Playtech Limited

('Playtech,' 'the Company' or 'the Group')

Audited full year results for the 12 months ended 31 December 2011

STRONG ORGANIC GROWTH, 2011 ACQUISITIONS POSITION GROUP FOR CONTINUED EXPANSION

Playtech (AIM: PTEC), the international designer, developer and licensor of software for the online, mobile and land-based gaming industry, announces its audited full year results for the year ended 31 December 2011.

Financial highlights

- Gross income* up 41% to €243.6 million (2010: €173.1 million)
- Total revenues up by 46% to €207.5 million (2010: €142.3 million)
- Adjusted EBITDA** increased by 22% to €125.5 million (2010: €103.1 million)
- Adjusted net profit** increased by 21% to €112.8 million (2010: €93.2 million)
- Net cash balances*** at year end of €137.3 million (2010: €68.5 million) following a £100 million fundraising in December, providing new capital to support joint ventures in newly regulated markets, and funding of targeted acquisitions
- Adjusted basic EPS** of 46.2 € cents per share (2010: 38.5 € cents per share)
- Recommended combined interim and final dividend for 2011 of 16.5 € cents per share

* Gross income is defined as total revenue plus the Group's income from associate

** Adjusted EBITDA, adjusted EPS and adjusted net profit are calculated after adding back certain non-cash charges, cash expenses relating to professional costs on acquisitions, legal costs relating to litigation with William Hill and prior year taxes (see reconciliation in Financial and Operating Overview below)

*** Net cash balances defined as cash and cash equivalents less bank borrowings

Current trading

Playtech has experienced a strong start to the year enjoying healthy momentum across its operations including those it has acquired recently. The Directors are especially encouraged by the performance of PTTS, where trading is significantly above management expectations.

Like-for-like growth in daily average revenues for the first nine weeks of 2012 are up over 23% compared to the same period in 2011. The daily average revenues versus Q4 2011 on the same basis are over 3% ahead.

Operational highlights

- Playtech's Services business is performing ahead of expectations since the acquisition of PTTS in July, which has also been fundamental in securing two joint venture agreements announced in January 2012
- Four Technology acquisitions since January 2011 all performing strongly: Intelligent Gaming, Mobenga, Ash Gaming and Geneity bring additional scale and capabilities in growth areas
- Agreements with major operators for new products, including: Betfair, Gala Coral, Paddy Power, Boylesports, SNAI, Sisal, Caliente, COPA and others
- Highly successful launch of Italian cash poker and casino products; preparation for Spanish regulated market well advanced
- Establishment of new development capability in Kiev

Update on move to Premium Listing

Whilst 2011 has been characterised by a series of exciting new developments on the operational side of the business, Playtech has not lost sight of its strategic goal to qualify for a Premium Listing on the London Stock Exchange. The Company and its advisers have undertaken a significant amount of work to prepare for a Main Market admission and expect to make the move as soon as possible.

Roger Withers, Non-executive Chairman, said:

"These are really exciting times for Playtech which has once again delivered an excellent set of financial results, and has consolidated its position as the clear market leader in the provision of software and services to the online gaming industry. It has developed its product and service offering to encompass all aspects of online gaming, including a full suite of products, cutting edge management systems, integration with land-based operations and the marketing and other operational skills that enable operators to get the most out of their online businesses."

"Playtech has continued to focus on regulated markets with organic development and targeted acquisitions that will ensure it can take best advantage of the opportunities created by the structural changes underway across the worldwide gaming industry. The Company's strategy will centre on developing three key elements: products and services, turnkey solutions, and joint ventures to maximise the potential for revenue growth and market share in newly-regulating markets, regardless of how each jurisdiction chooses to regulate."

"The Board was delighted to appoint David Mathewson as Playtech's Chief Financial Officer in May 2011. As a dynamic Non-Executive Director he fully engaged with the business and since moving to the executive team has become a key contributor to both financial management and external relationships."

"In view of the Company's Board changes and progress in the last year, Playtech looks forward to an exciting year ahead with potential new joint venture partnerships, new licensee prospects and a commitment to joining the Main Market."

– Ends –

There will be a meeting and presentation for analysts commencing at 9.30 am on Thursday 15 March, 2011 at The Lincoln Centre, 18 Lincolns Inn Fields, London, WC2A 3ED.

A live video webcast and slide presentation of the analysts' meeting will commence at 9.30 am, which may be accessed through the following link: http://playtech.production.investis.com/

A copy of the results presentation will be published on the Company's website.

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Overview

In a year characterised by significant change in the online gaming market and a challenging macroeconomic environment, Playtech has once again achieved strong growth and passed significant milestones. The Company has focused on the pursuit of its regulated markets strategy and consolidating its position as the world's leading supplier of software and services to the online gaming industry.

Playtech achieved a robust top line financial performance with strength across all product channels. Overall gross income increased 41% and total revenues rose 46% on the previous year. Excluding the impact of acquisitions made in 2011 and the withdrawal from the French market in mid-2010, gross income grew 21%.

Adjusted EBITDA grew 22% demonstrating an excellent performance. Playtech's financial strength makes it an attractive B2B partner for operators and has enabled it to be prominent in the industry's continuing consolidation.

In total during the year over 15 new licensees joined the Playtech platform or added new products, including major operators such as Gala Coral, PaddyPower and COPA. These licensees are set to deliver high quality regulated market income in the future.

Playtech has continued to secure new licensees, develop its product offering both organically and through acquisitions, and explore exciting new joint venture opportunities. At the same time the Company has sought to put in place the financial and operational capacity necessary to manage future growth. It has continued to invest in the product development needed to maintain its market-leading position, and to provide first class customer service.

December's £100 million fundraising provided Playtech with significant firepower to make a number of accretive acquisitions and pursue its joint ventures strategy. The placing was taken against the background of a number of significant opportunities across a broad range of markets. The Board believe this was a prudent course of action to take with the European financial markets under considerable strain in this period, making debt financing uncertain. The take up of the placing and the response from shareholders at the EGM reflected their understanding of the rationale for this course of action.

The Company's M&A activities have focused on adding capabilities that broaden Playtech's offering and extend its technology capabilities and speed of time to market. The acquisition of PTTS in July delivered a step change in Playtech's outsourced services capabilities and has enabled a one-stop full service turnkey solution to be offered. While PTTS was the most significant transaction, there have been four other acquisitions in the period, including January 2012, which together have brought substantial new depth to Playtech's cross platform and content capabilities, as well as a significantly enhanced sports book capability. We have stuck to a consistent acquisition strategy and delivered on it through the acquisitions of IGS, Mobenga, Ash Gaming and Geneity.

Playtech has also undertaken a significant amount of preparatory work to secure new joint venture partnerships, two of which – Gauselmann and Peermont – were announced shortly after the year end in January 2012.

While there is so much going on at an operational level, the Company has not lost sight of its intention to seek a Premium Listing on the London Stock Exchange. These plans remain on track and the Company intends to make the move as soon as practically possible.

Regulated markets

Playtech's strategy seeks to capitalise on the Company's belief that an increasing number of local jurisdictions around the world will seek to regulate online gaming and that it is these territories which will drive and accelerate industry growth as both new players and local operators look to participate in a regulated marketplace.

The last year has seen continual change, but limited certainty, in the European regulatory landscape, with developments in Italy, Spain, Denmark, Greece and Germany – all significant markets. In the US there has been some positive momentum and increasing clarity over certain fundamental issues. The Company has retained a cautious approach to the likely timeframe of a regulated US market, but is seeing a material increase in discussions and interest from a very broad range of potential licensees, as well as signing its first US licensee, COPA.

There has also been substantial investment and work undertaken in advance of regulation being enacted in several other markets. In Denmark Playtech has seven licensees and a larger number in readiness in Spain. These include Casino Gran Madrid which is already operating under a licence in the Madrid municipal area, and a number of others who are ready to offer their services to players as soon as the licensing regime will allow it. Other markets, including Belgium and the Netherlands, possess attractive opportunities for incremental revenues.

Strategic positioning

Playtech's strategy of organic development and targeted acquisitions has enabled us to maximise our opportunities from the significant changes that are being experienced as the online gambling industry becomes increasingly sophisticated. In particular, online gambling is moving towards locally regulated markets and the convergence of online and land-based channels. We have positioned ourselves to take advantage of the opportunities that these changes present.

This strategy is founded on maintaining a business with market-leading scale, a full product capability with the pre-eminent software platform and the most up-to-date, premier technology in the industry. Playtech's reach extends further than traditional online gaming and now includes other channels, such as mobile and tablet, live broadcast and TV, and land-based gambling, and we are unique in the breadth of our capabilities. This is where the convergence of operator activity and management of the player experience is shaping the industry's future and is able to deliver both functionality and content across a wide range of distribution channels.

Providing licensees with a range of outsourced services, as well as a comprehensive technology solution, has further expanded the market opportunity. This ability to offer a turnkey solution has enabled Playtech to extend its relationships with existing online gaming operators as well as new

entrants to the online gaming industry and to form joint ventures with well-recognised local operators as their markets adopt regulation.

The move to locally-regulated markets has also redefined the way in which operators and service providers address each market. The Group's capabilities are flexible and can be optimised to cater for the needs of a diverse operator base and the market dynamics which operators face. Strategic alliances or partnerships with other B2B providers have brought greater global reach and extended the Group's capabilities in market segments where a local presence or track record is critical.

Playtech's strategy, supported by its strong balance sheet, now centres on developing its three highly complementary business channels: products and services; turnkey solutions; and joint ventures. Through this multi-channel approach, we believe that Playtech will be in a position to maximise the potential for growth and market share in newly-regulating markets in addition to strengthening the existing relationships with traditional online gaming operators.

Acquisitions

Playtech's acquisitions have continued to deliver significant benefits in terms of product capability and licensee relationships, and bringing senior management expertise to the Group. In 2011 Playtech was very active and continued to be the key consolidator in the B2B segment, increasing its market position and technology capabilities with three technology acquisitions in the year and one shortly thereafter, in addition to the PTTS acquisition discussed earlier.

Playtech's acquisitions have added market-leading new capabilities to the Group, filling important gaps in its wider suite of products that would have taken far longer to develop organically. When Playtech evaluates acquisition targets it looks to find teams of like-minded people who share its philosophy. Acquisition targets have typically been smaller companies or newer entrants who have recently developed proven complementary software and this combination of factors is most likely to deliver successful business integration into the overall Playtech offering.

In January 2011, Playtech acquired Intelligent Gaming Systems (IGS) which provides information management systems for land-based casinos for an initial amount of £2.5 million with a further consideration, capped at £3.0 million, based on the profitability of the IGS business over the following three years.

The acquisition of IGS brought a highly regarded management team and software development capability in an area that is complementary to Playtech's existing business, particularly Videobet, and enhances Playtech's cross platform capability. As land-based operators look to develop an online presence, the IGS casino management system provides a gateway to the integration of land-based and online formats in a seamless solution across all channels. During the year the team at IGS has worked to prepare an end-to-end solution for Aspers Stratford, the first large casino under the 2005 UK Gaming Act, and as part of the consortium which won a tender to provide a visitor registration system for all casinos in Sweden.

The impact of smart phones and content-rich Apps has led to profound changes in the way businesses interact with their customers and Playtech is leading the way in the gaming sector by producing innovative features that will benefit its licensees in this important developing market. In response to this market shift Playtech acquired the mobile sportsbook enabler, Mobenga, in August for an initial €8.0 million with a further earnout consideration payable of up to €15.8 million.

Mobenga will facilitate the integration of Playtech's platform with other mobile gaming offerings, such as casino and games, positioning the Company as the market-leading mobile gaming provider across a broad range of products.

Playtech believes that mobile gaming is more than just another channel for existing customers. It is increasingly attracting players on to platforms in its own right – particularly through sports betting. A number of operators state that as much as 30% of new customers play via mobile, in part linked to the growth of in-play betting. There are then significant follow-on opportunities to cross-sell other products to these players – and this is where Playtech has traditionally excelled both in the online arena and in

its cross platform capability. This uniquely has the potential to enable a player to remain within a single application for all their betting and gambling needs, which no other provider can offer.

Mobenga is therefore a significant addition in the mobile environment and it positions Playtech ahead of the curve – and the competition – in a key emerging segment. During the year Mobenga launched with Betchoice in Australia in advance of the important final days of the Melbourne Spring Carnival. It also added scorecast betting to its product for Skybet, making it one of only two bookmakers able to offer this on their mobile platform; as well as working with a number of other leading UK bookmakers who had already launched or were preparing to launch on their platform.

Finally, the acquisition of leading casino content developer, Ash Gaming was completed in December. Established in 2000, Ash is one of the leading suppliers entirely dedicated to producing interactive gambling and betting games. Ash has one of the highest penetrations of games in the UK market and was well known to Playtech as a major developer for Playtech's GTS open platform licensees. The acquisition comprised an initial consideration of £15.5 million and a deferred contingent consideration of up to £7.5 million.

The acquisition will enable the wider distribution of Ash Gaming's leading content both internationally and through a broader range of channels. This will include being positioned more broadly within Playtech's mainstream casino product; through poker and bingo side games; on Videobet's land based platform; and on both mobile and social platforms.

For Playtech there were significant combined benefits to be gained from the acquisition, including greater revenue opportunities; enhanced economics across the value chain; and a deepening of the overall relationship with a number of significant operators in the UK, Continental Europe and other regulated markets. In addition, Ash Gaming has brought an experienced and well respected senior team who will further strengthen Playtech's content capabilities and depth of management.

Licensees

Playtech’s continuing focus on providing the best products, software and services to its customers has again ensured that its licensees have access to some of the most sophisticated tools and exciting content available in the gaming industry.

It was these capabilities which enabled the Company to secure three significant licensee wins during 2011: the California Online Poker Association (COPA); Gala Coral; and Paddy Power, which moved its casino product to Playtech in October.

Branded games are a valuable marketing tool for Playtech and the Company has the largest portfolio of games available across delivery channels including online, mobile and gaming terminals. It clearly demonstrates to potential licensees the value such premium content can offer in player acquisition and retention.

In June the Company announced a software agreement with COPA, the largest association of California's tribes and commercial card rooms, alongside a services agreement in conjunction with Sciplay. The COPA agreement gives Playtech a leading position in the US’s largest poker-playing state and is significant since California will be an important liquidity pool for poker in the event that regulation is forthcoming.

Gala Coral’s decision to move its entire online gaming operation on to Playtech’s system served as a significant endorsement of its market-leading technology platform. Under the terms of the agreement Playtech will provide Gala Coral with its IMS platform and a full range of gaming products. Gala Coral will use Playtech’s systems to manage all of its online activities. The platform will support Gala Coral's entire online product range, including sports betting, and the migration is due to commence towards the end of the first half of 2012.

There will be significant opportunities for the two companies to work together across the platform’s online, remote and land-based channels. Gala Bingo’s migration on to the Virtue Fusion network will mean that it now serves most of the UK market’s well established operators.

Towards the end of 2011 Playtech secured an agreement with Paddy Power to move its casino product on to the Playtech platform. Paddy Power is Ireland's largest bookmaker and is already a licensee of the Playtech poker and bingo products. Under the extended relationship, Playtech will provide a comprehensive games library comprising slots, table and card games, and a wide range of branded content in both download and web-based formats. This agreement reflects Playtech's success of deepening its relationships with existing licensees who can see the benefits of a seamless and integrated solution which delivers the best opportunities for maximising player yields.

There were a number of other licensees who came on stream in 2011, or added new products to their product suite, along with a substantial number of licensees entering newly regulated markets, such as Italy and Denmark, or are poised to enter the Spanish market when it regulates.

Products

Casino

Casino produced a stand-out performance in 2011 as revenues grew by 18%, as a result of a mix of organic growth and new licensees. Playtech produced over 50 new games across download and browser-based formats in 2011, including a cashback slot game, the 50 Line Series featuring Marvel characters, soft-slots and a Halloween-themed game. A considerable number of new branded games are planned for 2012.

A significant development during the year was the new mini-games platform, which lets players enjoy their favourite casino games and newly offered ones while they are interacting online with live poker, live casino, or web. This increased engagement maximises player value by providing a revenue-generating distraction during game downtime.

In Italy the Company successfully launched eight casino and cash poker licensees in July. This includes Buongiorno's mobile launch in the second quarter, who are now one of the five largest online casino groups in Italy.

Elsewhere the Company launched its Live Dealer casino product for Betfair which is fully integrated into its broader casino offering with a unified player management and bonus system. In Denmark the GTS team was active in advance of new regulations, and also completed its final integration phase with the bingo product.

GTS is becoming the games engine for a variety of Playtech products and a broader range of Playtech casino content will shortly be available across the bingo platform. GTS also signed four new games developers on to the platform who will bring a range of exciting new content, extending the variety of choices for Playtech's licensees. The benefit of networked jackpots was also recently reinforced when a Betfred.com player won £5.1 million in February 2012 on Playtech's Beach Life slot game. This was reported as being the UK's biggest ever jackpot win and the third highest ever worldwide. As a marketing tool, such wins and the continual availability of a number of million dollar jackpots is invaluable to operators, large or small.

Poker

The poker product has performed well in what have been unstable market conditions. The impact of the US Department of Justice's actions in April against certain US-facing poker sites has had a profound impact on the market environment.

Overall, Playtech's iPoker network has maintained its position as the leading independent poker network in the dot.com marketplace, and offered over €25 million in tournament prizes. Excluding the French market, network liquidity grew over 20% on a like-for-like basis in the year, reflecting the success of its licensees in attracting players who were keen to migrate to high quality operators in the aftermath of the DoJ's actions.

In addition, the summer launch of cash tables in Italy helped to maintain momentum in what remains the most attractive of new regulated markets. Having been the first provider to pass cash table

certification, Playtech secured its position as the top Italian regulated network, working with its licensees on projects such as the very successful cash table campaign 'A million for all'.

The poker development team continued to work on a range of upgrades and enhanced features, including an improved lobby which enables full player personalisation and improved information provision. In addition, new game features included the launch of the 'Back bet' side game, which allows active players at a card table to make a range of other bets, such as the outcome of cards to come or that will be dealt to them.

Bingo

Bingo has made great progress this year, with strong growth from its existing licensee base, together with a number of new licensees coming on stream. A major focus within the team was on the migration of the Italian bingo network on to an upgraded platform, which was completed successfully together with work in advance of regulations in the Spanish market.

In March a flexible loyalty system for Bingo licensees was launched, allowing each site to set up a completely bespoke loyalty programme for their players, including differing loyalty levels, accrual and redemption rates for each level and bonus category. This was hugely successful with substantial increases in retention rates, allowing licensees to market their own bespoke systems relevant to their individual player databases. Preparation work for the launch of a mobile bingo offering was also undertaken, with an expected go-live date set for the first half of 2012.

The bingo team have made good progress with the migration of Gala Bingo in itself a substantial project for the team, and completed a number of development projects for major existing licensees, which are due to launch over the coming year. Another highlight of the year was the Bingo team's recognition at the B2B industry awards where Playtech won Best Bingo Software.

Videobet

Videobet has gone from strength to strength in 2011 in what has been a transformational year for the business as it has moved from a development phase through into profit due to significant revenues from The Global Draw UK contracts.

Operationally the business made substantial progress on its existing projects during the year, notably the completion of a 20,750 machine roll-out for The Global Draw, demonstrating Playtech's market-leading capabilities in what should become a significant future revenue stream. The experience gained through the project has given Videobet substantial expertise of migration and technology deployment in a broad range of operating environments. This has led to an upgrade of the international business to the same technology as used in the UK, enabling a single platform solution across all markets.

Having completed the Global Draw roll-out, Videobet has focused its attention on international markets for new machine deployments, as well as moving to a monthly new content roll-out to the existing estates. These steps, when combined with the enhancements that the Videobet platform provides, will help operators to achieve higher machine revenues. The business has also enhanced its capabilities for hosting third party games content, which will deliver considerable benefits in workload and time-to-deployment for an increasing range of new content.

Services

Beyond the strategic benefits brought to Playtech by PTTS, its operational performance in the six months following completion of the acquisition has been encouraging, with revenues and profit performance ahead of expectations.

The shifting balance in the poker market after the DoJ actions in April presented an opportunity for PTTS to attract some very high quality affiliates who had been historically active on behalf of some of the US-facing poker sites. These opportunities were seized, with attractive terms being offered to some high performing affiliates, and PTTS saw a resulting increase in its revenues later in the year, albeit with some increased related costs. Overall, in the second half of the year operating margins

have improved, but the step change in the business profile will only really come with the opening of a material new market, or through Joint Venture opportunities.

People

Playtech's people are at the heart of its efforts to maintain a leading position in technological innovation, the provision of a premium client service, and delivering the economies of scale that we have enjoyed and will flow from the successful negotiation of changing markets. When the Company assesses potential acquisition targets it is looking for a similar culture of service and innovation which is a significant factor in the decision-making process. The Company is delighted with the fit with the teams coming from our new acquisitions, each of whom are steeped in the same B2B philosophy and desire for being at the leading edge of technology.

In terms of delivery, human capital is as critical as financial capital. Playtech has therefore continued to invest significant human resources to maintain its position as the world's leading supplier of software and services to the online gaming industry. As a B2B service provider Playtech is committed to delivering timely and high quality product to its clients. Accordingly prioritising development projects and their impact on the Company's growth is a significant focus for management. To that end Playtech has devoted considerable time to determining how and where to establish a new development location capable of offering high quality software programmers with the potential for flexible capacity and utilisation.

During the second half of 2011 the Company decided that a solution in the city of Kiev in the Ukraine offers the best solution for its needs with material benefits for the delivery teams, in line with its strategic plan. The potential additional capacity in Kiev is substantial, and beyond that which is available elsewhere on such a cost-efficient basis. This additional resource will be used to take much of the pressure off Playtech's lead development centres in Estonia and Bulgaria, and the Company will continue to look for other ways to enhance this capacity.

Outlook

Playtech has made a strong start to 2012. As new licensees come on stream and expand their operations there is scope for additional revenue growth in the coming months, and especially when more European markets move to regulated format. This, combined with a number of exciting new and potential joint venture partnerships, new licensee prospects and continued opportunities from the changing regulatory landscape, positions Playtech for continued success and the Company looks to the future with great optimism.

Financial and Operational Review

In my first full-year report as Chief Financial Officer, I am very pleased to be able to report that Playtech has again delivered a robust financial performance, with Gross income for the year rising by 41% to €243.6 million (2010: €173.1 million) and total revenues for the year increasing 46% to €207.5 million. (2010: €142.3 million).

It has been a year of very significant change both in the industry and for Playtech itself, with new markets preparing for regulations, and material acquisitions undertaken by the company in the year. Consequently the financial profile of the consolidated business has changed. In particular, due to the size of the acquisition of PTTS which completed in July. When taken together with the other acquisitions in the year, this makes certain historic comparisons harder to present.

The Group has recorded significant growth across all key financial metrics in 2011 both including and excluding acquisitions. When stripping out the impact of these acquisitions, Playtech achieved over 15% growth in Gross income, and over 21% after excluding the impact of the closure of the French market half way through 2010.

Adjusted EBITDA for the year totalled €125.5 million (2010: €103.1 million), an increase of 22% over the same period in 2010. Adjusted Earnings per share ('Adjusted EPS') for the year rose 20% to 46.2 € cents (2010: 38.5 € cents). The diluted adjusted EPS for the year was 45.7 € cents (2010: 37.1 € cents).

Playtech remains highly cash generative, with very high cash conversion from adjusted EBITDA and net cash balances (defined as cash and cash equivalents less bank borrowings) of €137.3 million (2010: €68.5 million) at the end of the year which includes the proceeds received from the December shares placing of €117.5 million, less €97.2 million of acquisition payments during the year.

We start 2012 in a very strong position and have a good pipeline of new licensees and product opportunities, together with a significantly enhanced balance sheet.

Gross income and total revenues

Gross income rose 41% to €243.6 million (2010: €173.1 million) and comprises total revenues and Playtech's share of profit from its associate income in William Hill Online ('WH Online'). Of this, total revenues increased 46% to €207.5 million (2010: €142.3 million) and €36.1 million (2010: €30.8 million) was generated by the share of profit from WH Online, up 17% on the prior year.

When excluding both the negative impact of the withdrawal from the French offshore market, and the impact of the acquisitions in 2011, gross income grew 21%. Of this growth, existing licensees delivered 13%, Videobet's new UK revenues contributed 3%, and WH Online grew by 3%, with a further 2% increase over 2010 coming from new business, defined as licensees or products which had been launched within the past 18 months.

At a product level, Casino revenues increased 18% to €114.4 million (2010: €96.7 million), helped by strong growth in the branded games portfolio. Poker revenues decreased 20% to €21.8 million (2010: €27.4 million) reflecting the trends shown in the market, but improved later in the year. Bingo revenues increased 39% to €15.1 million (2010: €10.9 million) reflecting the ongoing strength of this increasingly important product.

Revenues from Videobet totalled €7.8 million (2010: €2.0 million), due to the completion in the second quarter of the year of the roll out of the UK Global Draw contract.

Our Services product contributed €43.0 million (2010: €1.1 million), which was principally a six month contribution from PTTS, acquired on 1 July 2011.

As Playtech continues to expand its sources of revenues it has increased its diversification. Excluding the acquisitions in 2011, the contribution of the top 15 licensees has continued to decrease to 72% (2010: 74%) and the number of licensees generating over €1.0 million of revenues has grown to 30 from 29 in the prior year. Going forward, the acquisitions during the year will impact on these figures, and especially the inclusion of a full year of PTTS revenues.

Reported net profit and earnings per share

Reported net profit for the year increased by 20% to €77.7 million (2010: €64.7 million) and includes certain cash and non-cash costs relating to current and historic acquisitions, and fair value adjustments to investments.

Reported earnings per share ('EPS') for the year were 31.8 € cents based on the weighted average number of shares of 244.1 million (2010: 26.7 € cents, 242.0 million shares). The diluted EPS for the year was 31.4 € cents, based on weighted average number of shares of 247.2 million (2010: 25.7 € cents, 251.2 million shares). The share placement undertaken at the end of the year had no material impact on the EPS for the year as it was completed on 21 December 2011.

Adjusted EBITDA

Adjusted EBITDA is calculated after including the income from Playtech's associate, WH Online, together with adding back expenses related to professional costs on acquisitions, one-off legal costs related to the litigation with William Hill, and excluding various non-cash charges. These are set out below. Management believes that these figures, excluding such one-off items and non-cash items, best represent the underlying results of the Group.

Adjusted EBITDA

	2011 €000	2010 €000
Operating profit	**52,154**	**45,309**
Amortisation (not including amortisation on investment in WH Online)	23,773	13,674
Depreciation	5,364	3,416
EBITDA	**81,291**	**62,399**
Share of profit of WH Online	36,073	30,792
Employee stock option expenses	4,678	5,855
Decline in fair value of available for sale investments	551	2,223
One-off legal costs relating to the litigation with William Hill	1,389	-
Professional expenses on acquisitions	1,488	1,802
Adjusted EBITDA	**125,470**	**103,071**
Adjusted EBITDA margin	**52%**	**60%**

Adjusted EBITDA margin reduced from 60% in 2010 to 52% in 2011 as was fully anticipated, and due principally to multiple acquisitions over the past two years of lower margin businesses.

Amortisation comprises amortisation on acquisitions (not including WH Online) of €15.8 million (2010: €7.5 million) which is comprised of amounts relating to Tribeca (€3.2 million), Virtue Fusion (€3.3 million), GTS (€1.4 million), PTTS (€7.7 million) and other acquisitions (€0.2 million). Of the remaining €7.9 million (2010: €6.2 million), €5.8 million (2010: €4.7 million) was from internally generated development costs and €2.1 million (2010: €1.5 million) related to other intangibles.

Adjusted Net Profit and Adjusted Earnings per Share

	2011 €000	2010 €000
Net profit	77,696	64,670
Amortisation on acquisitions	15,838	7,516
Amortisation of investment in WH Online	5,729	8,266
Finance costs - movement in deferred and contingent consideration	6,075	736
Employee stock option expenses	4,678	5,855
Professional costs on acquisitions	1,488	1,802
One-off legal costs relating to the litigation with William Hill	1,389	-
Decline in fair value of available for sale investments	551	2,223
Exchange differences on deferred consideration	(26)	1,200
One-off tax (credit)/charge	(571)	939
Adjusted net profit	**112,847**	**93,207**
Adjusted net profit margin	**46%**	**54%**
Adjusted basic EPS (in Euro cents)	**46.2**	**38.5**
Adjusted diluted EPS (in Euro cents)	**45.7**	**37.1**

The increase in the finance costs on the movement of deferred and contingent consideration is mainly due from the acquisition of PTTS, where the consideration is substantially deferred. Calculation of the fair value is based on a probability exercise of expected consideration payable. The decrease in WH

Online amortisation is due to the affiliates contracts and customer relationship assets, identified under the investment in WH Online joint venture, being fully amortised during the prior year.

Cost of Operations

Adjusted operating expenses for the year increased by 69% to €118.1 million (2010: €70.0 million). Set out below is a table reconciling the reported operating expenses to the adjusted operating expenses. After excluding acquisitions in the year, adjusted operating expenses increased by 23%, mainly due to an increase in revenue driven costs and higher employee-related costs. These items made up 73% of Playtech's adjusted operating expenses. Playtech has maintained a careful focus on managing cost inflation across the business, and other cost line items have remained relatively steady.

Adjusted Operating Expenses

	2011 €000	2010 €000
Operating expenses	**155,331**	**96,985**
Amortisation and depreciation	29,137	17,090
Decline in fair value of available for sale investments	551	2,223
One-off legal costs relating to the litigation with William Hill	1,389	-
Professional costs on acquisitions	1,488	1,802
Employee stock option expenses	4,678	5,855
Adjusted Operating Expenses	**118,086**	**70,015**

Analysis of Adjusted Operating Expenses

	2011 €000		2010 €000	
Adjusted operating expenses	118,086		70,015	
Revenue-driven cost	25,091		12,574	
Adjusted operating expenses excluding revenue driven costs	**92,995**		**57,441**	
Employee related costs	64,309	69.2%	39,594	68.9%
Administration and office costs	11,872	12.7%	8,852	15.5%
Travel, exhibition and marketing costs	4,730	5.1%	4,608	8.0%
Cost of service	4,266	4.6%	831	1.4%
Other operational costs	7,818	8.4%	3,556	6.2%

Revenue-driven costs comprise mainly fees paid to sales agents and license fees paid to third parties for branded content or games developers, which are typically calculated as a share of the revenues generated from a particular game. These costs have continued to increase as branded games increase in popularity and grow in accordance with the growth of our licensees. In addition, a significant element of the increase was due to the acquisition of PTTS on 1 July 2011. Overall PTTS represented 39% of the total revenue-driven costs for the year.

Employee and outsourcing costs totalled €64.3 million (net of €7.8 million capitalised development costs), an increase from €39.6 million in the prior year and is mainly due to the acquisitions undertaken. As a percentage of adjusted non-revenue related costs, employee costs have remained constant at just below 70% since the start of 2010, despite over a doubling of the Group's headcount over the past two years.

After excluding the influence of the acquisitions this year, employee related costs increased by 20% principally due to an increase in organic headcount. This reflects the Group's continued investment in the additional teams required in regulated or soon to be regulated markets and in preparation for key projects.

Cost of service is mainly costs related to hosting services provided to licensees and grew due to the acquisitions undertaken in the year.

Financial Income and Tax

Financial income comprises interest received in the year of €0.5 million (2010: €0.5 million) generated from cash held in short term deposits, together with €3.1 million received as dividend from the investment in Asian Logic Limited (2010: €1.1 million). Financial expenses comprise €6.1 million relating to the movement in deferred and contingent consideration.

The Group is tax registered, managed and controlled from the Isle of Man, where the corporate tax rate is set at zero. The Group's subsidiaries are located in different jurisdictions and are operating on a cost plus basis. The subsidiaries are taxed on their residual profit.

The tax charge in 2011 of €0.9 million (2010: €2.3 million) is after a credit correction to previous years of €0.6 million (2010: prior year tax charge of €0.9 million). The effective rate, excluding these items, was 1.9% (2010: 2.1%).

Cash Flow

Playtech continues to be a highly cash generative business and benefits from dividends received from its minority interest in WH Online. The net cash and cash equivalents as at 31 December 2011 amounted to €137.3 million (2010: €68.5 million), representing 18% (2010: 18%) of the Group's total assets, and further strengthened from the proceeds received as part of the shares placing towards the end of the year.

In the year ended 31 December 2011, the Group generated €74.4 million from its operating activities (2010: €71.0 million). In addition it received €35.1 million (2010: €32.3 million) of WH Online dividend receipts in the year. When taken together, these represent a cash conversion rate of 87% from adjusted EBITDA (2010: 100%).

The Group's cash usage in investing activity was €100.0 million (2010: €21.7 million), principally due to the considerations paid for acquisitions of €97.2 million, €81.7 million paid for new acquisitions in 2011 and €15.5 million paid as final payments due to VF and GTS acquisitions (2010: €26.1 million) These amounts were partially offset by the €35.1 million dividend received from the investment in WH Online (2010: €32.3 million).

Cash generated from financing activities was €122.0 million (2010: €39.5 million cash usage), being the net shares placing proceeds of €117.5 million, funds withdrawn from the credit facility of €27.5 million, netted off by payment of the final 2010 dividend of €23.4 million to shareholders.

Investment in International Terminal Leasing and Intelligent Gaming Systems Limited

As part of the partnership between Videobet and Scientific Games, the Group formed an additional Joint Venture called International Terminal Leasing ("ITL") in March, for the purpose of supplying gaming terminals to Global Draw, mainly dedicated to Ladbrokes. Total net contributions of €6.0 million for the purchase of gaming machines have been made during 2011 and 2010.

On 26 January 2011, the Group acquired 100% of the shares of Intelligent Gaming Systems Limited ('Intelligent Gaming' or 'IGS'), a provider of software-based casino management systems to land-based casinos. An initial consideration of €2.9 million (£2.5 million) was paid in cash and an additional consideration of up to €3.5 million (£3.0 million) is payable, dependent upon the adjusted PBT performance of IGS in 2011 to 2013, in the first half of each following financial year.

Acquisition of business and assets of PT Turnkey Services Limited

On 1 July 2011 the Group acquired 100% of the issued share capital of PT Turnkey Services Limited ('PTTS') from Worldwide Online Enterprises Limited, a company which owns various assets of associated businesses, including certain companies related by virtue of a significant common shareholder. The consideration was structured to enable payment out of existing resources and future cash flows and incorporates a performance related element dependent on PTTS and its subsidiaries (the PTTS Group) meeting certain targets.

The initial cash consideration for the acquisition of PTTS is €140.0 million, subject to a working capital adjustment (the "Initial Consideration") which is to be paid in regular instalments over the next two years. In addition, further consideration may be payable to the extent that the adjusted EBITDA of the PTTS Group for 2014 exceeds certain targets. The further consideration is capped at €140.0 million and will be paid in four broadly equal non-interest-bearing instalments over the 18 months following its determination in 2015. During 2011, the company paid €45.0 million in accordance with the initial cash consideration schedule.

Acquisition of Mobenga AB

On 31 August 2011 the Group acquired 100% of the issued share capital of Mobenga AB ('Mobenga'), the leading mobile sportsbook betting platform provider and has a fast growing base of customers.

An initial consideration of €8.0 million was paid in cash and additional contingent consideration is payable in the first quarter of 2014 based on the net profit before tax of the standalone business in 2013. Maximum consideration payable is capped at €23.8 million.

Acquisition of Ash Gaming Limited

On 15 December 2011 the Group acquired 100% of the issued share capital of Ash Gaming Limited ('Ash Gaming'), which delivers sophisticated slot machines, fixed odds games and content in the area of virtual races. The game titles are distributed through platforms as well as direct to certain operators, principally under revenue share agreements.

The total consideration of €27.4 million (£23.0 million) was paid in cash, of which €8.9 million (£7.5 million) was paid into an escrow account to be held and released to the vendors over the next three years, depending upon the successful completion of certain conditions and indemnities.

Balance Sheet

Net cash and cash equivalents as at 31 December 2011 were €137.3 million (2010: €68.5 million), representing 18% (2010: 18%) of the Group's total assets. The Group holds cash balances which include monies held on behalf of operators in respect of operators' jackpot games and poker operation in the amount of €36.3 million (2010: €14.7 million). The majority of the trade receivables balance of €21.0 million as at 31 December 2011 (2010: €13.4 million) was due to amounts payable by licensees for the month of December, as these are principally paid one month in arrears.

Intangible assets as at 31 December 2011 totalled €365.2 million (2010: €100.4 million). Of this, the majority comprises assets acquired from PTTS (€218.4 million), together with assets acquired and related goodwill from the acquisitions of Tribeca, GTS, VF, Mobenga and Ash Gaming businesses; patent and intellectual property rights and development costs of new games and products.

Available for sale investments totalling €12.4 million (2010: €10.9 million) comprise investments in Sportech plc and AsianLogic.

Investments in equity-accounted associates of €163.0 million (2010: €162.6 million) relates mainly to the investment in WH Online of €156.6 million (2010: €162.6 million).

Long and short term deferred consideration balances of €75.3 million (2010: €15.0 million) represent the present value of repayments due on the initial consideration amounts for the PTTS acquisition. The prior year balance relates to the final repayment in relation to the WH Online transaction in 2008. Long term and short term contingent consideration of €111.9 million represents the fair value of the contingent consideration that may come due for the investment in PTTS of €98.6 million and the acquisition of the Mobenga and IGS businesses of €13.3 million.

Dividend

At the time of the placing last year we confirmed that our new dividend policy going forward would target a 40% payout of adjusted net profit, and that Playtech would move to a one-third interim – two thirds final dividend payment structure. We also indicated our intention to pay a combined interim and final dividend for the 2011 financial year. Accordingly, the board has determined to pay a dividend in May 2012 for the 2011 financial year of 16.5 € cents per share. This represents a payment for the year of €47.7 million (2010: €46.1 million) representing an increase over last year's payment notwithstanding the amendment to the dividend payout policy.

Given the placing had a material impact on the shares in issue only at the very end of the year, the Board has looked to reflect the implied amount that would have been declared under the new policy at the interim level on the basis of the shares in issue at that time, and the final dividend on the current number of shares in issue.

While this has the effect of increasing the payout to marginally above the 40% level on a basis of the current shares in issue, the Board believes this is appropriate and consistent with our indication that the interim dividend was merely deferred.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	**For the year ended 31 December 2011 €000**	**For the year ended 31 December 2010 €000**
Revenues	4	207,485	142,294
Distribution costs		(129,140)	(72,867)
Administrative expenses		(26,191)	(24,118)
Total operating costs		(155,331)	(96,985)
Operating profit before the following items:		82,644	68,863
Professional expenses on acquisitions		(1,488)	(1,802)
Employee stock option expenses	9	(4,678)	(5,855)
Amortisation of intangible assets	11	(23,773)	(13,674)
Decline in fair value of available for sale investments	14	(551)	(2,223)
Total		(30,490)	(23,554)
Operating profit	5	52,154	45,309
Total financing income	6a	3,972	1,690
Financing cost – movement in deferred and contingent consideration	25	(6,075)	(736)
Financing cost – other		(1,186)	(424)
Exchange rate differences – on deferred consideration	12a	-	(1,200)
Total financing cost	6b	(7,261)	(2,360)
Income from associate	12a	36,073	30,792
Amortisation of intangibles in associate	12a	(5,729)	(8,266)
Share of profit of associate		30,344	22,526
Share of net loss in joint ventures		(546)	(152)
Profit before taxation		78,663	67,013
Tax expense	7	(957)	(2,343)
Profit for the year		77,706	64,670
Other comprehensive income for the year:			
Transfer to profit and loss on sale		-	(1,025)
Adjustments for change in fair value of available for sale equity instruments	14	1,995	-
Total comprehensive income for the year		79,701	63,645
Profit for the year attributable to:			
Owners of the parent		77,696	64,670
Non-controlling interest		10	-
		77,706	64,670
Total comprehensive income attributable to:			
Owners of the parent		79,691	63,645
Non-controlling interest		10	-
		79,701	63,645

Earnings per share for profit attributable to the owners of the parent during the year:			
Basic (cents)	8	31.8	26.7
Diluted (cents)	8	31.4	25.7

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Additional Paid in Capital	Available for sale reserve	Retained earnings	Total attributable to equity holders of parent	Non-controlling interest	Total equity
	€000	€000	€000	€000	€000	€000
For the year ended 31 December 2010						
Balance at 1 January 2010	183,563	1,025	85,328	269,916	-	269,916
Changes in equity for the year						
Total comprehensive income for the year	-	(1,025)	64,670	63,645	-	63,645
Dividend paid	-	-	(45,593)	(45,593)	-	(45,593)
Exercise of options	6,127	-	-	6,127	-	6,127
Employee stock option scheme	-	-	5,855	5,855	-	5,855
Balance at 31 December 2010	189,690	-	110,260	299,950	-	299,950
For the year ended 31 December 2011						
Balance at 1 January 2011	189,690	-	110,260	299,950	-	299,950
Changes in equity for the year						
Total comprehensive income for the year	-	1,995	77,696	79,691	10	79,701
Dividend paid	-	-	(23,377)	(23,377)	-	(23,377)
Issue of share capital (net of issue costs)	117,549	-	-	117,549	-	117,549
Exercise of options	614	-	-	614	-	614
Acquisition of non-controlling interest	-	-	-	-	(59)	(59)
Purchase of treasury shares	-	-	(366)	(366)	-	(366)
Employee stock option scheme	-	-	4,678	4,678	-	4,678
Balance at 31 December 2011	307,853	1,995	168,891	478,739	(49)	478,690

CONSOLIDATED BALANCE SHEET

	Note	As of 31 December 2011 €000	As of 31 December 2010 €000
NON-CURRENT ASSETS			
Property, plant and equipment	10	21,548	12,876
Intangible assets	11	365,201	100,384
Investments in equity accounted associates & joint ventures	12	162,997	162,583
Available for sale investments	14	12,376	10,932
Other non-current assets	15	2,820	6,070
		564,942	**292,845**
CURRENT ASSETS			
Trade receivables	16	21,007	13,385
Other receivables	17	20,228	9,364
Cash and cash equivalents	18	164,832	68,519
		206,067	**91,268**
TOTAL ASSETS		**771,009**	**384,113**
EQUITY			
Additional paid in capital		307,853	189,690
Available for sale reserve	14	1,995	-
Retained earnings		168,891	110,260
Equity attributable to equity holders of the parent	19	**478,739**	**299,950**
Non-controlling interest		**(49)**	**-**
TOTAL EQUITY		**478,690**	**299,950**
NON CURRENT LIABILITIES			
Loans and borrowings	21	13,746	-
Other non-current liabilities	20	1,423	953
Deferred revenues	14	8,919	11,469
Deferred tax liability	23	5,287	1,950
Deferred consideration	13	41,752	-
Contingent consideration	13	110,985	5,474
		182,112	**19,846**
CURRENT LIABILITIES			
Loans and borrowings	21	13,787	-
Trade payables	22	17,678	13,013
Progressive and other operators' jackpots		20,491	12,847
Tax liabilities		1,837	1,499
Deferred revenues	14	4,986	3,644
Deferred consideration	13	33,591	15,001
Contingent consideration	13	929	11,059
Other payables	24	16,908	7,254
		110,207	**64,317**
TOTAL EQUITY AND LIABILITIES		**771,009**	**384,113**

The financial information were approved by the Board and authorised for issue on 15 March 2012.

Mor Weizer
Chief Executive Officer

David Mathewson
Chief Financial Officer

CONSOLIDATED STATEMENT OF CASH FLOWS

	For the year ended 31 December 2011 €000	For the year ended 31 December 2010 €000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit after tax	77,706	64,670
Adjustments to reconcile net income to net cash provided by operating activities (see below)	(1,525)	8,924
Income taxes paid	(1,821)	(2,591)
Net cash provided by operating activities	**74,360**	**71,003**
CASH FLOWS FROM INVESTING ACTIVITIES		
Long term deposits	33	(238)
Long term loan advances	2,560	(1,003)
Dividend received from equity-accounted associate	35,087	32,269
Acquisition of property, plant and equipment	(12,562)	(7,176)
Investment in available for sale investments (note 14)	-	(11,332)
Proceeds from sale of available for sale investments	-	2,665
Investment in joint ventures (note 12b & c)	(4,445)	(2,920)
Acquisition of intangible assets	(79)	(111)
Acquisition of subsidiaries, net of cash acquired	(97,189)	(26,136)
Capitalised development costs	(9,542)	(7,793)
Investment in equity-accounted associates (note 12a)	(15,001)	-
Proceeds from sale of property, plant and equipment	1,138	57
Net cash used in investing activities	**(100,000)**	**(21,718)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid to the holders of the parent	(23,377)	(45,593)
Issue of share capital, net of issue costs	117,549	-
Purchase of treasury shares	(366)	-
Proceeds from bank borrowings	27,533	-
Exercise of options	614	6,127
Net cash from/(used in) financing activities	**121,953**	**(39,466)**
INCREASE IN CASH AND CASH EQUIVALENTS	96,313	9,819
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	68,519	58,700
CASH AND CASH EQUIVALENTS AT END OF YEAR	**164,832**	**68,519**

	For the year ended 31 December 2011 €000	For the year ended 31 December 2010 €000
ADJUSTMENT TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Income and expenses not affecting operating cash flows:		
Depreciation	5,364	3,416
Amortisation	23,773	13,674
Income from associate	(36,073)	(30,792)
Amortisation of intangibles in associate	5,729	8,266
Share of net loss in joint ventures	547	152
Decline in fair value of available for sale investment	551	2,223
Employee stock option plan expenses	4,678	5,855
Income tax expense	957	2,343
Others	105	16
Changes in operating assets and liabilities:		
Increase in trade receivables	(4,250)	(2,791)
Increase in other receivables	(5,461)	(176)
(Decrease)/Increase in trade payables	(17,359)	1,933
Increase in progressive and other operators' jackpot	7,644	3,483
Increase in other payables	14,201	4,395
Decrease in deferred revenues	(1,931)	(3,073)
	(1,525)	8,924

Acquisition of subsidiary, net of cash acquired

	Note	**For the year ended 31 December 2011** **€000**	**For the year ended 31 December 2010** **€000**
A. Acquisition of Intelligent Gaming Solutions Limited	25a	2,836	-
B. Acquisition of PT Turnkey Services Limited	25b	44,314	-
C. Acquisition of Mobenga AB	25c	7,830	-
D. Acquisition of Ash Gaming Limited	25d	27,027	-
E. Acquisition of S-Tech Limited	25e	(339)	-
F. Acquisition of GTS Limited		7,399	-
G. Acquisition of Virtue Fusion		8,122	26,136
		97,189	26,136

NOTE 1 – GENERAL

Playtech Limited (the ‘Company’) was incorporated in the British Virgin Islands on 12 September, 2002 as an offshore company with limited liability.

Playtech and its subsidiaries (‘the Group’) develop unified software platforms for the online and land based gambling industry, targeting online and land based operators. Playtech’s gaming applications – online casino, poker and other P2P games, bingo, mobile, live gaming, land-based kiosk networks, land based terminal and fixed-odds games – are fully inter-compatible and can be freely incorporated as stand-alone applications, accessed and funded by the operators’ players through the same user account and managed by the operator by means of a single powerful management interface.

Except as described below, the full year results are prepared on the basis of the accounting policies stated in the Group's Annual Report 2010. The financial information does not constitute the Group's financial information for the year ended 31 December 2011 or 31 December 2010, but is derived from those financial information.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed in the preparation of the financial information, on a consistent basis, are:

A. Accounting principles

These financial information have been prepared in accordance with International Financial Reporting Standards, International Accounting standards and interpretations (collectively IFRS) issued by the International Accounting Standards Board (IASB) as adopted by the European Union ("adopted IFRSs"). In the current year the Group has adopted all of the new and revised standards and interpretations issued by the IASB and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB, as they have been adopted by the European Union, that are relevant to its operations and effective for accounting periods beginning on 1 January 2011.

Changes in accounting policies

a) New standards, interpretations and amendments effective from 1 January 2011
The following new standards, interpretations and amendments, applied for the first time from 1 January 2011, have had an effect on the financial information:

IAS 24 (Revised) – Related Party Disclosures

Improvements to IFRSs (2010) (effective for annual periods beginning on or after 1 January 2011).

None of the other new standards, interpretations and amendments effective for the first time from 1 January 2011, have had a material effect on the financial information.

b) New standards, interpretations and amendments not yet effective
The following new standards, interpretations and amendments, which have not been applied to these financial information, will or may have an effect on the Group's future financial information:

IFRS 7 (Amended) – Transfers of Financial Assets (effective for annual periods beginning on or after 1 July 2011);

Presentation of Items of Other Comprehensive Income (Amendments to IAS 1) (effective for annual periods beginning on or after 1 July 2012);

The following new standards, interpretations and amendments, which have not yet been endorsed by the EU, are effective for annual periods beginning on or after 1 January 2013:

IFRS 10 Consolidated Financial information;

IFRS 11 Joint Arrangements;

IFRS 13 Fair Value Measurement;

IAS 28 Investments in Associates and Joint Ventures;

Disclosures – Offsetting Financial Assets and Liabilities (Amendments to IFRS 7);

Offsetting Financial Assets and Financal Liabilities (Amendments to IAS 32) (effective for annual periods beginning on or after 1 January 2014);

IFRS 9 Financial Instruments (effective for annual periods beginning on or after 1 January 2015);
The Group is currently assessing the impact, if any, that these standards will have on the presentation of its consolidated results.

None of the other new standards, interpretations and amendments, which are effective for periods beginning after 1 January 2011 and which have not been adopted early, are expected to have a material effect on the Group's future financial information.

B. Foreign currency

The financial information of the Company and its subsidiaries are prepared in Euro (the functional currency), which is the currency that best reflects the economic substance of the underlying events and circumstances relevant to the Group Transactions and balances in foreign currencies are converted into Euro in accordance with the principles set forth by International Accounting Standard (IAS) 21 ("The Effects of Changes in Foreign Exchange Rates"). Accordingly, transactions and balances have been converted as follows:

Monetary assets and liabilities - at the rate of exchange applicable at the balance sheet date; Income and expense items - at exchange rates applicable as of the date of recognition of those items. Non-monetary items are converted at the rate of exchange used to convert the related balance sheet items i.e. at the time of the transaction. Exchange gains and losses from the aforementioned conversion are recognised in the consolidated statement of comprehensive income.

C. Basis of consolidation

Where the Company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. The consolidated financial information present the results of the Company and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between Group companies are therefore eliminated in full.

D. Revenue recognition

Income receivable from contracting parties comprises a percentage of the revenue generated by the contracting party from use of the Group's intellectual property in online gaming activities and land based gaming operations, and from fees charged for services rendered. Income is recognised in the accounting periods in which the gaming transactions occur or the services are rendered. Royalty and other income receivable under fixed–term arrangements are recognised over the term of the agreement on a straight line basis.

E. Distribution costs

Distribution costs represent the direct costs of the function of providing services to customers, costs of the development function and advertising costs.

F. Share-based payments

Certain employees participate in the Group's share option plans which commenced with effect from 1 December 2005. The fair value of the options granted is charged to the consolidated statement of comprehensive income on a straight line basis over the vesting period and the credit is taken to equity, based on the Group's estimate of shares that will eventually vest. Fair value is determined by the Black-Scholes and Binomial valuation model. The share options plan does not have any performance conditions other than continued service.

G. Income taxes and deferred taxation

Provision for income taxes is calculated in accordance with the tax legislations and applicable tax rates in force at the balance sheet date in the countries in which the Group companies have been incorporated.

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the consolidated balance sheet differs from its tax base, except for differences arising on:

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit; and
- investments in subsidiaries and jointly controlled entities where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered)

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- the same taxable group company; or
- different group entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

H. Dividend distribution

Final dividends are recorded in the Group's financial information in the period in which they are approved by the Group's shareholders. Interim dividends are recognised when paid.

I. Property, plant and equipment

Property, plant and equipment comprise computers, leasehold improvements, office furniture and equipment, and motor vehicles and are stated at cost less accumulated depreciation. Carrying amounts are reviewed on each balance sheet date for impairment. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Depreciation is calculated to write off the cost of fixed assets on a straight line basis over the expected useful lives of the assets concerned. The principal annual rates used for this purpose, which are consistent with those of the previous years, are:

	%
Computers and gaming machines	33.33
Office furniture and equipment	7.00-20.00
Building and Leasehold improvements	10.00-20.00, or over the length of the lease
Motor vehicles	15

Subsequent expenditures are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in the consolidated statement of comprehensive income.

J. Business combinations

The consolidated financial information incorporate the results of business combinations using the purchase method. In the consolidated balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained.

K. Intangible assets

Intangible assets comprise externally acquired patents, domains, and customer lists. Intangible assets also include internally generated capitalised software development costs. All such intangible assets are stated at cost less accumulated amortisation. Where intangible assets are acquired as part of a business combination they are recorded initially at their fair value. Carrying amounts are reviewed on each balance sheet date for impairment. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable.

Amortisation is calculated using the straight-line method at annual rates estimated to write off the costs of the assets over their expected useful lives and is charged to operating expenses from the point the asset is brought into use. The principal annual rates used for this purpose, which are consistent with those of the previous years, are:

	%
Domain names	Nil
Internally generated capitalized development costs	33.33
Technology IP	20-33.33
Customer list	7-12.50
Affiliate contracts	5-12.50
Patents	Over the expected useful lives 10-33

Intangible assets identified under the investment in equity accounted associates

	%
Software	10
Customer relationships	71
Affiliate contracts	52
WH Brands	7
Purchased assets brands	10
Covenant not to compete	20

Management believes that the useful life of the domain names is indefinite. Domain names are reviewed for impairment annually.

Expenditure incurred on development activities including the Group's software development is capitalised only where the expenditure will lead to new or substantially improved products, the products are technically and commercially feasible and the Group has sufficient resources to complete development.

Subsequent expenditure on capitalised intangible assets is capitalised d only where it clearly increases the economic benefits to be derived from the asset to which it relates. All other expenditure, including that incurred in order to maintain an intangible assets current level of performance, is expensed as incurred.

L. Goodwill

Goodwill represents the excess of the cost of a business combination over, in the case of business combinations completed prior to 1 January 2010, the Group's interest in the fair value of identifiable assets, liabilities and contingent liabilities acquired and, in the case of business combinations completed on or after 1 January 2010, the total acquisition date fair value of the identifiable assets, liabilities and contingent liabilities acquired.

For business combinations completed prior to 1 January 2011, cost comprised the fair value of assets given, and liabilities assumed, plus any direct costs of acquisition. Changes in the estimated value of contingent consideration arising on business combinations completed by this date were treated as an adjustment to cost and, in consequent, resulted in a change in the carrying value of goodwill.

For business combinations completed on or after 1 January 2011, cost comprises the fair value of assets given and liabilities assumed, plus the amount of any non-controlling interests in the acquire. Contingent

consideration is included in cost at its acquisition date fair value and, in the case of contingent consideration classified as a financial liability, remeasured subsequently through profit or loss. For combinations completed on or after 1 January 2010, direct costs of acquisition are recognised immediately as an expense in the consolidated statement of comprehensive income, within administrative costs.

Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the consolidated income statement. Goodwill is not amortised and is reviewed for impairment, annually or more specifically if events or changes in circumstances indicate that the carrying value may be impaired.

M. Impairment

Impairment tests on goodwill and other intangible assets with indefinite useful economic lives are undertaken annually at the financial year end. Other non-financial assets are subject to annual impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. – the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Where it is not possible to establish the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash generating unit (i.e. – the lowest group of assets in which the asset belongs for which there are separately identifiable cash flows). Goodwill is allocated on initial recognition to each of the group's cash generating units that are expected to benefit from the synergies of the combination giving rise to the goodwill.

Impairment charges are included in the administrative expenses line item in the consolidated statement of comprehensive income, except to the extent they reverse gains previously recognised in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed.

N. Associates

Where the Group has the power to participate in (but not control) the financial and operating policy decisions of another entity, it is classified as an associate. Associates are initially recognised in the consolidated balance sheet at their fair value. The Group's share of post-acquisition profits and losses is recognised in the consolidated statement of comprehensive income except that losses in excess of the Group's investment in the associate are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised as goodwill and included in the carrying amount of the associate. The carrying amount of investment in associate is subject to impairment in the same way as goodwill arising on a business combination described above.

O. Joint Ventures

The Group's investment in a jointly controlled entity is included in the financial information under the equity method of accounting. The group includes the assets it controls, its share of any income and the liabilities and expenses of jointly controlled operations and jointly controlled assets in accordance with the terms of the underlying contractual arrangement.

P. Financial assets

The Group classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. The Group has not classified any of its financial assets as held to maturity. The Group does not hold any financial assets at fair value through profit and loss.

Loans and receivables
These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

The Group's receivables comprise trade and other receivables, cash and cash equivalents, and loans to customers in the balance sheet

Trade receivables which principally represent amounts due from licensees are carried at original invoice value less an estimate made for bad and doubtful debts based on a review of all outstanding amounts at the year-end. An estimate for doubtful debts is made when there is objective evidence that the Group will not be able to collect amounts due according to the original terms of receivables. Bad debts are written off when identified.

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short term highly liquid investments with original maturities of three months or less. Where cash is on deposit with maturity dates greater than three months, it is disclosed within other receivables.

Loans to customers are in respect of formal loan agreements entered into between the Group and its customer, which are carried at original advanced value less a provision for impairment. They are classified between current and non-current assets in accordance with the contractual repayment terms of each loan agreement.

Available for sale financial assets
Non-derivative financial assets classified as available-for-sale comprise the Group's strategic investments in entities not qualifying as subsidiaries, associates or jointly controlled entities. They are carried at fair value with changes in fair value generally recognised in other comprehensive income and accumulated in the available for sale reserve. In accordance with IAS 39, a significant or prolonged decline in the fair value of an available-for-sale financial asset is recognised in the consolidated statement of comprehensive income

Purchases and sales of available for sale financial assets are recognised on settlement date with any change in fair value between trade date and settlement date being recognised in the available for sale reserve. On sale, the amount held in the available for sale reserve associated with that asset is removed from equity and recognised in the consolidated statement of comprehensive income.

Q. Share capital
Ordinary shares are classified as equity and are stated at the proceeds received net of direct issue costs.

R. Financial liabilities
Trade payables and other short-term monetary liabilities are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Several of the Group's licensees participate in progressive jackpot games. Each time a progressive jackpot game is played, a preset amount is added to a cumulative jackpot for that specific game. The accrual for the jackpot at the consolidated balance sheet date is included in progressive jackpot and other operator's jackpot liabilities.

Loans and bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the consolidated balance sheet. Interest expense in this context includes initial transaction costs and premia payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

S. Fair value measurement hierarchy

IFRS 7 requires certain disclosure which require the classification of financial assets and financial liabilities measured at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the fair value measurement (see note 29). The fair value hierarchy has the following levels:
a) Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
b) Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. – derived from prices) (Level 2); and
c)Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The level in the fair value hierarchy within which the financial asset or financial liability is categorized in determined on the basis of the lowest level input that is significant to the fair value measurement. Financial assets and financial liabilities are classified in their entirety into only one of the three levels.

T. Long term liabilities
Long term liabilities are those liabilities that are due for repayment or settlement in more than twelve months from balance sheet date.

U. Provisions
Provisions, which are liabilities of uncertain timing or amount, are recognised when the Group has a present obligation as a result of past events, if it is probable that an outflow of funds will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

V. Non-controlling interests
Non-controlling interest is recognised at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. The total comprehensive income of non-wholly owned subsidiaries is attributed to owners of the parent and to the non-controlling interests in proportion to their relative ownership interests.

W. Treasury shares
Consideration paid/received for the purchase/sale of treasury shares is recognised directly in equity. The cost of treasury shares held is presented as a separate reserve (the "treasury share reserve"). Any excess of the consideration received on the sale of treasury shares over the weighted average cost of the shares sold is credited to retained earnings.

NOTE 3 – CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The areas requiring the use of estimates and critical judgments that may potentially have a significant impact on the Group's earnings and financial position are impairment of goodwill, the recognition and amortisation of development costs and the useful life of property, plant and equipment, the fair value of available for sale investments, share based payments, legal proceedings and contingent liabilities, determination of fair values of intangible assets acquired in business combinations, income tax, and determination of fair value of contingent consideration.

Estimates and assumptions

A. Impairment of goodwill
The Group is required to test, on an annual basis, whether goodwill has suffered any impairment. The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the choice of a discount rate in order to calculate the present

value of the cash flows. Such estimates are based on management's experience of the business, but actual outcomes may vary. More details including carrying values are included in note 11.

B. Amortisation of development cost and other intangible assets and the useful life of property, plant and equipment
Intangible assets and property, plant and equipment are amortised or depreciated over their useful lives. Useful lives are based on management's estimates of the period that the assets will generate revenue, which are periodically reviewed for continued appropriateness.

Changes to estimates can result in significant variations in the amounts charged to the consolidated statement of comprehensive income in specific periods. More details including carrying values are included in notes 10 and 11.

C. Fair value of available for sale investments
The Group determines the fair value of available for sale investments that are not quoted using valuation techniques. Those techniques are significantly affected by the assumptions used, including discount rates and estimates for future cash flows. In that regard, the derived fair value estimates cannot always be substantiated by comparison with independent markets and, in many cases, may not be capable of being realised immediately.

The methods and assumptions applied, and the valuation techniques used, are disclosed in note 29.

D. Share based payments
The Group has a share based remuneration scheme for employees. The fair value of share options is estimated by using the Black-Scholes and Binomial models, on the date of grant based on certain assumptions. Those assumptions are described in note 9 and include, among others, the dividend growth rate, expected share price volatility, expected life of the options and number of options expected to vest.

E. Legal proceedings and contingent liabilities
Management regularly monitors the key risks affecting the Group, including the regulatory environment in which the Group operates. A provision will be made where there is a present obligation from a past event, a transfer of economic benefits is probable and the amount of costs of the transfer can be estimated reliably. In instances where the criteria are not met, a contingent liability may be disclosed in the notes to the financial information. More details are included in note 31.

F. Determination of fair value of intangible assets acquired
The fair value of the intangible assets acquired is based on the discounted cash flows expected to be derived from the use of the asset. Further information in relation to the determination of fair value of intangible assets acquired is given in note 25.

G. Income taxes
The Group is subject to income tax in jurisdictions in which it is registered and judgment is required in determining the provision for income taxes. During the ordinary course of business, there are transactions and calculations for which the ultimate tax determination is uncertain. As a result, the Group recognises tax liabilities based on estimates of whether additional taxes and interest will be due. The Group believes that its accruals for tax liabilities are adequate for all open audit years based on its assessment of many factors including past experience and interpretations of tax law. More details are included in note 7.

H. Determination of the fair value of contingent consideration
The fair value of contingent consideration is based on the probability of expected cash flow outcomes and the assessment of present values using appropriate discount rates. Further information in relation to the determination of the fair value of contingent consideration is given in note 25.

The preparation of financial information in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial information and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

NOTE 4 – SEGMENT INFORMATION

Management considers that the Group's activity as a single source supplier of online gaming solutions constitutes one operating and reporting segment, as defined under IFRS 8.

Management review the performance of the Group by reference to group-wide profit measures and the revenues derived from 6 (2010 – 4) main product groupings:

- Poker
- Casino
- Bingo
- Videobet
- Services
- Other

For the current year, management has separately disclosed revenue information for the Videobet product. In the prior year this was disclosed within 'other'. Accordingly the comparative information has been adjusted to reflect this separate product.

The group-wide profit measures are adjusted net profit (see note 8) and adjusted EBITDA. Management believes the adjusted profit measures represent more closely the underlying trading performance of the business. No other differences exist between the basis of preparation of the performance measures used by management and the figures in the group financial information.

There is no allocation of operating expenses, profit measures, assets and liabilities to individual product groupings. Accordingly the disclosures below are provided on an entity-wide basis

Revenue by product

	For the year ended 31 December 2011 €000	**For the year ended 31 December 2010 €000**
Casino	114,385	96,710
Poker	21,793	27,406
Bingo	15,064	10,853
Videobet	7,769	2,026
Services	43,012	1,079
Other	5,462	4,220
Total revenues	207,485	142,294

In the current year, there were 2 licensees who individually accounted for more than 10% of the total revenue of the group (2010 - 2 licensees). Revenue from these licensees in the current year totalled €77.6m (2010 - €44.3m).

Geographical analysis of revenues by jurisdiction of gaming license

Analysis by geographical regions is made according to the jurisdiction of the gaming license of the licensee. This does not reflect the region of the end users of the Group's licensees whose locations are worldwide.

	For the year ended 31 December 2011 €000	For the year ended 31 December 2010 €000
Gibraltar	54,813	44,149
Canada	65,185	42,809
Curacao	11,755	14,752
Philippines	20,941	9,855
Rest of World	54,791	30,730
	207,485	142,295

Geographical analysis of non-current assets

	As of 31 December 2011 €000	As of 31 December 2010 €000
British Virgin Islands	439,033	220,399
Isle of Man	75,802	58,313
Sweden	19,167	-
Cyprus	14,418	7,438
Estonia	7,020	4,222
UK	5,698	378
Rest of World	3,804	2,095
	564,942	292,845

NOTE 5 – OPERATING PROFIT

Operating profit is stated after charging:

	For the year ended 31 December 2011 €000	For the year ended 31 December 2010 €000
Directors compensation		
Short term benefits of directors	1,603	1,471
Share based benefits of directors	748	898
Bonuses to executive directors	438	528
	2,789	2,897
Auditor's remuneration		
Audit services		
Parent company and Group audit	204	144
Audit of overseas subsidiaries	138	125
Total audit	342	269
Non-audit services		
Other acquisition and assurance services	379	355

Taxation compliance	86	46
	807	670
Development costs (including capitalised development cost)	22,844	16,972

NOTE 6 – FINANCING INCOME AND COSTS

	For the year ended 31 December 2011 €000	**For the year ended 31 December 2010 €000**
A. Finance income		
Interest received	475	492
Dividend received from available for sale investments	3,075	1,074
Exchange differences	422	124
	3,972	1,690
B. Finance cost		
Finance cost – movement in deferred and contingent consideration	(6,075)	(736)
Exchange differences - on deferred consideration	-	(1,200)
Bank charges	(1,186)	(424)
	(7,261)	(2,360)
Net financing expense	(3,289)	(670)

NOTE 7 – TAXATION

	For the year ended 31 December 2011 €000	**For the year ended 31 December 2010 €000**
Current income tax		
Income tax on profits of subsidiary operations	1,866	1,685
Previous year taxes	(571)	939
Deferred tax (note 23)	(338)	(281)
Total tax charge	957	2,343

The tax charge for the year can be reconciled to accounting profit as follows:

	For the year ended 31 December 2011 €000	**For the year ended 31 December 2010 €000**
Profit before tax	78,663	67,013
Tax at effective rate in Isle of Man	-	-
Higher rates of current income tax in overseas jurisdictions	1,866	1,685
Adjustments in respect of previous periods	(571)	939
Effect of deferred tax originating in overseas jurisdictions	(338)	(281)
Total tax charge	957	2,343

The group is tax registered, managed and controlled from the Isle of Man where the corporate tax rate is set to zero. The majority of profits arise in the British Virgin Islands. No tax is assessed in the British Virgin Islands, the Company's country of incorporation. The Group's subsidiaries are located in different jurisdictions. The subsidiaries are taxed on their residual profit.

The tax credit in the current year of €0.6m relates to the creation of deferred tax asset in one of the group's subsidiaries. The previous year's taxes in 2010 of €0.9m were due to the finalisation of tax assessments relating to 2006.

The deferred tax is due to the reversal of temporary differences arising on the acquisition of certain businesses in the current and prior year.

NOTE 8 – EARNINGS PER SHARE

A. Earnings per share have been calculated using the weighted average number of shares in issue during the relevant financial periods. The weighted average number of equity shares in issue and the earnings, being profit after tax is as follows:

	For the year ended 31 December 2011 €cents	For the year ended 31 December 2010 €cents
Basic	31.8	26.7
Diluted	31.4	25.7
	€000	**€000**
Profit for the year attributable to owners of the parent	77,696	64,670
	Number	**Number**
Denominator – basic		
Weighted average number of equity shares	244,113,262	242,011,308
Denominator – Diluted		
Weighted average number of equity shares	244,113,262	242,011,308
Weighted average number of option shares	3,066,593	9,173,326
Weighted average number of shares	247,179,855	251,184,634

B. Adjusted earnings per share

The adjusted earnings per share present the profit for the year before charging professional costs on acquisitions, legal costs related to the litigation with WHO, previous year's taxes and after various non-cash charges relating to acquisitions and investments together with the employee stock option plan. The directors believe that the adjusted profit represents more closely the underlying trading performance of the business.

	For the year ended 31 December 2011 €cents	For the year ended 31 December 2010 €cents
Basic – adjusted	46.2	38.5
Diluted – adjusted	45.7	37.1

	€000	€000
Profit for the year	77,696	64,670
Decline in fair value of available for sale investments	551	2,223
Amortisation on acquisitions	15,838	7,516
Amortisation of intangibles in associate	5,729	8,266
Movement in deferred and contingent consideration	6,075	736
Employee stock option expense	4,678	5,855
Professional expenses on acquisition	1,488	1,802
One- off legal costs related to the litigation with WHO	1,389	-
Previous year taxes	(571)	939
Exchange differences – on deferred consideration	(26)	1,200
Adjusted profit for the year	112,847	93,207

	Number	Number
Denominator – basic		
Weighted average number of equity shares	244,113,262	242,011,308
Denominator – diluted		
Weighted average number of equity shares	244,113,262	242,011,308
Weighted average number of option shares	3,066,593	9,173,326
Weighted average number of shares	247,179,855	251,184,634

As at 31 December 2011, out of the entire share options outstanding, 9,716,729 (2010 – 2,089,468) have been excluded from the calculation of diluted EPS as their exercise price is greater than the weighted average share price during the year (i.e. – they are out of the money) and therefore it would not be advantageous for the holders to exercise those options. The total number of options in issue is disclosed in note 9.

NOTE 9– EMPLOYEE BENEFITS

Total staff costs comprise the following:

	For the year ended 31 December 2011 €000	For the year ended 31 December 2010 €000
Salaries and employee related costs	65,630	47,732
Employee stock option costs	4,678	5,855
	70,308	53,587
Average number of employees	1,627	1,041
Distribution	110	81
General and administration	1,737	1,122

The Group has the following employee share option plans ("ESOP") for the granting of non-transferable options to certain employees:

- Playtech 2005 Share Option Plan ("the Plan") and Israeli plans, options granted under the plans vest on the first day on which they become exercisable which is typically between one to four years after grant date.
- GTS 2010 Company Share Option Plan ("CSOP"), options granted under the plan vest on the first day on which they become exercisable which is three years after grant date.

The overall term of the ESOP is five to ten years. These options are settled in equity once exercised. Option prices are either denominated in USD or GBP, depending on the option grant terms.

On 1 July 2010, the directors approved an amendment to the Plan, to extend the time during which options can be exercised from five years to ten years. The impact of the modification was to recognise an incremental fair value charge of €1.7m during 2011 (2010- €2.3m).

At 31 December 2011, options under these schemes were outstanding over:

	2011 Number	**2010 Number**
Shares vested on 30 November 2008 at an exercise price of $2.5 per share	141,067	141,067
Shares vested on 30 November 2008 at an exercise price of £1.45 per share	410,250	489,979
Shares fully vested on 30 November 2008 at an exercise price of £2.32 per share	133,334	133,334
Shares vesting between 1 December 2006 and 6 February 2009 at an exercise price of $4.50 per share	282,046	325,046
Shares vesting between 1 December 2006 and 6 February 2009 at an exercise price of £2.55 per share	610,000	611,666
Shares vesting between 1 December 2006 and 1 December 2009 at an exercise price of £2.29 per share	200,000	200,000
Shares vesting between 28 March 2007 and 28 March 2009 at an exercise price of £2.57 per share	200,000	200,000
Shares vesting between 21 June 2007 and 21 June 2009 at an exercise price of $5.75 per share	11,000	11,000
Shares vesting between 21 June 2007 and 21 June 2009 at an exercise price of £3.16 per share	60,334	60,334
Shares vesting between 11 October 2007 and 11 October 2009 at an exercise price of £1.72 per share	208,334	208,334
Shares vesting between 11 December 2007 and 11 December 2009 at an exercise price of $4.35 per share	65,000	65,000
Shares vesting between 11 December 2007 and 11 December 2009 at an exercise price of £2.21 per share	254,669	276,669
Shares vesting between 31 December 2007 and 31 October 2010 at an exercise price of £3.79 per share	-	250,000
Shares vesting between 31 December 2007 and 31 October 2010 at an exercise price of $7.48 per share	75,000	75,000
Shares vesting between 16 May 2008 and 16 May 2010 at an exercise price of $7.50 per share	20,000	20,000
Shares vesting between 16 May 2008 and 16 May 2010 at an exercise price of £3.79 per share	1,143,000	1,143,000
Shares vesting between 18 June 2008 and 18 June 2010 at an exercise price of $7.79 per share	9,468	9,468
Shares vesting between 18 June 2008 and 18 June 2010 at an exercise price of £3.96 per share	110,252	121,808
Shares vesting between 18 June 2008 and 18 June 2010 at an exercise price of £3.30 per share	10,000	10,000
Shares vesting between 10 October 2008 and 10 October 2011 at an exercise price of £3.51 per share	112,500	112,500

Shares vesting between 20 November 2008 and 20 November 2011 at an exercise price of $7.19 per share	30,000	30,000
Shares vesting between 20 November 2008 and 20 November 2011 at an exercise price of £3.51 per share	55,500	55,500
Shares vesting between 31 December 2008 and 31 December 2010 at an exercise price of $7.68 per share	18,000	18,000
Shares vesting between 31 December 2008 and 31 December 2010 at an exercise price of £3.86 per share	41,000	49,500
Shares vesting between 25 April 2009 and 25 April 2012 at an exercise price of £4.35 per share	522,167	569,667
Shares vesting between 21 May 2009 and 21 May 2012 at an exercise price of £5.31 per share	500,000	500,000
Shares vesting between 28 November 2009 and 28 November 2012 at an exercise price of £3.20 per share	1,502,725	1,674,210
Shares vesting between 31 December 2008 and 31 December 2011 at an exercise price of £3.1725 per share	200,000	200,000
Shares fully vesting on 22 May 2012 at an exercise price of £4.155 per share	765,000	765,000
Shares fully vesting on 22 May 2012 at an exercise price of £4.05 per share	75,000	75,000
Shares fully vesting on 6 November 2012 at an exercise price of £3.7 per share	1,130,000	1,260,000
Shares vesting between 18 April 2012 and 18 April 2013 at an exercise price of £5.12 per share	1,063,000	1,098,000
Shares vesting between 3 June 2012 and 3 June 2013 at an exercise price of £4.84 per share	220,000	328,000
Shares vesting between 26 August 2012 and 26 August 2013 at an exercise price of £4.16 per share	264,725	288,670
Shares fully vesting on 26 August 2013 at an exercise price of £4.16 per share	180,275	216,330
Shares fully vesting on 10 March 2014 at an exercise price of £3.5225 per share	1,999,950	-
Shares fully vesting on 25 August 2014 at an exercise price of £3.0325 per share	100,000	-
Shares fully vesting on 16 December 2014 at an exercise price of £2.3 per share	120,000	-
	12,843,596	11,592,082

Total number of shares exercisable as of 31 December 2011 is 6,220,707 (2010 - 5,971,186). The fair value of the options that were granted in respect of equity settled schemes for 2011 is €4.1m (2010 - €5.9m). During 2011, €1.0m (2010 - €3.8m) has been recognised as an expense in the consolidated statement of comprehensive income.

The following table illustrates the number and weighted average exercise prices of shares options for the ESOP.

	31 December, 2011	**2010**	**31 December, 2011**	**2010**
	Number of options	**Number of options**	**Weighted average exercise price**	**Weighted average exercise price**
Outstanding at the beginning of the year	11,592,082	12,694,240	$4.57, £3.62	$5.12, £3.20
Granted during the year	2,331,650	1,958,000	£3.4386	£4.82
Forfeited	(876,434)	(665,718)	£3.8744	$6.61, £3.71
Exercised	(203,702)	(2,394,440)	$4.50, £2.22	$4.38, £1.92
Outstanding at the end of the year	12,843,596	11,592,082	$4.58, £3.59	$4.57, £3.62

The weighted average share price at the date of exercise of options was £3.47 (2010 -£5.08).

The weighted average fair value of options granted during the year at the date of grant was £1.78 (2010 - £1.67)

Share options outstanding at the end of the year have the following exercise prices:

Expiry date	Exercise price	2011 Number	2010 Number
Between 6 February 2011 and 11 December 2011	Between \$4.35 and \$5.75 and between £1.72 and £3.16	-	473,666
Between 15 May 2012 and 31 December 2012	Between \$7.19 and \$7.79 and between £3.3 and £3.96	310,333	1,164,333
Between 25 April 2013 and 31 December 2013	\$4.35 and Between £3.1725 and £5.31	1,323,002	1,490,830
Between 22 May 2014 and 6 November 2014	Between £3.7 and £4.155	740,000	790,000
1 December 2015	\$2.5and between £1.45 and £2.32	684,651	764,380
Between 6 February 2016 and 11 December 2016	Between \$4.5 and \$5.75 and between £1.72 and £3.16	1,891,383	1,484,383
Between 15 May 2017 and 31 December 2017	Between \$7.19 and \$7.79 and between £3.79 and £3.96	1,314,387	730,443
Between 25 April 2018 and 31 December 2018	\$4.35 and between £3.1725 and £5.31	1,401,890	1,453,047
Between 22 May 2019 and 6 November 2019	Between £3.7 and £4.155	1,230,000	1,310,000
Between 18 April 2020 and 26 August 2020	Between £4.16 and £5.12	1,728,000	1,931,000
Between 10 March 2021 and 16 December 2021	Between £2.3 and £3.5225	2,219,950	-
		12,843,596	11,592,082

The fair value of the options granted under the ESOP is estimated as at the date of grant using the Black-Scholes model. The following table gives the assumptions made during the years ended 31 December 2010 and 2011:

For options granted on 18 April 2010, 3 June 2010 and 24 August 2010

Dividend yield (%)	2.8%-2.85%
Expected volatility (%)	42.1% to 53.0%
Risk free interest rate (%)	1.30% to 2.63%
Expected life of options (years)	3.61 to 4.61
Weighted average exercise price	£4.82

The fair value of the amendment to the Plan was estimated as at the date of grant using the Binomial model

For options modified as a result of the amendment to Plan on 1 July 2010

Dividend yield (%)	2.76%
Expected volatility (%)	52.9%
Risk free interest rate (%)	2.35%
Expected life of options to last exercise date (years)	5.42
Weighted average exercise price	£3.32

For options granted on 11 March 2011, 26 August 2011and 16 December 2011

Dividend yield (%)	2.76%-2.81%
Expected volatility (%)	49.8%-50.5%
Risk free interest rate (%)	2.15% to 3.78%
Weighted average exercise price	£3.44

The volatility assumption, measured at the standard deviation of expected share price return, is based on a statistical analysis of daily share price over a period starting from the initial date of flotation through to the grant date.

NOTE 10 –PROPERTY, PLANT AND EQUIPMENT

	Computers and gaming machines	Office furniture and equipment	Motor vehicles	Building and Leasehold improvements	Total
	€000	€000	€000	€000	€000
Cost -					
As of 1 January, 2010	12,068	977	129	729	13,903
Additions	4,553	178	37	2,408	7,176
Acquired through business combinations	847	39	-	-	886
Disposals	(412)	(63)	(12)	(97)	(584)
As of 31 December, 2010	17,056	1,131	154	3,040	21,381
Accumulated depreciation-					
As of 1 January, 2010	4,982	343	42	141	5,508
Charge	3,045	176	30	165	3,416
Disposals	(289)	(24)	(9)	(97)	(419)
As of 31 December, 2010	7,738	495	63	209	8,505
Net Book Value -					
As of 31 December, 2010	9,318	636	91	2,831	12,876

	Computers and gaming machines	Office furniture and equipment	Motor Vehicles	Building and Leasehold improvements	Total
	€000	€000	€000	€000	€000
Cost -					
As of 1 January, 2011	17,056	1,131	154	3,040	21,381
Additions	8,855	403	64	3,240	12,562
Acquired through business combinations	2,066	219	110	322	2,717
Disposals	(1,410)	(165)	-	-	(1,575)
As of 31 December, 2011	26,567	1,588	328	6,602	35,085
Accumulated depreciation-					
As of 1 January, 2011	7,738	495	63	209	8,505
Charge	4,457	176	56	675	5,364
Disposals	(262)	(70)	-	-	(332)
As of 31 December, 2011	11,933	601	119	884	13,537
Net Book Value -					
As of 31 December, 2011	14,634	987	209	5,718	21,548

NOTE 11 – INTANGIBLE ASSETS

	Patents & Domain names €000	Technology IP €000	Development costs €000	Customer List & Affiliates €000	Goodwill €000	Total €000
Cost -						
As of 1 January, 2010	3,896	4,657	16,293	33,586	21,703	80,135
Additions	101	10	7,793	-	-	7,904
Assets acquired on previous year business combinations	-	-	-	-	1,182	1,182
Assets acquired on business combinations	3,900	3,035	-	18,828	13,750	39,513
As of 31 December, 2010	7,897	7,702	24,086	52,414	36,635	128,734
Accumulated amortisation -						
As of 1 January, 2010	1,012	156	4,393	9,115	-	14,676
Provision	845	1,830	4,720	6,279	-	13,674
As of 31 December, 2010	1,857	1,986	9,113	15,394	-	28,350
Net Book Value -						
As of 31 December, 2010	6,040	5,716	14,973	37,020	36,635	100,384

	Patents & Domain names €000	Technology IP €000	Development costs €000	Customer List & Affiliates €000	Goodwill €000	Total €000
Cost -						
As of 1 January, 2011	7,897	7,702	24,086	52,414	36,635	128,734
Additions	79	-	9,542	287	-	9,908
Assets acquired on previous years business combinations	-	-	-	-	(1,200)	(1,200)
Assets acquired on business combinations	965	4,721	655	144,256	129,285	279,882
As of 31 December, 2011	8,941	12,423	34,283	196,957	164,720	417,324
Accumulated amortisation						
As of 1 January, 2011	1,857	1,986	9,113	15,394	-	28,350
Provision	836	2,570	5,805	14,562	-	23,773
As of 31 December, 2011	2,693	4,556	14,918	29,956	-	52,123
Net Book Value -						
As of 31 December, 2011	6,248	7,867	19,365	167,001	164,720	365,201

Included in technology IP and in development costs assets acquired under business combinations - are €2.4m in respect of the Ash Gaming acquisition (see note 25)

Management believes that Domain names are stated at fair value and have an indefinite life due to their nature. Amortisation of intangible assets is included in distribution costs.

Assets acquired on previous year's business combinations of €1.2m relates to adjustments made to the GTS goodwill as a result of the finalisation of the contingent consideration during the year.

In accordance with IAS 36, the Group regularly monitors the carrying value of its intangible assets, including goodwill. Goodwill is allocated to 6 (2010 – 3 cash generating units ("CGU")), and the carrying values are below. In the prior year, management identified Tribeca as a CGU. Tribeca was an asset purchase in 2007 and management are now of the opinion that the underlying cash flows associated with this previous CGU can no longer be separately identified, and are now consumed within the group's poker product.

At 31 December 2011 the recoverable amount of the CGU's has been determined from value in use calculations based on cash flow projections from the formally approved budget for 2012 and detailed projections covering the periods as noted below.

Key assumptions are as follows:

For the GTS CGU with carrying value of €18.0 million (2010: €20.4 million): Discount rate of 15.5% which is based on the Group's WACC to reflect management's assessment of specific risks related to the goodwill.
Annual growth rate of 1% for 2012, 10% for 2013-2015 and 2% for the following years, based on the average forecast GDP growth rate for the UK.

For the VF CGU with carrying value of €33.3 million (2010: €36.6 million): Discount rate of 15.5% which is based on the Group's WACC to reflect management's assessment of specific risks related to the goodwill.
Annual growth rate of 9.6% for 2012, 4% for 2013, 3% for 2014, 2.5% for 2015 and 2% for the following years, based on the average forecast GDP growth rate for the UK.

For the IGS CGU with carrying value of €4.4 million (2010: €nil): Discount rate of 15.5% which is based on the Group's WACC to reflect management's assessment of specific risks related to the goodwill.
Annual growth rate of 226% for 2012, 34% for 2013, 43% for 2014, 20% for 2015-2016 and 2% for the following years, based on the average forecast GDP growth rate for the UK.

For the Mobenga CGU with carrying value of €20.1 million (2010: €nil): Discount rate of 15.5% which is based on the Group's WACC to reflect management's assessment of specific risks related to the goodwill. Annual growth rate of 50% for 2012-2013, 63% for 2014, 10% for 2015, 13% for 2016 and 2% for the following years, based on the average forecast GDP growth rate for the UK.

For the PTTS CGU with carrying value of €218.4 million (2010: €nil): Discount rate of 15.5% which is based on the Group's WACC to reflect management's assessment of specific risks related to the goodwill. Annual growth rate of 22% for 2012, 62% for 2013, 4% for 2014, 5% for 2015, 2% for 2016 and 2% for the following years, based on the average forecast GDP growth rate for the UK.

For the Ash Gaming CGU with carrying value of €26.1 million (2010: €nil): Discount rate of 15.5% which is based on the Group's WACC to reflect management's assessment of specific risks related to the goodwill. Annual growth rate, 40% for 2013, 28% for 2014 and 14% for 2015, 5% for 2016 and 2% for the following years, based on the average forecast GDP growth for the UK.

The results of the review indicated that there was no impairment of goodwill at 31 December 2011. Management has also reviewed the key assumptions and forecasts for the customer lists and affiliates, applying the above same key assumptions. The results of the reviews indicated that there was no impairment of the intangible assets at 31 December 2011.

NOTE 12- INVESTMENTS IN EQUITY ACCOUNTED ASSOCIATES & JOINT VENTURES

	2011 €000	2010 €000
Investment in equity accounted associates and joint ventures comprise:		
A. Investment in William Hill Online	156,618	162,245
B. Investment in Sciplay	332	338
C. Investment in International Terminal Leasing	6,047	-
	162,997	162,583

A. Investment in William Hill Online

The investment in WH Online has been accounted for using the equity method in the consolidated financial information and has been recognised initially at cost being the Group's 29% share of the fair value of the total net assets of the associate together with the goodwill on acquisition. In accordance with IAS 28, profits distributed to the Group in proportion of their respective shareholding have been recognised as share of profits of associates. Software license royalty fees charged to WH Online have been recognised as revenues in the Group accounts.

WH has an option to acquire the Group's interest in WH Online on an independent fair value basis, exercisable after four or six years from 31 December 2008 (the Option). Upon exercise of the Option, the Group has the right to receive a portion of the proceeds in WH shares, not exceeding 10% of WH's outstanding share capital at the time of issue.

WH has entered into a contract with the Group for a minimum term of five years from 31 December 2008 for the provision of online gaming software for poker and casino.

Movements in the carrying value of the investment during the year are as follows:

	€000
Investment in equity accounted associates at 1 January 2010	170,366
Income from associate	30,792
Amortisation of intangibles in associate	(8,266)
Dividend	(30,647)
Investment in equity accounted associates at 31 December 2010	162,245
Income from associate	36,073
Amortisation of intangibles in associate	(5,729)
Dividend	(35,971)
Investment in equity accounted associates at 31 December 2011	156,618

The deferred consideration as of 31 December 2010 of €15.0 million was paid in full during the year. The deferred consideration for the acquisition of the Purchased Assets was payable in US dollars. This caused an exchange rate income in the amount of €26 thousands that was reflected in the consolidated statement of comprehensive income for 2011 (2010- expense of €1.2 million).

Management has reviewed the key assumptions and forecasts for the above mentioned assets and the result of the review indicated that there was no impairment of the Group's investment in WH Online at 31 December 2011.

Aggregated amounts relating to associates are as follows:

	2011	2010
	€000	€000
Total assets	167,337	116,584
Total liabilities	113,388	84,740
Revenues	369,945	295,200
Profit	122,970	105,519

B. Investment in Sciplay
On 21 January 2010, the Group formed a strategic partnership with Scientific Games Corporation to jointly develop and market next-generation internet and land-based gaming products and services to regulated gaming operators in the US and other countries.

Exclusive Joint Ventures focused on the B2G online gaming market on a global basis, called Sciplay International Sarl and Sciplay (Luxembourg) Sarl (hereinafter "Sciplay") will utilise Playtech's technology capabilities together with Scientific Games' global infrastructure and experience.

On 30 April 2010 each of the parties purchased 50% of the share capital issued of Sciplay for a total consideration of €13,000. In addition each of the parties contributed €100,000 share premium to Sciplay International Sarl and $150,000 to Sciplay (Luxembourg) Sarl by contribution in kind of intangible assets. On 28 September 2010 each of the parties paid additional paid in capital of €477,000 (€227,000 to Sciplay International Sarl and €250,000 to Sciplay (Luxembourg) Sarl).

On January 2011 each of the parties paid additional paid in capital of €524,000 (€251,000 to Sciplay International Sarl and €273,000 to Sciplay (Luxembourg) Sarl) and on July 2011 each of the parties paid additional paid in capital of €88,000 to Sciplay (Luxembourg) Sarl.

The Group's share in the Sciplay loss for the year was €0.6m (2010 - €0.4m) and has been recognised in the consolidated statement of comprehensive income.

	€000	€000
Cash consideration		13
Additional paid in capital		477
Contribution in kind	216	
Share of loss in Sciplay	(368)	
Total share of loss in Sciplay		(152)
Investment in Sciplay as at 31 December 2010		**338**
Additional paid in capital		612
Share of loss in Sciplay		(618)
Investment in Sciplay as at 31 December 2011		**332**

Aggregated amounts relating to the Sciplay joint venture are as follows:

	2011	2010
	€000	€000
Total assets	1,225	1,094
Total liabilities	416	426
Revenues	-	-
Loss	(1,236)	(736)

The investment in Sciplay was sold to Scientific Games on 23 January 2012 for €nil consideration.

C. Investment in International Terminal Leasing
On 8 March 2011, the Group entered into an agreement with Scientific Games to form a partnership called International Terminal Leasing (hereinafter "ITL") which relates to the strategic partnership with Scientific Games Corporation.

Prior to the formation of the above joint venture, in 2010 the Group paid a total amount of €2.4 million as contribution towards the purchase of gaming machines on behalf of the partnership. This was accounted for as a loan to ITL within non-current assets, as at 31 December 2010. Upon formation of the joint venture referred to above, the loan of €2.4 million was converted into capital contributions, and accordingly form part of the group's investment as a general partner of ITL.

The group's future profit share from this joint venture varies depending on the commercial arrangements in which ITL and its partners enter into with third parties. However, the group's share of profit is expected to be between 20% - 50%.

Additional contributions of €5.2 million for the purchase of gaming machines were made in the year. In addition the Group received a return on initial investments of €1.7 million during the year.

Movements in the carrying value of the investment during the year are as follows:

	€000
Reclassification of non-current asset as at 8 March 2011	2,430
Additional contributions payable	5,209
Share of profit in joint venture	71
Return of initial investment	(1,663)
Investment in joint venture at 31 December 2011	6,047

Aggregated amounts relating to the ITL joint venture are as follows:

	2011	2010
	€000	€000
Total assets	28,764	-
Total liabilities	226	-
Revenues	2,881	-
Profit	400	-

NOTE 13 – Deferred and contingent consideration

	Note	31 December 2011 €000	31 December 2010 €000
Non-current deferred consideration consists:			
Acquisition of PT Turnkey Services Limited	25b	41,752	-
		41,752	-
Current deferred consideration consists:			
Investment in William Hill Online	12a	-	15,001
Acquisition of PT Turnkey Services Limited	25b	33,591	-
		33,591	15,001

	Note	31 December 2011 €000	31 December 2010 €000
Non-current contingent consideration consists:			
Acquisition of GTS Limited		-	5,474
Acquisition of Intelligent Gaming Systems Limited	25a	709	-
Acquisition of PT Turnkey Services Limited	25b	98,643	-
Acquisition of Mobenga AB Limited	25c	11,633	-
		110,985	5,474
Current contingent consideration consists:			
Acquisition of Intelligent Gaming Systems Limited	25a	929	-
Acquisition of GTS Limited		-	2,937
Acquisition of Virtue Fusion	26	-	8,122
		929	11,059

NOTE 14 - AVAILABLE FOR SALE INVESTMENTS

	31 December 2011 €000	31 December 2010 €000
Available for sale investments comprise:		
A. Investment in Foundation Group Limited	-	-
B. Investment in AsianLogic	2,054	2,054
C. Investment in Sportech PLC	10,322	8,878
	12,376	10,932

	31 December 2011 €000	31 December 2010 €000
Change in fair value of available for sale investments during the year, net		
A. Foundation Group Limited	-	231
B. AsianLogic	-	-
C. Sportech PLC	1,444	(2,454)
	1,444	(2,223)

The fair value of quoted investments is based on published market prices. The fair value of unquoted investments is based on the most recently available market price, less any provision for impairment.

The maximum exposure to credit risk at the reporting date is the carrying value of the financial assets classified as available-for-sale.

A. In 2010 the Group sold all of its shares in Foundation Group Limited. On disposal of the shares, the available for sale reserve at 31 December 2009 of €1,025k was reclassified to profit and loss, resulting in a net credit of €0.2 million in the consolidated statement of comprehensive income for the prior year.

B. As at 3 July 2009, AsianLogic shares were delisted from AIM. At that date, the share price was £0.245. The Directors do not consider there to have been any further impairment in the investment since 3 July 2009.

During 2011 the Group received a dividend of €3.1 million (2010 - €1.1 million) that has been reflected in the consolidated statement of comprehensive income as finance income.

C. On 27 January 2010, the Group acquired a 9.99% stake in Sportech PLC, a UK's leading pari-mutuel football gaming business, and owner of The New Football Pools, for a total consideration of €11.3 million. As at 31 December 2011 the market value of this investment was €10.3 million (2010 - €8.9 million). An impairment charge of €0.6 million (2010 - €2.5 million) has been recognised in the consolidated statement of comprehensive income during the six months ended 30 June 2011. However following an increase in the market value during the second half of 2011, an amount of €2.0 million (2010 - €nil) has been recognised directly in equity, within the available for sale reserve.

Roger Withers, chairman of the Group during the year, was appointed as a Director of Sportech PLC in 2011

Foundation Group Limited and AsianLogic entered into software license agreement as part of the shares acquisition in 2007. The directors considered that the fair value of the consideration received by way of discount to the market value represented deferred income of the software license agreement. The revenues are being recognised over the remaining lifetime of the software license agreement, and as at 31 December

2011, the following amounts are included in deferred revenues:

	31 December 2011 €000	31 December 2010 €000
Deferred revenues – non-current:		
Foundation Group Limited	8,264	10,207
AsianLogic	-	1,262
Other	655	-
	8,919	11,469

	31 December 2011 €000	31 December 2010 €000
Deferred revenues – current:		
Foundation Group Limited	1,943	1,943
AsianLogic	1,262	1,334
Others	1,781	367
	4,986	3,644

NOTE 15 – OTHER NON-CURRENT ASSETS

	31 December 2011 €000	31 December 2010 €000
Loan to customer	221	2,679
Loan to affiliate	1,845	157
Advance for partnership (note 12C)	-	2,430
Rent and car lease deposits	743	793
Other	11	11
	2,820	6,070

NOTE 16 – TRADE RECEIVABLES

	31 December 2011 €000	31 December 2010 €000
Customers	16,599	10,974
Related parties (note 27)	4,408	2,411
	21,007	13,385

NOTE 17 – OTHER RECEIVABLES

	31 December 2011 €000	31 December 2010 €000
Prepaid expenses	4.871	2,584
VAT and other taxes	3,643	1,197
Short term deposits	2,106	47
Advances to suppliers	152	17
Related parties (note 27)	2,871	2,459
Loan to customer	530	1,116
Loan to affiliate	4,700	1,013
Other receivables	1,355	931
	20,228	9,364

NOTE 18 – CASH AND CASH EQUIVALENTS

	31 December 2011 €000	31 December 2010 €000
Cash at bank	111,492	29,550
Deposits	53,340	38,969
	164,832	68,519

The Group held cash balances which include monies held on behalf of operators in respect of operators' jackpot games and poker operation. The balances held at the year-end are set out below and the liability is included in trade payables:

	31 December 2011 €000	31 December 2010 €000
Funds attributed to jackpots	20,491	12,847
Poker security deposits	15,562	1,447
Other	272	438
	36,325	14,732

NOTE 19 – SHAREHOLDERS' EQUITY

A. Share Capital	**31 December 2011 Number of Shares**	**31 December 2010 Number of Shares**
Share capital is comprised of no par value shares as follows:		
Authorised	N/A(*)	N/A(*)
Issued and paid up	289,314,348	242,599,019

(*) The Group has no authorised share capital but is authorized under its memorandum and article of association to issue up to 1,000,000,000 shares of no par value.

During the year, the Group issued 46,511,627 shares for a total consideration of €119.5 million. Share issue costs of €1.9 million have been deducted from the gross proceeds. A reconciliation of the movement in issued shares is below:

Number of shares in issue:	2011 €000
At 1 January 2011	242,599,019
Share placing in year	46,511,627
Exercise of share options	203,702
At 31 December 2011	289,314,348

B. Treasury shares
In June 2011, the Company purchased 100,000 ordinary shares of no par value to be held as treasury shares. The weighted average cost of own shares held in treasury is £3.2849 per share.

C. Share option exercised
During the year 203,702 (2010 – 2,394,440) share options were exercised.

D. Distribution of Dividend
In May 2011, the Group distributed €23,377,446 as a final dividend for 2010.

E. Reserves
The following describes the nature and purpose of each reserve within owner's equity:

Reserve	Description and purpose
Additional paid in capital	Share premium (i.e. amount subscribed for share capital in excess of nominal value)
Available for sale reserve	Changes in fair value of available for sale investments (note 14)
Retained earnings	Cumulative net gains and losses recognised in the consolidated statement of comprehensive income

NOTE 20 – NON CURRENT LIABILITIES

	31 December,	
	2011 €000	2010 €000
Long term trade payables	756	767
Severance pay	667	186
	1,423	953

NOTE 21 – LOANS AND BORROWINGS

	31 December,	
	2011 €000	2010 €000
Current bank borrowings	13,787	-
Non-current bank borrowings	13,746	-
	27,533	-

The rate at which the liabilities are payable is 2.25% above Euro LIBOR. The loan is payable in eight quarterly installments starting March 2012. The Group repaid the entire balance in February 2012.

The Group has undrawn committed borrowing facilities available at 31 December 2011 of €82.6 million.

NOTE 22 – TRADE PAYABLES

	31 December,	
	2011	2010
	€000	€000
Suppliers	8,577	3,986
Customer liabilities	7,915	7,971
Related parties (Note 27)	75	443
Other	1,111	613
	17,678	13,013

NOTE 23 – DEFERRED TAX LIABILITY

The deferred tax liability is due to temporary differences on the acquisition of certain businesses in the year

The movement on the deferred tax liability is as shown below:

	2011	2010
	€000	€000
At the beginning of the year	1,950	2,231
Arising on the acquisitions during the year (note 25)	3,675	-
Reversal of temporary differences, recognised in the consolidated statement of comprehensive income	(338)	(281)
	5,287	1,950

NOTE 24 – OTHER PAYABLES

	31 December,	
	2011	2010
	€000	€000
Payroll and related expenses	10,262	5,999
Accrued expenses	5,112	1,218
Related parties (note 27)	599	-
Other payables	935	37
	16,908	7,254

NOTE 25 – ACQUISITIONS DURING THE YEAR

A. Acquisition of Intelligent Gaming Systems Limited

On 26 January 2011, the Group acquired 100% of the shares of Intelligent Gaming Systems Limited (hereinafter "IGS"). IGS is a provider of software based casino management systems to land-based casinos.

The group paid an initial consideration of €2.9m (£2.5m) in cash and additional contingent consideration of up to €3.5m (£3.0m) is payable in respect of the adjusted PBT performance in 2011-2013 in the beginning of each following year.

Details of the fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill are as follows:

	Book value prior to acquisition	Adjustments	Fair value on acquisition
	€000	€000	€000
Property, plant and equipment	27	-	27
Intangible assets	-	973	973
Trade receivables	110	-	110
Cash and cash equivalents	79	-	79
Deferred tax liability	-	(273)	(273)
Trade payables	(134)	-	(134)
Net identified assets	82	700	782
Goodwill			3,691
Fair value of consideration			4,473

	€000
Cash consideration	2,914
Non-current contingent consideration	748
Current contingent consideration	894
Total cash consideration	4,556
Finance cost arising on discounting of contingent consideration	(83)
Fair value of consideration	4,473
Cash purchased	(79)
Net cash payable (of which €2.9m was paid in the year)	4,394

The contingent consideration is dependent on profits generated by the IGS business in 2011-2013. The amount included above represents the fair value of contingent consideration as at the acquisition date.

Management has determined the fair value of contingent consideration using valuation techniques taking into account the probability of expected outcomes and appropriate discount rates. The computed fair value at acquisition is presented in the table above, and the undiscounted range of possible payments is between €nil and €3.5 million. The movement in contingent consideration since acquisition, which relates solely to the time value of money, is included in note 6 to the financial information.

Adjustments to fair value include the following:

	Amount	Amortisation
	€000	%
IP Technology	90	12.5
Total intangible assets	883	12.5
	973	

The main factors leading to the recognition of goodwill are the synergistic growth and revenues expected to be created by the combined highly complementary business activities and the strengthening of the Group's position in comparison to its competitors in the market. In accordance with IAS36, the Group will regularly monitor the carrying value of its interest in the IGS business.

The key assumptions used by management to determine the value in use of the IP Technology and customer relationships within the IGS business are as follows:

- The income approach, in particular, the relief of royalty approach was applied for the valuation, considering projected revenues derived from the business.
- The royalty rate was based on a third party market participant assumption for use of the IP Technology, considering market competition, quality, absolute and relative profitability.
- The discount rate assumed is equivalent to the WACC for the IP Technology and the customer relationships.
- The growth rates and attrition rates were based on market analysis.

Management have not disclosed IGS's contribution to the Group profit since the acquisition date nor have they disclosed the impact the acquisition would have and on the Group's revenue and profits if it had occurred on 1 January 2011, because the amounts are not material.

B. Acquisition of PT Turnkey Services Limited

On 10 March 2011 the Group entered into an agreement to purchase 100% of the issued share capital of PT Turnkey Services Limited (hereinafter "PTTS") from Worldwide Online Enterprises Limited (hereinafter "WOE"). On completion, 1 July 2011, PTTS, a newly incorporated holding company established in connection with the acquisition, owned a group of new companies (together the PTTS Group) which owned the assets carrying out a range of complementary B2B online gaming service operations that provide support to the Group's licensees.

WOE is related to Playtech by virtue of a significant common shareholder.

The PTTS Group provides marketing and ancillary services to operators of online gaming businesses. These comprise four separate service offerings - marketing, operations, payment advisory and network management.

In consideration, the Group will pay an initial amount of €140 million, reduced by estimated working capital adjustment of €14.8 million, to be spread over instalments during the next two years, plus up to €140 million contingent consideration depending on adjusted EBITDA performance in 2014, to be spread over instalments during the following 18 months.

Management has determined the fair value of contingent consideration using valuation techniques taking into account the probability of expected outcomes and appropriate discount rates. The computed fair value at acquisition is presented in the table below, and the undiscounted range of possible payments is between €nil and €140 million. The movement in contingent consideration, which relates solely to the time value of money, since acquisition is included in note 6 to the financial information.

Details of the provisional fair value of identifiable assets and liabilities acquired from subsidiaries, purchase consideration and goodwill are as follows:

	Book value and provisional fair value on acquisition
	€000
Property, plant and equipment	1,910
Intangible assets	132,758
Non-current accounts receivables	1,610
Trade receivables	969
Other receivables	3,319
Cash and cash equivalents	687
Trade payables	(21,266)
Non-current accounts payables	(124)
Net identified assets	119,863
Provisional goodwill	93,374
Fair value of consideration	213,237

	€000
Cash consideration	45,000
Non-current deferred consideration	35,195
Current deferred consideration	45,000
Maximum contingent consideration	140,000
Total maximum cash consideration	265,195
Finance cost arising on discounting of deferred and contingent consideration	(51,958)
Fair value of consideration	213,237
Cash purchased	(687)
Net cash payable (of which €45.0m was paid in the year)	212,550

The book value and fair value of intangibles on acquisition include the following:

	Amount	Amortisation
	€000	
Customer list	66,994	Over 12.5 years, in line
Affiliates program	64,554	with projected cash flows
Total intangible assets	131,548	

The main factors leading to the recognition of goodwill are the synergistic growth and revenues expected to be created by the combined highly complementary business activities and the strengthening of the Group's position in comparison to its competitors in the market. In accordance with IAS36, the Group will regularly monitor the carrying value of its interest in the PTTS business.

The key assumptions used by management to determine the value in use of the customer relationships and Affiliates program within PTTS business are as follows:

- The income approach, in particular, the relief of royalty approach was applied for the valuation, considering projected revenues derived from the business.
- The discount rate assumed is equivalent to the WACC for the customer relationships and affiliates program.
- The growth rates and attrition rates were based on market analysis.

Since the acquisition date, PTTS has contributed €41.2 million to group revenues, €2.1 million to group profits, €11.0 million to Group adjusted EBITDA and €9.8 million to Group adjusted net profit respectively. The Combined Group revenues as if the PTTS acquisition had occurred on 1 January 2011 would have been higher by €39.2 million, the Combined Group profits by €1.4 million, the Combined Group adjusted EBITDA and adjusted net profit (excluding the impact of finance costs on

deferred and contingent consideration) would have been higher by €10.6 million and €9.0 million respectively.

C. Acquisition of Mobenga AB Limited

On 31 August 2011 (hereinafter "Completion") the Group acquired 100% of the shares of Mobenga AB (hereinafter "Mobenga"), the leading mobile sportsbook betting platform provider.

An initial consideration, including working capital adjustments, of €8.2 million was paid in cash and additional contingent consideration of €8.7 million is payable in the first quarter of 2014 based on the net profit before tax in 2013. Immediately prior to Completion, the Group acquired the Intellectual property and Technology (hereinafter "IP Technology") of Mobenga AB for cash consideration of €1 million.

Details of the provisional fair value of identifiable assets and liabilities acquired from subsidiaries, purchase consideration and goodwill are as follows:

	Book value prior to acquisition	Adjustments	Provisional fair value on acquisition
	€000	€000	€000
Property, plant and equipment	17	-	17
Intangible assets (Customer list)	1,000	3,563	4,563
Trade and other receivables	406	-	406
Cash and cash equivalents	169	-	169
Trade and other payables	(374)	-	(374)
Deferred tax liability	-	(937)	(937)
Net identified assets	1,218	2,626	3,844
Provisional goodwill			15,672
Fair value of consideration			19,516

	€000
Cash consideration	8,000
Contingent consideration	12,384
Total cash consideration	20,384
Finance cost arising on discounting of contingent consideration	(868)
Fair value of consideration	19,516
Cash purchased	(169)
Net cash payable (of which €8.0m was paid in the year)	19,347

Fair value adjustments on acquisition relate solely to the customer list, which is being amortised at a rate of 12.5% per annum.

The contingent consideration is dependent on profits generated by the Mobenga business in 2013. The amount included above represents the fair value of contingent consideration as at the acquisition date. Management has determined the fair value of contingent consideration using valuation techniques taking into account the probability of expected outcomes and appropriate discount rates. The computed fair value at acquisition is presented in the table above, and the undiscounted range of possible payments is between €nil and €15.8 million. The movement in contingent consideration since acquisition, which relates solely to the time value of money, is included in note 6 to the financial information.

The main factors leading to the recognition of goodwill are the synergistic growth and revenues expected to be created by the combined highly complementary business activities and the strengthening of the Group's position in comparison to its competitors in the market. In accordance with IAS36, the Group will regularly monitor the carrying value of its interest in the Mobenga business.

The key assumptions used by management to determine the value in use of the IP Technology and customer relationships within Mobenga business are as follows:

- The income approach, in particular, the relief of royalty approach was applied for the valuation, considering projected revenues derived from the business.
- The royalty rate was based on a third party market participant assumption for use of the IP Technology, considering market competition, quality, absolute and relative profitability.
- The discount rate assumed is equivalent to the WACC for the IP Technology and the customer relationships.
- The growth rates and attrition rates were based on market analysis.

Management have not disclosed Mobenga's contribution to the Group profit since the acquisition date nor have they disclosed the impact the acquisition would have and on the Group's revenue and profits if it had occurred on 1 January 2011, because the amounts are not material.

D. Acquisition of Ash Gaming Limited

On 15 December 2011 the Group acquired 100% of the shares of Ash Gaming Limited (hereinafter "Ash Gaming"), the leading developers of interactive gambling and betting games.

The total consideration of €27.4 million (£23 million) was paid in cash, of which €8.9 million (£7.5 million) was paid into an Escrow account to be held and released to the venders over the next three years, depending upon the successful completion of certain conditions and indemnities. If such conditions are not satisfied, some of the funds held in Escrow may be repaid back to the Group.

Details of the provisional fair value of identifiable assets and liabilities acquired from subsidiaries, purchase consideration and goodwill are as follows:

	Book value prior to acquisition	Adjustments	Provisional fair value on acquisition
	€000	€000	€000
Property, plant and equipment	123	-	123
Intangible assets	2,439	9,860	12,299
Trade receivables	1,694	-	1,694
Other receivables	243	-	243
Cash and cash equivalents	327	-	327
Trade payables	(173)	-	(173)
Other payables	(1,331)	-	(1,331)
Deferred revenues	(454)	-	(454)
Tax liability	(10)	(2,465)	(2,475)
Net identified assets	2,858	7,395	10,253
Provisional goodwill			16,214
Fair value of consideration			26,467
Cash purchased			(327)
Net cash paid			26,140

Adjustments to fair value include the following:

	Amount	Amortisation
	€000	%
Customer list	8,999	8
Brand	861	16.67
Total intangible assets	9,860	

The main factors leading to the recognition of goodwill are the synergistic growth and revenues expected to be created by the combined highly complementary business activities and the strengthening of the Group's position in comparison to its competitors in the market. In accordance with IAS36, the Group will regularly monitor the carrying value of its interest in the Ash Gaming business.

The key assumptions used by management to determine the value in use of the IP Technology, brand and customer relationships within Ash Gaming business are as follows:

- The income approach, in particular, the relief of royalty approach was applied for the valuation, considering projected revenues derived from the business.
- The royalty rate was based on a third party market participant assumption for use of the IP Technology, considering market competition, quality, absolute and relative profitability.
- The discount rate assumed is equivalent to the WACC for the IP Technology and the customer relationships.
- The growth rates and attrition rates were based on market analysis.

Management have not disclosed Ash Gaming's contribution to the Group profit since the acquisition date nor have they disclosed the impact the acquisition would have and on the Group's revenue and profits if it had occurred on 1 January 2011, because the amounts are not material.

E. Acquisition of S-Tech Limited

On 24 November 2011 the Group acquired 85% of the shares of S-Tech Limited (hereinafter "S-Tech"), a live games provider in Asia. As of the purchase date S-Tech had net liabilities and therefore the consideration paid was the $1 par value of 85 shares.

Details of the provisional fair value of identifiable assets and liabilities acquired from subsidiaries, purchase consideration and goodwill are as follows:

	Book value prior to acquisition	Adjustments	Provisional fair value on acquisition
	€000	€000	€000
Property, plant and equipment	654	-	654
Trade and other receivables	411	-	411
Cash and cash equivalents	338	-	338
Trade and other payables	(346)	-	(346)
Other payables	(1,456)	-	(1,456)
Net identified liabilities	(398)	-	(398)
Provisional goodwill			339
Non-controlling interest			59
Total consideration			-

During the year, the group has recognised a non-controlling interest of €10,000 (2010 - €nil) owing to ESL, the 15% shareholder.

NOTE 26 – ACQUISITIONS IN PRIOR YEAR

On 12 February 2010 the Group entered into an assets purchase agreement with Virtue Fusion Limited, the leading developer and licensor of online bingo products. The Group purchased the IP Technology, customers list, brand, plant and equipment, other assets and 100% of the shares of Virtue Fusion Limited subsidiaries: Virtue Fusion CM Limited, Virtue Fusion (Alderney) Limited and Virtue Fusion NV (hereinafter VF business).

The group paid an initial consideration, including working capital adjustments, of €37.7m (£33.2m) in cash and additional contingent consideration of €8.1m (£7.0m) was paid in March 2011 based on adjusted EBIT performance in 2010. No further contingent consideration is payable in respect of this acquisition.

The contingent consideration for the acquisition of the Purchased Assets was payable in GBP. This caused an exchange rate income in the amount of €0.3 million that was reflected in the consolidated statement of comprehensive income in 2010.

Since the acquisition date, VF contributed €18.0 million and €5.5 million to group revenues and profits respectively in the year ended 31 December 2010. The Group did not disclose the results of the

Combined Group as if the VF acquisition had occurred on 1 January 2010 as they considered the amounts involved to be immaterial.

NOTE 27 – RELATED PARTIES AND SHAREHOLDERS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party's making of financial or operational decisions, or if both parties are controlled by the same third party.

Gamepark Trading Ltd, Tech Corporation and 800pay Ltd were previously related by virtue of a common significant shareholder, however on 1 July 2011, they sold their assets to PTTS subsidiary companies immediately prior to the acquisition by Playtech (as referred to in note 25). Netplay TV PLC, Sceptre Leisure Plc are related by virtue of a common significant shareholder. Emphasis Services Limited ("ESL") holds a non-controlling interest in S-Tech Limited which became a subsidiary of the Group during the year.

Sportech PLC is related by virtue of a common non-executive Director. WH Online, Sciplay and International Terming Leasing ("ITL") are associates of the Group.

The following transactions arose with related parties:

	31 December,	
	2011	**2010**
	€000	**€000**
Revenue including income from associate		
ESL	4,514	7,764
S-tech Ltd	-	51
Sceptre Leisure Plc	-	364
Sportech	167	-
Netplay TV PLC	2,266	1,399
WH Online	58,497	46,398
Share of profit (loss) in joint venture		
ITL	72	-
Sciplay	(618)	(152)
Operating expenses		
Gamepark Trading Limited	95	211
S-tech Ltd	-	15
Tech Corporation	136	146
800pay Ltd	63	69
ESL	167	288

The following are year-end balances:	31 December,	
	2011	**2010**
	€000	**€000**
Gamepark Trading Limited	-	117
Tech Corporation	43	319
800pay Ltd	32	7
ESL	599	-
Total related party creditors	674	443
Netplay TV PLC	270	306
Sportech	73	-
WH Online	6,897	4,512
Sciplay	39	52
Total related party debtors	7,279	4,870
Sportech PLC (note 14c)	10,322	8,878
Total investment in related party	10,322	8,878

The details of key management compensation (being the remuneration of the directors) are set out in note 5.

NOTE 28 – SUBSIDIARIES

Details of the Group's subsidiaries as at the end of the year are set out below:

Name	Country of incorporation	Proportion of voting rights and ordinary share capital held	Nature of business
Playtech Software Ltd	British Virgin Islands	100%	Main trading company of the Group, owns the intellectual property rights and licenses the software to customers.
OU Playtech (Estonia)	Estonia	100%	Designs, develops and manufactures online software
Techplay Marketing Ltd	Israel	100%	Marketing and advertising
Video B Holding Ltd	British Virgin Islands	100%	Trading company for the Videobet software, owns the intellectual property rights of Videobet and licenses it to customers.
OU Videobet	Estonia	100%	Develops software for fixed odds betting terminals and casino machines (as opposed to online software)
Playtech Bulgaria	Bulgaria	100%	Designs, develops and manufactures online software
PTVB Management Ltd	Isle of Man	100%	Management
Playtech (Cyprus) Ltd	Cyprus	100%	Dormant
Playtech Live Ltd	British Virgin Islands	100%	Dormant
Networkland Ltd	British Virgin Islands	100%	Dormant
Playtech Bingames Ltd	British Virgin Islands	100%	Technical support
Evermore Trading Ltd	British Virgin Islands	100%	Holder of convertible notes in Foundation
Playtech Software India Ltd	India	100%	Designs, develops and manufactures online software
Genuity Services Ltd	British Virgin Island	100%	Holder of investment in WH Online
Playtech Services (Cyprus) Ltd	Cyprus	100%	Activates the Italian ipoker Network
VB (Video) Cyprus Ltd	Cyprus	100%	Trading company for the Videobet product to Romanian companies
Guideview Trading Limited	Cyprus	100%	Licenses Software to companies
Playtech Sports Limited	British Virgin Islands	100%	Holds sports betting IP
Regisol Holdings Limited	Cyprus	100%	Dormant
Playtech Software Bulgaria EOOD	Bulgaria	100%	Dormant
Makemoreprofit Investments Ltd	British Virgin Islands	100%	Holder of Guideview Trading Limited
Techplay S.A. Software LTD	Israel	100%	Develops online software

Name	Country of incorporation	Proportion of voting rights and ordinary share capital held	Nature of business
Technology Trading IOM Limited	Isle of Man	100%	Owns the intellectual property rights of the GTS, VF and Ash Gaming businesses
Gaming Technology Solutions Limited	UK	100%	Holding company of VS Gaming and VS Technology
VS Gaming Limited	UK	100%	Develops soft and casino games
VS Technology Limited	UK	100%	Develops EdGE platform
Bandwick Investments Ltd	Cyprus	100%	Holding company of Bandwich Investments OU
Bandwick Investments OU	Estonia	100%	Owns a building
Virtue Fusion (Alderney) Limited	Alderney	100%	Online bingo and casino software provider
VF Interactive Gaming Limited	Malta	100%	Dormant
Virtue Fusion CM Limited	UK	100%	Chat moderation services provider to end users of VF licensees
Playtech Services Romania S.R.L	Romania	100%	Providing customer support
VB CMS OU	Estonia	100%	Develops software for fixed odds betting terminals and casino machines
Playtech Software (Alderney) Ltd	Alderney	100%	To hold the company's Alderney Gaming license
Playtech Gaming SAS	France	100%	Dormant
Intelligent Gaming Systems Limited	UK	100%	Casino management systems to land based businesses
VF 2011 Limited	Alderney	100%	Holds license in Alderney for online gaming
PT Turnkey Services Limited	British Virgin Islands	100%	Holding company of the Turnkey Services group
PT Turnkey EU Services Limited	Cyprus	100%	Turnkey services for EU online gaming operators
PT Entretenimiento Online EAD	Bulgaria	100%	Poker & Bingo network for Spain
PT Marketing Services Limited	British Virgin Islands	100%	Marketing services to online gaming operators
PT Domains Limited	British Virgin Islands	100%	Domains & hosting services to online gaming operators
Fullaccess Trading Limited	Cyprus	100%	Domains & hosting services for EU
Ciera Trading Limited	Cyprus	100%	Marketing services to parent company
KarminaTrading Limited	British Virgin Islands	100%	Marketing services to parent company
PT Operational Services Limited	British Virgin Islands	100%	Operational & hosting services to online gaming operators
Tech Hosting Limited	Alderney	100%	Alderney Hosting services
PT Antigua Limited	Antigua	100%	Operational services
PT Entertainment services	Antigua	100%	Holder of Antiguan license for Poker Network & Online Gaming Operator
Paragon International Customer Care Limited	British Virgin Island & branch office in the Philippines	100%	English Customer support, chat, fraud, finance, dedicated employees services to parent company
Starting Point	Cyprus	100%	Operational & administration services

Name	Country of incorporation	Proportion of voting rights and ordinary share capital held	Nature of business
Consultants Limited			to parent company
CSMS Limited	Bulgaria	100%	Consulting and online technical support, data mining processing and advertising services to parent company
TCSP Limited	Serbia	100%	Operational services for Serbia
Xwise marketing (Israel) Limited	Israel	100%	Marketing services to parent company
Xwise Research & Development (Israel) Limited	Israel	100%	Maintenance to affiliate program of parent company
S-Tech Limited	British Virgin Islands & branch office in the Philippines	85%	Live games services to Asia
PT Advisory Services Limited	British Virgin Islands	100%	Holds PT processing Advisory Ltd
PT Processing Advisory Limited	British Virgin Islands	100%	Advisory services for processing & cashier to online gaming operators
PT Processing EU Advisory Limited	Cyprus	100%	Advisory services for processing & cashier for EU online gaming operators
PT Network Management Limited	British Virgin Islands	100%	Manages the ipoker network
Gamepark Investments Limited	British Virgin Islands	100%	Subsidiary of PT Network Management
Playtech Mobile (Cyprus) Limited	Cyprus	100%	Holds the IP of Mobenga AB
Playtech Holding Sweden AB	Sweden	100%	Holding company of Mobenga AB
Mobenga AB	Sweden	100%	Mobile sportsbook betting platform developer
Ash Gaming Limited	UK	100%	Develops interactive gambling and betting games

NOTE 29 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Group is exposed to a variety of financial risks, which result from its financing, operating and investing activities. The objective of financial risk management is to contain, where appropriate, exposures in these financial risks to limit any negative impact on the Group's financial performance and position. The Group's financial instruments are its cash, available-for-sale financial assets, trade receivables, loan receivables, accounts payable and accrued expenses. The main purpose of these financial instruments is to raise finance for the Group's operation. The Group actively measures, monitors and manages its financial risk exposures by various functions pursuant to the segregation of duties and principals. The risks arising from the Group's financial instruments are credit risks and market price risks, which include interest rate risk, currency risk and equity price risk. The risk management policies employed by the Group to manage these risks are discussed below.

a) Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Group's income and operating cash flows are substantially independent of

changes in market interest changes. The management monitors interest rate fluctuations on a continuous basis and acts accordingly.

Where the Group has generated a significant amount of cash, it will invest in higher earning interest deposit accounts. These deposit accounts are short term and the Group is not unduly exposed to market interest rate fluctuations.

During the year the group advanced loans to affiliates and customers for a total amount of €5.0m (2010 - €2.0m). The interest on the loans is 5%.

The loans are repayable in monthly installments.

A 1% change in deposit interest rates would impact on the profit before tax by €50 thousands.

b) Credit risk

Credit risk arises when a failure by counterparties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the balance sheet date.

The Group closely monitors the activities of its counterparties and controls the access to its intellectual property which enables it to ensure the prompt collection of customers' balances.

The Group's main financial assets are cash and cash equivalents as well as trade and other receivables and represent the Group's maximum exposure to credit risk in connection with its financial assets. Trade and other receivables are carried on the balance sheet net of bad debt provisions estimated by the Directors based on prior year experience and an evaluation of prevailing economic circumstances.

Wherever possible and commercially practical the Group invests cash with major financial institutions that have a rating of A- as defined by Standard & Poors. The Group maintains monthly operational balances with banks that do not meet this credit rating in Israel and in the Philippines to meet local salaries and expenses. These balances are kept to a minimum and typically do not exceed €1 million at any time during the monthly payment cycle. Group holds approximately 14% of its funds (2010-26%) in financial institutions below A- rate.

In thousands of Euro	**Total**	**Financial institutes with A- and above rating**	**Financial institutes below A- rating**
As at 31 December 2011	164,832	141,463	23,369
As at 31 December 2010	68,519	49,714	18,805

The ageing of trade receivables that are past due but not impaired can be analyzed as follows:

In thousands of Euro	**Total**	**Not past due**	**1-2 months overdue**	**More than 2 months past due**
As at 31 December 2011	21,007	13,607	5,380	2,020
As at 31 December 2010	13,506	8,807	3,885	814

The above balances relate to customers with no default history.

A provision for doubtful debtors is included within trade receivables that can be reconciled as follows:

	2011 €000	**2010 €000**
Provision at the beginning of the year	121	146
Charged to income statement	2,019	64
Utilized	(311)	(89)
Provision at end of year	1,829	121

Related party receivables included in note 17 of €2.9m (2010 - €2.4m) are not past due.

As at 31 December 2011 the Group holds undrawn credit facilities of €82.6 million (2010 - €50 million).

c) Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates.

Foreign exchange risk arises because the Group has operations located in various parts of the world. However, the functional currency of those operations is the same as the Group's primary functional currency (Euro) and the Group is not substantially exposed to fluctuations in exchange rates in respect of assets held overseas.

Foreign exchange risk also arises when Group operations are entered into in currencies denominated in a currency other than the functional currency.

The Group's policy is not to enter into any currency hedging transactions.

d) Equity price risk

The Group's balance sheet is exposed to market risk by way of holding some investments in other companies on a short term basis (note 14). Variations in market value over the life of these investments have or will have an impact on the balance sheet and the income statement.

The directors believe that the exposure to market price risk is acceptable in the Group's circumstances.

The Group's balance sheet at 31 December 2011 includes available for sale investments with a value of €10.3m which are subject to fluctuations in the underlying share price.

A change of 1% in shares price will have an impact of €0.1m on the consolidated statement of comprehensive income and the fair value of the available for sale investments will change by the same amount.

e) Capital disclosures

Given the repayment of the loan in the beginning of 2012 and the Group's significant retained earnings, capital risk is not considered significant.

f) Liquidity risk

Liquidity risk arises from the Group's management of working capital and the financial charges on its debt instruments.

The Group's policy is to ensure that it will have sufficient cash to allow it to meet its liabilities when they become due.

The following are the contractual maturities (representing undiscounted contractual cash flows) of the Group's financial liabilities:

Year ended 31 December, 2011 **In thousands of Euro**	**Total**	**Within 1 year**	**1-2 years**	**2 – 5 years**
Trade payables	17,678	17,678	-	-
Loans and borrowings	27,533	13,787	13,746	-
Other accounts payable	16,908	16,908	-	-
Progressive and other operators' jackpots	20,491	20,491	-	-
Deferred consideration	80,194	35,195	45,000	-
Contingent consideration	131,331	929	768	129,634
Other non-current liabilities	1,423	-	756	667
Year ended 31 December, 2010 **In thousands of Euro**	**Total**	**Within 1 year**	**1-2 years**	**2 – 5 years**
Trade payables	13,013	13,013	-	-
Loans and borrowings	-	-	-	-
Other accounts payable	7,254	7,254	-	-
Progressive and other operators' jackpots	12,847	12,847	-	-
Deferred consideration	15,001	15,001		-
Contingent consideration	16,795	11,059	5,736	-
Other non-current liabilities	953	-	767	186

g) Total financial assets and liabilities

The fair value together with the carrying amount of the financial assets and liabilities shown in the balance sheet are as follows:

	For the year ended 31 December			
	2011		**2010**	
	€000		**€000**	
	Fair Value	Carrying amount	Fair Value	Carrying amount
Cash and cash equivalent	164,832	164,832	68,519	68,519
Available for sale investments	12,376	12,376	10,932	10,932
Other assets	44,055	44,055	28,819	28,819
Deferred consideration	75,343	75,343	15,001	15,001
Contingent consideration	111,914	111,914	16,533	16,533
Loan and Borrowings	27,533	27,533	-	-
Other liabilities	56,500	56,500	34,067	34,067

Included in available for sale investments is €10.3m and €2.0m measured at fair value using level 1 and level 2 respectively. Contingent consideration of €111.9m is measured at fair value using level 2 in accordance with IAS 39. These are the Group's only financial assets and liabilities which are measured at fair value.

NOTE 30 –POST BALANCE SHEET EVENTS

Acquisition of Geneity Limited

On 24 January 2012, the Group acquired 100% of the issued share capital of Geneity Limited ("Geneity") shares, a UK based provider of e-gaming software products, focused primarily on the sportsbook and lottery sectors, for an initial cash consideration of £11 million (subject to a working

capital adjustment), of which £4 million will be held in escrow for 30 months. A further £4 million in cash will be payable subject to certain agreed deliverables to be provided by Geneity.

As of the approval date of the financial information by the board the Group had not completed the valuation of the fair value of the intangible assets and liabilities acquired, and accordingly these disclosures are not provided in the financial statement.

Joint Venture with Merkur Interactive GmbH

In January 2012, the Group entered into an agreement with Merkur Interactive GmbH, the online division of the Gauselmann Group. The agreement provides for the joint development of an online gaming operation focused on new opportunities as the German online markets regulate, together with a related software licensing agreement.

NOTE 31 – CONTINGENT LIABILITIES

The Group is not a gaming operator and does not provide gaming services to players. As part of the Board's ongoing regulatory compliance process, the Board continues to monitor legal and regulatory developments and their potential impact on the Group.

Management is not aware of any contingencies that may have a significant impact on the financial position of the Group.