LivermoreInvestments

Livermore Investments Group Limited

Annual Report & Consolidated Financial Statements for the year ended 31 December 2007

Balance | Potential | Value

Livermore Investments Group Ltd. Annual Report 2007

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Balance

Potential

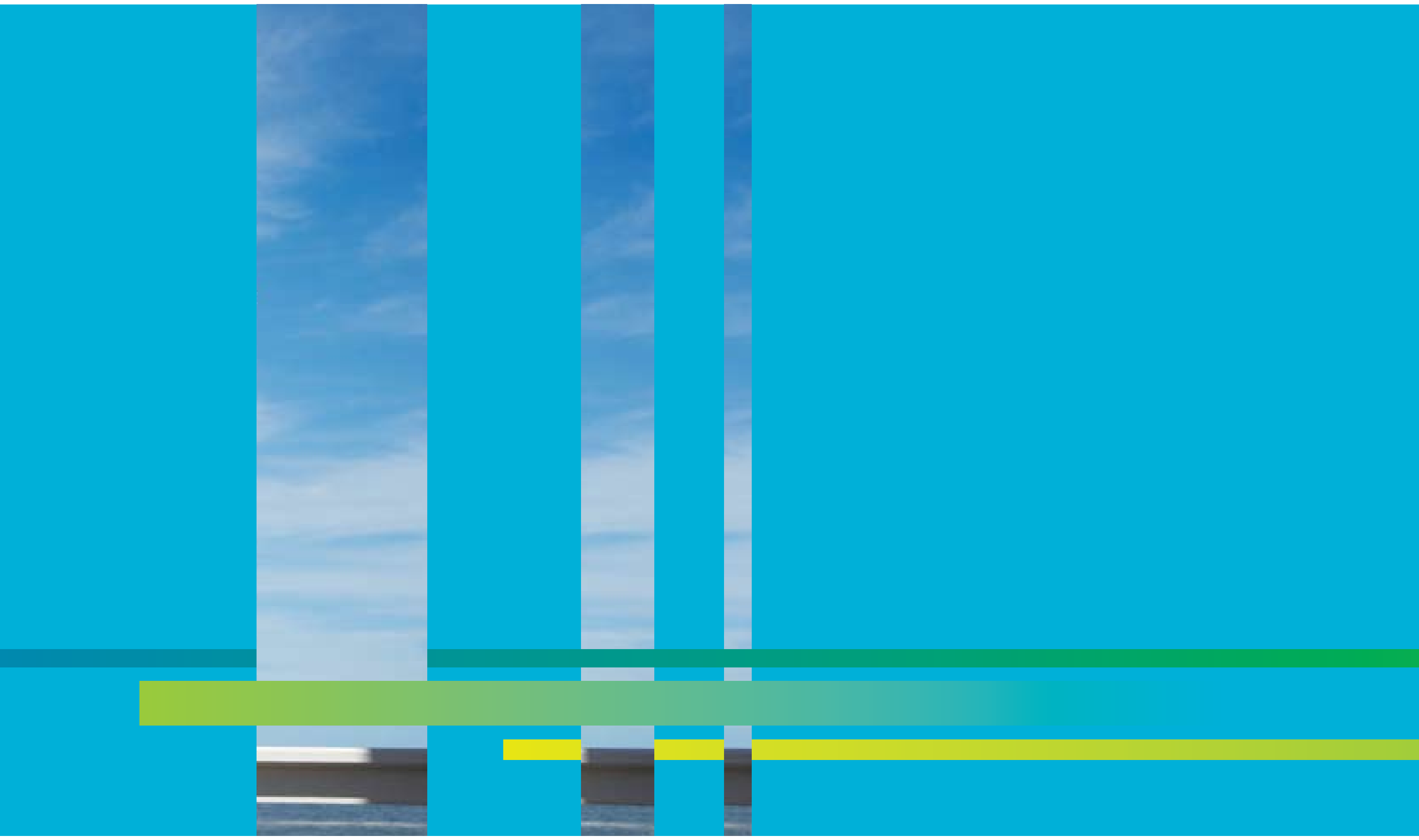
Value

Livermore strives to create the optimal balance through diversification. Seeking the potential of emerging markets and prospects, Livermore's team has the experience and insight required to reveal the true value of unique opportunities.

Striking the right balance for optimal growth

Balance

Livermore has created a diversified portfolio that combines income-generating and growth opportunities. By striking the right balance, Livermore ensures short-term success and future development.



Potential

Seeking potential in emerging markets and prospects

Livermore investment strategy focuses on emerging markets and prospects. This approach is the foundation of Livermore's exceptional capacity for long term growth.

Revealing the true value of opportunities

Value

Each Livermore investment has a strong value-proposition, creating a powerful portfolio.
With experience and insight, Livermore team seeks to reveal the true value of unique investment opportunities.

Highlights

- Successfully completed restructuring and established operations as an investment company
- Net Asset Value per share USD 0.97 (49 pence) after payout of 3.3 cents per share during the year
- Net Asset Value growth of USD 19.1m before payment of dividend and treasury share buy back
- Gross income from investment activities USD 25.8m
- Earnings before Interest, Tax, Depreciation, Amortization and non recurring items - USD 22.7m
- Net Income after tax of - USD 20.7m
- Dividend distributed during the year (for 2006) - USD 9.7m
- 2007 total payout of 6.1 cents per share which include a cash dividend of USD 10.0m and treasury shares purchased for USD 7.2m.

Chairman's and Chief Executive's Review

Introduction

We are pleased to report the results of Livermore's first year as an investment company. At the beginning of the year, we concluded the disposal of the Group's old activities, its change of name and change of purpose. This transaction was completed on 19 January 2007 (see note 13). Following these initial actions, the Group 's primary focus was on building up a robust portfolio management infrastructure and recruiting an investment management team.

During 2007 the Group was successful in deploying a significant part of its capital in a few outstanding deep value opportunities mainly in Europe and Asia. These investments are consistent with Livermore's strategy to establish a diversified portfolio with income generating and growth opportunities. Each of the investments presents a strong value proposition and is expected to generate above average returns over the mid-term period.

Management aims for the overall investment portfolio to generate annualized growth of over 15% over time with a relatively conservative risk profile.

Financial Review

The NAV of the Group at 31 December 2007 was approximately USD 276.4m following dividend payment of USD 9.7m, and a share buy back of USD 7.2m. This represents an increase of USD 19.1m over the NAV at 31 December 2006, Net profit was USD 20.7m, which represents a return on equity (ROE) of 7.3%.

Operational expenses (excluding amortisation and non-recurring items) were USD 3.2m, representing 1.2% of the NAV.

The increase in the NAV is primarily attributed to the following:

- Gains from associated companies - USD 8.8m.
- Gains from investments in private equity and hedge funds - USD 4.7m.
- Gains from real estate investments (rental income, changes in fair value and exchange rate gain) - USD 5.0m.
- Net gains due to trading activities (not including hedge funds and private equity investments), and exchange rate differences on investments in the portfolio at year end - USD 2.9m

the Company distributed dividends totalling USD 9.7m during the year, for the results of 2006.

Dividend

The Board is pleased to recommend a final cash dividend payment for 2007 of USD 10.0m or 3.5 cents (1.8 pence) per share. This dividend will be paid on 31 July 2008 to shareholders on the register at 30 June 2008. Going forward, the Board intends to distribute discretionary dividends based on the net performance of the Group's investment portfolio.

In addition, over the last financial year the Company purchased 8,750,000 shares to be held in treasury, for total proceeds of USD 7.2m. In 2008, the Company purchased an additional 1,808,262 shares. The total number of shares held in treasury at 30 April 2008 was 10,558,262.

Annual General Meeting

The Group's Annual General Meeting will be held on 25 June 2008. The Notice for the meeting is on page 70 of this report.

Richard B Rosenberg

Chairman

30 April 2008

Noam Lanir

Chief Executive Officer

Review of activities

Principal activities

Following the agreement of the disposal of the Group's online marketing operations on 29 December 2006, the change of name and change of purpose, the Group commenced activity as an investment company in January 2007.

The principal activities of the Group for the year ended 31 December 2007 were financial and strategic oriented investments in real estate, private equity, hedge funds and capital markets.

Introduction and Overview

In 2007, we began our journey as an investment company. Having completed one year, we are pleased to report that 2007 was a successful first year of operations for Livermore, despite challenging market conditions. Over the course of the year, Livermore built up a solid management team, set up an advisory office in Zurich, Switzerland, and deployed most of its capital in a robust and well diversified portfolio. The portfolio has a mixture of yielding and growth assets with a geographical focus on Europe and India. The NAV at 31 December 2007 was USD 0.97 (49 pence) per share.

The gross income for 2007 was USD 25.8m which includes investment income of USD 13.0m and income from the purchase of an associate of USD 8.8m. The net profit for 2007 amounted to USD 20.7m, which represents a ROE of 7.3%. The Group is pleased to announce a final dividend for 2007 of USD 10.0m which equates to a 3.6% return on capital to investors.

Considering the high liquidity position of Livermore together with the robustness and diversification of its investment portfolio, the Board believe the Group is well positioned to withstand the current volatile market conditions and continue to generate superior value for its shareholders. The Board continue to review a high volume of potential deal flow and are well positioned to take advantage of adverse market conditions.

Global Investment Environment

The global economy grew strongly in the first half of 2007 with growth running above 5%, although turbulence in financial markets clouded prospects in the second half of 2007 and for 2008. China's economy gained further momentum through 2007, growing by 11.5%, while India and Russia continued their strong growth. These three countries alone accounted for half of global growth over the past year. Among the advanced economies, growth in the euro zone and Japan slowed in the second quarter of 2007 after two quarters of strong gains. In the United States, growth averaged 2.25% in the first half of 2007 as the housing downturn continued to create considerable drag[1].

Inflation seemed to be contained in the advanced economies, but rose in many emerging markets and developing countries, reflecting higher energy and food prices. In the United States, core inflation gradually eased to below 2%. In the euro zone, inflation generally remained below 2% in 2007, but energy and food price increases contributed to an increase in September. Some emerging markets and developing countries saw more inflation pressures, reflecting strong growth and the greater weight of rising food prices in their

1 *Source: World Economic Outlook 2007, IMF

consumer price indices. The acceleration in food prices reflected pressure from the rising use of corn and other food items for bio-fuel production and poor weather conditions in some countries. Strong demand kept oil and other commodity prices high[1].

Financial market conditions became more volatile in the third quarter of 2007. Credit conditions tightened as concerns about the fallout

> *"...Having completed one year, we are pleased to report that 2007 was a successful first year of operations for Livermore, despite challenging market conditions."*

from strains in the U.S. subprime mortgage market increased and led to a spike in yields on securities collateralized with subprime mortgage loans as well as other higher-risk securities. Uncertainty about the distribution of losses and rising concerns about counterparty risk saw liquidity dry up in segments of the financial markets. Equity markets retreated, led by falling valuations of financial institutions and long-term government bond yields declined as investors looked for safe havens. Emerging markets were also affected, although the impact was less pronounced than in previous episodes of global financial market turbulence[1].

Prior to the recent market turbulence, central banks around the world were generally tightening monetary policy to head off nascent inflation pressures. In August however, faced by mounting market disruptions, major central banks injected liquidity into money markets to stabilize short-term interest rates. The Federal Reserve cut the federal funds rate by 50 basis points in September and another 25 basis points in December with expectations of further reductions in coming months. Expectations of monetary policy tightening by the Bank of England, Bank of Japan, and the European Central Bank have been rolled back since the onset of the financial market turmoil. Major emerging markets on the other hand faced the principal challenge of addressing increasing inflation concerns[1].

The major currencies largely continued trends observed since early 2006. The U.S. dollar continued to weaken. The Euro and the Swiss Franc appreciated but continued to trade in a range broadly consistent with recent fundamentals. The Indian Rupee appreciated sharply against the U.S. dollar on account of large inflows of foreign capital[1].

Ron Baron, Executive Director and Chief Investment Officer

US: Following a weak start to 2007, the U.S. economy rebounded strongly in the second quarter, growing by 3.8% on an annualised basis. Net exports and business investment provided a significant boost to growth, although private consumption growth slowed markedly in the face of rising gasoline prices, and residential investment continued to exert a significant drag on growth. In the latter half, however, the U.S. economy and financial markets were affected by the credit crisis and falling home prices together with rising foreclosures. The S&P 500 index rose 10% to an all time high at the beginning of October, before falling 6% by December 2007. Credit spreads widened significantly despite aggressive rate cuts by the Federal Reserve. The US Dollar depreciated significantly against the Euro, ending the year at 1.46 versus 1.33 at the beginning of the year.

EURO ZONE: The financial market turbulence came at a time when Western Europe had been enjoying its best economic performance for a decade. A long spell of robust global growth, healthy corporate balance sheets, accommodative financing conditions, and past reforms laid the foundation for a strong upswing. The euro area economy expanded at approximately 3% per annum from mid 2006, although growth eased in

"The net profit for 2007 amounted to USD 20.7m..."

the second quarter of 2007. Growth has been driven by a broad-based acceleration in investment spending, especially in Germany, in response to high regional and global demand for machinery and equipment, a pickup in construction, and robust exports. Private consumption softened in the first half of 2007, but consumer confidence remained fairly robust until June, when it began to weaken. In the United Kingdom, the expansion continued at a strong and steady pace, with growth of 3% (year on year) in the second quarter of 2007, led by consumption. In Norway, Sweden, and Switzerland, growth was also sustained above potential long term rates in the second quarter.

SWITZERLAND: Switzerland experienced strong growth in 2007, achieving GDP growth of 2.9% year on year. The economy benefited from a lower exchange rate with respect to the euro. Unemployment in 2007 was low and an increasing number of foreign nationals were employed in Switzerland. The financial turbulence of the US markets affected the Swiss equity markets, with the SMI index closing 4.8% below where it opened at the beginning of the year. Increased oil and commodity prices contributed to a surge in inflation, which climbed to 2% year on year in December – the highest level since October 1995.

INDIA: GDP growth in India was stronger than expected over the past year, but is expected to moderate to 8.5% in 2007-08, from a high of 9.5% last fiscal year. Headline inflation (WPI), at around 3 %, was below the Reserve Bank of India's (RBI) near-term projections, although CPI inflation was higher. The rupee appreciated significantly against the dollar, but export growth remained strong. The external current account deficit is expected to widen to about 2% of GDP in 2007-08 against the backdrop of the strengthened rupee and slowing global growth. The deficit is comfortably financed by private inflows. Reserves exceed $260 billion (over 10 times short-term external debt), and external debt remains low (about 17% of GDP, as of end 2006-07). India's financial markets largely recovered from corrections during the summer's credit-market turbulence, with the Indian stock indices reaching near record highs. Large inflows of foreign capital and excess liquidity remain a concern for the RBI and measures such as credit tightening and changes to regulate inflows into the capital markets were implemented.

Left: Doron Yassur, CfO
Right: Noam Lanir, Founder and Chief Executive Officer

Livermore's Investment strategy in light of the global economy trends

Livermore's investment strategy is to establish a diversified portfolio of value investments with a relatively low risk profile and a geographic focus on Europe and Asia. Investments are also focused on sectors which Management believe will provide superior growth over the mid to long term. In Emerging

Markets the Group invests alongside local partners with relevant expertise and proven track record. Up to 10% of the portfolio is allocated to trading opportunities. During 2007, this part of the portfolio was primarily invested in a few stocks in the energy sector and in specific growth opportunities in Asia.

The Board viewed 2007 in two distinct parts. During first half of the year there continued to be significant appetite for risk. This changed in the second half of the year, during which the credit market turmoil, together with the liquidity crunch and a sharp correction in the US housing market, caused severe market dislocations, which further deteriorated during the first quarter of 2008. In contrast emerging markets, such as India, continued to grow, demonstrating the strength of their respective domestic markets.

The Board continued to implement its strategy of building a diversified portfolio which will generate stable above market returns for investors over the mid to long term. Through a top down investment approach and partnerships with top tier management and investment partners, Livermore has invested in a combination of high growth and deep value opportunities over the course of the year. This process was further accelerated in the second half of 2007 as the risk-return profile of certain long term opportunities in private equity and real estate was far superior to that of short term opportunities in the equity markets. The Board believe that its flexible, though conservative investment approach, and the investment and currency allocation it has established will shield the Group's shareholders from the current volatility in financial markets and generate sustainable returns for investors.

Review of Significant Investments

Atlas Estates ("Atlas") – Central and Eastern Europe

In December 2007, Livermore acquired a 21% stake in Atlas, a diversified real estate company prominent in East Europe, and became its largest shareholder. Since floating on the UK Alternative Investment Market in 2006, Atlas has invested in top quality residential and commercial properties primarily located in Poland, Romania, and Hungary. These properties include the Warsaw Hilton and Platinum Towers in Poland.

Rationale for investment:

Value Investment: As at 31 December 2007 Atlas' NAV was EUR 4.98 per share. The adjusted NAV, after taking into account the revaluation of land assets held under operating lease, was EUR 6.36 per share. Livermore's average purchase price of Atlas shares represents a 14.7% discount to NAV and a 33% discount to the adjusted NAV. Atlas enjoys both solid earnings from its high quality yielding assets and upside potential in its development projects, which were acquired at attractive valuations.

Access to Eastern Europe: The Board believe that Eastern European real estate will continue to benefit from the ongoing regeneration of the region as more countries (including Romania and Bulgaria) become members of the European Union and the region experiences increased foreign investment in infrastructure and business and residential accommodation. The region is already experiencing high GDP growth rates and rising per capita income, further boosting the real estate sector.

Upside potential: Given that Atlas is trading at a significant discount to its NAV and due to short term catalysts, such as its recent dual listing on the Warsaw exchange, Atlas has the potential to close part of this discount. The Board believe that over time, as value is realised, Atlas' share price should converge with its NAV. Following Livermore's acquisition, Atlas has entered into an agreement to sell the Millennium Plaza in Warsaw at a profit of approximately EUR 15m.

The Board believe that through closing the NAV gap, maximizing the potential of the existing assets in Atlas' portfolio as well as certain enhancements relating to the structure of the Investment Manager, this investment will generate significant value for Livermore with very little downside risk.

Wyler Park - Switzerland

In July 2007 the Group finalized its first real estate investment through the purchase and leaseback of Wyler Park from SBB, the Swiss national railway company. The purchase followed a bid process of over 6 months in which over 20 parties participated. The property was purchased for CHF 93m through a newly established Swiss special purchase vehicle. Non recourse finance of some CHF 80m was provided by Merrill Lynch. As part of this commercial investment, the Company is developing a residential project including 39 residential apartments to be completed in July 2008. The total cost of the residential development project is approximately CHF 15m. The project includes additional development rights, which the Company expects to utilize in the future. This high profile investment has positioned the Company well in the Swiss market and has generated significant deal flow opportunities in the property sector. Some of these projects are currently under various stages of review and negotiation.

During 2007 the Wyler Park property contributed some USD 4.1m to the Group's annual profit before tax, derived from operating income, revaluation gains, and exchange rate differences due to the appreciation of the CHF.

Construction of the residential part of the project is progressing in line with expectations and there is strong demand for the apartments. Construction is expected to be complete in the summer of 2008. Following completion of the residential part, we foresee further appreciation in the property valuation.

DTH Television Group SA, BOOM - Romania

Livermore invested in Boom in October 2007 and acquired a 15% minority stake for approximately EUR 9.5m. Boom is a Direct-To-Home multi channel satellite television service in Romania which started operations during the third quarter of 2006. The company plans to leverage on the growth of the Romanian economy, increased spending by its expanding middle class and the low penetration of digital television service in the country. Romanians watch television for 306 minutes per day on average, making Romania one of the highest television consumer nations in Europe and therefore an attractive destination for television related services.

Boom's competitive advantage lies in providing exclusive content and hi-tech services including High Definition, Dolby Surround, and ITV to its subscribers. Boom plans to reach 600,000 subscribers by 2012 and capture some 20% of the digital TV market in Romania. With a market potential of 7.6m homes and regulatory encouragement to switch from analogue to digital reception, Boom is well placed to capitalize on this tremendous window of opportunity. As at 31 December 2007, Boom had 107,000 subscribers (versus some 70,000 subscribers at the time of Livermore's acquisition), which was ahead of its target for the year. This represents a monthly growth rate in new subscribers of 10%. Boom expects to breakeven in 2009 and make significant profits in the years ahead. In March 2008 Boom won the bid for the exclusive rights for the Romanian Football Champions League in the 2009-12 seasons.

Livermore invested in Boom at an attractive valuation, following thorough due diligence, after closely following the development of the subscriber base and being satisfied with the Company's key performance indicators. Although Boom's shareholders have been approached by a few international media entities that expressed an interest in acquiring Boom, Livermore as well as the founding shareholders expect to realise this investment in 2009-2010.

Montana Tech Components ("Montana") - Europe

Montana, based in Austria, is a leading components manufacturer in the fields of Aerospace Components, Metal Tech and Varta Micro Power. Montana is the market leader in these defined niches and Livermore believes it has solid growth potential. Montana pursues a sustainable growth strategy by focusing on growth sectors featuring advanced components, smart technologies and by outsourcing labour-intensive processes to Eastern Europe and Asia as well as by making add-on acquisitions. The Aerospace components business has a 50% market share in an industry with very high barriers to entry. Montana's Metal Technology business is also well positioned with over 50% market share in an otherwise highly fragmented market. This business produces tools for identification and marking of Steel products. In their Micro battery business, Montana is the leader in rechargeable hearing aid batteries, with strong growth potential coming from their Lithium Polymer batteries division. Livermore invested EUR 5m in Montana, following which, Montana completed a further round of funding at a higher valuation. Livermore expects to exit via an IPO during 2008-2009. Montana reported net income of EUR 29.2m for 2007, which represents year-on-year growth of 15.2%.

CALS refinery – India

In December 2007, Livermore entered into a Total Swap Agreement (TSA) with respect to a Global Depositary Receipt (GDR) issued by an Indian refinery company – CALS Refinery. CALS is promoted by Spice group to setup refineries in India. Spice is a USD 2 billion group with interests in Oil & Gas, Aviation, Hotels, and Heavy engineering in India and Africa. The company aspires to become a world-class oil and gas company specializing in the integrated energy business. CALS plans to relocate a refinery from Germany to India and the GDR was issued to part-finance the relocation and setup of this refinery in India. CALS expects the refinery to have a capacity of 4.8 Million Metric Tons Per Annum with expected gross refinery margins of 12%. The TSA has a capital protection structure and enhances the attractiveness of the GDR, which was a limited issue to an exclusive set of investors at attractive valuations.

Chris Sideras, Corporate Comptroller

Other Private Equity Investments

The other private equity investments held by the Group, are mainly in the emerging economies of India and China.

India Blue Mountains: A leading hotel and hospitality development fund that develops and acquires hotels in India. The fund has acquired land and is in the process of developing hotels in Mumbai, Chennai, Pune, Gurgaon, and Goa. Since our investment, the NAV per share has increased by 27.05% for the year ended 31 December 2007. The fund recently acquired a highly rated hotel in Mumbai which has yet to be re-valued. The fund plans to exit via an IPO in 2008 - 2009.

Promethean India: India-focused private equity fund, which is AIM quoted (Ticker: PTHI IN). It operates a hybrid investment strategy, enabling it to invest in private and quoted equities. Some of its portfolio investments include a leading tiles manufacturer in India, an established automotive components manufacturer, a hospitality company with luxury hotels located in prime locations in top Indian cities, and an m-commerce player.

SRS Partners, JM Financial: Real estate-focused exclusive private equity fund partnered with JM Financial that has established a successful portfolio of real estate in India. A significant portion of the investments are in residential real estate in the highest growth cities in India.

Panda Capital: China-based Private Equity Fund focused on early-stage industrial operations in China and Taiwan, which represent strong growth opportunities. The fund is invested in manufacturing, media, healthcare, and emerging technology industries.

Alternative Investment Managers

During 2007, Livermore constructed a globally diversified portfolio of exclusive managers. All managers have a proven track record and are led by outstanding individuals or teams whom Livermore management personally know. This combination of managers and investment strategies focused on absolute returns generated superior returns during the year in comparison to market peers. The investment strategies include long/short equities, merger arbitrage, credit opportunities and multi-strategies.

The overall performance of this portfolio in 2007 was growth of approximately 20% (annualised). The Group reviews talented managers on an on going basis with the aim to source suitable managers that can enhance the performance of the portfolio and reduce its volatility.

Livermore's portfolio construction and allocation strategy is based on hedge fund strategy and sector diversification, internal correlations, macro-economic conditions, market cycles, and fund strategy risk considerations. In its selection process Livermore places special focus on qualitative traits of the investment manager. Livermore has access to top hedge fund managers, some of whom are not available to the public, as well as outstanding emerging hedge fund managers. The Group closely monitors the managers and continually adjusts the portfolio. Livermore's management believe that its approach and access to talented managers will generate higher risk adjusted returns.

In addition, during 2007 the Group invested in a diversified portfolio of exclusive managers in the credit arena, mainly through investments in equity tranches of Collateralized Loan Obligations. These investments were made with a view to taking advantage of the tight financing terms for these deals and the strong fundamentals of leveraged loans as an asset class, namely high recovery rates and strong cash flows. The total credit portfolio as at year end amounted to USD 29.1m.

Post balance sheet events and investments

The following post balance sheet events and investments were recorded:

SRS Charminar

In January 2008, Livermore invested in a leading Indian Real Estate company, in association with SRS Private and other investors. The target company is a top real estate player in South India, with a land bank of over USD 1.3bn spread across the city of Hyderabad and the state of Andhra Pradesh.

The investment in the target company was conducted via a fund structure (SRS Charminar) set up by SRS Private Invest. The fund will in turn invest in the target company in the form of compulsorily convertible debentures. The proceeds will be used by the target company for development of residential and commercial real estate on the land bank owned by them.

The exit is expected to be via an IPO within 36 months of the date of investment. Investors are guaranteed a minimum of 12.5% discount on the IPO price. The deal structure includes a put option for investors, which can be exercised if the IPO does not take place within 3 years. The put option is secured by land valued at USD 1.3bn and guarantees a minimum return of approximately 30% IRR if exercised.

Blue Ridge China

The Group committed to invest in Blue Ridge China, a Limited Partnership whose main business will be running a fund of Portfolio Investments in companies principally engaged in business in China. The Partnership shall generally have significant influence on the management, operations and strategic direction of investee companies. The intention of the fund is to raise USD 1.4bn, of which the committed capital of the limited Partnership is some USD 150m.

Change of Name

The Company changed its name to Livermore Investments Group Limited following the EGM held on 28 February 2007.

Discontinued operations

The Group disposal of the remainder of its operating activities to PartyGaming Plc for a net consideration of $38m, was completed on 19 January 2007 and was included in the 2006 financial accounts. Details and full disclosure of this can be found in Note 13 to the financial statements.

Litigation

In Q3 2007, an ex-employee of Empire Online Limited (the Company's previous name), filed a law suit against the Company, one of its directors, and one of its former subsidiaries, in the Labour Court of Tel Aviv. According to the lawsuit, the plaintiff claims compensation relating to the event of the sale of all commercial activities of Empire Online Limited until the end of 2006, and for terms relating to the termination of his employment with Empire Online Limited. The Company has taken a conservative approach and made a provision of USD 750k for all settlement costs and the potential related legal expenses of this case.

Report of the Directors

The Board's objectives

The Board's primary objectives are to supervise and control the management activities, business development, and the establishment of a strong franchise in the Group's business lines. Measures aimed at increasing shareholders value over the medium to long-term, such as an increase in NAV and dividends paid are used to monitor performance.

The Board of Directors

Richard Barry Rosenberg (age 52), Non-Executive Director, Chairman of the Board

Richard joined the Group in December 2004. He became Non-Executive Chairman on 31 October 2006, following the resignation of Lord Leonard Steinberg. He qualified as a chartered accountant in 1980 and in 1988 co-founded the accountancy practice Sedley Richard Laurence Voulters. He has considerable experience in giving professional advice to clients in the leisure and entertainment sector. Richard is a director of a large number of companies operating in a variety of business segments.

Noam Lanir (age 41), Founder and Chief Executive Officer

Noam founded the Group in July 1998, to develop a specialist online marketing operation. Noam has led the growth and development of the group's operations over the last nine years which culminated in its IPO in June 2005 on AIM. He is also a major benefactor of a number of charitable organisations. Prior to 1998, Noam was involved in a variety of businesses mainly within the leisure and entertainment sector.

Ron Baron (age 40), Executive Director and Chief Investment Officer

Ron was appointed as Executive Director and Chief Investment Officer on 10 August 2007. Ron has wide investment and M&A experience. From 2001 to 2006 Ron served as a member of the management at Bank Leumi, Switzerland and was responsible for portfolio management activity. Prior to this he spent five years as a commercial lawyer at Kantor, Elhanani, Tal & Co. Law Offices in Tel Aviv, Israel, advising banks and large corporations on corporate transactions, including buy-outs and privatisations. He holds an MBA from INSEAD Fontainebleau and a LLB (LAW) and BA in Economics from Tel Aviv University.

The Directors shall retire from office at the third Annual General Meeting after that at which they were last elected, and if they so wish, offer themselves up for re-election to the Board. Subject to the Companies Act and the Articles, the Directors to retire by rotation at the Annual General Meeting in every year shall be in addition to any Director who wishes to retire and not to offer himself for reappointment and any Director to retire under the Company's Articles. The interests of the Directors and their related companies in the shares and options over shares in the Company are as shown on pages 33 to 34. Details of the Directors' remuneration and service contracts also appear on pages 33 to 34.

The Directors submit their annual report and audited financial statements of the Group for the year ended 31 December 2007.

Ron Baron,
Executive Director and
Chief Investment Officer

Richard Barry Rosenberg,
Non-Executive Director,
Chairman of the Board

Noam Lanir,
Founder and
Chief Executive Officer

Directors responsibilities in relation to the accounts

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards as adopted by the European Union.

The Directors are required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgments and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the applicable law. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the British Virgin Islands governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Disclosure of information to the auditor

In so far as the Directors are aware:

- there is no relevant audit information of which the Company's auditor is unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Substantial Shareholdings

As at 25 March 2008 the following interests in 3 per cent or more of the Company's existing ordinary share capital had been reported:

	Number of Ordinary Shares	% of issued ordinary share capital
Groverton Management Ltd	143,969,189	51.01
Aviv Raiz	24,578,931	8.40
Artemis Investment Management	14,328,327	4.89
Israel Discount Bank	13,277,568	4.54
Ron Baron	13,055,510	4.46

	Number of Ordinary Shares	% of issued ordinary share capital
New Star Asset Management	11,349,144	3.88
Livermore Investments Ltd (treasury)	10,558,262	3.61
Bank Hapoalim Luxemburg	10,033,309	3.43
Deutsche Bank	9,725,776	3.32

Save as disclosed in this report and in the remuneration report, the Company is not aware of any person who is interested directly or indirectly in 3 per cent or more of the issued share capital of the Company or could, directly or indirectly, jointly or severally, exercise control over the Company.

Details of transactions with Directors are disclosed in note 30 to the financial statements.

Corporate Governance

Introduction

The Company recognises the importance of the principles of good corporate governance and the Board is pleased to report its commitment to such high standards throughout the year. As an AIM quoted Company Livermore is not required to follow the provisions of the 2006 FRC Combined Code (the "Code").

The Board Constitution and Procedures

The Company is controlled through the Board of Directors, which currently comprises 1 Non-Executive Director and 2 Executive Directors. The Chief Executive's responsibilities focus on coordinating the Company's business and implementing Group strategy.

A formal schedule of matters is reserved for consideration by the Board, which meets approximately six times each year. The Board is responsible for implementation of the investing strategy described in the circular to shareholders dated 29 December 2006 and adopted pursuant to shareholder approval at the Company's EGM on 17 January 2007. It reviews the strategic direction of the Group, its codes of conduct, its annual budgets, its progress towards achievement of these budgets and any capital expenditure programmes. In addition, the Directors have access to the advice and services of the Company Secretary and all Directors are able to take independent professional advice in the furtherance of their duties if necessary. The Directors receive training and advice on their responsibilities as necessary. All Directors, in accordance with the Code, submit themselves for re-election at least once every three years.

Board Committees

Due to the fact that there is currently only one Non Executive Director on the board of Directors, the Company does not employ the powers of its Audit, Remuneration and Nomination Committees. The Company is evaluating the recruitment of an additional Non-Executive Director, and once such appointment is made, it will employ the full powers of its Board committees. In addition, the board is evaluating the establishment of an advisory panel to assist in the development and implementation of investment strategy and policy.

a) Remuneration Committee

Until 31 October 2006 the Remuneration Committee comprised of two Non-Executive Directors and was chaired by Richard Rosenberg.

The Remuneration Committee considers the terms of employment and overall remuneration of the Executive Directors and key members of executive management regarding share options, salaries, incentive payments and performance related pay. The remuneration of Non-Executive Directors is determined by the Board.

b) Audit Committee

Until 31 October 2006 the Audit Committee comprised two Non-Executive Directors and was chaired by the then senior independent Non Executive Director. The duties of the Committee include monitoring the auditor's performance and reviewing accounting policies and financial reporting procedures. The Committee prepares a summary of its work, which is included each year in the Company's Annual Report.

c) Communication with Investors

The Directors are available to meet with shareholders throughout the year. In particular the Executive Directors prepare a general presentation for analysts and institutional shareholders following the interim and preliminary results announcements of the company. The Chairman, Richard Rosenberg, was available for meetings with shareholders throughout the year. The Board endeavours to answer all queries raised by shareholders promptly.

Shareholders are encouraged to participate in the Annual General Meeting at which the Chairman will present the key highlights of the Group's performance. The Board will be available at the Annual General Meeting to answer questions from shareholders.

Internal Control

The Board is responsible for ensuring that the Company has in place a system of internal control and for reviewing its effectiveness. In this context, control is defined as the policies and processes established to ensure that business objectives are achieved cost effectively, assets and shareholder value safeguarded and that laws and regulations are complied with. Controls can provide reasonable but not absolute assurance that risks are identified and adequately managed to achieve business objectives and to minimise material errors, frauds and losses or breaches of laws and regulations.

Leoni Sophocleous, Sennior assistant to Corporate Comptroller

The Group operates a sound system of internal control, which is designed to ensure that the risk of misstatement or loss is kept to a minimum.

Given the Group's size and the nature of its business, the Board does not consider that it is necessary to have an internal audit function. An internal audit function will be established as and when the Group is of an appropriate size.

The Board will undertake a review of its internal control on an on going basis.

Independence of Auditor

The Board undertakes a formal assessment of the auditor's independence each year, which includes:

- a review of non-audit related services provided to the Company and related fees;
- discussion with the auditor of a written report detailing all relationships with the Company and any other parties which could affect independence or the perception of independence;
- a review of the auditor's own procedures for ensuring independence of the audit firm and partners and staff involved in the audit, including the rotation of the audit partner;
- obtaining written confirmation from the auditors that they are independent;
- a review of fees paid to the auditor in respect of audit and non-audit services.

Remuneration Report

The Directors' emoluments, benefits and shareholdings during the year ended 31 December 2007 were as follows:

Directors' Emoluments

Each of the Directors has a service contract with the Company.

Director	Notes	Date of agreement	Salary/Fees $000	Benefits $000	Total Emoluments 2007, $000	Total Emoluments 2006, $000
Richard Barry Rosenberg		10/06/05	151	-	151	94
Noam Lanir	a	10/06/05	400	-	400	1,000
Ron Baron		01/09/07	94	-	94	-
Andrew Rae Burns	b	01/09/05	131	-	131	337

The dates are presented in day / month / year format.

Notes:

a) Service contract terminable on either party to the agreement giving to the other 12 months' notice;

b) Andrew Rae Burns resigned on 31 August 2007.

Directors' Interests

Interests of Directors in ordinary shares

	Notes	As at 31.12.2007		As at 31.12.2006	
		Number of Ordinary Shares	Percentage of ordinary issued share capital	Number of Ordinary Shares	Percentage of ordinary issued share capital
Noam Lanir	a	138,840,923	48.883%	95,616,837	32.659%
Ron Baron	b	13,055,510	4.597%	-	-
Richard Barry Rosenberg		15,000	0.005%	15,000	0.005%
Andrew Rae Burns		-	-	20,000	0.007%

Notes:

a) Noam Lanir is interested in his ordinary shares by virtue of the fact that he owns directly or indirectly all of the issued share capital of Groverton Management Limited.

b) On 16 April 2007, a loan of USD 5m was provided to Ron Baron to purchase Livermore shares. The loan bears an annual interest rate of 6 month USD Libor + 25bp, and is payable 3 years from grant.

Interests of Directors in share options

	No of options at 31 December 2007	Date of grant	Exercise price, £	Exercise Price, $	Vesting period of options
Noam Lanir	10,000,000	19/07/06	0.7775	1.41786	19/07/06-19/07/09
Richard Barry Rosenberg	150,000 75,000	19/07/06 07/12/05	0.7775 0.71	1.41786 1.22	19/07/06-19/07/09 07/12/05-07/12/08

The options are exercisable up to 10 years after the date of grant. No options were exercised during the year 2007.

Share Option Scheme

The Company's remuneration committee (the "Committee") is responsible for administering the Share Option Scheme. Options to acquire Shares in the Company may be granted under the Share Option Scheme to any employee or director of the Company or member of the Group.

The option exercise price per Ordinary Share is determined by the Committee but will be no less than market value of the Ordinary Shares on the dealing day immediately preceding the date of grant. The options are not subject to any performance criteria.

An option is normally exercisable in three equal tranches, on the first, second and third anniversary of the grant.

The Share Option Scheme will terminate ten years after it is adopted by the Company, or earlier in certain circumstances.

Remuneration Policy

The Group's policy has been designed to ensure that the Group has the ability to attract, retain and motivate executive directors and key management personnel to ensure the success of the organization.

The following key principles guide its policy:

- policy for the remuneration of executive directors will be determined and regularly reviewed independently of executive management and will set the tone for the remuneration of other senior executives
- the remuneration structure will support and reflect the Group's stated purpose to maximize long-term shareholder value
- the remuneration structure will reflect a just system of rewards for the participants
- the overall quantum of all potential remuneration components will be determined by the exercise of informed judgement of the independent remuneration committee, taking into account the success of the Company and the competitive global market
- a significant personal shareholding will be developed in order to align executive and shareholder interests
- the assessment of performance will be quantitative and qualitative and will include exercise of informed judgement by the remuneration committee within a framework that takes account of sector characteristics and is approved by shareholders
- the committee will be proactive in obtaining an understanding of shareholder preferences
- remuneration policy and practices will be as transparent as possible, both for participants and shareholders
- the wider scene, including pay and employment conditions elsewhere in the Group, will be taken into account, especially when determining annual salary increases.

Review of the business and risks

The Company is now an investment company, a more detailed review of the business is given in the Chairman's and Chief Executive's review.

Risks

The Board considers that the risks the Shareholders face can be divided into external and internal risks.

External risks to shareholders and their returns are those that can severely influence the investment environment within which the Group operates, and include economic recession, declining corporate profitability, rising inflation and interest rates and excessive stock-market speculation.

Current portfolio risks include interest rate increases, a global economic effect on Emerging markets (mainly India), a global credit shortage caused by the US credit market crisis, and instability in the Private Equity and Hedge Fund sectors. The mitigation of these risks is achieved by investment diversification, both by sector and by location.

Internal risks to shareholders and their returns are:

Portfolio (investment and location selection and concentration), balance sheet (gearing) and/or investment mismanagement. In particular the Board has identified the exposure to Atlas Estates Ltd. as a notably large single investment risk.

In respect of the risks associated with investments, the board is evaluating the establishment of an external investment advisory board. In addition, a periodic internal review is performed to ensure transparency of Group activities and investments. All service providers to the Group are regularly reviewed. The mitigation of the risks related to investments is effected by investment restrictions and guidelines and through reviews at Board Meetings.

As the portfolio is invested mostly in non USD currencies (mainly EURO, CHF and INR), it is exposed to movements in these currencies.

On the asset side, the Group's exposure to interest rate risk is limited to the interest bearing deposits and portfolio of bonds in which the Group invests surplus funds. On the liability side, the Group's exposure to rising interest rates is minimal as it has limited borrowings correlated to variable interest rates.

Management monitors liquidity to ensure that sufficient liquid resources are available to the Group. The Group's credit risk is primarily attributable to receivables from its CDO / CLO and bond portfolio. Generally the Group's maximum credit exposure is the carrying amount of trade and other receivables shown on the face of the Balance Sheet.

Share Capital

There was no change in the authorised share capital during the year to 31 December 2007. The authorised share capital is 1,000,000,000 ordinary shares with no par value.

Related party transactions

Details of any transactions of the Group with related parties during the year to 31 December 2007 are disclosed in Note 30 to the Financial Statements.

Report of the independent auditor to the members of Livermore Investments Group Limited

We have audited the consolidated financial statements of Livermore Investments Group Limited for the year ended 31 December 2007 which comprise the Consolidated Income Statement, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows and notes 1 to 34. The consolidated financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of directors and auditor

The directors' responsibilities for preparing the Annual Report and the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the statement of Directors' Responsibilities.

Our responsibility is to audit the consolidated financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the consolidated financial statements give a true and fair view. In addition we report to you if, in our opinion, we have not received all the information and explanations we require for our audit, or if information specified by IFRS regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited consolidated financial statements. This other information comprises only the Highlights, the Chairman's and Chief Executive's Review, the Review of Activities, the Report of the Directors, the Corporate Governance statement, the Remuneration Report and the Review of the Business and Risks. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the consolidated financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the consolidated financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the consolidated financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the consolidated financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the consolidated financial statements.

Opinion

In our opinion the consolidated financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31 December 2007 and of its profit for the year then ended.

GRANT THORNTON UK LLP

Registered Auditor

Chartered Accountants

London

Date: 30 April 2008

Livermore Investment Group Limited

Consolidated Income Statement for the year ended 31 December 2007

	Note	2007 $000	Discontinued Operations 2006 $000	2006 $000
Revenue from discontinued operations		–	59,850	–
Investment income				
Interest / dividend income	4	16,573	–	12,085
Property revenue	5	1,822	–	–
Gains / losses on investments	6	(1,433)	–	108
Gain on acquisition of associate	7	8,827	–	–
Cost of sales		–	(30,256)	–
Gross profit		25,789	29,594	12,193
Amortisation and non recurring items	8	(134)	(11,054)	–
Administrative expenses	9	(3,172)	(3,483)	(995)
Operating profit		22,483	15,057	11,198
Finance expenditure	10	(1,398)	–	(170)
Profit before taxation		21,085	15,057	11,028
Taxation	11	(368)	(7)	–
Profit after taxation from discontinued operations		–	15,050	–
Profit from disposal of discontinued operations	13	–	36,642	–
Profit from discontinued operations		–	51,692	51,692
Profit for period		20,717		62,720
Earnings per share				
Basic earnings per share ($)	14	0.07	0.18	0.21
Diluted earnings per share ($)	14	0.07	0.17	0.21
Dividends				
Proposed final dividend per share ($)		$0.035		$0.034
Proposed final dividend ($000)		10,000		10,000
Dividends paid during the year per share ($)		$0.033		$0.085
Dividends paid during the year ($000)	16	9,657		24,887

The notes on pages 42 to 68 form part of these financial statements.

Livermore Investments Group Limited

Consolidated Balance Sheet as at 31 December 2007

	Note	2007 $000	2006 $000
Assets			
Non-current assets			
Property, plant and equipment	17	405	49
Intangible assets	18	45	73
Available- for-sale financial assets	19	217,763	124,491
Financial assets designated at fair value through profit or loss	20	729	
Investment in property	21	97,632	-
Investment in associate	22	69,639	-
		386,213	124,613
Current assets			
Trade and other receivables	23	1,850	50,795
Cash and cash equivalents	24	9,917	137,715
		11,767	188,510
Total assets		397,980	313,123
Equity			
Share capital	25	-	-
Share premium		202,635	209,807
Other reserves		767	2,676
Retained earnings		73,041	61,763
Total equity		276,443	274,246
Liabilities			
Non current liabilities			
Bank loan	26	69,411	-
Deferred tax		258	-
		69,669	-
Current liabilities			
Bank overdrafts	27	15,825	4,960
Trade and other payables	28	35,934	33,910
Current tax payable	29	109	7
		51,868	38,877
Total liabilities		121,537	38,877
Total equity and liabilities		397,980	313,123
Net asset valuation per share			
Basic net asset valuation per share ($)		0.97	0.94
Diluted net asset valuation per share ($)		0.97	0.94

These Financial Statements were approved by the Board of Directors on 30 April 2008.

The notes on pages 42 to 68 form part of these financial statements.

Livermore Investments Group Limited

Consolidated Statement of Changes in Equity for the year ended 31 December 2007

	Note	Share capital $000	Share premium $000	Share option reserve $000	Investments revaluation reserve $000	Retained earnings $000	Total $000
Balance at 1 January 2006		–	209,807	277	–	22,297	232,381
Changes in equity for the year ended 31 December 2006							
Available-for-sale investments							
Valuation gains/(losses) taken to equity		–	–	–	990	–	990
Transferred to profit or loss on sale		–	–	–	(108)	–	(108)
Net income recognised directly in equity		–	–	–	882	–	882
Profit for the year		–	–	–	–	62,720	62,720
Total recognised income and expense for the year		–	–	–	882	62,720	63,602
Dividends paid	16	–	–	–	–	(24,887)	(24,887)
Share option charge		–	–	3,150	–	–	3,150
Share options forfeited		–	–	(1,633)	–	1,633	–
Balance at 31 December 2006		–	209,807	1,794	882	61,763	274,246
Changes in equity for the year ended 31 December 2007							
Available-for-sale investments							
Valuation gains/(losses) taken to equity		–	–	–	(7,679)	–	(7,679)
Transferred to profit or loss on sale		–	–	–	3,331	–	3,331
Net income recognised directly in equity		–	–	–	(4,348)	–	(4,348)
Profit for the year		–	–	–	–	20,717	20,717
Total recognised income and expense for the year		–	–	–	(4,348)	20,717	16,369
Dividends paid	16	–	–	–	–	(9,657)	(9,657)
Purchases of own shares		–	(7,172)	–	–	–	(7,172)
Share option charge		–	–	2,657	–	–	2,657
Share options forfeited		–	–	(218)	–	218	–
Balance at 31 December 2007		–	202,635	4,233	(3,466)	73,041	276,443

The notes on pages 42 to 68 form part of these financial statements.

Livermore Investments Group Limited

Consolidated Statement of Cash Flows for the year ended 31 December 2007

	Note	2007 $000	2006 $000
Cash flows from operating activities			
Profit before tax		21,085	62,727
Adjustments for			
Depreciation and amortisation	17/18	93	3,298
Goodwill fair value adjustment		-	797
Interest expense	10	1,398	170
Equity settled share options	8	2,657	3,150
Profit on disposal of business		-	(36,642)
Loss on sale of property, plant and equipment		13	-
		25,246	33,500
Changes in working capital			
Decrease in trade and other receivables		48,945	8,612
Increase / (Decrease) in trade and other payables		2,024	(11,830)
Tax paid		(8)	(7)
		50,961	(3,225)
Net cash generated from operating activities		76,207	30,275
Cash flows from investing activities			
Purchase of property, plant and equipment	17	(418)	(113)
Purchase of intangible assets	18	(16)	(916)
Acquisition of investments		(98,349)	(123,609)
Acquisition of investment property		(97,632)	-
Acquisition of associate		(69,639)	-
Disposal of business assets		-	235.878
Net cash (used in)/from investing activities		(266,054)	111,240
Cash flows from financing activities			
Dividends paid		(9,657)	(24,887)
Purchase of own shares		(7,172)	-
Proceeds from bank loan		69,411	-
Interest paid		(1,398)	(170)
Net cash from/(used in) financing activities		51,184	(25,057)
Net (decrease)/increase in cash and cash equivalents		(138,663)	116,458
Cash and cash equivalents at the beginning of the year		132,755	16,297
Cash and cash equivalents at the end of the year		(5,908)	132,755

The notes on pages 42 to 68 form part of these financial statements.

Notes on the Financial Statements

1. General Information

(1.1) Incorporation, principal activity and status of the Company

The Company was incorporated as an international business company and registered in the British Virgin Islands (BVI) on 2 January 2002 under IBC Number 475668 with the name Clevedon Services Limited. The liability of the members of the Company is limited.

(1.2) The Company changed its name to Empire Online Limited on 5 May 2005 and then changed to Livermore Investments Group Limited on 28 February 2007.

(1.3) The principal activity of the Group changed to investment services on 1 January 2007. Before that the principal activity of the Group was the provision of marketing services to the online gaming industry and, since 1 January 2006, the operation of online gaming.

(1.4) The principal legislation under which the Company operates is the BVI Business Companies Act (2004.).

(1.5) The registered office and head office of the Company is located at Trident Chambers, PO Box 146, Road Town, Tortola, British Virgin Islands.

2. Accounting Policies

(2.1) The significant accounting policies applied in the preparation of the financial informationare as follows:

a) Basis of preparation

The audited financial statements of Livermore Investments Group Limited have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and on a going concern basis. The financial statements have been prepared on the historical cost except for the following:

- Derivative financial instruments are measured at fair value.
- Financial instruments at fair value through profit or loss are measured at fair value.
- Available- for- sale financial assets are measured at fair value.
- Investment property is measured at fair value.
- Share- based payments are fair valued at the date of grant.

The financial information is presented in US dollars because that is the currency in which the Group primarily operates.

The directors have reviewed the accounting policies used by the Group and consider them to be the most appropriate.

A new standard, IFRS 7 – Financial Instruments: Disclosure was introduced for accounting periods beginning on or after 1 January 2007.

IFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity to market risk. It replaces the disclosure requirements in IAS 32 "Financial Instruments: Disclosure and Presentation".

b) New standards and interpretations not yet adopted

The following standards, issued by the IASB, have not been adopted by the Group and the Group is currently assessing the impact these standards will have on the presentation of the consolidated results in future periods:

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

IAS 1 – Presentation of financial statements (revised 2007)

This standard is applicable for accounting periods beginning on or after 1 January 2009. The main changes triggered by this standard result in a separate presentation of changes in equity that arise from transactions with owners in their capacity as owners from other changes in equity. The amended version of this standard also changes the terminology and presentation of the primary financial statements.

Other standards which will become effective in future periods, but which are not expected to impact on the Group are:

- Revised IAS 23 – Borrowing Cost
- IFRIC 11 – IFRS 2 – Group and Treasury Shares Transactions
- IFRIC 12 – Service Concession Agreements
- IFRIC 13 – Customer Loyalty Programmes
- IFRIC 14 – IAS 19 – The Limit on a Defined Asset, Minimum funding Requirementsand Other Interactions
- IFRS 3 – Business Combinations (revised 2008)
- IAS 27 Consolidated and Separate Financial Statements (revised 2008)
- Amendment to IFRS 2 Share-Based Payment Vesting Conditions and Cancellations

c) Basis of Consolidation

The consolidated results incorporate the results of Livermore Investments Group Limited and all of its subsidiaries undertakings as at 31 December 2007 using the acquisition method of accounting as required. Profits or losses on intra group transactions are eliminated on consolidation. The results for the subsidiary undertakings acquired during the year have been included from the date of acquisition. On acquisition of a subsidiary all of the subsidiary's assets and liabilities which exist at the date of acquisition are recorded at fair value. The excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired, is capitalised net of any provision for any impairment.

d) Investment in associates

The Group's interest in associates, being those entities over which it holds significant influence and which are neither subsidiaries nor joint ventures, are accounted for using the equity method.

Under the equity method, the investment in an associate is carried in the balance sheet at cost plus post acquisition changes in the Group's share of the net assets of the associate and less any impairment in the value of individual investments. The Group income statement reflects the share of the associate's results after tax. The Group statement of recognized income and expenses reflects the Group's share of any income and expenses recognized by the associate outside profit or loss.

Any goodwill arising on the acquisition of an associate, representing the excess of the cost of investment compared to the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities, is included in the carrying amount of the associate and is not amortized. To the extent that the net fair value of the associate's identifiable assets, liabilities and contingent liabilities is greater then the cost of the investment, a gain is recognized and added to the Group's share of the associate profit and loss in the period in which the investment is acquired.

Financial statements of associates are prepared for the same period as the Group's. Adjustments are made to bring the associate's accounting policies into line with those of the Group.

e) Revenue recognition

Revenue from discontinued operations is recognised in the accounting period in which the transaction occurs.

Revenue from discontinued operations comprises commissions earned from clients, net of rebates and chargebacks deducted at source. Commissions are calculated based on a percentage of the net amount earned by the Group's clients on their internet websites from players introduced to the websites by the Group. Where the Company acted as operator, casino net revenue represented commission charged or tournament entry fees where the player had concluded their participation in the tournament.

f) Investment Income

Investment income comprises interest income on funds invested, dividend income, and investment property income. Interest and investment property income is recognised as it accrues. Dividend income is recognised on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

g) Foreign currency

Monetary assets and liabilities denominated in non-US dollar currencies are translated into US dollar equivalents using year-end spot foreign exchange rates. Non-monetary assets and liabilities are translated using exchange rates prevailing at the dates of the transactions. Exchange rate differences on foreign currency transactions are included in net finance income.

The results and financial position of all Group entities that have a functional currency different from US dollars are translated into the presentation currency as follows:

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

(ii) income and expenses for each income statement item are translated at an average exchange rate (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions). Exchange differences arising are recognised through the Income Statement; and

(iii) exchange differences on the net investment in subsidiary entities with a different functional currency to the group are recognised through equity.

h) Taxation

Provision is made for corporation tax on the taxable profits for the year at the appropriate rate in force.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax liabilities are provided in full with no discounting.

i) Goodwill

Goodwill, being the excess of the fair value of cost of an acquisition over the fair value attributed to the net assets at acquisition, is capitalised.

Goodwill is not being amortised through the income statement; however, it is subject to annual impairment reviews. Impairment of the goodwill is evaluated by comparing the present value of the future expected cash flows, (the "value-in-use") to the carrying value of the underlying net assets and goodwill. If the net assets and goodwill were to exceed the value-in-use, an impairment would be deemed to have occurred and the resulting write down in the goodwill would be charged to the income statement immediately.

j) Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation. Carrying amounts are reviewed at each balance sheet date for impairment.

Depreciation is calculated using the straight-line method, at annual rates estimated to write off the cost of the assets less their estimated residual values over their expected useful lives. The annual depreciation rates used are as follows:

Computer hardware	-	33.3%
Fixtures and Fittings	-	10%
Office renovation	-	2.5%

k) Intangible assets

Intangible assets comprise website design costs and computer software and are stated at historic cost less accumulated amortisation. Carrying amounts are reviewed at each balance sheet date for indications of impairment.

Amortisation is calculated using the straight-line method, at annual rates estimated to write off the cost of the assets over their expected useful lives. The annual amortisation rates are as follows:

Computer software - 33.3%

l) Investment property

Certain of the Group's properties are classified as investment property, being held for long term investment and to earn rental income.

Investment properties are measured initially at cost, and thereafter are stated at fair value, which reflects market conditions at the balance sheet date. Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

m) Development property

Investment property under development is stated at cost incurred to date, and is not depreciated. On completion of development, this asset is transferred to investment property.

n) Equity

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

Equity purchased by the Company is recorded as the consideration paid, including directly associated assets and is deducted from total equity as treasury shares until they are sold or cancelled. Where such shares are subsequently sold or reissued, any consideration received is included in total equity.

The share premium account includes any premiums received on the initial issuing of the share capital. Any transaction costs associated with the issuing of shares are deducted from the premium paid.

Equity-settled share-based employee remuneration is credited to the share option reserve until related stock options are exercised. On exercise or lapse amounts recognised in the share option reserve are taken to retained earnings.

Unrealised gains and losses on available for sale financial assets are taken to the investment revaluation reserve. When these gains/losses are realised, they are taken to the income statement.

o) Leases

All leases are classified as operating leases and rentals are charged to income on a straight-line basis over the term of the lease.

p) Financial instruments

The carrying amounts of cash and cash equivalents, related party creditors, trade receivables, other accounts receivable, trade payables, customer deposits and other accounts payable approximate to their fair value.

The Group does not issue derivative financial instruments for trading purposes.

The Group holds derivative financial instruments for trading purposes.

Trade and other receivables

Trade and other receivables are recognised and carried at the original transaction value. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified. Where the time value of money is significant receivables are carried at amortized cost.

Cash and cash equivalents

Cash comprises cash in hand and balances with banks. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash. They include unrestricted short-term bank deposits originally purchased with maturities of twelve months or less.

Trade and other payables

Trade and other payables are recognised and carried at the original transaction value.

Financial assets at fair value through profit or loss

From 1 January 2008 all new financial assets acquired will be designated at fair value through profit or loss upon initial recognition, because management consider this to more fairly reflect the way these assets are managed by the Group. The Group's business is investing in financial assets with a view to profiting from their total return in the form of income and capital growth. This portfolio of financial assets is managed and its performance evaluated on a fair value basis, in accordance with a documented investment strategy, and information about the portfolio is provided internally on that basis to the Group's Board of directors and other key management personnel.

Financial Assets at fair value through profit and loss include financial assets that are either classified as held for trading or are designated by the Group to be carried at fair value through profit and loss upon initial recognition. By definition, all derivative financial instruments that do not qualify for hedge accounting fall into this category. All assets within this category are measured at their fair value, with changes in value recognised in the income statement when incurred. Upon initial recognition attributable transactions costs are recognised in profit or loss when incurred.

Available-for-sale assets

During the year ended 31 December 2007, all financial assets (other than derivatives) were classified as available for sale on initial recognition. Available for sale financial assets are recognised when the Company becomes a party to the contractual provisions of the instrument. Available for sale financial assets are recognised at fair value plus transaction costs.

Available-for-sale financial assets include non-derivative financial assets that are either designated as such or do not qualify for inclusion in any of the other categories of financial assets. All financial assets within this category are measured, with changes in value recognised in equity, through the statement of changes in equity. Gains and losses arising from investments classified as available-for-sale are recognised in the income statement when they are sold or when the investment is impaired.

In the case of impairment of available-for-sale assets, any loss previously recognised in equity is transferred to the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. Impairment losses recognised previously on debt securities are reversed through the income statement when the increase can be related objectively to an event occurring after the impairment loss was recognised in the income statement.

An assessment for impairment is undertaken at least at each balance sheet date.

A financial asset is derecognised only where the contractual rights to the cash flows from the asset expire or the financial asset is transferred and that transfer qualifies for derecognition. A financial asset is transferred if the contractual rights to receive the cash flows of the asset have been transferred or the Group retains the contractual rights to receive the cash flows of the asset but assumes a contractual obligation to pay the cash flows to one or more recipients. A financial asset that is transferred qualifies for derecognition if the Group transfers substantially all the risks and rewards of ownership of the asset, or if the Group neither retains nor transfers substantially all the risks and rewards of ownership but does transfer control of that asset.

Valuation of financial assets

- Cash and deposits are evaluated per holdings in banks.
- Public equities, Credit Notes and Bonds are valued per their bid market prices on quoted exchanges, or as quoted by market maker.
- Hedge Funds and Private Equity funds are valued per reports provided by the funds on a periodic basis.
- Private Equities and Unlisted Investments are valued using market valuation techniques as determined by the directors.
- Investment property is valued at fair value based on valuations provided by a certified external appraiser. Development projects are valued at cost until completion.
- Derivative instruments are valued at close-out cost as provided by counter parties of the derivative agreement.

q) Share Options

IFRS 2 "Share-based Payment" requires the recognition of equity settled share based payments at fair value at the date of grant.

The Group issues equity-settled share based payments to certain employees and other advisors. The fair value of share-based payments to employees at grant date is measured using the Binomial pricing model. The fair value of share-based payments to other advisors, are measured directly at the fair value of the services provided.

The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the shares that will eventually vest and adjusted for the effect of non market-based vesting conditions. The corresponding credit is taken to the share option reserve.

r) Legal and other disputes

Provision is made where a reliable estimate can be made of the likely outcome of legal and other disputes against the Group. In addition, provision is made for legal and other expenses arising from claims received or other disputes. No provision is made for other possible claims or where an obligation exists but it is not possible to make a reliable estimate. Costs associated with claims made by the Group are charged to the Income Statement as they are incurred.

s) **Critical accounting judgements and key sources of estimation uncertainty**

Impairment of financial assets

The group assesses at each balance sheet date whether financial assets are impaired. If an impairment has occurred, this loss is taken to the income statement.

Assets carried at cost

If there is objective evidence that an impairment loss on unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such a unquoted equity instrument, has been incurred, the amount of the loss is measured as the differences between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return of similar financial assets.

Provision for legal and other disputes

Determining whether provisions for legal and other disputes is required requires the Group to assess the likelihood of an economic outflow occurring as a result of past events. Where an economic outflow is considered probable, a provision has been made for the estimated outflow. Where an outflow is considered possible, but not probable it has only been disclosed.

Where the information required by IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" is expected to prejudice the outcome of legal and other disputes, it has not been disclosed on these grounds.

Further details of contingent liabilities and provisions are provided in notes 31 and 33.

t) **Discontinued operations**

A discontinued operation is a cash-generating unit, or group of cash-generating units, that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or
- Is a subsidiary exclusively with the view to resale

The disclosures for discontinued operations in the prior year relate to all operations that have been discontinued by the balance sheet date for the latest period presented.

Yael Kastiel, legal edvisor

3. Segment Information

Management consider investment activity to be a single class of business.

Business segments

The Groups' performance as it is analysed by its business segments is given below:

Revenue by segments	2007 $000	2006 $000
Discontinued operations	-	59,850
Investments	25,789	12,193
	25,789	72,043
Cost of sales	-	(30,256)
Amortization and non recurring items	(134)	(11,054)
Administration expenses	(3,172)	(4,478)
Finance expenditure	(1,398)	(170)
Profit before taxation	21,085	26,085

4. Interest / dividend income

	2007 $000	2006 $000
Interest from available for sale investments	9,187	2,193
Interest on Bank deposits and current accounts	4,332	9,660
Exchange income	2,498	232
Dividend income	556	-
	16,573	12,085

5. Investment property revenue

	2007 $000	2006 $000
Rental income	1,822	-
	1,822	-

6. Gain / losses on investments

	2007 $000	2006 $000
Gain on sale of available for sale investments	3,331	108
Property revaluation	1,244	-
Loss on derivative instruments	(414)	-
Loss on impairment	(5,594)	-
	(1,433)	108

7. Gains on acquisition of associate

	2007 $000	2006 $000
Atlas Estates Ltd.	8,827	-
	8,827	-

The investment in associate forms part of the Group's investment portfolio and therefore has been included within investment income.

8. Amortisation and non recurring items

Amortisation and non-recurring items refer to:

	2007 $000	2006 $000
Amortisation of intangible assets	63	2,315
Amortisation of share options	2,657	3,150
Non recurring expenses	32	1,144
Compensation to third parties	-	4,445
Income related to discontinued operations	(2,618)	-
	134	11,054

9. Administrative expenses

	2007 $000	2006 $000
Operational expenses	316	357
Directors fees and expenses	985	1,737
Consultants fees and expenses	503	357
Other salaries and expenses	258	299
Office cost	407	532
Plc costs	425	396
Custody fees	143	–
Administration services	135	800
	3,172	4,478

At 31 December 2007 the Group employed 8 staff (31 December 2006: 28).

10. Finance expenditure

	2007 $000	2006 $000
Bank interest and fees	550	170
Financing investment property	848	–
	1,398	170

11. Taxation

	2007 $000	2006 $000
Tax charge	368	7
	368	7
The tax charge for the year can be reconciled to the accounting profit as follows:		
Profit before tax	21,085	62,727
Tax effect of domestic corporation tax	–	–
Tax effect of share of subsidiaries	110	7
Deferred tax	258	–
Tax for the year	368	7

The Company is an international business company based in the British Virgin Islands (BVI) and, under its laws is not subject to corporation tax. Corporation tax is calculated with reference to the profit of the Company's subsidiaries.

Since the Group trades in a number of jurisdictions, there is a risk that certain tax authorities consider that it should be subject to tax in those countries. The directors have considered these risks and concluded that no further tax provision is required.

12. Discontinued operations

On 14 February 2006 certain trade assets were disposed of for $250m. The assets included in the disposal were certain domain names and the brand names "Empire Poker" and "Ace Club". These brands and domain names were used by the Group to direct online poker and casino players to PartyGaming's websites, creating net gaming revenue for the Group.

On 29 December 2006, the Company agreed to dispose of its remaining operations to PartyGaming Plc.

This agreement was validated by the EGM held on 19 January 2007.

	2007 $000	2006 $000
Cash flows from discontinued operations		
Net cash from operating activities	–	(2,010)
Net cash from investing activities	–	234,849
Net cash from financing activities	–	(24,887)
Net cash from discontinued operations	–	207,952

13. Disposal of business assets

	Total 2007 $000	Total 2006 $000	Empire Poker 2006 $000	Disposal of business 2006 $000
Disposal proceeds received	–	287,972	250,000	37,972
Legal and professional expenses	–	(944)	–	(944)
Compensations to third parties	–	(26,827)	(14,122)	(12,705)
Warranties provision	–	(2,000)		(2,000)
Assets written off	–	(221,559)		(221,559)
Profit from disposal to PartyGaming Plc	–	36,642	235,878	(199,236)

On 14 February 2006 the Group sold certain business assets to PartyGaming Plc pursuant to a settlement agreement for a total consideration of $250m. Business assets included in the disposal were certain domain names and brand names. The consideration represented $250m, which was all in the form of cash.

On 19 January 2007, the Group completed the sale to PartyGaming plc of its remaining operating business. This agreement was signed on 28 December 2006 and was subject to certain conditions including approval of the Company's shareholders at an EGM on 17 January 2007. Between signing and completion the Company continued to operate the business, however during this period restrictions were placed on the operation of the business by PartyGaming plc. Business assets included in the disposal were certain domain names, players' data and brand names. Assets written off, principally, comprises of acquired intangible goodwill relating to the acquisition of business of Tradal Limited in May 2005 and the acquisition of Club Dice casinos in September 2005.

The Group received a consideration for the disposal of the business of 83,325,934 PartyGaming shares representing a gross value of $47.9m. As part of the agreement 17,374,637 PartyGaming shares were transferred to agents as compensation resulting in net disposal proceeds to the Group of $37.9m. The transaction was conditional on a further payment to a marketing service provider of $10m.

14. Earnings per share

Basic earnings per share has been calculated by dividing the net profit attributable to ordinary shareholders (profit for the year) by the weighted average number of shares in issue during the relevant financial periods.

Diluted earnings per share is calculated after taking into consideration the potentially dilutive shares in existence as at the year ended 31 December 2007 and the year ended 31 December 2006.

	2007	Discontinued Operations 2006	2006
Net profit attributable to ordinary shareholders ($000)	20,717	51,692	62,720
Weighted average number of ordinary shares in issue	286,944,439	292,777,772	292,777,772
Basic earnings per share ($)	0.07	0.18	0.21
Weighted average number of ordinary shares including the effect of potentially diluted shares	286,944,439	299,723,327	299,723,327
Diluted earnings per share ($)	0.07	0.17	0.21
Number of Shares Weighted average number of ordinary shares in issue	286,944,439	292,777,772	292,777,772
Effect of dilutive potential ordinary shares: Share options	–	6,945,555	6,945,555
Weighted average number of ordinary shares including the effect of potentially dilutive shares	286,944,439	299,723,327	299,723,327

15. Net asset value per share

Net asset value per share has been calculated by dividing the net assets attributable to ordinary shareholders by the weighted average number of shares in issue during the relevant financial periods.

Diluted net asset value per share is calculated after taking into consideration the potentially dilutive shares in existence as at the year ended 31 December 2007 and the year ended 31 December 2006.

	2007	2006
Net assets attributable to ordinary shareholders ($000)	276,400	274,246
Weighted average number of ordinary shares in issue	284,027,772	292,777,772
Basic net asset value per share ($)	0.97	0.94
Weighted average number of ordinary shares including the effect of potentially diluted shares	284,027,772	292,777,772
Diluted NAV per share ($)	0.97	0.94
Number of Shares Weighted average number of ordinary shares in issue	284,027,772	292,777,772
Effect of dilutive potential ordinary shares: Share options	–	–
Weighted average number of ordinary shares including the effect of potentially dilutive shares	284,027,772	299,777,772

16. Dividends

	2007 $000	2006 $000
Dividends paid	9,657	24,887

The final dividend for 2006 was paid on 8 June 2007. Dividends for 2007 will be paid on 31.7.2008.

17. Property, plant and equipment

	Office Renovation	Computer Hardware $000	Fixtures and Fittings $000	Total $000
Cost				
As at 1 January 2006	–	131	–	131
Additions	–	104	9	113
Disposal	–	(156)	–	(156)
As at 1 January 2007	–	79	9	88
Additions	281	66	71	418
Disposal	–	(20)	–	(20)
As at 31 December 2007	281	125	80	486
Accumulated depreciation				
As at 1 January 2006	–	(12)	–	(12)
Charge for the year	–	(78)	(1)	(79)
Disposal	–	52	–	52
As at 1 January 2007	–	(38)	(1)	(39)
Charge for the year	(7)	(34)	(8)	(49)
Disposal	–	7	–	7
As at 31 December 2007	(7)	(65)	(9)	(81)
Net book value As at 31 December 2007	274	60	71	405
As at 31 December 2006	–	41	8	49

18. Intangible assets

	Goodwill $000	Website Design Costs $000	Domains $000	Player data $000	Computer Software $000	Total $000
Cost						
As at 1 January 2006	221,192	1,371	575	4,486	63	227,687
Additions	–	848	–	–	68	916
Adjustment in fair value	(797)	–	–	–	–	(797)
Disposal	(220,395)	(2,219)	(575)	(4,486)	–	(227,675)
As at 1 January 2007	–	–	–	–	131	131
Additions	–	–	–	–	16	16
As at 31 December 2007	–	–	–	–	147	147
Accumulated amortisation						
As at 1 January 2006	–	(744)	(130)	(2,171)	(14)	(3,059)
Charge for the year	–	(860)	–	(2,315)	(44)	(3,219)
Disposal	–	1,604	130	4,486	–	6,220
As at 1 January 2007	–	–	–	–	(58)	(58)
Charge for the year	–	–	–	–	(44)	(44)
As at 31 December 2007	–	–	–	–	(102)	(102)
Net book value						
As at 31 December 2007	–	–	–	–	45	45
As at 31 December 2006	–	–	–	–	73	73

19. Available-for-sale financial assets

	2007 $000	2006 $000
Fixed income investments	96,000	100,975
Public Equities investments	40,940	23,516
Private equities	25,246	–
Hedge funds	25,120	–
Financial and minority holdings	24,628	–
Other investments	5,829	–
	217,763	124,491

Financial assets relate to investments in bonds and equity classified as available for sale. Financial assets are held in the balance sheet at the year end at fair value. Fair value is measured by reference to the market value of the assets at the balance sheet date as they are openly traded on a public market.

20. Financial assets designated at fair value through profit or loss

	2007 $000	2006 $000
Derivatives	729	–
	729	–

21. Investment and development property

	Investment property	Development Property	2007 $000	2006 $000
Valuation as at 1 January 2007	–	–	–	–
Additions	85,040	11,348	96,388	–
Change in fair value	1,244	–	1,244	–
Valuation as at 31 December 2007	86,284	11,348	97,632	–

An investment property, Wylerpark, in Switzerland was purchased on 1 July 2007.

The investment property was valued by Wuest & Partners as at 31 December 2007 on the basis of open market value in accordance with the appraisal and valuation guidelines of the Royal Institute of Certified Surveyors, and the European Group of Valuers' Associations.

22. Investments

	2007 $000	2006 $000
Investment in associates	69,639	–
Investments accounted for using the equity method	69,639	–

(a) Investment in associates – The group has 21.28% interest in Atlas Estates Limited, an AIM –quoted real estate investment and Development Company.

The following table illustrates summarised financial information of the group's investment in Atlas Estates Ltd:

	2007 $000	2006 $000
Share of the associates Balance Sheet		
Non-current assets	112,606	-
Current assets	52,546	-
Share of gross assets	165,152	-
Current liabilities	(25,274)	-
Non-current liabilities	(70,239)	-
Share of gross liabilities	(95,513)	-
Share of net assets	69,639	-

Atlas Estates Limited became an associate investment on 31 December 2007, following the Group's acquisition of 9.1% of Atlas's issued share capital. Therefore the Group has not recognised any share of Atlas's results in its income statement for the year ended 31 December 2007.

The excess of net fair value of the associate's identifiable assets and liabilities over the cost of investment of $8,827,000 has been recognised in the income statement.

Efi Aristidou, assistant to Corporate Comptroller

(b) Details of group undertakings

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

Name of Subsidiary	Place of incorporation	Holding	Proportion of voting rights and shares held	Principal activity
Livermore Capital Limited	British Virgin Islands	Ordinary shares	100%	Fund management Dormant
Livermore Fund I Limited	British Virgin Islands	Ordinary shares	100%*	Hedge Fund, Dormant
Livermore Capital AG	Switzerland	Ordinary shares	100%	Administration services
Livermore Investments AG	Switzerland	Ordinary shares	100%*	Real Estate management
Livermore Real Estate I AG	Switzerland	Ordinary shares	100%	Real Estate management, Dormant
Livermore Enaxor S.a.r.l	Luxemburg	Ordinary shares	100%	Real Estate Owner
LivermoreInvestments Cyprus Limited	Cyprus	Ordinary shares	100%	Administration services
Livermore Investments Limited	United Kingdom	Ordinary shares	100%	Dormant company
Empire Payments Ltd	St. Kitts	Ordinary shares	100%	Dormant company
Sandhirst Ltd	Cyprus	Ordinary shares	100%	Dormant company

Associates

Atlas Estates Ltd	Guernsey	Ordinary shares	21.28%	Real Estates Investments

* Held by a Subsidiary undertaking.

All cash transactions between the 100% subsidiaries and the Group during the year were eliminated on consolidation.

23. Trade and other receivables

	2007 $000	2006 $000
Trade receivables	286	1,548
Other debtors and prepayments	1,564	49,247
	1,850	50,795

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

Included in other debtors and prepayments at 31 December 2006 is $47,967,000 due from PartyGaming Plc on sale of the business as described in note 13.

24. Cash and cash equivalents

Cash and cash equivalents included in the cash flow statement comprise the following at the balance sheet date:

	2007 $000	2006 $000
Short term deposits	500	136,522
Cash at bank	9,417	1,193
	9,917	137,715
Bank overdrafts used for cash management purposes	(15,825)	(4,960)
Cash and cash equivalents in the statement of cash flows	(5,908)	132,755

25. Shareholders equity

Share capital comprises the following:

	$0 shares Number	Share premium arising $000
As at 1 January 2006 and 31 December 2006	292,777,772	209,807
Re-purchased and held in treasury	(8,750,000)	(7,172)
As at 31 December 2007	284,027,772	202,635

8,750,000 shares (2006: Nil) were held in treasury at the year end.

The Company has authorised share capital of 1,000,000,000 ordinary shares with no par value, and no restrictions.

The Company has a share option scheme. The outstanding share options to acquire ordinary shares as at 31 December 2007 were as follows:

	Outstanding Share options	Date Granted	Exercise price £	Exercise price $	Earliest exercise date	Expiry of exercise date
As at 1 January 2006	12,989,840					
Issued on 5 April 2006	1,500,000	05/04/06	1.50	2.62	05/04/07	5/04/16
Issued on 19 July 2006	10,950,000	19/07/06	0.78	1.42	19/07/07	5/04/16
Share options forfeited on termination of employment	(12,494,285)					
As at 1 January 2007	12,945,555					
Share options forfeited on termination of employment	(1,400,000)					
As at 31 December 2007	11,545,555					

The fair value of options granted to employees were determined using the Binomial valuation model. The model takes into account a volatility rate of between 41-45% calculated using the historical volatility of a peer group of similar gaming companies and a risk free interest rate of 4.0-4.4% and it has been assumed the options have a expected life of two years post date of vesting.

The expense for the period has been included in amortisation and non-recurring expenses (see note 8).

26. Bank Loans

	2007 $000	2006 $000
Long term bank loan	69,411	-
	69,411	-

The long term bank loan is related to Wyler park property investment purchase and is secured on this property. Interest is payable at 4.15% and the loan balance is repayable on 12 July 2014.

27. Bank Overdrafts

	2007 $000	2006 $000
Short term bank overdrafts	15,825	4,960
	15.825	4,960

28. Trade and other payables

Amounts falling due within one year

	2007 $000	2006 $000
Trade payables	1,607	3,405
Other payables and accrued expenses	34,327	30,505
	35,934	33,910

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

Included in other payables and accrued expenses is $28,794,000 relating to amounts due on the purchase of associate. Included in other payables and accrued expenses at 31 December 2006 is $10,004,000 relating to amounts due to agents as part of the PartyGaming Plc transaction in December 2006.

29. Current tax payable

	2007 $000	2006 $000
Corporation tax payable	109	7

30. Related party transactions

	2007 $000	2006 $000
Amounts owed by key management	5,500	–
Interest receivable on key management balances	190	–
Amounts owed to Directors	94	391
Administration services provided by Tradal Limited	193	660
Paid in respect of services *	688	1,562

* These payments were made in respect of members of key management either directly to them or to companies to which they are related.

Tradal Ltd is a related party by virtue of common ownership with Livermore Investments Group Limited.

Loans of $5,500,000 were made to key management during the period for the acquisition of shares in the Company. Interest is payable on these loans at US LIBOR plus 0.25% and the loans are secured on the shares acquired. The loans are repayable on the earlier of the employee leaving the Company or November 2010.

31. Contingent liabilities

The agreement with PartyGaming Plc relating to the disposal of the remaining online gaming operations which was completed in January 2007, could potentially give rise to a liability arising from warranties and indemnities included within the sale and purchase agreement.

No further information is provided as the directors consider it could prejudice the outcome of any claim.

32. Other commitments and contingencies

	2007 $000	2006 $000
Future minimum lease commitments under property operating leases:		
Less than one year	–	27
Committed real estate development expenditure	6,266	–
Total commitments falling due within one year	6,266	27

33. Litigation

A trademark dispute with La Societe des Bains de Mer et du Circle des Etrangers a Monaco was settled in January 2007 when the Group agreed to an out of court settlement of USD 3.4m.

During the year the Group was made aware of a possible litigation in relation to a former employee relating to the termination of his contract following the sale of the operating business to PartyGaming in December 2006. This litigation procedure is taking place and the Group has made a provision of USD 750k for the Directors' best estimate of the potential liability and expenses arising.

Other than the above no member of the Group is or has been involved in any legal or arbitration proceedings which may have, or have had during the 12 months preceding the date of this document, a significant effect on the Group's financial position nor are the Directors aware of such proceedings pending or threatened against any member of the Group.

The Group has provided for litigation claims in line with its accounting policy as set out in note 1.

34. Financial risk management objectives and policies

Background

The Group's financial instruments comprise available for sale investments, derivatives, cash balances and receivables and payables that arise directly from its operations.

Risk Objectives and Policies

The objective of the Group is to achieve growth of shareholder value, yet in line with reasonable risk, taking into consideration that the protection of long-term shareholder value is paramount. The policy of the Board is to provide a framework within which the Investment Manager can operate and deliver the objectives of the Group.

Risks Associated with Financial Instruments

Foreign currency risk

Foreign currency risks arise in two distinct areas which affect the valuation of the investment portfolio, 1) where an investment is denominated and paid for in a currency other than US Dollars; and 2) where an investment has substantial exposure to non US Dollars underlying assets or cash flows. Although the Company reports in USD, most of the Company's assets are in non USD currencies and the Company in general does not hedge its currency exposure. The investment manager discretionally partially hedges against foreign currency movements affecting the value of the investment portfolio based on his view on the relative strength of certain currencies. The Investment Managers monitor the effect of foreign currency fluctuations through the pricing of the investments by the various markets. The level of investments denominated in foreign currencies held by the Group at 31 December 2007 is the following:

	2007 $m Financial assets	2007 $m Liabilities	2007 $m Net value	2006 $m Financial assets	2006 $m Liabilities	2006 $m Net value
US Dollar	156.8	23.3	133.5	306.3	38.9	267.4
British Pounds	45.3	-	45.3	0.2	-	0.2
Euro	66.3	28.9	37.4	2.5	-	2.5
Swiss Francs	105.5	69.4	36.1	4.1	-	4.1
Indian Rupee	16.8	-	16.8	-	-	-
Others	7.3	-	7.3	-	-	-

Some of the USD denominated investments are backed by underlying assets which are invested in non USD assets.

Interest rate risk

The Group is exposed to market price risk on its interest-bearing instruments which are affected by changes in market interest rates and expectations. The Group has borrowings of USD 69.4m (2006: 0) which have been fixed through the use of an interest rate swap.

The Group has banking credit lines which are available on short notice for the Investment Managers to use in their investment activities, the costs of which are based on variable rates plus a margin. When an investment is made utilising the facility, consideration is given to the financing costs which would impact the returns. The level of banking facilities used is monitored by both the Board and the Investment Manager on a regular basis. If fully drawn, the credit lines could form up to 40% of the current value of the investment portfolio. The level of banking facilities utilised at 31 December 2007 was USD 15.8m (2006: USD 5.0m).

Interest rate changes will also impact equity prices. The level and direction of change in equity prices is subject to prevailing local and world economics as well as market sentiment all of which are very difficult to predict with any certainty. At 31 December 2007 and 2006 the Group had no financial liabilities that bore an interest rate risk, other than the previously disclosed bank facilities.

The Group has floating rate financial assets consisting of bank balances that bear interest at rates based on the banks floating interest rate. During the period the average rate of interest earned on cash balances was 5.39%. The Group's interest bearing assets and liabilities are as follows:

	2007 $m	2006 $m
Financial assets		
Subject to Interest rate changes	29.1	10.9
Not Subject to interest rate changes	29.2	54.0
Total	**58.3**	**64.9**
Financial liabilities subject to interest rate changes	15.8	5.0
Financial liabilities not subject to interest rate changes	69.4	-
Total	**85.2**	**5.0**

Changes in market interest rates will affect the valuation of fixed rate interest bearing instruments. A 1% change in market interest rates would result in an estimated $1.5m change in the value of fixed rate financial assets.

Market price risk

By the nature of its activities, most of the Group's investments are exposed to market price fluctuations. The Board monitors the portfolio valuation on a regular basis and consideration is given to hedging or adjusting the portfolio against large market movements.

Other than Atlas Estates, which represents some 20% of its portfolio, the Group had no single major investments that in absolute terms and as a proportion of the portfolio that could result in a significant reduction in the NAV and share price. The portfolio as a whole does not correlate exactly to any Stock Exchange Index.

As the Group is now an investment company, many of the market risks are new. Management of risks is primarily achieved by having a diversified portfolio to spread the market risk. A 10% change in the value of the Group's portfolio of financial instruments would result in a 12% change in equity.

Derivatives

The Investment Manager may use derivative instruments in order to mitigate market risk or to take a directional investment. At the year end there were some USD 0.7m of interest rate derivatives. These provide a limited degree of protection against a rise in interest rates and would not materially impact the portfolio returns if a large market movement did occur.

Credit Risk

The group invests in a wide range of securities with various credit risk profiles including investment grade securities, sub investment grade and equity positions. The investment in debt instruments is usually in investment grade securities, however, the Group may invest also in sub investment grade or unrated debt instruments. The investment manager mitigates the credit risk via diversification across issuers. However, the Group is exposed to a migration of credit rating, widening of credit spreads and default of any specific issuer. The Group has a relatively high exposure to the Global and US credit market in its portfolio of CDOs/CLOs which totals some USD 29.1m.

The Group only transacts with regulated institutions on normal market terms which are trade date plus one to three days. The levels of amounts outstanding from brokers are regularly reviewed by the Investment Manager. The duration of credit risk associated with the investment transactions is the period between the date the transaction took place, the trade date and the date the stock and cash are transferred, the settlement date. The level of risk during the period is the difference between the value of the original transaction and its replacement with a new transaction. The amounts due to brokers at 31 December 2007 are USD 50k. The Group is exposed to credit risk in respect of its interest bearing investments of $58.3m.

At 31.12.2007, the credit rating distribution of the Group's bond portfolio was as follows:

Rating	Amount, $000	Percentage
AAA	8,021	13.8%
AA	13,779	23.6%
A	2,087	3.6%
A-	6,451	11.0%
BBB+	13,126	22.5%
Bbe	2,022	3.5%
Not Rated	12,796	22.0%
Total	**58,282**	**100.0%**

In the prior year the portfolio of interest bearing financial assets was primarily short term and held with highly rated institutions.

Liquidity Risk

The only significant financial liability of the Group is the bank loan of $69 million used for purchase of a real estate property, which has a maturity of 7 years and is fully financed by the rental income from that same property.

A large proportion of the Group's portfolio is invested in mid term private equity investments with low or no liquidity. The investments of the Company in publicly traded securities are subject to availability of buyers at any given time and may be very low or non existent subject to market conditions.

The Investment Managers take into consideration the liquidity of each investment when purchasing and selling in order to maximise the returns to Shareholders by placing suitable transaction levels into the market. Special consideration is given to investments that represent more than 5% of the investee.

Capital Management

The Group considers its capital to be its issued share capital and reserves. The Board regularly monitors its share discount policy and the level of discounts and whilst it has the option to re-purchase shares, it considers that the best means of attaining a good rating for the shares is to concentrate on good shareholder returns.

However, the Board believes that the ability of the Company to re-purchase its own Ordinary shares in the market may potentially enable it to benefit all equity shareholders of the Company. The re-purchase of Ordinary shares at a discount to the underlying net asset value would enhance the net asset value per share of the remaining equity shares.

Under this policy, in 2007, the Company bought 8,750,000 of its Ordinary shares.

Financial assets by category:

	2007 $000	2006 $000
Non current assets		
Available-for-sale financial assets	217,763	124,491
Financial assets designated at fair value through Profit and Loss	729	-
Current assets		
loans and other receivables:		
Trade and receivables	1,850	50,795
Cash and cash equivalents	9,917	137,715

Financial liabilities by category:

	2007 $000	2006 $000
Current liabilities		
Borrowings		
Bank overdrafts	15,825	4,960
Trade payables		
Trade and other payables	35,394	33,910
Current tax payable	109	7
Non current liabilities		
Borrowings		
Bank loan	69,411	-

Shareholder Information

Registrars

All enquiries relating to shares or shareholdings should be addressed to:
Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU
Telephone: 0870 162 3100, Facsimile: 020 8639 2342

Change of Address

Shareholders can change their address by notifying Capita Registrars in writing at the above address.

Website

www.livermore-inv.com

The Company's website provides, amongst other things, the latest news and details of the Company's activities, share price details, share price information and links to the websites of our brands.

Direct Dividend Payments

Dividends can be paid automatically into shareholders' bank or building society accounts. Two primary benefits of this service are:

- There is no chance of the dividend cheque going missing in the post; and
- The dividend payment is received more quickly because the cash sum is paid directly into the account on the payment date without the need to pay in the cheque and wait for it to clear.

As an alternative, shareholders can download a dividend mandate and complete and post to Capita Registrars.

Lost Share Certificate

If your share certificate is lost or stolen, you should immediately contact Capita Registrars on 0870 162 3100 who will advise on the process for arranging a replacement.

Duplicate Shareholder Accounts

If, as a shareholder, you receive more than one copy of a communication from the Company you may have your shares registered in at least two accounts. This happens when the registration details of separate transactions differ slightly. If you wish to consolidate such multiple accounts, please call Capita Registrars on 0870 162 3100.

Please note that the Directors of the Company are not seeking to encourage shareholders to either buy or sell the Company's shares.

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of the Company will be held at 10 Snow Hill, London, EC1A 2AL on 25 June 2008 at 10am for the purposes of the following:

Ordinary business

To consider and if thought fit, to pass the following resolutions which will be proposed as Resolutions of Members:

1. To receive and adopt the Report of Directors, the financial statements and the report of the Auditor for the year ended 31 December 2007.

2. To authorise the Directors to determine the auditor's remuneration.

3. To re-elect Ron Baron who, having been appointed since the date of the last Annual General meeting of the Company, retires in accordance with the Articles of Association of the Company.

4. To re-appoint Grant Thornton UK LLP as auditor of the Company to hold office from the conclusion of this meeting until the conclusion of the next general meeting at which financial statements are laid before the Company.

5. That the dividend recommended by the Directors of US 3.5 cents per ordinary share for the year ended 31 December 2007 be declared payable on 31 July 2008 to holders of ordinary shares registered at the close of business on 27 June 2008 subject to the directors confirming the solvency of the Company in accordance with applicable laws.

6. That for the purposes of article 5.1 of the Articles of Association of the Company:

   (a) the Directors be and are generally and unconditionally authorised to allot up to a maximum aggregate amount of 94,029,836 new ordinary shares of no par value of the Company to such persons and at such times and on such terms as they think proper during the period expiring at the end of the Annual General Meeting of the Company in 2009 (unless previously revoked or varied by the Company in general meeting); and

   (b) the Company be and is hereby authorised to make prior to the expiry of such period any offer or agreement which would or might require such ordinary shares to be issued in pursuance of any such offer or agreement notwithstanding the expiry of the authority given by this resolution;

so that all previous authorities of the Directors pursuant to the said article 5.1 be and are hereby revoked.

Special business

As a special business to consider and, if thought fit, pass the following resolutions which will be proposed as special resolutions:

7. THAT, subject to the passing of resolution 6 set out in the Notice convening this Meeting, the Directors be and are empowered in accordance with article 5.2 of the Articles of Association of the Company to allot new ordinary shares of no par value of the Company for cash, pursuant to the authority conferred on them to allot such shares by that resolution 6 as if the pre-emption provisions contained in article

5.2 did not apply to any such allotment, provided that the power conferred by this resolution shall be limited to:

(a) the allotment of ordinary shares in connection with an issue or offering in favour of holders of ordinary shares and any other persons entitled to participate in such issue or offering where the shares respectively attributable to the interests of such holders and persons are proportionate (as nearly as may be) to the respective number of ordinary shares held by or deemed to be held by them on the record date of such allotment, subject only to such exclusions or other arrangements as the Directors may consider necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws or requirements of any recognised regulatory body or stock exchange in any territory; and

(b) the allotment (otherwise than pursuant to paragraph 8.1 above) of up to an aggregate amount of 14,104,475 of such ordinary shares;

and this power, unless renewed, shall expire at the end of the Annual General Meeting of the Company to be held in 2009 but shall extend to the making, before such expiry, of an offer or agreement which would or might require ordinary shares to be allotted after such expiry and the Directors may allot such shares in pursuance of such offer or agreement as if the authority conferred hereby had not expired.

8. That, in accordance with its articles of association, the Company be and is hereby generally and unconditionally authorised to make market purchases (within the meaning of section 163 of the Companies Act 1985 (as amended)) on the AIM market of the London Stock Exchange plc of ordinary shares of no par value ("ordinary shares") in the capital of the Company provided that:

(a) the maximum number of ordinary shares hereby authorised to be purchased is 28,208,951;

(b) the authority hereby conferred (unless previously renewed or revoked) shall expire at the conclusion of the annual general meeting of the Company next following the meeting at which this resolution is passed; and

(c) the Company may, under the authority hereby conferred and prior to the expiry of that authority, make a contract to purchase its own shares which will or may be executed wholly or partly after the expiry of that authority and may make a purchase of its own shares in pursuance of such contract.

9. (i) That, Regulation 155.1 of the Articles of Association of the Company be amended to permit electronic communications without the consent of the Members of the Company by amending that Regulation as follows:

(a) by deleting the following words:

"....where the Company and that Member have agreed to the use of electronic communication for this purpose and the documents are documents to which the agreement applies."; and

(b) by inserting a full stop after the words,

"Electronic communications may be used (if appropriate) for sending copies of notices or other documents to a Member."

(ii) That the Registered Agent of the Company is authorised to take any and all steps and file or register with the Registrar of Corporate Affairs of the British Virgin Islands, any and all documents or notices related to the foregoing and that are necessary for the purpose of effecting the same.

By order of the Board

Doron Yassur
Company Secretary

Trident Chambers
PO Box 146
Road Town
Tortola
British Virgin Islands

May 2008

Notes

(i) A member entitled to attend and vote at the Meeting convened by the above Notice is entitled to appoint one or more proxies to attend and, on a poll, to vote in his place. A proxy need not be a member of the Company. Completion of the Form of Proxy will not prevent you from attending and voting in person.

(ii) To appoint a proxy you should complete the Form of Proxy enclosed with this Notice of Annual General Meeting. To be valid, the Form of Proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified or office copy of the same, must be delivered to the offices of Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU by no later than 48 hours before the time fixed for the meeting or any adjourned meeting.

(iii) In the case of joint holders, the vote of the senior holder who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint holding.

(iv) In the case of holders of depositary interests representing ordinary shares in the Company, a form of direction must be completed in order to appoint Capita IRG Trustees Limited, the Depositary, to vote on the holder's behalf at the meeting or, if the meeting is adjourned, at the adjourned meeting. To be effective, a completed and signed form of direction (and any power of attorney or other authority under which it is signed) must be delivered to the Company's Transfer Agent, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU by no later than 72 hours before the time fixed for the meeting or any adjourned meeting.

Corporate Directory

Registered Office

Trident Chambers
PO Box 146
Road Town
Tortola
British Virgin Islands

Company Number

475668

Cyprus Office

Efesou 2 Emerald Coast Flat 301
4532 Agios Tychonas
Limassol
Cyprus

Swiss Office

Gartenstrasse 10
8002 Zürich
Switzerland

Secretary

Doron Yassur

Registrars

Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU
England

Auditor

Grant Thornton UK LLP
30 Finsbury Square
London
EC2P 2YU
England

Solicitors

Travers Smith
10 Snow Hill
London
EC1A 2AL
England

Corporate Advisors & Stockbrokers

Numis Securities Limited
10 Paternoster Square
London
EC4M 7LT
England

Principal Bankers
Leumi Bank

Claridenstrasse 34
8022
Zurich
Switzerland

Bank Hapoalim

18 Boulevard Royal
BP 703
L-2017
Luxembourg

FIBI Bank

Seestrasse 61
Zurich
Switzerland

Gaurav Suri, Financial Analyst

Livermore Investments Group Ltd. Annual Report 2007

Livermore Investments Group Ltd.

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