

**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D. C. 20549**

**Form 20-F**

Registration Statement pursuant to Section 12(b) or 12(g) of the Securities Exchange Act of 1934;

Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.  
For the fiscal year ended: December 31, 2001

Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: \_\_\_\_\_

**OXFORD SOFTWARE DEVELOPERS INC.**  
(Exact name of registrant as specified in its charter)

Not Applicable  
(Translation of Registrant's name into English)

Ontario, Canada  
(Jurisdiction of incorporation or organization)

488 Huron Street  
Toronto, Ontario  
Canada M5R 2R3  
(Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Exchange Act: None.

Securities registered or to be registered pursuant to Section 12(g) of the Exchange Act:  
Title of Class: Common Stock, no par value

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

The number of outstanding shares of the issuer's common Stock as of December 31, 2001: 19,753,100

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days: Yes  No

Indicate by check mark which financial statement item the registrant has elected to follow: Item 17  Item 18

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\* Omitted pursuant to General Instruction E(b) of Form 20-F.

## PART I

### Item 1. Identity of Directors, Senior Management and Advisers

Not Applicable.

### Item 2. Offer Statistics and Expected Timetable

Not Applicable.

### Item 3. Key Information

#### A. Selected Financial Data

The following selected financial data for the period from inception on October 13, 2000 through December 31, 2000 and for the year ended December 31, 2001 is derived from our audited consolidated financial statements. The selected financial data, as well as the consolidated financial statements and accompanying notes, are prepared in accordance with accounting principles generally accepted in the United States. The Registrant presents its consolidated financial statements in United States dollars. All dollar amounts in this Form 20-F are in United States dollars, except where otherwise indicated. You should read the following selected consolidated financial data with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and accompanying notes and other financial information included elsewhere in this annual report.

	From period of inception (October 13, 2000) through Year Ended December 31, 2000	Year Ended December 31, 2001
<hr/>		
<u>Statement of Operations Data:</u>		
Total revenues	\$ 112,172	\$ 401,793
Net Income/(Net Loss)	(100,896)	(2,117,900)
Basic and diluted net loss per share -	(0.01)	(0.12)
Weighted average number of Shares used in computing basic and Diluted net loss per share-	13,300,000	17,152,915
<u>Balance Sheet Data:</u>		
Cash and cash equivalents	\$ -0-	\$ 508
Total current assets	121,880	107,879
Total assets	187,578	523,488
Total current liabilities	176,865	525,774
Total liabilities	176,865	525,774
Total accumulated deficit	(100,896)	(2,218,796)
Total stockholders' equity (deficit)	10,713	(2,286)

#### B. Capitalization and Indebtedness.

Not Applicable.

#### C. Reasons for the Offer and Use of the Proceeds.

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Not Applicable.

D. *Risk Factors.*

The risks described below are not the only ones we face. Additional risks that generally apply to publicly traded companies, that are not yet identified or that are currently perceived as immaterial, may also impair our business operations. Our business, operating results and financial condition could be adversely affected by any of the following risks. You should refer to the other information set forth in this document, including our financial statements and the related notes.

This annual report also contains certain forward-looking statements that involve risks and uncertainties. These statements relate to our future plans, objectives, expectations and intentions. These statements may be identified by the use of words such as “expects,” “anticipates,” “intends,” “plans” and similar expressions. Our actual results could differ materially from those discussed in these statements. Factors that could contribute to such differences include, but are not limited to, those discussed below and elsewhere in this annual report.

### **RISK FACTORS RELATED TO OUR BUSINESS**

#### **We Have a Limited Operating History so It May be Difficult for You to Evaluate Our Business and Its Future Prospects**

It may be difficult to evaluate our business and prospects because we have a limited operating history. We were incorporated in October 2000 and we launched our Internet e-gaming network in November 2000. Our prospects must be considered in light of the risks, expenses and difficulties frequently encountered by companies in their early stage of development, particularly companies in new and rapidly evolving markets such as Internet software and services. The risks, expenses and difficulties that we expect to encounter include:

- implementing an evolving and unpredictable business model that relies, in large part, on sub-licensee growth and word-of-mouth publicity among the targeted audience;
- building our corporate brand to attract advertisers and affiliates, and our network brands to expand our audience;
- increasing content and service offerings on existing networks through internal development and affiliate partnerships;
- developing and integrating new networks addressing our target audience and advertiser base;
- diversifying our revenue sources by offering sponsorship, merchandise slotting and other marketing opportunities to content and e-commerce partners and by launching e-commerce initiatives across our networks;
- expanding our sales and marketing efforts to increase our affiliate and customer base and our reach within the e-gaming customer audience;
- attracting, retaining and motivating qualified personnel; and
- responding to competitive developments.

There can be no assurance that we will effectively address the risks we face, and the failure to do so could have a material adverse effect on our business, financial condition and results of operations.

#### **We have a History of Operating Losses and a Significant Accumulated Deficit, and we May Not Maintain Revenue or Achieve Profitability in the Future.**

We have not been profitable since our inception in October 2000. As of December 31, 2001, we had an accumulated deficit of approximately \$2.2 million. We expect to continue to incur additional losses for the next fiscal year as a result of a high level of operating expenses, significant up-front expenditures and our marketing activities. While we have some revenues, we may never realize significant revenues from our core business or be profitable. Factors that will influence the timing and amount of our growth and profitability include:

- . the success of our sub-licensees' web site operations;
- . obtaining the necessary funding to grow our business; and
- . our ability to expand and grow our business.

### **Our Ability to Continue as a Going Concern**

We face significant challenges in shifting from the development stage to the commercialization of our e-gaming web sites. Our business may fail if we do not achieve significant revenue growth or obtain sufficient funding. Our accountants have raised substantial doubts about our ability to continue as a going concern. Our prospects must be considered in light of the risks, expenses and difficulties frequently encountered in such a transition, and there can be no assurance that we will be successful or that we will ever achieve profitable operations.

### **Our Rapid Growth May Strain Our Resources And Hinder Our Ability To Implement Our Business Strategy**

Our historical growth has placed, and any further growth is likely to continue to place, a significant strain on our limited resources. If we fail to manage our growth effectively, our business could be materially adversely affected. Our ability to achieve and maintain profitability will depend on our ability to manage our growth effectively, to implement and expand operational and customer support systems and to hire personnel worldwide. We may not be able to augment or improve existing e-gaming software, computer systems and controls or implement new systems and controls to respond to any future growth. In addition, future growth may result in increased responsibilities for our management personnel, which may limit their ability to effectively manage our business.

### **Dependence on Key Licensor and Sub-Licensees**

Our license to gaming software is issued by World Gaming pursuant to a gaming license issued by Antigua during 2000 and 2001 and Curacao beginning in November 2001. World Gaming is one of the few primary developers and operators of casino and other gaming software in the world. During the year ended December 31, 2001, 100% of our revenue from Internet gaming software was attributable to the World Gaming relationship. As part of the licensing agreement with World Gaming, we have the right to sub-license its software. World Gaming is our sole licensor; therefore the loss of the World Gaming relationship could have a material adverse effect on our business, revenues, operating results and financial condition. Although we expect to diversify risks associated with dependence on World Gaming by entering into arrangements with additional licensors there can be no assurance that such diversification will be successful or that we will be able to reduce our dependence on one or a small group of licensors.

The original term of our license agreement with World Gaming was for one year. In November 2001, we signed a three year license agreement with Starnet Systems N.V. doing business as World Gaming Systems. The terms of our license or sub-license agreements vary, although averaging ten-year terms and providing for automatic renewal periods of ten years. There is a risk that our license agreement with World Gaming or our sub-license agreements with sub-licensees will not be renewed or will otherwise be terminated in accordance with the terms of such agreements. In addition, in the event that a sub-licensee chooses to operate a different casino, there can be no assurances that such new casino will be operated using our software.

The trademarks or trade names under which all of our sub-licensees operate are the property of the respective sub-licensees. Although we are entitled generally to cause the continued operation of a casino on termination of a license or sub-license agreement, in certain cases this entitlement is limited and it generally does not include the operation of the casino under the existing name. A change in the name of the casino may lead to a loss of goodwill as methods such as e-mail to prior customers or banner advertisements must be relied upon to direct customers to the new casino site.

### **Operational Risks**

Our revenue and operating results may fluctuate in future periods and we may fail to meet expectations, which may cause the price of our common stock to decline. As a result of our limited operating history and the emerging nature of the Internet markets in which we compete, we are unable to forecast our revenue with precision. We anticipate that the results of our operations may fluctuate significantly in the future as a result of a variety of factors, many of which are outside our control. Factors that may affect our results of operations include, but are not limited to:

- the addition or loss of sub-licensees, or our failure to add new sub-licensees;
- our ability and the ability of our sub-licensees to attract and retain a large audience by providing original and compelling content and services;
- our ability to attract and retain advertisers and sponsors;
- seasonal trends in Internet usage and advertising placements;
- the amount and timing of expenditures for expansion of our operations, including the acquisition of new affiliates, the hiring of new employees, capital expenditures and related costs;
- our ability to continue to enhance, maintain and support our networks and technology and avoid system downtime; and
- the introduction of new or enhanced offerings by our competitors.

### **Key Individuals**

Our future success will depend to a significant extent on the continued services of senior management and other key personnel, particularly Michael Donaghy, our founder, President and Chief Executive Officer and Victor DeLaet, our Vice President. Any loss of a key employee could have a detrimental effect on our business. Currently no key-man insurance is in place with respect to Mr. Donaghy or any of our other personnel.

Our success is also dependent on our ability to attract, retain and motivate highly skilled technical and other personnel. While we have been successful in doing so thus far, there are a limited number of persons who possess the necessary technical skills and understanding, and competition for their services is intense. A failure to recruit or retain personnel could have a material adverse effect on our business, financial condition and results of operations.

### **Protection and Enforcement of Intellectual Property Rights**

We regard the protection of trademarks, copyrights and other proprietary rights as important to our success and competitive position. We do not have any patented technology that would prevent competitors from entering our market. Although we seek to protect our trademarks, copyrights and other proprietary rights through confidentiality and “non-compete” agreements and common law precedents, these actions may be inadequate to protect them or to prevent others from claiming violations of their trademarks, copyrights and other proprietary rights. To date, we have not been notified that our services infringe on the proprietary rights of third parties, but third parties could claim infringement by us with respect to current or future services.

We currently license and may in the future license certain technologies from third parties, which may subject us to infringement actions based upon the technologies licensed from these third parties. Any of these claims, with or without merit, could subject us to costly litigation and divert the attention of our technical and management personnel. These third party technology licenses may not continue to be available to us on commercially reasonable terms. The loss of the ability to use such technology could require us to obtain the rights to use substitute technology, which could be more expensive or offer lower quality or performance, and therefore have a material adverse effect on our business.

### **Risks Associated With Foreign Operations**

It is anticipated that substantially all of our revenue will be derived from licensing or sub-licensing and support fees in foreign countries. We and our sub-licensees are subject to the local laws and regulations in those jurisdictions in which we or they operate. While some jurisdictions have introduced regulations designed to restrict Internet gaming, other jurisdictions have demonstrated acceptance of such activities. As Internet gaming and its

regulations are emerging, there remains a significant risk that participants in the industry, including us and our sub-licensees may not be able to comply with such laws and regulations as they continue to develop. See also “Uncertainty as to the Legal Status of Internet Gaming” below.

In addition to uncertainty regarding the local legal status of Internet gaming in other jurisdictions, there are certain difficulties and risks inherent in doing business internationally, including the burden of complying with multiple and often conflicting regulatory requirements, foreign exchange controls, potential restrictions or tariffs on gaming activities that may be imposed, potentially adverse tax consequences and tax risks and political and economic instability. Changes in the political, regulatory and taxation structure of jurisdictions in which we operate and in which our sub-licensee customers are located could have a material adverse effect on our business, revenues, operating results and financial condition.

Likewise, our ability to expand our business in certain countries will require modification of our products, particularly domestic language support. Once a sub-licensee has posted its gaming site on the Internet, the site is available to users around the world. However, there can be no assurance that we will be able to sustain or increase revenue derived from international operations or that we will be able to penetrate linguistic, cultural or other barriers to new foreign markets. The failure to sustain or increase revenue from international operations could have a material adverse effect on our business, revenues, operating results and financial condition.

Our financial results are reported in United States currency which is subject to fluctuations in respect of the currencies of the countries in which we operate. Fluctuations in the exchange rate of the U.S. dollar and the Canadian dollar could have a positive or negative effect on our reported results. Given the constantly changing currency exposures and the substantial volatility of currency exchange rates, we cannot predict the effect of exchange rate fluctuations upon future operating results. There can be no assurance that we will not experience currency losses in the future which could have a material adverse effect on our business, revenues, operating results and financial condition.

#### **Uncertainty of Enforcement of U.S. Laws and Judgments against Foreign Persons**

We and our wholly-owned subsidiaries through which we operate are organized under the laws of the Province of Ontario, Canada, St. Johns, Antigua and Curacao, Netherlands, Antilles, respectively; our executive offices are in Canada and we maintain an office in Antigua and Curacao, most of our directors and officers and certain of our advisers are residents of Canada, and a substantial portion of our assets and assets of those persons are located outside the United States. As a result, it may be difficult for you to initiate a lawsuit in the United States against us or these non-U.S. residents, or to enforce any judgment obtained in the United States against us or any of these persons.

Consequently, you may be deterred or prevented from pursuing remedies under United States federal securities laws against us or other non-United States residents.

#### **We Currently Depend On the Sale of a Single Product to Generate Most of Our Revenue**

We expect sales and customization of our web sites to constitute most of our revenue for the foreseeable future. If customers do not purchase our web sites, we do not currently offer any other products or services that would enable us to generate revenue or to become profitable.

#### **Any Disruption of the Services Supported by Our Product due to Accidental or Intentional Security Breaches may Negatively Impact Our Business**

Because our activities involve the storage and transmission of proprietary information, such as credit card numbers and bank account numbers, if a third-party were able to steal a user's proprietary information, we could be subject to claims, litigation or other potential liabilities that could cause our expenses to increase substantially. In addition to purposeful security breaches, the inadvertent transmission of computer viruses could expose us to litigation or a significant loss of revenue. Although our sub-licensee agreements contain provisions which limit our liability relating to security, our sub-licensees or their customers may seek to hold us liable for any losses suffered as

a result of unauthorized access to their communications. We may not have any insurance or resources to cover these losses.

Despite our efforts to maintain Internet security, we may not be able to stop unauthorized attempts to gain access to or disrupt transactions between our sub-licensees and their customers. Specifically, computer viruses, break-ins and other disruptions could lead to interruptions, delays, loss of data or the inability to accept and confirm the receipt of information. We rely on encryption and authentication technology licensed from third parties to provide the security and authentication necessary to achieve secure transmission of confidential information. We cannot assure you that this technology or future advances in this technology or other developments will be able to prevent security breaches. We may need to expend further capital and other resources to protect against the threat of security breaches or to alleviate problems caused by these breaches.

### **We May Not Have Sufficient Capital To Fund Our Operations And Additional Capital May Not Be Available On Acceptable Terms if At All.**

If we do not have sufficient capital to fund our operations, we may be forced to discontinue product development, reduce our sales and marketing efforts or forego attractive business opportunities. Any of these outcomes could adversely impact our ability to respond to competitive pressures and could have a material adverse effect on our business, financial condition and results of operations.

### **Our Operating Results may be Impacted by Foreign Exchange Rates**

Substantially all of our revenue is expected to be earned in U.S. dollars. A significant portion of our expenses is incurred in Canadian dollars. Changes in the value of the Canadian dollar relative to the U.S. dollar may result in currency translation gains and losses and could adversely affect our operating results. To date, foreign currency exposure has been minimal. However, in the future we may consider hedging all or a significant portion of our annual estimated Canadian dollar expenses to minimize our Canadian dollar exposure.

## **RISK FACTORS RELATED TO OUR INDUSTRY**

### **Uncertainty As To The Legal Status Of Internet Gaming**

We and our sub-licensees as well as World Gaming are subject to applicable laws in the jurisdictions in which we or they operate. The ownership and operation of land-based gaming facilities in the United States, in particular, and elsewhere in the world is normally subject to extensive local, regional and federal government regulations. Due to the relatively recent development of casino gaming over the Internet, there are limited direct regulations that deal with this application and there is uncertainty as to the legal status of gaming over the Internet. While some jurisdictions, such as several Caribbean countries, have taken the position that Internet gaming is legal and have adopted or are in the process of reviewing and enhancing legislation to regulate Internet gaming, other jurisdictions have taken the opposite view and introduced legislation to attempt to restrict or prohibit Internet gaming. In addition, as companies and consumers involved in the Internet gaming market, including the end-users of our software and sub-licensees, are located around the globe, there is uncertainty regarding exactly which government has jurisdiction to regulate various aspects of the market. This uncertainty could affect us indirectly through the effect on our licensor, World Gaming, or sub-licensees and their revenues and directly in the event that we are restricted from conducting our activities. As a result, this could have a material adverse effect on our business, revenues, operating results and financial condition.

In 1997 and 1998, various bills were introduced in the United States Senate by Senator Jon Kyl and in the House of Representatives by others which, among other things, proposed to prohibit Internet gambling and penalize bettors, casinos and others associated with Internet gaming in the United States. None of these bills passed. On March 23, 1999, Senator Kyl introduced a revised proposal intended to prohibit and criminalize Internet gambling. At the end of 1999, the full Senate had approved the bill. On April 6, 2000, the Goodlatte bill, the companion bill in the House of Representatives, was approved by the House's Judiciary Committee. In December 2000, the Goodlatte bill failed to pass the House. There can be no assurance whether any such bill will become law in the future.

Recently, New Jersey and Nevada state legislators have drafted bills aimed at legalizing and regulating online casinos. But to date, New Jersey and Nevada's efforts at passing such laws have not succeeded. In addition, certain states have passed or may pass legislation prohibiting or restricting Internet gaming.

In addition, on June 18, 1999 the National Gambling Impact Study Commission released its final report which recommended that the federal government prohibit Internet gambling not already authorized within the United States or among parties in the United States and any foreign jurisdiction. The effect of this or similar legislation, in the event that it becomes law, on government regulations in other jurisdictions and the impact of this legislation on our licensor or sub-licensees, all of which are resident in and operate from jurisdictions other than the United States, and on us, is uncertain.

Existing Canadian law prohibits Internet gaming in Canada. While we do not permit transactions to originate in Canada on our websites and thereby comply with all applicable Canadian laws and regulations, there can be no assurance as to the possible impact of such laws on us, our licensor, sub-licensees or customers.

As well, existing legislation, including United States federal and state statutes, has been or could be construed to prohibit or restrict gaming through the use of the Internet and there is a risk governmental authorities may view us or our sub-licensees as having violated such statutes.

There is also a risk that criminal and civil proceedings, including class actions brought by or on behalf of public entities or private individuals could be initiated against us, our licensor, sub-licensees, Internet service providers, credit card processors and others involved in the Internet gaming industry. Legal proceedings relating to Internet gaming could involve substantial litigation expense, penalties, fines, diversion of the attention of key personnel, injunctions or other prohibitions being invoked against us or our licensor, sub-licensees or others. Such proceedings could have a material adverse effect on our business, revenues, operating results and financial condition.

Ongoing legislative or judicial developments in the United States may require us and our sub-licensees to determine whether it is necessary or advisable to discontinue processing gaming transactions originating in the United States. This would have a material adverse effect on our business, revenues, operating results and financial condition. All of our licensing and support fees are derived from sub-licensees domiciled outside of the United States. However, a substantial portion of our sub-licensees' revenue, from which we earn fees, is based on the Internet gaming of United States residents.

In any event, there can be no assurances that additional legislation or the burdens associated with complying with such legislation or regulations, which could have a material adverse effect on our business, revenues, operating results and financial condition, will not be proposed and passed in the United States or in other potentially relevant jurisdictions to regulate various aspects of the Internet or the Internet gaming industry.

## **Government Regulation of Internet Commerce**

As electronic commerce on the Internet develops, it may be the subject of increasing government regulation. In this respect, there is a risk that well-established financial institutions and credit card companies will be able to influence the development of regulations in a manner which prioritizes their interests over ours. In addition, much of the current legislation relating to commercial transactions pre-dates and may be incompatible with Internet electronic commerce. There can be no assurance that regulators will not choose to enact or enforce legislation in a manner that would restrict our operations and the operations of our sub-licensees and other aspects of the electronic commerce market. Any such developments could have a material adverse effect on our business, revenues, operating results and financial condition.

Existing Canadian, United States and international laws or regulations specifically regulate communications or commerce; however, the application of such laws in the context of the Internet and electronic commerce is uncertain. Further, laws and regulations that address issues such as user privacy, pricing, online content regulation, taxation and the characteristics and quality of online products and services are under consideration by federal, provincial, state, local and foreign governments and agencies. Several telecommunications

companies have petitioned the United States Federal Communications Commission to regulate Internet service providers and online service providers. Moreover, it may take years to determine the extent to which existing laws relating to issues such as intellectual property ownership and infringement, libel and personal privacy are applicable to the Internet. The United States Federal Trade Commission and government agencies in certain states of the United States have been investigating certain Internet companies regarding their use of personal information. We could incur additional expenses if any new regulations regarding the use of personal information are introduced affecting the way in which we do business or if these agencies choose to investigate our privacy practices. Any new laws or regulations relating to the Internet, or particular applications or interpretations of existing laws, could decrease the growth in the use of the Internet, decrease the demand for our electronic commerce services, increase the costs associated with providing such services or transmitting data over the Internet or otherwise materially adversely affect our business, revenues, operating results and financial condition.

### *Market Acceptance and Technological Changes*

#### *Internet Gaming Software*

We are developing and expect to sell our own proprietary Internet electronic commerce and Internet software application. Substantially all of our revenues to date have been derived from the sub-licensing of World Gaming's Internet gaming products and the sale of its associated services. Since we have acquired our own Internet gaming software, we expect that if we release our software, an increasing amount of our revenue will be derived from such licensing activities. Our continued success will depend in large part upon the success of our e-gaming software licensing and sub-licensing World Gaming's Internet gaming software. Accordingly, broad market acceptance by our customers of gaming products and services is critical to our future success, as is our ability to design, develop, test and support, on a timely basis, new products and enhancements that meet changing customer needs and respond to technological changes and evolving industry standards. The markets for these technologies for the Internet are characterized by rapid and significant technological changes in the computer, software and telecommunications industries, as well as rapid changes in consumer preferences. In addition, there can be no assurance that we will not experience difficulties that could delay or prevent the successful development, introduction and marketing of our software or new products and enhancements, or that our software or new products and enhancements will be introduced in a timely fashion or will adequately meet the requirements of the marketplace and achieve market acceptance.

#### *Electronic Commerce*

As the marketplace for electronic commerce is in the development stage, it is subject to frequent and rapid technological changes. The use of the Internet for commercial transactions is at an early stage of development and is rapidly growing. As is typical for new and rapidly evolving industries, demand and market acceptance for recently introduced services and products are subject to a high level of uncertainty. Global commerce and the on-line exchange of information on the Internet and other similar open wide area networks are new and evolving and the Internet may not prove to be a viable commercial marketplace because of inadequate development of the necessary infrastructure, failure to develop enabling technology or complementary services and products and/or adopt protocols and standards on a timely basis, inadequate commercial support or concerns over fraud and privacy and confidentiality issues. The success of our electronic commerce services will depend in large part on the widespread adoption of the Internet for commercial transactions.

The development of the Internet for commercial transactions will also depend on acceptance of certain technology, including electronic commerce by credit card processors and financial institutions. The success of our electronic commerce operations will similarly depend upon acceptance of our software. There can be no assurance that we will not experience difficulties that could delay or prevent the successful development, introduction and marketing of new products and enhancements, or that our new products and enhancements will be introduced in a timely fashion or will adequately meet the requirements of the marketplace and achieve market acceptance. The failure to achieve or maintain such market acceptance could have a material adverse effect on our business, revenues, operating results and financial condition. In addition, there can be no assurances that our involvement in other markets will not have a detrimental impact on acceptance of the our products in the electronic commerce marketplace.

## **Dependence on the Internet**

The Internet has experienced, and may continue to experience, significant growth in the number of users and amount of traffic. This growth has caused and may continue to cause frequent interruptions and delays in processing and transmitting data over the Internet. There can be no assurance that the Internet infrastructure will continue to be able to support the demands placed on it by its continued growth. In addition, the Internet could lose its viability due to delays in the development or adoption of new standards and protocols to handle increased levels of Internet activity or due to increased governmental regulation. Moreover, critical issues concerning the commercial use of the Internet (including security, reliability, cost, ease of use, accessibility and quality of service) remain unresolved and may negatively affect the growth of Internet use or the attractiveness of commerce and communication on the Internet. Any well-publicized compromise of security could deter more people from using the Internet or from using it to conduct transactions that involve the transmission of confidential information, including e-gaming transactions. If critical issues concerning the commercial use of the Internet are not favorably resolved, if the necessary infrastructure is not developed, or if the Internet does not continue as a viable commercial marketplace, our business, revenues, financial condition and operating results will be materially adversely affected.

## **Risks Associated With Information Disseminated Through Online Services**

The law relating to the liability of online services companies for information carried on or disseminated through their services is currently unsettled. It is possible that claims could be made against online services companies under both domestic and foreign law for defamation, libel, invasion of privacy, negligence, copyright or trademark infringement, or other theories based on the nature and content of the materials disseminated through their services. In addition, legislation has been or may be proposed that imposes liability for or prohibits the transmission over the Internet of certain types of information. The imposition upon us and other online services providers of potential liability for information carried on or disseminated through their services could require us to implement measures to reduce our exposure to such liability, which may require us to expend substantial resources and/or to discontinue certain service offerings. In addition, the increased attention focused upon liability issues as a result of any lawsuits and legislative proposals could impact the growth of Internet use and the growth of our business.

## **Risks Associated With Encryption Technology**

A significant barrier to electronic commerce and communication is the secure transmission of confidential information over public networks such as customer names, addresses, credit card and bank accounts. Our electronic commerce software uses encryption and authentication technology to provide the security and authentication necessary to effect secure transmission of confidential information. There can be no assurance that advances in computer capabilities, new discoveries in the field of cryptography or other events or developments will not result in a compromise or breach of the algorithms we use to protect customer transaction data. If any such compromise of our security occur, it could have a material adverse effect on our business, revenues, operating results and financial condition.

## **RISK FACTORS RELATED TO OWNING OUR STOCK**

### **Control By Existing Shareholders; Anti-Takeover Effects**

As of December 31, 2001, Michael Donaghy, indirectly through his spouse, beneficially owned approximately 42 % of our outstanding common shares and our executive officers and directors, including Mr. Donaghy, in the aggregate beneficially owned approximately 63.30% of our outstanding common shares. As a result, these shareholders, if acting together, would be able to exert substantial influence over us and to influence most matters requiring shareholder approval, including the election of directors, thereby permitting these shareholders to control our affairs. The voting power of these shareholders under certain circumstances could have the effect of delaying or preventing a change in our control, the effect of which may be to deprive you of a control premium that might otherwise be realized in connection with our acquisition.

### **No Public Trading Market**

There is, at present, no public trading market for our common shares, nor is there any assurance that any such market will develop, or if developed, that such market will be sustained.

### **Possible Volatility of Stock Price**

Many factors could affect the market price of our common shares. These factors include but are not limited to:

- Variations in our operating results;
- Variations in industry growth rates;
- Actual or anticipated announcements of technical innovations or new products or product enhancements by us or our competitors;
- General economic conditions in the markets for our products and services;
- Divergence of our operating results from analysts' expectations; and
- Changes in earnings estimates by research analysts

In particular, the market prices of the shares of many companies in the technology and emerging growth sectors recently have experienced wide fluctuations that have often been unrelated to the operating performance of such companies. When the market price of a company's stock drops significantly, shareholders often institute securities class action lawsuits against that company. A lawsuit against us could cause us to incur substantial costs and could divert the time and attention of our management and other resources. Any of these events could have a material adverse effect on our business, financial condition and results of operations.

Our common stock may trade in the over-the-counter market on the so-called "pink sheets" or, if available, the "OTC Bulletin Board." As a result, an investor may find it more difficult to dispose of, or to obtain accurate quotations as to the value of, our common stock. Because our common stock is subject to federal securities rules affecting penny stock, the market liquidity for our common stock may be adversely affected.

Our common stock could become subject to additional sales practice requirements for low priced securities. Our common stock could become subject to Rule 15g-9 under the Securities Exchange Act of 1934, which imposes additional sales practice requirements on broker-dealers that sell our shares of common stock to persons other than established customers and "accredited investors" or individuals with net worth in excess of \$1,000,000 or annual incomes exceeding \$200,000 or \$300,000 together with their spouses.

Rule 15g-9 requires a broker-dealer to make a special suitability determination for the purchaser and have received the purchaser's written consent to the transaction prior to sale. Consequently, the rule may affect the ability of broker-dealers to sell our securities and may affect the ability of our shareholders to sell any of our securities in the secondary market; generally define a "penny stock" to be any non-Nasdaq equity security that has a market price less than \$5.00 per share or with an exercise price of less than \$5.00 per share, subject to certain exceptions; requires broker dealers to deliver, prior to a transaction in a penny stock, a risk disclosure document relating to the penny stock market.

Disclosure is also required to be made about compensation payable to both the broker-dealer and the registered representative and current quotations for the securities. In addition, the rule requires that broker dealers deliver to customers monthly statements that disclose recent price information for the penny stock held in the account and information on the limited market in penny stocks.

## **Item 4. Information on the Company**

### *A. History and Development of the Company*

Oxford Software Developers Inc., formerly International E Gaming Developers Ltd., was incorporated under the laws of Ontario, Canada on October 13, 2000 as a holding company. International E Gaming Developers, #166361v2

Inc., our wholly-owned subsidiary through which we operate our business, was incorporated under the laws of Antigua and Barbuda, British West Indies on November 3, 2000. In November 2001, we incorporated a subsidiary, International E Gaming Developers N.V. under the laws of Curacao, Netherlands Antilles, through which we now have our license to conduct online e-gaming. We were incorporated with the objective of capitalizing on the growth of Internet gaming and entertainment - e-gaming. In April 2001, we acquired the assets of Suchow Holdings Ltd., a Bahamian-based company which provided back-end administrative software solutions for e-commerce driven websites. We anticipate becoming a leader in introducing innovative software products for the Internet gaming industry. We also intend to expand our market share of the Internet gambling market and become a leader in the Internet gaming industry.

The Company's registered office and principal executive offices are located in the City of Toronto, in the Province of Ontario, Canada, at 488 Huron Street, Toronto, Canada M5R 2R3. The registered office and principal executive offices of our Antigua subsidiary are located at No. 6 Temple Street, St. John's, Antigua, at our Antigua counsel's office, without any lease or charge. Our Curacao office is located at Landhais Joonchi, c/o Richard J. Beaujon z/n, P.O. Box 837, Curacao, Netherland Antilles.

## *B. Business Overview*

We were incorporated on October 20, 2000 with the objective of capitalizing on the growth of Internet gaming and entertainment -- e-gaming. We hold a license to gaming software issued and operated by World Gaming, plc (formerly, Starnet Communications International Inc.) pursuant to a gaming license issued by Curacao, Netherlands Antilles. Our World Gaming license allows us to operate a full-service casino and to also market sub-licenses of World Gaming software. As of May 31, 2002, we had 62 sub-licensees, managed over 5000 portals and provided advanced technology and gaming software through our license with World Gaming. In addition, we own and operate our own online casino. We also provide our sub-licensees with other services, including advertising, marketing, 24/7 technical and client support, site maintenance and secure financial processing.

In December 2000, we were approached by Victor DeLaet of International Gaming Consultants Inc. with a business opportunity to take on 17 new e-gaming customers who were formerly the customers of CyberGaming Entertainment Inc. We entered into a contract with International Gaming which in turn entered into a contract with each customer to provide each with a website and each customer received a discount on the cost of the website. We also extended credit to these new customers for 100% of the cost of the websites. In exchange, we received the right to monthly back-end revenues equal to 15% of the billings for credit clearing, together with 60% of the gross revenues generated on each customer's website, which would go to repaying the credit we extended to the individual gaming site. Thereafter we will receive an ongoing revenue stream of 15% of gross revenue generated from each casino site.

We recently acquired our own proprietary software which we intend to sell to another vendor. Individuals who wish to license an Internet casino deposit funds with us using our secure electronic commerce software application. Each end-user has an electronic commerce account with us and all commerce transactions with licensed merchants are recorded in the end-users account. On a weekly and/or monthly basis, we transfer to our sub-licensees the net transaction revenues less licensing and support fees payable to us. We generate revenues through such licensing fees, fees for software support of our Internet-based software and fees charged to end-users for electronic commerce services. All gaming transactions are processed through gaming services located in the jurisdiction in which the operator is licensed to conduct an Internet casino.

We are directing our activities primarily towards Internet software sub-licensing. Our principal focus is the development, licensing, sub-licensing and support of Internet-based software and electronic commerce software to the Internet gaming industry. Through a subsidiary, we currently license World Gaming software package to Internet casino sub-licensees located in various countries. Each of our sub-licensees has represented and demonstrated to us that it is licensed or in the process of being licensed by the relevant authorities in its jurisdiction to operate virtual casinos on the Internet. Initially, as part of the issuance of a software license, the sub-licensee generally pays us a one-time customization fee. This customization fee is for designing the casino as desired by the

sub-licensee. Ongoing licensing and support fees payable to us pursuant to our licensing agreements with sub-licensees are calculated as a percentage of each sub-licensee's net transaction revenues.

Our Internet-based software and electronic commerce software products licensed to us by World Gaming are used by sub-licensees to create "virtual casinos." Our software package transfers the "front end" information (i.e., playing cards, roulette wheel, dice numbers, etc.) between the user and a remote server. Our software package utilizes each user's computer to generate the graphics of the virtual casino while the gaming server performs the "dealer" function, generating the random numbers of playing cards, roulette numbers and dice numbers, as applicable.

Among other things our software contains proprietary encryption features, which allow secure transmission of data. Our software generally does not require the transmission of graphical information over the Internet, which eliminates the long waits which users of other software products experience while graphics are redrawn as new hands are dealt. In addition, our proprietary Internet software package permits our sub-licensees to offer multi-player games, a 3D panoramic virtual casino floor and Internet browsing features and facilitates inter-player chatting.

Our objective is to become a leader in introducing innovative software products for the Internet gaming industry.

We also provide Internet-based electronic commerce support and technology to our sub-licensees and maintain electronic commerce accounts for both merchants of our electronic commerce software and their end-users. We reports and remit to the sub-licensees their respective share of the net transaction revenues less licensing and support fees payable to us (as outlined in the applicable licensing agreement). Utilizing our electronic commerce software, users can purchase electronic cash by credit card number, transfer from their bank account, wire transfer, money order or personal check and can either spend the cash with one of our third party business merchant partners or have the balance in their account returned through their credit card account or by check. Users of our electronic commerce software product are charged nominal fees for using this service.

We believe that Internet gaming is experiencing rapid expansion and, according to published reports, will grow to over 50 million on-line gamblers and over US\$10 billion by 2002. As a result, we intend to be a significant gaming and marketing packager in this industry. On-line casinos enjoy a significant advantage over their land-based counterparts, in part, because real estate, payroll and operational expenses are considerably lower.

We offer a suite of casino games from Blackjack and Red Dog to country-specific games such as Pachinko, Pai Gow Poker and Chuck-A-Luck, attaching global appeal to our related gaming sites. We offer multi-player games, on-line chat, multi-language casino environments, tournament play and the ability to dynamically add new games, which assures sub-licensees of always having cutting-edge software to offer their customers.

Enhanced technology and networks, and a flow of both improved and new software products developed by us and/or licensed from World Gaming will complement a high level of marketing. This provides the gaming customer with the widest diversity of gaming experiences. Venues offered range from currently available casino games, sportsbooks and bingo, to the upcoming live horseracing paramutual web simulcasts, international lottery ticket brokerage and other live webcast events. We intend to make this type of diversified portfolio of gaming experiences available to our affiliates and so to their customers.

We offer both downloadable Windows client-based casino software and no-download Java games, to help reach the maximum customer base possible. With over 20 proprietary casino games, we have a large suite of on-line gaming products available.

### ***Business Strategy***

Operating within the online gaming industry, we developed a comprehensive business strategy designed to utilize our strengths and create a sustainable competitive advantage. The rapid development of the Internet has created opportunities to develop new, efficient and secure ways to deliver information and entertainment to

customers. We intend to expand our market share of the Internet gambling market and become a leader in the Internet gaming industry.

Initially, we will derive our revenue from the following sources:

- Sale of e-gaming software licenses;
- Sale of e-gaming software sub-licenses;
- Provision of marketing services, support maintenance and consulting services to sub-licensees;
- Collection of royalty income produced from the net monthly income of our sub-licensees; and
- Ownership and operation of a full service e-gaming casino — AICasino.com.

Specifically, our key strategic objectives are to:

- Expand and continually improve our proprietary e-gaming software;
- Develop an integrated network of licensed Internet casinos;
- Develop our role as a leading provider of Internet gaming software and services;
- Expand geographically to other markets; and
- Selectively pursue opportunities that allow us to leverage our marketing and Internet competencies into other market segments.

We will employ a variety of strategies to achieve these objectives. These strategies include:

- Rapidly expanding our presence in Internet gaming markets;
- Obtaining rapid license sales and increasing market penetration *via* the provision of casino operation opportunities to competent sub-licensees/operators at a substantial discount from the cost of a stand-alone casino license and development of a solid marketable brand image;
- Promoting our brand name and driving traffic to sub-licensees' sites by combining traditional offline strategies, including public relations and print, with online marketing vehicles;
- Negotiating strategic partnerships with relevant web sites, together with registration of a proliferation of site names (URLs) for each casino site; and
- Accessing the customer base to generate a rapidly growing and potentially fertile source for marketing and promotional activities.

## ***Marketing Overview***

### *Casinos*

We are responsible for on-line marketing and promotion of all Internet casinos we license. Michael Donaghy, our President, has over 6 years experience in on-line promotion and website construction. The core requirement to ensure that on-line casinos and sportsbooks will be profitable is to get as much traffic to the sites as possible, in terms of the number of hits or unique visitors reaching the sites in a given day. Research and actual experience with other casino sites show a direct relationship between the number of unique visitors to the total amount wagered and to the corresponding net monthly revenue after costs. That is, profits from the casinos sites normally range from 4% to 6% of the total amount wagered, which is itself a direct result of the total number of unique visitors to the sites. The more money the casinos net, the higher the revenue we receive. Therefore, we collect monthly advertising amounts from our sub-licensees to ensure that they spend a minimum amount monthly on increasing traffic through the various methods described below.

One of the most economical methods of obtaining traffic to sites is to have a number of websites or URLs pointed to the main casino sites that have our software or World Gaming's software. Using this technique, we can submit all the website names through the search engines and thereby get multiple listings of the casinos. We recommend that each sub-licensee purchase at least 25 names to receive optimum exposure and successful casino operation. Correct search engine placement is generally considered to be of the utmost importance to proper indexing and placement of a website. According to published reports, there are an estimated 800 million websites

currently on-line, containing more than 6 trillion characters. We currently have over 5,000 URL's pointed at our own casino, AlCasino.com. A hit on our corporate website or any one of the URLs registered to us or our sub-licensees will result in immediate access to a gaming site.

Another method we use is to purchase traffic from other sites. Normally, the cost for this traffic is around \$.03 to \$.05 per visitor. We will negotiate purchases on behalf of our sub-licensees to get the highest quality traffic possible. Sub-licensees then pay only for the number of people reaching their sites and only for the actual cost of the advertising.

Finally, the placement of banner advertising, though time-consuming, is also very effective in generating traffic. Normally, website owners are paid 25% of the net monthly revenue from advertising.

Another form of promotion of the casino sites will be in the form of a newsletter. On each site, visitors will be allowed to leave their e-mail addresses. Then we will occasionally send out news releases to these past visitors inviting them to revisit the site. They can be reminded to bet on large sporting events such as World Cup Rugby, Super Bowl, Stanley Cup, or any other major world sporting event. Also, when new features are introduced to the sites, newsletters can be used to launch these features and invite visitors to try them out.

An unaffiliated consulting company has advised us that there is a large, untapped potential customer base that could be accessed through the inclusion of sites/casinos capable of using various languages. Therefore, in an effort to reach this larger potential client base, we have begun the process of converting our websites into a variety of languages, based on the Internet's usage statistics per country and language, beginning with Spanish. We are involved in a cross banner exchange program and we also utilize traditional advertising such as print media, flyers, matchbooks, etc. on a cost effective basis. We keep close watch on our competition to determine what they are offering and we also check to see where we are placed on search engines and we tailor our marketing plan accordingly to keep us competitive.

#### *Sub-Licensee*

We offer packages of World Gaming's software at a substantial discount to the normal cost to start up a casino, and can fund a portion of the purchase price internally by deducting it from operating revenues. We believe that a low introduction price into an integrated casino-marketing program is attractive to investors and that successful casino operations will contribute to sales of further e-gaming sites. Therefore, by ensuring that a portion of available funds is applied to a properly structured, integrated marketing program that promotes the relevant websites, we will have a hand in the success of our sub-licensees' casinos and will not need to expend funds on marketing the sub-licensees themselves.

#### **Operations and Technology**

Our agreement with World Gaming permits us to utilize its software and to market the software to sub-licensees who will operate under the auspices of our gaming license with World Gaming.

On-line revenues generated by casinos are processed through World Gaming which use proprietary encryption processing technology to process credit card transactions via the Internet with ease and security. World Gaming then provides regular transactional reporting to us on a continuing basis, on-line. On a monthly basis World Gaming provides a reconciliation report, which we analyze and break down for reporting to individual sub-licensees. At the same time, we receive gaming activity funds from World Gaming, net of World Gaming 25% share, which we then divide and provide to our sub-licensees in accordance with their entitlements. All funds are held in a segregated trust account pending remittance.

World Gaming also provides custom database systems to manage customer accounts, marketing and consulting, 24-hour technical support for the licensees and their sub-licensees, and an e-commerce gateway to facilitate on-line wagers and financial transactions. These services are all included in our annual license fees and World Gaming's 25% share of net gaming revenues.

## ***The Industry***

The world's first virtual online casino commenced operation on August 15, 1995 with 18 different casino games and on-line access to the National Indian Lottery. Since then hundreds of gambling related sites have opened up on the Internet. Most of the companies operating these web sites are located offshore and are largely unregulated. Gaming technology is evolving rapidly, creating more accessible and more entertaining gaming sites.

## ***Online Gaming***

There are many facets to the online gaming industry. These include Sports Books, Lotteries, Scratch Cards, Casinos, Bingo and Horse Racing. Web sites have been developed around each one of these gaming segments, either individually or in various combinations within a single site.

While a significant portion of gaming revenue is generated within the United States, European and Pacific Rim countries in particular are anticipated to experience the fastest growth of Internet gaming in the world. Hong Kong and Japan are believed to be the largest markets for certain forms of gaming such as horse racing. South America is also an important market, with a particularly high level of participation in Bingo and Soccer betting. We are presently exploring gaming opportunities in Thailand.

## ***Competition***

As with any growing business, competition exists. With respect to the ownership and operation of A1Casino.com, as well as the operation of sub-licensee sites, there are an estimated 650 casino sites on the Internet and this number is continuing to expand. Adjusting for multiple site ownership, we believe that there are at least 250 actively managed casinos. However, we believe that individuals with little or no professional marketing or branding experience own many of these casinos.

Many of the casino/gaming sites operated by competitors have achieved a high level of success. However, we believe that such success is generally identified with a single site. Such sites do not generally utilize brand marketing strategies to co-promote their sites with others or to help build an integrated, homogeneous profile that will cause gamers to develop confidence in the operator's name and methods beyond that confidence resulting from the individual player's personal experience. We plan to address these issues and create a level of trade name identification that will communicate to the player the highest possible standards of play in all our sites.

A number of other groups market software and/or licensing opportunities to prospective casino/gaming site operators. Such brand identification as may exist relates almost exclusively to software. We plan to bring forward the best available software to our affiliates at a reasonable cost. It is our corporate vision to ultimately offer a number of different software packages that can be properly administrated. We also believe that a primary opportunity exists in creating a sophisticated marketing plan that focuses on providing a wide variety of playing opportunities that meet a uniformly high standard of integrity that is inextricably identified with our trade name and is available through a number of sites.

We offer a product that is very price competitive with other casino site marketers. In addition to the advantages that are offered relating to branding and playing confidence, we also provide access to an experienced and sophisticated marketing group. This group will actively participate in the promotion of each affiliate's site.

E-gaming is a marketing business similar to the land-based casino business. Land-based casinos are constantly developing new marketing strategies to attract players and keep them. The majority of e-gaming sites are devoid of a strategic marketing plan, either because of inexperience or a lack of capital.

We have studied the industry and identified our major competitors, including Global Interactive, Tropika International Limited, GIC Global Entertainment Corp. and IGN Internet Global Network, Inc. World Gaming and Cryptologic Inc. are also technology providers to such competitors.

### **C. Organizational Structure**

Not Applicable.

### **D. Property, Plants and Equipment**

Our registered office and principal executive offices are located in the City of Toronto, in the Province of Ontario, Canada, at 488 Huron Street, Toronto, Canada M5R 2R3. The registered office and principal executive offices of our Antigua subsidiary are located at No. 6 Temple Street, St. John's, Antigua, at our Antigua counsel's office, without any lease or charge. Our Curacao registered office is located at Landhais Joonchi, c/o Richard J. Beaujon z/n, P.O. Box 837 in Curacao, Netherland Antilles.

We lease 1200 square feet of office space at 22 King Street, Oshawa, Canada from an unaffiliated party. The office space provides us with the necessary office and development space. The term of the lease is three years beginning April 1, 2000, with rent of \$1,000 per month.

We occupy the office space at No. 6 Temple Street, St. John's Antigua, without lease or charge, from our Antigua counsel. The office space provides us with the necessary office and development space.

## **Item 5. Operating and Financial Review and Prospects**

### **A. Operating Results**

You should read the following discussion in conjunction with our consolidated financial statements and the accompanying notes appearing elsewhere in this annual report.

#### Overview

We were incorporated with the objective of capitalizing on the growth of Internet gaming and entertainment - e-gaming. In April 2001, we acquired the assets of Suchow Holdings Ltd., a Bahamian-based company which provided back-end administrative software solutions for e-commerce driven websites. We anticipate becoming a leader in introducing innovative software products for the Internet gaming industry. We also intend to expand our market share of the Internet gambling market and become a leader in the Internet gaming industry.

The period from inception on October 20, 2000 to December 31, 2000 is not comparable to the fiscal year ended December 31, 2001 because we were just starting to engage in the operation and management of internet gaming sites in 2000.

Our consolidated financial statements are prepared in accordance U.S. generally accepted accounting principles. Our functional currency is the Canadian dollar and our operating subsidiary's is the United States dollar. Our financial statements are reported in United States dollars.

#### Sources of Revenue

Our product revenue consists of license and sub-license fees and web site customization fees. Our services revenue include amounts derived from hosting fees, royalties and revenue sharing arrangements on e-commerce transactions.

#### Revenue Recognition

Our licensing agreements contain multiple fee elements such as web customization, web hosting, licensing and marketing fees. Fees are allocated to the various components based on objective evidence of fair value, which

includes the price charged as if the element was sold separately. We recognize revenue when there is persuasive evidence of an arrangement, such as a licensing agreement, when delivery has occurred, when there is a fixed or determinable fee and when collectibility is probable. When the fee is not fixed or determinable or when collectibility is not assured, the revenue is recognized when received. As amounts are collected, the appropriate revenue is recognized and deferred revenue is recorded for the annual amortizable portion as described below

Pursuant to our agreement with World Gaming, we are required to pay a decreasing monthly royalty fee of 25% to 10% based on net monthly revenues. According to the agreement, we must spend 15% of the net monthly casino revenues on advertising and marketing per month.

We are subject to a 10% rolling reserve holdback on our revenue for a rolling six-month period by our credit card clearing company, World Gaming. A 10% six-month rolling reserve is a standard procedure in the e-gaming industry. We have received payments through September 2001.

#### Current Sources Of Revenue

##### License Fees

Our sub-licensees pay us up-front software licensing fees for the purchase of a web site. Licensing fees for e-gaming web sites are deferred and recognized throughout the first year of a sub-licensee's operation. Revenue from the sale of software sub-licenses to our related reseller is recognized upon sell-through to the unrelated third parties.

##### Web Site Customization Fees and Hosting Fees

Our existing customers require us, and our potential customers may require us to customize, host and manage the server infrastructure and software platform as part of the purchase of an e-gaming web site. Revenues from web site customization fees are recognized as sold to third parties. We provide hosting service for a monthly fee. The web hosting fees are deferred and recognized over a twelve month period. Revenue from the sale of software sub-licenses to our related reseller is recognized upon sell through to the unrelated third parties.

##### Royalties/Marketing

We earn monthly royalties and advertising revenue from casino operations. Revenue from casino operations, marketing and royalties are recognized monthly as earned.

#### *A. Operating Results*

The following is management's discussion and analysis of the our financial condition and results of its operations from the date of inception on October 13, 2000 to December 31, 2000 and for the fiscal year ended December 31, 2001. Because we are an emerging company the comparisons between the above financial statements may not be meaningful and may not necessarily be indicative of our future results of operation.

#### Fiscal Year Ended December 31, 2001

##### Revenues

For the fiscal year ended December 31, 2001, we reported a net loss of (\$2,117,900) or (\$0.12) per share. Revenues amounted to \$401,793, of which \$239,283 was from the sale of software licenses and casino operations, \$95,475 was from advertising, \$50,352 was from royalties from e-gaming activities and \$16,683 was from the sale of domain names.

### Cost of Revenues

Cost of revenues amounted to \$502,740 for the same period and consisted principally of casino operations (\$241,718) software amortization and expenses (\$55,785), commissions (\$109,904) and gaming license amortization (\$95,333).

### Selling, General and Administrative Expense

Selling, general and administrative expense ("SG&A") amounted to \$2,016,953 and consisted principally of consulting fees (\$1,626,767), professional fees (comprised of accounting, audit and legal) (\$187,725) other administrative and communication expenses (\$202,461).

SG&A expenses were due to our increased corporate activity, business development, sub-licensee acquisition, promotion and marketing. Professional accounting and legal expenses were attributable to our efforts to register as a public company with the Securities & Exchange Commission.

### Financial Condition, Liquidity and Capital Resources

At December 31, 2001, the Company had cash and cash equivalent assets of \$508 and total current assets of \$107,879 consisting principally of cash and cash equivalents, receivables of \$76,639 and prepaid license fees of \$35,732.

Operations used \$125,802 for the fiscal year ended December 31, 2001. Funds used in operations primarily relate to professional fees regarding the registering of the company with the Securities and Exchange Commission.

Investing activities used \$73,494 for the fiscal year ended December 31, 2001, funds used in investing activities consisted of purchases of software licenses to support operations.

Financing activities provided \$280,149 for the fiscal year ended December 31, 2001. Funds provided by financing activities were from the sale of 1,724,666 shares of our common stock.

We had no long-term debt at December 31, 2001.

### Inception October 20, 2000 to the Fiscal Year ended December 31, 2000

#### Revenues

For the fiscal year ended December 31, 2000, we reported a net loss of (\$100,896) or \$0.01 per share. Revenues amounted to \$112,172, of which \$75,138 was from the sale of software licenses, \$29,416 was from advertising, \$1,052 was from royalties from e-gaming activities and \$2,074 was from the sale of domain names.

#### Cost of Revenues

Cost of revenues amounted to \$89,324 for the same period and consisted principally of casino operations (\$34,092), software amortization and expenses (\$22,903), commissions (\$23,481) and gaming license amortization (\$8,848).

#### Selling, General and Administrative Expense

Selling, general and administrative expense ("SG&A") amounted to \$128,703 and consisted principally of advertising and marketing (\$34,208), consulting (\$51,649), professional fees (comprised of accounting, audit and legal) (\$28,587), communications, (\$6,903), travel (\$2,598) and other administrative expenses (\$4,758).

SG&A expenses were due to our increased corporate activity, business development, affiliate acquisition, promotion and marketing. Professional accounting and legal expenses were attributable to our efforts to register as a public company with the Securities and Exchange Commission.

*Financial Condition, Liquidity and Capital Resources*

At December 31, 2000 we had no cash or cash equivalent and total current assets of \$121,880 consisting principally of receivables of \$18,429 and prepaid license fee of \$103,451. See "Certain Transactions." In addition, our e-commerce transactions are settled within 30 days following the month-end of the month of the transactions and outstanding fees remaining from sub-licensees for front-end design of casino web sites pursuant to sub-licensee agreements.

Operations used \$1,903 of cash for the fiscal year ended December 31, 2000. Funds used in operations primarily relate to increases in receivables and prepaid license, which were partially offset by increases in payables and by various non-cash charges to earnings.

Investing activities used \$67,634 for the fiscal year ended December 31, 2000. Funds used in investing activities consisted of purchases of software license and equipment to support operations.

Financing activities provided \$69,430 for the fiscal year ended December 31, 2000. Funds provided by financing activities were from the sale of 2,100,000 shares of our common stock.

We had no long-term debt at December 31, 2000.

*B. Liquidity and Capital Resources*

The Company will require additional liquidity over the next 12 months. Thus far, the Company has possessed both internal and external sources of liquidity. From time to time in the past, Michael Dohaghy, the President of the Company, personally advanced non-interest-bearing loans to the Company for the day-to-day operations of the Company.

### *C. Research and development, patents and licenses, etc.*

On January 25, 2001, the Company entered into a software licensing agreement with Starnet and also paid Starnet a one-time, non-refundable software development fee for its own virtual casino. Pursuant to the agreement with Starnet, the Company is required to pay a decreasing monthly royalty fee of 25% to 10% based on net monthly revenues. According to the agreement, 15% of the net monthly casino revenues must be spent on advertising and marketing per month. The term of the license agreement is for one year with automatic one-year extensions. The license allows the Company to assign sub-licenses.

The Company is subject to a 10% rolling reserve holdback on our revenue for a rolling six-month period by our credit card clearing company, World Gaming. A 10% six-month rolling reserve is a standard procedure in the e-gaming industry. We have received payments through September 2001.

On November 20, 2000, the Company, through a subsidiary, acquired a one-year gaming license from the Antigua and Barbuda Free Trade and Processing Zone. On November 20, 2001, through a subsidiary, in an agreement with World Gaming, we acquired a three-year gaming license from the Curacao Chamber of Commerce and Industry.

### *D. Trend Information*

#### ***The Internet***

The Internet continues to grow at a high rate in terms of the number of users online, the total revenue being generated online and the speed at which communications can be carried. All of these factors contribute to a parallel growth in the number and value of online gaming transactions globally.

According to published reports, the popularity of the Internet and the continuing increase in the on-line population has established it as one of the fastest growing communications mediums in history, reaching an estimated 50 million users worldwide within only 5 years since its establishment for business and personal use. Comparably, radio did not reach the same level of exposure for 38 years, television for 13 years and cable for 10 years.

The intense increase in Internet penetration is due to several major factors, the first and foremost relating to PC penetration. Most PCs are equipped with some form of Internet access, and most homes have telephone lines. Once a PC is inside a home, the Internet is a natural part of its use. Second, technology advances in personal computers for the home and office, as well as those that help connection speed, encourage the use of the Internet. Most product developments, such as computers that offer Internet access by the touch of a button, make the Internet experience more enjoyable and, therefore, consumers are drawn to it. Lastly, the content on the Internet is self-enforcing. Advertising on the Internet directs consumers go to other websites, thus extending the average time that users spend on the web. North America has dominated the development of the Internet, but the greatest growth potential is outside that region.

We expect these growth trends will have a positive impact on the Company's sales and revenues. See "Forward Looking Information," below.

#### ***The Economy***

We believe that significant opportunities exist for e-gaming and Internet entertainment activities. Specifically, we believe that e-gaming purchases and activity will continue to increase as we focus on providing a wide variety of gaming opportunities. We expect such increases to occur primarily as a result of a marketing plan and the development of relationships with various sub-licensees.

### *E. Forward Looking Information*

*We are projecting positive cash flow.*

We are projecting positive cash flow for the fiscal year ending December 31, 2002, but anticipate increased expenses. It is expected that these expenses will be caused primarily by:

- costs for software and related applications
- startup, including personnel and office costs
- marketing costs
- sub-licensee acquisition costs
- legal and accounting costs

*We are in the emerging stage.*

We have a limited operating history since our operations began in November 2000. Consistent with other software development and e-gaming related companies, expenditures are heavily weighted in favor of our software development, marketing, customer acquisition and sub-licensee acquisition efforts. We realize that these expenditures are necessary in order to compete for customers more effectively and to develop a profitable Internet e-gaming company capable of surviving and prospering well into the future.

We expect to continue developing our sub-licensee relationships by adding new sub-licensees to our network of online casino sites and improving functionalities based on customer needs, requests and requirements. In the event that we target an appropriate acquisition or licensing candidate, which we currently have not, we may require additional funding to consummate such a relationship.

We do not currently have sufficient financial resources to meet the funding requirements referenced above. Accordingly, we are currently seeking funding from outside sources. At the date hereof, we have no firm commitments from anyone to provide additional funding. The Company has filed a registration statement on Form F-1 to sell up to 2,000,000 shares of its common stock. The registration statement was declared effective by the Securities and Exchange Commission on June 21, 2002. If the offering is successfully consummated, our balance sheet will improve because we will have more working capital.

#### **Item 6. Directors, Senior Management and Employees**

A. *Directors and senior management.* Set forth below are particulars respecting our current directors and officers as of December 31, 2001, and the business experience of each such person:

<u>Name</u>	<u>Business Address</u>	<u>Position</u>
Michael Donaghy	488 Huron Street Toronto, Ontario Canada M5R 2R3	Chief Executive Officer, President and Director
Victor DeLaet	250-480 Broad Street Regina, Saskatchewan S4R IX3	Vice President and Director
Thomas Sheppard	488 Huron Street Toronto, Ontario Canada M5R 2R3	Secretary
Philip Head	2217 Sealy Galveston, Texas 77550 S4R IX3	Director
Brent Pickles	1235-7 <sup>th</sup> Avenue S.W.	Director

Suite 207  
Calgary, Alberta T2T 0C2

*Michael Donaghy, President.* Mr. Donaghy, age 41, has been our President, since inception. From February 2000 to October 2000 he served as Interim President of Zaurak Capital Corp., an e-gaming holding company. In 1999 he formed and was named President and Chief Executive Officer of CyberGaming Inc., a company engaged in the business of Internet e-gaming sub-licensing, website creation and hosting. Mr. Donaghy resigned as President and CEO of CyberGaming Inc. in September 2000, just prior to joining us. Mr. Donaghy is also President of Citywebsites.com, a website design company, since March 1995.

*Victor DeLaet, Vice President.* Mr. DeLaet, age 47, has been our Vice President and Director since inception. He has been the President of DeLaet Financial Services from April 1990 to present. From May 2000 to September 2000, Mr. DeLaet was a consultant to International Gaming Consultants, Inc., for marketing and selling on-line casinos.

*Thomas Sheppard, Secretary.* Mr. Sheppard, age 52, has been our Secretary since December 2001. He has been practicing law in Ontario since 1978 in the areas of corporate-commercial law, securities law and real estate, with a particular emphasis on financing transactions. He is experienced in counseling emerging companies in the early stages of financing, helping them to identify merger targets and joint venture partners, and guiding them through the Initial Public Offering process in Canada and the United States. Mr. Sheppard is a director of a number of corporations and not-for-profit organizations in Canada. Mr. Sheppard received a B.A. from York University and an L.L.B. from the University of Ottawa

*Philip Head, Director.* Mr. Head has been a Director since July 2001. Since 1997, he has been the Chief Executive Officer and president of Guardian Group of America, an organization that caters to the needs of senior citizens. Mr. Head is a Master Certified Estate Planner, Certified Wealth Transfer Practitioner and a Certified Senior Advisor.

*Brent Pickles, Director.* Mr. Pickles, age 29 has been a Director since November 2001. Prior to joining us, he was a partner/owner of a General Motors Canada, Ltd automobile dealership for ten years. Mr. Pickles was one of the top business managers in Canada's automotive industry.

B. *Compensation.* Mr. Donaghy received a salary of \$6,800 during the fiscal period ended December 31, 2000 and \$78,500 for the fiscal year ended December 31, 2001, as the Company's President and Chief Executive Officer. Mr. DeLaet received no salary during the fiscal period ended December 31, 2000 and \$93,894 during the fiscal year ended December 31, 2001, as the Company's Vice President. No other compensation was paid to our executive officers.

We do not presently pay any cash compensation to directors for serving on our board, but we do reimburse directors for out-of-pocket expenses for attending board meetings.

C. *Board Practices.* While not required, each of the Company's directors is a resident of Canada and holds office until the Company's first annual meeting or until his successor is duly elected or appointed. Officers are appointed annually by the Board of Directors to serve at the Board's will.

D. *Employees.* As of December 31, 2001, we had a total of 16 full-time employees: 11 in Toronto, Ontario, 3 in Calgary, Alberta, 1 in Regina, Saskatchewan and 1 in Bangkok, Thailand. None of our employees are covered by any collective bargaining agreement. We believe that relations with our employees are good.

E. *Share Ownership.* The following table sets forth information relating to the beneficial ownership of the our common stock as of the date of this annual report by those persons who beneficially own more than 5% of our common stock and by all of our directors and executive officers as a group, as of May 31, 2002.

<u>Name and Address of Beneficial Owner (1)</u>	<u>Position with the Company</u>	<u>Number of Shares Owned</u>	<u>Percent</u>
Michael Donaghy (2)	Chief Executive Officer	8,300,000	42.0%
Victor DeLaet (3)	Vice President and Director	2,251,833	11.40%
Thomas Sheppard	Secretary	500,000	(4)
Philipp Head	Director	1,000,000	(4)
Brent Pickles	Director	440,000	(4)
All Officers and Directors as a Group (5 Persons)		12,491,833	(4)

- (1) All officer and director addresses are c/o the Company at 488 Huron Street, Toronto, Ontario M5R2R3.
- (2) Mr. Donaghy beneficially owns these shares indirectly through his spouse.
- (3) Mr. DeLaet beneficially owns 462,333 shares indirectly as a controlling shareholder of International Gaming Consultants, Inc. and 500,000 indirectly through his spouse.
- (4) Less than 1%.

#### **Item 7. Major Shareholders and Related Party Transactions**

A. *Major shareholders.* The Company is not aware of any beneficial owners of 5% or more of the Company's common stock other than those disclosed in Item 6.E. above.

B. *Related party transactions.* We have a sub-licensee agreement with International Gaming Consultants, Inc., a company owned and controlled by Victor DeLaet, an officer and director. Pursuant to our sub-licensee agreement, International Gaming has in turn entered into sub-license agreements with 17 third parties unaffiliated with us. The sub-license agreement between us and International Gaming are on the same terms as the sub-license agreements between us and unaffiliated third parties.

International Gaming does not own or operate a gaming web site. The cost per site for each of the sites referred to us by International Gaming is approximately \$45,000, which the sub-licensees are paying to us on a monthly basis from revenues generated by the websites. In addition, we have the right to receive recurring revenue of 15% of the revenue generated from each such casino site on a monthly basis. See "Business-The Company."

Full disclosure of this transaction was made to World Gaming and World Gaming consented to this sub-licensing arrangement.

As of May 31, 2002, we owed Messrs. Donaghy and DeLaet approximately \$233,971 and \$62,964, respectively for consulting services, for funds advanced to us and for other expenses paid on behalf of the Company.

During November 2000, we issued to Mr. Donaghy 8,400,000 shares of common stock at \$0.0009 per share in exchange for office equipment with a historical cost of \$3,472 and expenses valued at \$3,992, which represents his historical cost.

During November 2000, we issued to Victor DeLaet 2,100,000 shares of common stock at \$0.0331 per share for \$69,430 cash.

*C. Interest of Experts and Counsel*

Not Applicable.

**Item 8. Financial Information**

*A. Consolidated Statements and Other Financial Information.* This annual report on Form 20-F contains the financial information set forth under Item 18.

*B. Significant Changes.* In April 2001, the Company acquired the assets of Suchow Holdings, Ltd for \$150,000 and 1,000,000 shares of its common stock. This acquisition will allow the Company to provide back-end administrative software solutions for e-commerce driven websites. The Company will use its proprietary e-gaming and management software acquired from Suchow to license its own software to Internet gaming website operators.

**Legal Proceedings**

The Company is not a party to any pending or ongoing material legal proceeding nor is the company aware of any threatened or anticipated legal proceeding against it.

**Dividend Policy**

The Company has not paid and does not plan to pay any cash dividends on its capital stock. The Company currently intends to retain any future earnings to fund growth, and therefore does not expect to pay any cash dividends in the foreseeable future.

**Item 9. The Offer and Listing**

Not Applicable.

**Item 10. Additional Information**

*A. Share Capital.*

Not Applicable

*B. Memorandum and articles of incorporation.*

Incorporated by reference from the Company's registration statement on Form 20-F filed on December 19, 2001.

*C. Material contracts.*

On January 25, 2001, the Company entered into a software licensing agreement with World Gaming and also paid World Gaming a one-time, non-refundable software development fee of \$100,000 for its own virtual casino. Pursuant to the agreement with World Gaming, the Company is required to pay a decreasing monthly royalty fee of 25% to 10% based on net monthly revenues. According to the agreement, a minimum of 15% of the previous month's net monthly casino revenues must be spent on advertising and marketing per month. The term of

the license agreement is for one year with automatic indefinite one-year extensions. The World Gaming license allows the Company to assign sub-licenses.

On November 20, 2001, through a subsidiary, in an agreement with World Gaming, we acquired a three-year gaming license from the Curacao Chamber of Commerce and Industry.

The Company is subject to a 10% rolling reserve holdback on its revenue for a rolling six-month period by its credit card clearing company, World Gaming. A 10% six-month rolling reserve is a standard procedure in the e-gaming industry. To date, the Company has received payment from World Gaming through September 2001.

The Company has employment agreements with its president and vice president, as discussed more fully below.

The Company entered into a three-year employment agreement with Michael Donaghy dated July 1, 2001 to serve as our President and also as the general manager of our wholly-owned subsidiary International E Gaming Developers Inc. Mr. Donaghy is entitled to receive an annual salary of \$125,000 (Canadian) plus customary vacation, medical, dental and life insurance benefits and reimbursement of certain business expenses. We may terminate the employment agreement for "cause" which includes, (i) failure by Mr. Donaghy to perform his duties in accordance with the employment agreement; (ii) Mr. Donaghy's conviction for a criminal offense involving fraud, misappropriation of monies, property or rights of the Company or an act of moral turpitude; (iii) Mr. Donaghy's willful malfeasance or willful gross misconduct; (iv) a breach of certain provisions of the employment agreement; and (v) for any reason permitted by law that would allow the Company to terminate the agreement without notice or for payment in lieu of notice.

The Company may also terminate the employment agreement prior to the end of the term by payment to Mr. Donaghy of a lump sum equal to his compensation and benefits payable under the remaining term of the agreement.

The Company entered into a three-year employment agreement with Victor DeLaet dated July 1, 2001 to serve as our Vice President. Mr. DeLaet is entitled to receive an annual salary of \$100,000 (Canadian) plus customary vacation, medical, dental and life insurance benefits and reimbursement of certain business expenses. We may terminate the employment agreement for "cause" which includes, (i) failure by Mr. DeLaet to perform his duties in accordance with the employment agreement; (ii) Mr. DeLaet's conviction for a criminal offense involving fraud, misappropriation of monies, property or rights of the Company or an act of moral turpitude; (iii) Mr. DeLaet's willful malfeasance or willful gross misconduct; (iv) a breach of certain provisions of the employment agreement; and (v) for any reason permitted by law that would allow the Company to terminate the agreement without notice or for payment in lieu of notice.

We may also terminate the employment agreement prior to the end of the term by payment to Mr. DeLaet of a lump sum equal to his compensation and benefits payable under the remaining term of the agreement.

*D. Exchange controls.* The Company is an Ontario corporation. Canada has no system of exchange controls. There are no Canadian restrictions on the repatriation of capital or earnings of a Canadian public company to non-resident investors. There are no laws in Canada or exchange restrictions affecting the remittance of dividends, profits, royalties and other payments to non-resident holders of the Canadian securities.

There are no limitations under the laws of Canada or in the controlling documents of the Company on the right of foreigners to hold or vote securities of the Company, except that the Investment Canada Act may require review and approval by the Minister of Industry (Canada) of certain acquisitions of "control" of the Company by a "non-Canadian". The threshold for acquisitions of control is generally defined as being one-third or more of the voting shares of the Company. "Non-Canadian" generally means an individual who is not a Canadian citizen, or a corporation, partnership, trust or joint venture that is ultimately controlled by non-Canadians.

## E. *Taxation.*

### *Canadian Federal Income Tax Consequences*

The following is a brief summary of some of the principal Canadian federal income tax consequences to a U.S. Holder (as defined below) of the Company's common shares who deals at arm's length with and is not affiliated with the Company, holds the shares as capital property and who, for the purposes of the Income Tax Act (Canada) and the Canada-United States Income Tax Convention, is at all relevant times resident or deemed to be resident in the United States and is not nor is deemed to be in Canada and does not carry on business in Canada.

This summary is of a general nature only and is not, and should not be interpreted as, legal or tax advice to any particular U.S. Holder and no representation is made with respect to the Canadian income tax consequences to any particular person. Accordingly, U.S. Holders are advised to consult their own tax advisers with respect to their particular circumstances.

Under the Income Tax Act (Canada) and pursuant to the Canada-United States Income Tax Convention, a U.S. Holder of common shares will be subject to a 15 percent withholding tax on dividends paid or credited or deemed by the Income Tax Act (Canada) to have been paid or credited on such shares. The withholding tax rate is 5 percent for 1999, 2000 and 2001, where the U.S. Holder is a corporation that beneficially owns at least 10 percent of the voting shares of the Company.

In general, a U.S. Holder will not be subject to Canadian income tax on capital gains arising on the disposition of the Company common shares unless (i) at any time in the five-year period immediately preceding the disposition, 25 percent or more of the shares of any class or series of the capital stock of the Company were owned (or were under option or subject to an interest in) by the U.S. Holder, by persons with whom the U.S. Holder did not deal at arm's length and (ii) the value of the common shares of the Company at the time of the disposition derives principally from real property (as defined in the Canada-United States Income Tax Convention) situated in Canada.

### *United States Federal Income Tax Consequences*

The following is a general discussion of certain possible U.S. federal income tax consequences, under current law, generally applicable to a U.S. Holder of common shares of the Company. This discussion is of a general nature only and does not take into account the particular facts and circumstances, with respect to U.S. federal income tax issues, of any particular U.S. Holder. This discussion does not cover any state, local or foreign tax consequences. (See "Taxation-- Canadian Federal Income Tax Consequences", above).

The following discussion is based upon the sections of the Internal Revenue Code of 1986, as amended (the "Code"), Treasury Regulations, published Internal Revenue Service ("IRS") rulings, published administrative positions of the IRS and court decisions that are currently applicable, any or all of which could be materially and adversely changed, possibly on a retroactive basis, at any time and which are subject to differing interpretations. This discussion does not consider the potential effects, both adverse and beneficial, of any proposed legislation which, if enacted, could be applied, possibly on a retroactive basis, at any time.

**This discussion is for general information only and it is not intended to be, nor should it be construed to be, legal or tax advice to any U.S. Holder or prospective U.S. Holder of common shares of the Company, and no opinion or representation with respect to the U.S. federal income tax consequences to any such U.S. Holder or prospective U.S. Holder is made. Accordingly, U.S. Holders and prospective U.S. Holders of common shares of the Company should consult their own financial advisor, legal counsel or accountant regarding the U.S. federal, state, local and foreign tax consequences of purchasing, owning and disposing of common shares of the Company.**

### U.S. Holders

As used herein, a "U.S. Holder" means a holder of common shares of the Company who is (i) a citizen or individual resident of the U.S., (ii) a corporation or partnership created or organized in or under the laws of the U.S.

or of any political subdivision thereof, (iii) an estate whose income is taxable in the U.S. irrespective of source or (iv) a trust subject to the primary supervision of a court within the U.S. and control of a U.S. fiduciary as described Section 7701(a)(30) of the Code.

#### Persons Not Covered

This summary does not address the U.S. federal income tax consequences to persons (including persons who are U.S. Holders) subject to special provisions of U.S. federal income tax law, including (i) tax-exempt organizations, (ii) qualified retirement plans, (iii) individual retirement accounts and other tax-deferred accounts, (iv) financial institutions, (v) insurance companies, (vi) real estate investment trusts, (vii) regulated investment companies, (viii) broker-dealers, (ix) persons or entities that have a "functional currency" other than the U.S. dollar, (x) persons subject to the alternative minimum tax, (xi) persons who own their common shares of the Company as part of a straddle, hedging, conversion transaction, constructive sale or other arrangement involving more than one position, (xii) persons who acquired their common shares of the Company through the exercise of employee stock options or otherwise as compensation for services, (xiii) persons that own an interest in an entity that owns common shares of the Company, (xiv) persons who own, exercise or dispose of any options, warrants or other rights to acquire common shares of the Company, or (xv) persons who own their common shares of the Company other than as a capital asset within the meaning of Section 1221 of the Code.

#### Distribution on Common Shares of the Company

U.S. Holders receiving distributions (including constructive distributions) with respect to common shares of the Company are required to include in gross income for U.S. federal income tax purposes the gross amount of such distributions, equal to the U.S. dollar value of such distributions on the date of receipt (based on the exchange rate on such date), to the extent that the Company has current or accumulated earnings and profits, without reduction for any Canadian income tax withheld from such distributions. Such Canadian tax withheld may be credited, subject to certain limitations, against the U.S. Holder's U.S. federal income tax liability or, alternatively, may be deducted in computing the U.S. Holder's U.S. federal taxable income by those who itemize deductions. (See more detailed discussion at "Foreign Tax Credit" below). To the extent that distributions from the Company exceed current or accumulated earnings and profits of the Company, such distributions will be treated first as a return of capital, to the extent of the U.S. Holder's adjusted basis in the common shares, and thereafter as gain from the sale or exchange of the common shares of the Company. (See more detailed discussion at "Disposition of Common Shares of the Company" below)

In the case of foreign currency received as a distribution that is not converted by the recipient into U.S. dollars on the date of receipt, a U.S. Holder will have a tax basis in the foreign currency equal to its U.S. dollar value on the date of receipt. Generally any gain or loss recognized upon a subsequent sale or other disposition of the foreign currency, including the exchange for U.S. dollars, will be ordinary income or loss. However, an individual whose realized gain does not exceed \$200 will not recognize that gain, to the extent that there are no expenses associated with the transaction that meet the requirements for deductibility as a trade or business expense (other than travel expenses in connection with a business trip) or as an expense for the production of income.

Dividends paid on the common shares of the Company generally will not be eligible for the "dividends received deduction" allowed to corporate shareholders receiving dividends from certain U.S. corporations. Under certain circumstances, a U.S. Holder that is a corporation and that owns shares representing at least 10% of the total voting power and the total value of the Company's outstanding shares may be entitled to a 70% deduction of the "U.S. source" portion of dividends received from the Company (unless the Company qualifies as a "Foreign Personal Holding Company" or a "Passive Foreign Investment Company" as defined below). The availability of the dividends received deduction is subject to several complex limitations which are beyond the scope of this discussion, and U.S. Holders of common shares of the Company should consult their own financial advisor, legal counsel or accountant regarding the dividends received deduction.

Certain information reporting and backup withholding rules may apply with respect to certain payments related to the Company's common shares. In particular, a payor or middleman within the U.S., or in certain cases outside the U.S., will be required to withhold 30% (which rate is scheduled for periodic adjustment) of any

payments to a U.S. Holder of the Company's common shares of dividends on, or proceeds from the sale of, such common shares within the U.S., if a U.S. Holder fails to furnish its correct taxpayer identification number or otherwise fails to comply with, or establish an exemption from, the backup withholding tax requirements. Any amounts withheld under the U.S. backup withholding tax rules will be allowed as a refund or a credit against the U.S. Holder's U.S. federal income tax liability, provided the required information is furnished to the IRS. **U.S. Holders should consult their own financial advisor, legal counsel or accountant regarding the information reporting and backup withholding rules applicable to the Company's common shares.**

#### Foreign Tax Credit

A U.S. Holder who pays (or has withheld from distributions) Canadian or other foreign income tax with respect to the ownership of common shares of the Company may be entitled, at the option of the U.S. Holder, to either receive a deduction or a tax credit for U.S. federal income tax purposes with respect to such foreign tax paid or withheld. Generally, it will be more advantageous to claim a credit because a credit reduces U.S. federal income taxes on a dollar-for-dollar basis, while a deduction merely reduces the taxpayer's income subject to U.S. federal income tax. This election is made on a year-by-year basis and applies to all foreign taxes paid by (or withheld from distributions to) the U.S. Holder during that year.

There are significant and complex limitations that apply to the foreign tax credit, among which is the general limitation that the credit cannot exceed the proportionate share of the U.S. Holder's U.S. income tax liability that the U.S. Holder's "foreign source" income bears to his or its worldwide taxable income. In applying this limitation, the various items of income and deduction must be classified as either "foreign source" or "U.S. source." Complex rules govern this classification process. In addition, this limitation is calculated separately with respect to specific classes of income such as "passive income," "high withholding tax interest," "financial services income," "shipping income," and certain other classifications of income. Dividends distributed by the Company will generally constitute "foreign source" income, and will be classified as "passive income" or, in the case of certain U.S. Holders, "financial services income" for these purposes.

In addition, U.S. Holders that are corporations and that own 10% or more of the voting stock of the Company may be entitled to an "indirect" foreign tax credit under Section 902 of the Code with respect to the payment of dividends by the Company under certain circumstances and subject to complex rules and limitations. **The availability of the foreign tax credit and the application of the limitations with respect to the foreign tax credit are fact specific, and each U.S. Holder of common shares of the Company should consult their own financial advisor, legal counsel or accountant regarding the foreign tax credit rules.**

#### Disposition of Common Shares of the Company

A U.S. Holder will recognize gain or loss upon the sale or other taxable disposition of common shares of the Company equal to the difference, if any, between (i) the amount of cash plus the fair market value of any property received, and (ii) the shareholder's tax basis in the common shares of the Company. This gain or loss will be capital gain or loss if the common shares are a capital asset in the hands of the U.S. Holder, which will be long-term capital gain or loss if the common shares of the Company are held for more than one year.

Preferential tax rates apply to long-term capital gains of U.S. Holders that are individuals, estates or trusts. Deductions for net capital losses are subject to significant limitations. For U.S. Holders that are not corporations, any unused portion of such net capital loss may be carried over to be used in later tax years until such net capital loss is thereby exhausted. For U.S. Holders that are corporations (other than corporations subject to Subchapter S of the Code), an unused net capital loss may be carried back three years and carried forward five years from the loss year to be offset against capital gains until such net capital loss is thereby exhausted.

#### Other Considerations for U.S. Holders

In the following circumstances, the above sections of this discussion may not describe the U.S. federal income tax consequences to U.S. Holders resulting from the ownership and disposition of common shares of the Company:

### Foreign Personal Holding Company

If at any time during a taxable year (i) more than 50% of the total voting power or the total value of the Company's outstanding shares is owned, directly or indirectly, by five or fewer individuals who are citizens or residents of the U.S. and (ii) 60% (or 50% in certain cases) or more of the Company's gross income for such year is "foreign personal holding company income" as defined in Section 553 of the Code (e.g., dividends, interest, royalties, certain gains from the sale of stock and securities, and certain gains from commodities transactions), the Company may be treated as a "Foreign Personal Holding Company" ("FPHC") In that event, U.S. Holders of common shares of the Company would be required to include in gross income for such year their allocable portions of such "foreign personal holding company income" to the extent the Company does not actually distribute such income.

The Company does not believe that it currently qualifies as a FPHC. However, there can be no assurance that the Company will not be considered a FPHC for the current or any future taxable year.

### Foreign Investment Company

If (i) 50% or more of the total voting power or the total value of the Company's outstanding shares is owned, directly or indirectly, by citizens or residents of the U.S., U.S. partnerships or corporations, or U.S. estates or trusts (as defined by the Code Section 7701(a)(30)), and (ii) the Company is found to be engaged primarily in the business of investing, reinvesting, or trading in securities, commodities, or any interest therein, the Company may be treated as a "Foreign Investment Company" ("FIC") as defined in Section 1246 of the Code, causing all or part of any gain realized by a U.S. Holder selling or exchanging common shares of the Company to be treated as ordinary income rather than capital gain.

The Company does not believe that it currently qualifies as a FIC. However, there can be no assurance that the Company will not be considered a FIC for the current or any future taxable year.

### Controlled Foreign Corporation

If more than 50% of the total voting power or the total value of the Company's outstanding shares is owned, directly or indirectly, by citizens or residents of the U.S., U.S. partnerships or corporations, or U.S. estates or trusts (as defined by the Code Section 7701(a)(30)), each of which own, directly or indirectly, 10% or more of the total voting power of the Company's outstanding shares (each a "10% Shareholder"), the Company could be treated as a "Controlled Foreign Corporation" ("CFC") under Section 957 of the Code.

The classification of the Company as a CFC would effect many complex results, including that 10% Shareholders of the Company would generally (i) be treated as having received a current distribution of the Company's "Subpart F income" and (ii) would also be subject to current U.S. federal income tax on their pro rata shares of the Company's earnings invested in "U.S. property." The foreign tax credit may reduce the U.S. federal income tax on these amounts for such 10% Shareholders (See more detailed discussion at "Foreign Tax Credit" above). In addition, under Section 1248 of the Code, gain from the sale or other taxable disposition of common shares of the Company by a U.S. Holder that is or was a 10% Shareholder at any time during the five-year period ending with the sale is treated as ordinary income to the extent of earnings and profits of the Company attributable to the common shares sold or exchanged.

If the Company is classified as both a Passive Foreign Investment Company as described below and a CFC, the Company generally will not be treated as a Passive Foreign Investment Company with respect to 10% Shareholders. This rule generally will be effective for taxable years of 10% Shareholders beginning after 1997 and for taxable years of the Company ending with or within such taxable years of 10% Shareholders.

The Company does not believe that it currently qualifies as a CFC. However, there can be no assurance that the Company will not be considered a CFC for the current or any future taxable year. **The CFC rules are very**

**complicated, and U.S. Holders should consult their own financial advisor, legal counsel or accountant regarding the CFC rules and how these rules may impact their U.S. federal income tax situation.**

Passive Foreign Investment Company

The Code contains rules governing "Passive Foreign Investment Companies" ("PFIC") which can have significant tax effects on U.S. Holders of foreign corporations. Section 1297 of the Code defines a PFIC as a corporation that is not formed in the U.S. and, for any taxable year, either (i) 75% or more of its gross income is "passive income" or (ii) the average percentage, by fair market value (or, if the corporation is not publicly traded and either is a controlled foreign corporation or makes an election, by adjusted tax basis), of its assets that produce or are held for the production of "passive income" is 50% or more. "Passive income" includes, for example, dividends, interest, certain rents and royalties, certain gains from the sale of stock and securities, and certain gains from commodities transactions. However, gains resulting from commodities transactions are generally excluded from the definition of passive income if "substantially all" of a merchant's, producer's or handler's business is as an active merchant, producer or handler of such commodities.

For purposes of the PFIC income test and the assets test, if a foreign corporation owns (directly or indirectly) at least 25% by value of the stock of another corporation, such foreign corporation shall be treated as if it (a) held a proportionate share of the assets of such other corporation, and (b) received directly its proportionate share of the income of such other corporation. Also, for purposes of such PFIC tests, passive income does not include any interest, dividends, rents or royalties that are received or accrued from a "related" person to the extent such amount is properly allocable to the income of such related person which is not passive income. For these purposes, a person is related with respect to a foreign corporation if such person "controls" the foreign corporation or is controlled by the foreign corporation or by the same persons that control the foreign corporation. For these purposes, "control" means ownership, directly or indirectly, of stock possessing more than 50% of the total voting power of all classes of stock entitled to vote or of the total value of stock of a corporation.

U.S. Holders owning common shares of a PFIC are subject to the highest rate of tax on ordinary income in effect for the applicable taxable year and to an interest charge based on the value of deferral of tax for the period during which the common shares of the PFIC are owned with respect to certain "excess distributions" on and dispositions of PFIC stock under Section 1291 of the Code. However, if the U.S. Holder makes a timely election to treat a PFIC as a qualified electing fund ("QEF") with respect to such shareholder's interest therein, the above-described rules generally will not apply. Instead, the electing U.S. Holder would include annually in his gross income his pro rata share of the PFIC's ordinary earnings and net capital gain regardless of whether such income or gain was actually distributed. A U.S. Holder of a QEF can, however, elect to defer the payment of U.S. federal income tax on such income inclusions. In addition, subject to certain limitations, U.S. Holders owning, actually or constructively, marketable (as specifically defined) stock in a PFIC will be permitted to elect to mark that stock to market annually, rather than be subject to the tax regime of Section 1291 of Code as described above. Amounts included in or deducted from income under this alternative (and actual gains and losses realized upon disposition, subject to certain limitations) will be treated as ordinary gains or losses.

The Company believes that it was not a PFIC for its fiscal year ended December 31, 2001 and does not believe that it will be a PFIC for the fiscal year ending December 31, 2002. **There can be no assurance that the Company's determination concerning its PFIC status will not be challenged by the IRS, or that it will be able to satisfy record keeping requirements that will be imposed on QEFs in the event that it qualifies as a PFIC.**

**The PFIC rules are very complicated, and U.S. Holders should consult their own financial advisor, legal counsel or accountant regarding the PFIC rules and how these rules may impact their U.S. federal income tax situation.**

F. *Dividends and paying agents.*

Not Applicable.

G. *Statements by experts.*

Not Applicable

H. *Documents on display.*

Documents filed as exhibits to this annual report are described in Item 18(b).

I. *Subsidiary information.*

Not Applicable.

**Item 11. Quantitative and Qualitative Disclosures About Market Risk**

Not Applicable.

**Item 12. Description of Securities Other Than Equity Securities**

Not Applicable.

**PART III**

**Item 17. Financial Statements**

*Financial Statements.* The consolidated financial statements set forth under Item 18 are included as part of this annual report.

**Item 18. Financial Statements**

The following auditors' reports and consolidated financial statements are included in this Form 20-F:

<i>Oxford Software Developers Inc.</i> <u><i>Consolidated Financial Statements</i></u>	<u>Sequential Page Number</u>
Auditors' Report .....	F-1
Consolidated Balance Sheet as at December 31, 2000 and December 31, 2001 .....	F-3
Consolidated Statements of Operations for the period from October 31, 2000 to December 31, 2000 and December 31, 2001 .....	F-4
Statement of Stockholders Equity for the year ended December 31, 2000 and December 31, 2001 .....	F-5
Consolidated Statements of Cash Flows for the year ended December 31, 2000 and December 31, 2001 .....	F-6
Notes to Consolidated Financial Statements .....	F-7

**Item 19. Exhibits**

*Exhibits and Exhibit Index.* The following Exhibits are filed as part of this Annual Report and incorporated herein by reference to the extent applicable.

**Exhibit Index**

<b><u>Exhibit No.</u></b>	<b><u>Description</u></b>	<b><u>Page Number</u></b>
1.1	Articles of Incorporation .....	*
1.2	Bylaws.....	*
2.1	Specimen Stock Certificate .....	*
4.1	Agreement with Starnet Systems International Inc., dated January 25, 2001 .....	*
4.2	Specimen Affiliate Sub-License Agreement.....	*
4.3	Asset Purchase Agreement with Suchow Holdings Ltd. dated April 26, 2001.....	*
4.4	Exhibits to Agreement with Starnet Systems International Inc., dated January 25, 2001 .....	*
4.5	Mutual Release with CCPC Biotech Inc. dated March 1, 2001 .....	*
4.6	Sub-License Agreement between Starnet Systems N.V. and International E-Gaming Developers N.V. dated November 20, 2001 .....	**
4.7	Employment Agreement between Oxford Software Developers Inc. and Michael Donaghy dated July 1, 2001 .....	**
4.8	Employment Agreement between Oxford Software Developers Inc. and Victor DeLaet dated July 1, 2001 .....	**
4.9	Agreement between Oxford Software Developers Inc. and West America Securities Corp. dated March 7, 2002 .....	**
8.1	List of Subsidiaries .....	*
23.1	Consent of Williams & Webster, P.S., Certified Public Accountants .....	
23.2	Consent and Acknowledgment of World Gaming plc (formerly Starnet Communications International Inc.) .....	*

\* Incorporated by reference from the Company's registration statement on Form 20-F filed on December 19, 2001.

\*\* Incorporated by reference from the Company's registration statement on Form F-1 filed on May 14, 2002.

**Financial Statement Schedules**

None.

### Signatures

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

OXFORD SOFTWARE DEVELOPERS  
INC.

Date: June 28, 2002

By: /S/Michael Donaghy  
Michael Donaghy, President