

Edgar Filing: Win Gaming Media, Inc. - Form 10-K

Win Gaming Media, Inc.  
Form 10-K  
April 08, 2009

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

FORM 10-K

(Mark One)

ANNUAL REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934.

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE EXCHANGE ACT

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

COMMISSION FILE NO. 000-51255

WIN GAMING MEDIA, INC.

(Exact name of registrant as specified in its charter)

NEVADA  
(State or other jurisdiction of  
incorporation or organization)

98-037121  
(I.R.S. Employer  
Identification No.)

103 FOULK ROAD, WILMINGTON, DELAWARE  
(Address of principal executive offices)

19803  
(Zip Code)

Issuer's telephone number: (972) - 73 - 755-4500

Securities registered under Section 12(b) of the Exchange Act: None

Securities registered under Section 12(g) of the Exchange Act: Common Stock,  
par value \$0.001

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes  No

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the

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best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of "large accelerated filer", "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer   
Non-accelerated filer  Smaller reporting company   
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes  No

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price was last sold, or the average bid and asked prices of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter: \$ 1,449,414.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

32,319,301 shares of Common Stock as of March 31, 2009

WIN GAMING MEDIA, INC.

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(FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008)

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### CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

The statements contained in this Annual Report on Form 10-K that are not historical facts are "forward-looking statements". Such forward-looking statements may be identified by, among other things, the use of forward-looking terminology such as "believes," "intends," "plan" "expects," "may," "will," "should," or "anticipates" or the negative thereof or other variations thereon or comparable terminology, or by discussions of strategy that involve risks and uncertainties. In particular, our statements regarding the potential growth of our markets and business outlook are examples of such forward-looking statements. The forward-looking statements include risks and uncertainties, including, but not limited to, the growth of the interactive game market and other factors, including general economic conditions and regulatory developments, not within our control. The factors discussed herein, including those risks described in Item 1A. Risk Factors, and expressed from time to time in our filings with the Securities and Exchange Commission could cause actual results and developments to be materially different from those expressed in or implied by such statements. The forward-looking statements are made only as of the date of this filing, and we undertake no obligation to publicly update such forward-looking statements to reflect subsequent events or circumstances.

## PART I

### ITEM 1. DESCRIPTION OF BUSINESS

#### OVERVIEW

We are a company focused on the business of OFFERING technology servicing the interactive gaming industry, mainly through third parties. Our software provides and supports play-for-fun and play-for-real (i.e., play-for-money) interactive games. We have three core solutions to offer to companies that offer play-for-real gaming, namely:

- o Interactive TV gaming: the provision of software and technology currently

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supporting fixed odds games.

- o Multiplayer blackjack tournaments: 24/7 availability of a variety of blackjack tournament games based on a peer-to-peer technology allowing users to compete against each other and not against the Casino.
- o Online gaming: the provision of fixed odds and casino games over the internet.

We operate solely through our following wholly owned subsidiaries: (a) Win Gaming Media, Inc., a Delaware company (formerly: Zone 4 Play, Inc) ("WGMI DE"); (b) Win Gaming Media (Israel) Ltd., an Israeli company, (formerly, MixTV Ltd.) (c) Zone4Play (Israel) Ltd., an Israeli company, which is in a process of voluntary dissolution, d) Gaming Ventures plc, an Isle of Man company, and (e) Zone 4 Play (UK) Ltd, a company incorporated under the laws of the United Kingdom which is in the process of dissolution. We also have a 50% equity interest in Two Way Gaming Ltd., a company registered in Alderney.

Effective September 1, 2008 we no longer offer any gaming applications development work and currently our efforts are devoted toward maintaining and expanding our jointly owned TWG business in the UK; seeking a revenue-sharing transaction with respect to our multi-player Black Jack gaming application, and to leverage our wholly owned subsidiary that is registered with the SEC under the Securities Exchange Act of 1934, as amended (the "1934 Act") Gaming, by either an outright sale or by incorporating new activities which shall generate revenue.

Our shares of common stock are currently traded on the OTC Bulletin Board. On June 20, 2008, our trading symbol was changed to WGMI.OB.

### CORPORATE BACKGROUND

We were incorporated under the laws of the State of Nevada on April 23, 2002, as Old Goat Enterprises, Inc. (the "Predecessor"). On February 1, 2004, the Predecessor issued the shareholders of Zone 4 Play, Inc., a Delaware corporation ("Zone4Play Delaware"), 10,426,190 shares of common stock, in consideration for the entire share capital of Zone4Play Delaware. Immediately after the issuance, the shareholders of Zone4Play Delaware held 58% of the issued and outstanding share capital of the Predecessor, and subsequently changed its name to Zone 4 Play, Inc., a Nevada corporation. The transaction was accounted for as a reverse acquisition, whereby the Predecessor was treated as the acquired company and Zone4Play Delaware as the acquirer. The historical financial statements of Zone4Play Delaware became our historical financial statements. We conduct our operations through our wholly owned subsidiaries, Zone4Play (Israel) Ltd., an Israeli corporation incorporated in July 2001, Zone4Play (UK) Limited, a United Kingdom corporation incorporated in November 2002, and Zone4Play Delaware. On April 27, 2005, pursuant to an agreement with NetFun Ltd., we increased our ownership percentage of the issued and outstanding share capital of MIXTV Ltd. from 50.1% to 100%. On July 11, 2006, we formed a wholly owned subsidiary in the Isle of Man, named Gaming Ventures plc ("Gaming"). Gaming has two wholly owned subsidiaries, RNG Gaming Limited ("RNG") and Get21, both of which are Isle of Man companies.

On July 12, 2006, Zone4Play Delaware and Gaming entered into an agreement under which our wholly owned subsidiary Gaming purchased from Zone4Play Delaware all right, title and interest in its intellectual property rights and assets related to its newly developed Blackjack Software on a "going concern" and "as is"

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basis, in exchange for a secured promissory note in the principal amount of \$2.25 million. The purchase price was based on an appraisal report made by an independent appraiser. This promissory note has a term of five years. Principal is payable in five equal annual installments of \$450,000 and carries an annual interest of US Libor +1.5%. On July 17, 2006, Gaming entered into an agreement with RNG under which Gaming assigned all of its rights in the Blackjack Software to RNG in consideration for all outstanding and issued ordinary shares of RNG.

The purpose of RNG is to exploit the Blackjack Software and related intellectual property and further develop this software and potentially other gaming software. RNG is expected to license its software to third parties in exchange for revenue shares and license fees.

Get21's business model was to provide marketing services related to the BJ Software business and potentially other games. Get21 has outsourced to Golden Palace the full operation of the service which includes payment, processing, customer support, fraud and collusion prevention and other services.

On September 14, 2006, Gaming, RNG, and Golden Palace Limited ("Golden Palace"), entered into an agreement, which was amended on January 10, 2007, under which Golden Palace has agreed to invest \$600,000 in RNG in return for 20% of the ordinary shares of RNG. Pursuant to terms of this agreement, Golden Palace has an option to acquire an additional 30% of the ordinary shares of RNG (but not more than 50% of RNG or more than the amount owned by Gaming) at a price of \$100,000 per each additional percentage interest of the ordinary shares of RNG, if the option is exercised on or before September 14, 2008; \$180,000 per each additional percentage interest of the ordinary shares of RNG, if the option is exercised upon RNG becoming a public traded company or upon the completion of a private placement of securities for consideration of not less than \$4,000,000 to third parties, at a company valuation of \$18,000,000. Such option can be exercised by Golden Palace during a period commencing on the date of the agreement and terminating upon the earliest of: (1) September 14, 2008; (2) RNG becoming a public company; or (3) completion by RNG of a private placement for securities for consideration of not less than \$4,000,000 by third parties, at a company valuation of \$18,000,000. Concurrently, Gaming, RNG and Golden Palace entered into a shareholders agreement under which Golden Palace has a right to appoint one of RNG's 4 directors (as long as Golden Palace owns 20% of RNG) and we have a right to appoint the 3 other directors. Upon Golden Palace becoming an owner of 50% of RNG, it will have the right to appoint an equal number of directors to the number we are entitled to appoint.

On October 31, 2006, RNG and Golden Palace entered into a software license agreement under which RNG has granted Golden Palace a non transferable, limited license to use, perform, present and operate RNG's Blackjack Software for the purpose of displaying, managing and operating online gaming according to the terms and conditions of the agreement. In return, Golden Palace has agreed to pay RNG a total of \$1,000,000 in license fees, integration costs, technical support fees and advanced royalty fees, as well as additional royalty fees equal to 15% of the fees charged by Golden Palace from players who participate in the blackjack game. According to the terms of the agreement, the Blackjack Software shall not be used in the U.S. and/or offered for use to U.S. residents, and Golden Palace has agreed to take certain actions to ensure that the Blackjack Software is unavailable for U.S. residents.

On November 9, 2006, Get21 and Golden Palace entered into a sublicense and software agreement under which Golden Palace granted Get21 a world wide, non exclusive, non transferable sublicense to user interface portion of the multiplayer blackjack and poker gaming software ("Player Software") and to grant players the right to use the Player Software. According to the terms of the agreement, Get21 is responsible for performing all marketing and promotional functions with respect to bringing players through the URL web address [www.get21.com](http://www.get21.com) and [www.get21poker.com](http://www.get21poker.com) ("URL") to online gaming multiplayer

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blackjack and poker rooms ("Gamerooms") which are operated by Golden Palace. Get21 and Golden Palace shall share the revenues generated from players who played in the Gamerooms through the URL according to the terms specified in the agreement.

On August 4, 2006, Gaming filed with the Securities and Exchange Commission ("SEC") a registration statement on Form 20-F, which is now effective. As a result, Gaming is now a separate reporting entity with the SEC that has the reporting obligations of a foreign private issuer, despite it being our wholly owned subsidiary.

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Effective July 15, 2007, we ceased the marketing services provided for gaming applications marketing activities due to cash flow difficulties. On December 1, 2008 Get21 filed a dissolution statement with the Government of Isle of Man.

Effective May 1, 2008 our name was changed to Win Gaming Media, Inc. Zone4Play Delaware changed its name to WGMI DE on August 25, 2008.

### THE MARKET

The interactive entertainment market has emerged as a result of the growth and technological advancement in the communications industry. One of the key segments of the interactive entertainment market is online gaming which has experienced growth since its emergence in the early 1990s. Estimates and growth rates of the online gaming market vary. We believe that growth in the online gaming market will be driven by the increased availability of the internet and broadband connectivity, increased branding and marketing efforts by online gaming operators, the availability of alternative distribution platforms.

### ONLINE GAMING MARKET/MULTIPLAYER BLACKJACK TOURNAMENTS MARKET

The online gaming market is divided into segments according to game types, reflecting different gamer characters and tastes; however, some of the market segments, such as blackjack, attract gamers of different gaming choices.

The P2P emerging segment, which currently includes mostly poker, is predicted to grow to \$9 billion by year 2009. (Poker reflects \$6 billion). Poker operators are now targeting more casual gamers which are considered the mass market. As more casual gamers and less affluent nations enter the poker players market ARPC (Average Revenue Per Customer) per annum is expected to fall from an average of \$762 in 2004 to \$619 in 2008. Consequently, poker operators are constantly looking for new ways to attract casual players (U.S. and non-U.S. players) to the international P2P networks on the one hand, while increasing the ARPC on the other hand.

P2P blackjack is simpler and more intuitive than poker and therefore may be more attractive to casual gamers who do not play online poker.

Blackjack is the most popular casino game outside of the U.S. As part of the poker network efforts to diversify their client portfolio risk, networks adjust their offerings to new non-U.S. markets. Introducing another P2P game which shares the proven poker revenue model on the same poker network is expected to increase ARPC and allow network operators to better compete in the player acquisition market. Better ARPC means more revenue sharing affiliate marketing partners and better marketing budgets. These factors promote growth in the particular P2P network. High network liquidity is the principal factor to generate player trust and player interest. P2P poker showed a compound annual

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growth rate of more than 334% in the four years since it emerged as an independent market segment. We believe that blackjack has the potential to be the most popular P2P game after poker.

The online gaming market is one of the fastest-growing and most profitable online businesses. It has experienced rapid growth in recent years, fueled by the growth of broadband penetration throughout the world, increasing consumer confidence in the safety and security of online payment systems, increasing customer demand, and ongoing investments by online gaming operators in product development and marketing.

Online gaming has a number of advantages for players: it is convenient and easily accessible at any time, day or night, and relatively anonymous. Casino websites provide a wide variety of games, including free-play games that encourage players to experience online gaming for the first time. According to an industry research report, the worldwide market for online gaming has grown from virtually no revenue in 1995 to approximately over \$8 billion in 2004. According to one specialist gaming consultancy, the online gaming market will continue to grow rapidly in the coming years, reaching \$22 billion in 2009.

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### INTERACTIVE TV MARKET

Interactive TV enables two-way communications using a television as a display. Uses include entertainment, information retrieval, education and shopping. One of the consequences of the growth of Interactive TV is that interactive entertainment channels and services are becoming increasingly popular. These channels and services create new forms of revenue streams that are driven not exclusively from traditional advertising but primarily from the monetization of the interactivity, for example, paying to play games and wagering on games.

### PARTICIPATING-TV MARKET

The emergence of cellular infrastructure has given solutions for issues like always-on connectivity and availability, and provided with potentially good answers for questions of dependence of availability on location and timing. The convergence of wireless and TV serving technologies has created a rare opportunity for the 'Cellularification of TV' - enabling enhanced and enriched TV experience. This convergence of cross media content provides the ability to embed additional program data such as home audience cellular-based interaction into live feeds or prerecorded shows and programs.

Cross Media formats represent challenges to broadcasters as well as producers. New content formats that cross over the broadband web, linear or interactive television and fixed or mobile devices typically come packaged with software tools, content management tools and other elements that require going beyond the regular television program buying and selling that the broadcasters are used to dealing with.

SMS texting and other user interactions in response to television programming or to influence television programming have gained a lot of popularity lately. Entertainment, sports and Fixed-Odds services will be at the heart of demand for such services. 'Getting the audience involved' experience lets viewers interact with one another or with content associated with reality shows, regular shows, advertisement or fixed-odds games by sending in messages that are displayed or accumulated on the television screen.

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Television is a highly effective medium through which to market mobile entertainment services, which are now a significant part of the mobile content sector. A number of companies produce and broadcast interactive formats. These operators focus on the sale of their formats and/or on buying airtime to promote them. They tend to focus on a single genre such as interactive quiz shows and formats and do not have the extensive portfolio of live interactive formats.

The growth of special interest cable and satellite television channels in the digital broadcast environment has resulted in audiences and revenues being spread over an increasing number of channels. Competition for customers is thus intense and, as a result, traditional television broadcasting models, which are based on advertising revenue, are coming under pressure. Broadcasters are seeking to find new ways of winning audience share and generating revenue streams, while seeking to reduce the operational costs of providing new formats and services. Among early participation television applications, voting and polling demonstrated the potential of the new medium. This is evidenced by the success of programs such as Big Brother and Pop Idol.

### OUR BUSINESS

We are a company focused on the business of offering our technology servicing the interactive gaming industry. Our software capabilities provide and support play-for-fun and play-for-real interactive games. Our services are offered mainly through third parties. We offer three core solutions to companies that offer play-for-real gaming, namely:

- o Interactive TV gaming: the provision of software and technology currently supporting fixed odds games.

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- o Multiplayer blackjack tournaments: 24/7 availability of a variety of blackjack tournaments games based on a peer-to-peer technology allowing users to compete against each other and not against the "house".
- o Online gaming: the provision of fixed odds and casino games over the internet.

Our technology allows our customers to generate additional revenue from their existing infrastructure and user base by allowing a subscriber to switch from one platform, such as Interactive TV, mobile, or internet to another platform using a single account with the same account balance and user information. In addition, our technology allows mobile service providers, TV broadcasters and channels to provide additional content, as well as an increased variety of services, to their customers.

We enter into license and/or revenue-sharing agreements with our customers under which the customers use our software and technology to offer games to their subscribers and pay us a fixed fee and/or a percentage of the net revenues generated from those games.

On November 6, 2007, we and Two Way Media Ltd (the "Parties") have incorporated a new entity in Alderney bearing the name Two Way Gaming Limited ("TWG") to conduct all gaming activity undertaken by the Parties on interactive television, mobile telephony, participation television and the internet. Both companies are equal holders of the issued shares of TWG. On the same day the Parties together with Winner.com (UK) Ltd ("Winner"), agreed to terminate the Interactive Fixed Odds Betting Services Agreement that was signed between them on February 22,



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2005, and the Parties have agreed to grant to Winner an option to purchase directly from us part of our shareholding in TWG equivalent to 7.5% of the TWG's total shares subject to certain events. Winner is owned by our current Chief Executive Officer, Mr. Shimon Citron.

On June 20, 2008, TWG signed an agreement with Virgin Media TV ("VMTV"), a leading UK entertainment company, to launch a new TV channel - Challenge Jackpot. The program will air on VMTV's Virgin1 and Bravo2 channels, extending its reach to homes with satellite and digital terrestrial television. According to the agreement TWG shall be entitled to receive revenue share from the channel's activities. As part of the agreement with VMTV, TWG is liable for a minimum guarantee fee of up to 1.25M British Pounds and for the unpaid balance of the players in this channel. On April 7, 2009, TWG and Two Way Media Limited ("TWM"), have entered into an agreement with Netplay TV Plc ("Netplay") for the sale of the interactive game application business known as "Challenge Jackpot" operated by VMTV (the "Netplay Transfer Agreement"). Pursuant to the Netplay Transfer Agreement, the said agreement will be assigned from TWG to Netplay upon the closing of the transaction. For more information about the Netplay Transfer Agreement see Item 9B - "Other Information".

On August 6, 2008, our wholly owned subsidiary Win Gaming Media (Israel) Ltd., (formerly MixTV Ltd.), an Israeli corporation ("WGMI"), and Playtech Software Limited, a British Virgin Islands corporation ("Playtech") entered into an Intellectual Property and Technology Purchase Agreement (the "Agreement") under which Playtech agreed to purchase substantially all of the assets of WGMI, including but not limited to WGMI's intellectual property ("Purchased Assets") in consideration of a total amount of \$1,750,000. As of December 31, 2008 (1) \$1,750,000 of cash had been paid by Playtech to WGMI, (2) all of the employees of WGMI were terminated and 7 of them became employees of Playtech and (3) all of the Purchased Assets were transferred to Playtech. In addition, we and Playtech have entered into a Software License Agreement, under which Playtech granted us a non-exclusive license to use the software products included in the Purchased Assets for the sole purpose of providing support and maintenance services to TWG, company jointly owned by us and Two-Way Media Ltd. This agreement will be assigned to Netplay upon the closing of the Netplay Transfer Agreement. For more information about the Netplay Transfer Agreement see Item 9B - "Other Information".

As a result, we no longer offer any gaming applications development work and currently our efforts are devoted toward maintaining and expanding our jointly owned TWG business in the UK; seeking a revenue-sharing transaction with respect to our multi-player Black Jack gaming application, and to leverage our wholly owned subsidiary that is registered with the SEC under the Securities Exchange Act of 1934, as amended (the "1934 Act") Gaming, by either an outright sale or by incorporating new activities which shall generate revenue.

### DEPENDENCE ON THREE MAJOR CUSTOMERS

In 2008, we derived approximately 95% of our revenues from 3 major customers. In fiscal year 2008, we have accrued an allowance of \$963,919 for doubtful accounts.

### OUR PRODUCTS AND TECHNOLOGY

We currently provide four layers of technology enabling the full range of services required to supply gaming solutions across multiple platforms. The four layers include: back office, game engines, middleware and front-end solutions.

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Customers can select the full solution from front end to back office, or can select a part of the service which is then integrated with their existing offering.

### MULTIPLAYER TOURNAMENTS BLACKJACK SOFTWARE

Blackjack's simple rules and extremely visible play permit players to enter the game with little knowledge. At the same time, the unique blackjack tournament rules add skill elements to the traditional blackjack game and therefore attract professional and savvy players who implement complicated gaming strategies.

One of the unique aspects of our P2P application is that it allows for constant gaming opportunities and nonstop blackjack online events. A game is available whenever a player is looking for one. Players do not play against the house - players compete against each other allowing the most skillful player to win. Once a set number of players arrive, the game begins. Multi-table tournaments consist of a number of 5-player tables, allowing bigger prizes and a more exciting tournament.

We developed the Blackjack Software with the assistance of professional blackjack players. We believe that our new multi-player blackjack application may be an attractive product for major online casinos and sports books. Our blackjack product is the first on the market to combine a full range of multi-player blackjack games: Multi-table Sit & Go tournaments; Single table Sit & Go Tournaments; Heads-Up Blackjack; Blackjack Shootout tournaments; and daily Blackjack Special Tournaments.

Each player has to pay the same amount of money, "a buy-in", and the house fee in order to register for the game. The players choose the game with the amount of rounds they prefer and enter the table. All players receive an equal amount of chips. The chips are used as counters and are accumulated by beating the computer-generated dealer's hand. Each player determines the amount of chips to bet in every hand. The player who accumulates the most chips wins the pot.

### BACK OFFICE - ZONEMAS

Our strategy is to provide gaming operators with all the software tools they need to deploy gaming services to their customers in the most efficient and lucrative manner. Whether connecting to existing enterprise operations or starting from scratch, our ZoneMAS is a robust, highly secure and cost-effective back-office suite that is specially designed to cater to the dynamic needs of gaming operators.

ZoneMAS is an advanced cross-platform back-office system that enables the delivery of betting services on numerous interactive platforms such as the internet, mobile, iTV, and broadcast TV, using a one-time registration process and a single account. ZoneMAS supports fixed odds games, lottery games, number games, bingo games and more. ZoneMAS is a cross-platform solution designed to meet these unique requirements. ZoneMAS includes advanced marketing and advertising tools, including a bonus system mechanism, VIP system, customer retention system, lifetime value mechanism, tournament systems, data mining and an in-house affiliation system.

ZoneMAS advanced features include:

- o Cross platform capabilities (Internet, mobile and iTV)
- o Familiar web-based interface that enables access from any browser
- o State-of-the-art security systems for sites include SSL Personal Key management for every system access

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- o User-friendly interfaces and features
- o Real-time reporting of trends, individual account analysis and performance
- o Marketing and advertising subsystems
- o Full third party support via an application program interface.

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### GAME ENGINES

The game engine is responsible for the gaming operations and includes the rules and logic of each game. The game engine includes a random number generator, gaming statistics, odds and other characteristics that enable gaming operations. Information from the game engine is displayed on the front end device that serves as an application program interface (API). The game engine operates as a separate server and communicates with the communications manager and the back office. The game engine can function as a single player server or as a multiplayer server.

o STAND-ALONE GAMES SERVER. This server's function is to manage the game logic of fixed-odds betting. The server supports the installation of games in a uniform protocol to connect with the back-office and different customers' interfaces. We developed several game engines for roulette, dice, keno, hi-lo, slots, bingo-keno, horse racing and more which have been successfully deployed for several years at different clients. The server also supports installation of games developed by third parties.

o MULTI-PLAYER GAMES SERVER. This server controls the multi-player games developed by us. The server operates two types of games: games where several players play against each other, like poker, and the server manages the game tables and the tournaments; and games where drawings take place every few minutes and can be observed by all participants, such as SMS TV.

### MIDDLEWARE TECHNOLOGIES

We provide two middleware servers: ZoneITS, an interactive terminal server, and MIXTV, a broadcast video server.

o ZONEITS. ZoneITS is a designated server that is located on the customer's network and handles all incoming requests from mobile handsets, such as subscriber registration, access to applications and all Java-enabled interactivity. The server's architecture enables reliance on a single uniform protocol between the mobile client and terminal. The server is specifically designed to manage updated versions of handsets by providing information about the client's memory status and other resources. This allows all monitoring and repairs to take place in the server environment which eliminates the need for changing the basic code on the Java client. The architecture is designed to increase security and create an additional buffer between the client and the server, making the content transferred between mobile clients and the terminal uniformly encrypted. While no system is completely secure, we have devised numerous security measures designed to assist in the prevention of fraudulent activity and unauthorized access to its systems. We work on a four tier security protocol including obfuscation software (to deter copying of the software), protocol encryption, client server monitoring, firewalls and logging protections.

### RESEARCH AND DEVELOPMENT

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We invested in research and development \$98,981 in 2008, and \$1,604,359 in 2007. Our customers do not bear directly the cost of our research and development activities.

### INTELLECTUAL PROPERTY

We own the key intellectual property rights in the multi-player Black Jack software held by our subsidiary RNG, We have applied for patent protection in relation to our participating solution and the methodology of our multiplayer blackjack products, and these applications are currently being processed.

- o On January 25, 2005, we filed a U.K. patent application entitled "Broadcasted Games".

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- o On June 24, 2005, we filed a U.S. utility patent application entitled "Multiplayer Card Tournaments and Methods" which was assigned to Gaming and then to RNG. In January 2008 we decided to abandon this application.

- o On December 22, 2005, we filed a U.K. patent application entitled "Face up Hold'em" which provides fixed odds wagering that employs computer-generated card dealings and automatically calculates the odds associated with each computer generated hand (CGH) to win a broadcasted poker game.

Zone4Play(R) is a registered trademark of our company in the United States

### GOVERNMENT REGULATION

The gaming industry is prohibited or restricted in some countries and highly regulated in others. In a number of countries the legal position is uncertain. In general terms, it is possible that, subject to the courts in the relevant countries being able to establish jurisdiction, online gaming and our activities in relation to it do or may constitute (in a manner and to a degree which varies between countries) a breach of the applicable criminal and/or civil legislation in the countries of residence of our registered players. This may potentially expose us, and/or our officers and directors, to fines and other sanctions (including imprisonment). That is why we do not directly target individuals residing in the United States and mainly target online markets in Europe. We have no control over where and to residents of which country third party operators to which we may license the Blackjack Software, market their games or otherwise conduct operations, which can be all over the world.

Although the regulatory regime for land-based gaming operations is well-established in many countries, the gaming laws in such countries will not necessarily have been amended to take account of the internet, and the ability to offer gaming services online. Consequently, there is uncertainty as to the legality of online gaming in most countries. In several countries local regulators are willing to license and regulate local and often state-owned operators, but prohibit foreign operators, in some cases possibly to protect the tax and gaming revenues of the relevant government. Authorities in certain jurisdictions have taken indirect steps to restrict online gaming by seeking to prevent or deter banks, payment processors, media providers and other suppliers from transacting with and providing services to online gaming operators. The application or enforcement (or threat of enforcement) of gaming laws or regulations, or a change in sentiment by regulatory authorities on the enactment of new legislation prohibiting or restricting online gaming or services used by online gaming businesses or the taking of such indirect steps, may severely and

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adversely impact the business and financial position of online gaming companies. The legality of the customers themselves engaging in online gaming is also uncertain in a number of countries.

Nonetheless, customers in such countries have proved willing to engage in online gaming despite the fact that they may be prohibited by their domestic law from doing so. If online gaming were liberalized, or licensed and regulated, particularly in the U.S., online gaming companies would be likely to face increased competition from large land-based operators and internet companies that may not currently offer such services as a result of the regulatory restrictions.

### U.S. GAMING REGULATION

On October 13, 2006, President Bush signed into law the "Security and Accountability for Every Port Act of 2006", which included the "Unlawful Internet Gambling Enforcement Act of 2006" (the "Act"). The Act prohibits credit card companies and other financial institutions from paying or receiving funds for the purpose of internet gambling. The Act also authorizes state and federal law enforcement officials to seek injunctions against persons who facilitate illegal internet gambling. The Act requires the Department of the Treasury and the Federal Reserve Board (FRB) to draft regulations to require each "designated payment system" to identify and block these restricted transactions through the establishment of policies and procedures.

The relevant U.S. authorities may now become more active in seeking to enforce U.S. laws against companies and persons based outside the U.S. or against companies that provide services to online gaming companies which could have a material adverse effect on us. Given the current regulation in the U.S. we did not directly market our gambling websites to individuals residing in the U.S. Effective July 15, 2007 we ceased the operation of our marketing activity.

The World Trade Organization ('WTO') has found that the U.S. legislative position on internet gambling is in violation of US trade commitments and the European Union's top financial regulator recently commented that the US position was 'protectionist'. Whether this may prompt further action by the European Union ('EU') remains to be seen.

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### INDIRECT PROHIBITION EFFORTS

U.S. laws are being used, or threatened to be used, by federal prosecutors, state attorneys general and other authorities against third parties who provide services to online gaming companies or who directly or indirectly facilitate online gaming operators such as licensees, internet service providers, software and technology providers, payment processors and internet portals to attempt to impede the growth of online gaming in the U.S. or prohibit the provision of services and supplies to the industry. These efforts may take various forms, including requests that online service providers 'cease and desist' from offering a service within a particular jurisdiction, civil actions seeking to enjoin a service and demand a refund of gaming proceeds originating from a particular jurisdiction, or criminal indictments, alleging a violation of state, federal and/or local law. These efforts which raise legal and moral concerns about the industry may also have the effect of causing us to avoid dealing with the online gaming industry.

There have recently been a number of legal developments associated with the manner in which the business of gaming, and in particular, Internet gaming, is

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treated in the UK and Continental Europe. Some of these developments can be considered as positive and some as negative.

### U.K. REGULATION OF ONLINE GAMING

The UK Gaming Act 2005 (the "UK Act") introduced fundamental reforms of former gaming legislation, including online gaming. The UK Act formed a new single regulator, the "Gaming Commission", and the full regime of the UK Act came into force in September 2007.

Prior to the adoption of the UK Act, our activities were not subject to U.K. gaming laws. Currently, most entities involved in the provision of gaming activities in the UK, including us, are regulated by the Gaming Commission. The Gaming Commission has comprehensive powers which are set out in the UK Act.

The UK Act makes provision for the licensing of online betting and gaming in the UK, which is defined as "remote gaming". However, the UK Act does not clearly specify what services and facilities will need to be licensed in the UK. There is, however, specific provision in the UK Act relating to the use of "remote gaming equipment", which is defined as including facilities for registration, payment and the hosting of a random number generator in connection with gaming businesses. Such definition is likely to include servers which host gaming websites or gaming software. An operator and/or supplier of such equipment will need to obtain a license in the UK or relocate all of the remote gaming equipment used in connection with its licensed activities outside Great Britain.

The UK Act makes it illegal to supply, in the course of business, computer software for remote gaming unless a license is held for such activity. As players can download gaming software from our promoted websites, it is possible that we may need to obtain a license, even though we neither own nor can alter any of the gaming software to which we provide access. Whether the UK Act will be interpreted in such a way as to require us to obtain a license for this reason is, at present, unclear. This part of the UK Act dealing with the supply of gaming software does not refer to any territorial application. Therefore, it is conceivable that it may apply to any person who, although having no physical presence in the UK, is deemed to supply gaming software from websites capable of being accessed in the UK.

Our subsidiary, TWG, has been granted a full e-gambling license from AGCC (Alderney Gaming Control Commission) in May 2008.

### OTHER LAWS AND REGULATIONS

The application to us of existing laws and regulations relating to such issues as taxation, quality of services, electronic contracting, consumer protection and intellectual property ownership and infringement (to the extent that they relate to internet businesses) is unclear. In addition, we may become subject to new laws and regulations directly applicable to our activities. Any new legislation applicable to us could expose us to substantial liability and expenses necessary to comply with these laws and regulations. There is a risk that criminal and civil proceedings, including class actions brought by or on behalf of public entities or private individuals, could be initiated against our company, our subsidiaries, our officers and directors, other members of our company and their directors, and others involved in providing facilities to the internet gaming industry.

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We have no employees. Our CEO works as a consultant of the company. We also outsource the services of our CFO and have a consultant for operational matters.

### ITEM 1A. RISKS FACTORS

Our business involves a high degree of risk, and our securities are highly speculative. Potential investors should carefully consider the risks and uncertainties described below and the other information in this report on Form 10-K before deciding whether to invest in shares of our common stock. If any of the following risks actually occur, our business, financial condition, and results of operations could be materially and adversely affected. This could cause the trading price of our common stock to decline, with the loss of part or all of an investment in our common stock.

THE REPORT OF OUR AUDITORS CONTAINS A GOING CONCERN QUALIFICATION. IF WE ARE UNABLE TO OBTAIN FINANCING NECESSARY TO SUPPORT OUR OPERATIONS, WE MAY BE UNABLE TO CONTINUE AS A GOING CONCERN.

The report of our auditors contains a going concern qualification. We have generated revenues since inception but they were not an adequate source of cash to fund future operations. The proceeds received from sale of assets to Playtech have provided us with cash that may be sufficient to sustain our operations for the next 12 months. Historically, however, we have relied on private placement issuances of equity.

We may to raise additional working capital to fund our ongoing operations and growth. The amount of our future capital requirements depends primarily on the rate at which we increase our revenues and correspondingly decrease our use of cash to fund operations. Cash used for operations will be affected by numerous known and unknown risks and uncertainties including, but not limited to, our ability to successfully market our products and services and the degree to which competitive products and services are introduced to the market. As long as our cash flow from operations remains insufficient to completely fund operations, we will continue depleting our financial resources and seeking additional capital through equity and/or debt financing. If we raise additional capital through the issuance of debt, this will result in increased interest expense. If we raise additional funds through the issuance of equity or convertible debt securities, the percentage ownership of our company held by existing stockholders will be reduced and those stockholders may experience significant dilution. In addition, new securities may contain rights, preferences or privileges that are senior to those of our common stock.

There can be no assurance that acceptable financing to fund our ongoing operations can be obtained on suitable terms, if at all. If we are unable to obtain the financing necessary to support our operations, we may be unable to continue as a going concern. In that event, we may be forced to cease operations and our stockholders could lose their entire investment in our company. Our audited financial statements included in this annual report for the period ended December 31, 2008 contain additional note disclosures describing the circumstances that lead to this disclosure by our independent auditors.

OUR BRIEF OPERATING HISTORY MAKES OUR FUTURE SUCCESS UNCERTAIN.

We have a brief operating history. In 2001, we began our business of developing, commercializing and marketing games software and technologies. We are continuing to develop our business, and seeking third parties to license our technology through revenue-share agreements. Our brief operating history makes our success uncertain. As a result of our brief operating history, it is difficult to accurately forecast our revenues, and we have limited meaningful historical financial data upon which to base planned operating expenses and new business revenue.

WE HAVE INCURRED LOSSES SINCE OUR INCEPTION, AND THERE IS NO ASSURANCE THAT PROFITABLE OPERATIONS, IF ACHIEVED, CAN BE SUSTAINED.

We have not yet realized a profit, and we do not expect to be profitable in the near future. We cannot assure you that we will ever achieve profitability. At December 31, 2008, we had an accumulated deficit of \$17,810,447. We expect to incur substantial costs that may not be offset by increased revenues. These costs include the following: upgrading and maintenance of our software; increased administrative costs related to infrastructure and business support systems, and development of strategic business relationships.

EVEN IF WE ACHIEVE A SUBSTANTIAL INCREASE IN OPERATING REVENUES, OUR OPERATING RESULTS ARE LIKELY TO BE DIFFICULT TO PREDICT AND ARE LIKELY TO FLUCTUATE SUBSTANTIALLY.

Our operating results are likely to fluctuate significantly due to a variety of factors, many of which are outside of our control. Factors that may harm our business or cause our operating results to fluctuate include the following:

- o the ability of customers to obtain players and grow their gaming business;
- o technical difficulties with respect to the use of our software;
- o the ability of our competitors to offer new or enhanced games technologies, services or products;
- o adverse regulatory developments in the business of games for pay;
- o our inability to license additional games from third parties; and

WE HAVE FINANCED OUR OPERATIONS PRIMARILY THROUGH THE SALE OF EQUITY SECURITIES AND SALE OF ASSETS.

Since inception through December 31, 2008, we have incurred a cumulative deficit of \$17,810,447 and have raised net proceeds from the sale of equity securities of approximately \$12,945,961 and sale of certain assets. We may need to continue to finance our operations with the sale of equity securities. If we do so, our shareholders will experience dilution to their percentage interest in us, which may be substantial, and the new equity securities may have rights, preferences or privileges senior to those of existing holders of our shares of common stock. For example, in March 2006, we raised an aggregate of \$6,520,000 through the sale of 8,234,485 units comprising of one share of our common stock and one warrant, to certain accredited investors. If we are unable to obtain future financing by way of sale of equity securities, sale assets or joint ventures in exchange for revenue share, we may have to substantially curtail or cease operations or find a merger partner on terms which, if available at all, may be unfavorable.

WE DERIVE A SIGNIFICANT PORTION OF OUR REVENUES FROM A LIMITED NUMBER OF CUSTOMERS.

In 2008, we derived approximately 95% of our revenues from 3 major customers

OUR INTERNAL CONTROL OVER FINANCIAL REPORTING WAS NOT CONSIDERED EFFECTIVE AS OF DECEMBER 31, 2008 AND MAY CONTINUE TO BE INEFFECTIVE IN THE FUTURE, WHICH COULD RESULT IN OUR FINANCIAL STATEMENTS BEING UNRELIABLE, GOVERNMENT INVESTIGATION OR



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### LOSS OF INVESTOR CONFIDENCE IN OUR FINANCIAL REPORTS.

Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, we are required to furnish an annual report by our management assessing the effectiveness of our internal control over financial reporting. This assessment must include disclosure of any material weaknesses in our internal control over financial reporting identified by management. Management's report as of the end of 2008 identified several material weaknesses and concluded that we did not have effective internal control over financial reporting. Ineffective internal controls can result in errors or other problems in our financial statements. In addition, our internal control over financial reporting has not yet been audited by our independent registered public accounting firm. Even if material weaknesses identified do not cause our financial statements to be unreliable, if we continue to be unable to assert that our internal controls are effective, our investors could still lose confidence in the accuracy and completeness of our financial reports, which in turn could cause our stock price to decline. Failure to maintain effective internal control over financial reporting could also result in investigation or sanctions by regulatory authorities.

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### WE ARE EXPOSED TO FLUCTUATIONS IN CURRENCY EXCHANGE RATES.

A significant portion of our business is conducted outside the United States. Although a majority of our revenues are transacted in U.S. Dollars, we are exposed to currency exchange fluctuations in other currencies such as the British pound ("Pound") and the New Israeli Shekel ("NIS"). Moreover, a portion of our expenses in Israel and UK are paid in NIS and Pounds, which subjects us to the risks of foreign currency fluctuations. Our primary expenses paid in NIS are compensation to service providers and employees and lease payments on our Israeli facilities

THE DOLLAR COST OF OUR OPERATIONS IN ISRAEL WILL INCREASE TO THE EXTENT THAT INCREASES IN THE RATE OF INFLATION IN ISRAEL ARE NOT OFFSET BY A DEVALUATION OF THE NIS IN RELATION TO THE DOLLAR, WHICH WOULD HARM OUR RESULTS OF OPERATIONS.

Since a considerable portion of our expenses are linked to an extent to the rate of inflation in Israel, the dollar cost of our operations is influenced by the extent to which any increase in the rate of inflation in Israel is or is not offset by the devaluation of the NIS in relation to the dollar. As a result, we are exposed to the risk that the NIS, after adjustment for inflation in Israel, will appreciate in relation to the dollar. In that event, the dollar cost of our operations in Israel will increase and our dollar-measured results of operations will be adversely affected. During 2005, 2006, 2007 and 2008 the inflation adjusted NIS appreciated against the dollar, which raised the dollar cost of our Israeli operations. We cannot predict whether in the future the NIS will appreciate against the dollar or vice versa. Any increase in the rate of inflation in Israel, unless the increase is offset on a timely basis by a devaluation of the NIS in relation to the dollar, will increase labor and other costs, which will increase the dollar cost of our operations in Israel and harm our results of operations.

RAPID TECHNOLOGICAL CHANGES MAY ADVERSELY AFFECT OUR FUTURE REVENUES AND PROFITABILITY.

The software industry is subject to rapid technological change. We need to anticipate the emergence of new hardware and software technologies, assess their market acceptance, and make substantial development and related investments. New technologies in software programming or operations could render our technology

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obsolete or unattractive to our customers, thereby limiting our ability to recover development costs and potentially adversely affecting our future revenues and profitability. Because a feature of our technology is its ability to operate across platforms, we must continuously monitor the development of new platforms and changes in existing platform technologies in order to keep our software from becoming obsolete.

WE MAY NOT BE ABLE TO COMPETE SUCCESSFULLY AGAINST CURRENT AND FUTURE COMPETITORS.

The interactive games industry is new, rapidly evolving and intensely competitive. The competition among developers of games software is increasing rapidly. Currently, we compete with a number of competitors, many of which have similar product offerings. Many of our competitors have substantially greater financial, marketing and other resources than us and offer a broader range of services than us. Some of our competitors have longer operating histories and have established customer relationships. The possibility of the very largest software providers entering into new markets is always a competitive threat in the software industry. Many of these software providers are known for their aggressive marketing tactics.

Our competitors may be able to develop technologies more effectively or may be able to license their technologies on more favorable terms given their larger customer base. Competitors may also adopt more aggressive pricing or licensing policies than us, which may hinder our ability to penetrate the market and license our technologies.

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In addition, increased competition is likely to result in price reductions, reduced gross margins and an increased number of competitors competing for market share, any of which could seriously harm our ability to generate revenues and our results of operations. We expect competition to intensify in the future because current and new competitors can enter our market with little difficulty, and our competitors may sell their software at reduced prices.

OUR PRODUCTS WILL BECOME OBSOLETE IF WE DO NOT UPGRADE AND IMPROVE OUR PRODUCTS AND DEVELOP NEW TECHNOLOGIES.

The success of our products and our ability to sublicense our technologies and to develop a competitive advantage in the market will depend on our ability to improve our products and develop new and innovative technologies. Our operations will be at risk if our products are not continually upgraded and improved. The high technology industry is characterized by a consistent flow of new product and service offerings, which may render existing products and services obsolete.

OUR SUCCESS DEPENDS ON OUR ABILITY TO PREVENT OTHERS FROM INFRINGING ON OUR TECHNOLOGIES.

Our success is heavily dependent upon proprietary technology. To protect our proprietary technology, we rely principally upon copyright and trade secret protection. There can be no assurance that the steps taken by us in this regard will be adequate to prevent misappropriation or independent third-party development of our technology. Further, the laws of certain countries in which we intend to license our technologies or products may be inadequate to protect us. We do not include in our software any mechanism to prevent or inhibit unauthorized use, but we generally require the execution of an agreement that restricts unauthorized copying and use of our products. If unauthorized copying or misuse of our products were to occur, our business and results of operations

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could be materially adversely affected. While the disclosure and use of our proprietary technology, know-how and trade secrets are generally controlled under agreements with the parties involved, we cannot assure you that all confidentiality agreements will be honored, that others will not independently develop similar or superior technology, that disputes will not arise concerning the ownership of intellectual property, or that dissemination of our proprietary technology, know-how and trade secrets will not occur.

INTELLECTUAL PROPERTY CLAIMS AGAINST US CAN BE COSTLY AND COULD IMPAIR OUR BUSINESS.

We believe that our products and technology do not infringe patents or other proprietary rights of third parties. There can be no assurance however those third parties will not claim that our current or future products infringe such rights of third parties. We expect that software developers will increasingly be subject to such claims as the number of products and competitors providing games software and services grow and overlap occur. Any such claim, with or without merit, could result in costly litigation or require us to enter into royalty or licensing agreements in order to obtain a license to continue to develop and market the affected products. There can be no assurance that we would prevail in any such action or that any license (including licenses proposed by third parties) would be made available on commercially acceptable terms, if at all. If we become involved in litigation over proprietary rights, it could consume a substantial portion of our managerial and financial resources, which could have a material adverse effect on our business and financial condition.

OUR ABILITY TO LICENSE OUR TECHNOLOGY WILL BE ADVERSELY AFFECTED IF OUR TECHNOLOGY'S SECURITY MEASURES FAIL.

Our technologies incorporate security and authentication protections designed to allow licensees to protect certain personal information of players, such as credit card numbers, player information and player account balances. We cannot predict that whether events or developments will result in a compromise or breach of the technology we use to protect a player's personal information. If the security measures in our software fail, licensees may lose many customers and our ability to license our technologies will be adversely affected.

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Furthermore, the servers and computer systems of licensees may be vulnerable to computer viruses, physical or electronic break-ins and similar disruptions, which could disrupt their operations and their ability to pay us licensing fees. Any material failure of such systems may have a material affect on our business. We may need to expend significant additional capital and other resources to protect against a security breach or to alleviate problems

WE MAY NEED TO CHANGE THE MANNER IN WHICH WE INTEND TO CONDUCT A PORTION OF OUR BUSINESS IF GOVERNMENT REGULATION INCREASES.

A portion of our business involves the licensing of software used to conduct games-for-pay, or gambling the Internet and otherwise. The regulation of the gambling industry is complex, intensive and constantly changing. The adoption or modification of laws or regulations relating to Internet gambling could adversely affect the manner in which we currently conduct this portion of our business. Many countries are currently struggling with issues surrounding Internet gambling. More specifically, they are considering the merits, limitations and enforceability of prohibition, regulation or taxation of wagering and games transactions that are transacted over the Internet. There are significant differences of opinion and law. In addition, the growth and

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development of the market for online commerce may lead to more stringent consumer protection laws that may impose additional burdens on us. Laws and regulations directly applicable to games, communications or commerce over the Internet are becoming more prevalent.

The law of the Internet, however, remains largely unsettled, even in areas where there has been some legislative action. It may take years to determine whether and how existing laws such as those governing intellectual property, privacy, libel and taxation apply to the Internet. In order to comply with new or existing laws regulating online commerce, we may need to modify the manner in which we do business, which may result in additional expenses. We may need to hire additional personnel to monitor our compliance with applicable laws.

We are not aware of any regulations or laws that prohibit the development and the licensing of Internet games software that may potentially be used in violation of applicable statutes. It is possible that our planned activities, even though we currently do not operate Internet casinos or otherwise directly engage in the gambling business, may be alleged to violate an applicable statute based on an interpretation of the statute or based on a future change of law or interpretation or enforcement policy. Such allegations could result in either civil or criminal proceedings brought by governmental or private litigants. As a result of such proceedings, we could incur substantial litigation expense, fines, diversion of the attention of key employees, and injunctions or other prohibitions preventing us from engaging in various anticipated business activities. Such an outcome would have a material adverse effect on our business and our results of operations.

IF WE ARE NOT ABLE TO MANAGE GROWTH OF OUR BUSINESS, OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS WILL BE NEGATIVELY AFFECTED.

We believe that rapid growth and expansion could cause significant strains on our managerial, operational, financial and other resources. Any failure to manage the anticipated growth and expansion of our business could have a material adverse effect on our financial condition.

OUR OFFICERS, DIRECTORS AND FOUNDING SHAREHOLDERS CONTROL A SIGNIFICANT PORTION OF OUR OUTSTANDING COMMON STOCK. ACCORDINGLY, OUR OUTSIDE SHAREHOLDERS MAY NOT COLLECTIVELY OWN ENOUGH SHARES TO SIGNIFICANTLY INFLUENCE MATTERS THAT ARE VOTED UPON BY OUR SHAREHOLDERS, INCLUDING THE ELECTION OF DIRECTORS.

Our officers, directors and founding shareholders own approximately 19% of our issued and outstanding stock. We do not have cumulative voting in the election of directors. Thus, purchasers of our common stock may not be able to affect the election of any directors to our Board of Directors.

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### RISKS RELATED TO OUR COMMON STOCK

THE LIMITED MARKET FOR OUR SHARES WILL MAKE OUR STOCK PRICE MORE VOLATILE. THEREFORE, YOU MAY HAVE DIFFICULTY SELLING YOUR SHARES.

The market for our common stock is limited and we cannot assure you that a larger market will ever be developed or maintained. Currently, our common stock is traded on the Over-The-Counter Bulletin Board. Securities traded on the OTC Bulletin Board typically have low trading volumes. Market fluctuations and volatility, as well as general economic, market and political conditions, could reduce our market price. As a result, this may make it difficult or impossible for our shareholders to sell our common stock. In addition, unlike NASDAQ and

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the various international stock exchanges, there are few corporate governance requirements imposed on OTC Bulletin Board-traded companies.

OUR COMMON STOCK IS SUBJECT TO THE "PENNY STOCK" RULES OF THE SEC, AND THE TRADING MARKET IN OUR COMMON STOCK IS LIMITED. THIS MAKES TRANSACTIONS IN OUR COMMON STOCK CUMBERSOME AND MAY REDUCE THE VALUE OF YOUR SHARES.

The Securities and Exchange Commission has adopted Rule 3a51-1 which establishes the definition of a "penny stock," for the purposes relevant to us, as any equity security that has a market price of less than \$5.00 per share or with an exercise price of less than \$5.00 per share, subject to certain exceptions. For any transaction involving a penny stock, unless exempt, Rule 15g-9 requires:

- o that a broker or dealer approve a person's account for transactions in penny stocks; and

- o the broker or dealer receive from the investor a written agreement to the transaction, setting forth the identity and quantity of the penny stock to be purchased

In order to approve a person's account for transactions in penny stocks, the broker or dealer must:

- o obtain financial information and investment experience objectives of the person; and

- o make a reasonable determination that the transactions in penny stocks are suitable for that person and the person has sufficient knowledge and experience in financial matters to be capable of evaluating the risks of transactions in penny stocks.

The broker or dealer must also deliver, prior to any transaction in a penny stock, a disclosure schedule prescribed by the Securities and Exchange Commission relating to the penny stock market, which, in highlight form:

- o sets forth the basis on which the broker or dealer made the suitability determination; and

- o that the broker or dealer received a signed, written statement from the investor prior to the transaction.

Generally, brokers may be less willing to execute transactions in securities subject to the "penny stock" rules. This may make it more difficult for investors to dispose of our common stock and cause a decline in its market value.

Disclosure also has to be made about the risks of investing in penny stocks in both public offerings and in secondary trading and about the commissions payable to both the broker-dealer and the registered representative, current quotations for the securities and the rights and remedies available to an investor in cases of fraud in penny stock transactions. Finally, monthly statements have to be sent disclosing recent price information for the penny stock held in the account and information on the limited market in penny stocks.

RISKS RELATED TO OUR LOCATION IN ISRAEL

POTENTIAL POLITICAL, ECONOMIC AND MILITARY INSTABILITY IN ISRAEL MAY ADVERSELY

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AFFECT OUR RESULTS OF OPERATIONS.

Our principal offices and operations are located in Israel. Accordingly, political, economic and military conditions in Israel directly affect our operations. Since the establishment of the State of Israel in 1948, a number of armed conflicts have taken place between Israel and its Arab neighbors. A state of hostility, varying in degree and intensity, has led to security and economic problems for Israel. Since October 2000, there has been an increase in hostilities between Israel and the Palestinians, which has adversely affected the peace process and has negatively influenced Israel's relationship with its Arab citizens and several Arab countries. Such ongoing hostilities may hinder Israel's international trade relations and may limit the geographic markets, where we can sell our products. Furthermore, the United States Department of State has issued advisories regarding travel to Israel, impeding the ability of travelers to attain travel insurance. Any hostilities involving Israel or threatening Israel, or the interruption or curtailment of trade between Israel and its present trading partners, could adversely affect our operations.

UNDER CURRENT ISRAELI LAW, WE MAY NOT BE ABLE TO ENFORCE COVENANTS NOT TO COMPETE AND THEREFORE MAY BE UNABLE TO PREVENT OUR COMPETITORS FROM BENEFITING FROM THE EXPERTISE OF SOME OF OUR FORMER EMPLOYEES.

Israeli courts have required employers seeking to enforce non-compete undertakings against former employees to demonstrate that the former employee breached an obligation to the employer and thereby caused harm to one of a limited number of legitimate interests of the employer recognized by the courts such as, the confidentiality of certain commercial information or a company's intellectual property. We currently have non-competition clauses in the employment agreements of most of our employees. The provisions of such clauses prohibit our employees, if they cease working for us, from directly competing with us or working for our competitors. In the event that any of our employees chooses to work for one of our competitors, we may be unable to prevent our competitors from benefiting from the expertise of our former employees obtained from us, if we cannot demonstrate to the court that a former employee breached a legitimate interest recognized by a court and that we suffered damage thereby.

IT COULD BE DIFFICULT TO ENFORCE A U.S. JUDGMENT AGAINST OUR OFFICERS, OUR DIRECTORS AND US.

All of our executive officers and directors are non-residents of the United States, and virtually all of our assets and the assets of these persons are located outside the United States. Therefore, it could be difficult to enforce a judgment obtained in the United States against us or any of these persons.

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ITEM 1B. UNRESOLVED STAFF COMMENTS

NOT APPLICABLE.

ITEM 2. PROPERTIES

On August 31, 2008 we vacated our office space located in Atidim Park, Tel Aviv and on September 9, 2008, we entered into an agreement to lease premises located at 65 Igal Alon Street in Tel-Aviv, Israel. This location consists of approximately 60 square meters of office space and the rent is approximately \$1,725 per month. The term of this lease is for two years beginning September 1, 2008. We do not own or lease any real property elsewhere. We believe that our current space is adequate for our needs.

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### ITEM 3. LEGAL PROCEEDINGS

None.

### ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders in the last quarter of our fiscal year ended December 31, 2008.

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## PART II

### ITEM 5. MARKET FOR COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

#### MARKET FOR OUR SECURITIES

Our common stock is quoted on the Over-the-Counter Bulletin Board under the symbol "WGMI.OB." The following sets forth the high and low bid quotations for the common stock as reported on the Over-the-Counter Bulletin Board for each quarter in the last two fiscal years. These quotations reflect prices between dealers and do not include retail mark-ups, markdowns, and commissions and may not necessarily represent actual transactions. The prices are adjusted to reflect all stock splits.

	HIGH	LOW
	-----	-----
FISCAL YEAR ENDED DECEMBER 31, 2008		
First Quarter Ended March 31, 2008	\$0.07	\$ 0.05
Second Quarter Ended June 30, 2008	\$0.05	\$ 0.03
Third Quarter Ended September 30, 2008	\$0.06	\$ 0.04
Fourth Quarter Ended December 31, 2008	\$0.04	\$0.006
FISCAL YEAR ENDED DECEMBER 31, 2007		
First Quarter Ended March 31, 2007	\$0.45	\$ 0.16
Second Quarter Ended June 30, 2007	\$0.17	\$ 0.09
Third Quarter Ended September 30, 2007	\$0.13	\$ 0.07
Fourth Quarter Ended December 31, 2007	\$0.14	\$ 0.06

As of March 22, 2009, there were 312 stockholders of record of our common stock.

Continental Stock Transfer & Trust Company is the registrar and transfer agent for our common shares. Their address is 17 Battery Place, New York, NY 10004, U.S.A., telephone: (212) 509 4000.

#### DIVIDEND POLICY

Historically, we have not declared or paid any cash dividends on our common stock. Any future determination to pay dividends on our common stock will depend upon our results of operations, financial condition and capital requirements, applicable restrictions under any contractual arrangements and such other factors deemed relevant by our Board of Directors.

#### RECENT SALES OF UNREGISTERED SECURITIES

None.

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### ITEM 6. SELECTED FINANCIAL DATA.

Not applicable.

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### ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

#### OVERVIEW

The following discussion and analysis should be read in conjunction with the audited financial statements and notes thereto included elsewhere in this annual report. This discussion should not be construed to imply that the results discussed herein will necessarily continue into the future, or that any conclusion reached herein will necessarily be indicative of actual operating results in the future. Such discussion represents only the present assessment by our management.

Our financial statements are stated in United States Dollars (US\$) and are prepared in accordance with United States generally accepted accounting principles (U.S. GAAP).

This discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those anticipated in these forward-looking statements. See "Cautionary Note Regarding Forward-Looking Statements" elsewhere in this annual report.

#### OUR BUSINESS

We are a company focused on the business of technology servicing the interactive gaming industry. Our software provides and supports play-for-fun and play-for-real interactive games. Our services are offered mainly through third parties. We offer three core solutions to companies that offer play-for-real gaming, namely:

- o Interactive TV gaming: the provision of software and technology currently supporting fixed odds games.
- o Multiplayer blackjack tournaments: 24/7 availability of a variety of blackjack tournaments games based on a peer-to-peer technology allowing users to compete against each other and not against the "house".
- o Online gaming: the provision of fixed odds and casino games over the internet.

We enter into license and/or revenue-sharing agreements with our customers under which the customers use our software and technology to offer games to their subscribers and pay us a fixed fee and/or a percentage of the net revenues generated from those games.

We operate solely through our wholly owned subsidiaries. Recently, we generated our income from our equity interest in TWG, and from Win Gaming Media, Inc., Delaware, which generated revenue from contracts signed with Cablevision Systems Corporation and LodgeNet Entertainment Corporation. Effective July 1, 2008, we did not generate any revenues from our affiliated company TWG.

In the course of our activities, we have sustained operating losses and expect



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such losses to continue in the foreseeable future. To date, we have not generated sufficient revenues to achieve profitable operations or positive cash flow from operations. On December 31, 2008, we had a working capital of \$329,332 and an accumulated deficit of \$17,810,447. There is no assurance that profitable operations, if ever achieved, will be sustained on a continuing basis.

In fiscal year 2008, we derived approximately 95% of our revenues from 3 major customers.

We refer in this discussion to the fiscal years ended December 31, 2008 and December 31, 2007, as "2008," and "2007," respectively.

We have generated revenues since inception but they were not an adequate source of cash to fund future operations. Historically we have relied on private placement issuances of equity and sale of assets.

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On August 6, 2008, our wholly owned subsidiary Win Gaming Media (Israel) Ltd., (formerly MixTV Ltd.), an Israeli corporation ("WGMI"), and Playtech Software Limited, a British Virgin Islands corporation ("Playtech") entered into an Intellectual Property and Technology Purchase Agreement (the "Agreement") under which Playtech agreed to purchase substantially all of the assets of WGMI, including but not limited to WGMI's intellectual property ("Purchased Assets") in consideration of a total amount of \$1,750,000. As of December 31, 2008 (1) \$1,750,000 of cash had been paid by Playtech to WGMI, (2) all of the employees of WGMI were terminated and 7 of them became employees of Playtech and (3) all of the Purchased Assets were transferred to Playtech. In addition, we and Playtech have entered into a Software License Agreement, under which Playtech granted us a non-exclusive license to use the software products included in the Purchased Assets for the sole purpose of providing support and maintenance services to TWG, company jointly owned by us and Two-Way Media Ltd. This agreement will be assigned to Netplay TV Plc upon the closing of the transaction therewith as further described in Item 9B - "Other Information".

As a result, we no longer offer any gaming applications development work and currently our efforts are devoted toward maintaining and expanding our jointly owned TWG business in the UK; seeking a revenue-sharing transaction with respect to our multi-player blackjack gaming application, and to leverage our wholly owned subsidiary, Gaming, that is registered with the SEC under 1934 Act, by either an outright sale or by incorporating new activities which shall generate revenue.

### GOING CONCERN

We have generated revenues since inception but they were not an adequate source of cash to fund our operations. Historically we have relied on the private placements of equity and in 2008 also on the sale of assets.

We may need to raise additional working capital to fund our ongoing operations and growth. The amount of our future capital requirements depends primarily on the rate at which we increase our revenues and correspondingly decrease our use of cash to fund operations. Cash used for operations will be affected by numerous known and unknown risks and uncertainties including, but not limited to, our ability to successfully market our products and services and the degree to which competitive products and services are introduced to the market. As long as our cash flow from operations remains insufficient to completely fund operations, we will continue depleting our financial resources and seeking additional capital through equity and sale of additional assets. If we raise

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additional capital through the issuance of debt, this will result in increased interest expense. If we raise additional funds through the issuance of equity or convertible debt securities, the percentage ownership of our company held by existing stockholders will be reduced and those stockholders may experience significant dilution. In addition, new securities may contain rights, preferences or privileges that are senior to those of our common stock.

There can be no assurance that acceptable financing to fund our ongoing operations can be obtained on suitable terms, if at all. If we are unable to obtain the financing necessary to support our operations, we may be unable to continue as a going concern. In that event, we may be forced to cease operations and our stockholders could lose their entire investment in our company.

The report of our auditors included in this annual report for the period ended December 31, 2008, contains a going concern qualification. Our audited financial statements included in this annual report for the period ended December 31, 2008 contain additional note disclosures describing the circumstances that lead to this disclosure by our independent auditors.

### CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our consolidated financial statements are prepared in accordance with U.S. GAAP. In connection with the preparation of the financial statements, we are required to make assumptions and estimates about future events, and apply judgments that affect the reported amounts of assets, liabilities, revenue, expenses and the related disclosure. We base our assumptions, estimates and judgments on historical experience, current trends and other factors that management believes to be relevant at the time the consolidated financial statements are prepared. On a regular basis, management reviews our accounting policies, assumptions, estimates and judgments to ensure that our financial statements are presented fairly and in accordance with U.S. GAAP. However, because future events and their effects cannot be determined with certainty, actual results could differ from our assumptions and estimates, and such differences could be material.

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Our significant accounting policies are discussed in Note 2 of the notes to the consolidated financial statements, "Significant Accounting Policies", included elsewhere in this annual report.

### IMPAIRMENT OF LONG-LIVED ASSETS:

Our long-lived assets are reviewed for impairment in accordance with Statement of Financial Accounting Standards ("SFAS") No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS No. 144") whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the future undiscounted cash flows expected to be generated by the asset. If such asset is considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the fair value. As of December 31, 2008, no impairment losses have been identified.

### REVENUE RECOGNITION:

The Company accounts for revenues from software applications agreements in accordance with Statement of Position ("SOP") 97-2, "Software Revenue Recognition", as amended ("SOP 97-2"). The revenue from license fees is recognized when persuasive evidence of an agreement exists, delivery of the

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product has occurred, no significant obligations with regard to implementation remain, the fee is fixed or determinable and collectability is probable.

The Company is entitled to royalties from revenue sharing arrangements upon sublicensing of the Company's products to end-users. The Company recognizes royalties from revenue sharing arrangements during the period based on reports obtained from its customers through the relevant reporting period on a monthly basis.

During fiscal 2007 and 2008 the Company was not involved in multiple arrangements.

We are entitled to royalties from revenue sharing arrangements upon sublicensing of our products to end-users. Royalties from revenue sharing arrangements are recognized when such royalties are reported to us.

Revenues from services to affiliated company consists of development services provided to TWG on a Cost Plus basis. Effective July 1, 2008 we did not recognize revenues from services provided to TWG due to a failure to meet one of the criteria of SOP 97-2 which specifies that if the fee is not fixed or determinable, revenue is recognized as payments become due from the customer unless collection is not considered probable then revenue is recognized as payments are collected from the customer, provided that all other revenue recognition criteria have been met.

### FOREIGN CURRENCY

Our revenues are generated in U.S. dollars ("dollar"). In addition a substantial portion of our costs are incurred in U.S. dollars. Our management believes that the dollar is the primary currency of the economic environment in which we are operate. Thus, our functional and reporting currency and certain of our subsidiaries is the U.S. dollar.

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Accordingly, monetary accounts maintained in currencies other than the dollar are re-measured into U.S. dollars in accordance with SFAS No. 52, "Foreign Currency Translation" ("SFAS No. 52"). All gains and losses of the re-measurement of monetary balance sheet items are reflected in the consolidated statements of operations as financial income or expenses as appropriate.

The financial statements of Zone4Play (UK) Limited, whose functional currency has been determined to be its local currency, have been translated into dollars. All balance sheet amounts have been translated using the exchange rates in effect at each balance sheet date. Statement of operation amounts have been translated using the average exchange rate prevailing during the period. The resulting translation adjustments are reported as a separate component of accumulated other comprehensive loss in shareholder's equity.

### ACCOUNTING FOR STOCK-BASED COMPENSATION:

Effective January 1, 2006, the Company adopted the provisions of Statement of Financial Accounting Standard No. 123 (revised 2004) ("SFAS 123R"), "Share-Based Payment," and Staff Accounting Bulletin No. 107 ("SAB 107"), which was issued in March 2005 by the SEC. SFAS 123R addresses the accounting for share-based payment transactions in which the Company obtains employee services in exchange for equity instruments of the Company. This statement requires that employee equity awards be accounted for using the grant-date fair value method. SAB 107 provides supplemental implementation guidance on SFAS 123R, including guidance

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on valuation methods, classification of compensation expense, income statement effects, disclosures and other issues.

The Company has expensed compensation costs, net of estimated forfeitures, applying the straight line method, based on the grant-date fair value estimated in accordance with the original provisions of SFAS 123, and previously presented in the pro forma footnote disclosures. Results for prior periods have not been restated as explained above. For the years ended December 31, 2008 and 2007, the Company recorded stock-based compensation costs in the amount of \$126,158 and \$267,186 respectively.

The Company applies EITF 96-18, "Accounting for Equity Instruments that Are Issued to Other than Employees for Acquiring or in Conjunction with Selling, Goods or Services" with respect to options and warrants issued to non-employees.

### ACCOUNTING FOR INCOME TAXES

Significant judgment is required in determining our worldwide income tax expense provision. In the ordinary course of a global business, there are many transactions and calculations where the ultimate tax outcome is uncertain. Some of these uncertainties arise as a consequence of cost reimbursement arrangements among related entities, the process of identifying items of revenue and expense that qualify for preferential tax treatment and segregation of foreign and domestic loss and expense to avoid double taxation. Although we believe that our estimates are reasonable, the final tax outcome of these matters may be different than the one which is reflected in our historical income tax provisions and accruals. Such differences could have a material effect on our income tax provision and net income (loss) in the period in which such determination is made.

Effective January 1, 2007, the Company adopted Financial Interpretation No. 48, "Accounting for Uncertainty in Income Taxes - an interpretation of FAS 109" ("FIN 48"), which was issued in June 2006. FIN 48 clarifies the accounting for uncertainty in income taxes, and prescribes a recognition threshold and measurement attributes for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Company's accounting policy, pursuant to the adoption of FIN 48, is to classify interest and penalties recognized in the financial statements relating to uncertain tax positions under the provision for income taxes. The adoption of FIN 48 did not result in a change to the Company's retained earnings. As of December 31, 2008, there are no unrecognized tax benefits.

Deferred taxes are determined utilizing the "asset and liability" method, whereby deferred tax asset and liability account balances are determined based on differences between financial reporting and the tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. The Company provides a valuation allowance, when it's more likely than not that deferred tax assets will not be realized in the foreseeable future.

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### IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS:

In April 2008, the FASB issued FSP 142-3, "Determination of the Useful Life of Intangible Assets" ("FSP 142-3"). FSP 142-3 amends the factors that should be considered in developing renewal or extension assumptions on legal and contractual provisions used to determine the useful life of a recognized

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intangible asset under SFAS No. 142, "Goodwill and Other Intangible Assets." FSP 142-3 is effective for fiscal years beginning after December 15, 2008. The Company believes that the initial adoption of FSP 142-3 will not have a material impact on its consolidated financial statements.

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities," ("SFAS No. 161") as an amendment to SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 161 requires that objectives.

for using derivative instruments be disclosed in terms of underlying risk and accounting designation. The fair value of derivative instruments and their gains and losses will need to be presented in tabular format in order to present a more complete picture of the effects of using derivative instruments. SFAS No. 161 is effective for financial statements issued for fiscal years beginning after November 15, 2008. The Company is currently evaluating the impact of adopting this pronouncement.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), "Business Combinations" ("FAS 141R"). FAS 141R provides revised guidance on how acquirers recognize and measure the consideration, identifiable assets acquired, liabilities assumed, contingencies, non-controlling interests and goodwill acquired in a business combination, and expands disclosure requirements surrounding the nature and financial effects of business combinations. Key changes include: acquired in-process research and development will no longer be expensed on acquisition, but capitalized and assessed for impairment where relevant and amortized over its useful life; acquisition costs will be expensed as incurred; restructuring costs will generally be expensed in periods after the acquisition date; the consideration in shares would be valued at closing date; and in the event that a deferred tax valuation allowance relating to a business acquisition, including from prior years, is subsequently reduced, the adjustment will be recognized in the statement of income.

RESULTS OF OPERATIONS - YEAR ENDED DECEMBER 31, 2008 COMPARED TO YEAR ENDED DECEMBER 31, 2007.

### REVENUES AND COST OF REVENUES

We account for revenues from software applications agreements in accordance with SOP 97-2. The revenue from license fees is recognized when persuasive evidence of an agreement exists, delivery of the product has occurred, no significant obligations with regard to implementation remain, the fee is fixed or determinable and collectability is probable.

In fiscal year 2008, we continued to generate income from equity revenues from Win Gaming Media, Inc, Delaware and we recognized revenue from our affiliated company TWG only until June 30, 2008. Effective July 1, 2008 we have ceased to recognize revenues from our affiliated company TWG due to our failure to meet the criteria in accordance with SOP 97-2 that collectability is probable. As a result our total revenues for 2008 decreased by 4% to \$1,095,333 from \$1,143,204 in 2007.

Cost of revenues for 2008 increased by 112% to \$1,335,304 from \$628,542 for 2007. Gross profit decreased by 147% for 2008 to (\$239,971) from \$514,662 in 2007. The increase in the cost of revenues is attributable to costs related to our service agreement with TWG, our jointly held company with TWM and due to the costs involved in retaining a non-exclusive license from Playtech to use the software products included in the Purchased assets for the sole purpose of providing support and maintenance services to TWG.

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### RESEARCH AND DEVELOPMENT

Research and development expenses for 2008 decreased by 94% to \$98,981 from \$1,604,359 for 2007. The decrease is primarily attributable to the lay off of employees, decreased general and administrative expenses allocated to the research and development department as a result of lay off of employees, allocation of employees to the cost of service due to our service agreement with TWG, our jointly hold company with Two Way Media and decreased stock based compensation due to headcount reduction.

### SALES AND MARKETING

Sales and marketing expenses for 2008 decreased by 80% to \$37,493 from \$190,516 for 2007. The decrease in sales and marketing expenses is primarily attributable to lay off of employees, and to decreased travel expenses.

### GENERAL AND ADMINISTRATIVE

General and Administrative expenses for 2008 decreased by 3% to \$1,488,202 from \$1,539,642 for 2007. The decrease in general and administrative expenses is primarily attributable to lay off employees, decreased stock based compensation, decreased costs of rent of our facilities as a result from our relocation and the decrease in legal expenses, offset by an allowance made to adjust our share in TWG attributed to the change in our ability to recognize revenues from TWG due to the uncertainty of the collectability of payments from TWG.

### CAPITAL GAIN FROM THE SELL OF INTELECTUAL PROPERTY

Capital gain for 2008 of \$1,742,622 is primarily attributable to the sell of the intellectual property of WGMI to Playtech.

### EQUITY LOSSES OF AFFILIATED COMPANY

Equity losses for 2008 decreased by 91% to \$45,793 from \$516,355 for 2007. The decrease in equity loses is primarily attributable the change in policy in regard to recognizing losses from TWG. The investment is recorded as a liability since we and TWM are guarantors in equal parts to liabilities of TWG but not to exceed the sum of (1) exposure to players balance in TWG and (2) balance of unpaid minimum guarantee fees owed from TWG to VMTV.

### NET LOSS AND NET LOSS PER SHARE

Net loss from continuing operations for 2008 decreased by 85% to \$493,719 as compared to net loss of \$3,311,826 for 2007. Net loss per share from continuing operations for 2008 decreased to \$0.02 as compared to \$0.1 for 2007. The net loss decreases in 2008 is primarily attributable to a decrease in operating expenses due to the layoff our employees, the decrease in stock based compensation, the substantial decrease in the use of facilities, and the decrease in recognizing losses from our affiliated company and by the capital gain attributable to the sell of our IP, offset by the decrease in our recognized revenues from TWG and the allowance made for doubtful debt.

Our weighted average number of shares of common stock used in computing basic and diluted net loss per share for 2008 and 2007 was 32,319,031.

### LIQUIDITY AND CAPITAL RESOURCES

As of December 31 2008, our total current assets were \$666,398 and our total current liabilities were \$337,066. At December 31, 2008, we had a working capital of \$329,332 and an accumulated deficit of \$17,810,447. We finance our

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operations with a combination of revenues and from proceeds from the sale of our assets and intellectual property.

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We had working capital of \$337,066 on December 31, 2008 compared with a working capital deficit of \$164,861 on December 31, 2007. Cash and cash equivalents on December 31, 2008 were \$529,130, a decrease of \$382,084 from the \$147,046 reported on December 31, 2007. Cash balances increased in the year ended December 31, 2008 primarily as a result of reducing our expenses for the year ended December 31, 2008 and from the proceeds from the sale of the intellectual property of WGMI to Playtech offset by the decrease in our revenues.

Operating activities used cash of \$1,495,247 in the year ended December 31, 2008. Cash used by operating activities in the year ended December 31, 2008 results primarily from a net loss of \$474,459, a \$49,550 decrease in account receivables, a \$287,441 decrease in employees and payroll, and a \$1,742,622 gain on the sell of intellectual property, offset by \$111,999 increase in trade payables and a \$294,526 decrease in related parties and decrease in losses in affiliated company.

Investing activities provided cash of \$1,870,960 in the year ended December 31, 2008. Cash provided by investing activities in the year ended December 31, 2008 results from the sale of intellectual property to Playtech and the sale of the majority of our fixed assets.

Financing activities provided cash of \$7,343 in the year ended December 31, 2008. Cash provided by financing activities in the year ended December 31, 2008 resulted primarily to short term credit facility from Bank.

On March 10, 2008, our board of directors (the "Board") approved the entry of the Company into a convertible debt transaction with our director, Mr. Shimon Citron. The transaction is documented by a Convertible Loan Agreement, a Convertible Promissory Note, a Security Agreement and a Common Stock Purchase Warrant, all of which is dated as of March 6, 2008, and is collectively referred to as the "Loan Agreement Documents." The transaction was approved by a majority of the Board (not including the vote of Mr. Citron). The Board recommended that the shareholders approve the transaction as being in the best interests of the Company. On April 29, 2008, a majority of the Company's common stock approved the transaction and the Loan Agreement Documents. In fiscal 2008 the loan and interest owed were repaid.

On August 22, 2008, the Company issued Mr. Citron a notice of redemption pursuant to which the Company has repaid Mr. Citron the full principal amount of the loan described above, together with accrued but unpaid interest thereon. As of December 31, 2008 there was no debt related to the loan described above.

### OUTLOOK

Our current cash (after giving effect to our sale of assets to Playtech) may not be sufficient to meet our anticipated requirements for the next 12 months. We believe that our future growth will depend upon the successful closing of the Netplay Transfer Agreement and the results of the license agreement with Playtech. As part of our efforts to broaden our cash basis and generate additional revenues, we will pursue sales of our multi-player blackjack intellectual property and our mobile gaming application on a revenue-share basis. We will also seek to leverage our wholly owned subsidiary, Gaming Ventures, that is registered with the SEC under the 1934 Act, by either an outright sale or by incorporating new activities which shall generate revenues.

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We may also seek to finance our operations through sale of equity or issuance of debt. There can be no assurance that acceptable financing to fund our ongoing operations can be obtained on suitable terms, if at all. If we are unable to obtain the financing necessary to support our operations, we may be unable to continue as a going concern. In that event, we may be forced to cease operations and our stockholders could lose their entire investment in our company.

### OFF-BALANCE SHEET ARRANGEMENTS

We do not have any off balance sheet arrangements that are reasonably likely to have a current or future effect on our financial condition, revenues, and results of operations, liquidity or capital expenditures.

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### ANALYSIS OF CURRENCY AND INTEREST FLUCTUATION RISK

A majority of our revenues and a portion of our expenses are transacted in U.S. dollars and our assets and liabilities together with our cash holdings are predominately denominated in U.S. dollars. However, the bulk of our expenses are denominated in the Israeli NIS. Increases in the volatility of the exchange rates of the NIS versus the U.S. dollar could have an adverse effect on the expenses and liabilities that we incur when remeasured into U.S. dollars. We review our monthly expected non-U.S. dollar denominated expenditures and look to hold equivalent non-U.S. dollar cash balances to mitigate currency fluctuations and this has resulted in a foreign exchange expense of \$99,227 and \$124,796 in 2007 and 2008, respectively.

As a result of such currency fluctuations and the conversion to U.S. dollars for financial reporting purposes, we may experience fluctuations in our operating results on an annual and a quarterly basis going forward. We have not in the past, but may in the future, hedge against fluctuations in exchange rates. Future hedging transactions may not successfully mitigate losses caused by currency fluctuations. We expect to continue to experience the effect of exchange rate fluctuations on an annual and quarterly basis, and currency fluctuations could have a material adverse impact on our results of operations.

Interest income and gains from bank deposits were net expenses of \$31,642 in 2008 and net income of \$31,664 in 2007. This increase is mainly due to the interest accrued on the loan facility from our CEO.

### ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

NOT APPLICABLE.

### ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

### ITEM 9. CHANGES AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

NOT APPLICABLE.

### ITEM 9A(T). CONTROLS AND PROCEDURES.

#### EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

As of December 31, 2008, an evaluation was carried out under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and



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procedures (as defined in Rules 13a-15(e) or 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act). These disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure. Based upon that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that, at December 31, 2008, the design and operation of these disclosure controls and procedures were not effective at ensuring that information required to be disclosed by us in the reports that we file or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in applicable rules and forms because of certain material weakness in our internal control over financial reporting identified by our management and discussed below.

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### MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control system is designed to provide reasonable assurance to our management and board of directors regarding the preparation and fair presentation of published financial statements. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2008. In making this assessment, it used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in INTERNAL CONTROL-INTEGRATED FRAMEWORK. Based on our evaluation and the material weaknesses described below, management concluded that we did not maintain effective internal control over financial reporting as of December 31, 2008.

Management has identified control deficiencies regarding lack of segregation of duties. The management believes that these material weaknesses are due to the small size of the Company's staff.

The ineffectiveness of our internal controls over financial reporting as of December 31, 2008 stemmed in large part from several significant changes of our executive officers, discontinued operations and personnel cutback. Although we believe the time to adapt in the next year will help position us to provide improved internal control functions into the future, in the interim, these changes caused control deficiencies, which in the aggregate resulted in material weaknesses.

This annual report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Our internal control over financial reporting was not subject to attestation by our registered public accounting firm pursuant to temporary rules of the SEC that permit us to provide only management's report in this annual report.

### CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There was no change to our internal control over financial reporting that occurred during our fourth quarter ended December 31, 2008 that has materially affected, or is reasonably likely to materially affect the Company's internal

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control over financial reporting.

### ITEM 9B. OTHER INFORMATION.

On April 7, 2009, TWG, 50% owned by us and 50% owned by TWM (we refer to TWG and TWM as the Sellers), entered into an agreement, or the Netplay Transfer Agreement, with Netplay TV Plc, or Netplay, The NetPlay Transfer Agreement includes the transfer of gaming services and the transfer of Challenge Jackpot's circa 16,000 registered players, their account balances and the equipment to run the business.

The consideration for the sale of the Challenge Jackpot business is (pound)2,000,000 of which, the vast majority of the consideration is attributable to the database allowing business continuity for the Challenge Jackpot customers. The consideration is to be paid in newly issued ordinary shares of Netplay, or the Consideration Shares, or cash, together with the assumption by Netplay of the liabilities expressly referred to in the Netplay Transfer Agreement as being assumed, all of which will take place at the closing. The number of Consideration Shares shall be equal to (pound)2,000,000 less the amount paid in cash (if any), divided by the average market price of Netplay's shares trading on the London Stock Exchange plc's market known as AIM for the 20 business days prior to the closing date. Netplay has undertaken to ensure that all the Consideration Shares are admitted to listing and trading on AIM Market no later than seven days of such allotment and issue thereof. TWG agreed to divide the consideration equally between the Company and TWM.

The closing of the transaction is conditioned upon the approval thereof by Netplay's shareholders and the completion of the agreement between Netplay and Virgin Media Television Limited or Virgin for the assignment of the agreement dated June 20, 2008, between TWG and Virgin. In the event that the closing does not take place within 35 days following the date of the Netplay Transfer Agreement, the Sellers shall have the right to terminate the Netplay Transfer Agreement and receive some compensation not to exceed (pound)25,000.

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During the first year from the closing date, Consideration Shares held by the Company may be disposed only following the consent of the Nomad (Nominated Advisor) of Netplay in such orderly manner as it shall reasonably require with a view to maintain an orderly market in the shares of Netplay.

In the Netplay Transfer Agreement, the Sellers undertook not to compete with the business of running Challenge Jackpot, or any other similar roulette game, and to refrain from solicitation of the business' personnel for a period of 24 months and not to use or register any name or style which includes the phrase "Challenge Jackpot" or any name which is likely to cause a third party to believe that such a name is connected with Challenge Jackpot.

In addition, the Sellers and Netplay have agreed that Netplay will assist the Sellers with the operation of the online casino, WinnerChannel.com, and a gambling service business which is marketed and distributed by Teletext Limited under the agreement between TWM, Teletext Limited and St Minver Limited, or the Teletext Business. For these services, Netplay will be entitled to 20% of all net profits, arising from the operation of the WinnerChannel.com and the Teletext Business and the Sellers will be entitled to 80% of such profits, to split equally between the Sellers.

The Sellers and Virgin entered into a Termination and Settlement Agreement under which, on the completion date of the NetPlay Transfer Agreement and subject to

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receipt by Virgin from Netplay of an initial payment, Virgin agree to terminate the agreements with us in connection with the operation of the Challenge Jackpot and to waive all respected liabilities towards TWG.

### PART III

#### ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

Effective June 19, 2008, our board of directors decided to replace Steve Baker as Chief Executive Officer ("CEO") of our company with Shimon Citron, our company's founder, current director and former CEO. Mr. Citron has assumed the position of CEO on a part time basis. Mr. Baker remained a director of the company.

Effective on July 1, 2008, we appointed Jacob Bar-Shalom as our Chief Financial Officer. This appointment was made pursuant to a contract signed between us and C.F.O. - OUT SOURCING SERVICES LTD., an Israeli company that provides financial services and for which Mr. Bar-Shalom works.

The following table identifies our current directors:

NAME ----	AGE ---	POSITION SINCE -----	POSITION -----
Shimon Citron*	54	2001	Director
Adiv Baruch	45	2006	Director
Niv Zilberstein	43	2007	Director
Steve Baker	56	2007	Director

\* Serves also as our the Chief Executive Officer.

The following table identifies our current executive officers:

NAME ----	AGE ---	CAPACITIES IN WHICH SERVED -----	IN CURRENT POSITION SINCE -----
Shimon Citron*	54	Chief Executive Officer	June 2008**
Jacob Bar-Shalom	42	Chief Financial Officer	July 2008

\* Also serves as a member of our board of directors.

\*\* Mr. Citron has held the position of CEO and director since Zone4Play's inception in 2001 and until May 8, 2007. He resumed his position as CEO on June 1, 2008

The principal occupations and business experience of each director and executive officer or at least the past five years is as follows:

SHIMON CITRON. Mr. Citron founded Zone4Play in 2001 and has held the positions of Chief Executive Officer and director since Zone4Play's inception and until May 8, 2007 when he ceased to be Chief Executive Officer. He resumed his position as CEO on June 1, 2008. From 1999 to 2001, Mr. Citron was the founder and President of Gigi Media Ltd., a private company based in Israel engaged in development of Internet search engines. From 1994 to 1999, he managed his own private investments in a number of startup companies in Israel.

JACOB BAR-SHALOM. Mr. Jacob Bar-Shalom joined Win Gaming as the acting CFO since July 1, 2008. Prior to joining Win Gaming, Mr. Bar-Shalom served as the Group CFO of Veolia Israel a subsidiary of Veolia Environment [NYSE: VE] a worldwide provider of environmental services. Between 2006 and 2007 he was the acting CFO of Acro Technologies [NASDAQ:ACRI], a provider of detection devices for the homeland security market. From 2002 to 2005, Mr. Bar-Shalom served as the CFO of Digital Fuel Technologies and from 1999 to 2001 he served as the CFO of Espoc, Inc. From 1995 to 1999 Mr. Bar-Shalom worked at BDO Ziv&Haft. Mr. Bar-Shalom holds a Bachelor of Business (B.B.) in finance and accounting from The College of Management, Academic Studies, The School of Business Administration, and an MBA degree, from the Hebrew University in Jerusalem, and he is a Certified Public Accountant in the US.

ADIV BARUCH. Mr. Baruch is the President and Chief Executive Officer of Pinpoint Advance Corp. In addition, Mr. Baruch is actively involved as the Chairman of the Israeli Export Institute Hi-Tech and Telecom Division. Prior to joining Pinpoint Mr. Baruch served as the President and Chief Executive Officer BOS Better On-Line Solutions Ltd. Prior to joining BOS Mr. Baruch served as Executive Vice President Business Development of Ness Technologies, the largest IT firm in Israel, and is considered one of the founding members of that company. Mr. Baruch is also a former partner and active director of IPEX, acquired by Ness. Mr. Baruch has served in the capacity of founder, executive, and director for several IT companies and Internet start-ups, and was significantly involved in the M&A process for such companies and in assisting them in their global expansion.

NIV ZILBERSTEIN. Mr. Zilberstein is the Chief Executive Officer of Palace Industries (PI) Ltd. Between 2003 and 2007, Mr. Zilberstein was the Vice President, Operations & Logistics for Pelephone Communication Ltd., one of Israel's leading wireless communications companies. He is also a member of Pelephone's executive board. Mr. Zilberstein holds a B.A. degree in behavioral sciences and human resources management from the College of Management in Israel and an MBA degree from Bar Ilan University.

STEVE BAKER. Mr. Baker served as our Chief executive Officer and Corporate Secretary between March 10, 2008 and June 1, 2008. He has served as our director since November 2007. Since March 2007, Mr. Baker has been the Executive in Residence at RHO Canada, a venture capital firm dedicated to backing leading, early-stage technology-based companies in Canada. Prior to this, since 2001, he was CEO of CyberWorld Group, a leading marketing and back office services provider to the internet-gaming industry. Mr. Baker is also the CEO and Founder of Chrysalis-ITS Inc., a pioneer in internet security and encryption systems and Founder and CEO of Emanation Control Limited, a leader in the intelligence countermeasures sector. Mr. Baker attended Carleton University in Ottawa, Canada.

#### FAMILY RELATIONSHIPS

There are no family relationships among any of our directors and executive officers.

#### SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934, as amended, or the Exchange Act, requires Company's directors, officers and stockholders who beneficially own more than 10% of any class of equity securities of Win Gaming Media, Inc. registered pursuant to Section 12 of the Exchange Act, collectively referred to herein as the Reporting Persons, to file initial statements of

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beneficial ownership of securities and statements of changes in beneficial ownership of securities with respect to the Company's equity securities with the SEC. All Reporting Persons are required by SEC regulation to furnish us with copies of all reports that such Reporting Persons file with the SEC pursuant to Section 16(a). Based solely on our review of the copies of such reports and upon written representations of the Reporting Persons received by us, we believe that all Section 16(a) filing requirements applicable to such Reporting Persons have been met with the following exceptions:

Mr. Adiv Baruch who failed to timely file a Form 4 reporting a grant dated September 15, 2008 of an option to purchase 600,000 shares of our common stock. Mr. Baruch filed a Form 4 reporting this grant on September 18, 2008.

Mr. Niv Zilberstein who failed to timely file a Form 4 reporting a grant dated September 15, 2008 of an option to purchase 400,000 shares of our common stock. Mr. Baruch filed a Form 4 reporting this grant on September 18, 2008.

Mr. Steve Baker who failed to timely file a Form 4 reporting the grant dated September 15, 2008 of an option to purchase 400,000 shares of our common stock. Mr. Baruch filed a Form 4 reporting this grant on October 3, 2008.

Mr. Jacob Bar-Shalom who failed to timely file a Form 3 following his appointment as our Chief Financial Officer effective on July 1, 2008; in connection therewith, Mr. Bar-Shalom filed a form 5 on February 13, 2009.

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### AUDIT COMMITTEE AND AUDIT COMMITTEE FINANCIAL EXPERT

During fiscal 2008, our Audit Committee was comprised of Mr. Adiv Baruch. Using the NASDAQ stock market marketplace rules definition of an independent director, our board of directors determined that Mr. Baruch qualifies as an independent director. Our board of directors has determined that Mr. Baruch satisfies the definition of an "audit committee financial expert" as set forth in Item 407(d)(5) of Regulation S-K. Our Audit Committee held one (1) meeting during fiscal year 2008.

### CODE OF ETHICS

Pursuant to the requirements of Section 406 of the Sarbanes-Oxley Act of 2002 and related SEC rules, our board of directors has adopted a Code of Business Ethics and Conduct, or Code of Ethics, applicable to our employees, officers and directors. Our Code of Ethics can be viewed on our corporate website, [www.wingamingmedia.com](http://www.wingamingmedia.com). Our Code of Ethics contains written standards designed to deter wrongdoing and to promote:

- o honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- o full, fair, accurate, timely, and understandable disclosure in reports and documents filed with the SEC and in other public announcements;
- o compliance with applicable governmental laws, rules and regulations;
- o the prompt internal reporting of violations of our Code of Ethics to an appropriate person or persons identified in our Code of Ethics; and
- o accountability for adherence to our Code of Ethics.

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Each of our officers and directors completed a signed certification to document his or her understanding of and compliance with our Code of Ethics. We intend to disclose any amendment to, or waiver from, a provision of our Code of Ethics and Business Conduct applicable to our Chief Executive Officer, Chief Financial Officer or principal accounting officer or controller by posting such information on our website.

### ITEM 11. EXECUTIVE COMPENSATION.

Not applicable.

#### SUMMARY COMPENSATION TABLE

The following Summary Compensation Table sets forth information concerning compensation during 2007 and 2008 for services in all capacities awarded to, earned by or paid to Mr. Citron, who serves as our CEO, Mr. Baker and Mr. Stein who formerly served as our CEO and CFO, respectively throughout the period. No other executive officers who were serving as our executive officers at the end of fiscal 2008 received more than \$100,000 in salary and bonus in fiscal 2008, and there were no individuals for whom disclosure would have been provided but for the fact that the individual was not serving as an executive officer at the end of fiscal 2008.

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NAME AND PRINCIPAL POSITION -----	YEAR ----	SALARY (\$) -----	BONUS (\$) -----	OPTION AWARDS (\$)(1) -----	TOTAL -----
Shimon Citron, Chief Executive Officer (2)	2007	168,420	0	42,020	210,440
	2008	77,000	0	51,200	128,200
Steve Baker, Former Chief Executive Officer (4)	2008	30,678	0	20,480	51,158
Ronen Stein, Former CEO & CFO (3)	2008	22,695	0	0	22,695
	2007	16,100	0	0	16,100

(1) The dollar value recognized for the stock option awards was determined in accordance with SFAS123(R).

(2) Mr. Citron served as our Chief Executive Officer until May 8, 2007 and resumed that position on June 1, 2008.

(3) Mr. Stein served as our Acting Chief Executive Officer and Chief Financial Officer from November 13, 2007, until March 7, 2008.

(4) Mr. Baker served as our Chief Executive Officer from March 10\_ and until June 19, 2008

#### OUTSTANDING EQUITY AWARDS AT DECEMBER 31, 2008

The following table presents the outstanding equity awards held as of December 31, 2008 by our Chief Executive Officer. All such awards were stock options.

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### NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS

NAME	EXERCISABLE	UNEXERCISABLE	EXERCISE PRICE	EXPIRATION DATE
Shimon Citron	1,863,000	-	\$ 1.15	July 31, 2010
	575,000	-	\$ 0.575	July 31, 2010
	200,000	-	\$ 0.55	December 31, 2014
	8,403,361	-	\$ 0.0595	February 24, 2013
	1,000,000	-	\$ 0.06	September 16, 2018

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#### COMPENSATION OF DIRECTORS

We have agreements with each of our directors, pursuant to which we have agreed to reimburse them for reasonable and necessary expenses incurred in connection with attendance at meetings of the board of directors and other Win Gaming business.

Upon his appointment as a director of our Company in 2007, we also agreed to grant Mr. Adiv Baruch an option to purchase up to 192,261 shares of our common stock under the terms of our 2004 Global Share Option Plan ("Option") at an exercise price per share of \$1.00. The Option vests in three equal annual installments, whereby Mr. Baruch has the right to purchase one third of the shares subject to the Option at the expiration of the first, second and third year respectively from the date of the agreement, provided that Mr. Baruch remains a member of the Board of Directors at such time. In the event of a termination of the agreement for cause at any time, the Option, to the extent not exercised, shall terminate and be cancelled and non-exercisable.

In April of 2006, in recognition of his services as a director, we granted Mr. Adiv Baruch an option to purchase up to an additional 200,000 shares of our common stock at an exercise price of \$0.725 per share for a period of 3 years.

The following table provides information regarding compensation earned by, awarded or paid to each person for serving as a non-employee director during the year ended December 31, 2008.

#### FEES EARNED OR OPTION

NAME	PAID IN CASH	AWARDS (1)	TOTAL
Adiv Baruch (2)	\$ 0	\$30,720	\$30,720
Steve Backer (3)	\$30,678	20,480	\$51,158
Niv Zilberstein (4)	\$ 0	\$20,480	\$20,480

(1) The dollar value recognized for the stock option awards was determined in accordance with SFAS123(R).

(2) Mr. Adiv Baruch had 992,261 options outstanding as of December 31, 2008.

(3) Mr. Steve Backer had 400,000 options outstanding as of December 31, 2008.

(4) Mr. Niv Zilberstein had 400,000 options outstanding as of December 31, 2008.

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### ENGAGEMENTS AGREEMENTS WITH EXECUTIVE OFFICERS

Effective June 19, 2008, our board of directors decided to replace Steve Baker as CEO of our company with Shimon Citron, our company's founder, current director and former CEO. Mr. Citron has assumed the position of CEO on a part time basis. Mr. Baker remained a director of the company.

On September 23, 2008, we entered into a consulting agreement ("Agreement") with Citron Investments Ltd., (the: "Consultant"), an Israeli corporation wholly owned by our director and CEO, Mr. Shimon Citron. Pursuant to the Agreement, we retained the services of the Consultant to provide the services of Mr. Shimon Citron as our CEO in a part time capacity. Pursuant to the Agreement, we are required to pay the Consultant a monthly fee of \$10,000, and will reimburse expenses incurred by the Consultant in connection with one automobile owned and operated by the Consultant not to exceed \$ 1,000 per month and shall include Mr. Citron in its liability insurance program for officers and directors. In addition, under the terms of the Agreement, should our valuation based on the price per share of our shares as quoted on the stock exchange or on an automatic quotation system (such as the Over The Counter Bulletin Board) in which our shares are listed or quoted, during the term of this Agreement, exceed \$10,000,000 throughout a continuous period of at least 30 consecutive days, then the Consultant shall be entitled to receive from us a special bonus equaling 2% of the average of our valuation in such 30-day period. The term of the Agreement is 6 months, effective June 6, 2008 with automatic extension for an undefined period. The Agreement can be terminated by either party for no reason with a 90-day advance written notice or for a material breach with a 14-days advance written notice if such a breach was not cured during the aforesaid 14-day period.

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Effective on July 1, 2008, we appointed Jacob Bar-Shalom as our Chief Financial Officer. This appointment was made pursuant to a contract signed between us and C.F.O. - OUT SOURCING SERVICES LTD., an Israeli company that provides financial services and for which Mr. Bar-Shalom works. Therefore, we have no separate employment agreement with Mr. Bar-Shalom.

### ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

The following table sets forth certain information, to the best of our knowledge, as of March 26, 2009 (unless provided herein otherwise), with respect to holdings of our Common Stock by (1) each person known by us to be the beneficial owner of more than 5% of the total number of shares of our Common Stock outstanding as of such date; (2) each of our directors; (3) each of our executive officers named in the Summary Compensation Table in Item 11; and (4) all of our directors and our current executive officers as a group. Each stockholder has sole voting and investment power with respect to the shares of Common Stock, except as otherwise indicated. Beneficial ownership consists of a direct interest in the shares of Common Stock, except as otherwise indicated.

NAME AND ADDRESS OF BENEFICIAL OWNER (1) AMOUNT AND NATURE OF BENEFICIAL OWNERSHIP (2) PERCENT OF CLASS(3)

#### 5% BENEFICIAL OWNERS

Shimon Citron (4)	14,414,022	30.9%
-------------------	------------	-------



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Pini Gershon	2,706,950	5.8%
Orinda Capital (5) 11 El Sueno, Orinda, CA 94563	2,482,759	5.32%
OTHER DIRECTORS:		
Adiv Baruch (6)	561,507	1.2%
Niv Zilberstein (7)	400,000	*
Steve Baker (8)	400,000	*
All directors and current executive officers as a group (4 persons) (4) (6)	15,286,640	32.77%

\* = Less than 1%

(1) Unless otherwise provided, all addresses are c/o Win Gaming Media, Inc. at the address set forth on the cover page of this Form 10-K.

(2) Except as otherwise indicated, all shares are beneficially owned and sole investment and voting power is held by the persons named.

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(3) Applicable percentage of ownership is based on 32,319,301 shares of our common stock outstanding as of March 26, 2009, plus any common stock equivalents and options or warrants held by such holder which are presently or will become exercisable within 60 days after the Record Date.

(4) Includes options to purchase 1,863,000 shares at an exercise price of \$1.15 per share and 500,000 shares at an exercise price of \$0.575 per share. Also includes 494,449 shares owned by Yariv Citron, son of Shimon Citron. Yariv Citron has reached the age of 18 and Mr. Citron disclaims any beneficial ownership of Yariv Citron's shares.

(5) Includes warrants to acquire 2,482,759 shares.

(6) Includes warrants to acquire 200,000 shares of Common Stock and Options to acquire 124,087 shares of Common Stock

(7) Includes Options to acquire 400,000 shares of Common Stock at \$0.06 per share.

(8) Includes Options to acquire 400,000 shares of Common Stock at \$0.06 per share.

### ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

On November 6, 2007, we and TWM, entered into a joint venture agreement, or the Agreement to develop both companies' gaming activities. The activities of the joint venture will be conducted through TWG, a new entity established by the Company and TWM, and owned by them in equal parts, which will operate from Alderney.

In addition, the Company and TWM entered into a shareholders agreement, or the

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Shareholders Agreement, dated November 6, 2007, which defines the parties' rights and obligations in connection with the establishment, management, financial matters, transfer of shares and other matters related to the conduct and activities of TWG.

In connection with the entry of the Agreement, and as a condition precedent to the entry, of the Shareholders Agreement, on November 6, 2007, the Company, TWM and Winner.com (UK) Ltd, or Winner, terminated the Interactive Fixed Odds Betting Services Agreement, which was entered among them on February 22, 2005, or the Old Agreement. In connection with the termination of the Old Agreement Winner waived any and all rights granted to it under the Old Agreement and in consideration of such waiver the Company granted to Winner an option, or the Option, to purchase from the Company such number of shares of TWG representing 7.5% of the of TWG's total share capital on a fully diluted basis, which on the date of the Agreement equaled 750 shares. The Option is evidenced by a grant letter, or the Grant Letter of even date, and will become exercisable only upon the occurrence of: (1) an initial public offering of TWG, (2) a merger, acquisition or reorganization of TWG, or (3) a sale of substantially all of TWG's assets. Winner is owned by our Chief Executive Officer and director, Mr. Shimon Citron As of December 31, 2008 this option was evaluated at \$219,225.

The Board approved and recommended to the Shareholders that the Company enter into the Convertible Debt transaction with Mr. Shimon Citron. The transaction is comprised of a Convertible Loan Agreement, a Convertible Promissory Note, a Security Agreement and a Common Stock Purchase Warrant ("Loan Agreement Documents"). On April 29, 2008, a majority of the Company's common stock represented at the Meeting approved the transaction and the Loan Agreement Documents. In fiscal 2008 the loan and interest owed were repaid.

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On August 22, 2008, the Company issued Mr. Citron a notice of redemption pursuant to which the Company has repaid Mr. Citron the full principal amount of the loan described above, together with accrued but unpaid interest thereon. As of December 31, 2008 there was no debt related to the loan described above.

#### ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Our Audit Committee has retained Ziv Haft, a member of the BDO Network, or BDO, as our independent registered public accounting firm for the fiscal year ended December 31, 2008.

The following table summarizes the fees BDO billed for the last fiscal year for audit services and other services:

FEE CATEGORY	2008	2007
	-----	-----
Audit Fees	\$ 45,000 (2)	\$ 75,000 (1)
Audit Related Fees	-	-
Tax Fees (3)	-	8,000
All Other Fees	-	-
	-----	-----
Total Fees	\$ 45,000	\$ 83,000
	=====	=====

(1) Consists of fees for professional services rendered in connection with the audit of our financial statements for the year ended on December 31, 2007,

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and the reviews of the financial statements included in each of our Quarterly Reports on Form 10-QSB during 2007 as of the beginning of the second quarter, and fees for professional services rendered in connection with documents filed, including the registration statement on Form 20-F for Gaming, with the SEC during those quarters.

- (2) Consists of fees for professional services rendered in connection with the audit of our financial statements for the year ended on December 31, 2008, and the reviews of the financial statements included in each of our Quarterly Reports on Form 10-Q during 2008 and the preparation of Form 20-F for Gaming.
- (3) Consists of fees relating to our tax compliance and tax planning.

### PRE-APPROVAL POLICIES AND PROCEDURES

None of the audit-related fees billed in fiscal 2007 and 2008 related to services provided under the de minimis exception to the SEC's audit committee pre-approval requirements.

The Audit Committee has adopted policies and procedures relating to the approval of all audit and non-audit services that are to be performed by our independent registered public accounting firm. This policy generally provides that we will not engage our independent registered public accounting firm to render audit or non-audit services unless the service is specifically approved in advance by the Audit Committee or the engagement is entered into pursuant to one of the pre-approval procedures described below.

From time to time, the Audit Committee may pre-approve specified types of services that are expected to be provided to us by our independent registered public accounting firm during the next 12 months. Any such pre-approval is detailed as to the particular service or type of services to be provided and is also generally subject to a maximum dollar amount.

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### PART IV

#### ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(a) Financial Statements and Financial Statement Schedules filed as part of this report:

	PAGE
Report of Independent Registered Public Accounting Firm	F-1
Balance Sheets, as of December 31, 2007 and 2008	F-2-F-3
Statements of Operations, For the Years Ended December 31, 2007 and 2008	F-4
Statements of Cash Flows, For the Years Ended December 31, 2007 and 2008	F-5
Statements of Stockholders' Equity, Years Ended December 31, 2007 and 2008	F-6-F-7
Notes to Consolidated Financial Statements	F-8-F-31
All other schedules for which provision is made in the applicable accounting	

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regulations of the SEC are not required under the related instructions, or are inapplicable, and therefore have been omitted.

(b) Exhibits

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### EXHIBIT INDEX

EXHIBIT NUMBER -----	DESCRIPTION -----
3.1	Composite copy of the Company's Articles of Incorporation as amended on February 5, 2004 (incorporated by reference to Exhibit 3.1 to the Company's Annual Report on Form 10K-SB filed with the Securities and Exchange Commission on April 11, 2006).
3.2	Bylaws (incorporated by reference to Exhibit 3.2 to the Company's Form SB-2 (File No. 333-91356) filed with the Securities and Exchange Commission on June 27, 2002).
10.1	Amendment to 2004 Global Share Option Plan of the Company. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 10, 2006).+
10.2	Option Agreement between the Company and Citron Investments Ltd. dated April 3, 2006 (incorporated by reference to Exhibit 10.1. to the Company's Quarterly Report on Form 10-QSB filed with the Securities and Exchange Commission on August 15, 2006)
10.3	Share Subscription and Option Agreement dated September 14, 2006, by and among, RNG Gaming Ltd., Golden Palace Ltd. and Gaming Ventures plc. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on September 14, 2006).
10.4	Software License Agreement dated October 31, 2006, by and among, RNG Gaming Ltd. and Golden Palace Ltd. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on November 6, 2006).
10.5	Agreement dated January 17, 2005 between Eurobet UK Limited and Zone Play (UK) Limited (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 24, 2005).
10.6	Director Appointment Agreement dated as of January 15, 2006 by and between Zone 4 Play, Inc. and Adiv Baruch (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 18, 2006).+
10.7	Agreement dated July 31, 2007, by and between the registrant, Zone 4 Play, Inc. and Zone 4 Play (Israel) Ltd. on one hand, and Mr. Shimon Citron, Citron Investments Ltd., and Winner Sports 2002 (Israel) Ltd. on the other hand (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on August 6, 2007. +

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- 10.8 Shareholders Agreement dated November 6, 2007 by and between Zone 4 Play, Inc. and Two Way Media Limited(incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on November 14, 2007)
- 10.9 Termination Agreement dated November 6, 2007 by and among Zone 4 Play, Inc., Winner.com (UK) Ltd and Two Way Media Limited(incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on November 14, 2007)
- 10.10 Convertible Loan Agreement dated as of March 6, 2008(incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on March 14, 2008)

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- 10.11 Sample Agreement under the Company's 2004 Global Option Share Plan(incorporated by reference to Exhibit 10.25 to the Company's Annual Report on Form 10K-SB filed with the Securities and Exchange Commission on April 11, 2006).
- 10.12 2004 Global Share Option Plan of Zone 4 Play, Inc. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on November 30, 2004).+
- 10.13 Intellectual Property and Technology Purchase Agreement dated as of August 6, 2008(incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q filed on November 19, 2008).
- 10.14 License Agreement dated as of August 6, 2008 (incorporated by reference to Exhibit 10.2 of the Company's Quarterly Report on Form 10-Q filed on November 19, 2008).
- 10.15 Consulting Agreement, dated September 23, 2008, between the registrant and Citron Investments Ltd. (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed on September 25, 2008). +
- 21.1\* List of Subsidiaries
- 23.1\* Consent of Ziv Haft, a member of the BDO network.\*
- 31.1\* Rule 13a-14(a) Certification of Principal Executive Officer.
- 31.2\* Rule 13a-14(a) Certification of Principal Financial Officer.
- 32.1\*\* Certification of Principal Executive Officer furnished pursuant to 18 U.S.C. Section 1350.
- 32.2\*\* Certification of Principal Financial Officer furnished pursuant to 18 U.S.C. Section 1350.
- \* Filed herewith
- \*\* Furnished herewith.
- + Management contract or compensation Plan.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

WIN GAMING MEDIA, INC.

By: /s/ Shimon Citron

-----  
Shimon Citron  
Chief Executive Officer

Date: April 8, 2009

By: /s/ Jacob Bar-Shalom

-----  
Jacob Bar-Shalom  
Chief Financial Officer

Date: April 8, 2009

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SIGNATURE -----	TITLE -----	DATE ----
/s/ Shimon Citron ----- Shimon Citron	Director and Chief Executive Officer	April 8, 2009
/s/ Steve Baker ----- Steve Baker	Director	April 8, 2009
/s/ Adiv Baruch ----- Adiv Baruch	Director	April 8, 2009
/s/ Niv Zilberstein ----- Niv Zilberstein	Director	April 8, 2009

WIN GAMING MEDIA, INC.  
(FORMERLY KNOWN AS: ZONE4PLAY INC.)  
AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2008

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IN U.S. DOLLARS

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### REGISTERED PUBLIC ACCOUNTING FIRM

TO THE SHAREHOLDERS OF  
WIN GAMING MEDIA INC.

We have audited the accompanying consolidated balance sheets of Win Gaming Media Inc. (formerly known as: Zone4Play Inc .) (the "Company") and its subsidiaries as of December 31, 2008 and 2007 and the related consolidated statements of operations, changes in stockholder's equity and cash flows for the two years in the period ended December 31, 2008. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide 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 the Company and its subsidiaries as of December 31, 2008 and 2007 and the related consolidated results of their operations and cash flows for the two years in the period ended December 31, 2008, in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1(b) to the consolidated financial statements, the Company has suffered losses from operations and has negative cash flows from operations that raise

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substantial doubt about the Company's ability to continue as a going concern. Management's plans as to these matters are also discussed in the note. The consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amount and classification of liabilities that may result from the outcome of these uncertainties.

As discussed in note 17 to the consolidated financial statements, TWG an affiliated company, sold part of its operation.

Tel Aviv, Israel  
April 7, 2009

/s/ Ziv Haft

-----  
Certified Public Accountants (Isr.)  
BDO Member Firms

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### WIN GAMING MEDIA, INC. AND ITS SUBSIDIARIES

#### CONSOLIDATED BALANCE SHEETS

U.S. DOLLARS, EXCEPT SHARE DATA

	DECEMBER 31, 2008
	-----
ASSETS	
CURRENT ASSETS:	
Cash and cash equivalents	\$ 529,130
Trade receivables (net of allowance for doubtful accounts of \$70,927 as of December 31,2008) (Note 4)	37,783
Other accounts receivable and prepaid expenses (Note 5)	99,485
Assets attributed to discontinued operations (Note 16)	-
	-----
TOTAL current assets	666,398
	-----
RELATED PARTIES (net of allowance for doubtful accounts of \$963,919 as of December 31, 2008 (Note 10))	-
	-----
SEVERANCE PAY FUND	11,171
	-----
PROPERTY AND EQUIPMENT, NET (Note 6)	2,736
	-----
ACQUIRED TECHNOLOGY, NET (Note 7)	-
	=====
Total assets	\$ 680,305
	=====



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THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS.

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### WIN GAMING MEDIA, INC. AND ITS SUBSIDIARIES

#### CONSOLIDATED BALANCE SHEETS

U.S. DOLLARS, EXCEPT SHARE DATA

	DECEMBER
	2008
LIABILITIES AND STOCKHOLDERS' EQUITY	
CURRENT LIABILITIES:	
Short-term bank credit (Note 8)	\$ 7,343
Trade payables	91,469
Employees and payroll accruals	-
Accrued expenses and other liabilities	238,254
Liabilities attributed to discontinued operations (Note 16)	-
	-----
TOTAL current liabilities	337,066
	-----
LONG TERM LIABILITIES:	
Call option (Note 10)	219,225
Accrued Severance pay	37,149
	-----
TOTAL long term liabilities	256,374
	-----
TOTAL liabilities	593,440
	-----
COMMITMENTS AND CONTINGENT LIABILITIES (Note 9)	-
INVESTMENT IN AFFILIATED COMPANY (Note 10)	562,148
STOCKHOLDERS' EQUITY (DEFICIT) (Note 12):	
Common stock of \$ 0.001 par value:	
Authorized: 75,000,000 shares at December 31, 2008 and 2007; Issued and outstanding: 32,319,031 shares at December 31, 2008 and 2007,	32,319
Additional paid-in capital	17,310,892
Accumulated other comprehensive loss	(8,047)
Accumulated deficit	(17,810,447)
	=====
TOTAL stockholders' equity (deficit)	(475,283)
	-----
TOTAL liabilities and stockholders' equity	\$ 680,305
	=====

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THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS.

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### WIN GAMING MEDIA, INC. AND ITS SUBSIDIARIES CONSOLIDATED STATEMENTS OF OPERATIONS

U.S. DOLLARS, EXCEPT SHARE DATA

	YEAR ENDED DECEMBER 31,	
	2008	
	-----	-----
Revenues:		
Revenues from software applications	\$ 365,415	\$
Revenues from services to affiliated company	729,918	
	-----	-----
Total revenues	\$ 1,095,333	\$
	-----	-----
Cost of revenues	1,335,304	
	-----	-----
Gross profit (loss)	(239,971)	
	-----	-----
Operating expenses:		
Research and development	98,981	
Selling and marketing	37,493	
General and administrative	1,488,202	
Capital gain from selling of intellectual property	(1,742,622)	
	-----	-----
TOTAL operating expenses	(117,946)	
	-----	-----
Operating loss	(122,025)	
Financial expenses , net (note 14)	325,901	
Other income	-	
	-----	-----
Loss before Taxes on income	(447,926)	
Taxes on income (note 13)	-	
	-----	-----
	(447,926)	
Equity in losses of affiliated company	45,793	
Minority interests in losses (profit) of subsidiaries	-	
	-----	-----
Net loss from continuing operation	\$ (493,719)	\$
	=====	=====
Net loss (profit) from discontinued operation, net (Note 15)	(19,260)	
	=====	=====
Net Loss	(474,459)	

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	=====	=====
Basic and diluted net loss per share from continuing operation	\$ 0.02	\$
	=====	=====
Basic and diluted net loss per share from discontinued operation	\$ 0.00	\$
	=====	=====
Total Basic and diluted net loss per share	\$ 0.02	\$
	=====	=====
Weighted average number of common stock used in computing basic and diluted net loss per share	32,319,031	=====
	=====	=====

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS.

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WIN GAMING MEDIA, INC. AND ITS SUBSIDIARIES  
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

U.S. DOLLARS, EXCEPT SHARE DATA

	COMMON STOCK	SHARE CAPITAL	ADDITIO PAID-I CAPITA
	NUMBER	AMOUNT	
	-----	-----	-----
Balance as of December 31, 2005	24,039,963	24,040	8,975
Reclassification of deferred stock Compensation			(774)
Issuance of shares to service provider	30,000	30	17
Issuance of shares and warrants, net	8,234,485	8,234	6,346
Exercise of employees stock options	14,583	15	8
Issuance of warrants to service providers			61
Stock - based compensation	-	-	1,823
Change in proportionate share of subsidiary equity resulting from additional equity raised (Note 11(b)(8))	-	-	341
Foreign currency translation adjustments	-	-	
Net loss	-	-	
	-----	-----	-----
Balance as of December 31, 2006	32,319,031	\$ 32,319	\$ 16,800
	=====	=====	=====
Issuance cost of provision issued shares and warrants	-	-	(6
Stock - based compensation	-	-	267
Foreign currency translation adjustments	-	-	
Net loss	-	-	
	=====	=====	=====
Balance as of December 31, 2007	32,319,031	\$ 32,319	\$ 17,060
	-----	-----	-----

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Issuance of convertible note	-	-	124
Stock - based compensation	-	-	126
Foreign currency translation adjustments	-	-	
Net loss	-	-	
	-----	-----	-----
Balance as of December 31, 2008	32,319,031	\$ 32,319	\$ 17,310
	=====	=====	=====

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS.

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WIN GAMING MEDIA, INC. AND ITS SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS

-----  
U.S. DOLLARS, EXCEPT SHARE DATA

	YEAR END DECEMBER
	----- 2008 -----
CASH FLOWS FROM OPERATING ACTIVITIES:	
Net loss	\$ (474,459)
Adjustments required to reconcile net loss to net cash used in operating activities:	
Depreciation and amortization	312,377
Loss (gain) on sale of intellectual property	(1,742,622)
Decrease (increase) in trade and other accounts receivable and prepaid expenses	111,999
Amortization of deferred compensation	126,158
Increase (decrease) in trade payables	(49,550)
Increase (decrease) in employees and payroll accruals	(287,441)
Increase (decrease) in accrued expenses and other liabilities	49,411
Decrease (Increase) in related parties	294,526
Capital loss (gain) on sale of property and equipment	(78,563)
Impairment of discontinued assets	31,506
Minority interests in (loss) profits of subsidiaries	-
Accrued severance pay, net	(35,862)
Change in value of call option	12,457
Loss from prepayment of convertible debt	124,020
Equity losses in affiliated company	110,796
	-----
Net cash used in operating activities	(1,495,247)
	-----
CASH FLOWS FROM INVESTING ACTIVITIES:	
Proceeds from sale of property and equipment	120,960
Proceeds from sale of intellectual property	1,750,000
Purchase of property and equipment	-
	-----
Net cash used in investing activities	1,870,960
	-----
CASH FLOWS FROM FINANCING ACTIVITIES:	

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Issuance of convertible note, shares and warrants, net	550,000
Redemption of convertible note	(550,000)
Short-term bank credit, net	7,343
	-----
Net cash provided (used in) by financing activities	7,343
	-----
Effect of exchange rate changes on cash and cash equivalents	(972)
	-----
Increase (decrease) in cash and cash equivalents	382,084
Cash and cash equivalents at the beginning of the period	147,046
	-----
Cash and cash equivalents at the end of the period	\$ 529,130
	=====

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS.

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WIN GAMING MEDIA, INC. AND ITS SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS

-----  
U.S. DOLLARS, EXCEPT SHARE DATA

	YEAR ENDED	
	2008	2007
	-----	-----
NON-CASH TRANSACTION		
Sale of property and equipment	\$ 65,000	\$ -
	=====	=====
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION:		
Cash paid during the period for:		
Interest	\$ -	\$ 2,248
	=====	=====

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS.

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WIN GAMING MEDIA INC. AND ITS SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

-----  
U.S. DOLLARS, EXCEPT SHARE DATA

NOTE 1: - GENERAL

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- a. Zone4Play Inc. ("the Company") was incorporated under the laws of the State of Nevada on April 23, 2002 as Old Goat Enterprises, Inc. On February 1, 2004, the Company acquired Zone4Play, Inc. ("Zone4Play (Delaware)") (see c. below), which was incorporated under the laws of the State of Delaware on April 2, 2001, and subsequently changed the Company's name to Zone4Play, Inc., a Nevada corporation. The Company develops and markets interactive games applications for Internet, portable devices and interactive TV platforms. Effective May 1, 2008 the Company changed its name to Win Gaming Media, Inc., and on June 20, 2008, the Company's trading symbol was changed to WGMI.OB. On August 6, 2008, the Company's wholly owned subsidiary Win Gaming Media (Israel) Ltd. (formerly MixTV Ltd.) sold its entire intellectual property to Playtech Software Limited.

The Company conducts its operations and business with and through its subsidiaries, (1) Win Gaming Media (Delaware) (Formerly Zone4Play(Delaware)), (2) Zone4Play Limited, an Israeli corporation incorporated in July 2001, which is engaged in research and development and marketing of the applications, (3) Zone4Play (UK) Limited, a United Kingdom corporation, incorporated in November 2002, which is engaged in marketing of the applications, (4) Win Gaming Media Israel Ltd (Formerly MixTV Ltd), and (5) Gaming Ventures Plc ("Gaming") , a company incorporated in the Isle of Man (see note 1e).

The Company's shares are currently traded on the OTC Bulletin Board under the trading symbol WGMI.OB (formerly ZFPI.OB)

- b. The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. The Company has suffered losses from operations and negative cash flows from operations since inception. For the year ended December 31, 2008 the Company incurred a loss from continuing operations of \$474,459 negative cash flows from operations of \$1,495,247 and has an accumulated deficit of \$17,810,447 as of December 31, 2008.

Despite its negative cash flows, the Company has been able to secure financing in order to support its operation to date, based on shares issuances. The consolidated financial statements do not include any adjustments that may result from the outcome of this uncertainty. In light of its financial condition, the Company significantly reduced its expenses, effective October 1, 2008 and is pursuing other sources of revenues.

Effective September 1, 2008 we no longer offer any gaming applications development work and currently our efforts are devoted toward maintaining and expanding our jointly owned TWG business in the UK (as to the sale of certain operation conducted in TWG- see note 17), seeking a revenue-sharing transaction with respect to our multi-player Black Jack gaming application, and to leverage our wholly owned subsidiary Gaming Ventures that is registered with the SEC under the Securities Exchange Act of 1934, as amended (the "1934 Act"), by either an outright sale or by incorporating new activities which shall generate revenue

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U.S. DOLLARS, EXCEPT SHARE DATA

NOTE 1: - GENERAL (CONT.):

- c. Acquisition of Win Gaming Media Delaware (Formerly Zone4Play Delaware):

According to the agreement between the Company and Win Gaming Media (Delaware), the Company issued 10,426,190 shares of common stock to the former holders of equity interest in Win Gaming Media (Delaware). The acquisition has been accounted for as a reverse acquisition, whereby the Company was treated as the acquiree and Win Gaming Media (Delaware) as the acquirer, primarily because Win Gaming Media (Delaware) shareholders owned a majority, approximately 58% of the Company's Common stock, upon completion of the acquisition. Immediately prior to the consummation of the transaction, Win Gaming Media (Nevada) had no material assets and liabilities, hence the reverse acquisition is treated as a capital stock transaction in which Win Gaming Media (Delaware) is deemed to have issued the Common stock held by the Company shareholders for the net assets of the Company. The historical financial statements of Win Gaming Media (Delaware) became the historical financial statements of the Company.

- d. In June 2004, the Company and NetFun Ltd. ("Netfun") formed a new company named Win Gaming Media (Israel) Ltd. (Formerly MIX TV Ltd) ("WGMI") in order to pursue the marketing, deployment and support of the WGMI system. The controlling stake of 50.1% is held by the Company. NetFun had a 20% share of the new company, which could have increased to up to 49.9% as pre-defined two milestones: (a) Upon WGMI reaching its operational break-even, 10% of the shares were to be transferred to Netfun. (b) Upon repayment to the Company of all the sums provided to WGMI, 19.9% of the shares were to be transferred to Netfun. A trustee was holding the remaining shares (29.9%). The Company provided capital for one year of operating the new company, whereas NetFun delivered its Intellectual Properties assets (WGMI). WGMI has commenced its operations in July 2004 and generated losses as of December 31, 2004 that had been consolidated in the company's report since July 2004.

On March 10, 2005, the Company signed a stock purchase agreement with NetFun, regarding which the closing took place in April 2005. According to the Agreement, the Company acquired the remaining minority interests held by NetFun of 49.9% in its consolidated subsidiary WGMI, for a consideration of 625,000 shares of Common stock of the Company, which had a fair value of \$ 1,000,000 based on the average market price of the share around the announcement date. As a result of the Agreement, the Company holds the entire ownership interest in WGMI. The acquisition was accounted under the purchase method of accounting. The purchase price has been attributed to WGMI's technology. The technology is amortized over its useful life which management estimated to be three years. No other significant assets were acquired and no other liabilities were assumed.

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WIN GAMING MEDIA INC. AND ITS SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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U.S. DOLLARS, EXCEPT SHARE DATA

## Edgar Filing: Win Gaming Media, Inc. - Form 10-K

### NOTE 1: - GENERAL (CONT.)

- e. On July 11, 2006, the Company formed Gaming Ventures plc, an Isle of Man company ("Gaming"). Gaming conducts its operations and business with and through its wholly-owned subsidiaries: RNG Gaming Limited ("RNG"), an Isle of Man corporation incorporated on July 12, 2006 which is engaged in development of its software and licensing it to third parties, and Get21 Limited ("Get21"), an Isle of Man corporation incorporated on July 12, 2006 which is engaged in providing marketing services of gaming applications. During 2007 the activities of both Get21 and Get21 Israel Ltd. were classified as discontinued operations due to the decision of the Gaming to cease their operations. In fiscal year 2008 both companies did not conduct any operations and their assets and liabilities were valued at zero. On August 4, 2006 Gaming filed with the Securities and Exchange Commission ("SEC") a registration statement on Form 20-F, which is now effective. As a result, Gaming is now a separate reporting entity with the SEC that has the reporting obligations of a foreign private issuer, despite it being the Company's wholly owned subsidiary.

According to an agreement dated July 12, 2006 between Gaming and Win Gaming Media (Delaware), Gaming purchased from Win Gaming Media (Delaware) all right, title, and interest in its Intellectual Property Rights and assets related to its Black Jack business ("BJ Business") on a "Going concern" and "As is" basis, in exchange for a promissory note in the principal amount of \$2.25 million. The valuation was based on an appraisal report made by an independent appraiser. This Promissory Note was in effect for five years (60 months). Principal was to be paid in five (5) equal annual installments of \$450,000 each was to be carrying interest of \$US Libor +1.5% per annum.

- f. On August 6, 2008, our wholly owned subsidiary Win Gaming Media (Israel) Ltd., (formerly MixTV Ltd.), an Israeli corporation ("WGMI"), and Playtech Software Limited, a British Virgin Islands corporation ("Playtech") entered into an Intellectual Property and Technology Purchase Agreement (the "Agreement") under which Playtech agreed to purchase substantially all of the assets of WGMI, including but not limited to WGMI's intellectual property ("Purchased Assets") in consideration of a total amount of \$1,750,000. As of December 31, 2008 (1) \$1,750,000 of cash had been paid by Playtech to WGMI (2) all of the employees of WGMI were terminated and 7 of them became employees of Playtech and (3) all of the Purchased Assets were transferred to Playtech. In addition, we and Playtech have entered into a Software License Agreement, under which Playtech granted us a non-exclusive license to use the software products included in the Purchased Assets for the sole purpose of providing support and maintenance services to TWG, company jointly owned by us and Two-Way Media Ltd.
- g. Concentration of risk that may have a significant impact on the Company:

The Company derived approximately 95% of its revenues in the year 2008 from 3 major customers (see Note 11b).



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U.S. DOLLARS, EXCEPT SHARE DATA

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States ("U.S. GAAP").

a. Use of estimates:

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

b. Financial statements in U.S. dollars:

Most of the revenues of the Company and most of its subsidiaries are generated in U.S. dollars ("dollar"). Company's management believes that the dollar is the primary currency of the economic environment in which the Company operates. Thus, the functional and reporting currency of the Company and certain of its subsidiaries is the dollar.

Accordingly, monetary accounts maintained in currencies other than the dollar are remeasured into U.S. dollars in accordance with Statement of Financial Accounting Standards No. 52, "Foreign Currency Translation" ("SFAS No. 52"). All transactions gains and losses of the remeasurement of monetary balance sheet items are reflected in the consolidated statements of operations as financial income or expenses as appropriate.

b. Financial statements in U.S. dollars (Cont.):

The financial statements of Zone4Play (UK) Limited, whose functional currency has been determined to be its local currency, have been translated into dollars. All balance sheet amounts have been translated using the exchange rates in effect at each balance sheet dates. Statement of operation amounts have been translated using the average exchange rate prevailing during the period. The resulting translation adjustments are reported as a separate component of accumulated other comprehensive loss in stockholder's equity.

c. Principles of consolidation:

The consolidated financial statements include the accounts of the Company and its subsidiaries. Intercompany transactions and balances, have been eliminated upon consolidation.

d. Cash equivalents:

Cash equivalents are short-term highly liquid investments that are readily convertible to cash with original maturities of three months or less.

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. DOLLARS, EXCEPT SHARE DATA

### NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (CONT.)

e. Property and equipment:

Property and equipment are stated at cost, net of accumulated depreciation. Depreciation is computed using the straight-line method, over the estimated useful lives of the assets, at the following annual rates:

	%
Computers and peripheral equipment	33
Electronic devices	15
Leasehold improvements	Over the shorter of the lease term or useful economic life

f. Impairment of long-lived assets:

The Company's long-lived assets are reviewed for impairment in accordance with Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS No. 144") whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the future undiscounted cash flows expected to be generated by the asset. If such asset is considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the fair value. As of December 31, 2008 and 2007 no impairment losses have been identified.

g. Acquired technology:

Acquired technology is amortized over its useful life using a method of amortization that reflects the pattern in which the economic benefits of technology is consumed or otherwise used up. Acquired technology is amortized on a straight line basis over a period of three years.

h. Severance pay:

The Company's liability for severance pay in respect to its Israeli employees is calculated pursuant to Israeli severance pay law based on the most recent salary of the employees multiplied by the number of years of employment as of the balance sheet date. Israeli employees are entitled to one month's salary for each year of employment, or a portion thereof. The Company's liability for its employees is fully provided by monthly deposits with severance pay funds, insurance policies and by an accrual. The value of these policies is recorded as an asset in the Company's balance sheet.

The deposited funds may be withdrawn only upon the fulfillment of the obligation pursuant to Israeli severance pay law or labor agreements. The value of the deposited funds is based on the cash surrendered value of these policies, and includes immaterial profits.

Severance expenses for the years ended December 31, 2008, and 2007

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amounted to \$ 62,850 and \$115,263, respectively.

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### WIN GAMING MEDIA INC. AND ITS SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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U.S. DOLLARS, EXCEPT SHARE DATA

#### NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (CONT.)

i. Accounting for stock-based compensation:

Effective January 1, 2006, the Company adopted the provisions of Statement of Financial Accounting Standards No. 123 (revised 2004) ("SFAS 123R"), "Share-Based Payment," and Staff Accounting Bulletin No. 107 ("SAB 107"), which was issued in March 2005 by the SEC. SFAS 123R addresses the accounting for share-based payment transactions in which the Company obtains employee services in exchange for equity instruments of the Company. This statement requires that employee equity awards be accounted for using the grant-date fair value method. SAB 107 provides supplemental implementation guidance on SFAS 123R, including guidance on valuation methods, classification of compensation expense, income statement effects, disclosures and other issues.

The Company has expensed compensation costs, net of estimated forfeitures, applying the straight line method, based on the grant-date fair value estimated in accordance with the original provisions of SFAS 123, and previously presented in the pro forma footnote disclosures. Results for prior periods have not been restated as explained above. For the years ended December 31, 2008 and 2007, the Company recorded stock-based compensation costs in the amount of \$126,158 and \$267,186 respectively.

The Company applies EITF 96-18, "Accounting for Equity Instruments that Are Issued to Other than Employees for Acquiring or in Conjunction with Selling, Goods or Services" with respect to options and warrants issued to non-employees.

j. Revenue recognition:

The Company accounts for revenues from software applications agreements in accordance with Statement of Position ("SOP") 97-2, "Software Revenue Recognition", as amended ("SOP 97-2"). The revenue from license fees is recognized when persuasive evidence of an agreement exists, delivery of the product has occurred, no significant obligations with regard to implementation remain, the fee is fixed or determinable and collectability is probable.

SOP 97-2 specifies that extended payment terms in a licensing arrangement may indicate that the license fees are not deemed to be fixed or determinable. If the fee is not fixed or determinable, revenue is recognized as payments become due from the customer unless collection is not considered probable then revenue is recognized as payments are collected from the customer, provided that all other revenue recognition criteria have been met.

The Company is entitled to royalties from revenue sharing arrangements

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upon sublicensing of the Company's products to end-users. The Company recognizes royalties from revenue sharing arrangements during the period based on reports obtained from its customers through the relevant reporting period on a monthly basis.

Revenues from services to affiliated company consists of development services provided to TWG (see Note 9) on a Cost Plus basis.

During fiscal 2007 and 2008 the Company was not involved in multiple arrangements.

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### WIN GAMING MEDIA INC. AND ITS SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

-----  
U.S. DOLLARS, EXCEPT SHARE DATA

#### NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (CONT.)

k. Research and developments expenses:

SFAS No. 86 "Accounting for the Costs of Computer Software to be Sold, Leased or Otherwise Marketed" requires capitalization of certain software development costs subsequent to the establishment of technological feasibility.

Based on the Company's product development process, technological feasibility is established upon completion of a working model. Costs incurred by the Company between completion of the working models and the point at which the products are ready for general releases have been insignificant. Therefore, all research and development costs have been expensed.

l. Income taxes:

Effective January 1, 2007, the Company adopted Financial Interpretation No. 48, "Accounting for Uncertainty in Income Taxes - an interpretation of FAS 109" ("FIN 48"), which was issued in June 2006. FIN 48 clarifies the accounting for uncertainty in income taxes, and prescribes a recognition threshold and measurement attributes for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Company's accounting policy, pursuant to the adoption of FIN 48, is to classify interest and penalties recognized in the financial statements relating to uncertain tax positions under the provision for income taxes. The adoption of FIN 48 did not result in a change to the Company's retained earnings. As of December 31, 2008, there are no unrecognized tax benefits.

Deferred taxes are determined utilizing the "asset and liability" method, whereby deferred tax asset and liability account balances are determined based on differences between financial reporting and the tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. The Company provides a valuation allowance, when it's more likely than not that deferred tax assets will not be realized in the foreseeable future

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m. Concentrations of credit risk:

Financial instruments that potentially subject the Company and its subsidiaries to concentrations of credit risk consist principally of cash and cash equivalents and trade receivables. The majority of the Company's cash and cash equivalents are invested in dollar instruments with major banks in Israel, the United Kingdom and the United States. Such cash and cash equivalents in the United States may be in excess of insured limits and are not insured in other jurisdictions. Management believes that the financial institutions that hold the Company's investments are financially sound and accordingly, minimal credit risk exists with respect to these investments. Trade receivables of the Company and its subsidiaries are derived from sales to customers located primarily in the U.S. and Australia. The Company performs ongoing credit evaluations of its customers and to date has not experienced any material losses except for Golden Palace debt, for which the Company has decided to forgive this balance as part of the arrangement between Company and Golden Palace, (See Note 2p).

The Company and its subsidiaries have no off-balance-sheet concentration of credit risk such as foreign exchange contracts, option contracts or other foreign hedging arrangements.

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WIN GAMING MEDIA INC. AND ITS SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

-----  
U.S. DOLLARS, EXCEPT SHARE DATA

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (CONT.)

n. Fair value of financial instruments:

The financial instruments of the Company consist mainly of cash and cash equivalents, trade payables, trade receivables and derivatives.

The carrying amount of cash and cash equivalents, trade receivables and trade payables approximates their fair values due to the short-term maturities of these instruments. The fair value of derivative instruments is estimated by using a fair value model or quoted market.

Effective January 1, 2008, the Company adopted Statement of Financial Accounting Standards No. 157 ("SFAS 157"), "Fair Value Measurements" and, effective October 10, 2008, adopted FSP No. 157-3, "Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active", except as it applies to the nonfinancial assets and nonfinancial liabilities subject to FSP 157-2. SFAS 157 clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or a liability. As a basis for considering such assumptions, SFAS 157 establishes a three-tier value hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value (see also Note 3):

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Level 1 - Observable inputs that reflect quoted prices (unadjusted) for identical asset or liabilities in active markets.

Level 2 - Include other inputs that are directly or indirectly observable in the marketplace.

Level 3 - Unobservable inputs which are supported by little or no market activity.

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimized the use of unobservable inputs when measuring fair value

On November 14, 2007, the Financial Accounting Standards Board ("FASB") agreed to a one-year deferral for the implementation of SFAS 157 for non-financial assets and liabilities. The Company is currently assessing the impact of SFAS 157 for non-financial assets and liabilities on its consolidated financial statements.

o. Basic and diluted net loss per share:

Earning per share ("EPS") were computed in accordance with provisions of Standard of Financial Accounting Standards No. 128 "Earnings per share" ("SAFS 128"). SFAS 128 requires the presentation of both basic and diluted EPS.

Basic net loss per share is computed based on the weighted average number of common shares outstanding during each year. Diluted loss per share is computed based on the weighted average number of common shares outstanding during each year, plus dilutive potential common shares considered outstanding during the year. For the years ended December 31, 2008 and 2007, all the options and warrants outstanding have been excluded from the calculations because the effect on net loss per share would have been antidilutive.

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WIN GAMING MEDIA INC. AND ITS SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

-----  
U.S. DOLLARS, EXCEPT SHARE DATA

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (CONT.)

p. Provisional for doubtful accounts:

The provisional for doubtful accounts was based on specific receivables, which their collection, in the opinion of the Company's management, is in doubt. Trade receivables are charged off in the period in which they are deemed to be uncollectible. During 2008 the Company recorded an allowance for doubtful account in the amount of \$70, 927 (during 2007 \$405,452) and also reached an arrangement with Golden Palace during which the Company has decided to forgive a debt of \$450,000. In addition during 2008 the Company also recorded an allowance for doubtful account in the amount of \$963,919 for amounts owed from related parties.

q. Impact of recently issued Accounting Standards:

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In April 2008, the FASB issued FSP 142-3, "Determination of the Useful Life of Intangible Assets" ("FSP 142-3"). FSP 142-3 amends the factors that should be considered in developing renewal or extension assumptions on legal and contractual provisions used to determine the useful life of a recognized intangible asset under SFAS No. 142, "Goodwill and Other Intangible Assets." FSP 142-3 is effective for fiscal years beginning after December 15, 2008. The Company believes that the initial adoption of FSP 142-3 will not have a material impact on its consolidated financial statements.

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities," ("SFAS No. 161") as an amendment to SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 161 requires that objectives

for using derivative instruments be disclosed in terms of underlying risk and accounting designation. The fair value of derivative instruments and their gains and losses will need to be presented in tabular format in order to present a more complete picture of the effects of using derivative instruments. SFAS No. 161 is effective for financial statements issued for fiscal years beginning after November 15, 2008. The Company is currently evaluating the impact of adopting this pronouncement.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), "Business Combinations" ("FAS 141R"). FAS 141R provides revised guidance on how acquirers recognize and measure the consideration, identifiable assets acquired, liabilities assumed, contingencies, non-controlling interests and goodwill acquired in a business combination, and expands disclosure requirements surrounding the nature and financial effects of business combinations. Key changes include: acquired in-process research and development will no longer be expensed on acquisition, but capitalized and assessed for impairment where relevant and amortized over its useful life; acquisition costs will be expensed as incurred; restructuring costs will generally be expensed in periods after the acquisition date; the consideration in shares would be valued at closing date; and in the event that a deferred tax valuation allowance relating to a business acquisition, including from prior years, is subsequently reduced, the adjustment will be recognized in the statement of income.

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### WIN GAMING MEDIA INC. AND ITS SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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U.S. DOLLARS, EXCEPT SHARE DATA

#### NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (CONT.)

##### q. Impact of recently issued Accounting Standards (Cont):

Early adoption is not permitted. As applicable to Company, this statement will be effective, on a prospective basis, as of the year beginning January 1, 2009. The Company believes that the initial adoption of FAS 141R will not have a material impact on its consolidated financial statements. However, if the Company consummates business combinations after the adoption of FAS 141R, this could

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significantly impact the consolidated financial statements as compared to prior acquisitions which were accounted for under existing GAAP requirements, due to the changes described above.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements--an amendment of Accounting Research Bulletin 51" ("FAS 160"), which establishes accounting and reporting standards for non-controlling interests in a subsidiary and deconsolidation of a subsidiary. Early adoption is not permitted. As applicable to Company, this statement will be effective as of the year beginning January 1, 2009. The adoption of FAS 160 will not have a material impact on the consolidated financial statements.

In April 2008, the FASB issued EITF 07-05, "Determining Whether an Instrument (or Embedded Feature) Is Indexed to an Entity's Own Stock," ("EITF 07-05"). EITF 07-05 provides guidance on determining what types of instruments or embedded features in an instrument held by a reporting entity can be considered indexed to its own stock for the purpose of evaluating the first criteria of the scope exception in paragraph 11(a) of SFAS No. 133. EITF 07-05 is effective for financial statements issued for fiscal years beginning after December 15, 2008 and early application is not permitted. Following the adoption, some of the Company's warrants will be accounted for as a derivative. There will not be any impact of this EITF on the beginning of 2009 equity.

### NOTE 3 - FAIR VALUE MEASUREMENT:

The Company's financial assets measured at fair value or a recurring basis, consisted of the followings types of instruments as of December 31, 2008:

	FAIR VALUE MEASUREMENTS USING INPUT TYPE			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
	-----	-----	-----	-----
Cash and cash equivalents	\$ 529,130	\$ -	\$ -	\$ 529,130
Call option	-	\$(219,225)	-	\$(219,225)
	-----	-----	-----	-----
	\$ 529,130	\$(219,225)	\$ -	\$ 309,905
	=====	=====	=====	=====

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### WIN GAMING MEDIA INC. AND ITS SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. DOLLARS, EXCEPT SHARE DATA

#### NOTE 4: - TRADE RECEIVABLES

	DECEMBER 31,	
	2008	2007
	-----	-----
Trade Receivables	\$ 108,710	\$ 523,245
Net of allowance for doubtful account	(70,927)	(405,452)
	-----	-----



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\$ 37,783                      \$ 117,793  
 =====                      =====

NOTE 5: - OTHER ACCOUNTS RECEIVABLE, PREPAID EXPENSES AND RELATED PARTIES

	DECEMBER 31,	
	2008	2007
	-----	-----
Government authorities	\$ 34,643	\$ 23,982
Prepaid expenses and other	64,842	73,111
Related parties	-	33,953
	-----	-----
	\$ 99,485	\$131,046
	=====	=====

NOTE 6: - PROPERTY AND EQUIPMENT, NET

	DECEMBER 31,	
	2008	2007
	-----	-----
Cost:		
Computers and peripheral equipment	\$ 4,108	\$1,098,506
Leasehold improvements	-	43,434
Electronic devices	-	98,530
	-----	-----
	4,108	1,240,470
	-----	-----
Accumulated depreciation:		
Computers and peripheral equipment	1,372	853,405
Leasehold improvements	-	22,792
Electronic devices	-	41,692
	-----	-----
	1,372	917,889
	-----	-----
Depreciated cost	\$ 2,736	\$ 322,581
	=====	=====

Depreciation expenses were \$ 205,068 and \$ 335,372 for the years ended December 31, 2008 and 2007, respectively. The decrease in depreciation expenses was due to the sale of the majority of the fixed assets to Playtech (See Note 1f).

WIN GAMING MEDIA INC. AND ITS SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 7: - ACQUIRED TECHNOLOGY, NET

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Acquired technology from the acquisition of the business from Win Gaming Media (Israel) in April 2005 (see Note 1d).

	DECEMBER 31,	
	2008	2007
Cost	\$1,000,000	\$1,000,000
Accumulated amortization	1,000,000	892,691
Amortized cost	\$ -	\$ 107,309

Depreciation expenses were 107,309 and \$ 333,332 for the years ended December 31, 2008, and 2007, respectively.

### NOTE 8: - SHORT-TERM BANK CREDIT

	INTEREST RATE		DECEMBER 31,	
	2008	2007	2008	
	%			
Short-term bank credit linked to New Israeli Shekel (NIS) (overdraft)	7.0-8.0	-	\$ 7,343	\$
(1) Total authorized credit lines			\$ 15,000	\$

### NOTE 9: - COMMITMENTS AND CONTINGENT LIABILITIES

#### Lease commitments:

The Company leases its facilities under a new lease agreement in Israel, which was signed in September 1, 2008 and will expire in August 31, 2010. Future minimum commitments under non-cancelable operating leases as of December 31, 2008 are as follows:

YEAR ENDING DECEMBER 31,	RENTAL OF PREMISES
2009	\$ 20,700
2010	13,800
	\$ 34,500

Total rent and other attendant expenses for the years ended December 31, 2008 and 2007 were approximately \$57,969 and \$108,507, respectively.

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### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. DOLLARS, EXCEPT SHARE DATA

#### NOTE 10: - INVESTMENT IN AN AFFILIATED COMPANY

On November 6, 2007, the Company and Two Way Media Ltd (the "Parties") have incorporated a new entity in Alderney bearing the name Two Way Gaming Limited ("TWG") to conduct all gaming activity undertaken by the Parties on interactive television, mobile telephony, participation television and the internet. Both companies are equal holders of the issued shares of TWG. On the same day the Parties agreed to grant to Winner.com (UK) ltd ("winner") in exchange to the brand name winner an option to purchase directly from WGM part of WGM's shareholding in TWG equivalent to 7.5% of the TWG's total shares subject to certain events. The call option was accounted for as a derivative pursuant to EITF 00-06 "Accounting for Freestanding Derivative Financial Instruments Indexed to, and Potentially Settled in, the Stock of a Consolidated Subsidiary". The fair value of the derivative as of December 31, 2008 and December 31, 2007 were amounted to \$219,225 and to \$206,768 respectively and is being marked to market. Winner is owned by our Chief Executive Officer and current director and our main shareholder Mr. Shimon Citron.

On June 20, 2008, TWG signed an agreement with Virgin Media TV ("VMTV"), a leading UK entertainment company, to launch a new TV channel - Challenge Jackpot. The program will air on VMTV's Virgin1 and Bravo2 channels, extending its reach to homes with satellite and digital terrestrial television. According to the agreement TWG shall be entitled to receive revenue share from the channel's activities. As part of the agreement with VMTV, TWG is liable for a minimum guarantee fees of up to 1.25M Pounds and for the unpaid balance of the players in this channel.

The company holds 50% of TWG's issued shares, The Company and Two Way Media are liable in equals' part for the losses of TWG but up to the sum of (1) minimum guarantee fees and (2) players - unpaid balance, the company has updated its investment in TWG to match the company share of 50% in both the minimum guarantee fees and the sum of the players balance.

In fiscal 2008 the Company charged TWG with respect to development services on a Cost Plus basis. Effectively July 1, 2008, the company has decided not to recognize revenues respected to development services in TWG due to uncertainty in the collectability of the revenues form TWG.

#### NOTE 11: - GEOGRAPHIC INFORMATION AND MAJOR CUSTOMERS

##### a. Summary information about geographic areas:

The Company manages its business on the basis of one operating segment (see Note 1 for a brief description of the Company's business) and follows the requirements of SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information".

The following is a summary of revenues within geographic areas, based on customer's location:

	YEAR ENDED DECEMBER 31,	
	2008	2007
Antigua and Barbuda	\$ -	\$ 60,945
Alderney	729,918	293,626

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United Kingdom	34,643	273,949
United States	155,772	164,165
Australia	175,000	350,000
Other	-	519
	-----	-----
	\$1,095,333	\$1,143,204
	=====	=====

All long-lived assets are located in Israel at the Company's premises.

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### WIN GAMING MEDIA INC. AND ITS SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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U.S. DOLLARS, EXCEPT SHARE DATA

NOTE 11: - GEOGRAPHIC INFORMATION AND MAJOR CUSTOMERS (CONT.):

b. Major customer data as percentage of total revenues:

	2008	2007	2006
	-----	-----	-----
Customer A	*)	*)	51%
Customer B -	16%	31%	21%
Customer C	12%	22%	12%
Customer D (related party)	67%	26%	-

\*) Represents an amount lower than 10%.

NOTE 12: - SHARE CAPITAL

a. Shareholders' rights:

The shares of common stock confer upon the holders the right to elect the directors and to receive notice to participate and vote in the stockholders meetings of the Company, and the right to receive dividends, if and when declared.

b. Private placement:

1. On February 2, 2006, the Company issued 30,000 shares of common stock to a service provider, pursuant to a service agreement. Therefore, an expense in the amount of \$18,000 was recognized on the date of grant, according to EITF96-18, "Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services" ("EITF 96-18").
2. On March 24, 2006, the Company completed a \$4.5 million private placement consisting of 6,234,485 units consisting of one share of its common stock of \$0.001 par value and one warrant to purchase one share of common stock each. The purchase price per unit for the common stock and the warrant was \$0.725. Each warrant is exercisable for 36 months at a price of \$1.125 per share. The Company agreed to prepare and file with the SEC a registration statement covering the resale of the common stock on

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or before May 9, 2006 for certain investors. If such registration statement covering the shares of common stock purchased by those certain investors was not declared effective within 120 days from the closing date, then the Company would have had to pay those investors liquidated damages equal to 1% per month of the aggregate purchase price paid by them which would not exceed fifteen percent (15.0%) of the aggregate purchase. On May 4, 2006 the Company filed a registration statement covering the resale of the shares and the shares underlying the warrants, which went effective on June 6, 2006.

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### WIN GAMING MEDIA INC. AND ITS SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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U.S. DOLLARS, EXCEPT SHARE DATA

#### NOTE 12: - SHARE CAPITAL (CONT.)

##### b. Private placement (Cont.):

3. On March 30, 2006, the Company completed a \$2.0 million private placement consisting of 2,000,000 units consisting of one share of its common stock of \$0.001 par value and one warrant to purchase one share of Common stock each. The purchase price per unit for the common stock and the warrant was \$1. Each warrant is exercisable for 36 months at a price of \$1.35 per share. The Company agreed to prepare and file with the SEC a registration statement covering the resale of the common stock on or before May 15, 2006 for certain investors. If such registration statement covering the shares of common stock purchased by those certain investors was not declared effective within 120 days from the closing date, then the Company would have had to pay those investors liquidated damages equal to 1% per month of the aggregate purchase price paid by them which would not exceed fifteen percent (15.0%) of the aggregate purchase. On May 4, 2006 the Company filed a registration statement covering the resale of the shares and the shares underlying the warrants, which went effective on June 6, 2006.
4. On April 3, 2006 the Company issued to one of its non-employee directors an option to purchase up to 200,000 shares of common stock of the Company under the terms of the Company's option plan ("Director Option"). The exercise price for the shares subject to the Director Option is \$ 0.725 per share of common stock of the Company. The option is fully vested. This transaction was recorded in accordance with EITF 96-18. The issuance of the option was in connection with service provided with the March private placement and therefore no expense was recorded.
5. On April 27, 2006, the Company issued to two of its advisors warrants to purchase a total of 200,000 shares of the Company's common stock with an exercise price of \$1.00 per share. This transaction was recorded in accordance with EITF 96-18. The issuance of the option was in connection with service provided with the March private placement and therefore no expense was recorded.

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6. On May 15, 2006, the Company issued to one of its advisors a warrant to purchase a total of 200,000 shares of the Company's common stock with an exercise price of \$1.35 per share. This transaction was recorded in accordance with EITF 96-18. The issuance of the option was in connection with service provided with the March private placement and therefore no expense was recorded.
7. On June 6, 2006, the Company issued to its financial advisor a warrants to purchase a total of 110,345 shares of the Company's common stock with an exercise price of \$1.00 per share, and a warrant to purchase 40,000 shares of the Company's common stock with an exercise price of \$1.35 per share. This transaction was recorded in accordance with EITF 96-18. The issuance of the option was in connection with service provided with the March private placement and therefore no expense was recorded.

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WIN GAMING MEDIA INC. AND ITS SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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U.S. DOLLARS, EXCEPT SHARE DATA

NOTE 12: - SHARE CAPITAL (CONT.):

b. Private placement (Cont.):

8. On September 14, 2006, Gaming, RNG, and Golden Palace Ltd. ("Golden Palace"), entered into an agreement under which Golden Palace agreed to invest \$600,000 in RNG in return for 20% of the ordinary shares of RNG. The Company posted a gain of \$341,150 resulting from this issuance in accordance with SAB Topic 5H. According to the SAB, realization of a gain is not assured where the subsidiary is a newly-formed, in a process of research and development, start-up or development Stage Company. In such situations, the change in the holding company's proportionate share of the subsidiary equity resulting from the additional equity raised by the subsidiary should be accounted for as an equity transaction and no gain will be recognized. Accordingly, the Company charged a gain of \$341,150 into equity.

Pursuant to terms of this agreement, Golden Palace has an option, that can be exercised upon the occurrence of certain events as defined in the agreement, to acquire an additional 30% of the ordinary shares of RNG (but not more than 50% of RNG or more than the amount owned by Gaming) at a price of \$100,000 per each additional percentage interest of the ordinary shares of RNG. Concurrently, Gaming, RNG and Golden Palace entered into a shareholders agreement under which Golden Palace has a right to appoint one of RNG's 4 directors (as long as Golden Palace owns 20% of RNG) and Gaming has a right to appoint the 3 other directors. Upon Golden Palace becoming an owner of 50% of RNG, it will have the right to appoint an equal number of directors to the number we are entitled to appoint. At issuance date, the Company recorded the call option granted to Golden Palace as a derivative against additional paid in capital. . The call option is being measured at fair value and it is marked to market in accordance with "Accounting for Freestanding Derivative Financial

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Instruments Indexed to, and Potentially Settled in, the Stock of a Consolidated Subsidiary" ("EITF 00-6 "). As of December 31, 2007 the fair value of the call option was zero since RNG became a non-operating company.

9. On December 7, 2006, the Company granted 250,000 warrants to service providers. Therefore, an expense in the amount of \$61,750 was recognized on the date of grant, according to EITF 96-18.

c. Dividends:

In the event that cash dividends are declared in the future, such dividends will be paid in U.S. dollars. The Company does not intend to pay cash dividends in the foreseeable future.

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WIN GAMING MEDIA INC. AND ITS SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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U.S. DOLLARS, EXCEPT SHARE DATA

NOTE 12: - SHARE CAPITAL (CONT.):

d. Stock option plans:

1. On November 23, 2004, the Company adopted the 2004 Global Share Option Plan (the "2004 Global Share Option Plan"). The 2004 Global Share Option Plan is intended to provide incentives to employees, directors and consultants by providing them with opportunities to purchase shares of the Company's common stock. Under the terms of the 2004 Global Share Option Plan, it is effective as of November 23, 2004 and terminates at the end of ten years from such date. The Company has reserved 5,000,000 authorized but unissued shares of common stock to be issued under the 2004 Global Share Option Plan. On May 4, 2006, our board of directors approved an amendment to our 2004 Global Share Option Plan under which the number of shares reserved by us for the purpose of the Plan was increased from 5,000,000 to 8,000,000.

The exercise price of the options granted under the plans may not be less than the nominal value of the shares into which such options are exercised. The options vest primarily over three years. Any options that are forfeited or not exercised before expiration become available for future grants.

2. On January 15, 2006, the Company signed an agreement with a new non-employee director. Under which the Company granted an option to purchase up to 192,261 shares of common stock of the Company under the terms of the Company's option plan ("Option"). The exercise price for the shares subject to the Option is \$1 per share of common stock of the Company on the date of grant. The Option vests in three equal annual installments, whereby the director has the right to purchase 1/3 of the shares subject to the Option at the expiration of the first, second and third year respectively from the date of the agreement, provided that the director remains a member of the Board of Directors at such time. In the event of termination of the agreement for cause at any time, the Option, if not exercised, shall terminate and be

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cancelled and non-exercisable. The fair value of the options on grant date totaled \$65,503.

3. On April 3, 2006, pursuant to Section 4(2) of the Securities Act of 1933, as amended, The Company issued to a company, which is owned by the Company's Chief Executive Officer, an option to buy 1,863,000 shares of the Company's common stock with an exercise price of \$1.15 per share in consideration for services provided by the Chief Executive Officer to the Company. The option vests in the following manner: 1,500,750 shares on July 1, 2006, 155,250 shares on October 1, 2006, 155,250 shares on January 1, 2007 and 51,750 shares on April 1, 2007. The fair value of the options on grant date totaled \$1,117,071.
4. On October 22, 2006, the Company granted to two of its non-employee directors, an option under the terms of the Company's option plan, to purchase 113,537 shares of Common stock of the Company at an exercise price of \$ 1.15 per share. Each director's right to exercise such option will vest in 8 equal quarterly installments during a period of two years commencing in October 2006 provided that the Company's agreement with such director does not terminate earlier. The fair value of the options on grant date totaled \$33,553.

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### WIN GAMING MEDIA INC. AND ITS SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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U.S. DOLLARS, EXCEPT SHARE DATA

NOTE 12: - SHARE CAPITAL (CONT.)

d. Stock option plans (Cont.):

5. On December 7, 2006, the Company granted to two of its non-employee directors, an option under the terms of the Company's option plan, to purchase 192,261 shares of Common stock of the Company at an exercise price of \$ 1.00 per share. Each director's right to exercise such option will vest in 12 equal quarterly installments during a period of three years commencing in April 2006, provided that the Company's agreement with such director does not terminate earlier. The fair value of the options on grant date totaled \$76,788.
6. On July 31 2007, the Company entered into an agreement with its former Chief Executive Officer ("CEO"), who is the main shareholder of the Company, and certain of his affiliates, which resolved all disputes between them (the "Agreement"). Under the Agreement, the Company has agreed to pay certain payments based on certain prices of the Company's shares and in addition granted to a company fully owned by the former CEO 500,000 fully vested options at an exercise price of \$0.575 per share, and extended the exercise period of previously granted options for 3 more years. The fair value of the option at the grant date and the modifications for the previously granted option were immaterial.
7. On August 8, 2008 the Company granted to employees, 1,310,000 fully vested options at an exercise price of \$0.06 under the



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terms of the Company's option plan. The fair value of the options on grant date totaled \$67,072.

8. On September 15, 2008 the Company granted to the members of the board of directors, an option under the terms of the Company's option plan to purchase 2,400,000 shares of Common stock of the Company at an exercise price of \$0.06 per share. Each director's right to exercise such option will vest in 12 equal quarterly installments during a period of three years commencing in August 6, 2008, provided that the Company's agreement with such director does not terminate earlier. Therefore an expense on the amount of \$15,899 was recognized in the date of the grant according to SFAS123R and the fair value of the options on grant date totaled \$122,888.
9. A summary of the Company's share option activity to employees and directors and related information is as follows:

	YEAR ENDED DECEMBER 31,		
	2008	2007	
	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF OPTIONS
	-----	----- \$ -----	-----
Outstanding at the beginning of the year	3,950,965	0.98	7,653,046
Granted	3,710,000	0.06	500,000
Exercised	-		-
Forfeited	149,586	-	4,202,081
Outstanding at the end of the year	7,511,379	0.57	3,950,965
Options exercisable at the end of the year	5,927,749	0.69	3,636,124
Weighted-average fair value of options granted during the year	\$ 0.01		\$ 0.01

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### WIN GAMING MEDIA INC. AND ITS SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 12: - SHARE CAPITAL (CONT.)

- d. Stock option plans (Cont.):
  - o The fair value of each option granted is estimated on the date of grant, using the Black-Scholes option-pricing model with the following weighted average assumptions: dividend yield of 0% for all years; expected volatility: 2008 - 110% 2007 - 87% risk-free interest rate: 2008 - 4.0% 2007 - 5.366% expected life: 2008 - 3

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years 2007 - 5 years. Expected forfeiture for options granted to employees: 2008 - 100%, 2007 - 71%, and expected forfeiture for options granted to directors and managers: 2008 0%, 2007 - 71%,

- o The expected volatility is based on the historical volatility of the Company's stock. The risk-free interest rate assumption is based on observed interest rates appropriate for the expected term of the stock options granted. As permitted by SAB 107, the Company used the simplified method to compute the expected option term for options granted in 2007. The Company intends to adopt SAB 110 as of January 1, 2008 and continue using the simplified method. The dividend yield assumption reflects the expected dividend yield based on historical dividends. Pre-vesting forfeiture rates were estimated based on pre-vesting forfeiture experience.

The options outstanding as of December 31, 2008, have been classified by ranges of exercise price, as follows:

EXERCISE PRICE	OPTIONS OUTSTANDING AS OF DECEMBER 31, 2008	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE (YEARS)	WEIGHTED AVERAGE EXERCISE PRICE	OPTIONS EXERCISABLE AS OF DECEMBER 31, 2008	WEIGHTED AVERAGE EXERCISE PRICE OF OPTIONS EXERCISABLE
\$			\$		\$
0.06	3,510,000	2.5	0.06	2,043,333	0.06
0.575	500,000	9.0	0.575	500,000	0.575
0.73	200,000	8.0	0.73	200,000	0.73
1.00	961,305	7.75	1.00	865,175	1.00
1.15	2,340,074	8.4	1.15	2,319,241	1.15
	-----			-----	
	7,511,379			5,927,749	
	=====			=====	

### NOTE 13: - INCOME TAXES

- a. Measurement of taxable income under the Income Tax Law (Inflationary Adjustments), 1985:

Results for tax purposes of the Israeli subsidiaries are measured in terms of earnings in NIS, after certain adjustments for increases in the Israeli Consumer Price Index ("CPI"). As explained in Note 2b, the financial statements are measured in U.S. dollars. The difference between the annual change in the Israeli CPI and in the NIS/dollar exchange rate causes a further difference between taxable income and the income before taxes shown in the financial statements. In accordance with paragraph 9(f) of SFAS No. 109, the Israeli subsidiaries have not provided deferred income taxes on the difference between the functional currency and the tax bases of assets and liabilities.

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WIN GAMING MEDIA INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 13: - INCOME TAXES (CONT.):

b. Profit (loss) before taxes on income:

	YEAR ENDED DECEMBER 31,	
	2008	2007
Domestic	\$ (633,029)	\$ (630,572)
Foreign	199,590	(2,303,273)
	\$ (433,439)	\$ (2,933,845)

c. Deferred income taxes:

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company and its subsidiaries' deferred tax assets are as follows:

	YEAR ENDED DECEMBER 31,	
	2008	2007
Operating loss carryforward	\$ 3,338,500	\$ 3,721,953
Tax withholding	-	-
Temporary differences	18,731	27,635
Deferred tax asset before valuation allowance	3,357,231	3,749,588
Valuation allowance	(3,357,231)	(3,749,588)
Net deferred tax asset	\$ -	\$ -

On December 31, 2008, the Company and its subsidiaries have provided valuation allowances of \$ 3,357,231 in respect of deferred tax assets resulting from tax loss carryforwards and other temporary differences. Management currently believes that since the Company and its subsidiaries have a history of losses it is more likely than not that the deferred tax regarding the loss carryforwards and other temporary differences will not be realized in the foreseeable future. The change in valuation allowance was \$ 392,357 in 2008.

d. Net operating losses carryforwards:

The US subsidiaries have accumulated losses for tax purposes as of December 31, 2008, in the amount of \$ 9,312,300 which may be carried forward and offset against taxable income, and which expires during the years 2022 through 2025.

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e. Theoretical tax:

The main reconciling items between the statutory tax rate of the Company and the effective tax rate are the non-recognition of the benefits from accumulated net operating losses carry forward among the various subsidiaries worldwide due to the uncertainty of the realization of such tax benefits.

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WIN GAMING MEDIA INC. AND ITS SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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U.S. DOLLARS, EXCEPT SHARE DATA

NOTE 13: - INCOME TAXES (CONT.)

f. Tax rates:

Taxable income of Israeli subsidiaries is subject to tax at the rate of, 27% in 2008, 26% in 2009 and 25% in 2010 and thereafter.

g. Income taxes on non-Israeli subsidiaries:

Non-Israeli subsidiaries are taxed according to the tax laws in their respective country of residence.

Israeli income taxes and foreign withholding taxes were not provided for on undistributed earnings of the Company's foreign subsidiaries. The Company intends to reinvest these earnings indefinitely in its foreign subsidiaries. If these earnings were distributed to Israel in the form of dividends or otherwise, the Company would be subject to additional Israeli income taxes (subject to an adjustment for foreign tax credits) and foreign withholding taxes.

h. Uncertain Tax Position:

As stated in Note 1.1, effective January 1, 2007, the Company adopted FIN 48, "Accounting for Uncertainty in Income Taxes - an interpretation of FAS 109", which was issued in July 2006. FIN 48 clarifies the accounting for uncertainty in income taxes and prescribes a recognition threshold and measurement attributes for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return.

As a result of the implementation of FIN 48, there was no cumulative effect adjustment for unrecognized tax benefits, which would have been accounted for as an adjustment to the January 1, 2008 balance of retained earnings. The Company has recorded no liability for income taxes associated with unrecognized tax benefits at the date of adoption and have not recorded any liability associated with unrecognized tax benefits during 2008. Accordingly, the Company has not recorded any interest or penalty in regard to any unrecognized benefit.

The Company's policy regarding interest and/or penalties related to income tax matters is to recognize such items as a component of income tax expense (benefit). The Company does not expect that the amount of unrecognized tax benefits will change significantly within the next 12

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months.

NOTE 14: - FINANCIAL EXPENSES

	YEAR ENDED DECEMBER 31,	
	2008	2007
Financial (Income) expenses:		
Interest, bank charges and fees, net	31,642	(31,664)
Change in value of written call options	12,457	91,918
Foreign currency translation differences	99,227	124,796
Change in value of convertible debt	124,020	-
Interest and other expenses on convertible debt	58,555	-
	-----	-----
	\$325,901	\$185,050
	=====	=====

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WIN GAMING MEDIA INC. AND ITS SUBSIDIARIES  
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NOTE 15: - DISCONTINUED OPERATIONS

- a. Effective on July 15, 2007, the Board of Directors decided to cease the business of marketing services provided for gaming applications marketing activities through its subsidiary Get21 .

The following is the composition of discontinued operations:

	YEAR ENDED DECEMBER 31,	
	2008	2007
Revenues from software applications	\$ -	\$ 58,095
Cost of revenues	-	66,587
Gross profit (loss)	-	(8,492)
Operating expenses:		
Selling and marketing	-	643,025
General and administrative	-	24,651
TOTAL operating expenses	-	667,676
Other income	19,260	-

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Net (profit) loss	----- \$ (19,260) =====	----- \$ 676,168 =====
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b. The breakdown of assets and liabilities attributed to the discontinued operations of Get21 is as follows:

	AS OF DECEMBER 31, ----- 2008 -----	AS OF DE ----- 2 -----
ASSETS		
CURRENT ASSETS:		
Other accounts receivable, prepaid expenses , and related parties	\$ -	\$ 3
TOTAL current assets	-	3
FIXED ASSETS		
Total assets from discontinued operations, net	\$ -	\$31
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Trade payables	-	25
TOTAL current liabilities	-	25
Total liabilities from discontinued operations, net	\$ -	\$25

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WIN GAMING MEDIA INC. AND ITS SUBSIDIARIES  
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NOTE 16: - RELATED PARTIES TRANSACTIONS

- a. As to the option granted to Winner - see note 9.
- b. As to the option granted to the CEO -see note 11d(6) and note 11d(7) (Reconcile it)
- c. On March 10, 2008, our board of directors (the "Board") approved the entry of the Company into a convertible debt transaction with our director, Mr. Shimon Citron. The transaction is subject to shareholder approval at a special meeting in lieu of an annual meeting planned for April 10, 2008 or a later practical date (the "Meeting"). The transaction is documented by a Convertible Loan Agreement, a Convertible Promissory Note, a Security Agreement and a Common Stock Purchase Warrant, all of which is dated as of March 6, 2008, and is

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collectively referred to as the "Loan Agreement Documents." The transaction was approved by a majority of the Board (not including the vote of Mr. Citron). The Board recommended that the shareholders approve the transaction as being in the best interests of the Company. In fiscal 2008 the loan an interest owed was repaid.

- d. In addition to the loan agreement described above, the Company issued a Secured Promissory Note to Mr. Citron, which Note is convertible into shares of the Company's Common Stock at a per-share conversion price equal to the average closing price of the Company's Common Stock for the five trading days preceding the date on which the first monthly installment is advanced by Mr. Citron. The first advance occurred on February 24, 2008. The conversion price based on the foregoing formula is \$0.0595 per share of Common Stock. The Note accrued interest at a rate of 15% per annum. Payment of principal and interest by the Company paid in cash.
- e. On September 23, 2008, we entered into a consulting agreement ("Agreement") with Citron Investments Ltd., (the: "Consultant"), an Israeli corporation wholly owned by our director and CEO, Mr. Shimon Citron. Pursuant to the Agreement, we retained the services of the Consultant to provide the services of Mr. Shimon Citron as our CEO in a part time capacity. Pursuant to the Agreement, we are required to pay the Consultant a monthly fee of \$10,000, and will reimburse expenses incurred by the Consultant in connection with one automobile owned and operated by the Consultant not to exceed \$ 1,000 per month and shall include Mr. Citron in its liability insurance program for officers and directors. In addition, under the terms of the Agreement, should our valuation based on the price per share of our shares as quoted on the stock exchange or on an automatic quotation system (such as the Over The Counter Bulletin Board) in which our shares are listed or quoted, during the term of this Agreement, exceed \$10,000,000 throughout a continuous period of at least 30 consecutive days, then the Consultant shall be entitled to receive from us a special bonus equaling 2% of the average of our valuation in such 30-day period. The term of the Agreement is 6 months, effective June 6, 2008 with automatic extension for an undefined period. The Agreement can be terminated by either party for no reason with a 90-day advance written notice or for a material breach with a 14-days advance written notice if such a breach was not cured during the aforesaid 14-day period.

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### WIN GAMING MEDIA INC. AND ITS SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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#### NOTE 17: - SUBSEQUENT EVENTS

On April 7, 2009, TWG, a 50% owned affiliated the Company, and TWM, the other 50% shareholder of TWG (we refer to TWG and TWM as the Sellers), entered into an agreement, or the Netplay Transfer Agreement, with Netplay TV Plc, or Netplay. The Transfer Agreement includes the transfer of Challenge Jackpot's circa 16,000 registered players, their account balances and the equipment to run the business.

The consideration for the sale of the Challenge Jackpot business is (pound)2,000,000, the vast majority of the consideration is

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attributable to the database allowing business continuity for the Challenge Jackpot customers. The consideration is to be paid in newly issued ordinary shares of Netplay or cash, together with the assumption by Netplay of the liabilities expressly referred to in the Netplay Transfer Agreement. The number of Consideration Shares shall be equal to (pound)2,000,000 less the amount paid in cash (if any), divided by the average market price of the Netplay's shares on the London Stock Exchange plc's market known as AIM for the 20 business days prior to the closing date. Netplay has undertaken to ensure that all the Consideration Shares are admitted to listing and trading on AIM Market no later than seven days of such allotment and issue thereof. TWG agreed to divide the consideration equally between the Company and TWM.

The closing of the transaction is conditioned upon the approval thereof by Netplay's shareholders and the completion of the agreement between Netplay and Virgin for the assignment of the agreement dated June 20, 2008, between TWG and Virgin. In the event that the closing does not take place within 35 days following the date of the Netplay Transfer Agreement, the Sellers shall have the right to terminate the Netplay Transfer Agreement and receive some compensation not to exceed (pound)25,000.

In addition, the Sellers and Netplay have agreed that Netplay will assist the Sellers with the operation of the online casino, WinnerChannel.com, and a gambling service business which is marketed and distributed by Teletext Limited under the agreement between TWM, Teletext Limited and St Minver Limited, or the Teletext Business. For these services, Netplay will be entitled to 20% of all net profits, arising from the operation of the WinnerChannel.com and the Teletext Business and the Sellers will be entitled to 80% of such profits, to split equally between the Sellers.

- o During 2009, the Company has decided to cease operations of its subsidiaries, Zone4Play Israel and Zone4Play UK.