	-	-	-
Operating Lease Obligations .....	921	538	291	92	-
Note payable (1) .....	900	-	900	-	-
Total .....	3,865	2,582	1,191	92	-

(1) The note payable is convertible into 7,500,000 ordinary shares at the choice of the beneficial owner in April 2005. (SEE ITEM 10. ADDITIONAL INFORMATION - MATERIAL CONTRACTS - UNSECURED CONVERTIBLE LOAN NOTE WITH GOODISON PARK LIMITED).

TREND INFORMATION

We have not identified any changes in trends in our operations since the end of the financial period ended December 31, 2003.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

DIRECTORS AND SENIOR MANAGEMENT

The names, positions and ages of our directors and senior management as of March 31, 2004 are as follows:

Name	Age	Position	Date(s) Appointed
James H. Grossman	64	Chairman of the Board and Director	April 11, 2003
Clare Roberts	54	Director	October 18, 2000
A. Daniel Moran	35	Director and Chief Executive Officer	April 11, 2003
David Naismith	30	Director and Chief Financial Officer	August 1, 2003
Mark Hetherington	50	Acting Chief Technology Officer	February 1, 2004
Mark Thompson	35	Operations Director and Managing Director of Starnet Systems	December 1, 2002 as Operations Director and as Managing Director; May 9, 2003 until August 1, 2003 as Acting Chief Financial Officer

See ITEM 10 - ADDITIONAL INFORMATION - BOARD ACTION AND POWERS for a discussion on the terms and conditions underlying the appointment to the Board of Directors.

Simon Coulthard, the Company's former Group Finance Director resigned on May 8, 2003. Mark Thompson, the Company's former Vice President Finance, who had provided his resignation effective as of September 15, 2002, has returned as the Operations Director and as a Managing Director of Starnet Systems. As a result of the resignation of the Group Finance Director, Mr. Thompson was the Company's acting Chief Financial Officer until the appointment of David Naismith which became effective on August 1, 2003. David Fleming resigned from the position of Chief Technology Officer in January 2004.

In accordance with the Goodison Park Stock Acquisition Agreement, dated April 4, 2003, Goodison Park has the right to appoint and maintain one director ("Investment Director") to the Board of Directors of World Gaming Plc. Goodison Park nominated Victor Collins as the Investment Director upon the execution of the agreement. Mr. Collins resigned from the Board effective June 27, 2003. As at March 31, 2004, Goodison Park has not appointed another Director to the board although they have the right to do so.

#### BACKGROUND INFORMATION CONCERNING DIRECTORS

##### JAMES H. GROSSMAN, CHAIRMAN OF THE BOARD AND DIRECTOR

James H. Grossman is an attorney with experience in the international business, corporate, and venture capital areas and has an active international arbitration practice. Mr. Grossman has been of counsel to Reed Smith Crosby Heafy and predecessor entities from January 2000 until August 2003. From 1995 to 1999, he practiced law as a sole practitioner and also acted as a business consultant. In 1992, Mr. Grossman was appointed by President George Bush to serve as Chairman of the U.S. Foreign Claims Settlement Commission where he actively participated in quasi-judicial international arbitration relating to expropriation of property by foreign governments. Mr. Grossman has served as a Special Representative for the United Nations Development Program looking at the implications on certain Balkan nations of sanctions imposed on the then former Yugoslavia. Mr. Grossman also was the Chief Negotiator for the U.S. in the tariff reduction acceleration round of the U.S.-Canada Free Trade Agreement, which was a precursor to the creation of NAFTA. He obtained his undergraduate degree in International Relations/Political Science/History in 1960 from the University of California at Berkeley, and a J.D. from Harvard University in 1963. Mr. Grossman is also a director of Champion Communication Services, Inc., a company based in Houston, Texas, publicly traded on the OTC Bulletin Board and the Canadian Venture Exchange. Mr. Grossman joined the Company on April 11, 2003 and as at March 31 2004, he has been a Director for approximately 12 months. Information regarding retirement of directors is disclosed in Item 10: ADDITIONAL INFORMATION.

A. DANIEL MORAN, DIRECTOR AND CHIEF EXECUTIVE OFFICER

Daniel Moran has over 15 years of international business experience, primarily in the technology and Internet sectors. Most recently, he was the Managing Director for Sportingbet Australia, where his duties included strategic planning, automation of the business process, overseeing operations, regulatory compliance, government relations and the management of a 50-person staff. Prior to joining Sportingbet in March 2000, Mr. Moran was a consultant in Australia, providing advice to companies seeking to organize and become licensed to conduct Internet gaming operations in a regulated market. Mr. Moran received a Ba(Sc) in Computing Science from Macquarie University, Australia and a PgradDip in Management from the Macquarie Graduate School of Management, Australia. Mr. Moran joined the Company on April 11, 2003 and as at March 31 2004, he has been a Director for approximately 12 months. Information regarding retirement of directors is disclosed in Item 10: ADDITIONAL INFORMATION.

CLARE KAMAU ROBERTS, DIRECTOR

Mr. Roberts has served as our director since October 18, 2000 and Chairman of the Board from November 20, 2002 to April 11, 2003. He has also served as a director of our subsidiary, Starnet, since May of 1999. Mr. Roberts is a former Attorney General and Minister of Justice and Legal Affairs of Antigua and Barbuda from 1994 to 1997. Mr. Roberts has been founder and principal at Roberts & Company, Attorneys at Law, since 1986. He served as a consultant to the government of Antigua from 1986 to 1990 and preceding that, served as Solicitor General for Antigua and Barbuda as well as Parliamentary Counsel. He is a founding member and director of the National Development Foundation of Antigua and Barbuda and Vice President of the Antigua offshore Association. He is presently a director and chairman of ACB Mortgage and Trust Company Limited, a wholly owned subsidiary of Antigua Commercial Bank, the leading bank in Antigua. He has served as a consultant to various government agencies throughout the Caribbean region and has led many seminars and workshops. Mr. Roberts received a BA and L.L.B. from the University of West Indies, a Legal Education Certificate from the Caribbean Council of Legal Education, a Diploma in Legislative Drafting from the University of Ottawa in Canada and attended Harvard University for a program of instruction for lawyers in 1995 and 1996. Mr. Roberts joined the Company on October 18, 2000 and as at March 31 2004, he has been a Director for approximately 3 years and 5 months. Information regarding retirement of directors is disclosed in Item 10: ADDITIONAL INFORMATION.

DAVID NAISMITH, DIRECTOR AND CHIEF FINANCIAL OFFICER

David Naismith was elected to the Board as Chief Financial Officer of the Company effective August 1, 2003. Mr. Naismith is a qualified chartered accountant with several years experience in Internet gaming, most recently holding a senior finance role with Sportingbet PLC, a group listed on the Alternative Investment Market of the London Stock Exchange. Prior to this, Mr. Naismith held regional finance directorships at Sportingbet before assuming responsibility for these finance divisions globally based in London. Having qualified as a chartered accountant in audit with BDO, Mr. Naismith progressed to transaction support predominately for international media groups working in both Australia and London/Europe including many U.S. based businesses. Together with a financial control and reporting background, Mr. Naismith's experience in the online gaming industry includes capital raising, acquisitions and global merchant processing in several locations including Costa Rica, United Kingdom, Austria and Australia. Mr. Naismith holds a Bachelor of Commerce in finance from Bond University (Australia) and is a member of the Institute of Chartered Accountants, where he was ranked in the top 5% of candidates. Mr. Naismith joined the Company on August 1, 2003 and as at March 31 2004, he has been a Director for approximately 8 months. Information regarding retirement of directors is disclosed in Item 10: ADDITIONAL INFORMATION.

## BACKGROUND INFORMATION CONCERNING SENIOR MANAGEMENT AND CERTAIN KEY EMPLOYEES

### MARK HETHERINGTON, ACTING CHIEF TECHNOLOGY OFFICER

Mark Hetherington was appointed Acting Chief Technology Officer (CTO) of Inphinity Interactive on February 1, 2004 following the resignation of David Fleming. Mr. Hetherington is responsible for all system development and implementation and for defining the Company's software development life cycle (SDLC) and supporting tools. Mr. Hetherington has spent the last fifteen years building organizations and managing programs to deliver products and services from inception to delivery in the United Kingdom, United States of America, and Australia. After moving to Australia in 1985, Mr. Hetherington became the Director of the Australian Centre for Unisys Software. Under his direction, the company expanded to over 100 staff. While working with Access Gaming Systems, he built an Internet company of over 120 people capable of delivering advanced solutions in Internet Gaming. As CTO of Tenzing in Seattle, Mr. Hetherington delivered a product, using a full SDLC based on the Rational Unified Process, which allowed commercial airline passengers to access the Internet from a laptop. Mr. Hetherington's most recent experience is in the development and deployment of Web systems. Mr. Hetherington is an honours graduate of the Computer Science degree program from London University and is a member of the Australian Human Resources Institute. Mr. Hetherington's position with the company is pursuant to an independent contractor agreement. (See Item 10. MATERIAL CONTRACTS.)

### MARK A. THOMPSON, OPERATION DIRECTOR, MANAGING DIRECTOR OF STARNET SYSTEMS

Mr. Thompson has served as our Operations Director and Managing Director of Starnet Systems since December 2002 and as our acting Chief Financial Officer from May 9, 2003 to August 1, 2003. Mr. Thompson has also served as our acting Chief Financial Officer from July 2002 to August 2002 and our Vice President of Finance from November 2001 to September 2002. Mr. Thompson has a background in the areas of accounting, finance, acquisitions, divestitures and financing, negotiations and execution. Prior to joining the Company, he held the position of Director of Finance at MGI Software Corporation, a leading global provider of visual media software and infrastructure solutions distributed in over 40 countries. At MGI, Mr. Thompson managed a staff of nine accounting and two information systems employees. Prior to joining MGI, Mr. Thompson qualified as a chartered accountant with KPMG LLP and spent three years in their Corporate Finance group providing transaction advise and support on divestiture, acquisitions and financing on transactions ranging up to \$200 million. Mr. Thompson is a member of the Canadian Institute of Chartered Accountants. He received his Bachelor of Commerce degree from University of Toronto in 1990.

## COMPENSATION

### COMPENSATION OF NON-EMPLOYEE BOARD MEMBERS

We have entered into agreements with our two independent directors as follows: Mr. Grossman receives a fee of (pound)50,000 per year and Mr. Roberts a fee of (pound)18,000 per year. Mr. Grossman's fees include compensation for up to five hours a month of legal services to be provided by Mr. Grossman to the Company and Mr. Grossman may additionally provide up to five hours per month of legal services, the fees for which shall not exceed a total of US\$1,750.00 per month. In addition, Mr. Grossman in June 2003 was granted share options to purchase ordinary shares as follows: options to purchase 150,000 ordinary shares of the Company which vested on April 11, 2004 and options to purchase 300,000 ordinary shares of the Company which vest on April 11, 2005.

Mr. Roberts has received stock options in the past, however in August 2003, Mr. Roberts relinquished options to purchase 200,000 shares granted in July 2001, all of which were vested. As consideration therefore, he was granted options at the then market price to purchase 200,000 shares of which 100,000 were fully vested at the time of the grant and the remaining 100,000 will vest in August 2005.

Any directors who are employees receive no cash compensation for serving on our Board of Directors. Directors who resigned during the year were paid pro rata up to when they ceased performing duties for us. All directors are reimbursed for their reasonable expenses incurred to attend meetings of the Board of Directors. We anticipate that our Board of Directors will hold regularly scheduled meetings at least quarterly in person and monthly by telephonic conference.

COMPENSATION OF OUR SENIOR MANAGEMENT

The following table sets forth all compensation, in U.S. dollars, we paid to our senior management and directors including stock options grants during the year ended December 31, 2003 and stock options granted as of March 31, 2004. All of the options listed in the table below represent options to purchase our ordinary shares or ADR's. On August 5, 2003 the Board of Directors authorized the issuance of up to 1,500,000 additional options to employees at an exercise price of \$0.15, being the closing market price on the grant date, of which 1,475,000 were issued. Options issued and vesting schedules for existing Directors are set forth in the chart below. All new options granted to our employees and officers will normally vest over a two-year period from the date of the grant. Please see "Item 10. MATERIAL CONTRACTS" for a description of employment agreements with our senior management staff.

Name and Principal Position	Compensation (\$)	Option Grants/ Vested Options As of March 31, 2004
A. Daniel Moran, Chief Executive Officer and Director (1)	173,175	1,500,000 / 0
James H. Grossman, Chairman of the Board and Director (2)	106,454	450,000 / 0
David Naismith, Chief Financial Officer and Director (3)	82,017	650,000 / 0
David Fleming, former Chief Technology Officer and Director and Managing Director Inphinity (4)	142,609	66,666 / 66,666
Clare Roberts, Director (5)	48,660	250,000 / 150,000
Nicholas Jackson, former Director and CEO (6)	283,742	352,459 / 352,459
David Craven, former Director and CEO (7)	52,658	400,000 / 400,000
Mark Thompson, Operations Director and Managing Director Starnet Systems (8)	160,200	310,000 / 110,000
Simon Coulthard, former Chief Financial Officer (9)	77,887	0 / 0

(1) Daniel Moran's employment with World Gaming plc commenced on April 11, 2003. His annual compensation is \$189,000 with an annual housing allowance of \$25,650 and certain other additional benefits. The Company on June 4, 2003 authorized the issuance of options to purchase 1,000,000 ordinary shares which vest only on April 11, 2004 and options to purchase 500,000 ordinary shares which vest only on April 11, 2005. Both of these option grants are at an option price of \$0.14 representing the then market value on the date of purchase. Options will terminate if Mr. Moran's directorship is terminated for cause, or if Mr. Moran voluntarily resigns without appropriate or agreed notice and termination terms, unless otherwise agreed by the Board. If Mr. Moran is terminated for another reason not

contemplated by an option agreement then the option shall be exercisable for a period of 12 months after termination but only to the extent that it is vested and exercisable on the date of termination, except as permitted in the sole discretion of the Board. All options granted to Mr. Moran otherwise have an exercise period of 10 years from the date of grant or at the expiration of the Option Plan in 2011. (See Item 10. MATERIAL CONTRACTS).

- (2) James H. Grossman has served as a Director and Chairman of the Board since April 11, 2003. His annual compensation for such service including five hours a month of legal services is (pound)50,000, plus an additional US\$1,750.00 per month for an additional 4.5 hours of legal services. In addition from time to time, Mr. Grossman acts as Counsel to the company in specific matters where his expertise is considered valuable by the Board. During 2003, Mr. Grossman received compensation for such legal services in an amount of \$22,685. During the first month of this agreement, Mr. Grossman received a special fee of (pound)5,000 in addition to his compensation for performing extraordinary duties. In addition, the Company on June 4, 2003 authorized the issuance of options to purchase 150,000 ordinary shares which vest only on April 11, 2004 and options to purchase 300,000 ordinary shares which vest only on April 11, 2005. Until August 2003, Mr. Grossman was of counsel to the law firm of Reed Smith Crosby Heafey which continues to provide legal services to the Company. Both of these option grants are at an option price of \$0.14 representing the then market value on the date of purchase. Options will terminate if Mr. Grossman's directorship is terminated for cause, or if Mr. Grossman voluntarily resigns without appropriate or agreed notice and termination terms, unless otherwise agreed by the Board. If Mr. Grossman is terminated for another reason not contemplated by an option agreement then the option shall be exercisable for a period of 12 months after termination but only to the extent that it is vested and exercisable on the date of termination, except as permitted in the sole discretion of the Board. All options granted to Mr. Grossman otherwise have an exercise period of 10 years from the date of grant or at the expiration of the Option Plan in 2011. (See Item 10. MATERIAL CONTRACTS).
- (3) David Naismith was appointed to the board of directors and to the position of Chief Financial Officer effective August 1, 2003 at an annual salary of \$156,000, an annual housing allowance of \$25,000 and certain other additional benefits. In addition, the Company on June 4, 2003 authorized the issuance of options to purchase 150,000 ordinary shares all of which vest only on June 4, 2004 and options to purchase 500,000 ordinary shares all of which vest only on August 1, 2005. Both of these option grants are at an option price of \$0.14 representing the then market value on the date of purchase. Options will terminate if Mr. Naismith's directorship is terminated for cause, or if Mr. Naismith voluntarily resigns without appropriate or agreed notice and termination terms, unless otherwise agreed by the Board. If Mr. Naismith is terminated for another reason not contemplated by an option agreement then the option shall be exercisable for a period of 12 months after termination but only to the extent that it is vested and exercisable on the date of termination, except as permitted in the sole discretion of the Board. All options granted to Mr. Naismith otherwise have an exercise period of 10 years from the date of grant or at the expiration of the Option Plan in 2011. (See Item 10. MATERIAL CONTRACTS).
- (4) David Fleming's employment began September 10, 2001 with an annual salary of CDN\$180,000. Effective January 16, 2004, Mr. Fleming resigned from his position with the Company. The amicable settlement in respect of Mr. Fleming's resignation entitled him to a payment of CDN \$33,333.33 in respect of accrued bonuses, four months salary including benefits payable until May 16, 2004 and other costs of CDN \$8,700. In addition Mr. Fleming will retain his options granted on September 10, 2001 at an exercise price of \$0.88 which were to vest annually on the anniversary dates over a three year period of which 66,666 had vested at the date of his resignation. The vested options are exercisable for a twelve month period post-termination at which time they will expire. (SEE ITEM 10. MATERIAL CONTRACTS).

- (5) Clare Roberts has served as a director since October 18, 2000. His annual compensation for such service is (pound)18,000. In addition from time to time, Mr. Roberts acts as Counsel to the company in specific matters where his expertise is considered valuable by the Board. During 2003, Mr. Roberts received compensation for such legal services in an amount of \$18,600. Mr. Roberts has been granted options, of which 100,000 are exercisable and fully vested at an exercise price of \$2.13; 50,000 are exercisable and fully vested at an exercise price of \$1.44. In August 2003, Mr. Roberts relinquished options to purchase 200,000 shares granted in July 2001, all of which were vested. As consideration there-for, he was granted options at the then market price to purchase 200,000 shares of which 100,000 were fully vested at the time of the grant and the remaining 100,000 will vest in August 2005. Options will terminate if Mr. Robert's directorship is terminated for cause, or if Mr. Roberts voluntarily resigns without appropriate or agreed notice and termination terms, unless otherwise agreed by the Board. If Mr. Roberts is terminated for another reason not contemplated by an option agreement then the option shall be exercisable for a period of 12 months after termination but only to the extent that it is vested and exercisable on the date of termination, except as permitted in the sole discretion of the Board. All options granted to Mr. Roberts otherwise have an exercise period of 10 years from the date of grant or at the expiration of the Option Plan in 2011.
- (6) Nicholas Jackson served as a director from October 2000 to April 9, 2003 and as Chief Executive Officer from January 13, 2003 at a salary of (pound)174,000 per annum plus annual allowances of (pound)12,000 FOR A vehicle and US\$48,000 for housing. On April 9, 2003, Mr. Jackson resigned as CEO and a director of the Company. Mr. Jackson in June 2003 entered into a settlement agreement with the Company pursuant to which he received (pound)125,000 in exchange for any monies which may be due to him from the Company. He was paid director's fees up to January 13, 2003 and salary and housing from January 13, 2003 until April 9, 2003. He has been granted stock options, of which 102, 459 are exercisable at \$2.13, 50,000 at \$1.44, and 200,000 at \$0.31. (See Item 10. MATERIAL CONTRACTS).
- (7) David Craven served as our CEO from July 15, 2002 to January 11, 2003 on a salary of (pound)175,000 per annum plus (pound)12,000 per annum vehicle allowance. As part of an amicable settlement agreement, Mr. Craven received (pound)25,000 and received earlier agreed upon stock options as follows: 100,000 at \$0.20, 250,000 at \$0.27 and 50,000 at \$0.40 all of which are fully vested and must be exercised no later than January 11, 2008. Mr. Craven has agreed to give up any claims against the Company. (See Item 10. MATERIAL CONTRACTS).
- (8) Mark Thompson's consulting arrangement with us began on August 7, 2001, and he has served as Vice President of Finance from November 1, 2001 to September 15, 2002 and Acting Chief Financial Officer from July 2002 to August 31, 2002 respectively on a salary of \$100,000 and certain other additional benefits. On December 1, 2002, Mr. Thompson was appointed to the position of Operations Director and Managing Director of Starnet Systems on a salary of \$120,000 with an annual housing allowance of \$30,000 and certain other additional benefits. With the resignation of Simon Coulthard in 2003, our Group Finance Director, Mr. Thompson acted as Chief Financial Officer until August 1, 2003. Pursuant to his Consulting Agreement, Mr. Thompson has been granted options to purchase an aggregate of 110,000 ordinary shares of which 30,000 were granted on August 7, 2001 with an exercise price of \$1.47 and vesting period of one year; and 80,000 were granted on November 1, 2001 with an exercise price of \$0.47 to vest over a one year period. Such options are fully vested. In addition, effective July 1, 2003 Mr. Thompson was granted a further 200,000 options to purchase shares with an exercise price at the then market value of \$0.14 to vest at the conclusion of a two year period. Options will terminate if Mr. Thompson's employment is terminated for cause, or if Mr. Thompson voluntarily resigns without appropriate or agreed notice and termination terms, unless otherwise agreed by the Board. If Mr. Thompson is terminated for another reason not contemplated by an option agreement, then the option shall be exercisable for a period of 12 months after termination but only to the extent that it is vested and exercisable on the date of termination, except as permitted in the sole discretion of the Board. All options granted to Mr. Thompson otherwise have an exercise period of 10 years from the date of grant or at the expiration of the Option Plan in 2011. (See Item 10. MATERIAL CONTRACTS).

- (9) Mr. Simon Coulthard's employment as Group Finance Director with World Gaming plc began September 1, 2002 on a salary of (pound)75,000 plus car allowance of (pound)7,200. Effective May 8, 2003, Mr. Coulthard'S employment was terminated. Mr. Coulthard received (pound)18,750 or three months gardening leave as part of his agreed upon severance. (See Item 10. MATERIAL CONTRACTS).

#### WORLD GAMING PLC 2001 SHARE OPTION PLAN

The World Gaming plc 2001 Share Option Plan (the "2001 Plan") provides that eligible persons may acquire options to purchase ordinary shares or ADRs as determined by Board or the Share Option Committee. The Board serves as the Share Option Committee. The 2001 Plan was adopted by the Board on May 17, 2001 and approved by ordinary resolution of our shareholders on May 17, 2001 in substitution of the Starnet Stock Option Plans (1997, 1999 and 1999 (No. 2)), which were terminated in the course of the reorganization and options thereunder were exchanged for new options in the 2001 Plan.

#### NUMBER OF ORDINARY SHARES

The maximum number of the ordinary shares (or ADRs) with respect to which options may be granted under the 2001 Plan is 15,000,000. If any option shall lapse or shall be cancelled, then the shares represented by such option shall become available for new options. An option may be exercised for an ordinary share or an ADR.

#### ELIGIBILITY

All employees, officers, directors and all other persons who provide services to us or any of our subsidiaries, as determined by the Board, are eligible to participate in the 2001 Plan.

#### GRANT OF OPTIONS

The Board administers the 2001 Plan and has discretion in awarding share options to the eligible participants. (See Item 6. COMMITTEES OF THE BOARD below).

#### OPTION PRICE

Options will be granted at exercise prices to be determined by the Board, which must be the fair market value of the ordinary shares (or ADSs) on the date of grant. Fair market value for these purposes means the closing price of our American Depositary Shares, as traded on the OTC Bulletin Board or the other principal U.S. market for our securities, on the business day immediately preceding the date of grant.

#### EXERCISE OF OPTIONS

Prior to April 2003, the options granted to directors under the 2001 share option agreement vested and became exercisable as to 25% of the original number of option shares on the date of grant and a further 25% upon the expiration of each of the following three periods of three months. Options granted subsequent to April 2003 require a more onerous vesting schedule as determined by the Board. Options granted to our employees and officers and directors will normally vest over a two-year period from the date of the grant. The Board during 2003 affirmed the requirement that the grant price in respect of all options granted must represent the closing market price prevailing on the date of such a grant. The options granted in exchange for Starnet's options vest over a two-year period. The exercise of the options for other categories of optionholders may be tied to certain performance conditions. Options will terminate if an optionholder's employment is terminated for cause, or if an option holder voluntarily resigns without appropriate or agreed notice and termination terms, unless otherwise agreed by the Board. If the employee or officer or director is terminated for another reason not contemplated by an option agreement then the option shall be exercisable for a period of 12 months after termination but only to the extent that it is vested and exercisable on the date of termination, except as permitted in the sole discretion of the Board. If an optionholder's employment or office or directorship is terminated due to his or her death or disability, the options will remain exercisable for a period of 12 months after termination but only to the extent that they have

vested and are exercisable on the date of termination. Notwithstanding the foregoing, all options lapse at the end of the option period applicable to them. Options are not transferable and may only be exercised by the persons to whom they are granted, except in the case of the death or disability of the optionholder in which case they would be exercisable by the guardian or personal representative of the optionholder (as the case may be).

#### ISSUES OF ORDINARY SHARES OR ADRS

Ordinary shares or ADRs issued upon the exercise of options will rank equally with ordinary shares or ADRs, as applicable, of the same class as them, but shall not be entitled to any dividends or other distributions declared prior to the date of the exercise.

#### VARIATION IN SHARE CAPITAL

Options may be adjusted following certain variations in our share capital, including a capitalization or rights issue.

#### TERMINATION OF THE 2001 PLAN

No options may be granted under the 2001 Plan after the tenth anniversary of its adoption.

#### AMENDMENTS

The Board of Directors may amend the 2001 Plan, provided that no amendment or modification will become effective without shareholder approval, if such approval is required by law or exchange rules, except for minor amendments relating to administrative matters. Additionally, no amendments which would adversely affect the rights of the existing optionholders may be made without their consent.

#### BOARD PRACTICES

In English companies, when a director ceases to be a director, whether voluntarily or otherwise, we say that the director has "retired." Our directors are subject to retirement by rotation. At every one of our annual general meetings, one-third of our directors who are subject to retirement by rotation or, if their number is not three or a multiple of three, the number nearest to one-third of our directors, shall retire from office. If there is only one director who is subject to retirement by rotation, that director shall retire. Subject to the provisions of the U.K. Companies Act 1985, the directors to retire by rotation shall be those who have been longest in office since their last appointment or retirement. As between persons who became or were last reappointed directors on the same day, those to retire shall be determined by lot unless they otherwise agree among themselves. If a director retires by rotation and he is not reappointed, the retiring director may retain its office until the meeting appoints someone in his place or until the end of the meeting. However, the director in that situation shall not be deemed to be reappointed, if the shareholders determine not to fill the vacancy or a resolution to reappoint the director is voted upon and defeated. Shareholders holding a majority of the Company's ordinary shares may remove any director from office at any time, with or without cause, subject to the requirements of the U.K. Companies Act of 1985 and our Articles of Association.

#### COMMITTEES OF THE BOARD OF DIRECTORS

Our Board of Directors has appointed an Audit Committee and a Compensation Committee.

#### AUDIT COMMITTEE

The Audit Committee has the authority to recommend to our Board of Directors independent public accountants to be nominated for shareholder ratification to audit our books, records and financial statements and to review our systems of accounting (including systems of internal control). The Board on April 11, 2003, appointed James H. Grossman and Clare Roberts to the Audit Committee. The Company does not yet have an "audit committee financial expert" serving on its audit committee. The Board is currently endeavoring to appoint such a candidate and intends to as soon as an appropriate individual is found. In August 2003, the Audit Committee adopted an Audit Committee Charter. A summary of the terms of reference under which the Committee operates is as follows:

The purpose of the Audit Committee (the "Committee") of the Board of Directors (the "Board") of World Gaming plc (the "Company") shall be as follows:

1. To oversee the accounting and financial reporting processes and audits of the financial statements of the Company.
2. To provide assistance to the Board of Directors with respect to its oversight of:
  - o The integrity of the Company's financial statements;
  - o The Company's compliance with legal and regulatory requirements;
  - o The independent auditor's qualifications and independence; and
  - o The performance of the Company's internal audit function and independent auditors.

#### GENERAL RESPONSIBILITIES

1. The Committee provides open avenues of communication among the internal auditors, the independent accountant and the Board of Directors.
2. The Committee must report Committee actions to the full Board of Directors and may make appropriate recommendations.
3. The Committee has the power to conduct or authorize investigations into matters within its scope of responsibilities. The Committee is authorized to retain independent counsel, accountants or others it needs to assist in an investigation.
4. The Committee will do whatever else the law, the Company's articles and memorandum of association or the Board of Directors require.

#### COMPENSATION COMMITTEE

The Compensation Committee is responsible for administering the operation of the 2001 Plan and for recommending to our Board of Directors compensation plans and arrangements, including awards of any stock options, with respect to our executive officers, directors, and key personnel. The current members of the Compensation Committee are James H. Grossman and Clare Roberts. In August 2003, the Compensation Committee adopted a Compensation Committee Charter. A summary of the terms of reference under which the Committee operates is as follows:

## PURPOSE

The purpose of the Compensation Committee (the "Committee") of the Board of Directors (the "Board") of World Gaming plc (the "Company") shall be to discharge the responsibilities of the Board of Directors relating to the Company's compensation programs and compensation of the Company's executives.

## DUTIES AND RESPONSIBILITIES

The Committee shall carry out the duties and responsibilities set forth below. These functions should serve as a guide with the understanding that the Committee may determine to carry out additional functions and adopt additional policies and procedures as may be appropriate in light of changing business, legislative, regulatory, legal, or other conditions. The Committee shall also carry out any other responsibilities and duties delegated to it by the Board of Directors from time to time related to the purposes of the Committee outlined in this Charter.

In discharging its oversight role, the Committee is empowered to study or investigate any matter of interest or concern that the Committee deems appropriate and shall have the sole authority to retain, without seeking Board approval outside counsel or other experts for this purpose, including the authority to approve the fees payable to such counsel or experts and any other terms of retention.

## SETTING COMPENSATION FOR EXECUTIVE OFFICERS AND DIRECTORS

1. Establish and review the overall compensation philosophy of the Company.
2. Review and approve the Company's corporate goals and objectives relevant to CEO and other executive officers' compensation, including annual performance objectives.
3. Evaluate the performance of the CEO and other executive officers in light of those goals and objectives and, based on such evaluation, review and approve the annual salary, bonus, and other benefits, direct and indirect, of the CEO and other executive officers.
4. In determining the long-term incentive component of compensation for the CEO and other executive officers, the Committee should consider the Company's performance and relative shareholder return, the value of similar incentive awards to CEOs and other executive officers at comparable companies, and the awards given to the Company's CEO and other executive officers in past years. The Committee is not precluded from approving awards (with the ratification of the Board of Directors) as may be required to comply with applicable tax laws, such as Rule 162(m).
5. In connection with executive compensation programs:
  - (a) Review and recommend to the full Board of Directors, or approve, new executive compensation programs;
  - (b) Review on a periodic basis the operations of the Company's executive compensation programs to determine whether they are properly coordinated and achieving their intended purposes;
  - (c) Establish and periodically review policies for the administration of executive compensation programs; and
  - (d) Take steps to modify any executive compensation program that yields payments and benefits that are not reasonably related to executive and corporate performance.

6. Establish and periodically review policies in the area of senior management perquisites.
7. Consider policies and procedures pertaining to expense accounts of senior executives.
8. Review and recommend to the full Board of Directors compensation of directors as well as director's and officer's indemnification and insurance matters.
9. Review and make recommendations to the full Board of Directors, or approve, any contracts or other transactions with current or former executive officers of the Company, including consulting arrangements, employment contracts, change-in-control, severance, or termination arrangements, and loans to employees made or guaranteed by the Company.

#### MONITORING INCENTIVE AND EQUITY-BASED COMPENSATION PLANS

10. Review and make recommendations to the Board of Directors with respect to the Company's incentive-compensation plans and equity-based plans, and review the activities of the individuals responsible for administering those plans.
11. Review and approve all equity compensation plans of the Company that are not otherwise subject to the approval of the Company's shareholders.
12. Review and make recommendations to the full Board of Directors, or approve, all awards of shares or share options pursuant to the Company's equity-based plans.
13. Monitor compliance by executives with the rules and guidelines of the Company's equity-based plans.
14. Review and monitor employee pension, profit sharing, and benefit plans.
15. Select, retain, and/or replace, as needed, compensation and benefits consultants and other outside consultants to provide independent advice to the Committee. In that connection, in the event the Committee retains a compensation consultant, the Committee shall have the sole authority to approve such consultant's fees and other retention terms.

#### REPORTS

16. Report regularly to the Board of Directors with respect to matters that are relevant to the Committee's discharge of its responsibilities and with respect to such recommendations as the Committee may deem appropriate. The report to the Board of Directors may take the form of an oral report by the Chairman or any other member of the Committee designated by the Committee to make such report.
17. Maintain minutes or other records of meetings and activities of the Committee.

EMPLOYEES

The number of employees by location as of the dates set forth below is as follows:

	December 31, 2003	December 31, 2002	December 31, 2001	April 30, 2001
Antigua .....	51	53	69	79
Canada .....	41	32	55	54
London .....	-	5	8	-
	--	--	---	---
Total .....	92	90	132	133

Development and administrative functions are in Vancouver, Canada while the licensing operations take place in our office in Antigua. Effective February 11, 2004, our EFS transaction processing and customer services departments were closed resulting in the termination of twenty-three employees. The total number of our employees as of March 31, 2004 is 70.

Our employees are not represented by a union or other collective bargaining organization and we have never experienced a work stoppage. We believe that our employee relations are good.

SHARE OWNERSHIP OF SENIOR MANAGEMENT AND DIRECTORS

The table below sets forth certain information concerning the share ownership of our directors and senior management as of March 31, 2004.

Name	Number of Ordinary Shares or ADSs Owned	Number of Ordinary Shares or ADSs Which May be Acquired under Share Option Plan	Range of Exercise Prices of Options(\$)	Range of Expiration Dates of Options	Percentage of Ordinary Shares or ADSs Beneficially Owned(1)
A. Daniel Moran .....	-	1,500,000	\$0.14	5/2011	0%
James H. Grossman .....	-	450,000	\$0.14	5/2011	0.02%(2)
David Naismith .....	-	650,000	\$0.14	5/2011	0%
Mark Thompson .....	-	310,000	\$0.14 - \$1.47	8/2006 - 5/2011	0%
Clare Roberts .....	-	350,000	\$0.14 - \$2.13	1/2004 - 5/2011	0%

(1) The information in this table is based on our records, information provided to us by our directors and executive officers and a review of any Schedules 13D and 13G filed by our shareholders with the Securities and Exchange Commission. Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and includes shares over which the indicated beneficial owner exercises voting and/or investment power. This information is based on 45,781,401 ordinary shares issued and outstanding as of March 31, 2004. Including shares underlying options which are exercisable within 60 days of March 31, 2004, none of the identified persons beneficially owned greater than 1% of the Company's American Depository Shares or ordinary shares.

(2) Mr. Grossman purchased 10,000 ADR's on the open market in November 2003. This is Mr. Grossman's first purchase of the Company's ADR's and Mr. Grossman currently beneficially owns no other ADRs in the Company.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

MAJOR SHAREHOLDERS

The following table contains information regarding the beneficial ownership of our ordinary shares, including our American Depositary Shares, as of March 31, 2004, for all shareholders known by us to beneficially own 5% or more of our ordinary shares.

Name of Beneficial Owner -----	Number of Ordinary Shares or ADRs Beneficially Owned(1) -----	Percentage of Outstanding Ordinary Shares or ADRs Beneficially Owned -----
Cribbage Limited (a wholly-owned subsidiary of Sportingbet, PLC) .....	8,506,204	18.6%
Goodison Park Limited (a wholly-owned subsidiary of Sportingbet, PLC)	5,000,000(2)	10.9%

(1) The information in this table is based on our records, information provided to us by our directors and executive officers and a review of any Schedules 13D and 13G filed by our shareholders with the Securities and Exchange Commission. Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and includes shares over which the indicated beneficial owner exercises voting and/or investment power. This information is based on 45,781,407 ordinary shares issued and outstanding as of March 31, 2004. (SEE ITEM 7. RELATED PARTY TRANSACTIONS).

(2) Excludes up to 7,500,000 ordinary shares which may be acquired by the beneficial owner upon the conversion of a certain convertible note issued by us to the beneficial owner in April 2003. (SEE ITEM 10. ADDITIONAL INFORMATION - MATERIAL CONTRACTS - UNSECURED CONVERTIBLE LOAN NOTE WITH GOODISON PARK LIMITED).

SIGNIFICANT CHANGES IN OWNERSHIP OF ORDINARY SHARES

Prior to the holding company reorganization in 2001, Starnet issued 2,000,000 shares of its common stock to AIM Investments Ltd. pursuant to Starnet's agreement with AIM Investments Ltd's parent Simpson Bay Ltd. described elsewhere in this report. In 2002, as a result of the issuance of the class action shares, Cribbage Limited, a wholly-owned subsidiary of Sportingbet PLC, acquired 6,506,204 American Depositary Shares. By way of agreement dated July 11, 2003, AIM Investments Ltd. transferred it's entire holding of 2,000,000 shares to Cribbage Ltd.

With the completion of the financing on April 7, 2003, Goodison Park Limited, another wholly-owned subsidiary of Sportingbet PLC, acquired 5,000,000 ordinary shares of the Company and the right to acquire up to 7,500,000 additional ordinary shares upon the conversion of a certain convertible loan issued by us to Goodison Park Limited. (See Item 7. RELATED PARTY TRANSACTIONS).

SECURITIES AND RECORD HOLDERS IN THE UNITED STATES

As of March 31, 2004, 31,913,316 American Depositary Shares were held in the name of CEDE & Co., which is not obligated to disclose publicly the residence of the beneficial owners of those shares. We know that, excluding CEDE & Co. shares, approximately 11% of our ordinary shares were held by 263 U.S. record holders, and 11% of our ordinary shares were held by 7 record holders in the United Kingdom.

## CHANGE OF CONTROL

We are not aware of any arrangements, the operation of which may at a subsequent date result in a change in control of our company.

## RELATED PARTY TRANSACTIONS

### SIMPSON BAY LTD. AND AIM INVESTMENTS LTD.

AIM Investments Ltd, an affiliate of Simpson Bay Ltd., transferred its 4.4% holding of 2,000,000 ADRs to Cribbage Ltd on July 11, 2003. AIM Investments Ltd originally became a shareholder when Starnet issued 2,000,000 ordinary shares to it as repayment in full of a June 2000 loan of \$1,500,000 extended to Starnet by Simpson Bay Ltd. The Starnet shares owned by AIM were exchanged for our ADRs in the course of the holding company reorganization. Additionally, Simpson Bay Ltd. is affiliated with Sportinbet Plc, one of our significant licensees. (See Item 10. MATERIAL CONTRACTS.)

### INVESTMENT BY GOODISON PARK LIMITED

Goodison Park Limited, a wholly-owned subsidiary of Sportingbet Plc, acquired an interest in World Gaming Plc by way of share acquisition and a convertible loan. Goodison Park purchased 5,000,000 ordinary shares of World Gaming at \$0.12 per share or a total of \$600,000; and made a convertible loan to the Company (the "Convertible Loan") in the principal amount of \$900,000. The Convertible Loan is unsecured with principal repayment due in April 2005 and the unpaid principal thereof is convertible at any time into ordinary shares at a conversion price of \$0.12 per share. Additionally, Sportingbet Plc is the parent company of one of our significant licensees. (See Item 10. MATERIAL CONTRACTS).

### CRIBBAGE LIMITED

Cribbage Limited, a wholly-owned subsidiary of Sportingbet Plc, acquired an interest in World Gaming Plc in 2002 by way of acquiring 6,506,204 ADRs issued as a result of the class action shares from a third party. Additionally, on July 3, 2003, AIM Investments Ltd. transferred its holding of 2,000,000 ADRs to Cribbage Ltd as mentioned above. Sportingbet Plc is the parent company of one of our significant licensees.

### SETTLEMENT OF DISPUTE WITH 596773 B.C. LTD. ("CHISEL MEDIA")

In March 2000, our subsidiary, Starnet Canada, sold substantially all of the assets and undertakings comprising its adult entertainment division to Chisel Media. The sale price for the assets was \$2.3 million, of which \$460,000 was paid on March 31, 2000 into an attorney trust account, but subsequently was released to Starnet Canada on April 30, 2000. The balance was to be paid in monthly installments through July 1, 2003. The deferred portion of the purchase price is secured by a general security agreement in favor of Starnet Canada, and a pledge of the shares of Chisel Media Inc. The monthly installments referred to above which were to begin July 1, 2000 have not been paid by Chisel Media Inc. and at December 31, 2001, we reserved for the potential of not being able to collect the principal amount from the buyer. Starnet Canada has commenced arbitration proceedings against Chisel Media and in March 2004 we received confirmation that the case would go before an arbitrator. From June 19, 2002 until July 17, 2002, James MacKay, the shareholder of Chisel Media, has served as our interim CEO and a director, of the Company. Any settlement will be scrutinized by the Board as a related party transaction, and will be subject to the Board's approval as such. (See Item 8: LEGAL PROCEEDINGS.)

## LOAN AGREEMENT WITH SPORTINGBET PLC

On August 1, 2002, the Company entered into a loan agreement with Sportingbet Plc, one of our licensees. Pursuant to the loan, Sportingbet loaned the Company \$1,250,000, which was repaid in full in April 2003. Repayments were in the form of amounts due to us from Sportingbet under our license agreement with them. Pursuant to the loan, Sportingbet had a security interest in our software and the right to access and use the software and the secure site where the hardware is located in the event of default.

## ITEM 8. FINANCIAL INFORMATION

### CONSOLIDATED FINANCIAL STATEMENTS

Our consolidated financial statements for the years ended December 31, 2003, 2002 and 2001, and eight months ended December 31, 2001 and year ended April 30, 2001 set forth in this report following Part III, are included herein at Item 17 of the Annual Report.

### LEGAL PROCEEDINGS

The following are material existing and pending or recently concluded legal claims against us and our subsidiaries:

#### LAS VEGAS CASINO INC. LAWSUIT

On September 16, 1999, Las Vegas Casino Inc. (LVC) commenced an action against Starnet, a number of its subsidiaries and various employees of Starnet and its subsidiaries. LVC alleges that the Starnet breached and wrongfully terminated its license agreement with LVC and misappropriated \$15 million from LVC, and that LVC lost gambling revenues in the amount of \$1 billion as a result of the breach and wrongful termination. LVC had previously entered into a license agreement with Starnet Systems International Inc. ("Starnet Systems"). Starnet Systems terminated the License agreement because of LVC's non-payment of its royalty fees. The Supreme Court of British Columbia has dismissed this action. LVC has appealed the Court ruling and the Company is awaiting the determination of the appeal. The Company believes the appeal is without merit.

#### LAWSUIT BY CASINO ON AIR WORLD ENTERTAINMENT LTD.

In March 2002, Casino on Air World Entertainment Ltd., a former licensee of the Company, filed a lawsuit against the Company alleging breach of contract in Antigua. The amount of the claim is U.S. \$1.84 million. The Company successfully obtained a stay of this action in the Antiguan courts. The court ordered that the dispute be dealt with by way of arbitration. Casino on Air has failed to file a Notice to Arbitrate. The financial impact of this action, if any, cannot be determined at this time, although the Company believes that the claim is without merit.

#### SINSATIONAL ENTERTAINMENT LAWSUIT

On April 9, 2003, Starnet Systems served notice to Sinsational Entertainment ("Sinsational"), a former licensee of the Company regarding its outstanding account in the amount of \$268,207 indicating the Company would terminate the agreement if the long overdue account was not made current. On April 15, 2003, Sinsational filed a statement of claim in the courts of Antigua and Barbuda against the Company for an amount of approximately \$6.6 million. The Company counterclaimed for the outstanding amount due. On April 16, 2003, Sinsational acknowledged in writing the termination of its agreement with the Company. On April 16, 2003, Sinsational commenced an action against the Company and obtained an injunction preventing Starnet Systems from terminating the

hosting services provided by the Company. On May 12, 2003, at the request of the Company, the court removed the injunction. On May 15, 2003 Sinsational requested that Starnet Systems cease providing services to its website. On May 23, 2003 Sinsational filed an amended statement of claim increasing the amount claimed to approximately \$30.9 million alleging, among other things, breach of contract and permanent loss of shareholder value. On June 19, 2003, Sinsational obtained a new injunction preventing the Company from dealing with Sinsational's customer data. In June 2003, Sinsational applied to the International Chamber of Commerce to initiate arbitration and further amended their claim to approximately \$36.4 million. On October 23, 2003, the Company agreed, with the principals of Sinsational, to terms of a settlement of this matter. The terms of this settlement provides for the agreement by Sinsational to terminate all of its claims against the Company in exchange for which the Company will not further pursue its claims against Sinsational. The settlement agreement was executed on this date.

#### CANADA CUSTOMS AND REVENUE AGENCY ("CCRA")

The CCRA for the tax calendar years of 2001 and 2002 have been auditing our subsidiary, Starnet Communications International, Inc. We provided the auditors with all relevant information, and cooperated with the agency. The audit was completed during the year ending December 31, 2003 with the CCRA without any negative finding of financial penalties for the Company.

#### SUNRISE CORPORATION LAWSUIT

Sunrise Corporation commenced a lawsuit against the Company in the Superior Court of Ontario on April 16, 2002. Sunrise Corporation alleges that Starnet Canada failed to make payments for the equipment leased from Sunrise Corporation and that World Gaming is responsible for this debt. The amount of the claim is \$465,211 plus interest and costs. In August 2003, the Company reached a settlement with Sunrise Corporation in consideration of a full and final release of any claims that Sunrise Corporation may have against the Company. The settlement was in the amount of \$230,000 payable as \$25,000 upon signing the settlement with the balance payable in equal installments of \$17,083.33 beginning September 1, 2003 and ending August 1, 2004. (See Item 10. Material Contracts, SETTLEMENT AGREEMENT BETWEEN SUNRISE INTERNATIONAL LEASING CORPORATION OF CANADA AND WORLD GAMING PLC.)

#### U.S. DELAWARE CLASS ACTION CLAIMS

Starnet and certain officers and directors were named as defendants in ten class action lawsuits filed in 1999 alleging that material misrepresentations regarding the nature and inherent risks of the Company's business were knowingly made in filings to the United States Securities and Exchange Commission, press releases and other public statements. The class alleged in the class action claims consists of all persons who purchased Starnet's common stock from March 11, 1999 to August 20, 1999 inclusive, excluding the defendants and persons connected with Starnet. On June 20, 2001, Starnet entered into a memorandum of understanding with the plaintiffs for the settlement of the litigation, which at the time was still subject to the court's approval. The amount of the settlement and related costs totaling \$1,200,000 were included in the current year financial statements for the year ended December 31, 2002. The settlement was approved by the court on September 9, 2002. In March 2003, American Depositary Shares valued at approximately \$1,050,000 pursuant to the terms of the settlement agreement were issued to the members of the plaintiff's class and \$50,000 in related costs was paid in full settlement of this matter.

#### WIREMIX MEDIA INC.

On August 28, 2001 our subsidiary, Starnet Canada, filed a statement of claim against Wiremix Media Inc. in the Supreme Court of British Columbia for approximately CDN\$154,645 due under an asset purchase agreement dated February 18, 2000. Under the asset purchase agreement, Wiremix Media purchased certain assets from Starnet Canada. Wiremix Media filed a statement of defense to Starnet Canada's claim. On October 1, 2001, Wiremix Media filed a statement of claim against Starnet Canada. Wiremix Media alleged that Starnet Systems arbitrarily terminated a marketing and consulting agreement with Wiremix and claims damages of approximately \$2 million remaining under the contract. A negotiated settlement was agreed between the Company and Wiremix Media during 2002 where we are obligated to pay Wiremix Media CDN\$30,000. Of such amount, CDN\$30,000 has been paid during 2003 and this matter is now closed.

#### LAWSUIT BY OUR FORMER FINANCE EMPLOYEE CHRIS THOMPSON

On August 2, 2001, Chris Thompson commenced an action in the Supreme Court of British Columbia against the Company for the wrongful termination of his employment agreement. He claimed damages of approximately \$196,800. A negotiated settlement was agreed between the Company and Chris Thompson during 2002 for \$97,000. The accrual for the unsettled balance was made in the financial statements as at December 31, 2002 with payments made in full during 2003. This matter is now closed.

#### LAWSUIT BY A FORMER EMPLOYEE MITCHELL WHITE

On August 6, 1998 Mitchell White commenced an action against Starnet Communications Canada Inc. for breach of his employment agreement and wrongful termination of him as a director. Mr. White alleges that as a result of his wrongful termination as an employee and director, he was not provided with a severance package in lieu of reasonable notice and he did not receive stock options that he would have otherwise received. Mr. White claims that his losses are in excess of \$1.5m. The trial of this action is scheduled to begin in June, 2004. In February 2004, Starnet Communications commenced a third party claim against a former director of Starnet International, Mr. Jack Carley. It is alleged that Mr. Carley was responsible for the termination of Mr. White in 1998. Mr. Carley is also Mr. White's father-in-law. Management intends to vigorously contest the claim by Mr. White and, in doing so, pursue its third party claim against Mr. Carley. The likelihood of loss, if any, and the costs associated therewith are not determinable at this time.

#### CLAIM BY JIM MACKAY

On March 31, 2004 the company received a Claim Form filed in the Supreme Court of England & Wales against World Gaming plc by Jim Mackay. Mr. Mackay is claiming \$200,004 in respect of a termination payment pursuant to an independent contractor agreement dated May 1, 2002. Management intends to vigorously contest the claim by Mr. Mackay. The likelihood of loss, if any, and the costs associated therewith are not determinable at this time. (See also Item 7. Related Party Transactions.)

#### HER MAJESTY THE QUEEN IN RIGHT OF CANADA

On August 17, 2001, Starnet pled guilty to a single count contrary to the gaming provisions of the Canadian Criminal Code. Starnet was fined CDN\$100,000 and ordered to forfeit \$3,925,000 out of funds theretofore restrained and held by the Royal Canadian Mounted Police in connection with their investigation of Starnet. The investigation is now concluded, and during the hearing before the Court, the Court agreed that there was no legal complaint with regard to Starnet's operations since August, 1999 and as of the date of the plea.

#### DIVIDEND POLICY

Our Articles of Association provide that dividends are declared by the shareholders upon the recommendation of the Board of Directors which has the discretion to make any such recommendation. The Company has never paid cash dividends on our ordinary shares, and it is not anticipated that any cash dividends on our ordinary shares will be paid in the foreseeable future.

## SIGNIFICANT CHANGES

We have experienced no significant changes since the date of the annual financial statements other than those disclosed in those financial statements.

## ITEM 9. THE OFFER AND LISTING

### NATURE OF TRADING MARKET

Our ordinary shares are not directly publicly traded in the United States or any foreign market. Our American Depositary Shares are traded on the OTC Bulletin Board. Each American Depositary Share represents one ordinary share. Price quotations for our American Depositary Shares were reported on the OTC Bulletin Board under the symbol "WGMGY" beginning on May 29, 2001. As of March 31, 2004, we had 45,781,405 ordinary shares issued and outstanding, 40,781,405 of which are represented by American Depositary Shares evidenced by American Depositary Receipts issued by Continental Stock Transfer and Trust Company, as depositary. As of March 31, 2004, two of our ordinary shares were held of record by Continental Stock Transfer and Trust Company, two ordinary shares was held by Continental Stock Transfer and Trust Company and Mr. Steve Nelson jointly, and 5,000,000 ordinary shares were held by Goodison Park Limited. This represents 100% of our issued and outstanding ordinary shares.

The following table sets forth the high and low closing sale prices for our American Depositary Shares on the OTC Bulletin Board, from the beginning of trading on May 29, 2001 to March 31, 2004 and for Starnet, as our predecessor, for periods prior thereto. Such prices do not reflect retail markup, markdown or commissions and may not necessarily represent actual transactions.

	High	Low
	-----	-----
FIVE MOST RECENT FINANCIAL YEARS		
Year ended April 30, 1999.....	17.010	0.375
Year ended April 30, 2000.....	29.000	1.750
Year ended April 30, 2001.....	4.187	0.312
Eight months ended December 31, 2001 .....	2.100	0.410
Year ended December 31, 2002.....	0.975	0.140
Year ended December 31, 2003.....	0.460	0.110
YEAR ENDED DECEMBER 31, 2002		
First Quarter.....	0.670	0.410
Second Quarter.....	0.450	0.192
Third Quarter.....	0.270	0.150
Fourth Quarter.....	0.975	0.140
YEAR ENDED DECEMBER 31, 2003		
First Quarter.....	0.250	0.120
Second Quarter.....	0.180	0.120
Third Quarter.....	0.450	0.110
Fourth Quarter.....	0.460	0.300
QUARTER ENDED		
March 30, 2004.....	0.400	0.890
MOST RECENT SIX MONTHS		
October 2003.....	0.460	0.300
November 2003.....	0.450	0.350
December 2003.....	0.450	0.390
January 2004.....	0.600	0.400
February 2004.....	0.750	0.500
March 2004.....	0.870	0.720

#### REGISTRAR, TRANSFER AGENT AND DEPOSITARY

From June 25, 2001, Continental Stock Transfer and Trust Company has acted as our registrar, transfer agent and depositary with respect to our American Depositary Receipts. Prior to that, our registrar, transfer agent and depositary was Pacific Stock Transfer.

#### ITEM 10. ADDITIONAL INFORMATION

##### MEMORANDUM OF ASSOCIATION AND ARTICLES OF ASSOCIATION

Set forth below is information concerning our equity capital structure and related summary information concerning provisions of our Memorandum of Association and Articles of Association and applicable English law. Since it is a summary, it does not contain all of the information that may be important to you, and the summary is qualified in its entirety by reference to the U.K. Companies Act of 1985, our Memorandum of Association and our Articles of Association. Our Memorandum of Association was filed as Exhibit 3.1 to Registration Statement on Form F-4 (SEC File No. 333-48280) on October 19, 2000. Our former Articles of Association, adopted by special resolution on May 17, 2001, were filed as Exhibit 4.2 to Registration Statement on Form S-8 (SEC File No. 333-70056) on September 24, 2001. A copy of our present Articles of Association, adopted by special resolution on September 19, 2003 are filed as an exhibit to this Form 20-F.

We are incorporated under the name World Gaming plc and our company is incorporated in England and Wales with the registered number 4094204. Our Memorandum of Association does not include a stated purpose.

#### BOARD ACTION AND POWERS

The Articles of Association provide that unless otherwise determined by ordinary resolution, the Board of Directors shall consist of not less than two nor more than 10 members. Currently, the number of directors is set at 5.

Except as noted below, the Board of Directors may at any time appoint any person to be a director either to fill a vacancy or as an additional director, provided that the number of directors does not exceed 10. Any person so appointed by the Board of Directors shall hold office only until the next annual general meeting of shareholders and shall then be eligible for election by the shareholders, but shall not be taken into account in determining the number of directors who are to retire by rotation at such meeting as set out below.

At each annual general meeting of shareholders, one-third of our directors (or, if their number is not a multiple of three, the number nearest to but not greater than one-third) must retire from office by rotation. If the number of directors subject to retirement by rotation is fewer than three, one of such directors shall retire. The directors to retire by rotation shall be in addition to any director who wishes to retire and not to offer himself for re-election. The directors to retire by rotation shall include those members who have served the longest on the Board of Directors. A retiring director is eligible for immediate re-election.

Any provisions of the U.K. Companies Acts of 1985 and 1989 or other United Kingdom statutes applicable to us which would have the effect of rendering any person ineligible for appointment as a director or liable to vacate office as a director by virtue of his having reached any specified age or of requiring special notice or any other special formality in connection with the appointment or election of any director over a specified age, do not apply to us.

Directors are not required to hold any of our ordinary shares by way of qualification. A director who is not a shareholder shall nevertheless be entitled to attend and speak at shareholders' meetings.

#### BORROWING POWERS

Subject to the limitations noted below, the directors may exercise all our powers to borrow money and to mortgage or charge our undertaking, property and uncalled capital or any part or parts thereof, and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of us or of any third party.

#### COMPENSATION AND EXPENSES

The compensation of the directors is determined by the Board of Directors but may not in the aggregate exceed (pound)180,000 per year (disregarding any compensation payable to directors in their capacity as executives) or such higher amount as may from time to time be determined by an ordinary resolution of our Board. Such compensation shall (unless such resolution otherwise provides) be divisible among the directors as the Board of Directors may decide, or, failing agreement, equally, except that any director who holds office for only part of the period with respect to which such compensation is payable is entitled only to rank in such division for a proportion of compensation related to the period during which he has held office. Any director who is employed, or holds executive office may be paid such extra compensation by way of a fixed sum of money, or in whole or in part by participating in profits or otherwise, as the Board of Directors may determine, and such compensation may be in addition to or

instead of a fee payable to him for his services as director. The directors may repay to any director all reasonable expenses as he may incur in attending and returning from meetings of the directors or of any committee of the directors or shareholders' meetings or otherwise in connection with our business.

#### PENSIONS AND OTHER BENEFITS

The directors shall have the power to pay and agree to pay gratuities, pensions or other retirement benefits, death or disability benefits to (or to any person in respect of) any director or ex-director and, for the purpose of providing any such gratuities, pensions, or other benefits, to contribute to such scheme or to pay premiums.

#### INTERESTED DIRECTOR TRANSACTIONS

Subject to certain provisions of the U.K. Companies Act of 1985 designed to enforce fair dealing by directors and prevent their taking financial advantage, and provided that a director has disclosed to the directors the nature and extent of any interest, a director:

- o may be party to or otherwise interested in any contract, transaction, or arrangement with us or in which we are otherwise interested;
- o may be a director or other officer of or employed by a party to any contract, transaction or arrangement with or otherwise interested in any corporate body promoted by us or in which we are in any way interested (or any firm of which he is a partner, employee or member); and
- o may act in a professional capacity for us (other than as auditor) and be compensated therefor and shall not (unless otherwise agreed by him) be accountable to us for any benefit which he derives from any such contract, transaction or arrangement or from any such office or employment or from any interest in any such corporate body or for such compensation.

No such contract, transaction or arrangement shall be liable to be avoided on the grounds of any such interest or benefit.

Except as otherwise provided below, a director shall not vote in respect of any contract or arrangement or any other proposal whatsoever in which he has any material interest otherwise than by virtue of interests in shares or debentures or other securities of, or otherwise in or through, us. A director shall not be counted in the quorum of a meeting in relation to any resolution on which he is not entitled to vote. Provided that a director has disclosed the nature and extent of his interests, a director shall (in the absence of some other material interest than is indicated below) be entitled to vote (and be counted in the quorum) in respect of any resolution concerning any of the following matters:

- o the giving of any security, guarantee or indemnity with respect to (a) money lent or obligations incurred by him or by any other person at the request of or for our benefit of our company or the benefit of any of our subsidiaries, or (b) a debt or other obligation of our company or any of our subsidiaries for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
- o any proposal concerning an offer of shares or debentures or other securities of or by us or any of our subsidiaries in which offer he is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which he is to participate;

- o any proposal concerning any other corporate body in which he is interested, directly or indirectly, and whether as an officer or shareholder or otherwise, provided that he (together with persons connected with him (within the meaning of Section 346 of the U.K. Companies Act 1985)) does not have any interest (as that term is used in Sections 198 to 211 of the U.K. Companies Act 1985) in 1% or more of the issued equity share capital of any class of such body corporate (or of any third company through which his interest is derived) or of the voting rights available to members of the relevant corporate body;
- o any proposal relating to an arrangement for the benefit of our employees or those of any of our subsidiaries which does not award him any privilege or benefit not generally awarded to the employees to whom such arrangement relates; and
- o any proposal concerning insurance which we propose to maintain or purchase for the benefit of directors or for the benefit of persons who include directors.

#### INDEMNIFICATION OF DIRECTORS

Our Articles of Association entitles (subject to the provisions of the U.K. Companies Act of 1985 and the U.K. Uncertificated Securities Regulations 1995) every director, secretary or manager of our company, to be indemnified by the Company against liabilities incurred during the discharge of his or her duties including where judgment is given in his or her favor or if the claim is disposed of where he or she has not been found to have been in material breach of his or her duty.

#### DESCRIPTION OF SHARE CAPITAL

##### GENERAL

Our authorized share capital is (pound)1,000,000 divided into 500,000,000 ordinary shares of (pound)0.002 nominal value per share.

##### ORDINARY SHARES

As of March 31, 2004, 45,781,417 of our ordinary shares were issued and outstanding and are fully paid or credited as fully paid, each of which is in registered form. No holder of ordinary shares will be required to make additional contributions of capital in respect of those shares in the future. There are no rights of pre-emption attaching to the ordinary shares, save as set out below under "Issuance of Shares". See Item 10 - Additional Information - Material Contracts - Unsecured Convertible Loan Note with Goodison Park Limited and - Stock Acquisition Agreement with Goodison Park Limited. Furthermore, they are not issued as redeemable shares. However, it should be noted that we may choose to utilize the power conferred upon us by Part V Chapter VII of the Companies Act 1985 to issue redeemable shares subject to obtaining an appropriate authority from the shareholders. Neither the Memorandum of Association, Articles of Association, nor any statutory provision in England and Wales restrict in any way the ownership of, nor voting rights attaching to, the ordinary shares held by persons resident outside the United Kingdom. Under the terms of our Articles of Association, we are obliged to give notice of shareholder meetings to all ordinary shareholders, including those with an address for service outside the United Kingdom.

##### ISSUANCE OF SHARES

Subject to any special rights previously conferred on the holders of any issued shares or class of shares, any share of the Company may be issued with any preferred, deferred, or other special rights. They may also be issued subject to restrictions, including, without limitation, restrictions on dividends, return of capital, voting or otherwise, as an ordinary resolution of a general meeting of our shareholders may from time to time direct, and failing such direction, as our Board of Directors may determine.

Subject to the provisions of the U.K. Companies Act 1985, the authorized but not issued shares are at the disposal of the directors who may issue, grant options over or otherwise dispose of them to those persons and on whatever terms they deem appropriate.

Pursuant to Section 80 of the U.K. Companies Act 1985, our directors are authorized to allot shares (or grant any right to subscribe for or convert other securities into shares) up to (pound)1,000,000, and such authorization will expire five years from the date our incorporation.

If ordinary shares are to be issued for cash, Section 89 of the U.K. Companies Act 1985 requires, subject to limited exceptions in respect of employee share schemes, that those shares first be offered to existing holders of shares in proportion to their holdings. However, Section 95 of the U.K. Companies Act 1985 provides that in certain circumstances the directors of a company may by special resolution be given power to issue shares as if Section 89 did not apply. Our Articles of Association render Section 89 inapplicable up to the aggregate nominal amount of (pound)100,000, and this authority will expire at the close of business on May 17, 2006.

#### ALTERATION OF SHARE CAPITAL

We may from time to time by ordinary resolution approved by our shareholders at a general meeting:

- o increase our share capital by the sum, to be divided into shares of those amounts, as the resolution shall prescribe;
- o consolidate and divide all or any of our share capital into shares of larger amount than our existing shares;
- o cancel any shares which, at the date of the passing of the resolution, have not been taken, or agreed to be taken, by any person and diminish the amount of our capital by the amount of the shares so canceled; and
- o subdivide our shares, or any of them, into shares of smaller amount, and so that the resolution whereby any share is subdivided may determine that the shares resulting from that subdivision may, as compared with the others, have any preferred, or other special rights or be subject to any restrictions.

We may purchase or enter into a contract under which we will or may purchase any of our own shares of any class (including any redeemable shares, if any then exist) on such terms and in such manner as permitted by the law.

We may, by special resolution approved by our shareholders at a general meeting, reduce our share capital or any capital redemption reserve, share premium account, or other undistributable reserve in any way, subject to the rights of the existing shares and English law.

#### DIVIDEND RIGHTS

Holders of ordinary shares are entitled to receive those dividends as may be recommended in the discretion of the Board of Directors and declared by the shareholders in a general meeting, but no larger dividend may be declared than is recommended by our Board of Directors. No unpaid dividend bears interest as against the Company unless otherwise provided by the rights attached to the shares.

## RIGHTS IN LIQUIDATION

In the event of the Company's liquidation, after satisfaction of liabilities to creditors, holders of ordinary shares are entitled to share pro rata in the net assets of our company.

## NOTIFICATION OF INTEREST IN ORDINARY SHARES

Section 198 of the U.K. Companies Act 1985 obliges any person (subject to exception) who acquires an interest of 3% or more of our ordinary shares to notify the Company of his interest within two business days following the day on which the obligation to notify arises. After the 3% level is exceeded, similar notification must be made if the whole percentage figure increases or decreases, rounded down to the next whole number. For the purposes of the notification obligation, the interest of a person in the shares means any kind of interest in shares (subject to certain exceptions) including any shares (1) in which his spouse or his child or stepchild, is interested, (2) in which a corporate body is interested where either (a) that corporate body or its directors are accustomed to act in accordance with that person's directions or instructions, or (b) that person controls one third or more of the voting power of that corporate body, or (3) in which another party is interested where the person and that other party are parties to a "concert party" agreement under Section 204 of the U.K. Companies Act 1985 and any interest in shares is in fact acquired by any one of the parties pursuant to the agreement. A "concert party" agreement is an agreement which provides for one or more parties to it to acquire interests in shares of a particular company and imposes obligations or restrictions on any one or more of the parties as to the use, retention or disposal of the interests.

In addition, Section 212 of the U.K. Companies Act 1985 enables us, by notice in writing, to require a person whom we know or have reasonable cause to believe to be, or to have been at any time during the three years immediately preceding the date on which the notice is issued, interested in shares to confirm that fact or (as the case may be) to indicate whether or not that is the case, and where he holds or has during this relevant time held an interest in the shares, to give further information as may be required relating to his interest and any other interest in the shares of which he is aware.

In addition to the restrictions on the rights attaching to shares imposed by the U.K. Companies Act 1985 for noncompliance with Section 212 of that Act, the Articles of Association apply additional restrictions. The restrictions imposed or applied can potentially include disenfranchisement, loss of entitlement to dividends and other payments and restrictions on alienability.

## VOTING RIGHTS OF ORDINARY SHARES AND SHAREHOLDER MEETINGS

Under English law, there are two types of general meeting of shareholders: annual general meetings and extraordinary general meetings. An annual general meeting must be held at least once in each calendar year and not later than 15 months from the previous annual general meeting. At the annual general meeting matters such as the election of directors, appointment of auditors and the fixing of their remuneration, approval of the annual accounts and the directors' report and declaration of dividends are considered. Any other general meeting is known as an extraordinary general meeting.

The directors may convene an extraordinary general meeting and must convene one if demanded by holders of not less than 10% of the paid-up shares. An annual general meeting and an extraordinary general meeting called to pass a special resolution must be called by at least 21 days' notice specifying the place, day and time of the meeting and the general nature of the business to be transacted. No business may be transacted at any general meeting unless a quorum of two persons entitled to vote on the business to be transacted is present in person or by proxy.

At a general meeting, a simple majority of the votes cast is sufficient to pass an ordinary resolution. A special or extraordinary resolution is decided on a poll. A special or extraordinary resolution can only be considered if our shareholders receive at least 21 days' prior notice of the meeting at which such resolution will be considered.

Subject to the restrictions referred to in the following paragraph, at a meeting of shareholders every holder of shares who (being an individual) is present in person or (being a corporation) is present by a representative or proxy not being himself a member shall have one vote on a show of hands, and on a poll, every holder of shares present in person or by proxy shall have one vote for every share held. A special or extraordinary resolution (such as, for example, a resolution amending our Memorandum of Association or Articles of Association or approving a winding-up of the company) requires approval of the holders of 75% of our issued ordinary shares represented at a shareholders meeting, in person or by proxy, and voting thereon. Shareholders are not entitled to cumulative voting rights. A poll can be demanded by:

- o the chairman of the meeting;
- o not less than five shareholders present in person or by proxy having the right to vote at the meeting;
- o a holder or holders of shares or his or their proxy representing not less than 10% of the total voting rights of all shareholders having the right to attend and vote at the meeting; or
- o by a holder or holders of shares or his or their proxy conferring a right to attend and vote at the meeting on which an aggregate sum has been paid up equal to not less than one tenth of the total sum paid up on all shares conferring that right.

A holder of shares shall not be entitled (except as a proxy for another shareholder) to be present or vote at any general meeting:

- o in respect of any shares held by him in relation to which he or any other person appearing to be interested in those shares has been served with a notice under Section 212 of the U.K. Companies Act 1985, requiring him to provide information in accordance with that section and containing a statement that upon failure to supply such information before the expiration period specified in the notice (which may not be less than 28 days) the registered holder of the share is not entitled to vote in respect of those shares, and the person on whom such notice was served fails to supply the information within the specified period; or
- o unless all amounts presently payable by him in respect of such shares have been paid.

#### TRANSFER OF SHARES

Fully paid ordinary shares are issued in registered form and may be freely transferred pursuant to the Articles of Association. The instrument of transfer of a share may be in any usual form or in any other form of which the directors approve and shall be executed by or on behalf of the transferor and, unless the share is fully paid, by or on behalf of the transferee. The directors may restrict the transfer of a share which is not fully paid provided that any such restriction will not prevent dealings in the shares from taking place on an open and proper basis. Subject to the provisions of English law, the Company's Articles of Association provide that we may issue shares which may be held, evidenced and transferred through a relevant system in an uncertificated form.

## ISSUANCE OF AMERICAN DEPOSITARY SHARES

The terms of our Deposit Agreement with Continental Stock Transfer & Trust Company, as depositary ("ADS Depositary"), permits issuance of American Depositary Receipts, or ADRs, evidencing American Depositary Shares, or ADSs, for ordinary shares accepted for deposit by the depositary. Our ADS Depositary also serves as an initial custodian.

The Deposit Agreement provides that every person depositing ordinary shares is deemed to represent to the depositary that

- o such shares are validly issued and outstanding;
- o were not acquired in violation of any pre-emptive rights;
- o such person is duly authorized to make such deposit; and
- o such shares are not restricted securities as defined in Rule 144 under the Securities Act unless at the time of deposit they may be freely transferred under that rule, or have been registered under the Securities Act.

The ADS Depositary may require a written delivery order listing the persons in whose name an ADR or ADRs evidencing the ADSs representing such deposited ordinary shares are to be issued. ADRs are issued only in denominations of any whole number of ADSs. We are obligated to transmit to the depositary a copy of all communications it makes generally available to holders of ordinary shares or to any securities regulatory authority or stock exchange as public information. The depositary will make such publication obligations available to the holders. Our depositary keeps a register for the registration, registration of transfer, combination or split-up of ADSs at its offices in New York at 2 Broadway, New York, New York 10004, and such register is open for inspection by registered holders of ADSs. In the registration statement that we filed with the SEC on Form F-6 (SEC File No. 333-13286) on May 24, 2001, 50,000,000 ADSs, where each ADS represented one ordinary share, were registered. The Deposit Agreement and a form of ADR have been filed as Exhibit (a) to a registration statement on Form-6 (SEC File No. 333-13286) effective as of May 24, 2001.

## VOTING OF ADSS BY PROXY

The ADS Depositary can appoint more than one person to be its proxy. The appointment shall set out the number of ordinary shares in relation to which such proxy has been appointed, and such number shall not exceed the number of the ordinary shares registered in the name of the ADS Depositary. The appointed proxy may attend general meetings so long as it provides us with written evidence of its appointment. At a general meeting, the appointed proxy is entitled to the same rights and has the same obligations with respect to the appointed number of the ordinary shares as if it were a registered owner of such shares, or as if it were a duly appointed proxy in relation to those ordinary shares.

## EXCHANGE CONTROLS AND OTHER LIMITATIONS AFFECTING SECURITY HOLDERS

There are currently no United Kingdom foreign exchange control restrictions on the payment of dividends or other payments to holders of ordinary shares or on the conduct of our operations.

There are currently no restrictions under our Articles of Association or under English law which limit the rights of non-resident or foreign owners to freely hold, vote and transfer ordinary shares in the same manner as United Kingdom residents or nationals.

## CHANGE OF CONTROL

We have a "classified" Board of Directors because our directors must retire by rotation. This means that (if the retiring directors are willing to continue to act and are approved by the Board and offer themselves for re-election) only approximately one-third of our directors are eligible for election each year (in addition to any directors appointed by the Board since the last annual general meeting).

In addition to the shareholders right not to re-appoint retiring directors who are willing to continue to act and are approved by the Board and to re-appoint directors appointed by the Board since the last annual general meeting, shareholders can remove directors by ordinary resolution of the holders of 50% of our issued ordinary shares represented at a shareholders meeting.

#### MATERIAL CONTRACTS

The following is a summary of our material contracts. We have included the contracts entered into by our operating subsidiaries that we consider material to our operations.

##### ACCORD AND SATISFACTION AGREEMENT AMONG STARNET, STARNET SYSTEMS, SIMPSON BAY, LTD., AND AIM INVESTMENTS LTD

An Accord and Satisfaction Agreement among Starnet, Starnet Systems, Simpson Bay, Ltd., and AIM Investments Ltd. was entered into on May 17, 2001. Simpson Bay loaned to Starnet Systems, a subsidiary of Starnet, \$1,500,000 pursuant to a loan agreement dated June 23, 2000, which provided for the conversion of the Loan into shares of Starnet. The Accord and Satisfaction Agreement was entered into to effect such conversion. Pursuant to the agreement, 2,000,000 unregistered shares of Starnet's common stock were issued to Simpson Bay as repayment in full of the loan. The parties further agreed that Starnet would be free to utilize the equipment that had been located in Gibraltar. Simpson Bay agreed to exclusively use Starnet software on its sites www.playeronly.com, www.sportsbook.com, and www.acescasino.com for four years from August 15, 2000. Starnet will have a right of first opportunity to design new gaming software for Simpson Bay so long as it can be competitive with other providers. An affiliate of Simpson Bay will give Starnet a right of first refusal for two years to provide new Starnet sportsbook and casino software for the new casino sublicensee sites that will be launched by such affiliates so long as Starnet's software is competitive. In the event of change of control of Simpson Bay such right will terminate.

##### LOAN AGREEMENT BETWEEN STARNET, WORLD GAMING AND SPORTINGBET PLC; GENERAL SECURITY AGREEMENT WITH SPORTINGBET PLC; ESCROW AGREEMENT WITH NCC ESCROW INTERNATIONAL LIMITED.

On August 1, 2002, Starnet, World Gaming and Sportingbet PLC ("Sportingbet") entered into a Loan Agreement (the "Loan Agreement") pursuant to which Sportingbet agreed to loan to Starnet and World Gaming a maximum principal amount of \$1,500,000 (the "Loan"). The Loan provided that payments are made under the Loan based upon a deduction by Sportingbet of \$225,000 per month from November 2002 to March 2003 and \$62,500 per month from April 2003 to September 2003. The Loan was subject to an Escrow Agreement and a Charge Agreement, which provided Sportingbet the right to access and use the software and the secure site where the hardware is located in the event of default. The Loan was fully repaid in April, 2003.

On August 1, 2002, in connection with the Loan Agreement, we entered into a Security Agreement with Sportingbet. The Security Agreement provided that we grant Sportingbet a security interest in the hardware used by us to provide the services to Sportingbet under the License Agreement between the parties. The grant of the security interest secured our obligation to repay Sportingbet under the Loan Agreement. If certain trigger events occurred under the Loan Agreement, Sportingbet may have taken possession of the hardware, subject to any restrictions by law, or exercise other rights available to it, including selling or leasing the hardware. The Loan was fully repaid in April, 2003 and any security interests attached thereto were extinguished.

#### UNSECURED CONVERTIBLE LOAN NOTE WITH GOODISON PARK LIMITED

As part of the \$1.5 million financing completed in April 2003 (subsequent to the year ended December 31, 2002), the Company entered into an unsecured convertible loan ("Convertible Loan") for an amount of \$900,000 on April 4, 2003 with Goodison Park Limited, a wholly-owned subsidiary of Sportingbet PLC ("Goodison Park"). Unless previously repaid or redeemed, the Convertible Loan must be repaid on April 4, 2005, two years from the issue date. Goodison Park has the right during the two year period in which the Convertible Loan remains outstanding to require the Company to redeem the Convertible Loan for shares of stock in the Company at a per share conversion price of \$0.12. This redemption can be for an amount of at least \$50,000 and up to the full amount outstanding as designated by Goodison Park. Goodison Park has the right to transfer the entitlement under the Convertible Loan. Additionally, the Company has agreed that while the Convertible Loan is outstanding, it will not, without the consent of Goodison Park, create, issue or redeem and share or loan capital or grant any options (except for those issued in accordance with the Company's 2001 Share Option Scheme) or effect any other change in the Company's share capital.

#### STOCK ACQUISITION AGREEMENT WITH GOODISON PARK LIMITED

On April 4, 2003, as part of the \$1.5 million financing, the Company entered into a Stock Acquisition Agreement with Goodison Park ("Acquisition Agreement"). Pursuant to the Acquisition Agreement, the Company was required to issue 5,000,000 ordinary shares of (pound)0.002 each in the capital of the Company at a subscription price of \$0.12 per share, for a total subscription price of \$600,000. The shares are fully transferable unrestricted shares with full voting and other rights attaching to the Company's share capital in accordance with its Articles of Association. The shares shall not be issued as American Depositary Shares. Subject to the terms of the Acquisition Agreement, Goodison Park also has the right to require the Company to appoint and maintain in office one director of the Company's board of directors who will also be a member of any committee of the Board.

World Gaming undertook in the Acquisition Agreement relating to the purchase of such 5,000,000 ordinary shares to procure that a resolution be proposed to its shareholders at its 2003 Annual General Meeting which if passed, would enable the directors to issue shares non-pre-emptively only in respect of sufficient numbers of shares to meet the exercise of existing share options. In addition, World Gaming undertook (subject to certain qualifications) not to take the following actions without the prior written consent of Goodison Park:

- o any change to World Gaming's Memorandum and Articles of Association other than as contemplated by the Acquisition Agreement;
- o the presentation of any petition for winding-up or petition for an administration order;
- o any change in the share capital or the creation, allotment or issue of any shares or of any other subscribe for or to convert any instrument into such shares or securities other than as contemplated by the Acquisition Agreement and other than any shares issued pursuant to the normal operation of World Gaming's 2001 Share Option Plan but excluding all executive arrangements;
- o any reduction of the share capital or variation of the rights attaching to any class of shares or any redemption, purchase or other acquisition of any shares or other securities;
- o the adoption after the date hereof of any bonus or profit-sharing scheme, any share option or share incentive scheme or employee share trust or share ownership plan or retirement benefit scheme;
- o capital expenditure of greater than US\$200,000;

- o the entry into of any contract or commitment under which World Gaming may incur costs of US\$200,000 or more or which may not be fulfilled or completed within one year or with a director or connected person of a director;
- o the borrowing of amounts (or indebtedness in the nature of borrowings) other than in the ordinary course of trading or the creation of any charge or other security over any of the Company's assets or property;
- o the giving of any guarantee or indemnity; and
- o the commencement or settlement of any litigation arbitration or other proceedings which are material in the context of the Company's business.

GUARANTEE FROM NICHOLAS JACKSON IN FAVOR OF GOODISON PARK LIMITED

In connection with the Convertible Note and the Acquisition Agreement, Nicholas Jackson agreed to enter into a guarantee agreement pursuant to which Mr. Jackson guaranteed to procure the due and punctual performance of World Gaming's obligations. Goodison Park has released Mr. Jackson from this guarantee effective June 4, 2003.

SOFTWARE LICENSE AGREEMENT BETWEEN INTERNET OPPORTUNITY ENTERTAINMENT LTD. AND SOFTEC SYSTEMS CARIBBEAN INC. DATED MARCH 19, 1998

A Software License Agreement between Internet Opportunity Entertainment Ltd., a wholly-owned subsidiary of Sportingbet Plc and the successor to Internet Opportunity Antigua, and Starnet Systems' predecessor, Softec Systems Caribbean Inc., was entered into on March 19, 1998. Starnet Systems licensed its Internet casino software in order to allow Internet Opportunity to operate an Internet gaming site. The non-exclusive license provides for a single online casino which includes such games as blackjack, roulette, pai gow poker, video poker and slot machines and a sportsbook web site, an HTML version of the sportsbook and a lottery ticket distribution web site. Starnet Systems was to provide all necessary computer hardware to run Internet Opportunity's site. The term of the license was for one year, and renews indefinitely for additional one-year terms. During such renewal terms, Internet Opportunity may cancel the license upon at least 45 days notice prior to the end of such term, and Starnet Systems may cancel upon at least eight months notice. In the event of breach by either party, the other party may terminate this agreement. Starnet Systems can also terminate this agreement if it becomes the subject of a serious third party civil or criminal litigation as a result of Internet Opportunity's actions. The agreement can also be terminated by either party if the other party becomes insolvent. CERTAIN TERMS OF THIS AGREEMENT ARE SUBJECT TO A REQUEST FOR CONFIDENTIAL TREATMENT WITH THE SECURITIES AND EXCHANGE COMMISSION.

SOFTWARE LICENSE AGREEMENT BETWEEN REAL ENTERTAINMENT LTD. AND SOFTEC SYSTEMS CARIBBEAN INC. DATED MAY 10, 1999

A Software License Agreement between Real Entertainment Ltd. and Starnet Systems' predecessor, Softec Systems Caribbean Inc. was entered into on May 10, 1999. Starnet Systems licensed its Internet casino software in order to allow Real Entertainment to operate an Internet gaming site. The non-exclusive license permits no more than two casinos including such games as blackjack, roulette, pai gow poker, video poker and slot machine, a sportsbook web site, an HTML version of the sportsbook, and a lottery ticket distribution web site. Starnet Systems was to provide all necessary computer hardware to run Real Entertainment's site. The term of the license is for one year, and it will renew indefinitely for additional one year terms. During such renewal terms Real Entertainment may cancel the license upon at least 45 days notice prior to the end of such term, and Starnet Systems may cancel upon at least six months notice. In the event of breach by either party, the other party may terminate this agreement. Starnet can also terminate this agreement if it becomes the subject of a serious third party civil or criminal litigation as a result of Real Entertainment's actions. The agreement can also be terminated by either party if the other party becomes insolvent. CERTAIN TERMS OF THIS AGREEMENT ARE SUBJECT TO A REQUEST FOR CONFIDENTIAL TREATMENT WITH THE SECURITIES AND EXCHANGE COMMISSION.

INTERNET SERVICE AGREEMENT BETWEEN EFS CARIBBEAN INC. AND CABLE AND WIRELESS (WEST INDIES) LTD.

The Company hosts its casino, sportsbook and pari-mutuel offerings on servers in Antigua with access to this software provided to our licensees and their clientele. As such, Internet access to these servers is critical to the provision of our services. To facilitate these services, EFS Caribbean Ltd. entered in an agreement with Cable and Wireless (West Indies) Ltd., on April 21, 1999 for the provision of Internet Services. The initial terms of agreement was for three months but the agreement will continue until either party provides 30 days advance written notice of termination. Cable and Wireless may revise the charges payable under the agreement upon thirty (30) days advance notice.

SETTLEMENT AGREEMENT BETWEEN EMC CORPORATION AND EMC CORPORATION OF CANADA AND STARNET COMMUNICATION CANADA INC., WORLD GAMING PLC., AND INPHINITY INTERACTIVE

Pursuant to a master lease agreement of June 27, 2000 entered into by the Company, EMC claimed unpaid lease payments including interest of \$1,522 as at November 13, 2003. On December 30, 2003, the Company entered into a settlement agreement with EMC Corporation which provided for full and final settlement of all claims by EMC Corporation for consideration of \$300,000 payable as \$100,000 upon signing the agreement with the balance payable in 12 equal instalments payable until November 15, 2004.

SETTLEMENT AGREEMENT BETWEEN SUNRISE INTERNATIONAL LEASING CORPORATION OF CANADA AND WORLD GAMING PLC

In August 2003, the Company reached a settlement with Sunrise Corporation in consideration of a full and final release of any claims that Sunrise Corporation may have against the company. The settlement was in respect of equipment provided to the Company under lease arrangements for which the Company was in default due to non-payment. The settlement was payment of \$230,000 payable as \$25,000 upon signing the settlement with the balance payable in equal instalments of \$17,083.33 beginning September 1, 2003 and ending August 1, 2004.

LICENSE AND SERVICES AGREEMENT BETWEEN ORACLE CORPORATION CANADA INC. AND WORLD GAMING PLC

On May 30, 2003 the Company entered into a License and Services Agreement with Oracle Corporation Canada Inc for the provision of limited rights to use certain Oracle software products together with product support and software updates. The total commitment in respect of this agreement was CDN \$1.36 million dollars payable in accordance with a payment schedule over twenty months ending December 2004.

AMENDMENT AGREEMENT BETWEEN ORACLE CORPORATION CANADA INC. AND WORLD GAMING PLC IN RESPECT OF THE LICENSE AND SERVICES AGREEMENT

On February 24, 2004 the Company entered into an Amendment Agreement to the License and Services Agreement with Oracle Corporation Canada Inc for the provision of limited rights to use certain Oracle software products together with product support and software updates. The amended agreement provides for an acceleration to the original payment schedule in consideration of a discount of CDN \$100,000 dollars to the Company. The revised payments schedule provides for completion of the outstanding payments by May 25, 2004 with a final payment of \$93,636.96 Canadian dollars. All other payments under this schedule have been met at March 31, 2004.

SETTLEMENT AGREEMENT BETWEEN SINSATIONAL ENTERTAINMENT INC. AND SOFTEC SYSTEMS CARIBBEAN INC. AND WORLD GAMING PLC

In August 2003, the Company reached a settlement with Sinsational Entertainment Corporation in consideration of a full and final release of any and all claims that Sinsational Entertainment Inc. ("Sinsational") may have against the Company in return for the Company releasing any and all claims that it may have had against Sinsational. The Agreement also provided for the settlement of arbitration fees accrued at that date as to \$5,000 by Sinsational and any amount exceeding \$5,000 to be paid by the Company. It further provided for restricted access to Sinsational's data by the Company. This matter is now closed.

EMPLOYMENT AND CONSULTING AGREEMENTS

JAMES H. GROSSMAN, CHAIRMAN

The Company entered into a service agreement dated June 4, 2003 with James Grossman with an effective date of April 11, 2003, to serve as a non-executive member of the board of director and specifically as the Chairman of the Board of Directors. In exchange for these services, Mr. Grossman is provided with a compensation of (pound)50,000 per annum. Mr. Grossman's fees include compensation for up to five hours a month of legal services to be provided by Mr. Grossman to the Company and Mr. Grossman may additionally provide up to five hours per month of legal services, the fees for which shall not exceed a total of US\$1,750.00 per month. In addition from time to time, Mr. Grossman acts as Counsel to the company in specific matters where his expertise is considered valuable by the Board. During 2003, Mr. Grossman received compensation for such legal services in an amount of \$22,685. Such additional legal services shall be subject to review by Company management at the end of each calendar year. During the first month of this agreement, Mr. Grossman received a special fee of (pound)5,000 in addition to his compensation for performing extraordinary duties. As part of his compensation package, Mr. Grossman is entitled to an annual cash bonus to be determined by the Board. Mr. Grossman was granted stock options to purchase a total of 450,000 of the Company's shares, 150,000 of which are to fully vest on April 11, 2004 and 300,000 of which on April 11, 2005. All options, however, will vest upon a change of control or if Mr. Grossman is terminated without cause. The stock option exercise price is \$0.14 per share, which was determined based on the closing price on June 4, 2003 of the company's ADR's. The term of the service agreement was for an initial six month period; provided the agreement shall remain in force thereafter and shall remain in force until terminated by either the Company or Mr. Grossman upon six months prior written notice.

A. DANIEL MORAN, CHIEF EXECUTIVE OFFICER

Starnet Systems and World Gaming entered into an employment agreement dated June 4, 2003 with Daniel Moran with an effective date of April 11, 2003. Pursuant to such agreement, Mr. Moran serves as Chief Executive Officer of World Gaming and Starnet Systems. He has a base salary of \$189,000, an annual housing allowance of \$25,650, and certain other additional benefits. As part of his compensation package, Mr. Moran is entitled to a 50% annual cash bonus based on objectives set by the board of directors. Mr. Moran is also entitled to a deferred bonus that is payable if he is still employed by the Company in three years, which bonus is calculated at 75% of all bonuses paid over the three years. Mr. Moran was granted share options to purchase 1,500,000 of the Company's shares; 1,000,000 shares which are to fully vest on April 11, 2004 and 500,000 by April 11, 2005. 500,000 of the shares vesting on April 11, 2004 were given in consideration of Mr. Moran serving as director and 500,000 were an initial signing bonus. All options immediately vest upon a change of control. The stock option exercise price is \$0.14 per share, which was the closing price of the Company's ADR's on June 4, 2003. If Mr. Moran's employment agreement is terminated without cause, the Company will be required to pay him a severance payment of six months base salary and allowances.

DAVID NAISMITH, CHIEF FINANCIAL OFFICER

Starnet Systems and World Gaming entered into an employment agreement dated June 4, 2003 with David Naismith with an effective date of August 1, 2003 for the position of Chief Financial Officer. He will have a base salary of \$156,000, an annual housing allowance of \$25,000, and certain other additional benefits. As part of his compensation package, Mr. Naismith is entitled to a 50% annual cash bonus based on objectives set by the board of directors. Mr. Naismith is also entitled to a deferred bonus that is payable if he is still employed by the Company in three years, which bonus is calculated at 75% of all bonuses paid over the three years. Mr. Naismith was granted share options to purchase 650,000 of the Company's shares; 150,000 which are to fully vest on June 4, 2004 and 500,000 on August 1, 2005. The stock option exercise price for the 150,000 shares is \$0.14, which was determined based on the closing price of the Company's ADR's on June 4, 2003 and the stock option price for the 500,000 shares is \$0.14, which was determined based on the closing price of August 1, 2003. If Mr. Naismith's employment agreement is terminated without cause, the Company will be required to give him six months notice or pay him a severance payment of six months base salary and allowances.

MARK THOMPSON, OPERATIONS DIRECTOR, MANAGING DIRECTOR OF STARNET SYSTEMS AND ACTING CHIEF FINANCIAL OFFICER

The Company extended a written offer of employment to Mark Thompson in the position of Operations Director and Managing Director of Starnet Systems beginning December 1, 2002 with a base salary of \$120,000, an annual housing allowance of \$30,000, a company maintained vehicle and certain other benefits. As part of his compensation package, Mr. Thompson is entitled to up to a 75% annual cash bonus. Mr. Thompson is also entitled to stock options which are yet to be defined. If Mr. Thompson employment agreement is terminated without cause, the Company will be required to pay him a severance payment of four months base salary and allowances.

Mr. Thompson previously held the position of Vice President Finance which he was appointed to in November 1, 2001. He had a base salary of \$100,000 and certain other benefits. As part of his previous compensation package, Mr. Thompson was granted options to purchase shares in the Company, 80,000 with an exercise price of \$1.49 which were fully vested by November 1, 2002. Prior to November 1, 2001, Mr. Thompson was employed as a consultant from August 7, 2001 to October 31, 2001 in which Mr. Thompson was compensated \$80,000 and granted 30,000 options to purchase shares in the Company with an exercise price of \$0.49. The stock options have fully vested. In addition in July 2003 Mr. Thompson was granted 200,000 options to purchase shares in the Company with an exercise price of \$0.14 representing the then closing market price on the date of the grant.

Mr. Thompson briefly resigned from the Company from September 15, 2002 to November 30, 2002, and was awarded as severance six months compensation payable in 12 equal semi-monthly installments and 22 days of accrued vacation pay. There were no payments made under this arrangement and subsequently Mr. Thompson released the company from this obligation as of June 30, 2003.

DAVID FLEMING, FORMER CHIEF TECHNOLOGY OFFICER AND MANAGING DIRECTOR OF INPHINITY INTERACTIVE

Inphinity Interactive Inc. extended a written offer of employment to David Fleming in the position of Vice President Product Development beginning September 10, 2001. Effective October 2002, Mr. Fleming was appointed to the position of Chief Technology Officer. Mr. Fleming's base salary was \$180,000 CDN as of October 2002. As part of his compensation package, Mr. Fleming is entitled to 30% annual cash bonus, up to 50% of which may be used to purchase our stock options. Mr. Fleming also received stock options to purchase 100,000 shares vesting over a three year period in equal installments at a strike price to be set at the price at the close of market on September 10, 2001. The employment agreement if terminated without cause, would require severance payment of four months base salary.

The employment agreement was terminable by Inphinity for cause. If Mr. Fleming's employment agreement was terminated without cause, or if a change of control occurred, Inphinity would have been required to pay him a severance payment of four months base salary. Additionally, upon such termination, Mr. Fleming's stock options would accelerate and become exercisable. The employment agreement contained post-termination restrictive covenants relating to non-competition with Inphinity, non-solicitation of its customers, non-dealing with its customers and non-solicitation of its employees. The employment agreement also contained an express obligation of confidentiality in respect of its trade secrets and confidential information.

By letter dated January 6, 2004, Mr. Fleming's employment contract and services thereunder were terminated effective January 16, 2004. The amicable settlement in respect of Mr. Fleming's resignation entitled him to a payment of CDN \$33,333.33 in respect of accrued bonuses, four months salary including benefits payable until May 16, 2004 and other costs of CDN \$8,700. In addition Mr. Fleming will retain his options granted on September 10, 2001 at an exercise price of \$0.88 which were to vest annually on the anniversary dates over a three year period of which 66,666 had vested at the date of his resignation. Under the settlement agreement, Mr. Fleming waived any rights that he had under his employment agreement and the agreement had certain restrictions with respect to Mr. Fleming's soliciting or competing with the Company.

MARK HETHERINGTON, ACTING CHIEF TECHNOLOGY OFFICER

Inphinity Interactive Inc. entered into an independent contractor agreement with Mark Hetherington as Acting Chief Technology Officer on January 15, 2004. Mr. Hetherington had been consulting to the Group since November 2003. Under his contract, Mr. Hetherington is entitled to a monthly fee of \$16,666 plus expenses of \$5,416.66. In addition Mr Hetherington is entitled to up to 100,000 options that are granted in four instalments of 25,000, each contingent upon meeting certain objectives. All such options, if granted shall have an exercise price per share equal to the closing price of the Company's ADR's on January 15, 2004, the date of his independent contractor agreement, and shall vest on January 15, 2006. The contract is terminable by Mr. Hetherington or the Company upon 90 days notice.

LIAM GILLEN, FORMER MANAGING DIRECTOR OF OPERATIONS

Starnet entered into an employment agreement with Liam Gillen on November 27, 2000 to serve as the Managing Director of Operations of Starnet Systems. Mr. Gillen's employment agreement was for a term of two years, subject to extension upon the written agreement of the parties. Mr. Gillen's base salary in the year 2001 was \$96,000. As part of his compensation package, Mr. Gillen received 50,000 options pursuant to the Starnet Option Plans to purchase Starnet's stock. Starnet paid Mr. Gillen a vehicle allowance, housing allowance for housing in Antigua and a travel allowance. Starnet also provided Mr. Gillen with an interest-free loan of \$25,000, repayable in 24 installments, to obtain a credit card in Antigua and a relocation allowance to move to Antigua.

The employment agreement was terminable by Starnet for cause. If Mr. Gillen's employment agreement was terminated without cause, or if a change of control occurred, Starnet would have been required to pay him a severance payment of six months base salary plus six months benefits and a moving allowance. Additionally, upon such termination, Mr. Gillen's stock options would accelerate and become exercisable. The employment agreement contained post-termination restrictive covenants relating to non-competition with Starnet, non-solicitation of its customers, non-dealing with its customers and non-solicitation of its employees. The employment agreement also contained an express obligation of confidentiality in respect of its trade secrets and confidential information.

By letter dated September 6, 2002, Mr. Gillen's employment contract and services thereunder were terminated effective November 26, 2002. Pursuant to the letter, the outstanding amount under his employment agreement of US\$28,310 were paid in six equal installments over the last three months of 2002.

SIMON COULTHARD, FORMER CHIEF FINANCIAL OFFICER

The Company extended a written offer of employment to Simon Coulthard in the position of Group Finance Director beginning September 1, 2002 with a base salary of (pound)75,000, an annual vehicle allowance of (pound)7,200, and certain other additional benefits. As part of his compensation package, Mr. Coulthard was entitled to up to a 75% annual cash bonus. Mr. Coulthard was also entitled to stock options which were never approved by the board of directors. If Mr. Coulthard's employment agreement was terminated without cause, the Company would have been required to give him three months notice or pay him a severance payment of three months base salary and allowances. Effective May 8, 2003, Mr. Coulthard's employment was terminated. Mr. Coulthard received (pound)18,750 or three months gardening leave as part of his agreed upon severance.

NICHOLAS JACKSON, FORMER CHIEF EXECUTIVE OFFICER

Starnet Systems entered into an employment agreement dated January 29, 2003 with Nicholas Jackson effective January 17, 2003 for the position of Chief Executive Officer. He had a base salary of (pound)174,000, an annual vehicle allowance of (pound)12,000, an annual housing allowance of \$48,000 and certain other additional benefits. Mr. Jackson also received stock options entitlement of 50,000 shares to vest 60 days from January 17, 2003. If Mr. Jackson's employment agreement was terminated without cause, the Company would have been required to pay him a severance payment of six months base salary and allowances.

SETTLEMENT AGREEMENT WITH STARNET, NICHOLAS JACKSON, SPORTINGBET AND GOODISON PARK

On June 4, 2003, the Company entered into a settlement agreement regarding Nicholas Jackson's employment relationship with the Company. Under the settlement agreement, Mr. Jackson waived any rights that he had under his employment agreement. Mr. Jackson was entitled to exercise options for 352,459 shares of the Company at prices ranging from \$0.31 to \$2.13. The options are vested and may be executed any time prior to five years after their respective vesting dates, which ranged from January 1, 1999 to April 30, 2001. Mr. Jackson was also entitled to a severance payment of (pound)125,000. The Company gave up any claims that it had against Mr. Jackson for his performance as a director or employee. The agreement had certain restrictions with respect to Mr. Jackson's soliciting or competing with the Company. In connection with the severance agreement, Goodison Park released Mr. Jackson from his personal guarantee.

DAVID CRAVEN, FORMER CHIEF EXECUTIVE OFFICER

The Company entered into an employment agreement dated November 20, 2002 with David Craven effective July 15, 2002 for the position of Chief Executive Officer. He had a base salary of (pound)175,000, an annual vehicle allowance of (pound)12,000, and certain other additional benefits. As part of his compensation package, Mr. Craven was entitled to an annual cash bonus of up to 100% of his base salary. Mr. Craven was entitled to options for 100,000 ordinary shares at exercise prices ranging from \$0.27 to \$1.00 per share. Mr. Craven's employment agreement was terminated on January 13, 2003.

On June 28, 2003, the Company entered into a settlement agreement regarding Mr. Craven's employment agreement with the Company after an unfair dismissal claim was raised with the UK Employment Tribunal. In exchange for a full release of the Company by Mr. Craven, Mr. Craven is to receive (pound)25,000 and, in accordance with his employment contract, options to purchase 400,000 shares at prices ranging from \$0.27 to \$0.40.

MICHAEL AYMONG, FORMER PRESIDENT AND CHIEF EXECUTIVE OFFICER

Starnet entered into an Agreement of employment with Michael Aymong on April 6, 2001. Pursuant to the Agreement, Mr. Aymong served as the President and Chief Executive Officer of World Gaming and Starnet. His initial base salary was US\$300,000 on April 9, 2001 and increased to US\$350,000 as of July 9, 2001. Mr. Aymong was eligible for a bonus of up to 100% of his base salary, as approved by the board of directors. Also as part of his compensation, Mr. Aymong was awarded 1,200,000 options at April 9, 2001 at an exercise price of \$0.31 vesting within 60 days, another 1,200,000 options to be issued monthly over a 22 month period commencing June 9, 2001 at stated exercise prices ranging from the share price on March 29, 2001 and amounts between \$1.25 to \$8.25, with the potential issuance of an additional 400,000 options on April 30, 2003. In addition, if during the term of Mr. Aymong's employment agreement Starnet issued additional shares from treasury, he would be immediately entitled to options to acquire 7% of such shares. Mr. Aymong's employment relationship with the Company ended on June 19, 2002.

RODNEY DAVIS, FORMER CHIEF FINANCIAL OFFICER

The Company entered into an employment agreement on July 5, 2001 with Rodney Davis providing for his employment with the Company as Vice President and Chief Financial Officer. Mr. Davis was compensated with an annual salary of \$190,000 and certain additional benefits and was eligible for a bonus of up to one-half the annual salary. Mr. Davis resigned as of May 20, 2002 and was provided a severance package comprised of \$95,000, accrued bonus of \$39,583, a severance bonus of \$47,500 and continued vesting on 225,000 of his then unvested options.

TAXATION

The following discussion sets forth the material U.S. federal income tax consequences and the material U.K. tax consequences of the ownership and disposition of our American Depositary Shares or ordinary shares by a U.S. Holder. This summary is for general information purposes only. A U.S. Holder is a beneficial owner of our American Depositary Shares or ordinary shares that is:

- o a citizen or individual resident of the United States;
- o a corporation or other entity taxable as a corporation for U.S. federal income tax purposes that is created or organized in the United States or under the law of the United States or of any state or the District of Columbia;
- o an estate whose income is includible in gross income for U.S. federal income tax purposes regardless of its source; or
- o a trust if (1) a court within the United States is able to exercise primary supervision over the administration of the trust, and one or more United States persons have the authority to control all substantial decisions of the trust, or (2) the trust was in existence on August 20, 1996 and properly elected to continue to be treated as a United States person.

The following discussion addresses only the tax consequences to a U.S. Holder that is a portfolio investor, that is, a U.S. Holder that does not own at any time, directly or indirectly, American Depositary Shares or ordinary shares representing ten percent or more of the voting power of our stock.

WE URGE YOU TO CONSULT YOUR OWN TAX ADVISERS REGARDING YOUR PARTICULAR TAX CONSEQUENCES.

#### UNITED KINGDOM TAX CONSEQUENCES

The following discussion sets forth the material U.K. tax consequences of the ownership and disposition of our ordinary shares or American Depositary Shares by Qualifying U.S. Holders. A "Qualifying U.S. Holder" is a U.S. Holder who is a resident of the United States for purposes of the recently revised U.S.-U.K. income tax treaty, who owns or controls less than ten percent of the Company's outstanding voting power and who has acquired his American Depositary Shares or ordinary shares for bona fide commercial reasons as an investment and not in connection with any business carried on through a permanent establishment situated in the United Kingdom or for the purposes of securing the benefit of Article 10, relating to dividends, of the U.S.-U.K. income tax treaty. This summary is for general information purposes only. It does not purport to be a comprehensive description of all of the tax considerations that may be relevant to each U.S. Holder. This discussion is based on the current provisions of United Kingdom domestic tax law, current regulations promulgated thereunder, judicial decisions and published positions of the Inland Revenue and/or Customs and Excise and other applicable authorities, all as in effect as of the date hereof, and each of which is subject to change or to differing interpretations, possibly with retroactive effect. This discussion does not address all aspects of U.K. taxation that may be relevant to any particular shareholder based on the shareholder's individual circumstances.

For the purposes of U.K. tax on distributions on ordinary shares, the holders of American Depositary Shares are treated as the beneficial owners of our ordinary shares underlying their American Depositary Shares. For the purposes of this summary it is assumed, and we are of the opinion, that our business is managed and controlled in the United Kingdom.

On March 31, 2003, the U.S. and the U.K. exchanged instruments of ratification on a new income tax treaty. This New Tax Treaty has a complex set of effective dates. The New Tax Treaty will generally be effective for tax years commencing after March 31, 2003. For many companies resident in the U.K., including our company, this means that the New Tax Treaty will become effective for the tax year commencing on April 1, 2003. For most U.K. individuals, the New Tax Treaty will become effective for the tax year commencing April 6, 2003. And for U.S. taxpayers who file their taxes based on the calendar year, the New Tax Treaty will become effective commencing January 1, 2004. But there are two exceptions to these general rules. First, certain provisions under the New Tax Treaty concerning dividends paid by a U.K. company to its U.S. shareholders will become effective on May 1, 2003. Second, a person who would have been entitled to greater benefits under the Old Tax Treaty between the U.S. and the U.K. may elect to have the Old Tax Treaty apply for a period of 12 months following the date on which the New Tax Treaty was otherwise scheduled to become effective. The summary set out below will provide brief descriptions of both the Old Tax Treaty and the New Tax Treaty.

#### DISTRIBUTIONS ON AMERICAN DEPOSITARY SHARES OR ORDINARY SHARES

An individual shareholder resident in the United Kingdom generally is entitled to a tax credit, referred to as the "U.K. tax credit", in respect of any cash dividend received equal to one-ninth of the dividend. Under the prior law, the payment from the U.K. Inland Revenue to a Qualifying U.S. Holder was reduced by a U.K. withholding tax equal to the lesser of (1) 15 percent of the sum of the dividend and the amount of the U.K. tax credit and (2) the amount of the U.K. tax credit. Currently, the U.K. does not, in general, impose a dividend withholding tax.

A Qualifying U.S. Holder would not be entitled to receive any cash payment in respect of the U.K. tax credit for dividends paid by us, and U.S. Holders that are not Qualifying U.S. Holders, depending on their personal circumstances, may be liable to U.K. tax in respect of dividends at a rate of up to 32.5 percent.

#### TAXATION OF CAPITAL GAINS OF U.S. HOLDERS

A U.S. Holder who is neither resident nor ordinarily resident in the United Kingdom for U.K. tax purposes generally will not be subject to U.K. tax on capital gains realized on the disposition of our American Depositary Shares or ordinary shares.

A U.S. Holder who is resident or ordinarily resident in the United Kingdom at the time of any disposal of his American Depositary Shares or ordinary shares in our company, or at a time when he is deemed to have made such a disposal, or if the disposal is deemed, for the purposes of U.K. tax, to occur at such a time, may, depending on his circumstances, be subject to U.K. capital gains tax at a rate of up to 40 percent, in the case of disposal of ordinary shares, on the whole or, in the case of disposal of American Depositary Shares, almost the whole, of the chargeable gain arising on the disposal.

A U.S. Holder who owns his American Depositary Shares or ordinary shares in our company in connection with any business or otherwise than as a capital investment, depending on his circumstances, may be subject to U.K. tax on any gain he makes on any disposal of his American Depositary Shares or ordinary shares of our company at a rate of up to 40 percent, whether or not he is resident or ordinarily resident in the United Kingdom.

#### INHERITANCE TAX AND GIFT TAXES ON U.S. HOLDERS

Our ordinary shares and almost all of the American Depositary Shares are assets situated in the United Kingdom for the purposes of U.K. inheritance tax. An individual who is domiciled in the United States and who is not a national of the United Kingdom for purposes of the U.S.-U.K. estate and gift tax treaty, however, generally will not be subject to U.K. inheritance tax in respect of our American Depositary Shares or ordinary shares on the individual's death or to U.K. gift tax on a gift of World Gaming American Depositary Shares or ordinary shares during the individual's lifetime, provided that any applicable U.S. federal estate or gift tax liability is paid. In the exceptional case where World Gaming American Depositary Shares or ordinary shares are subject both to U.K. inheritance tax and to U.S. federal estate or gift tax, the U.S.-U.K. estate and gift tax treaty generally provides for any tax paid to the United Kingdom to be credited against tax payable to the United States or for any tax paid to the United States to be credited against tax payable to the United Kingdom based on priority rules set out in that treaty. Where, however, the ordinary shares or American Depositary Shares are shares or American Depositary Shares in a company which, when taken with its subsidiaries, exists wholly or mainly for trading purposes, business property relief from U.K. inheritance tax may be available to reduce or eliminate the tax unless, as in the case of our American Depositary Shares or ordinary shares, they may be deemed "quoted on a recognized stock exchange" for the purposes of U.K. domestic inheritance tax, if the shareholding in question does not carry control.

#### STAMP DUTY AND STAMP DUTY RESERVE TAX

A transfer for value of our ordinary shares will normally be subject to ad valorem stamp duty or to stamp duty reserve tax. Stamp duty tax will arise on the execution of an instrument to transfer our ordinary shares. Stamp duty reserve tax will arise on the entry into an agreement to transfer our ordinary shares, but the charge may be canceled if stamp duty has been paid. Stamp duty and stamp duty reserve tax are normally a liability of the purchaser. The rate of stamp duty payable is 0.5 percent of the consideration rounded to the nearest (pound)5, and 0.5 percent of the consideration in the case of stamp duty reserve tax. There is no charge to U.K. stamp or other duties on the issue by a U.K. incorporated company of shares in itself.

There should be no charge to U.K. stamp duty on the transfer of American Depositary Shares of World Gaming, provided the agreement and the conveyance of transfer, if any, are executed outside the United Kingdom.

#### TAXATION OF THE COMPANY

A company that is incorporated in the United Kingdom prima facie is treated as being resident in the United Kingdom for tax purposes. However, this treatment will not apply if the effective management and control of the company, that is, broadly, the exercise by the board of directors of that company of their function, takes place in another country with which the United Kingdom has an appropriate double tax treaty. A company whose management and control is exercised in the United Kingdom is also generally resident in the United Kingdom. A company that is tax resident in the United Kingdom is liable to U.K. tax on its worldwide income and gains at a maximum effective rate of up to 30 percent. Tax credit for foreign taxes on the foreign income is generally given. If the tax residence of a U.K. company changes from the United Kingdom to that of another jurisdiction, under U.K. tax regulations it would be deemed to have disposed of all of its chargeable assets, i.e., its shares in its subsidiaries and any other chargeable assets that it owns, including the goodwill of any trade carried on by it, for each asset's market value at the date of the change of residence. It is, therefore, crucial to ensure that the exercise by the board of directors of their functions is conducted in the territory of its intended tax residence and if different from the U.K. there is a tax treaty with that intended territory so as to ensure that there is no change of a U.K. resident company's tax residence out of the United Kingdom.

#### TAXATION OF A U.K. COMPANY THAT CONTROLS CERTAIN CONTROLLED FOREIGN COMPANIES

If any of the subsidiaries of a U.K. resident company are deemed resident in another tax jurisdiction so that that subsidiary is liable to tax or its profits, other than capital gains, that is less than 75 percent of the tax it would have paid on those profits if liable to tax in the United Kingdom, then unless 90 percent of that subsidiary's profits are paid up as a dividend to a U.K. resident company, within 18 months of the end of the accounting period in which they are earned or an exemption from these rules applies, those profits will be treated as profits of the U.K. company and taxed accordingly (with credit for foreign tax calculated in accordance with the applicable U.K. laws). Therefore, in relevant circumstances, we would be subject to U.K. tax (currently at the rate of 30 percent) on the profits of the overseas subsidiaries, subject to appropriate credit for the relevant overseas tax in respect of such profits.

#### TAXATION OF CERTAIN DIVIDENDS RECEIVED BY A U.K. HOLDING COMPANY

After the reorganization involving Starnet, we own WG International Limited, which in turn owns the entire issued share capital of Starnet, which in turn wholly owns the operating subsidiaries of Starnet. Thus, dividends received by WG International Limited and World Gaming will have passed through its U.S. subsidiary and have been subjected, in addition to any tax payable in the country of the operating subsidiaries, to U.S. federal income tax, generally at a rate of 34 percent or 35 percent, after giving credit, subject to limitations, for foreign income tax paid by the operating subsidiary. A dividend paid by the U.S. subsidiary will be subject to a U.S. withholding tax unless the earnings of the operating subsidiaries qualify the dividend for an exemption from that tax. Pursuant to the Old Tax Treaty, the 30% withholding tax imposed by U.S. federal income tax law is reduced to five percent for non-exempt dividends from the U.S. subsidiary to WG International Limited. Under the New Tax Treaty, it is possible that WG International Limited would not qualify for the benefits of the treaty, in which case that rate reduction would not apply, and dividends from Starnet to WG International Limited would be subject to a U.S. withholding tax. We believe,

based on the current ownership and trading of our stock, that there is a significant risk that WG International Limited would not qualify for the benefits of the New Tax Treaty. Alternatively, if WG International Limited were to qualify for the benefits of the New Tax Treaty, it is possible that U.S. withholding tax on those dividends would be eliminated entirely. For U.K. corporation tax purposes, the dividend from the U.S. subsidiary will be subject to U.K. tax payable at effective rates of between 20 percent and 30 percent, depending on the level of deemed or actual profits of the Starnet group, but will be reduced by means of a credit for any U.S. withholding tax and for the federal and state income tax paid by Starnet on the earnings distributed by it and, to the extent that Starnet's income is derived from dividends received from its operating subsidiaries, the corporate income tax paid by such operating subsidiaries in their countries of operation. However, the credit cannot exceed the effective U.K. corporation tax payable and is further restricted by detailed and complicated tax anti-avoidance and other provisions. Thus, the U.S. tax and the taxes paid in the countries in which the operating subsidiaries are situated, if relevant, could exceed the U.K. tax, and no credit will be available in respect of the excess. Further, the credit against foreign taxes suffered on profits from which a dividend is paid is based on an assumption that all available relief and exemptions from the foreign tax have been claimed by the overseas company.

#### UNITED STATES FEDERAL INCOME TAX CONSEQUENCES

This discussion is based on current provisions of the Internal Revenue Code of 1986, as amended, referred to as the Code, current and proposed Treasury regulations promulgated thereunder, judicial decisions and published positions of the U.S. Internal Revenue Service, known as the "IRS", and other applicable authorities, all as in effect as of the date hereof, and each of which is subject to change or to differing interpretations, possibly with retroactive effect. This discussion does not address all aspects of U.S. federal income taxation that may be relevant to any particular shareholder based on the shareholder's individual circumstances. In particular, this discussion considers only U.S. Holders that will own American Depositary Shares or ordinary shares as capital assets and does not address the potential application of the alternative minimum tax or the U.S. federal income tax consequences to U.S. Holders that are subject to special treatment, including U.S. Holders that:

- o are broker-dealers;
- o have elected mark-to-market accounting;
- o are tax-exempt organizations;
- o are financial institutions or insurance companies or other entities that derive financial services income;
- o hold American Depositary Shares or ordinary shares as part of a straddle, "hedge", "conversion transaction" or other risk reduction strategy with other investments;
- o have a functional currency that is not the U.S. dollar; or
- o are regulated investment companies.

In addition, this discussion does not consider the tax treatment of persons who hold American Depositary Shares or ordinary shares through a partnership or other pass-through entity. This discussion does not address any aspect of state, local or non-U.S. tax laws or any U.S. federal tax laws other than U.S. federal income tax laws.

Subject to the limitations described in the next paragraph, the following discussion describes the material U.S. federal income tax consequences to a U.S. Holder. In addition, certain material aspects of U.S. federal income tax relevant to a holder other than a U.S. Holder, referred to as a Non-U.S. Holder, are discussed below.

## TAX CONSEQUENCES FOR U.S. HOLDERS

For U.S. Federal income tax purposes, a holder of an American Depositary Share will be treated as the owner of the ordinary share underlying the American Depositary Share.

### TAXATION OF DIVIDENDS PAID ON AMERICAN DEPOSITARY SHARES OR ORDINARY SHARES

A U.S. Holder will be required to include in gross income as ordinary income the amount of any distribution paid on an American Depositary Share or ordinary share, including any U.K. tax withheld from the amount paid, on the date the distribution is received, to the extent the distribution is paid out of our current and/or accumulated earnings and profits as determined for U.S. federal income tax purposes. A distribution in excess of earnings and profits will be treated first as a nontaxable return of capital, reducing the U.S. Holder's basis in the American Depositary Share or ordinary share and, to the extent in excess of basis, will be treated as gain from the sale or exchange of the American Depositary Share or ordinary share. The amount of any distribution paid in any currency other than the U.S. dollar will equal the U.S. dollar value of the other currency calculated by reference to the exchange rate in effect on the date the distribution is received by the Depositary, in the case of American Depositary Shares, or by the U.S. Holder, in the case of ordinary shares, regardless, in each case, of whether the other currency is converted into U.S. dollars. Gain or loss, if any, realized on a sale or other disposition of the other currency will be ordinary income or loss. Our dividends will not qualify for the dividends received deduction generally available to corporations.

On May 28, 2003, the Jobs and Growth Reconciliation Tax Act of 2003 was enacted. The 2003 Tax Act reduces the rate of federal income tax imposed on certain kinds of corporate dividends received by individuals. The rate reductions, where applicable, limit the maximum rate of federal income tax on such dividends to 15 percent, commencing with dividends paid in tax years beginning after 2002. The new rules are currently scheduled to expire after the year 2008. The new rules apply only to "qualified dividend income" and, if not paid by a U.S. corporation, only to qualified dividend income paid by a "qualified foreign corporation." It is unclear whether dividends we pay to an individual U.S. Holder would qualify for the rate reductions introduced by the 2003 Tax Act, primarily due to uncertainty as to whether we satisfy the requirements to be a "qualified foreign corporation." While we appear to satisfy certain threshold tests relating to our eligibility for the benefits of a comprehensive U.S. tax treaty, the 2003 Tax Act specifically denies qualified foreign corporation status to any corporation that was a passive foreign investment company, or PFIC, in either the taxable year of the dividend distribution or the preceding taxable year. Therefore, if we are a PFIC in either the year we make a dividend distribution, or were a PFIC in the preceding year, the dividend would not qualify for the reduced rates introduced by the 2003 Tax Act. See the discussion below in "Taxation - United States Federal Income Tax Consequences - Tax Consequences for U.S. Holders - Tax Consequences if We Are a Passive Foreign Investment Company" for a more detailed description of the PFIC rules and their possible application to our operations.

Under prior law and the Old Tax Treaty, a portfolio U.S. Holder, as defined above, could elect to be treated as receiving the U.K. tax credit in respect of certain dividends paid by us. A U.S. Holder who made that election would be treated (1) as having received additional dividend income equal to the gross amount of the U.K. tax credit unreduced by any U.K. withholding tax and (2) as having paid U.K. withholding tax in the same amount. U.S. Holders that were not portfolio U.S. Holders were subject to different rules. Those rules, and the procedures for making the election described above, are set forth in Revenue Procedure 2000-13.

The New Tax Treaty and current laws modify these rules. The U.K. generally does not impose dividend withholding tax under current law, and the New Tax Treaty generally eliminates the requirement that the U.S. permit U.S. Holders to claim a credit, based on "grossed-up" dividend income, for integrated taxes paid by the U.K. company in which they own shares.

The foreign tax credit rules in the Code are exceedingly complex, and each U.S. Holder is urged to consult its own tax adviser regarding those rules.

#### TAXATION ON DISPOSITION OF ORDINARY SHARES

Subject to the rules applicable to passive foreign investment companies, controlled foreign corporations and foreign investment companies, discussed below, upon the sale, exchange or other disposition of an American Depositary Share or ordinary share, a U.S. Holder will recognize capital gain or loss in an amount equal to the difference, if any, between the U.S. Holder's basis in the American Depositary Share or ordinary share, which usually is the U.S. Holder's cost of the American Depositary Share or ordinary share, and the amount realized on the disposition computed in U.S. dollars. Capital gain from the sale, exchange or other disposition of an American Depositary Share or ordinary share held more than one year, including any capital gain recognized on a distribution that exceeds earnings and profits and basis in the American Depositary Share or ordinary share on which it is paid, is long-term capital gain, and, in the case of a U.S. Holder that is not a corporation, is generally eligible for a maximum 15 percent rate of taxation (20 percent in the case of sales, exchanges or dispositions that take place before May 6, 2003). Gain or loss recognized by a U.S. Holder on a sale, exchange or other disposition of an American Depositary Share or ordinary share generally will be treated as U.S. source income or loss for purposes of the U.S. foreign tax credit limitations. Unless an exception to that general source rule applies, or unless the U.S. Holder has other foreign source income in the same class or "basket" that is subject to foreign tax at a rate below the U.S. federal income tax rate on that income, the limitations on the foreign tax credit may prevent the U.S. Holder from claiming a foreign tax credit for part or all of any U.K. tax paid by the U.S. Holder on the disposition of an American Depositary Share or ordinary share. The deductibility of a capital loss recognized on the sale, exchange or other disposition of an American Depositary Share or ordinary share is subject to limitations. An exchange, deposit or withdrawal by a U.S. Holder of ordinary shares in exchange for American Depositary Shares, or vice versa, will not be subject to any U.S. Federal income tax.

#### TAX CONSEQUENCES IF WE ARE A PASSIVE FOREIGN INVESTMENT COMPANY

In general, we will be a passive foreign investment company, or PFIC, for any taxable year if either (1) 75 percent or more of our gross income in the taxable year is passive income, or (2) 50 percent or more of the average value, or, if our American Depositary Shares or ordinary shares are not regularly traded on any of certain designated stock exchanges and if we so elect, the adjusted basis, of our assets in the taxable year produces, or is held for the production of, passive income. The IRS takes the position that interest on working capital or any other cash is passive income and that the corresponding asset is an asset that produces or is held for the production of passive income. The PFIC rules can produce unfavorable tax consequences for a U.S. Holder if we are treated as a PFIC for any year while a U.S. Holder owns our American Depositary Shares or ordinary shares, and if that U.S. Holder does not make, or has not made, a timely election that remains in effect, for the first taxable year the U.S. Holder owns our American Depositary Shares or ordinary shares, and we are a PFIC, either to treat us as a "qualified electing fund" or, to mark the holder's American Depositary Shares or ordinary shares to market. As described below, a "qualified electing fund" election will not be available to a U.S. Holder unless we provide certain information to U.S. Holders, and we provide no assurance that we will make that information available. In addition, a mark-to-market election will not be available to a U.S. Holder unless our American Depositary Shares or ordinary shares held by the U.S. Holder are "marketable stock", and at the present time we believe the shares may not so qualify. If neither of those elections is available to, or, if available, is made by, a U.S. Holder, as described more fully below, the U.S. Holder will be subject to the adverse tax consequences described in the following paragraph if we are a PFIC. We have not undertaken a detailed determination of whether we are a PFIC and therefore cannot provide any assurance that we are not. Therefore, we may be a PFIC. Moreover, in the absence of a detailed analysis of our status as a PFIC performed by us, any assertion by the IRS with respect to a U.S. Holder that we are a PFIC could be upheld against that U.S. Holder, whether or not we are in fact a PFIC.

Under the PFIC provisions, in any year in which the U.S. Holder either disposes of an American Depositary Share or ordinary share at a gain or receives an "excess distribution," special rules apply to the taxation of the gain and the excess distribution. For purposes of these rules, "excess distributions" are the portion of our distributions in any taxable year, whether or not out of our earnings and profits, that exceed 125 percent of the average of the distributions (whose amount is subject to adjustment to the extent there were excess distributions) that the U.S. Holder received on the American Depositary Share or ordinary share during the previous three years, or, if shorter, the U.S. Holder's holding period for the American Depositary Share or ordinary share on which the distributions are paid. A disposition of an American Depositary Share or ordinary share, for purposes of these rules, includes many transactions on which gain or loss is not realized under general U.S. federal income tax rules. The gain or the excess distributions must be allocated ratably to each day the U.S. Holder has held the American Depositary Share or ordinary share. Amounts allocated to each year are taxable as ordinary income in their entirety and not as capital gain, and amounts allocable to prior years may not be offset by any deductions or losses. Amounts allocated to each prior year are taxable at the highest rate in effect for that year and are subject to an interest charge at the rates applicable to deficiencies for income tax for those periods. In addition, a U.S. Holder's tax basis in an American Depositary Share or ordinary share that is acquired from a decedent would not receive a step-up to fair market value as of the date of the decedent's death but instead would be equal to the decedent's basis, if lower.

The special PFIC rules described in the preceding paragraph will not apply to a U.S. Holder if the U.S. Holder makes a timely election, which remains in effect, to treat us as a "qualified electing fund," or QEF, for the first taxable year in which the U.S. Holder owns an American Depositary Share or ordinary share and in which we are a PFIC. A U.S. Holder generally may make a QEF election only if we provide to the U.S. Holder certain information regarding our earnings and profits and net capital gain and certain other information regarding us. As indicated above, we provide no assurance that we will make any of that information available. A U.S. Holder that has made a valid QEF election is required for each taxable year to include in income a pro rata share of our ordinary earnings as ordinary income and a pro rata share of our net capital gain as long-term capital gain, subject to a separate election to defer payment of taxes, which deferral is subject to an interest charge. The QEF election is made on a shareholder-by-shareholder basis and can be revoked only with the consent of the IRS. A shareholder makes a QEF election by attaching to a timely filed U.S. federal income tax return a properly completed IRS Form 8621 that reflects the information provided in the PFIC Annual Information Statement supplied by us to the shareholder and by filing a second copy of that form with the IRS Service Center in Philadelphia, Pennsylvania. As indicated above, we provide no assurance that we will make any of that information available. If we do not provide that information, a U.S. Holder will not be able to make a QEF election, in which case, unless our American Depositary Shares or ordinary shares held by a U.S. Holder are "marketable stock" (which we do not believe they are at this time) or become "marketable stock", a U.S. Holder will be subject to the rules described in the preceding paragraph with respect to our American Depositary Shares or ordinary shares unless if we are a PFIC or unless the U.S. Holder is able to rebut an assertion by the IRS that we are a PFIC. Without information provided by us a U.S. Holder may not be able to rebut an assertion by the IRS that we are a PFIC.

Even if a QEF election is not made, if we are a PFIC in the hands of a U.S. Holder, that U.S. Holder must file each year a completed IRS Form 8621 with its U.S. Federal income tax return and file a second copy of that form with the IRS Service Center in Philadelphia, Pennsylvania. The annual Form 8621 filed by a person who has made a QEF election must include the information provided to the shareholder in the PFIC Annual Information Statement. As indicated above, we provide no assurance that we will make any of that information available. If we were to make that information available but later were to cease to make that information available, a QEF election by a U.S. Holder likely would terminate. We provide no assurance that, if we make any of that information available, we will continue to do so. Although a QEF election generally cannot be revoked, if a U.S. Holder made a timely QEF election for the first taxable year it owned an American Depositary Share or ordinary share and we are a PFIC, the QEF election does not apply in a later taxable year in which we do not satisfy the tests to

be a PFIC. If a QEF election was not made for that first taxable year, certain elections can be made while a foreign corporation continues to satisfy the definition of a PFIC that, combined with a valid QEF election, provided that election is available by reason of our provision of necessary information, can cause the QEF election to be treated as having been made for that first taxable year. Those elections may require the electing shareholder to recognize gain on a constructive sale or to be taxable on the shareholder's share of certain undistributed profits of the foreign corporation. If gain or income is recognized pursuant to one of these elections, the rules set forth in the preceding paragraph would apply to that gain or income.

Even if a QEF election ceases to apply because in a later taxable year we cease to satisfy the tests to be a PFIC, the QEF election will apply again in any subsequent year in which we again satisfy the tests to be a PFIC, provided that election is available by reason of our provision of necessary information. Moreover, if you sell all of the American Depositary Shares or ordinary shares you own and later reacquire other ordinary shares, any QEF election you have made that remains in effect will apply to the shares acquired later, provided that election is available by reason of our provision of necessary information. Treasury regulations provide that the Commissioner of Internal Revenue has the discretion to invalidate or terminate a QEF election if the U.S. Holder or we, or an intermediary, fails to satisfy the requirements for the QEF election. As noted above, we provide no assurance that we will make any of the necessary information available.

The special PFIC rules described above also will not apply to a U.S. Holder if the U.S. Holder elects to mark the U.S. Holder's American Depositary Shares or ordinary shares to market each year, provided our stock is considered "marketable stock" within the meaning of the Treasury regulations. A U.S. Holder that makes this election will recognize as ordinary income or loss each year an amount equal to the difference, if any, as of the close of the taxable year between the fair market value of the holder's American Depositary Shares or ordinary shares and the holder's adjusted tax basis in the American Depositary Shares or ordinary shares. Losses would be allowed only to the extent of net mark-to-market gain previously included in income by the U.S. Holder under the election for prior taxable years. If the mark-to-market election were made, then the rules set forth above would not apply for periods covered by the election.

In general, the American Depositary Shares or ordinary shares will be marketable stock within the meaning of the Treasury regulations if they are traded, other than in DE MINIMIS quantities, at least 15 days during each calendar quarter on a "qualified exchange or other market" within the meaning of the Treasury regulations. A U.S. exchange is a "qualified exchange or other market" if such exchange is a national securities exchange registered with the SEC, or the national market system established pursuant to section 11A of the Securities Exchange Act of 1934. A non-U.S. exchange is a "qualified exchange or other market" if the exchange is regulated or supervised by a governmental authority of the country where the market is located and (1) the exchange has trading volume, listing, financial disclosure, surveillance and other requirements designed to prevent fraudulent and manipulative acts and practices, to remove impediments to and perfect the mechanism of a free and open, fair and orderly market, and to protect investors, and the laws of the country where the exchange is located and the rules of the exchange ensure that those requirements are actually enforced, and (2) the rules of the exchange effectively promote active trading of listed stocks. If a non-U.S. exchange has more than one tier or market level on which stock may be separately listed or traded, each such tier is treated as a separate exchange. We believe that our American Depositary Shares and ordinary shares are not "marketable stock" within the meaning of the Treasury regulations. In that event, the mark-to-market election will not be available to U.S. Holders. If a QEF election also is not available, for example, because we do not provide the necessary information to U.S. Holders, or if a U.S. Holder does not make a QEF election, the adverse PFIC rules set forth in the fifth preceding paragraph will apply to all U.S. Holders or a non-electing U.S. Holder. As noted above, we provide no assurance that we will make available any of the information necessary for a QEF election.

If a market-to-market election were available or were to become available, and if a U.S. Holder were to make a mark-to-market election, but does not make that election for the first taxable year in which the U.S. Holder owns an American Depositary Share or ordinary share and in which we are a PFIC, and if the U.S. Holder had not made a valid QEF election for that first such taxable year, the rules set forth in the sixth preceding paragraph will apply to any distributions on an American Depositary Share or ordinary share in the year of the mark-to-market election, and to any gain recognized on an actual sale of an American Depositary Share or ordinary share in that year, as well as in any prior year that U.S. Holder owned our American Depositary Shares or ordinary shares, and to any gain recognized in that year pursuant to the mark-to-market election. Unlike the QEF rules, under which a U.S. Holder is not required to continue to include in income any of our undistributed earnings in any year we do not satisfy the tests to be a PFIC if the U.S. Holder made, or is treated as making, the QEF election in the first taxable year the U.S. Holder owned our American Depositary Shares or ordinary and we were a PFIC, the mark-to-market rules generally continue to apply to a U.S. Holder who makes the mark-to-market election, even in years we do not satisfy the tests to be a PFIC.

A U.S. Holder who owns American Depositary Shares or ordinary shares during a year we are a PFIC, who did not make a valid and timely QEF election for the first taxable year in which the U.S. Holder owns an American Depositary Share or ordinary share and in which we are a PFIC, or a valid QEF election in a later year while we continue to satisfy the definition of a PFIC, as described in the fifth preceding paragraph, and who has not made a valid mark-to-market election generally will remain subject to the rules set forth in the seventh preceding paragraph for all taxable years. In that event, those rules will apply to any gains on dispositions of American Depositary Shares or ordinary shares and to any "excess distributions." It is, however, possible for a U.S. Holder to avoid this "once a PFIC, always a PFIC" result by electing to treat all of the U.S. Holder's American Depositary Shares or ordinary shares as sold for their fair market value as of the last day of the last taxable year we satisfy the tests to be a PFIC, provided that election is made within three years of the due date, including extensions, for the U.S. Holder's taxable year that includes the last day of the taxable year we satisfy the tests to be a PFIC. If a gain is recognized on that constructive sale, the rules set forth in the seventh preceding paragraph would apply to that gain.

We may be a PFIC for the year 2002 or 2003. Many aspects of the taxation of Internet businesses that could be relevant to our status as a PFIC are subject to considerable uncertainty. In addition, as noted above, we have not undertaken any determination of whether we are a PFIC and therefore cannot provide any assurance that we are not. In addition, the tests for determining PFIC status are applied annually, and it is difficult to make accurate predictions of future income and assets, which are relevant to this determination. Accordingly, there can be no assurance that, even if we were not a PFIC for the year 2002, we will not be a PFIC in 2003 or any subsequent year. Moreover, we provide no assurance that we will make any determination in the future whether we are a PFIC at that time. Finally, in the absence of an analysis of our status as a PFIC performed by us, any assertion by the IRS with respect to a U.S. Holder that we are in any particular year a PFIC could be upheld against that U.S. Holder, whether or not we are in fact a PFIC.

U.S. HOLDERS ARE URGED TO CONSULT THEIR TAX ADVISERS ABOUT THE PFIC RULES, INCLUDING THE CONSEQUENCES TO THEM OF MAKING A QEF OR MARK-TO-MARKET ELECTION, PROVIDED THOSE ELECTIONS ARE AVAILABLE, WITH RESPECT TO OUR American Depositary Shares or ORDINARY SHARES IF WE ARE A PFIC.

#### CONTROLLED FOREIGN CORPORATION RULES

Special U.S. federal income tax rules apply to certain holders in a foreign corporation classified as a "controlled foreign corporation," or CFC. A foreign corporation will not constitute a CFC unless U.S. shareholders, each of whom owns ten percent or more of its voting power, referred to hereafter as "10% Voting U.S. Shareholders", collectively own more than 50 percent of the total combined voting power or total value of the corporation's stock. Any U.S. person that owns, directly or indirectly through foreign persons, or is considered to own, by application of certain constructive ownership rules, ten percent or more of the total combined voting power of all classes of stock of a foreign corporation will be considered to be a 10% Voting U.S. Shareholder.

For purposes of the special rules that apply on a taxable disposition of stock, the status of the foreign corporation as a CFC or the status of a U.S. Holder as a 10% Voting U.S. Shareholder at any time within five years prior to the taxable disposition can cause those rules to apply. Based on the current ownership of our American Depositary Shares and ordinary stock, we believe that we are not a CFC.

#### FOREIGN PERSONAL HOLDING COMPANY AND PERSONAL HOLDING COMPANY RULES

Special U.S. federal income tax rules apply to a holder in a "foreign personal holding company," or FPHC, and to the U.S. source income of a foreign corporation that is a "personal holding company." A foreign corporation will not constitute a FPHC unless five or fewer individuals who are U.S. citizens or residents own, directly or constructively, more than 50 percent of the voting power or the value of its shares. A corporation will not constitute a "personal holding company," or PHC, unless five or fewer individuals own, directly or constructively, more than 50 percent of the value of its shares at any time during the last half of its taxable year. Based upon the current ownership of our stock, we believe that we are not a FPHC or PHC.

#### FOREIGN INVESTMENT COMPANY RULES

Special rules also apply to treat as ordinary income any gain realized on the sale of shares of a "foreign investment company." We believe that we will conduct our business and obtain controlling interests in subsidiaries so as not to be a "foreign investment company."

#### TAX CONSEQUENCES FOR NON-U.S. HOLDERS

Except as described in "Information reporting and back-up withholding" below, a Non-U.S. Holder of an American Depositary Share or ordinary share will not be subject to U.S. federal income or withholding tax on any gain recognized on the payment of dividends on, or gain from a disposition of, an American Depositary Share or ordinary share, unless:

- o the income or gain is effectively connected with the conduct by the Non-U.S. Holder of trade or business in the United States and, in the case of a resident of a country that has a treaty with the United States, the income is attributable to a permanent establishment or, in the case of an individual, a fixed place of business, in the United States;
- o in case of gain from a disposition of an American Depositary Share or ordinary share, the Non-U.S. Holder is an individual who holds the American Depositary Share or ordinary share as a capital asset and is present in the United States for 183 days or more in the taxable year of the disposition and does not qualify for an exemption; or
- o the Non-U.S. Holder is subject to tax pursuant to the provisions of U.S. tax law applicable to U.S. expatriates.

#### INFORMATION REPORTING AND BACK-UP WITHHOLDING

Under current U.S. federal income tax regulations, dividends we pay on American Depositary Shares or ordinary shares will not be subject to U.S. information reporting or to backup withholding unless they are paid in the United States through a U.S. or U.S.-related paying agent, including a broker. If a U.S. Holder furnishes the paying agent with a duly completed and signed IRS Form W-9, the dividends will not be subject to backup withholding. Non-U.S. Holders generally are not subject to information reporting or back-up withholding with respect to dividends paid on, or upon the disposition of World Gaming American Depositary Shares or ordinary shares, provided that the non-U.S. Holder provides a taxpayer identification number, certifies to its foreign status or otherwise establishes an exemption.

The amount of any back-up withholding will be allowed as a credit against a U.S. or Non-U.S. Holder's U.S. federal income tax liability and may entitle the holder to a refund, provided certain required information is furnished to the IRS.

#### TAXATION OF THE COMPANY

We are subject to U.S. federal income tax only to the extent that we derive U.S. source income that is subject to U.S. withholding tax or income that is effectively connected with the conduct of trade or business within the United States and is not exempt from U.S. tax under the U.S.-U.K. New Tax Treaty or Old Tax Treaty. Our indirect U.S. subsidiary will continue to be subject to U.S. tax on its worldwide income, including dividends, if any, we receive from non-U.S. subsidiaries, and dividends, if any, we pay to WG International Limited may be subject to a U.S. withholding tax, unless the earnings of the operating subsidiaries qualify the dividends for an exemption from that tax. Pursuant to the Old Tax Treaty, the 30% withholding tax imposed by U.S. Federal income tax law was reduced to five percent for non-exempt dividends from the U.S. subsidiary to WG International Limited. Under the New Tax Treaty, it is possible that WG International Limited would not qualify for the benefits of the treaty, in which case that rate reduction would not apply, and dividends from Starnet to WG International Limited would be subject to a U.S. withholding tax. We believe, based on the current ownership and trading of our stock, that there is a substantial risk that neither WG International Limited nor World Gaming plc will qualify for benefits under the New Tax Treaty. Alternatively, if WG International Limited were to qualify for the benefits of the New Tax Treaty, U.S. withholding tax on those dividends could be eliminated entirely. In addition, if WG International Limited were not to qualify for the benefits of the New Tax Treaty, other income of WG International or World Gaming plc that is from U.S. sources or that is effectively connected with trade or business conducted in the United States may become subject to U.S. federal income tax at higher rates.

#### DOCUMENTS ON DISPLAY

We have filed this Annual Report on Form 20-F with the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended. Statements made in this annual report as to the contents of any contract, agreement or other document referred to are not necessarily complete. With respect to each such contract, agreement or other document filed as an exhibit to this annual report, reference is made to the exhibit for a more complete description of the matter involved, and each such statement shall be deemed qualified in its entirety by such reference.

We are subject to the informational requirements of the Securities Exchange Act and file reports and other information with the Securities and Exchange Commission. Reports and other information which we file with the Securities and Exchange Commission, including this Annual Report on Form 20-F, may be inspected and copies at the public reference facilities of the Securities and Exchange Commission at: 450 Fifth Street N.W., Room 1024, Washington, D.C. 20549. Additionally, copies of this material may also be obtained from the Securities and Exchange Commission's Interest site at <http://www.sec.gov>. The Commission's telephone number is 1-800-SEC-0330.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our reporting currency is the U.S. dollar. We are exposed to foreign exchange risk on our net Canadian dollar asset position (approximately \$1,934 CDN or \$1,319 U.S. as of December 31, 2003). The main exposure in this regard is the Canadian dollar weakening against the U.S. dollar, which would cause our net Canadian position to "decline" after translation to the U.S. dollar. Subsequent to December 31, 2003, the Canadian dollar has appreciated against the U.S. currency.

Exposure arises primarily from the operations of our subsidiaries in Canada which incur development and certain administrative expenses in Canadian dollars (approximately \$5,544 CDN or \$3,957 U.S. for the year ending December 31, 2003) but do not derive any sales directly from customers. Funding for Inphinity comes from our non-Canadian subsidiaries that derive their sales in U.S. dollars. Therefore the ultimate cost of our operations in Canada is dependent on the relative strength of the Canadian dollar to the U.S. dollar. We have not hedged against this risk.

Our net Canadian asset position at December 31, 2003 is summarized as follows (in thousands of U.S. dollars with previous year comparatives included):

	2003	2002
Cash and cash equivalents .....	\$ 95	\$ (1)
Other current assets .....	174	254
	-----	-----
Total current assets .....	269	253
Other assets .....	1,079	1,332
Current liabilities .....	(1,111)	(767)
Long-term liabilities .....	-	(556)
	-----	-----
Net Canadian dollar denominated assets	\$ 237	\$ 262
	=====	=====

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

Not applicable.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS

There are no material modifications to the rights of security holders that are required to be disclosed.

USE OF PROCEEDS FROM OFFERING

Not applicable.

#### ITEM 15. CONTROLS AND PROCEDURES

Our principal executive officer and principal financial officer have evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-14(c) and 15d-14(c) under the Securities Exchange Act of 1934 ("Exchange Act")), as of a date within 90 days of the filing date of this Annual Report on Form 20-F. Based on such evaluation, they have concluded that as of such date, our disclosure controls and procedures are effective and designed to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in applicable SEC rules and forms. There has not been any change in the Company's internal control over financial reporting that occurred during the year ended December 31, 2003 that has materially affected, or is reasonably likely to affect the Company's internal control over financial reporting.

#### ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

See Item 6. Committees of the Board of Directors.

#### ITEM 16B. CODE OF ETHICS

In August 2003, the Board adopted a Code of Ethics, the principle terms of reference of this code are described below:

This Code of Ethics ("CODE") for Senior Officers of World Gaming plc and its subsidiaries (the "COMPANY") applies to the Company's Chief Executive Officer, Chief Financial Officer and its principal accounting officer or controller, or persons performing similar functions (the "SENIOR FINANCIAL OFFICERS"). The Company expects all of its associates to conduct business in accordance with applicable laws of England and Wales and the United States laws and the Company's high standards of business ethics, and to abide by policies and procedures adopted by the Company that govern the conduct of its associates, including the specific associates to which this Code relates. In performing duties, Senior Financial Officers will:

- o Act with honesty and integrity, avoiding actual or apparent conflicts of interest in their personal and professional relationships.
- o Promote full, fair, accurate, timely and understandable disclosure in the reports and documents that the Company files with, or submits to, the U.S. Securities and Exchange Commission (the "COMMISSION") and in other public communications made by the Company.
- o Comply with laws, rules and regulations of England and Wales as well as the United States and other appropriate private and public regulatory agencies.
- o Act in good faith, responsibly, with due care, competence and diligence, without misrepresenting material facts or allowing one's independent judgment to be subordinated.
- o Encourage and reward professional integrity in all aspects of the Company's financial organization and eliminate barriers to responsible behavior, such as coercion, reprisal or alienation from the financial organization of the Company.
- o Not unduly or fraudulently influence, coerce, manipulate or mislead any aspect of any authorized financial audit or interfere with any auditor engaged in the performance of an internal or independent audit of the Company's financial statements or accounting books and records.

If a Senior Financial Officer is aware of any suspected or known violations of this Code, they have a duty to promptly report such concerns to the Company's general counsel or to the audit committee (the "AUDIT Committee") of the Company's board of directors (the "BOARD").

Any violation of this Code and any violation by the Company, or its directors or officers, of the securities laws, rules or regulations or other laws, rules or regulations applicable to the Company may also be reported anonymously via the Company's compliance hotline to be established by Management. The Audit Committee, as well as the Board, shall have the authority to approve a waiver of any provision of this Code. Any request for a waiver of any provision of this Code must be in writing and addressed to the Audit Committee. Any waiver and the grounds for such waiver for a Senior Financial Officer shall be disclosed by any means approved by the Commission.

This Code is a statement of certain fundamental principles, policies and guidelines that govern Senior Financial Officers in the conduct of the Company's business, and is designed to assist the Company to conduct business in accordance with applicable federal and state laws and the Company's high standards of business ethics. It is not intended to and does not create any rights in any associate, customer, supplier, competitor, stockholder or any other person or entity.

Senior Financial Officers understand that they will be subject to action, including possible termination, if they violate or fail to comply with this Code. The Audit Committee will assess compliance with this Code, report violations of this Code to the Board and, based upon the relevant facts and circumstances, recommend to the Board appropriate action.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Set out below are fees charged for services provided by the Company's principal accountant:

	2003	2002
	-----	-----
Audit fees .....	68,465	233,920
Audit - related fees .....	55,554	23,085
Tax fees .....	2,800	-
All other fees .....	-	131,630
	-----	-----
TOTAL .....	126,819	388,635

In December 2003 the Company, at the recommendation of the Audit Committee, resolved to change its principal accountants. The principal accountants were changed on January 29, 2004 from Baker Tilly to HJ & Associates LLC. Audit fees charged in respect of 2002 relate entirely to Baker Tilly, in addition Audit-related fees charged in 2003 also relate to Baker Tilly for reviews in respect of quarter one and quarter two of 2003. All other fees billed in respect of 2003 relate to the Company's principal accountants, HJ & Associates.

Tax fees represent those fees charged in respect of making enquiries into overdue tax filing obligations for the Company and its subsidiaries and preparing for necessary filings in respect of these obligations. All other fees comprises amounts in respect of special projects completed by the principal accountant including a forensic accounting assignment into past director expenses and other non-audit related advice engaged by the Board.

The Sarbanes-Oxley Act of 2002 required the Company to implement a pre-approval process for all engagements with its external auditor. In response to the Sarbanes-Oxley requirements pertaining to auditor independence, the Company's audit committee adopted pre-approval procedures for the appointment of the external auditor and any non-audit services, including tax services, to be performed by the external auditor unless such pre-approval is not required under the Sarbanes-Oxley Act. These procedures require that the annual audit services engagement terms and fees be pre-approved by the Company's audit committee. The audit committee may delegate to one or more members of the committee the authority to grant pre-approvals for auditing and allowable non-auditing services, which decision shall be presented to the full committee at its next scheduled meeting for ratification. All non-audit services, including tax services, performed by the Company's external auditors in 2003 were approved by the Company's audit committee.

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not applicable.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS.

Set out below are purchases made by or on behalf of the Company or any affiliated purchaser of shares or ADRs of the Company's equity securities:

Period	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs	Maximum number of shares that may yet be purchased under the plans or programs
January 1, 2003 - January 31, 2003 .....	-	-	-	-
February 1, 2003 - February 28, 2003 .....	-	-	-	-
March 1, 2003 - March 31, 2003 .....	-	-	-	-
April 1 2003 - April 30, 2003 .....	-	-	-	-
May 1, 2003 - May 31, 2003 .....	-	-	-	-
June 1, 2003 - June 30, 2003 .....	-	-	-	-
July 1, 2003 - July 31, 2003 .....	-	-	-	-
August 1, 2003 - August 31, 2003 .....	-	-	-	-
September 1, 2003 - September 30, 2003 .....	-	-	-	-
October 1, 2003 - October 31, 2003 .....	-	-	-	-
November 1, 2003 - November 30, 2003 .....	10,000 (1)	\$0.43	-	-
December 1, 2003 - December 31, 2003 .....	-	-	-	-
<b>Total</b>	<b>10,000</b>	<b>\$0.43</b>	<b>-</b>	<b>-</b>

(1) Mr. Grossman, a director of the Company, purchased 10,000 ADR's on the open market in November 2003. This is Mr. Grossman's first purchase of the Company's ADR's and Mr. Grossman currently beneficially owns no other ADRs in the Company.

PART III

ITEM 17. FINANCIAL STATEMENTS

Our consolidated financial statements together with the reports of HJ & Associates and Baker Tilly with respect to the years ended December 31, 2003 and 2002, the eight months ended December 31, 2001 and the fiscal year ended April 30, 2001 are filed as part of this annual report.

CONSOLIDATED FINANCIAL STATEMENTS

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ITEM 18. FINANCIAL STATEMENTS

Our consolidated financial statements have been prepared in accordance with Item 17 hereof.

ITEM 19. EXHIBITS

- 1.1 Memorandum of Association of World Gaming plc (incorporated herein by reference from Exhibit 3.1 to a Registration Statement on Form F-4 (SEC File No. 333-48280, dated 10/19/00) filed by World Gaming plc)
- 1.2 Articles of Association of World Gaming plc adopted by special resolution on May 17, 2001 (incorporated herein by reference from Exhibit 4.2 to a Registration Statement on Form S-8 (SEC File No. 333-70056, dated 09/24/01) filed by World Gaming plc)
- 1.3 Articles of Association of World Gaming plc adopted by special resolution on June 20, 2002 (incorporated herein by reference from Exhibit 1.3 to the annual report on Form 20-F filed by World Gaming plc on June 30, 2003)
- 2.1 Form of ordinary share certificate of World Gaming plc. (incorporated herein by reference from Exhibit 1 to a Registration Statement on Form 8-A (Sec File No. 000-32793, dated 05/23/01) filed by World Gaming plc)
- 2.2 Form ADR (incorporated herein by reference from Exhibit A to the Form Deposit Agreement filed as Exhibit (a) to a Registration Statement on Form F-6 (SEC File No.333-13286, dated 05/24/01) filed by World Gaming plc)

- 2.3 Form Deposit Agreement among World Gaming plc and Continental Stock Transfer and Trust Company, as depositary, and others named therein dated as of March 2001 (incorporated herein by reference from Exhibit (a) to a Registration Statement on Form F-6 (SEC File No.333-13286, dated 05/24/01) filed by World Gaming plc)
- 2.4 World Gaming 2001 Share Option Plan (incorporated herein by reference from Exhibit 4.3 to a Registration statement on Form S-8 (SEC File No. 333-70056, dated 09/24/01) filed by World Gaming plc)
- 4.1 Agreement and Plan of Reorganization (incorporated herein by reference from Exhibit 2.1 to a report on Form 8-K (SEC File No. 000-29290, dated 06/14/01) filed by Starnet Communications International, Inc.)
- 4.2 Employment Agreement of Liam Gillen, dated November 27, 2000 (incorporated herein by reference from Exhibit 10.14 to a quarterly report on Form 10-Q (File No. 000-29290, filed 03/19/01) filed by Starnet Communications International, Inc.)
- 4.3 Loan Agreement between World Gaming plc and Sportingbet Plc, dated 08/01/02 (incorporated herein by reference from Exhibit 4.8 to the annual report on Form 20-F filed by World Gaming plc on 8/22/02)
- 4.4 General Security Agreement with Sportingbet Plc, dated 08/01/02 (incorporated herein by reference from Exhibit 4.9 to the annual report on Form 20-F filed by World Gaming plc on 8/22/02)
- 4.5 Escrow Agreement with NCC Escrow International Limited, dated 08/01/02 (incorporated herein by reference from Exhibit 4.10 to the annual report on Form 20-F filed by World Gaming plc on 8/22/02)
- 4.6 Accord and Satisfaction Agreement with Simpson Bay, Ltd., and AIM Investments Ltd. (incorporated herein by reference from Exhibit 4.5 to the Form 20-F filed by World Gaming plc on 11/1/01)
- 4.7 Unsecured Convertible Note with Goodison Park Limited, dated April 4, 2003 (incorporated herein by reference from Exhibit 4.7 to the annual report on Form 20-F filed by World Gaming plc on June 30, 2003)
- 4.8 Stock Acquisition Agreement with Goodison Park Limited, dated April 4, 2003 (incorporated herein by reference from Exhibit 4.8 to the annual report on Form 20-F filed by World Gaming plc on June 30, 2003)
- 4.9 Contract for Services with James Grossman, dated June 4, 2003 (incorporated herein by reference from Exhibit 4.9 to the annual report on Form 20-F filed by World Gaming plc on June 30, 2003)
- 4.10 Contract of Employment with A. Daniel Moran, dated June 4, 2003 (incorporated herein by reference from Exhibit 4.10 to the annual report on Form 20-F filed by World Gaming plc on June 30, 2003)
- 4.11 Employment Agreement with Nicholas Jackson, dated January 29, 2003 (incorporated herein by reference from Exhibit 4.11 to the annual report on Form 20-F filed by World Gaming plc on June 30, 2003)
- 4.12 Employment Agreement with David Craven, dated November 20, 2002 (incorporated herein by reference from Exhibit 4.12 to the annual report on Form 20-F filed by World Gaming plc on June 30, 2003)
- 4.13 Contract of Employment with David Naismith, dated June 4, 2003 (incorporated herein by reference from Exhibit 4.13 to the annual report on Form 20-F filed by World Gaming plc on June 30, 2003)
- 4.14 Offer of Employment with Simon Coulthard, dated August 1, 2002 (incorporated herein by reference from Exhibit 4.14 to the annual report on Form 20-F filed by World Gaming plc on June 30, 2003)
- 4.15 Offer of Employment with David Fleming, dated August 27, 2001 (incorporated herein by reference from Exhibit 4.15 to the annual report on Form 20-F filed by World Gaming plc on June 30, 2003)

- 4.16 Offer of Employment with Mark Thompson, dated November 21, 2002 (incorporated herein by reference from Exhibit 4.16 to the annual report on Form 20-F filed by World Gaming plc on June 30, 2003)
- 4.17 Letter regarding resignation of Mark Thompson dated 6/2/02 (incorporated herein by reference from Exhibit 4.17 to the annual report on Form 20-F filed by World Gaming plc on June 30, 2003)
- 4.18 Engagement letter for Mark Thompson as Financial Consultant dated 9/11/02 (incorporated herein by reference from Exhibit 4.18 to the annual report on Form 20-F filed by World Gaming plc on June 30, 2003)
- 4.19 Employment Agreement with Michael Aymong, dated 9/6/01 (incorporated herein by reference from Exhibit 4.19 to the annual report on Form 20-F filed by World Gaming plc on June 30, 2003)
- 4.20 Employment Offer Letter with Rodney Davis, dated July 5, 2001 (incorporated herein by reference from Exhibit 4.20 to the annual report on Form 20-F filed by World Gaming plc on June 30, 2003)
- 4.21 Letter regarding resignation of Rodney Davis, dated May 16, 2002 (incorporated herein by reference from Exhibit 4.21 to the annual report on Form 20-F filed by World Gaming plc on June 30, 2003)
- 4.22 Settlement Agreement with Starnet, Nicholas Jackson, Sportingbet and Goodison Park (incorporated herein by reference from Exhibit 4.22 to the annual report on Form 20-F filed by World Gaming plc on June 30, 2003)
- 4.23 Compromise Agreement by David Craven dated June 27, 2003 (incorporated herein by reference from Exhibit 4.23 to the annual report on Form 20-F filed by World Gaming plc on June 30, 2003)
- 4.24+ Software License Agreement between Internet Opportunity Entertainment Ltd. and Softec Systems Caribbean Inc. dated March 19, 1998 (incorporated herein by reference from Exhibit 4.24 to the annual report on Form 20-F filed by World Gaming plc on June 30, 2003)
- 4.25+ Software License Agreement between Real Entertainment Ltd. and Softec Systems Caribbean Inc. dated May 10, 1999 (incorporated herein by reference from Exhibit 4.25 to the annual report on Form 20-F filed by World Gaming plc on June 30, 2003)
- 4.26 Internet Service Agreement between EFS Caribbean Inc. and Cable and Wireless (West Indies) Ltd. (incorporated herein by reference from Exhibit 4.26 to the annual report on Form 20-F filed by World Gaming plc on June 30, 2003)
- 4.27 Letter regarding termination of Liam Gillen dated September 6, 2002 (incorporated herein by reference from Exhibit 4.27 to the annual report on Form 20-F filed by World Gaming plc on June 30, 2003)
- 4.28 Guarantee from Nicholas Jackson in favor of Goodison Park Limited (incorporated herein by reference from Exhibit 4.28 to the annual report on Form 20-F filed by World Gaming plc on June 30, 2003)

- 4.29\* Settlement Agreement between EMC Corporation and EMC Corporation of Canada and Starnet Communication Canada Inc., World Gaming PLC., and Inphinity Interactive dated December 30, 2003
- 4.30\* Settlement Agreement between Sunrise International Leasing Corporation of Canada and World Gaming PLC dated August 15, 2003
- 4.31\*+ License and Services Agreement between Oracle Corporation Canada Inc. and World Gaming PLC dated May 29, 2003
- 4.32\*+ Amendment Agreements between Oracle Corporation Canada Inc. and World Gaming PLC in respect of the License and Services Agreement dated February 24, 2004
- 4.34\* Settlement Agreement between Sinsational Intertainment Inc. and Softec Systems Caribbean Inc. and World Gaming PLC dated October 31, 2003
- 4.35\* Independent Contractor Agreement between Inphinity Interactive Inc. and Mark Hetherington
- 21.1\* List of Subsidiaries
- 23.1\* Consent of HJ & Associates, LLC
- 31.1\* Certification by A. Daniel Moran, CEO, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 31.2\* Certification by David Naismith, CFO, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 32.1\* Certification by A. Daniel Moran, CEO, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 32.2\* Certification by David Naismith, CFO, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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\* Filed herewith.

+ Certain terms of this agreement are subject to a request for confidential treatment with the SEC.

WORLD GAMING PLC AND SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND DECEMBER 31, 2002

C O N T E N T S

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INDEPENDENT AUDITORS' REPORT

Board of Directors  
World Gaming Plc and Subsidiaries  
London, England

We have audited the accompanying consolidated balance sheet of World Gaming Plc and Subsidiaries as of December 31, 2003 and the related consolidated statements of operations and other comprehensive income, stockholders' equity and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of World Gaming Plc and Subsidiaries as of December 31, 2003 and the consolidated results of their operations and other comprehensive income, and their cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

/s/ HJ & Associates LLC  
H.J & Associates LLC  
Salt Lake City, Utah, U.S.A.  
March 25, 2004

INDEPENDENT AUDITORS' REPORT

Board of Directors  
World Gaming Plc and Subsidiaries  
Reading, England

We have audited the accompanying consolidated balance sheet of World Gaming Plc and Subsidiaries (the Group) as of December 31, 2002 and the related consolidated statements of operations and other comprehensive income, stockholders' equity and cash flows for the year ended December 31, 2002. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of World Gaming Plc and Subsidiaries as of December 31, 2002 and the consolidated results of their operations and other comprehensive income, and their cash flows for the year ended December 31, 2002 in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Group will continue as a going concern. As discussed in note 13 to the [2002] consolidated financial statements, the Group has accumulated significant losses, has negative working capital, a deficit in stockholders equity and significant litigation, all of which raises significant doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in note 13 [to the 2002 consolidated financial statements]. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Baker Tilly  
Baker Tilly  
London, UK  
June 30, 2003

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of  
World Gaming Plc and Subsidiaries  
Vancouver, Canada

We have audited the accompanying consolidated statements of operations and other comprehensive loss, stockholders' equity and cash flows for the eight months ended December 31, 2001 of World Gaming Plc and subsidiaries. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of World Gaming Plc and Subsidiaries at December 31, 2001 and the consolidated results of their operations and their cash flows for the eight months ended December 31, 2001 in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements as of and for the eight months ended December 31, 2001 and for the year ended April 30, 2001 have been prepared assuming that the company will continue as a going concern. The Company has accumulated significant losses, has negative working capital and deficit in stockholders' equity, all of which raise substantial doubt about its ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ HJ & Associates, LLC  
HJ & Associates, LLC  
Salt Lake City, Utah, U.S.A.  
February 25, 2002 and July 31, 2002

WORLD GAMING PLC AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
(IN THOUSANDS OF US\$)

DECEMBER 31, 2003

DECEMBER 31, 2002

ASSETS

Current assets

Cash and cash equivalents .....	\$	2,657	\$	922
Reserves and deposits with credit card processors (Note 3) .....		5,948		1,484
Accounts receivable, net (Note 4) .....		242		606
Accounts receivable from related party (Note 4) .....		1,296		2,204
Prepaid expenses and deposits (Note 5) .....		594		230

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Total Current Assets .....		10,737		5,446
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CAPITAL ASSETS, Net (Note 6) .....		1,854		2,931
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TOTAL ASSETS .....	\$	12,591	\$	8,377
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The accompanying notes are an integral part of these consolidated financial statements.

WORLD GAMING PLC AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS (CONTINUED)  
(IN THOUSANDS OF US\$)

DECEMBER 31, 2003

DECEMBER 31, 2002

LIABILITIES

Current liabilities		
Accounts payable and accrued liabilities (Note 7) .....	\$ 6,444	\$ 5,198
Accrual for legal claims (Note 8) .....	215	1,200
Funds held on deposit (Note 9) .....	2,160	1,593
Deferred revenue .....	-	127
Current portion of loans payable to related party (Note 10) .....	803	1,458
Current portion of loans payable .....	645	100
Current portion of capital lease obligations (Note 11) .....	596	1,351
<hr/>		
Total Current Liabilities .....	10,863	11,027
Long-term liabilities		
Loans payable to related party (Note 10) .....	-	655
Convertible Note payable to related party (Note 12) .....	900	-
Capital lease obligations (Note 11) .....	-	240
<hr/>		
Total Liabilities .....	11,763	11,922
SHAREHOLDERS' EQUITY		
Capital stock (Note 13) .....	25,992	24,192
Deficit .....	(23,723)	(26,681)
Accumulated other comprehensive loss .....	(1,441)	(1,056)
<hr/>		
Total Shareholders' Equity .....	828	(3,545)
<hr/>		
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY .....	\$ 12,591	\$ 8,377
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The accompanying notes are an integral part of these consolidated financial statements.

WORLD GAMING PLC AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF OPERATIONS AND OTHER COMPREHENSIVE LOSS  
(IN THOUSANDS OF US\$)

	YEAR ENDED DECEMBER 31, 2003	YEAR ENDED DECEMBER 31, 2002	YEAR ENDED DECEMBER 31, 2001	EIGHT MONTHS ENDED DECEMBER 31, 2001
			(UNAUDITED)	
REVENUE				
Royalties and fees .....	\$ 17,621	\$ 16,145	\$ 17,547	\$ 11,682
Licensing .....	-	632	628	425
Gateway Development Fees .....	77	-	-	-
	17,698	16,777	18,175	12,107
COST OF SALES .....	2,150	1,704	4,316	2,276
	15,548	15,073	13,859	9,831
EXPENSES				
Development, selling, general and administrative .....	10,157	12,970	18,136	9,448
Provision for bad debts .....	344	3,400	2,169	267
Legal .....	739	798	1,391	745
Restructuring of operations .....	-	-	1,536	-
Accrued settlement of legal issues .....	45	-	4,341	(183)
Depreciation and amortization .....	1,933	3,168	2,607	1,745
Interest and bank charges .....	203	147	144	180
	13,421	20,483	30,324	12,202
PROFIT/(LOSS) FROM OPERATIONS .....	2,127	(5,410)	(16,465)	(2,371)
Conversion feature on Convertible Debt (Note 12) .....	(150)	-	-	-
OTHER INCOME (Note 11) .....	981	92	188	135
PROFIT/(LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES .....	2,958	(5,318)	(16,277)	(2,236)
INCOME TAX EXPENSE (RECOVERY)				
Current (Note 14) .....	-	-	-	-
Deferred (Note 14) .....	-	-	-	-
Total Income Taxes .....	-	-	-	-
NET PROFIT/(LOSS) .....	\$ 2,958	\$ (5,318)	\$ (16,277)	\$ (2,236)

The accompanying notes are an integral part of these consolidated financial statements.

WORLD GAMING PLC AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF OPERATIONS AND OTHER COMPREHENSIVE LOSS (CONTINUED)  
(IN THOUSANDS OF US\$)

	YEAR ENDED DECEMBER 31, 2003	YEAR ENDED DECEMBER 31, 2002	YEAR ENDED DECEMBER 31, 2001	EIGHT MONTHS ENDED DECEMBER 31, 2001
			(UNAUDITED)	
NET PROFIT/(LOSS) brought forward .....	\$ 2,958	\$ (5,318)	\$ (16,277)	\$ (2,236)
OTHER COMPREHENSIVE INCOME/(LOSS)				
Foreign currency translation .....	(385)	(85)	(672)	(263)
Total Other Comprehensive Loss .....	(385)	(85)	(672)	(263)
NET COMPREHENSIVE PROFIT/(LOSS) .....	\$ 2,573	\$ (5,403)	\$ (16,949)	\$ (2,499)
BASIC PROFIT/(LOSS) PER SHARE .....	\$ 0.07	\$ (0.16)	\$ (0.50)	\$ (0.07)
FULLY DILUTED PROFIT/(LOSS) PER SHARE .....	\$ 0.05	\$ (0.16)	\$ (0.50)	\$ (0.07)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING .....	42,932,416	34,193,181	33,442,496	33,997,263
FULLY DILUTED WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING .....	56,402,085	34,193,181	33,442,496	33,997,263

The accompanying notes are an integral part of these consolidated financial statements.

WORLD GAMING PLC AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY  
FOR THE YEAR ENDED DECEMBER 31, 2003, THE YEAR ENDED DECEMBER 31, 2002 AND THE  
EIGHT MONTHS ENDING DECEMBER 31, 2001

	Common Stock		Subscription Receivable	Deferred Compensation	Accumulated Other Comprehensive Income (Loss)	Retained Earnings (Deficit)
	Shares	Amount				
Balance, April 30, 2001 .....	32,193,181	\$ 22,394	\$ (310)	\$ (38)	\$ (708)	\$ (19,127)
Shares issued pursuant to conversion of long-term debt .....	2,000,000	1,500	-	-	-	-
Options issued below market value ..	-	504	-	(130)	-	-
Cash received on subscriptions receivable .....	-	15	310	-	-	-
Share issue costs pursuant to reorganization .....	-	(225)	-	-	-	-
Movement in other comprehensive income(loss) - foreign currency translation adjustments .....	-	-	-	-	(263)	-
Net loss for the year ended December 31, 2001 .....	-	-	-	-	-	(2,236)
<b>BALANCE, DECEMBER 31, 2001 .....</b>	<b>34,193,181</b>	<b>24,188</b>	<b>-</b>	<b>(168)</b>	<b>(971)</b>	<b>(21,363)</b>
Balance, January 1, 2002 .....	34,193,181	24,188	-	(168)	(971)	(21,363)
Options issued below market value ..	-	4	-	168	-	-
Movement in other comprehensive income(loss) - foreign currency translation adjustments .....	-	-	-	-	(85)	-
Net loss for the year ended December 31, 2002 .....	-	-	-	-	-	(5,318)
<b>BALANCE, DECEMBER 31, 2002 .....</b>	<b>34,193,181</b>	<b>\$ 24,192</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (1,056)</b>	<b>\$ (26,681)</b>

The accompanying notes are an integral part of these consolidated financial statements.

WORLD GAMING PLC AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2003, THE YEAR ENDED DECEMBER 31,2002 AND THE  
EIGHT MONTHS ENDING DECEMBER 31,2001

	Common Stock		Subscription Receivable	Deferred Compensation	Accumulated Other Comprehensive Income (Loss)	Retained Earnings (Deficit)
	Shares	Amount				
Balance, January 1, 2003 .....	34,193,181	\$ 24,192	\$ -	\$ -	\$ (1,056)	\$ (26,681)
Issues of Class Action settlement shares during 2003 .....	6,588,226	1,050	-	-	-	-
New Share issued to Goodison Park Ltd. ....	5,000,000	600	-	-	-	-
Beneficial conversion feature related to convertible debt .....	-	150	-	-	-	-
Movement in other comprehensive income (loss) - foreign currency translation adjustments .....	-	-	-	-	(385)	-
Net profit for the year ended December 31, 2003 .....	-	-	-	-	-	2,958
<b>BALANCE, DECEMBER 31, 2003 .....</b>	<b>45,781,407</b>	<b>\$ 25,992</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (1,441)</b>	<b>\$ (23,723)</b>

The accompanying notes are an integral part of these consolidated financial statements.

WORLD GAMING PLC AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF CASH FLOWS  
(IN THOUSANDS OF US\$)

	YEAR ENDED DECEMBER 31, 2003	YEAR ENDED DECEMBER 31, 2002	YEAR ENDED DECEMBER 31, 2001	EIGHT MONTHS ENDED DECEMBER 31, 2001
(UNAUDITED)				
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(Loss) for the period .....	\$ 2,958	\$ (5,318)	\$ (16,277)	\$ (2,236)
Adjustments to reconcile net profit/(loss) to net cash provided by operating activities:				
Depreciation and amortization .....	1,933	3,168	2,607	1,745
Gain on disposal of fixed assets .....	-	74	14	14
Deferred compensation .....	-	168	168	374
Option based compensation expense .....	-	-	-	-
Write-off of long-term receivable .....	-	-	-	-
Change in current assets and liabilities-				
Decrease (increase) in reserves with credit card processors .....	(4,464)	1,048	514	1,231
Decrease (increase) in accounts receivable and employee loans and advances .....	1,272	(151)	1,481	(1,047)
Decrease (increase) in prepaid expenses and Deposits .....	(364)	208	206	202
Decrease (increase) in other assets .....	-	209	407	53
Increase (decrease) in accounts payable and accrued liabilities .....	1,246	(713)	3,410	(4,395)
Increase (decrease) in income taxes payable .....	-	-	-	-
Increase (decrease) in legal claims accrual .....	65	(448)	(552)	(1,411)
Increase (decrease) in funds held on deposit .....	567	(133)	8	110
Increase (decrease) in deferred revenue .....	(127)	-	-	-
Net Cash provided(used) in Operating Activities .....	3,086	(1,888)	(8,014)	(5,360)
CASH FLOWS FROM INVESTMENT ACTIVITIES				
Purchase of capital assets, net .....	(219)	(1,412)	(751)	(653)
Transfer from (to) restricted cash .....	-	-	7,630	3,925
Net Cash Provided by (Used in) Investing Activities .....	\$ (219)	\$ (1,412)	\$ 6,879	\$ 3,272

The accompanying notes are an integral part of these consolidated financial statements.

WORLD GAMING PLC AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)  
(IN THOUSANDS OF US\$)

	YEAR ENDED DECEMBER 31, 2003	YEAR ENDED DECEMBER 31, 2002	YEAR ENDED DECEMBER 31, 2001	EIGHT MONTHS ENDED DECEMBER 31, 2001
	(UNAUDITED)			
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds on subscription receivable .....	\$ -	\$ -	\$ 366	\$ 325
Payments received on long-term receivable .....	-	4	1,555	-
Proceed from issuance of shares .....	600	-	-	-
Proceeds from New Loans .....	1,002	2,213	-	-
Oracle Note, net .....	595	-	-	-
Net repayments of Loans payable .....	(1,346)	-	-	-
Principal repayment under capital lease obligations .....	(1,598)	(116)	(392)	(286)
Net Cash Provided by Financing Activities .....	(747)	2,101	1,529	39
EFFECT OF EXCHANGE RATES ON CASH .....	(385)	(85)	(672)	(263)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENT DURING THE PERIOD .....	1,735	(1,284)	(278)	(2,312)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD .....	922	2,206	2,484	4,518
CASH AND CASH EQUIVALENTS, END OF PERIOD .....	\$ 2,657	\$ 922	\$ 2,206	\$ 2,206
Supplementary cash flow information: Other non-cash financing and investing transactions:				
Leased assets acquired .....	\$ 1,002	\$ 452	\$ -	\$ -
Loan converted to Shares .....	\$ -	\$ -	\$ 1,500	\$ -
Beneficial conversion feature on Note Payable .....	\$ 150	\$ -	\$ -	\$ -
Issue of Shares in settlement of class action suit ..	\$ 1,050	\$ -	\$ -	\$ -
Settlement of Capital Lease obligations .....	\$ 1,105	\$ -	\$ -	\$ -
Cash paid for:				
Interest paid .....	\$ 203	\$ 147	\$ -	\$ -
Income taxes paid .....	\$ -	\$ -	\$ -	\$ -

The accompanying notes are an integral part of these consolidated financial statements.

WORLD GAMING PLC AND SUBSIDIARIES  
Notes to Consolidated Financial Statements  
December 31, 2003 and December 31, 2002

NOTE 1 - NATURE OF BUSINESS AND BASIS OF PRESENTATION

On May 25, 2001, pursuant to an Agreement and Plan of Reorganization executed on May 17, 2001, Starnet Communications International Inc. ("Starnet") became a direct, wholly-owned subsidiary of World Gaming Plc ("World Gaming"), a company organized in England and Wales for the purpose of facilitating a new holding company structure. As part of the reorganization, World Gaming established December 31 as its year end.

Starnet Systems International Inc., a subsidiary of the Company incorporated and operating out of Antigua, licenses its gaming software to third parties for an initial licensing fee and monthly royalties. Inphinity Interactive Inc., a wholly-owned subsidiary of the Company develops gaming software and web pages. The Company's Internet casino, which targets only customers outside North America, is operated by its subsidiary, World Gaming Services, Inc., also incorporated and operating out of Antigua.

NOTE 2 - ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. A summary of significant accounting policies is set out below:

a. Basis of Presentation

The consolidated financial statements include the accounts of World Gaming and all its wholly-owned subsidiaries (collectively the "Company"). All significant inter-company balances and transactions have been eliminated. Unless otherwise stated, all amounts are in thousands of US Dollars. The Company has 10 subsidiaries which have been listed below:

- WG International Limited (incorporated in UK)
- World Gaming Europe Limited (incorporated in UK)
- Starnet Communications International, Inc. (incorporated in Delaware, USA)
- Starnet Systems International Inc. (incorporated in Antigua)
- EFS Caribbean Inc. (incorporated in Antigua)
- EFS USA Inc. (incorporated in Nevada, USA)
- EFS St. Kitts Inc. (incorporated in St. Kitts)
- Inphinity Interactive Inc. (incorporated in Canada)
- World Gaming Services Inc. (incorporated in Antigua)
- Starnet Communications Canada Inc. (incorporated in Canada).

b. Revenue Recognition

Initial license fees of gaming software are recognized as revenue upon the completion of the license sale transactions. Before the revenues are recognized, deposits from licensees are recorded as deferred revenue. Gaming and monthly licensing royalty revenues and other fees are recognized over the period services are provided. Revenues from the resale of Antigua government issued gaming licenses are recognized when collection is assured. Gaming revenues, which represent less than 1% of total revenues, are presented net of customer winnings.

WORLD GAMING PLC AND SUBSIDIARIES  
Notes to Consolidated Financial Statements  
December 31, 2003 and December 31, 2002

NOTE 2 - ACCOUNTING POLICIES (continued)

c. Capital Assets

Property and equipment are recorded at cost and are depreciated or amortized using the straight-line method over the estimated useful life of the assets at the following rates:

Furniture and fixtures .....	3 years
Computer hardware and equipment .....	3 years
Computer software .....	3 years
Automobiles .....	4 years
Domain name .....	5 years

Leasehold improvements are amortized over the term of the related lease using the straight-line method.

One-half of the normal depreciation rate is applied in the year of acquisition or capitalization of capital assets. If an asset is disposed off before expiration of its estimated useful life, one-half of the normal depreciation rate is charged for that year.

d. Cash

For the purposes of the statement of cash flows, cash consist of cash on hand, balances with banks, and investments in money market instruments

e. Foreign Currency Translation

All transactions in currencies other than the United States dollar during the year are translated at the exchange rates on the transaction dates. Monetary assets and liabilities denominated in a foreign currency are translated at the prevailing year-end rates of exchange. Exchange gains or losses are included in the consolidated statements of operations and other comprehensive income (loss). The financial statements of all subsidiaries expressed in currencies other than the United States dollar are translated into US dollars. All assets and liabilities are translated at the exchange rate on the balance sheet date and all revenues and expenditures are translated at the average rate for the year. Translation adjustments are reflected as a separate component of stockholders' equity.

In accordance with SFAS No. 95, "Statement of Cash Flows," the cash flows of the Company's foreign subsidiaries are translated using the weighted average exchange rates during the respective period. As a result, amounts in the statement of cash flows related to changes in asset and liabilities will not necessarily agree with the changes in the corresponding balances on the balance sheet which was translated at the exchange rate at the end of the period. The effect of exchange rate changes on foreign cash and cash equivalents is reported as a separate element of the statement of cash flows, if significant.

f. Leases

Leases which transfer substantially all of the benefits and risks of ownership are recorded as the acquisition of assets and incurrence of obligations. Under this method of accounting, both assets and obligations, including interest thereon, are amortized over the life of the lease.

WORLD GAMING PLC AND SUBSIDIARIES  
Notes to Consolidated Financial Statements  
December 31, 2003 and December 31, 2002

NOTE 2 - ACCOUNTING POLICIES (continued)

g. Advertising

The Company expenses the costs of advertising as incurred. During the year ended December 31, 2003, the year ended December 31, 2002 and the eight months ended December 31, 2001 the Company expensed \$39, \$54, and \$234 respectively of advertising costs.

h. Net Earnings (Loss) Per Common Share

The Company has adopted Statement of Financial Accounting Standards No. 128 ("FAS 128") regarding the determination and disclosure of earnings (loss) per share for the purpose of preparing its financial statements. The calculations of net earnings (loss) per common share are based upon the weighted average number of common shares of the Company outstanding during each year. The adoption of FAS 128 has no impact on previously reported information. Fully diluted earnings per share has been determined with the inclusion of 13,469,669 of common stock equivalents.

i. Stock Options

As permitted by FASB Statement 123 "Accounting for Stock Based Compensation" (SFAS No. 123) as amended by FASB Statement 148 (SFAS No. 148), the Company elected to measure and record compensation cost relative to employee stock option costs in accordance with Accounting Principles Board ("APB") Opinion 25, "Accounting for Stock Issued to Employees," and related interpretations and make proforma disclosures of net income and earnings per share as if the fair value method of valuing stock options had been applied. Under APB Opinion 25, compensation cost is recognized for stock options granted to employees when the option price is less than the market price of the underlying common stock on the date of grant.

j. Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires the Company's management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and related notes to the consolidated financial statements. Actual results may differ from those estimates.

k. Recent and Newly Issued Accounting Pronouncements

On April 30, 2002, the FASB issued FASB Statement No. 145 (SFAS 145), "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections." SFAS 145 rescinds both FASB Statement No. 4 (SFAS 4), "Reporting Gains and Losses from Extinguishment of Debt," and the amendment to SFAS 4, FASB Statement No. 64 (SFAS 64), "Extinguishments of Debt Made to Satisfy Sinking-Fund Requirements." Through this rescission, SFAS 145 eliminates the requirement (in both SFAS 4 and SFAS 64) that gains and losses from the extinguishment of debt be aggregated and, if material, classified as an extraordinary item, net of the related income tax effect. However, an entity is not prohibited from classifying such gains and losses as extraordinary items, so long as it meets the criteria in paragraph 20 of Accounting Principles Board Opinion No. 30, Reporting the Results of Operations Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions. Further, SFAS 145 amends paragraph 14(a) of FASB Statement No. 13, "Accounting for Leases", to eliminate an inconsistency between the accounting for sale-leaseback transactions and certain lease modifications that have economic effects that are similar to

WORLD GAMING PLC AND SUBSIDIARIES  
Notes to Consolidated Financial Statements  
December 31, 2003 and December 31, 2002

NOTE 2 - ACCOUNTING POLICIES (continued)

sale-leaseback transactions. The amendment requires that a lease modification (1) results in recognition of the gain or loss in the 9 financial statements, (2) is subject to FASB Statement No. 66, "Accounting for Sales of Real Estate," if the leased asset is real estate (including integral equipment), and (3) is subject (in its entirety) to the sale-leaseback rules of FASB Statement No. 98, "Accounting for Leases: Sale-Leaseback Transactions Involving Real Estate, Sales-Type Leases of Real Estate, Definition of the Lease Term, and Initial Direct Costs of Direct Financing Leases." Generally, FAS 145 is effective for transactions occurring after May 15, 2002. The Company does not expect that the adoption of SFAS 145 will have a material effect on its financial performance or results of operations.

In June 2002, the FASB issued SFAS No. 146, "Accounting for Exit or Disposal Activities" (SFAS 146). SFAS 146 addresses significant issues regarding the recognition, measurement, and reporting of costs that are associated with exit and disposal activities, including restructuring activities that are currently accounted for under EITF No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." The scope of SFAS 146 also includes costs related to terminating a contract that is not a capital lease and termination benefits that employees who are involuntarily terminated receive under the terms of a one-time benefit arrangement that is not an ongoing benefit arrangement or an individual deferred-compensation contract. SFAS 146 will be effective for exit or disposal activities that are initiated after December 31, 2002 and early application is encouraged. The provisions of EITF No. 94-3 shall continue to apply for an exit activity initiated under an exit plan that met the criteria of EITF No. 94-3 prior to the adoption of SFAS 146. The effect on adoption of SFAS 146 will change on a prospective basis the timing of when the restructuring charges are recorded from a commitment date approach to when the liability is incurred. The Company does not expect that the adoption of SFAS 146 will have a material effect on its financial performance or results of operations.

SFAS No. 147 relates to financial institutions and we have excluded reference to that pronouncement since it does not apply. Some firms include that pronouncement and say it does not apply.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation -- Transition and Disclosure" (SFAS 148). SFAS 148 amends SFAS No. 123 "Accounting for Stock-Based Compensation" ("SFAS 123"), to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS 148 amends the disclosure requirements of SFAS 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. SFAS 148 is effective for fiscal years beginning after December 15, 2002. The interim disclosure provisions are effective for financial reports containing financial statements for interim periods beginning after December 15, 2002. The Company is currently evaluating the effect that the adoption of SFAS 148 will have on its results of operations and financial condition. The Company does not expect the adoption of this statement to have a material impact on their consolidated financial statements.

In April 2003, the FASB issued Statement of Financial Accounting Standards No. 149 ("SFAS 149"), "Amendment of Statement 133 on Derivative Instruments and Hedging Activities", to provide clarification on the meaning of an underlying, the characteristics of a derivative that contains financing components and the meaning of an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors. This statement will be applied prospectively and is effective for

WORLD GAMING PLC AND SUBSIDIARIES  
Notes to Consolidated Financial Statements  
December 31, 2003 and December 31, 2002

NOTE 2 - ACCOUNTING POLICIES (continued)

contracts entered into or modified after June 30, 2003. The statement will be applicable to existing contracts and new contracts relate to forward purchases or sales of when-issued securities or other securities that do not yet exist. The Company does not expect that the adoption of SFAS 149 will have a material effect on the Company's financial statements.

In May 2003, the FASB issued Statement of Financial Accounting Standards No. 150 ("SFAS 150), "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity." This statement establishes standards for how a company classifies and measures certain financial instruments with characteristics of both liabilities and equity. This statement is effective for financial instruments entered into or modified after May 31, 2003 and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. The statement will be implemented by reporting the cumulative effect of a change in accounting principle for financial instruments created before the issuance date of the statement and still existing at the beginning of the period of adoption. The Company does not expect that the adoption of SFAS 150 will have a material effect on the Company's financial statements.

FASB INTERPRETATION NO. 45 -- "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others - an Interpretation of FASB Statements No. 5, 57 and 107". The initial recognition and initial measurement provisions of this Interpretation are to be applied prospectively to guarantees issued or modified after December 31, 2002. The disclosure requirements in the Interpretation were effective for financial statements of interim or annual periods ending after December 15, 2002. The adoption of FASB Interpretation No. 45 did not have a material effect on the consolidated financial statements of the Company.

FASB INTERPRETATION NO. 46 -- In January 2003, the FASB issued FASB Interpretation No. 46 "Consolidation of Variable Interest Entities." FIN 46 provides guidance on the identification of entities for which control is achieved through means other than through voting rights, variable interest entities, and how to determine when and which business enterprises should consolidate variable interest entities. This interpretation applies immediately to variable interest entities created after January 31, 2003. It applies in the first fiscal year or interim period beginning after June 15, 2003, to variable interest entities in which an enterprise holds a variable interest that it acquired before February 1, 2003. The adoption of FIN 46 did not have a material impact on the Company's consolidated financial statements.

During the year ended December 31, 2003, the Company adopted the following Emerging Issues Task Force Consensuses: EITF Issue No. 00-21 "Revenue Arrangements with Multiple Deliverables", EITF Issue No. 01 -8 " Determining Whether an Arrangement Contains a Lease", EITF Issue No. 02-3 "Issues Related to Accounting for Contracts Involved in Energy Trading and Risk Management Activities", EITF Issue No. 02-9 "Accounting by a Reseller for Certain Consideration Received from a Vendor", EITF Issue No. 02-17, "Recognition of Customer Relationship Intangible Assets Acquired in a Business Combination", EITF Issue No. 02-18 "Accounting for Subsequent Investments in an Investee after Suspension of Equity Method Loss Recognition", EITF Issue No. 03-1, "The Meaning of Other Than Temporary and its Application to Certain Instruments", EITF Issue No. 03-5, "Applicability of AICPA Statement of Position 9702, 'Software Revenue Recognition' to Non-Software Deliverables in an Arrangement Containing More Than Incidental Software", EITF Issue No. 03-7, "Accounting for the Settlement of the Equity Settled Portion of a Convertible Debt Instrument That Permits or Requires the Conversion Spread to be Settled in Stock", EITF Issue No. 03-10, "Application of EITF Issue No. 02-16 by Resellers to Sales Incentives Offered to Consumers by Manufacturers.

WORLD GAMING PLC AND SUBSIDIARIES  
Notes to Consolidated Financial Statements  
December 31, 2003 and December 31, 2002

NOTE 2 - ACCOUNTING POLICIES (continued)

m. Software Development Costs

The Company applies the provisions of SOP 98-1 "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use". During the year ended December 31, 2003, the Company was completing the development of the following products:

HORSE RACING

Development is underway to offer additional content to increase the current offerings by our licensees. In addition, a horsebook product has begun in the early stages of development that will fit our licensees' market needs and add to our product mix.

SPORTSBOOK

In addition to maintenance of the current turnkey Sportsbook product, Inphinity is developing new proprietary sports betting software. This sports betting software encapsulates the Company's current Sportsbook features, provides additional Sportsbook betting options that are geographically specific and new products such as pools and pari-mutuels. In addition, the new product will allow for a variety of operational flexibility for licensees. The Company was nearing completion of this new version of the Sportsbook software at the end of the year. The development was completed and recently released during 2003 to licensees. Feedback is being acquired from licensees for new features and upgrades in order to enhance our licensees gaming sites.

CASINO

Development of the 3.3 Casino games was nearing completion by the end of the year. The 3.3 Casino games offers enhanced customization capabilities and allows licensees to differentiate themselves from competitors and offer strong branding. Also the addition of progressive jackpots is one of the new features which give licensees the opportunity to network with gaming sites and offer an exciting global jackpot experience. Launching of the 3.3 Casino games is underway in the first half of 2003.

VIRTUAL GAMES

Virtual Games was launched in December 2003 on World Gaming's system featuring two games: Virtual Derby and Super Hi Lo. Virtual Derby is an interactive fantasy horse racing game that allows bettors to place wagers on a six-horse field. Bettors can research the standings of jockeys, trainers, horses and track conditions before placing a win and/or exacta wagers. Super Hi Lo is card game that allows bettors to wager on various card combinations. Bettors have the opportunity to win big by attempting to place a number of cumulative wagers as part of the same game.

WORLD GAMING PLC AND SUBSIDIARIES  
Notes to Consolidated Financial Statements  
December 31, 2003 and December 31, 2002

NOTE 2 - ACCOUNTING POLICIES (continued)

n. Long-lived assets

In accordance with SFAS No. 142, GOODWILL AND OTHER INTANGIBLE ASSETS, long-lived assets, including goodwill associated with other long-lived assets, are evaluated for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Any changes in estimated useful life are recorded prospectively and any impairment adjustments are recorded as expense in the period the impairment occurs. The amount of any impairment considered necessary would be determined by comparing the book value of the net assets in the applicable line of business to fair value using methods such as the present-value of estimated future cash flows, sale value or other valuation methodologies available at the time, depending on the stage of development of the line of business and the Company's intentions at the time an impairment adjustment was considered necessary.

o. Unaudited Information

The consolidated financial statements for the year ended December 31, 2001 has been prepared by management without audit. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present the information have been made.

NOTE 3 - RESERVES WITH CREDIT CARD PROCESSORS

Reserves and balances with credit card processors consist of rolling reserves and balances held by merchant banks awaiting transfer to the Company's bank accounts. At December 31, 2003 and December 31, 2002, the balance of these reserves was \$5,948 and \$1,484 respectively.

NOTE 4 - ACCOUNTS RECEIVABLE

	December 31, 2003	December 31, 2002
Amounts due from licensees .....	\$ 386	\$ 592
Income tax receivable (Note 13) ..	-	120
Other .....	102	104
Less: allowance for bad debts ....	(246)	(210)
	\$ 242	\$ 606
	=====	=====

In addition, accounts receivable from Sportingbet Plc, a related entity, at December 31, 2003 totaled \$1,296 (2002: \$2,204).

NOTE 5 - PREPAID EXPENSES AND DEPOSITS

	December 31, 2003	December 31, 2002
Rental security deposits .....	\$ 57	\$ 55
Insurances .....	188	-
Oracle technical support .....	79	-
Other prepayments .....	270	175
	\$ 594	\$ 230
	=====	=====

WORLD GAMING PLC AND SUBSIDIARIES  
Notes to Consolidated Financial Statements  
December 31, 2003 and December 31, 2002

NOTE 6 - CAPITAL ASSETS

Capital assets are recorded at cost less accumulated depreciation and consist of the following:

DECEMBER 31, 2003	COST	ACCUMULATED DEPRECIATION	NET BOOK VALUE
	-----	-----	-----
Computer hardware and equipment .....	\$ 7,035	\$ 6,415	\$ 620
Computer hardware under capital leases ...	1,627	1,627	-
Automobiles under capital leases .....	180	111	69
Leasehold improvements .....	469	353	116
Furniture and fixtures .....	394	342	52
Computer software .....	3,660	2,663	997
Domain name .....	45	45	-
	-----	-----	-----
	\$ 13,410	\$11,556	\$ 1,854
	=====	=====	=====

DECEMBER 31, 2002	COST	ACCUMULATED DEPRECIATION	NET BOOK VALUE
	-----	-----	-----
Computer hardware and equipment .....	\$ 6,916	\$ 5,218	\$ 1,698
Computer hardware under capital leases ...	1,729	1,395	334
Automobiles under capital leases .....	114	86	28
Leasehold improvements .....	469	246	223
Furniture and fixtures .....	385	302	83
Computer software .....	2,827	2,274	553
Domain name .....	45	33	12
	-----	-----	-----
	\$ 12,485	\$ 9,554	\$ 2,931
	=====	=====	=====

During the year ended December 31, 2003, and the year ended December 31, 2002 the Company recorded depreciation expense of \$1,933 and \$3,168 respectively.

NOTE 7 - ACCOUNTS PAYABLES AND ACCRUED LIABILITIES

	December 31, 2003	December 31, 2002
	-----	-----
Accounts payable .....	\$ 762	\$ 1,663
Amounts due to licensees .....	4,567	2,074
Accrued liabilities .....	1,115	1,461
	-----	-----
	\$ 6,444	\$ 5,198
	=====	=====

Amounts due to licensees represent amounts held in cash or with credit card processors on behalf of licensees.

WORLD GAMING PLC AND SUBSIDIARIES  
Notes to Consolidated Financial Statements  
December 31, 2003 and December 31, 2002

NOTE 8 - ACCRUAL FOR LEGAL CLAIMS

	December 31, 2003	December 31, 2002
Accrual for legal claims .....	\$ 215	\$ 1,200
	-----	-----
	\$ 215	\$ 1,200
	=====	=====

Legal claim accruals for the year ending December 31, 2003 represent a final payment of three equal payments in respect of a settlement with a prospective licensee and for other legal matters pending. The balance as at December 31, 2002 represents related costs in respect of a class action matter. This liability was extinguished in March 2003 through the issue of American Depositary Shares in the Company to the value of \$1,050,000 and \$50,000 in cash.

NOTE 9 - FUNDS HELD ON DEPOSIT

	December 31, 2003	December 31, 2002
Licensee customer deposits .....	\$ 2,160	\$ 1,593
	-----	-----
	\$ 2,160	\$ 1,593
	=====	=====

As of December 31, 2003, the Company held cash and credit card processor reserves in the form of customer account "e-cash" balances representing cash funds deposited by customers of the Company's licensees. These deposits are non-interest bearing and are repayable on demand.

NOTE 10 - LOANS PAYABLE

	December 31, 2003	December 31, 2002
Loans - current .....	\$ 853	\$ 1,558
Oracle loan note .....	595	-
	-----	-----
	\$ 1,448	\$ 1,558
	=====	=====

At December 31, 2003, the Company had a loan from SportingBet Plc, a related company with a balance payable of \$769 and imputed interest of \$18 which is included in the loan balances above. This loan balance from SportingBet Plc is secured by a floating charge on some intellectual property of the company and on certain identified equipment.

On May 30, 2003 the Company entered into a License and Services Agreement with Oracle Corporation Canada Inc for the provision of limited rights to use certain Oracle software products together with product support and software updates. The total commitment in respect of this agreement was \$1,002 payable in accordance with a monthly payment schedule over twenty months ending December 2004.

WORLD GAMING PLC AND SUBSIDIARIES  
Notes to Consolidated Financial Statements  
December 31, 2003 and December 31, 2002

NOTE 11 - CAPITAL LEASE OBLIGATIONS

At December 31, 2003, the Company had entered into capital leases for equipment and automobiles. The future payments for the 12 months ended December 31 are:

2004		\$ 599
		-----
Total minimum lease payments .....		599
Less amounts representing interest at rates varying from		
6.0% to 18.0% .....		(3)
		-----
Present value of minimum lease payments .....		596
Less: Current portion of capital lease obligations .....		596
		-----
Long-term portion of capital lease obligations .....		\$ -
		=====

During the year ended December 31, 2003, the Company entered into settlement agreements with all its disputed capital leases and payments are being made in accordance with the settlement agreements. As a result of these settlements, an amount of \$834 was recognised and included in other income in the profit and loss account for the year.

Additionally, part of the settlement arrangements provided that, should the company default on its payment arrangements, there would be a maximum potential obligation of \$1,800 less amounts paid to the date of default. All scheduled repayments due at December 31, 2003 have been paid in accordance with the settlement agreements.

NOTE 12 - CONVERTIBLE NOTE PAYABLE - RELATED PARTY

	December 31, 2003	December 31, 2002
	-----	-----
Convertible loan note .....	\$ 900	\$ -
	-----	-----
	\$ 900	\$ -
	=====	=====

On April 4, 2003 Goodison Park Ltd., a wholly-owned subsidiary of Sportingbet Plc, a related party, invested in World Gaming Plc through a \$900 loan note, convertible into 7,500,000 shares of the Company's common stock at \$0.12 per share at Sportingbet Plc's discretion after a two year term. The closing market price of the company's common stock on the date of issue was \$0.14 per share. Accordingly a non-cash expense has been recognized for the beneficial conversion discount on the loan note of \$150.

The company recorded imputed interest of \$11 related to this loan which is included in the current loans payables balances in note 10 above.

WORLD GAMING PLC AND SUBSIDIARIES  
Notes to Consolidated Financial Statements  
December 31, 2003 and December 31, 2002

NOTE 13 - CAPITAL STOCK

Authorized 500,000,000 ordinary shares, par value STG 0.002.

(a) The Company had the following shares issued and outstanding:

	Year ended December 31, 2003		Year ended December 31, 2002	
	-----	-----	-----	-----
Outstanding Class A shares, beginning of year .....	34,193,181	\$ 24,192	34,193,181	\$ 24,188
Options issued below market value .....	-	-	-	-
Shares issued pursuant to settlement of Class Action suit ....	6,588,226	1,050	-	-
Shares issued to Goodison Park Ltd.	5,000,000	600	-	-
Beneficial conversion feature related to convertible debt .....	-	150	-	-
Options issued below market value ..	-	-	-	4
	-----	-----	-----	-----
Outstanding Class A shares, end of year .....	45,781,407	\$ 25,992	34,193,181	\$ 24,192
	=====	=====	=====	=====

(b) Stock Options

On March 12, 1998, the Board of Directors approved a stock option plan, which authorized the issuance of 3,000,000 options to employees of the Company and its subsidiaries at an exercise price of \$0.74. The options expire on January 1, 2008. On December 31, 1998, the Board of Directors authorized the issuance of up to 4,000,000 additional options at an exercise price to be determined based on the trading price of the Company's shares on the grant date. On December 23, 1999, the Board of Directors authorized the issuance of up to 5,000,000 additional options at an exercise price to be determined based on the trading price of the Company's shares on the grant date.

On August 5, 2003 the Board of Directors authorized the issuance of up to 1,500,000 additional options to employees at an exercise price of \$0.15, being the closing market price on the grant date, of which 1,475,000 were issued. Options issued subsequent to April 11, 2003 to employees generally vest at the conclusion of two years of service, while options issued to directors vest partially within 1 year with the remainder vesting at the conclusion of a two year service period. Options expire ten years after the date granted.

WORLD GAMING PLC AND SUBSIDIARIES  
Notes to Consolidated Financial Statements  
December 31, 2003 and December 31, 2002

NOTE 13 - CAPITAL STOCK (continued)

A summary of the Company's stock option activity and related information follows:

	Year ended December 31, 2003		Year ended December 31, 2002	
Beginning of period .....	6,942,219	\$ 1.49	11,794,862	\$ 1.98
Granted .....	5,475,000	0.15	675,000	0.89
Exercised .....	-	-	-	-
Forfeited and adjusted .....	(1,598,495)	(1.65)	(5,527,643)	(2.46)
End of period .....	<u>10,818,724</u>	<u>\$ 0.78</u>	<u>6,942,219</u>	<u>\$ 1.49</u>

At December 31, 2003, options outstanding were as follows:

Range of Exercise Prices	Options Outstanding			Options Exercisable		
	Number of Options	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number of Options	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price
\$0.14 - \$1.00	8,302,122	7.3	\$ 0.24	3,561,237	5.9	\$ 0.31
\$1.01 - \$1.50	517,470	4.8	\$ 1.37	475,968	4.7	\$ 1.37
\$1.51 - \$2.50	1,029,370	3.0	\$ 2.23	996,036	2.9	\$ 2.22
\$2.51 - \$5.99	951,262	5.8	\$ 3.45	917,928	5.7	\$ 3.42
\$6.00 - \$11.00	18,500	5.0	\$ 8.01	18,500	5.0	\$ 8.01
\$0.31 - \$11.00	<u>10,818,724</u>	<u>6.64</u>	<u>\$ 0.78</u>	<u>5,969,669</u>	<u>5.27</u>	<u>\$ 1.22</u>

WORLD GAMING PLC AND SUBSIDIARIES  
Notes to Consolidated Financial Statements  
December 31, 2003 and December 31, 2002

NOTE 13 - CAPITAL STOCK (continued)

(c) Accounting for Stock Based Compensation

The Company has adopted the disclosure-only provisions of FAS 123 as amended by SFAS No. 148, Accounting for "Stock-Based Compensation". Accordingly, no compensation cost has been recognized for the stock option plan. Had compensation cost for the Company's stock option plan been determined based on the fair value at the grant date for awards in 2001 and 2000 consistent with the provisions of SFAS No. 123, the Company's loss and loss per share would have been increased to the pro forma amounts indicated below:

	Year ended December 31, 2003	Year ended December 31, 2002
	-----	-----
Net profit/(loss) as reported .....	\$ 2,958	\$ (5,318)
Pro forma net profit/(loss) under FAS 148 .....	\$ 2,754	\$ (5,389)
Net profit/(loss) per share - basic, as reported ..	\$ 0.07	\$ (0.16)
Pro forma net profit/(loss) per share Basic .....	\$ 0.06	\$ (0.16)
Fully Diluted .....	\$ 0.05	\$ (0.16)

For purposes of pro forma disclosures, the estimated fair value of options granted is amortized to expense over a 2 year period. The fair value of option grants is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions.

	December 31, 2003	December 31, 2002
	-----	-----
Dividend yield .....	0%	0%
Expected volatility .....	146%	157%
Risk-free interest rate .....	2.377%	2.18%
Expected lives .....	3 years	3 years

NOTE 14 - INCOME TAXES

The Company's operations located in Canada are subject to tax to the extent that income is generated in the country. For the year ended December 31, 2003 and the year ended 31 December, 2002, the losses related to development activities allow a recovery of tax previously paid:

	December 31, 2003	December 31, 2002
	-----	-----
Tax payable (receivable) - beginning of year .....	\$ (123)	\$ (123)
Provision for (recover of) current income tax ....	123	-
Payments of tax .....	-	-
Difference due to exchange rate .....	-	-
	-----	-----
Tax receivable - end of year (Note 4) .....	\$ -	\$ (123)
	=====	=====

WORLD GAMING PLC AND SUBSIDIARIES  
Notes to Consolidated Financial Statements  
December 31, 2003 and December 31, 2002

NOTE 14 - INCOME TAXES (continued)

At December 31, 2003, the Company had net operating losses to carry-forward in its Canadian companies of approximately \$18,864 that may be offset against future taxable income in Canada through 2009. No tax benefit has been reported in the consolidated financial statements as the Company believes that the carryforwards will expire unused. Accordingly, the potential tax benefits of the net operating loss carryforwards are offset by a valuation allowance of the same amount. The income tax benefit differs from the amount computed at income tax rates of approximately 45% as follows:

	For the year ended December 31, 2003	For the year ended December 31, 2002
	-----	-----
Income tax benefit at statutory rate .....	\$ 2,285	\$ 2,579
Change in valuation allowance .....	(2,285)	(2,579)
	-----	-----
	\$ -	\$ -
	=====	=====

Deferred tax assets (liabilities) are comprised of the following:

	December 31, 2003	December 31, 2002
	-----	-----
Income tax benefit at statutory rate ...	\$ 8,489	\$ 6,204
Change in valuation allowance .....	(8,489)	(6,204)
	-----	-----
	\$ -	\$ -
	=====	=====

NOTE 15 - RECLASSIFICATION OF CERTAIN BALANCES

Certain balances on the balance sheet for the year ended December 31, 2002 have been reclassified, with no effect on net income (or earnings per common share), to be consistent with the classifications adopted for the year ended December 31, 2003.

NOTE 16 - COMMITMENTS AND CONTINGENCIES

COMMITMENTS

At December 31, 2003, the Company has entered into commitments for leases for premises. The future committed payments as at December 31, 2003 are:

2004 .....	\$ 538
2005 .....	291
2006 .....	92
	-----
	\$ 921
	=====

WORLD GAMING PLC AND SUBSIDIARIES  
Notes to Consolidated Financial Statements  
December 31, 2003 and December 31, 2002

NOTE 16 - COMMITMENTS AND CONTINGENCIES (continued)

COMMITMENTS (CONTINUED)

At December 31, 2003, the Company had employment contracts with its four principal officers. The salary and bonus compensation resulting from these contracts are as follows:

NAME AND PRINCIPAL POSITION	TERM OF THE CONTRACT	BASE SALARY	POTENTIAL BONUS (AS A PERCENTAGE OF BASE SALARY)
A. Daniel Moran, Director & CEO	ongoing	\$189	Up to 50%
David Naismith, Director & CFO	ongoing	\$156	Up to 50%
David Fleming, Director & CTO	ongoing	CDN\$180	Up to 30%
Mark Thompson, Operations Director	ongoing	\$120	Up to 75%

James H. Grossman was appointed as a director and Chairman of the Board on April 11, 2003. His annual compensation for such service and up to five hours a month of legal services is (pound) 50, plus up to US \$2 per month for certain additional legal services.

On April 11, 2003 the company entered into an employment agreement with Mr. Daniel Moran as a Director of the Board and Chief Executive Officer. The agreement provides for an annual salary of \$189, an annual housing allowance of \$25, in addition to other normal executive employment benefits.

Mr. David Fleming began employment on September 10, 2001 and he has an annual salary of CDN\$180 in addition to other normal executive employment benefits.

On August 1, 2003 the company entered into an employment agreement with Mr. David Naismith as a Director of the Board and Chief Financial Officer. The agreement provides for an annual salary of \$156, an annual housing allowance of \$25, in addition to other normal executive employment benefits.

Mr. Mark Thompson was appointed to the position of Operations Director and Managing Director of Starnet Systems on December 1, 2002 on a salary of \$120 with an annual housing allowance of \$30 and certain other additional benefits.

WORLD GAMING PLC AND SUBSIDIARIES  
Notes to Consolidated Financial Statements  
December 31, 2003 and December 31, 2002

NOTE 16 - COMMITMENTS AND CONTINGENCIES (continued)

CONTINGENCIES

On September 16, 1999, Las Vegas Casino Inc. (LVC) commenced an action against Starnet, a number of its subsidiaries and various employees of Starnet and its subsidiaries. LVC alleges that the Starnet breached and wrongfully terminated its license agreement with LVC and misappropriated \$15 million from LVC, and that LVC lost gambling revenues in the amount of \$1 billion as a result of the breach and wrongful termination. LVC had previously entered into a license agreement with Starnet Systems International Inc. ("Starnet Systems"). Starnet Systems terminated the License agreement because of LVC's non-payment of its royalty fees. The Supreme Court of British Columbia has dismissed this action. LVC has appealed the Court ruling and the Company is awaiting the determination of the appeal. The Company believes the appeal is without merit.

The CCRA for the tax calendar years of 2001 and 2002 have been auditing our subsidiary, Starnet Communications International, Inc. We provided the auditors with all relevant information, and cooperated with the agency. The audit was completed during the year ending December 31, 2003 with the CCRA without any negative finding of financial penalties for the Company.

In March 2002, Casino on Air World Entertainment Ltd., a former licensee of the Company, filed a lawsuit against the Company alleging breach of contract in Antigua. The amount of the claim is U.S. \$1.84 million. The Company successfully obtained a stay of this action in the Antiguan courts. The court ordered that the dispute be dealt with by way of arbitration. Casino on Air has failed to file a Notice to Arbitrate. The financial impact of this action, if any, cannot be determined at this time, although the Company believes that the claim is without merit.

Sunrise Corporation commenced a lawsuit against the Company in the Superior Court of Ontario on April 16, 2002. Sunrise Corporation alleges that Starnet Canada failed to make payments for the equipment leased from Sunrise Corporation and that World Gaming is responsible for this debt. The amount of the claim is \$465,211 plus interest and costs. In August 2003, the Company reached a settlement with Sunrise Corporation in consideration of a full and final release of any claims that Sunrise Corporation may have against the Company. The settlement was in the amount of \$230,000 payable as \$25,000 upon signing the settlement with the balance payable in equal installments of \$17,083.33 beginning September 1, 2003 and ending August 1, 2004.

In November 2001, the Company entered into a lease arrangement for office space in Toronto, Canada. The Company vacated the premises in May 2002. The Company is aware that there may be some remaining liability in respect of the leased premises. The Company is not currently in a position to reliably estimate any potential liability in respect of this lease.

WORLD GAMING PLC AND SUBSIDIARIES  
Notes to Consolidated Financial Statements  
December 31, 2003 and December 31, 2002

NOTE 16 - COMMITMENTS AND CONTINGENCIES (continued)

CONTINGENCIES (CONTINUED)

On August 6, 1998 Mitchell White commenced an action against Starnet Communications Canada Inc. for breach of his employment agreement and wrongful termination of him as a director. Mr. White alleges that as a result of his wrongful termination as an employee and director, he was not provided with a severance package in lieu of reasonable notice and he did not receive stock options that he would have otherwise received. Mr. White claims that his losses are in excess of \$1.5m. The trial of this action is scheduled to begin in June, 2004. In February 2004, Starnet Communications commenced a third party claim against a former director of Starnet International, Mr. Jack Carley. It is alleged that Mr. Carley was responsible for the termination of Mr. White in 1998. Mr. Carley is also Mr. White's father-in-law. Management intends to vigorously contest the claim by Mr. White and, in doing so, pursue its third party claim against Mr. Carley. The likelihood of loss, if any, and the costs associated therewith are not determinable at this time.

In March 2000, our subsidiary, Starnet Canada, sold substantially all of the assets and undertakings comprising its adult entertainment division to 596773 B.C. Ltd. ("Chisel Media"). The sale price for the assets was \$2.3 million, of which \$460,000 was paid on March 31, 2000 into an attorney trust account, but subsequently was released to Starnet Canada on April 30, 2000. The balance was to be paid in monthly installments through July 1, 2003. The deferred portion of the purchase price is secured by a general security agreement in favor of Starnet Canada, and a pledge of the shares of Chisel Media Inc. The monthly installments referred to above which were to begin July 1, 2000 have not been paid by Chisel Media Inc. and at December 31, 2001, we reserved for the potential of not being able to collect the principal amount from the buyer. Starnet Canada has commenced arbitration proceedings against Chisel Media and in March 2004 we received confirmation that the case would go before an arbitrator. From June 19, 2002 until July 17, 2002, James MacKay, the shareholder of Chisel Media, has served as our interim CEO and a director, of the Company. Any settlement will be scrutinized by the Board as a related party transaction, and will be subject to the Board's approval as such.

On April 9, 2003, Starnet Systems served notice to Sinsational Intertainment ("Sinsational"), a former licensee of the Company regarding its outstanding account in the amount of \$268,207 indicating the Company would terminate the agreement if the long overdue account was not made current. On April 15, 2003, Sinsational filed a statement of claim in the courts of Antigua and Barbuda against the Company for an amount of approximately \$6.6 million. The Company counterclaimed for the outstanding amount due. On April 16, 2003, Sinsational acknowledged in writing the termination of its agreement with the Company. On April 16, 2003, Sinsational commenced an action against the Company and obtained an injunction preventing Starnet Systems from terminating the hosting services provided by the Company. On May 12, 2003, at the request of the Company, the court removed the injunction. On May 15, 2003 Sinsational requested that Starnet Systems cease providing services to its website. On May 23, 2003 Sinsational filed an amended statement of claim increasing the amount claimed to approximately \$30.9 million alleging, among other things, breach of contract and permanent loss of shareholder value. On June 19, 2003, Sinsational obtained a new injunction preventing the Company from dealing with Sinsational's customer data. In June 2003, Sinsational applied to the International Chamber of Commerce to initiate arbitration and further amended their claim to approximately \$36.4 million. On October 23, 2003, the Company agreed, with the principals of Sinsational, to terms of a settlement of this matter. The terms of this settlement provides for the agreement by Sinsational to terminate all of its claims against the Company in exchange for which the Company will not further pursue its claims against Sinsational. The settlement agreement was executed on this date.

WORLD GAMING PLC AND SUBSIDIARIES  
Notes to Consolidated Financial Statements  
December 31, 2003 and December 31, 2002

NOTE 17 - MAJOR CUSTOMERS

Pertinent details of the gross sales to major customers during the year ended December 31, 2003 are as follows:

CUSTOMERS -----	GROSS SALES -----	PERCENT GROSS SALES -----
Customer A/ SportingBet Plc, a related party	\$ 11,491	67%
Customer B .....	3,657	21%
Customer C .....	1,235	7%
	-----	---
	\$ 16,383	95%
	=====	===

NOTE 18 - SUBSEQUENT EVENTS

By letter dated January 6, 2004, Mr Fleming's employment contract and services thereunder were terminated effective January 16, 2004. The amicable settlement in respect of Mr. Fleming's resignation entitled him to a payment of CND \$33,333 in respect of accrued bonuses, four months salary including benefits payable until May 16, 2004 and other costs of CND \$8,700. In addition Mr. Fleming will retain his options granted on September 10, 2001 at an exercise price of \$0.88 which were to vest annually on the anniversary dates over a three year period of which 33,334 had vested at the date of his resignation. Under the settlement agreement, Mr. Fleming waived any rights that he had under his employment agreement and the agreement had certain restrictions with respect to Mr. Fleming's soliciting or competing with the Company.

On February 11, 2004 the Company closed two divisions of the business that provided a customer service solution and performed transaction processing on behalf of some licensees. The affected licensees now source these functions through another supplier.

SIGNATURES

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant certifies that it meets all of the requirements for filing on Form 20-F and has duly caused this annual report to be signed on its behalf by the undersigned, thereunto duly authorized.

WORLD GAMING PLC

Date: April 4, 2004

By: /s/ A. Daniel Moran  
-----  
A. Daniel Moran  
Chief Executive Officer  
(principal executive officer)  
and Director

Date: April 4, 2004

By: /s/ David Naismith  
-----  
David Naismith  
Chief Financial Officer  
(principal accounting and financial  
officer) and Director

Date: April 4, 2004

By: /s/ Clare Roberts  
-----  
Clare Roberts  
Director

Date: April 4, 2004

By: /s/ James H. Grossman  
-----  
James H. Grossman  
Director

EXHIBIT INDEX

Exhibit No. -----	Description -----
4.29	Settlement Agreement between EMC Corporation and EMC Corporation of Canada and Starnet Communication Canada Inc., World Gaming PLC., and Inphinity Interactive dated December 30, 2003
4.30	Settlement Agreement between Sunrise International Leasing Corporation of Canada and World Gaming PLC dated August 15, 2003
4.31+	License and Services Agreement between Oracle Corporation Canada Inc. and World Gaming PLC dated May 29, 2003
4.32+	Amendment Agreements between Oracle Corporation Canada Inc. and World Gaming PLC in respect of the License and Services Agreement dated February 24, 2004
4.34	Settlement Agreement between Sinsational Intertainment Inc. and Softec Systems Caribbean Inc. and World Gaming PLC dated October 31, 2003
4.35	Independent Contractor Agreement between Inphinity Interactive Inc. and Mark Hetherington
21.1	List of Subsidiaries
23.1	Consent of HJ & Associates, LLC
31.1	Certification by A. Daniel Moran, CEO, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification by David Naismith, CFO, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification by A. Daniel Moran, CEO, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification by David Naismith, CFO, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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+ Certain terms of this agreement are subject to a request for confidential treatment with the SEC.

SETTLEMENT AGREEMENT

This Settlement Agreement made as of the 4th day of November 2003.

BETWEEN:

EMC CORPORATION and  
EMC CORPORATION OF CANADA

OF THE FIRST PART

AND:

STARNET COMMUNICATION CANADA INC.  
WORLD GAMING PLC  
INFINITY INTERACTIVE INC.

OF THE SECOND PART

WHEREAS:

1. EMC Corporation ("EMC") and Starnet Communications Canada Inc. ("Starnet") entered into a Master Lease Agreement No. 12290 together with a Master Lease Agreement Supplement No. 1 ("Supplement 1") dated June 27, 2000, a Master Customer Agreement dated June 27, 2000, Amendment No. 1 dated June 27, 2000 to Supplement No.1, Master Lease Agreement Supplement No. 2 ("Supplement 2") and Amendment No. 1 to Supplement 2 (collectively referred to as the "Master Agreement").
2. The Master Agreement was subsequently assigned from EMC to EMC Corporation of Canada by way of Notification of Assignment of the Master Agreement.
3. Pursuant to the Master Agreement, Starnet agreed to lease from EMC the equipment (the "Leased Equipment") described in Supplement 1 and Supplement 2.
4. As at November 13, 2003, the amount owing to EMC pursuant to the Master Agreement totalled US \$1,522,066.63 (as per the Calculation attached as Schedule "A" hereto).
5. The parties to this Settlement Agreement have agreed to settle this dispute on the terms contained herein.

FOR AND IN CONSIDERATION OF THE FOLLOWING:

6. (a) Payment by Starnet or World Gaming PLC ("World Gaming") to EMC of the sum of US \$300,000.00 (the "Settlement Amount") payable as follows:
    - (i) US \$100,000.00 payable immediately; and
    - (ii) 12 equal monthly instalments of US \$16,666.67 commencing on November 15, 2003 and payable on the 15th day of each subsequent month,
  - (b) a Consent to Judgment by Starnet, World Gaming and Inphinity Interactive Inc. ("Inphinity") in the amount of US \$1,522,066.63 as security for payment of the instalments referred to in paragraph (a)(ii) above which counsel for EMC, Harper Grey Easton, will hold on an undertaking not to file unless there has been default in payment of any instalment and such default has not been rectified within 14 days of written notice to Heenan Blaikie, counsel for Starnet, World Gaming and Inphinity, Daniel Moran of Inphinity c/o Inphinity's registered and records office in British Columbia at Suite 2200, 1055 West Hastings Street, Vancouver, British Columbia, V6E 2E9 and James H. Grossman, Chairman of World Gaming c/o Reed Smith Crosby Heafey, Two Embarcadero Centre, Suite 2000, San Francisco, CA 94111. In the event that EMC Corporation of Canada ("EMC Canada") is entitled to file and enforce the Consent Judgment any and all payments made by Starnet or World Gaming pursuant to this Settlement Agreement shall be credited against the judgment amount; and
  - (c) continued security against the Leased Equipment.
7. EMC and EMC Canada agree to the following:
    - (a) that upon payment of the whole of the Settlement Amount, EMC's solicitors, Harper Grey Easton, undertake to provide the following to counsel for EMC:

- (i) an executed Release of All Claims against Starnet, World Gaming and Inphinity in the form attached hereto as Schedule "B" to this Settlement Agreement; and
    - (ii) the unfiled Consent to Judgment; and
  - (b) that upon payment of the whole of the Settlement Amount, EMC and EMC Canada shall be deemed to convey to World Gaming all of its right, title and interest to the Leased Equipment as defined in the Master Agreement, to which EMC and EMC Canada covenant is free and clear of any encumbrances, charges or liens and to which EMC and EMC Canada has valid right, title and interest.
8. It is understood and agreed that the terms of this Settlement Agreement are to be kept confidential, and without limiting the foregoing, the parties agree to make no statements with respect to the terms of this Settlement Agreement, or the particulars of any and all dealings between the parties, except as on the advice of counsel that disclosure of such confidential information may be required by law, by order of a Court or by a Regulatory Agency having jurisdiction.
9. Starnet, World Gaming and Inphinity agree to indemnify and save harmless EMC and EMC Canada from any claims, demands, actions and suits, proceedings, costs, expenses, damages and liabilities, including reasonable legal fees (hereinafter the "Claims") arising out of, connected with or resulting from the Master Agreement or the acquisition of the Equipment pursuant to this Settlement Agreement. Starnet, World Gaming and Inphinity shall give EMC and EMC Canada immediate notice of any Claim and Starnet, World Gaming and Inphinity shall satisfy, pay and discharge any and all judgments and fines that may be recovered against EMC and EMC Canada in connection with any such Claim. EMC and EMC Canada shall give World Gaming written notice of any such Claim of which they receive notice. EMC and EMC Canada shall not pay or settle any Claim without the prior written approval of World Gaming.
10. Subject to each party's fulfilment of its obligations hereunder and subject to the following sentence, the Effective Date of this Release shall be 95 days from the last instalment payment received as set forth in paragraph

6(a)(ii) above. Notwithstanding the foregoing, in the event that Starnet, World Gaming or Inphinity, or any of its successors, assigns, or affiliates shall have, within 95 days after EMC's receipt of the last instalment payment due under this Settlement Agreement:

- (a) filed a petition for relief under the BANKRUPTCY AND INSOLVENCY ACT, R.S.C. 1985, C. B-3, the COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c. C-36 (as amended), or any comparable law of any other jurisdiction ("Insolvency Law");
- (b) become the subject of an involuntary petition for relief under any Insolvency Law; or
- (c) become the subject of any receivership or liquidation proceeding in any court

this Release is null and void and of no force and effect and Starnet, World Gaming and Inphinity shall again be responsible for all obligations under the Lease. 11. It is understood and agreed that the settlement herein is a compromise of disputed claims and nothing herein shall constitute or be construed as an admission of liability on the part of any party to the Settlement Agreement.

- 12. This Settlement Agreement is governed by and construed in accordance with the laws of the Province of British Columbia and the laws of Canada applicable therein.
- 13. It is understood and agreed that the parties hereto have read this Settlement Agreement and obtained legal advice in respect of same and execute this Settlement Agreement of their own free will.
- 14. It is further understood and agreed that this Settlement Agreement may be executed in counterpart, each counterpart so executed constituting a part of the original Settlement Agreement.

15. It is further understood and agreed that this Settlement Agreement constitutes the entire agreement between the parties and that its terms are contractual and not a mere recital.

IN WITNESS WHEREOF the parties have executed this Settlement Agreement effective the date first above written.

EMC CORPORATION  
by its authorized signatory(s):

EMC CORPORATION OF CANADA  
by its authorized signatory(s):

Per: \_\_\_\_\_

Per: \_\_\_\_\_

Per: \_\_\_\_\_

Per: \_\_\_\_\_

STARNET COMMUNICATIONS  
CANADA INC. by its authorized  
signatory(s):

WORLD GAMING PLC  
by its authorized signatory(s):

Per: \_\_\_\_\_

Per: \_\_\_\_\_

Per: \_\_\_\_\_

Per: \_\_\_\_\_

INPHINITY INTERACTIVE INC.  
by its authorized signatory(s):

Per: \_\_\_\_\_

Per: \_\_\_\_\_

Court File No.: 02-CV-227946 CM3

ONTARIO  
SUPERIOR COURT OF JUSTICE

BETWEEN:

SUNRISE INTERNATIONAL LEASING CORP.

Plaintiff

- and -

WORLD GAMING PLC

Defendant

---

MINUTES OF SETTLEMENT

---

WHEREAS Sunrise International Leasing Corp. ("Sunrise") commenced this action against World Gaming PLC ("World Gaming") claiming, INTER ALIA, damages for a breach of a master equipment lease for computers and related equipment;

AND WHEREAS World Gaming has defended this action, denying its liability to Sunrise;

AND WHEREAS the parties have agreed to settle this action, which settlement shall not be deemed to be an admission of liability by World Gaming;

NOW, THEREFORE, in consideration of the obligations undertaken herein and for other good and valuable consideration, the receipt and sufficiency are hereby acknowledged, the parties agree as follows:

1. World Gaming shall pay to Sunrise the sum of \$230,000 U.S. (the "Settlement Funds"), which amount includes settlement of the principal and interest due and owing for monthly rental payments pursuant to the Equipment Leases referenced in the Statement of Claim herein, and for consideration for the residual value purchase price of the "Leased Equipment" as referenced in paragraph 3 herein, as follows:

(i) payment of \$25,000 U.S. immediately upon execution by the parties of these minutes, the full and final mutual release in standard form subsequently referred to herein, the consent to judgment and the consent to dismissal without costs, all of which are subsequently referred to herein; and

(ii) payment of the balance of \$205,000 U.S. by way of twelve equal monthly instalments on the first day of each month beginning September 1, 2003 and ending August 1, 2004, each in the sum of \$17,083.33 U.S., by way of bank wire transfer to the following account:

Sunrise Leasing Corporation  
U.S. Bank Account 160233811373  
ABA091000022  
601 South Second Street  
Minneapolis  
MN 55402.

2. Sunrise hereby confirms that it has valid right, title and interest to the "Leased Equipment", as defined in the Statement of Claim herein, free from any and all encumbrances, liens and claims;

3. Sunrise shall be deemed to convey to World Gaming all of its right, title and interest to the "Leased Equipment" as defined in the Statement of Claim herein for the sum of \$25,900 U.S., representing the fair market value of the "Leased Equipment" at the end of the terms of the Equipment Leases which formed the subject matter of the within action, and which transfer shall occur immediately upon Sunrise's receipt of full payment of the Settlement Funds, which Settlement Funds include payment of the \$25,900 U.S. referenced herein;

4. World Gaming shall forthwith execute a consent to judgment in this action in favour of Sunrise in the sum of \$300,000 U.S. less any amounts paid by World Gaming pursuant to these Minutes of Settlement prior to the date of Judgment, which consent shall be held in escrow by Sunrise's solicitors. Sunrise shall not be entitled to take out such judgment, nor seek to enforce it unless, and until World Gaming fails to comply with any of its obligations as provided herein, and fails to rectify any event of default within (7) seven business days of delivery of written notice of default, which written notice shall be delivered by facsimile transmission to World Gaming at 1-(268)-480-1656, and contemporaneously to its solicitors Heenan Blaikie LLP c/o Cynthia Amsterdam at (416) 360-8425. In the event that Sunrise is entitled to enforce the said Judgment, any and all payments made by World Gaming pursuant to this settlement shall be credited by Sunrise against the sum of \$300,000 U.S., as the judgment amount.

5. The parties shall forthwith execute a consent to an order dismissing this action without costs (the "dismissal order") which consent shall be held in escrow by World Gaming's solicitors. The said dismissal order shall not be obtained unless and until payment of the full Settlement Funds of \$230,000 U.S. has been acknowledged in writing by Sunrise or its solicitors, Gowlings, which acknowledgement shall be delivered to World Gaming's solicitors by facsimile transmission immediately upon receipt of the final payment of the Settlement Funds.

6. The parties shall execute a release with respect to the subject matter of this action as per Schedule "A" hereto. A fully executed copy of the said release will be held by each of the parties' respective solicitors in escrow until such time as Sunrise or Gowlings provide the acknowledgment referred to in paragraph 6 above, at which time the said escrow shall be at an end and the release shall be given full force and effect. The release executed by Sunrise shall release World Gaming, Starnet Communications Canada Inc. and Inphinity Interactive Inc. (the "Corporate Releasees") as well as, in the case of all Corporate Releasees, their affiliated, associated, subsidiary and related companies (the "Affiliates") and all of the Corporate Releasees and Affiliates' officers, directors, employees, agents and insurers.

7. These Minutes of Settlement, and the Consents and the Release may be executed in counterparts and delivered by facsimile transmission with originals to follow by mail, and when such counterparts have been executed by each of the parties, the executed counterparts together will constitute valid and binding minutes of settlement.

IN WITNESS WHEREOF the parties have executed these Minutes of Settlement on the dates indicated below.

SUNRISE INTERNATIONAL LEASING CORP.

Date: August , 2003

\_\_\_\_\_

Print Name:

Title:

I have the authority to bind the corporation.

WORLD GAMING PLC

Date: August , 2003

\_\_\_\_\_

Print Name:

Title:

I have the authority to bind the corporation.

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Court File No.: 02-CV-227946 CM3

SUNRISE INTERNATIONAL LEASING CORP. V.  
- Plaintiff -

WORLD GAMING PLC  
- Defendant -

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ONTARIO  
SUPERIOR COURT OF JUSTICE  
(PROCEEDING COMMENCED AT TORONTO)

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MINUTES OF SETTLEMENT

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GOWLING LAFLEUR HENDERSON LLP  
Barristers and Solicitors  
4900 Commerce Court West  
P.O. Box 438 TORONTO,  
Ontario  
M5L 1J3

C. Michael Harpur  
LSUC No.: 195360

Telephone: (416) 369-7323  
Facsimile: (416) 369-7250

SOLICITORS FOR THE PLAINTIFF

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Court File No. 02-CV-227946 CM3

ONTARIO  
SUPERIOR COURT OF JUSTICE

B E T W E E N:

SUNRISE INTERNATIONAL LEASING CORP.

Plaintiff

- and -

WORLD GAMING INC.

Defendant

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FULL AND FINAL RELEASE

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IN CONSIDERATION of the payment of the sum of \$230,000 U.S. (the "Settlement Funds"), the settlement of this action and other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, each of the parties (the "releasors") hereby remises, releases and forever discharges the other, together with the officers, directors, employees, agents, insurers, affiliates, associates, subsidiaries, related companies, successors and assigns of the other (and, in the case of the releasor Sunrise International Leasing Corp. ("Sunrise"), Sunrise also remises, releases and forever discharges each of Starnet Communications Canada Inc. and Inphinity Interactive Inc. and their officers, directors, employees, agents, insurers, affiliates, associates, subsidiaries and related companies) (collectively, the "releasees") from all actions, causes of action, claims, liabilities, obligations, covenants, demands and debts of every nature and kind that have in the past existed, exist now or may in future accrue by reason of any matter or thing pertaining to the "Leased Equipment" defined in the statement of claim in this action (title to which Leased Equipment World Gaming

acknowledges it has received on an "as is, where is" basis) and pertaining to the claims and allegations made in this action.

For greater certainty, this release does not apply to, and does not release the releasees from any obligation of the releasees arising under the Minutes of Settlement by which they have agreed to settle this action.

The releasors acknowledges that the consideration hereby given is deemed not to be any admission of liability by or on the part of any of the Releasees.

The releasors also hereby covenant not to initiate or continue any legal proceeding against any person or entity:

(a) who has claimed, in future claims, or may reasonably be expected in future to claim indemnity or contribution from any of the Releasees, or

(b) that results or may result (whether directly or indirectly against intermediate parties by way of third or subsequent party claim or an independent legal proceeding) in a claim or liability against any of the Releasees

in respect of any of the subject matter covered by this release, and further to indemnify the Releasees against any and all liability (including in respect of legal costs on a substantial indemnity scale) that may attach to any of them as a result of or by reason of any such claim for indemnity or contribution arising out of any legal proceeding initiated or continued in contravention of this covenant, whether or not any of the Releasees defends any such legal proceedings.

And for the said consideration, it is agreed and understood that this Release shall operate conclusively as an estoppel in the event of any claim, action, complaint or proceeding which might be brought in the future by the parties hereto, or any of them, with respect to the matters covered by this Release and that this Release may be pleaded in the event any such claim, action, complaint or proceeding is brought, as a complete defence and reply, and may be relied upon in any proceeding to dismiss the claim, action, complaint or proceeding on a summary basis and no objection will be raised by the parties hereto in any subsequent action that the other parties in the subsequent action were not privy to formation of this Release.

And Sunrise International Leasing Corp. and World Gaming PLC hereby confirm that they have instructed their respective solicitors to settle Superior Court of Justice Action No. 02-CV-227946 CM3, issued out of Toronto, and to consent to the dismissal of that action, with prejudice and without costs.

And for the said consideration Sunrise International Leasing Corp. and World Gaming PLC. hereby represent and warrant that they have not assigned to any person, firm or corporation any of the actions, causes of action, claims, debts, suits or demands of any nature or kind which it has released by this Release.

And it is understood and agreed that the granting of this Release by Sunrise International Leasing Corp. and World Gaming PLC is not, and should not be construed to be, an admission of liability or obligation on the part of any party hereto and such liability or obligation is specifically denied.

And Sunrise International Leasing Corp. and World Gaming PLC acknowledge that they have had an adequate opportunity to review this Release, to obtain independent legal advice with respect to this Release, and to obtain any such other advice in regard to this Release as they may have considered advisable.

This release may be executed in counterparts and, when such counterparts have been executed by each of the parties, the executed counterparts together will constitute a valid and binding release.

IN WITNESS WHEREOF the releasors have executed this release on the dates indicated below.

SUNRISE INTERNATIONAL LEASING CORP.

Date: August , 2003

\_\_\_\_\_  
Print Name:

Title:

I have the authority to bind the corporation.

WORLD GAMING PLC

Date: August , 2003

\_\_\_\_\_  
Print Name:

Title:

I have the authority to bind the corporation.

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Court File No.: 02-CV-227946 CM3

SUNRISE INTERNATIONAL LEASING CORP. V.  
- Plaintiff -

WORLD GAMING PLC  
- Defendant -

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ONTARIO  
SUPERIOR COURT OF JUSTICE  
(PROCEEDING COMMENCED AT TORONTO)

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FULL AND FINAL RELEASE

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GOWLING LAFLEUR HENDERSON LLP  
Barristers and Solicitors  
4900 Commerce Court West  
P.O. Box 438 TORONTO,  
Ontario  
M5L 1J3

C. Michael Harpur  
LSUC No.: 195360

Telephone: (416) 369-7323  
Facsimile: (416) 369-7250

SOLICITORS FOR THE PLAINTIFF

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[ORACLE Logo]

ORDERING DOCUMENT

YOUR NAME World Gaming Plc.  
 YOUR LOCATION 1401 W 8th 4th Floor  
 British Columbia  
 Vancouver  
 ON V6H 1C9

ORACLE CONTRACT INFORMATION

AGREEMENT Oracle License and Services Agreement  
 AGREEMENT NAME CA: ORACLE LICENSE AND SERVICES AGREEMENT: V032403

This ordering document incorporates by reference the terms of the Oracle License and Services Agreement attached hereto and forming part of this ordering document

A. PROGRAMS

You have ordered the program licenses described below for use in Canada, unless otherwise specified.

All fees on this Ordering Document are in Canadian Dollars

PRODUCT DESCRIPTION / LICENSE TYPE	QUANTITY	LIST FEE	DISCOUNT %	NET FEE
Oracle Database Enterprise Edition - Processor Perpetual License	28	[*]	[*]	[*]
Product Support		[*]	[*]	[*]
Software Updates (Updates Subscription Service)		[*]	[*]	[*]
		LIST FEE	DISCOUNT %	NET FEE
	License Fees	[*]	[*]	[*]
	Product Support Fees	[*]	[*]	[*]
	Software Updates (Updates Subscription Service) Fees	[*]	[*]	[*]
	Net Fees			[*]
	TOTAL FEES			[*]
			TAXES:	[*]
			TOTAL FEES:	[*]

World Gaming Plc.

Issued by ORACLE CORPORATION CANADA INC. 29-MAY-03  
 Page 1 of 3

\* This information has been omitted and is subject to a request for confidential treatment with the Securities and Exchange Commission.

B. GENERAL TERMS

1 TECHNICAL SUPPORT

Technical support consists of Software Updates (Updates Subscription Service), Product Support and/or other technical support services you may have ordered. Fees for technical support are due and payable annually in advance. Technical support acquired under this ordering document shall be for a period of 12 months. Technical support is effective upon shipment or upon the effective date of this ordering document if shipment is not required. Notwithstanding anything contained herein to the contrary, technical support fees for the first two years shall be payable quarterly, in advance, in accordance with the attached payment schedule. However, in the event any technical support fees remain unpaid after the due date, thereafter, technical support fees shall be payable on an annual basis, in advance. For the initial two renewal years the technical support will not increase by more than 5% over the prior year's fees.

2 MISCELLANEOUS

You acknowledge that Oracle has delivered to your location, 1 copy of the software media and 1 set of program documentation (in the form generally available) for each program listed in section A that is currently available in production release as of the effective date of this ordering document. You shall be responsible for installation of the software. All fees due under this ordering document shall be non-cancellable and the sums paid nonrefundable, except as provided in the agreement. You agree to pay applicable media and shipping charges. Provided you continuously maintain Software Updates (Update Subscription Service), additional CD packs for the programs provided under this ordering document may be ordered through the Oracle Store at the standard CD pack price. If you lose or damage the media containing a program licensed hereunder, upon your written notice Oracle will provide a replacement copy thereof, under Oracle's then-current technical support policies, for a media and shipping charge. The following shipping terms shall apply: FCA Shipping Point, Prepaid, and Add. These terms shall also apply to any options exercised by you.

C. OTHER

1 SEGMENTATION

The program licenses provided in this ordering document are offered separately from any other proposal for consulting services you may receive or have received from Oracle and do not require you to purchase Oracle consulting services.

2 CUSTOMER REFERENCE

In consideration of the discounts granted to you under this ordering document, Oracle may refer to you as a customer in sales presentations, marketing vehicles and activities. In addition you agree to become part of Oracle's reference program by working with a representative from Oracle Marketing to develop a customer profile for use on Oracle.com and for other promotional activities at Oracle's discretion. The profile will include a quote from an executive of your company and your company's logo.

ORDER DOCUMENT	World Gaming Plc	SHIP TO	World Gaming Plc
LOCATION	1401 W 8th 4th Floor British Columbia Vancouver ONV6H1C9	LOCATION	1401 W 8th 4th Floor British Columbia Vancouver ONV6H1C9
CONTACT	David Fleming	CONTACT	David Fleming
PHONE	604-608-6008	PHONE	604-608-6008
FAX	604-684-0391	FAX	604-684-0391
EMAIL ADDRESS	DAVID.FLEMING@WORLDGAMING.COM	EMAIL ADDRESS	DAVID.FLEMING@WORLDGAMING.COM

TECHNICAL CONTACT	World Gaming Plc	BILL TO	World Gaming Plc
LOCATION	1401 W 8th 4th Floor British Columbia Vancouver ONV6H1C9	LOCATION	1401 W 8th 4th Floor British Columbia Vancouver ONV6H1C9
CONTACT	David Fleming	CONTACT	David Fleming
PHONE	604-608-6008	PHONE	604-608-6008
FAX	604-684-0391	FAX	604-684-0391
EMAIL ADDRESS	DAVID.FLEMING@WORLDGAMING.COM	EMAIL ADDRESS	DAVID.FLEMING@WORLDGAMING.COM

This quote is valid through May 30, 2003 and shall become binding upon execution by you and acceptance by Oracle.

WORLD GAMING PLC

ORACLE CORPORATION CANADA INC.

SIGNATURE \_\_\_\_\_

SIGNATURE \_\_\_\_\_

NAME \_\_\_\_\_

NAME \_\_\_\_\_

TITLE \_\_\_\_\_

TITLE \_\_\_\_\_

EFFECTIVE DATE \_\_\_\_\_

[ORACLE LOGO]

## ORACLE LICENSE AND SERVICES AGREEMENT

This license and services agreement ("agreement") includes the terms set out below and the order you previously completed. Your order is not effective until accepted by Oracle. If accepted, Oracle will notify you and this notice will include a copy of your agreement.

### DEFINITIONS

"You" and "your" refers to the individual or entity that has ordered Oracle programs and/or services from Oracle Corporation Canada Inc. ("Oracle") or an authorized distributor. The term "programs" refers to the Oracle software products which you have ordered, program documentation, and any program updates acquired through technical support. The term "services" refers to technical support (excluding any program updates acquired through technical support), education, online, consulting or other services which you have ordered.

### RIGHTS GRANTED

Upon Oracle's acceptance of your order, you have the limited right to use the programs and receive any services you ordered solely for your business operations and subject to the terms of this agreement, including the definitions and rules set forth in the order and the program documentation. You may allow your agents and contractors to use the programs for this purpose, subject to the terms of this agreement. Program documentation is either shipped with the programs, or you may access the documentation online at <http://docs.oracle.com>. If ordered, annual technical support is provided under Oracle's technical support policies, which are subject to change and may contain additional terms. You may access the current version of the technical support policies at <http://oracle.com/support/index.html?policies.html>. Services are provided based on Oracle's policies for the applicable services ordered and those policies are subject to change and may contain additional terms. Upon Oracle's acceptance, you have the limited right to use the materials resulting from the consulting services you ordered solely for your business operations and subject to the terms of this agreement. You may access the current version of the consulting services policies at <http://oracle.com/consulting/policies/index.html?content.html>.

The services provided under this agreement may be related to your license to use programs owned or distributed by Oracle which are acquired by you under a separate order. The agreement referenced in the applicable order shall govern your use of such programs. Any services acquired from Oracle are bid separately from such program licenses, and you may acquire either services or such program licenses without acquiring the other.

### OWNERSHIP AND RESTRICTIONS

Oracle retains all ownership and intellectual property rights to the programs and materials resulting from the services. You may make a sufficient number of copies of each program for your licensed use and one copy of each program media; you must obtain Oracle's prior written approval to make additional copies.

You may not:

- o remove or modify any program markings or any notice of Oracle's proprietary rights;
- o make the programs or materials resulting from the services available in any manner to any third party for use in the third party's business operations (unless such access is expressly permitted for the specific program license you have acquired);
- o use the programs to provide third party training on the content and/or functionality of the programs. except for training your licensed users;
- o cause or permit reverse engineering (unless required by law for interoperability), disassembly or decompilation of the programs; or
- o disclose results of any program benchmark tests without Oracle's prior written consent.

#### WARRANTIES, DISCLAIMERS AND EXCLUSIVE REMEDIES

Oracle warrants that programs will substantially operate as described in the applicable program documentation for one year after Oracle delivers them to you. Oracle also warrants that services ordered will be provided in a manner consistent with industry standards, and this warranty is valid for a period of 90 days from performance of the service.

ORACLE DOES NOT GUARANTEE THAT THE PROGRAMS WILL PERFORM ERROR-FREE OR UNINTERRUPTED OR THAT ORACLE WILL CORRECT ALL PROGRAM ERRORS. TO THE EXTENT PERMITTED BY LAW, THESE WARRANTIES ARE EXCLUSIVE AND THERE ARE NO OTHER EXPRESS OR IMPLIED WARRANTIES OR CONDITIONS, INCLUDING WARRANTIES OR CONDITIONS OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE.

FOR ANY BREACH OF THE WARRANTIES, YOUR EXCLUSIVE REMEDY, AND ORACLE'S ENTIRE LIABILITY, SHALL BE: (A) THE CORRECTION OF PROGRAM ERRORS THAT CAUSE BREACH OF THE WARRANTY, OR IF ORACLE CANNOT SUBSTANTIALLY CORRECT A BREACH IN A COMMERCIALY REASONABLE MANNER, YOU MAY END YOUR PROGRAM LICENSE AND RECOVER THE FEES PAID TO ORACLE FOR THE PROGRAM LICENSE AND ANY UNUSED, PREPAID TECHNICAL SUPPORT FEES YOU HAVE PAID FOR THE PROGRAM LICENSE; OR (B) THE REPERFORMANCE OF THE SERVICES, OR IF ORACLE CANNOT SUBSTANTIALLY CORRECT A BREACH IN A COMMERCIALY REASONABLE MANNER, YOU MAY END THE RELEVANT SERVICES AND RECOVER THE FEES PAID TO ORACLE FOR THE RELEVANT SERVICES.

#### TRIAL PROGRAMS

You may order trial programs, or Oracle may include additional programs with your order which you may use for trial, non-production purposes only. You have 30 days from the delivery date to evaluate these programs. If you decide to use any of these programs after the 30 day trial period, you must obtain a license for each program from Oracle. If you decide not to obtain a license for any program after the 30 day trial period, you will cease using and will delete the applicable programs from your computer systems. Programs licensed for trial purposes are provided "as is" and Oracle does not provide technical support or offer any warranties for these programs.

#### INDEMNIFICATION

If someone makes a claim against you or Oracle ("Recipient") that any information, design, specification, instruction, software, data, or material ("Material") furnished by the providing party ("Provider") and used by the Recipient infringes their intellectual property rights, the Provider will indemnify the Recipient if the Recipient does the following:

- o notifies the Provider promptly in writing, not later than 30 days after the Recipient receives notice of the claim, or sooner if required by applicable law;
- o gives the Provider sole control of the defense and any settlement negotiations; and
- o gives the Provider the information, authority, and assistance the Provider needs to defend against or settle the claim.

If the Provider believes that any of the Material may have violated someone else's intellectual property rights, the Provider may choose to either modify the Material to be non-infringing or obtain a license to allow for continued use, or if these alternatives are not commercially reasonable, the Provider may end the license for the applicable Material and refund any fees the Recipient may have paid for it. If you are the Provider and such return materially affects Oracle's ability to meet its obligations under the relevant order, then Oracle may, at its option and upon 30 days prior written notice, terminate the order and you will pay Oracle for the services and related expenses rendered through the date of termination on a time and materials or percent of completion basis as applicable. The Provider will not indemnify the Recipient if the Recipient alters the Material outside the scope of use identified in the Provider's user documentation or if the Recipient uses a version of the Materials which has been superseded, if the infringement claim could have been avoided by using an unaltered current version of the Material. The Provider will not indemnify the Recipient to the extent that an infringement claim is based upon any information, design, specification, instruction, software, data, or material not furnished by the Provider. You will indemnify Oracle to the extent that an infringement claim is based upon the combination of programs with any products or services not provided by Oracle. This section provides the parties' exclusive remedy for any infringement claims or damages.

#### TECHNICAL SUPPORT

For purposes of the ordering document, technical support consists of Software Updates, Product Support and/or other annual technical support services you may have ordered. If ordered, annual technical support is provided under Oracle's technical support policies in effect at the time the services are provided. The technical support policies, incorporated in this agreement, are subject to change and may contain additional terms, and you should review the policies prior to entering into the ordering document for the applicable services. You may access the current version of the technical support policies at <http://oracle.com/support/index.html?policies.html>. Technical support acquired with your order may be renewed annually and for the initial two renewal years the technical support fee will not increase by more than 4% over the prior year's fees. If your order is fulfilled by a member of Oracle's partner program, the technical support fee for the first renewal year will be the price quoted to you by your partner; the technical support fee for the second renewal year will not increase by more than 4% over the prior year's fees. If you desupport a subset of licenses in a license set, you may be required to terminate those licenses. Any cancellation of support may result in the re-pricing of support for your remaining licenses.

Oracle reserves the right to desupport its programs. You will be notified in advance when a program is being desupported. Such desupport notices, which are posted at Oracle's customer support web site, MetaLink (or Oracle's then current customer support web site), contain desupport dates, information about availability of Extended Assistance Support and Extended Maintenance Support and information about migration paths for certain features. The desupport notices are subject to change; Oracle will provide updated desupport notices on MetaLink (or Oracle's then current customer support web site) as necessary.

#### GENERAL

##### END OF AGREEMENT

If you breach the terms of this agreement and fail to correct the breach within 30 days after Oracle notifies you in writing, Oracle may end this agreement and your use of programs and/or services ordered. If Oracle ends this agreement as specified in the preceding sentence, you must pay within 30 days all amounts which have accrued prior to the end of this agreement, as well as all sums remaining unpaid for programs ordered and/or services received under this agreement. You agree that if you are in default under this agreement, you may not use those programs and/or services ordered. You further agree that if you have used an OFD agreement to pay for the fees due under an order and you are in default under the OFD agreement related to that order, you may not use the programs and/or services ordered.

##### FEES AND TAXES

All fees payable to Oracle are due within 30 days from the invoice date, and you also agree to pay any sales, value-added or other similar taxes imposed by applicable law which Oracle must pay based on the programs or services you ordered. Fees listed in this agreement are exclusive of value added tax and/or similar sales taxes. Such taxes shall be charged at the appropriate rate by Oracle in addition to its stated fees and shall be shown separately on the relevant invoice.

##### NONDISCLOSURE

By virtue of this agreement, the parties may have access to information that is confidential to one another ("confidential information"). Confidential information shall be limited to the terms and pricing under this agreement, and all information clearly identified as confidential.

A party's confidential information shall not include information that: (a) is or becomes a part of the public domain through no act or omission of the other party; (b) was in the other party's lawful possession prior to the disclosure and had not been obtained by the other party either directly or indirectly from the disclosing party; (c) is lawfully disclosed to the other party by a third party without restriction on the disclosure; or (d) is independently developed by the other party.

The parties agree to hold each other's confidential information in confidence for a period of three years from the date of disclosure. The parties agree, unless required by law, not to make each other's confidential information available in any form to any third party for any purpose other than the

implementation of this agreement. Each party agrees to take all reasonable steps to ensure that confidential information is not disclosed or distributed by its employees or agents in violation of the terms of this agreement. Nothing shall prevent either party from disclosing the terms or pricing under this agreement or orders submitted under this agreement in any legal proceeding arising from or in connection with this agreement.

#### ENTIRE AGREEMENT

You agree that this agreement and the information which is expressly incorporated into this agreement (including reference to information contained in a URL), together with the applicable order, are the complete agreement for the programs and services ordered by you, and this agreement supersedes all prior or contemporaneous agreements or representations regarding such programs and/or services. If any term of this agreement is found to be invalid or unenforceable, the remaining provisions will remain effective. It is expressly agreed that the terms of this agreement and any Oracle ordering document shall supersede the terms in any purchase order or other non-Oracle ordering document and no terms included in any such purchase order or other non-Oracle ordering document shall apply to the programs and/or services ordered. This agreement may not be modified and the rights and restrictions may not be altered or waived except in a writing signed or accepted online through the Oracle Store by authorized representatives of you and of Oracle and any notice required under this agreement shall be provided to the other party in writing.

#### LIMITATION OF LIABILITY

NEITHER PARTY SHALL BE LIABLE FOR ANY INDIRECT, INCIDENTAL, SPECIAL, PUNITIVE, OR CONSEQUENTIAL DAMAGES, OR ANY LOSS OF PROFITS, REVENUE, DATA, OR DATA USE. ORACLE'S MAXIMUM LIABILITY FOR ANY DAMAGES UNDER THIS AGREEMENT AND YOUR ORDER, WHETHER IN CONTRACT OR TORT, SHALL BE LIMITED TO THE FEES YOU PAID ORACLE FOR THE DEFICIENT PROGRAM OR SERVICE UNDER THIS AGREEMENT AS SPECIFIED IN YOUR ORDER. IN NO EVENT SHALL ORACLE'S LIABILITY ARISING UNDER OR IN CONNECTION WITH THIS AGREEMENT EXCEED THE TOTAL VALUE OF YOUR ORDER.

#### EXPORT

You agree that Canadian and U.S. export control laws and other applicable export and import laws govern your use of the programs, including technical data; additional information can be found on Oracle's Global Trade Compliance web site located at <http://www.oracle.com/products/export/index.html?content.html>. You agree that neither the programs nor any direct product thereof will be exported, directly, or indirectly, in violation of these laws, or will be used for any purpose prohibited by these laws including, without limitation, nuclear, chemical, or biological weapons proliferation.

#### OTHER

This agreement is governed by the laws of the Province of Ontario and you and Oracle agree to submit to the exclusive jurisdiction of, and venue in, the courts in Toronto, Ontario in any dispute arising out of or relating to this agreement

If you have a dispute with Oracle or if you wish to provide a notice under the Indemnification section of this agreement, or if you become subject to insolvency proceedings, you will promptly send written notice to: Oracle Corporation Canada Inc. 110 Matheson Blvd. W., Suite 100, Mississauga, Ontario, L5R 3P4, Attention: General Counsel, Legal Department.

You may not assign this agreement or give or transfer the programs and/or any services ordered or an interest in them to another individual or entity. If you grant a security interest in the programs and/or any services, the secured party has no right to use or transfer the programs and/or any services, and if you decide to lease or finance your acquisition of the programs and/or any services, you will follow Oracle's policies regarding financing and leasing which are at <http://www.oracle.com/services/financing/index.html?Financing.html>

Except for actions for nonpayment or breach of Oracle's proprietary rights in the programs, no action, regardless of form, arising out of or relating to this agreement may be brought by either party more than two years after the cause of action has accrued.

Upon 45 days written notice, Oracle may audit your use of the programs. You agree to cooperate with Oracle's audit and provide reasonable assistance and access to information. You agree to pay within 30 days of written notification any underpaid fees. If you do not pay, Oracle can end your technical support, licenses and this agreement.

#### LICENSE DEFINITIONS AND RULES

To fully understand your license grant, you need to review the definition for the licensing metric and term designation as well as the licensing rules, which are listed below.

**ADAPTER:** is defined as each software code interface, installed on each Application Interconnect hub, which facilitates communication of information between third party software applications and Oracle programs.

**\$M ANNUAL TRANSACTION VOLUME:** is defined as one million five hundred and eighty-three thousand seven hundred Canadian dollars in all purchase orders transacted and all auctions conducted through the Oracle Exchange Marketplace by you and others during the applicable year of the Oracle Exchange Marketplace license, regardless of whether any such auction results in a purchase order, provided that an auction resulting in a purchase order shall only be counted against the Annual Transaction Volume once.

**APPLICATIONS NATIONAL LANGUAGE SUPPORT (NLS) SUPPLEMENT CD PACKS:** Please be advised that only a subset of the products included on an Applications NLS Supplement CD Pack have been translated. For existing supported customers, MetaLink has information on which products have been translated for the supported languages ([HTTP://MCTALINK.ORACLE.COM](http://MCTALINK.ORACLE.COM)). For new or unsupported customers, please contact your Oracle Account Manager for this information.

**APPLICATION USER, FIELD SALES USER, FINANCIALS USER, INVENTORY/SHIPPING USER, MARKETING USER, MANUFACTURING USER, TELESALLES USER:** is defined as an individual authorized by you to use the applicable licensed application programs which are installed on a single server or on multiple servers regardless of whether the individual is actively using the programs at any given time.

**APPLICATION READ-ONLY USER:** is defined as an individual authorized by you to run only queries or reports against the following application programs for which you have also acquired non-read only application user licenses: Financials, Purchasing, Project Costing, Sales Contracts, Service Contracts, Project Contracts, Discrete Manufacturing and Process Manufacturing.

**CASE REPORT FORM (CRF) PAGE:** is defined as the "electronic equivalent" of what would be the total number of physical paper pages initiated remotely by the program (measured explicitly in the program as Received Data Collection Instruments) during a 12 month period. You may not exceed the licensed number of CRF Pages during any 12 month period unless you acquire additional CRF Page licenses from Oracle.

**COMPENSATED INDIVIDUAL:** is defined as an individual whose compensation or compensation calculations are generated by the programs. The term Compensated Individual includes, but is not limited to, your employees, contractors, retirees, and any other Person.

**COMPUTER:** is defined as the computer on which the programs are installed. A Computer license allows you to use the licensed program on a single specified computer.

**SM COST OF GOODS SOLD:** is defined as one million five hundred and eighty-three thousand seven hundred Canadian dollars in the total cost of inventory that a company has sold during their fiscal year. If Cost of Goods Sold is unknown to you then Cost of Goods Sold shall be equal to 75% of total company revenue.

**ELECTRONIC ORDER LINE:** is defined as the total number of distinct order lines entered electronically into the Oracle Order Management, Purchasing or iStore application from any source (not manually entered by licensed Order Management Users, Purchasing Users, or Professional Users) during a 12 month period. This includes order lines originating as external EDI/XML transactions and/or sourced from other Oracle and non-Oracle applications. You may not exceed the licensed number of order lines during any 12 month period.

EMPLOYEE: is defined as an active employee of yours. (NOTE: THE VALUE OF THESE APPLICATIONS IS DETERMINED BY THE SIZE OF THE ACTIVE EMPLOYEE POPULATION AND NOT THE NUMBER OF ACTUAL USERS. THEREFORE, ALL OF YOUR ACTIVE EMPLOYEES MUST BE INCLUDED IN YOUR ORDER WHEN LICENSING THESE APPLICATIONS.)

EMPLOYEE USER: is defined as an individual authorized by you to use the application programs which are installed on a single server or multiple servers, regardless of whether or not the individual is actively using the programs at any given time. Your human resource personnel that require access to the Oracle Self Service Human Resources program may not be licensed as Employee Users, but must be licensed as Professional Users. Additionally, your technical support personnel that require access to the Oracle iSupport program may not be licensed as Employee Users, but must be licensed as Professional Users.

EXPENSE REPORT: is defined as the total number of expense reports processed by Internet Expenses during a 12 month period. You may not exceed the licensed number of expense reports during any 12 month period.

FIELD TECHNICIAN: is defined as an engineer, technician, representative, or other person who is dispatched by you, including the dispatchers, to the field using the programs.

FULL TIME EQUIVALENT (FTE) STUDENT: is defined as any full-time student enrolled in your institution and any part-time student enrolled in your institution counts as 25% of an FTE Student. The definition of "full-time" and "part-time" is based on your policies for student classification. If the number of FTE Students is a fraction, that number will be rounded to the nearest whole number for purposes of license quantity requirements.

HOSTED NAMED USER: is defined as an individual authorized by you to access the hosted service, regardless of whether the individual is actively accessing the hosted service at any given time.

I LEARNING SUBSCRIPTION: is defined as a web based learning environment that is made available to you subject to the terms of this agreement and Oracle's iLearning Subscription Policies. Oracle's iLearning Subscription Policies are located at <http://oracle.com/policies/ilearningpolicy.html>, and may be updated by Oracle from time to time without notice to you.

IMPLEMENTATION SERVICES, PACKAGED METHODS, ARCHITECTURE SERVICES, ACCELERATOR SERVICES, ASSESSMENT SERVICES AND WORKSHOPS: Each Implementation Service, Packaged Method, Architecture Service, Accelerator Service, Assessment Service and Workshop is provided subject to the statement of obligation for that particular offering and Oracle's consulting services policies. Oracle's consulting services policies are located at [www.oracle.com/consulting/policies/index.html?content.html](http://www.oracle.com/consulting/policies/index.html?content.html), and are subject to change.

INVOICE LINE: is defined as the total number of invoice line items processed by the program during a 12 month period. You may not exceed the licensed number of Invoice Lines during any 12 month period unless you acquire additional Invoice Line licenses from Oracle.

LEARNING CREDITS: may be used to acquire education products (excluding Oracle Tutor, Oracle iLearning and Oracle iLearning Subscription) and services, at the list price and under the terms specified in the Oracle University online catalogue, posted at [www.oracle.com/education](http://www.oracle.com/education), at the time such products or services are ordered. A Learning Credit is valid for 12 months from the date the Learning Credit is ordered, and may only be used in the country where it was acquired. Any unused Learning Credit will expire at the end of the term. You may be required to execute standard Oracle ordering materials when using a Learning Credit to order education products or services.

\$M IN MANAGED ASSETS: is defined as one million five hundred and eighty-three thousand seven hundred Canadian dollars of the following total: (1) Book value of investment in capital leases, direct financing leases and other finance leases, including residuals, whether owned or managed for others, active on the program, plus (2) Book value of assets on operating leases, whether owned or managed for others, active on the program, plus (3) Book value of loans, notes, conditional sales contracts and other receivables, owned or managed for others, active on the program, plus (4) Book value of non earning assets, owned or

managed for others, which were previously leased and active on the program, including assets from term terminated leases and repossessed assets, plus (5) Original cost of assets underlying leases and loans, originated and active on the program, then sold within the previous 12 months.

MODULE: is defined as each production database running the programs.

NAMED USER PLUS: is defined as an individual authorized by you to use the programs which are installed on a single server or multiple servers, regardless of whether the individual is actively using the programs at any given time. A non human operated device will be counted as a named user plus in addition to all individuals authorized to use the programs, if such devices can access the programs. If multiplexing hardware or software (e.g., a TP monitor or a web server product) is used, this number must be measured at the multiplexing front end. Automated batching of data from computer to computer is permitted. You are responsible for ensuring that the named user plus per processor minimums are maintained for the programs contained in the user minimum table in the licensing rules section; the minimums table provides for the minimum number of named users plus required and all actual users must be licensed.

NON EMPLOYEE USER - EXTERNAL: is defined as an individual, who is not your employee, contractor or outsourcer, authorized by you to use the application programs which are installed on a single server or multiple servers, regardless of whether or not the individual is actively using the programs at any given time.

OFD AGREEMENT: is an agreement between you and Oracle (or one of Oracle's affiliates) that provides for payments over time of some or all of the sums due under your order.

ORACLE LEARNING NETWORK (OLN): OLN is a web based learning environment that is made available to you subject to the terms of this agreement and Oracle's OLN Hosting Access Policies. Oracle's OLN Hosting Access Policies are located at [www.oracle.com/education/oln/index.html?olnpolicies.html](http://www.oracle.com/education/oln/index.html?olnpolicies.html), and may be updated by Oracle from time to time without notice to you.

ORDER LINE: is defined as the total number of order entry line items processed by the program during a 12 month period. Multiple order entry line items may be entered as part of an individual customer order or quote and may also be automatically generated by the Oracle Configurator. You may not exceed the licensed number of Order Lines during any 12 month period unless you acquire additional Order Line licenses from Oracle.

ORDER MANAGEMENT USER: is defined as an individual authorized by you to use the applicable licensed application programs which are installed on a single server or on multiple servers regardless of whether the individual is actively using the programs at any given time. Order Management Users are allowed to manually enter orders directly into the programs but any orders entered electronically from other sources must be licensed separately.

ORDERS: is defined as the total number of distinct orders for all programs that are a part of Electronic Orders, entered electronically (not manually entered by licensed professional users) through EDI, XML or other electronic means including purchase orders transmitted from Oracle Purchasing, during a 12 month period. You may not exceed the licensed number of orders during any 12 month period.

PERSON: is defined as your employee or contractor who is actively working on behalf of your organization or a former employee who has one or more benefit plans managed by the system or continues to be paid through the system. For Time and Labor, a person is defined as an employee or contractor whose time or labor (piece work) or absences are managed by the system. For Project Resource Management, a person is defined as an individual who is scheduled on a project. The total number of licenses needed is to be based on the peak number of part-time and full-time people whose records are recorded in the system.

PORTED NUMBER: is defined as the telephone number that end users retain as they change from one service provider to another. This telephone number originally resides on a telephone switch and is moved into the responsibility of another telephone switch.

PRIMARY USAGE: is defined as each Application User of the following applications: Financials, Discrete Manufacturing, Process Manufacturing, Project Costing and Purchasing. Each such Application User is counted only once based on primary usage. You must specify how many Application Users you are licensing for each application. Primary Usage of one of the applications listed above provides the Application User with the right to use any or all of the other application programs listed above for which you are licensed. Primary Usage does not provide you with the right to use other application programs including the extensions or options to the application programs listed above.

PROCESSOR: shall be defined as all processors where the Oracle programs are installed and/or running. Programs licensed on a Processor basis may be accessed by your internal users (including agents and contractors) and by third party users. For the Healthcare Transaction Base program, only the processors on which Internet Application Server (Standard Edition and/or Enterprise Edition) and this program are installed and/or running are counted for the purpose of determining the number of licenses required. For the iSupport, iStore and Configurator programs, only the processors on which Internet Application Server (Standard Edition and/or Enterprise Edition) and the licensed program are running are counted for the purpose of determining the number of licenses required for the licensed program; under these licenses you may also install and/or run the licensed program on the processors where a licensed Oracle Database (Standard Edition and/or Enterprise Edition) is installed and/or running.

PROFESSIONAL USER: is defined as an individual authorized by you to use the application programs which are installed on a single server or multiple servers, regardless of whether or not the individual is actively using the programs at any given time. For the purposes of Order Management, Advanced Pricing and Purchasing, Professional Users are allowed to manually enter orders directly into these programs but any orders transmitted or executed electronically (via EDI, XML or other electronic means including purchase orders transmitted from Oracle Purchasing) must be licensed separately.

PROFESSIONAL USER -- EXTERNAL: is defined as an individual, who is not your employee, contractor or outsourcer, authorized by you to use the application programs which are installed on a single server or multiple servers, regardless of whether or not the individual is actively using the programs at any given time. For the purposes of Order Management, Advanced Pricing and Purchasing, Professional Users -- External are allowed to manually enter orders directly into these programs but any orders transmitted or executed electronically (via EDI, XML or other electronic means including purchase orders transmitted from Oracle Purchasing) must be licensed separately.

PROFESSIONAL USER 2003: is defined as an individual authorized by you to use the application programs which are installed on a single server or multiple servers, regardless of whether or not the individual is actively using the programs at any given time. Professional Users are allowed to manually enter orders directly into the programs but any orders entered electronically from other sources must be licensed separately.

PROFESSIONAL USER 2003 - EXTERNAL: is defined as an individual, who is not your employee, contractor or outsourcer, authorized by you to use the application programs which are installed on a single server or multiple servers, regardless of whether or not the individual is actively using the programs at any given time. Professional Users are allowed to manually enter orders directly into the programs but any orders entered electronically from other sources must be licensed separately.

PROGRAM DOCUMENTATION: is defined as the program user manual and program installation manuals.

PURCHASE LINE: is defined as the total number of purchase line items processed by the application during a 12 month period. Multiple purchase lines may be created on either a requisition or purchase order or may be automatically generated by other Oracle Application programs. For iProcurement, Purchase Lines are counted as all line items on an approved requisition created in iProcurement. For Purchasing Intelligence, Purchase Lines are counted as the line items on purchase orders processed through this application. This does not include communication on the same purchase order. For each application, you may not exceed the licensed number of Purchase Lines during any 12 month period

unless you acquire additional Purchase Line licenses from us. You may acquire a different number of Purchase Line licenses for each program (the number of Purchase Lines for iProcurement could be a smaller number than for Purchasing Intelligence).

**PURCHASING USER:** is defined as an individual authorized by you to use the applicable licensed application programs which are installed on a single server or on multiple servers regardless of whether the individual is actively using the programs at any given time. Purchasing Users are allowed to manually enter orders directly into the programs but any orders entered electronically from other sources must be licensed separately.

**SM IN REVENUE:** is defined as one million five hundred and eighty-three thousand seven hundred Canadian dollars in all income (interest income and non interest income) before adjustments for expenses and taxes generated by you during a fiscal year.

**ROSETTANET PARTNER INTERFACE PROCESSES(R) (PIPS(R)):** are defined as business processes between trading partners. Preconfigured system-to-system XML-based dialogs for the relevant E-Business Suite Application(s) are provided. Each preconfigured PIP includes a business document with the vocabulary and a business process with the choreography of the message dialog.

**SERVICE ORDER LINE:** is defined as the total number of service order entry line items processed by the program during a 12 month period. Multiple service order entry line items may be entered as part of an individual customer service order or quote. You may not exceed the licensed number of Service Order Lines during any 12 month period unless you acquire additional Service Order Line licenses from Oracle.

**SUBSCRIBER:** is defined as (a) a working telephone number for all wireline devices; (b) a portable handset or paging device that has been activated by you for wireless communications and paging; (c) a residential drop or a nonresidential device serviced by a cable provider; or (d) a live connected utility meter. The total number of Subscribers is equal to the aggregate of all types of Subscribers. If your business is not defined in the primary definition of Subscriber above, Subscriber is defined as each U.S. \$1,583.70 increment of your gross annual revenue as reported to the SEC in your annual Report or the equivalent accounting or reporting document.

**SUITE:** is defined as all the functional software components described in the product documentation.

#### TECHNICAL REFERENCE MANUALS

Technical Reference Manuals ("TRMs") are Oracle's confidential information. You shall use the TRMs solely for your internal data processing operations for purposes of: (a) implementing applications programs, (b) interfacing other software and hardware systems to the applications programs and (c) building extensions to applications programs. You shall not disclose, use or permit the disclosure or use by others of the TRMs for any other purpose. You shall not use the TRMs to create software that performs the same or similar functions as any of Oracle products. You agree: (a) to exercise either at least the same degree of care to safeguard the confidentiality of the TRMs as you exercise to safeguard the confidentiality of your own most important confidential information or a reasonable degree of care, whichever is greater; (b) to maintain agreements with your employees and agents that protect the confidentiality and proprietary rights of the confidential information of third parties such as Oracle and instruct your employees and agents of these requirements for the TRMs; (c) restrict disclosure of the TRMs to those of your employees and agents who have a "need to know" consistent with the purposes for which such TRMs were disclosed; (d) maintain the TRMs at all times on your premises; and (e) not to remove or destroy any proprietary or confidential legends or markings placed upon the TRMs. Oracle shall retain all title, copyright and other proprietary rights in the TRMs. TRMs are provided to you "as-is" without any warranty of any kind. Upon termination, you shall cease using, and shall return or destroy, all copies of the applicable TRMs.

**TRAINEE:** is defined as an employee, contractor, student or other person who is being recorded by the program.

WORKSTATION: is defined as the client computer from which the programs are being accessed, regardless of where the program is installed.

#### TERM DESIGNATION

If your program license does not specify a term, the program license is perpetual and shall continue unless terminated as otherwise provided in the agreement.

1, 2, 3, 4, 5 YEAR TERMS: A program license specifying a 1, 2, 3, 4 or 5 Year Term shall commence on the effective date of the order and shall continue for the specified period. At the end of the specified period the program license shall terminate.

1 YEAR HOSTING TERM: A program license specifying a 1 Year Hosting Term shall commence on the effective date of the order and shall continue for a period of 1 year. At the end of the 1 year the program license shall terminate. A program license specifying a 1 Year Hosting Term may only be used for providing internet hosting services.

1 YEAR ORACLE HOSTED TERM: A program license specifying a 1 Year Oracle Hosted Term shall commence on the effective date of the order and shall continue for a period of 1 year. At the end of the 1 year the program license shall terminate. A program license specifying a 1 Year Oracle Hosted Term must be hosted by Oracle.com via Computer and Administration services.

1 YEAR SUBSCRIPTION: A program license specifying a 1 Year Subscription shall commence on the effective date of the order and shall continue for a period of 1 year. At the end of the 1 year the program license shall terminate.

#### LICENSING RULES

You are responsible for ensuring that the following user minimums and user maximums are maintained per program that you license per named user plus:

PROGRAM	NAMED USER PLUS MINIMUM
Oracle Database Enterprise Edition	[*]Named Users Plus per Processor
Rdb Enterprise Edition	[*]Named Users Plus per Processor
CODASYL DBMS	[*]Named Users Plus per Processor
Message Broker	[*]Named Users Plus per Processor
TopLink	[*]Named Users Plus per Processor
Internet Application Server Standard Edition	[*]Named Users Plus per Processor
Internet Application Server Enterprise Edition	[*]Named Users Plus per Processor
Personal Edition	[*]Named User Plus per database

PROGRAM	NAMED USER PLUS MAXIMUM
Personal Edition	[*]Named User Plus per database

You are responsible for ensuring that the following restrictions are not violated:

- o Oracle Database Standard Edition may only be used on machines which have the ability to run a maximum of four processors.
- o The number of Enterprise Edition option licenses, Enterprise Manager licenses and Rdb Server option licenses must match the number of licenses of the associated database.
- o The number of Internet Application Server Enterprise Edition option licenses must match the number of licenses of the associated Internet Application Server.
- o Application licensing prerequisites as specified in the Applications Licensing Table located at <http://oracle.com/corporate/pricing>.

Your license for the Oracle Database includes the right to run the database on an unlicensed spare computer for up to a total of ten separate days in any given calendar year. Any use beyond the right granted in the previous sentence must be licensed separately.

\* This information has been omitted and is subject to a request for confidential treatment with the Securities and Exchange Commission.

Payment Schedule

MONTH#	MONTH	NEW PAYMENTS
-----	-----	-----
1	30-May-03	[*]
2	30-Jun-03	[*]
3	30-Jul-03	[*]
4	30-Aug-03	[*]
5	30-Sep-03	[*]
6	30-Oct-03	[*]
7	30-Nov-03	[*]
8	30-Dec-03	[*]
9	30-Jan-04	[*]
10	28-Feb-04	[*]
11	30-Mar-04	[*]
12	30-Apr-04	[*]
13	30-May-04	[*]
14	30-Jun-04	[*]
15	30-Jul-04	[*]
16	30-Aug-04	[*]
17	30-Sep-04	[*]
18	30-Oct-04	[*]
19	30-Nov-04	[*]
20	30-Dec-04	[*]
	Total:	[*]

\* This information has been omitted and is subject to a request for confidential treatment with the Securities and Exchange Commission.

[ORACLE Logo]

AMENDMENT 2

Amendment to the Ordering Document between Oracle Corporation Canada Inc. ("Oracle") and World Gaming Plc, as amended, bearing an effective date of May 31, 2003 (the "agreement"). This amendment shall only be deemed to supersede the terms of the agreement that are inconsistent with a term or provision contained herein. All the defined terms contained in the agreement and used in this amendment shall have the same meanings unless varied herein.

The parties hereby agree to amend the Agreement as follows:

- 1. REVISED PAYMENT SCHEDULE. In Section B1, delete the payment schedule referenced and attached and replace with the following:

MONTH -----	PAYMENTS -----
30-May-03	[*]
30-Jun-03	[*]
30-Jul-03	[*]
30-Aug-03	[*]
30-Sep-03	[*]
30-Oct-03	[*]
30-Nov-03	[*]
30-Dec-03	[*]
30-Jan-04	[*]
25-Feb-04	[*]
25-Mar-04	[*]
25 May-04	[*]
Total:	[*]

This amendment shall become effective as of February 24th, 2004

IN WITNESS WHEREOF, the parties have executed this amendment through their duly authorized representatives.

WORLD GAMING PLC

Oracle Corporation Canada Inc.

\_\_\_\_\_  
 Signed: \_\_\_\_\_  
 Name: \_\_\_\_\_  
 Title: \_\_\_\_\_  
 Date: \_\_\_\_\_  
 Address: \_\_\_\_\_  
 \_\_\_\_\_

\_\_\_\_\_  
 Signed: \_\_\_\_\_  
 Name: \_\_\_\_\_  
 Title: \_\_\_\_\_  
 Date: \_\_\_\_\_  
 Address: 110 Matheson Blvd. West  
 Suite 100  
 Mississauga, Ontario L5R 3P4

\* This information has been omitted and is subject to a request for confidential treatment with the Securities and Exchange Commission.

AMENDMENT THREE  
TO THE  
ORDERING DOCUMENT  
BETWEEN  
ORACLE CORPORATION CANADA INC.  
AND  
WORLD GAMING PLC.

Amendment to the Ordering Document between Oracle Corporation Canada Inc ("Oracle") and World Gaming Plc, as amended bearing an effective date of May 31, 2003 (the "Agreement"). This amendment shall only be deemed to supersede the terms of the agreement that are inconsistent with a term or provision contained herein. All the defined terms contained in the agreement and used in this amendment shall have the same meanings unless varied herein.

The parties hereby agree to amend the Agreement as follows:

1. For purposed of renewing Technical Support in future years it is acknowledged that [\*] will be used as the fees for the first year of Technical Support upon acquiring the Licenses.
2. The reduction of total fees from [\*] to [\*] provided for in Amendment 2 is solely in respect of a License fee reduction, and does not impact the initial Support fees set out above.

Other than the addition of the changes above, the terms and conditions of the Agreement remain unchanged and in full force and effect.

This amendment shall become effective as of February 24, 2004.

WORLD GAMING PLC.

ORACLE CORPORATION INC.

Signature: \_\_\_\_\_

Signature: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

THE EASTERN CARIBBEAN SUPREME COURT  
IN THE HIGH COURT OF JUSTICE  
ANTIGUA AND BARBUDA

CLAIM NO. ANUHCV 2003/0193

BETWEEN:

SINSATIONAL ENTERTAINMENT INCORPORATED

Claimant

AND

WORLD GAMING PLC  
SOFTEC SYSTEMS CARIBBEAN INC.

Defendants

- and in the matter of an -

ARBITRATION UNDER THE RULES OF ARBITRATION  
OF THE INTERNATIONAL CHAMBER OF COMMERCE

BETWEEN:

SINSATIONAL ENTERTAINMENT INCORPORATED

CLAIMANT

AND

WORLD GAMING PLC  
STARNET SYSTEMS INTERNATIONAL INC.  
(FORMERLY SOFTEC SYSTEMS CARIBBEAN INC.)

RESPONDENTS

SETTLEMENT AGREEMENT  
Effective October 31, 2003

The undersigned parties hereby enter into this settlement agreement  
pursuant to the terms set out below (the "Settlement Agreement"):

WHEREAS Sinsational Intertainment Incorporated ("Sinsational") and Softec Systems Caribbean Inc. (succeeded by Starnet Systems International Inc., hereinafter "Starnet") entered into a software license agreement (the "Agreement") on March 4, 1999;

AND WHEREAS World Gaming PLC ("World Gaming"), Starnet's parent corporation, provided notice of termination of the Agreement, effective April 14, 2003;

AND WHEREAS Sinsational commenced proceeding no. ANUHCV 2003/0193 in the High Court of Justice of Antigua and Barbuda (the "Court Proceedings") on April 14, 2003;

AND WHEREAS the Court Proceedings were stayed, pending arbitration, by the High Court of Justice of Antigua and Barbuda on June 27, 2003;

AND WHEREAS arbitration proceedings were initiated in the International Chamber of Commerce - International Court of Arbitration (the "Arbitration");

NOW THEREFORE in consideration of the covenants, agreements and releases set forth herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged,

THE PARTIES HEREBY AGREE as follows and THAT this Settlement Agreement constitutes the full and final resolution of any and all claims or potential claims of any party against any other party, on the following terms:

1. Other than as expressly stated in the Settlement Agreement, neither this Settlement Agreement nor any step taken to carry out the Settlement Agreement, nor any document relating to it may be construed as or may be used as an admission by or against any party, of the truth of any allegations of liability by any party or as a waiver of any applicable legal right or benefit other than as expressly stated in the Settlement Agreement.

2. The parties shall, forthwith after completion of the matters described in paragraphs 3 to 7 below, take out an order or similar document in the Court Proceedings and in the Arbitration, either dismissing or discontinuing all claims or counterclaims, as the case may be, on consent and on a without-costs basis. Each party shall provide a copy of any such court or arbitral order, once issued, to all other parties to this Settlement Agreement.
3. The parties shall execute a full and final mutual release of each other in respect of all claims arising out of the Agreement, its manner of performance or its termination, in the form annexed hereto as Schedule "A".
4. Sinsational shall seek to obtain any refund available to it in respect of the arbitration fee paid to the International Chamber of Commerce - International Court of Arbitration.
5. If the arbitration fee paid, net of the refund to Sinsational referred to in paragraph 4 above, is equal to or less than five thousand U.S. dollars (US\$5,000.00), Sinsational shall bear the arbitration fee in its entirety.
6. If the arbitration fee paid, net of the refund to Sinsational referred to in paragraph 4 above, exceeds five thousand U.S. dollars (US\$5,000.00), World Gaming shall reimburse to Sinsational 50 per cent of the total amount of the arbitration fee net of the refund obtained by Sinsational.
7. World Gaming and Starnet shall forthwith deliver to Sinsational, in a form and format to be agreed upon ahead of time by the parties acting reasonably, all data and documents, whether in electronic, paper or any other format, in their possession or control:
  - a) that contain information on or concerning, or any listing of, Sinsational's customers, including (without limitation) names, addresses, credit cards or accounts;

- b) that contain information or data related to customer transactions, including (but not limited to) withdrawals, deposits, bonuses, gaming transactions and records, accounting records and any other records dealing with the movement of monies from or to customers;
- c) that originated from or belong to Sinsational;
- d) that contain information derived from the data and documents described in a), b) or c) above,

(collectively the "Business Information"). With respect to such Business Information, World Gaming and Starnet hereby undertake, as a condition of the Settlement Agreement, that they will delete all, and will keep no copies of, such Business Information from or in their records and will cooperate with Sinsational to afford Sinsational a reasonable opportunity of inspection of their computer and other systems to ensure that such deletion has been accomplished. World Gaming and Starnet further agree to forthwith inform Sinsational of the existence and location of any copies of some or all of the Business Information that originated with them but are in the hands of other parties and to make their best efforts to retrieve such information at the earliest reasonable opportunity.

This Settlement Agreement, together with the recitals and the full and final release to be executed by the parties, constitutes the entire agreement among the parties pertaining to the subject matter hereof and supersedes all prior understandings, representations, negotiations, discussions and agreements, whether oral or written, which may have occurred prior hereto. There are no other warranties or representations among the parties in connection with the subject matter of the Settlement Agreement, except as specifically set forth herein, and none have been relied upon by the parties in entering into this Settlement Agreement.

- 9. Sinsational, World Gaming and Starnet agree that the terms and conditions of this Settlement Agreement shall be held strictly confidential by them and shall not be disclosed to any person or entity whatsoever except to professional advisors or as otherwise required by any applicable laws.

10. The recitals to this Settlement Agreement form part of this Settlement Agreement.
11. This Settlement Agreement may be executed in counterparts, and delivered by facsimile transmission if followed by a mailed original version. It is agreed that any signature on a faxed version of this Settlement Agreement shall have the full force and effect as if such signature were in original form.

Dated at \_\_\_\_\_ this \_\_\_\_\_ day of October, 2003.

\_\_\_\_\_  
Witness

\_\_\_\_\_  
Ron Tarter  
for Sinsational Intertainment Incorporated  
I have authority to bind the corporation.

Dated at \_\_\_\_\_ this \_\_\_\_\_ day of October, 2003.

\_\_\_\_\_  
Witness

\_\_\_\_\_  
Anthony Daniel Moran  
for World Gaming PLC  
I have authority to bind the corporation.

Dated at \_\_\_\_\_ this \_\_\_\_\_ day of October, 2003.

\_\_\_\_\_  
Witness

\_\_\_\_\_  
Anthony Daniel Moran  
for Starnet Systems International Inc.  
(formerly Softec Systems Caribbean Inc.)  
I have authority to bind the corporation.

/cm

[INPHINITY INTERACTIVE INC. LOGO]  
INDEPENDENT CONTRACTOR AGREEMENT

BETWEEN:

INPHINITY INTERACTIVE INC.

(the "Company")

AND:

MARK HETHERINGTON  
EVALU8 PTY LTD  
Of the City of Sydney, Australia

(the "Contractor")

WHEREAS the Company is a corporation registered under the laws of the Province British Columbia with its offices in Vancouver, British Columbia

WHEREAS the Contractor is an independent contractor; and

WHEREAS the Company has decided to contract out certain services (the "Services") and the Contractor has agreed to provide those Services;

Therefore, in consideration of the mutual covenants and payments set out herein, the Company and the Contractor agree as follows:

1. TERM

1.01 The term of this Agreement shall be for twelve months commencing February 1, 2004 and terminating January 31, 2005 subject to earlier termination by either party as set out herein. 1.02 The Contractor will work at least 38 days in Vancouver in every three months and will ensure at least 5 days of every month will be spent in Vancouver.

2. COMPENSATION

2.01 It is mutually understood and agreed that this Agreement shall apply to the provision of the Services to the Company by the Contractor, as follows:

- (a) Beginning February 1, 2004 the Contractor shall provide the Company with the services as a Acting Chief Technology Officer at a rate of US\$16,666 per month
- (b) The Contractor will also be entitled to an expense allowance of US\$5,416.66 per month. The Contractor will not need to submit receipts for these expenses. For the avoidance of doubt, the expense allowance is to cover all expenses including but not limited to, airfares, accommodation, meals, taxis, and vehicle rental.

2.02 The Board shall grant stock options pursuant to purchase 200,000 ordinary shares of World Gaming in accordance with the 2001 Share Option Plan if the contractor meets the following objectives:

- (a) 100,000 options will be earned on a monthly pro-rata basis for the period of time that this agreement remains in effect over 12 months. For example if the agreement is terminated within the 9th month of the 12 months then the Contractor has earned 75,000 options.
- (b) 25,000 Options will be earned once a full-time Chief Technology Officer is hired. The candidate must remain with the company for longer than 6 months. Accordingly this objective will not be met if the Chief Technology Officer's contract is terminated for any reason within that 6 month period.
- (c) 25,000 Options will be earned if the Poker product is ready for User Acceptance and enable the customer to accept poker bets by the end April.
- (d) 25,000 Options will be earned if the Horsebook product is ready for User Acceptance by 5 July and able to book bets using the black box.
- (e) 25,000 Options will be earned if I-track and Iterate is implemented before December 31st 2004

All earned options shall be fully vested on January 15th 2006. The strike price of the options is set at the closing price of the shares on the 15th January 2004 (US\$0.40).

If the agreement is terminated, all earned options will vest on January 15 2006 and expire on January 15 2007. In the event this agreement is terminated after January 15 2005 all earned options will expire 12 months after termination.

The Consultant is fully aware and understands that the Company has the right to terminate the agreement at any time in accordance with paragraph 4 and that such termination will result in the termination of the above options that are not earned at the date of termination except options pursuant to 2.02 a) above. In addition upon termination of the agreement, the options pursuant to 2.02 b) shall be earned only if the CTO has been employed prior to the termination date and is employed by the Company for longer than 6 months.

### 3. CONTRACTOR'S COVENANTS

3.01 The Contractor shall provide the Services required under this Agreement as an independent contractor and shall not be deemed to be an employee of the Company for any purpose. The Contractor shall have no authority to make representations or warranties or contracts on behalf of the Company or to incur any obligations on the part of the Company. The Contractor shall assume all costs, risks and obligations associated with the provision of the Services under this Agreement and shall indemnify and save harmless the Company from all claims, costs, damages, and expenses arising from any act or omission on the part of the Contractor. In providing the Services as an independent contractor pursuant to the terms of this Agreement, the Contractor shall have full discretion as to the manner of providing the Services and shall render such Services in accordance with the highest professional standards.

3.02 The Contractor shall maintain records, as required and specified by the Company, including, without limitation, invoices and records of Services provided, such invoices and records to be submitted by the Contractor to the Company upon the Company's reasonable request. The Contractor further agrees that all such records and reports shall be and remain the property of the Company.

- 3.03 The Contractor shall be responsible for all expenses incurred by the Contractor, related directly or indirectly to the performance of Services pursuant to this Agreement.
- 3.04 The Contractor represents and warrants that he is an independent contractor and not an employee of the Company. The Contractor acknowledges and agrees that in entering into this Agreement, the Company is relying upon the truth and accuracy of those representations and warranties.
- 3.05 The Contractor shall be responsible for maintaining any necessary registrations and submitting any required payments in respect of all applicable statutory authorities, including without limitation, employment insurance, workers' compensation, Canada Pension Plan, and Provincial and Federal taxes, including G.S.T. Further, the Contractor shall indemnify and save harmless the Company in the event that any taxes, penalties, interest, employment insurance, workers' compensation, or Canada Pension Plan contributions are payable or repayable by the Company as a result of the Contractor being found to be an employee of the Company, or in the event that any monies are found to be payable to the Contractor as a result of the Contractor being found to be an employee of the Company, or as a result of a breach of the warranties and representations set out in this Agreement.
- 3.06 The Company shall at all times be permitted to observe or inspect the Services being performed by the Contractor to determine whether the Services are being performed in accordance with the terms of this Agreement.

#### 4. TERMINATION

- 4.01 This Agreement may be terminated by the Contractor or the Company, without any reason, at any time, upon ninety (90) days notice. Accordingly the termination date is the ninetieth day from the date of notice and the Contractor will continue to provide services to such termination date. Upon termination of this Agreement by either party, the Company shall pay the Contractor for services rendered up to the date of termination and will have no further obligations to the Contractor.
- 4.02 This Agreement may be terminated by the Company immediately without 90 days notice if for any reason the Contractor is unable to fulfill the commitment under 1.02 including but not limited to any restriction imposed by any Government authority (e.g. Visa or work permit).

#### 5. NON-COMPETITION AND CONFIDENTIALITY

##### 5.A DEFINITIONS.

In this Agreement, the following words and phrases shall have the following meanings:

- (a) "Affiliates" shall have the meaning ascribed thereto in the British Columbia COMPANY ACT;
- (b) "Business and Development Processes" means the Company's operational policies and procedures;
- (c) "Business Opportunities" includes potential business ventures of all kinds, including acquisitions, sales business arrangements, joint ventures, and other transactions which have been disclosed to, investigated, studied or considered by the Company or by others on behalf of the Company;

- (d) "Company Standards" means software code and design standards including the quality assurance and testing standards;
- (e) "Confidential Information" means any oral or written information, presently or hereafter existing, relating to the business and management of the Company or its Affiliates including, but is not limited to;
  - (i) Business Opportunities, Customer Information, Financial Information, Marketing Information, Research and Development, information relating to any proprietary or trade-secret technology, knowledge, know-how, Works, Industrial Designs, Inventions, Company Standards, Business & Development Processes, Software, trade-mark or trade name used, owned or licensed by the Company;
  - (ii) any record, report, document, policy, practice, agreement, account, ledger or other data or information relating to the business operations of the Company, including, but not limited to records of those items listed in subparagraph (i) above,

to which access is granted to or obtained by the Contractor, but does not include any of the foregoing which is or becomes publicly known or available through no breach of the terms of this Agreement by the Contractor;

- (f) "Customer Information" means any information pertaining to the Company's customers or Potential Customers, including customer names, business descriptions, markets, addresses and financial information and the names and any information pertaining to employees of customers with whom the Company is in contact in its business, including but not limited to information relating to the Company's contracts with its customers, including details as to products, pricing and distribution;
- (g) "Financial Information" means any information relating to the business operations of the Company and includes any information pertaining to the Company's costs, sales, income, profit, profitability, pricing, salaries and wages;
- (h) "Industrial Design" means any shape, pattern, configuration, or ornamentation, computer graphics or animation and any combination of such features that, in a finished article, appeal to and are judged solely by the eye;
- (i) "Inventions" means any new and useful art, design, process, machine, method, manufacture or composition of matter, or any new and useful improvement in any art, process, machine, method, manufacture or composition of matter, including, but not limited to, schemes, plans, business methods, programs, codes, methods, processes, techniques, templates, database structures, programming tools, Company Standards, prototypes, products, samples, equipment and any presentations of same;
- (j) "Marketing Information" means information including but not limited to the Company's marketing programs, plans, strategies and proposed future products, services, advertising and promotions;
- (k) "Potential Customers" means includes individuals, partnerships, corporations, charitable organizations or governmental customers that the Company has identified or targeted as being a potential customer whether or not they have been approached by the Company;

- (l) "Public Knowledge" means information that is generally known in the trade or business in which the Company is engaged, or is otherwise easily accessible through lawful, non-confidential sources;
- (m) "Research and Development" means information pertaining to any research, development, investigation, study, analysis, experiment or test carried on or proposed to be carried on by the Company;
- (n) "Software" means requirements, system architecture, models, algorithms, data structures, data code, and other information used by a computer to process information, in both source code and object code forms, and shall include, without limitations, the final version and all preliminary versions of the Software and all routines and subroutines, as well as all program material, flowcharts, models, notes, outlines, work papers, description and other documents created or developed in connection therewith, the resulting screen formats and other visual effects of the Software, and any formulae, processes, ideas, whether or not protected by copyright;
- (o) "Works" means an original literary, dramatic, musical or artistic work, including, but not limited to, designs, creations, programs, software codes, images, animations, drawings, sketches, plans, compilations of information, analyses, data, formula, records of Business Opportunities, records of Customer Information, records of Marketing Information, records of Research and Development, and records of Financial Information, and all parts, elements, and combinations thereof;

#### 5.B NON-COMPETITION

- 5B.01 NON-SOLICITATION OF CUSTOMERS. The Contractor shall not, without the prior written consent of the Company, at any time during the Contractor's relationship with the Company, or for one (1) year from the date of termination thereof, either individually or in partnership with, or jointly or in conjunction with, or for the benefit of any person, solicit, endeavor to solicit, canvass or deal with any person who was or is a customer of the Company or its Affiliates, for the purpose of selling or supplying services to that person or any products or services which are competitive with the products or services sold or supplied by the Company or its Affiliates.
- 5B.02 NON-SOLICITATION OF THE EMPLOYEES. The Contractor agrees that during the Contractor's relationship with the Company, and for one (1) year from the date of termination thereof, the Contractor shall not, without the prior written consent of the Company or Affiliates, induce or attempt to influence, directly or indirectly, an employee of the Company to leave the employ of the Company.
- 5B.03 NON-COMPETITION. The Contractor shall not, without the prior written consent of the Company, at any time during the Contractor's relationship with the Company, or for one (1) year from the date of termination thereof, either individually or in partnership or jointly or in conjunction with any person as principal, agent, consultant employee, shareholder or in any other manner concerned whatsoever, carry on or be engaged in or be concerned with or interested in or advise or provide any consulting services for any person or entity that produces, markets, sells or otherwise deals in products or services competitive with the products or services produced, marketed, sold or otherwise dealt in by the Company or its Affiliates, or with those products or services that the Contractor knew, or ought to have known, that the Company or its Affiliates contemplated producing, marketing, licensing or selling during the term of this Agreement. Notwithstanding the above, during the term of this Agreement, the Contractor may also be involved in other business ventures provided they are not in direct or indirect competition with the business of the Company.

5B.04 REASONABLENESS. The Contractor confirms that the obligations set out in the non-competition and non-solicitation provisions above are fair and reasonable and that, given the Contractor' general knowledge of the information technology industry, and the Contractor's recognition and acknowledgment that the services offered by the Company and its Affiliates are specialized services within the industry, these obligations will not preclude the Contractor from becoming gainfully directly employed or from otherwise working elsewhere in the information technology industry following the termination of this Agreement.

#### 5.C CONFIDENTIALITY

5C.01 ACKNOWLEDGEMENTS. The Contractor acknowledges that:

- (a) during the term of the Agreement the Contractor has been and will be exposed to, or otherwise become aware of Confidential Information;
- (b) the Confidential Information is a valuable asset which is the property of the Company exclusively, the unauthorized use or disclosure of which would cause very serious harm to the economic interest of the Company; and
- (c) it is important in the interests of the Company that the Confidential Information remain the exclusive property of the Company and that it not be used or disclosed except in accordance with the knowledge and consent of the Company and in the Company's best interests.

5C.02 CONFIDENTIAL INFORMATION. The Contractor agrees that at all times during the term of this Agreement and at all times following termination of this Agreement;

- (a) the Contractor shall hold in confidence and keep confidential all Confidential Information;
- (b) the Contractor shall not directly or indirectly use any Confidential Information except in the course of performing duties as an Executive of the Company with the knowledge and consent of the Company in the Company's interests.

5C.03 CONFIDENTIAL INFORMATION OF OTHERS. The Contractor agrees that at all times during the term of this Agreement the Contractor shall hold in confidence and keep confidential all Confidential Information, proprietary technologies and trade secrets of any other entity to whom the Contractor owes an obligation of confidence.

5C.04 DISCLOSURE OF CONFIDENTIAL INFORMATION. Nothing in this Agreement shall prevent the Contractor following termination or expiration of this Agreement from making use of or disclosing any Confidential Information which is or becomes a matter of Public Knowledge in a manner which is not itself a violation of this Agreement.

#### 5.D RETURN OF MATERIALS UPON TERMINATION

5D.01 Upon termination or expiration of this Agreement, the Contractor shall promptly deliver to the Company all Works, Inventions, Industrial Designs, Software, Research and Development and records of Confidential Information, and copies made thereof, including without limitation any and all documents, manuals, lists, data, records, computer programs, codes, materials, prototypes, products, samples, analyses, reports, models, designs, equipment, tools and devices relating or pertaining to the Company's business, including any copies, representations or reproductions of the same.

#### 5.E OWNERSHIP OF WORKS, SOFTWARE AND INVENTIONS

- 5E.01 With respect to all Works or Software created, or made, or Inventions conceived of, by the Contractor in the course of and arising from the Contractor's relationship with the Company, whether at the Company's place of business or otherwise, the parties agree that the Company is the sole owner of the rights therein and thereto, in perpetuity, throughout the world and in any and all media and formats, whether known or unknown or hereafter devised, and the Contractor shall have no right, title or interest therein or thereto.
- 5E.02 At the request of the Contractor, the Company may expressly agree in writing to waive section 5E.01 with respect to a particular Works, Software or Invention disclosed by the Contractor to the Company and to permit the Work, Software or Invention to become the exclusive property of the Contractor.

#### 5.F ASSIGNMENT AND TRANSFER OF RIGHTS

- 5F.01 The Contractor hereby assigns and transfers to the Company any and all other rights, title and interest that the Contractor may have in and to the Works, Software, Inventions, Industrial Designs and in any patent, trade-mark and any other similar right pertaining to the Works or Inventions which the Contractor may have by virtue of having created, made, conceived or contributed to any such Works, Software or Inventions, either solely or with others, in whole or in part, in the course of and arising from the Contractor's relationship with the Company. The Contractor further agrees to maintain at all times adequate and current records relating to the creation and development of the Work and Inventions, which records shall be and shall remain the property of the Company.

#### 5.G REGISTRATION OF INTELLECTUAL PROPERTY RIGHTS

- 5G.01 The Company alone shall have the right to apply for, prosecute and obtain patents, copyright, industrial design and trade-mark registrations and any other registrations or grants of rights analogous thereto in any and all countries throughout the world in respect of Works or Software made or created or Inventions conceived of, by the Contractor in the course of and arising from the Contractor's relationship with the Company, and the Contractor agrees to execute on demand, whether during or subsequent to Contractor's employment, any applications, transfers, assignments and other documents as the Company may consider necessary or desirable from time to time for the purpose of obtaining, maintaining, or vesting in or assigning to the Company absolute title to any such patents, copyright, industrial design or trademark registrations and the Works, Software or Inventions, or for the purpose of applying for, prosecuting, obtaining or protecting any such patents, copyright, industrial design or trademark registrations in any and all countries of the world; and the Contractor further agrees to cooperate and assist in every way possible in the prosecution and protection of any such applications and the rights assigned or transferred to the Company hereunder.

#### 5.H WAIVER OF MORAL RIGHTS

- 5H.01 The Contractor hereby irrevocably and expressly waives as against any person any and all moral rights he may have in relation to any Works,

Software and Inventions or other subject matter created in the course of and arising from the Contractor's relationship with the Company, including, without limitation, the right to attribution of authorship, the right to restrain or claim damages for any distortion, mutilation, modification or enhancement of any Work, Software and Inventions and the right to remain, use or reproduce any Work, Software and Inventions in any context and in connection with a product, service, cause or institution, and the Contractor agrees that the Company may use or alter any such Work, Software and Inventions as the Company sees fit in its absolute discretion.

6. GENERAL

6.01 BINDING. This Agreement shall be binding on the Contractor and the Company during the term of this Agreement and shall survive the termination or expiration of the Agreement.

6.02 ACKNOWLEDGMENTS. The Contractor acknowledges that:

- (a) the Contractor has had sufficient time to review this Agreement thoroughly;
- (b) the Contractor understands the terms of this Agreement and the Contractor's obligations hereunder; and
- (c) the Contractor has been given an opportunity to obtain independent advice concerning the interpretation and effect of this Agreement.

6.03 ENTIRE AGREEMENT. This Agreement constitutes the entire agreement between the parties and supersedes all prior communications, representations, understandings and agreements whether verbal or written between the parties with respect to the subject-matter hereof. The parties agree that no prior or subsequent communications, representations, understandings, agreements or representations will affect this written Agreement unless the same are reduced to writing and signed by both the Contractor and the Company.

6.04 SEVERABILITY. If any provision of this Agreement is determined at any time by a court, arbitrator or tribunal, of competent jurisdiction to be invalid, illegal or unenforceable, such provision or part thereof shall be severable from this Agreement and the remainder of this Agreement will be construed as if such invalid, illegal or unenforceable provision or part thereof had been deleted herefrom.

6.05 GOVERNING LAW. This Agreement and all matters arising hereunder shall be governed by and construed in accordance with the laws of the Province of British Columbia and the laws of Canada applicable therein.

6.06 NOTICE. Any notice required or permitted to be made or given under the Agreement to either party shall be in writing and shall be sufficiently given if delivered personally, or if sent by prepaid registered mail to the intended recipient of such notice at:

- (a) in the case of Inphinity Interactive Inc. to:

1401 West 8th, 4th Floor  
Vancouver, British Columbia V6H 1C9

Attention: Human Resources

- (b) in the case of the Contractor to:

Attention: Mark Hetherington, (mlh@evalu8.com.au)

Or at such other address the party to whom such writing is to be given shall provide in writing to the party giving the said notice. Any notice delivered to the party to whom it is addressed shall be deemed to have been given and received on the day it is so delivered or, if such day is not a business day, then on the next business day following any such day.

6.06 WAIVER. No provision of this Agreement will be considered waived by a course of conduct unless such waiver is in writing, signed by the Company and the Contractor, and states specifically that it was intended to modify this Agreement

IN WITNESS WHEREOF the parties hereto have duly executed this Agreement on the date above written.

\_\_\_\_\_  
Contractor: Mark Hetherington  
EVALU8 PTY LTD

\_\_\_\_\_  
Witness:

INPHINITY INTERACTIVE INC.

\_\_\_\_\_  
Daniel Moran, CEO

List of Subsidiaries

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Subsidiaries of World Gaming plc:

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WG International Ltd

Subsidiaries of WG International Ltd:

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World Gaming Europe Limited

Starnet Communications International, Inc.

Subsidiaries of Starnet Communications International, Inc.

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Starnet Systems International Inc.

EFS Caribbean Inc.

EFS USA Inc.

EFS NV

EFS St. Kitts Inc.

Inphinity Interactive Inc.

World Gaming Services Inc.

Starnet Communications Canada Inc.

CONSENT OF INDEPENDENT AUDITORS'

Board of Directors and Shareholders  
World Gaming Plc and Subsidiaries

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (SEC File No. 333-70056) of World Gaming Plc of our audit report dated March 25, 2004, which is part of and relates to the consolidated financial statements contained in this Form 20-F, and all references to our firm included in this Form 20-F.

/s/ HJ & Associates, LLC  
HJ & Associates, LLC  
Salt Lake City, Utah  
April 2, 2004

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, A. Daniel Moran, certify that:

1. I have reviewed this annual report on Form 20-F of World Gaming plc;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
  - b. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this annual report based on such evaluation; and
  - c. disclosed in this annual report any change in the registrant's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a. all significant deficiencies in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: April 4, 2004

/s/ A. Daniel Moran

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A. Daniel Moran  
Chief Executive Officer  
(principal executive officer)

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, David Naismith, certify that:

1. I have reviewed this annual report on Form 20-F of World Gaming plc;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
  - b. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this annual report based on such evaluation; and
  - c. disclosed in this annual report any change in the registrant's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a. all significant deficiencies in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: April 4, 2004

/s/ David Naismith

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David Naismith  
Chief Financial Officer  
(principal financial officer)

CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the annual report of World Gaming plc (the "Company") on Form 20-F for the year ended December 31, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, A. Daniel Moran, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ A. Daniel Moran

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A. Daniel Moran  
Chief Executive Officer  
April 3, 2004

CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the annual report of World Gaming plc (the "Company") on Form 20-F for the year ended December 31, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David Naismith, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ David Naismith

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David Naismith  
Chief Financial Officer  
April 4, 2004