Playtech Limited

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

Full Year Results

Another exceptional performance delivering record results

Playtech (LSE: PTEC), the international designer, developer, licensor and provider of software and services for the online, mobile, TV and land-based gaming industry, today announces its full year audited results for the year ended 31 December 2012.

Financial highlights

- Gross income* up by 51% to €368.1 million (2011: €243.6 million)
- Total revenues up by 53% to €317.5 million (2011: €207.5 million)
- Adjusted EBITDA** up by 49% to €186.7 million (2011: €124.9 million)
- Adjusted net profit** up by 49% to €168.5 million (2011: €112.8 million)
- Adjusted basic EPS** up by 26% to 58.1 € cents per share (2011: 46.2 € cents per share)
- Cash balances at year end of €120.9 million (2011: €164.8 million), net cash*** at year end of €51.7 million (2011: €137.3 million)
- Recommended final dividend of 15.4 € cents per share, giving a total 2012 dividend of 23.2 € cents per share (2011: 16.5 € cents per share), up 41%

* 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 certain one-off professional and legal costs, expenditure relating to the move to the Main Market and prior year taxes (see reconciliation in the financial review below)

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

Trading update

Playtech has made a strong start to 2013, with average daily revenues for the first 11 weeks of 2013 up over 15% on Q1 2012 and up 5% on Q4 2012

Operational highlights

- Playtech entered the FTSE 250 in September after achieving a Main Market listing in July
- Playtech signed agreements with major operators for new products, including: Paddy Power, Gala Coral, Betclic Everest, Betfair, Betfred, Caliente and Unibet.fr
- Gala Coral project successfully completed, including Gala Casino, Gala Bingo and mobile sports betting, all powered by Playtech's leading-edge integrated management system – IMS
- Playtech first to introduce slot games in Italy following new regulation in Q4 2012
- Betclic and Everest poker products launched on the iPoker.fr and iPoker.com networks
- Betfair commenced migration onto the iPoker network with completion planned for July 2013
- Playtech launches its unique mobile hub combining mobile sports betting and gaming products with a variety of licensees
- Betfred and Paddy Power launched mobile casino initially including a selection of 20 table and slot games, marking the first step towards a full mobile offering planned to launch later in 2013
- Playtech launched first two sports betting licensees following the acquisition of Geneity in Q1 2012

Post year end events:

- Playtech's joint venture with Gauselmann, signed in January 2012, was awarded two licenses by Schleswig-Holstein for online casino and sports betting
- Valuation of 29% stake in William Hill Online agreed for approximately £424 million. Cash-on-cash return of more than 3.5 times, excluding software royalties. Payment expected by the end of April 2013, following completion
- Playtech signs a landmark software and advisory services agreement with Ladbrokes announced earlier this week

Roger Withers, Non-executive Chairman, said:

"The year ending 31 December 2012 was an exceptional period in the continued development of Playtech. The Company delivered another impressive financial performance and passed a number of significant corporate and operational milestones, strengthening its position as the clear market leader in the provision of software and services to the global gaming industry. Playtech continues to capitalise on its clear strategy and strong balance sheet. The Board is highly confident of the Company's prospects in 2013 and beyond."

- Ends -

The Company will hold a presentation for analysts at 9:30 am at the London Stock Exchange, 10 Paternoster Square, London, EC4M 7LS.

The presentation will be webcast live and will be accessible via the Playtech website at http://playtech.com/html/page/investors.

An on demand replay will also be available on the Playtech website following the presentation.

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This announcement includes statements that are, or may be deemed to be, "forward-looking statements". By their nature, forward-looking statements involve risk and uncertainty since they relate to future events and circumstances. Actual results may, and often do, differ materially from any forward-looking statements. Any forward-looking statements in this announcement reflect Playtech's view with respect to future events as at the date of this announcement. Save as required by law or by the Listing Rules of the UK Listing Authority, Playtech undertakes no obligation to publicly revise any forward-looking statements in this announcement following any change in its expectations or to reflect events or circumstances after the date of this announcement.

Chairman’s statement

The year ending 31 December 2012 was an exceptional period in the continued development of Playtech. The Company delivered another impressive financial performance and passed a number of significant corporate and operational milestones. Notably, the Company achieved a Premium Listing on London’s Main Market, reflecting both the short-term effort needed to make the progression and the longer term determination to comply with the responsibilities associated with a Premium Listing. Pleasingly, Playtech was included in the FTSE 250 Index in September and has, since inclusion, moved up approximately 30 places. The move provided greater visibility for the Company, improved market liquidity and affords wider recognition of Playtech’s strengths and consistent strong financial performance.

Strategic developments

Playtech is the clear market leader in the provision of software and services to the global online gaming industry. Its offering includes a full product suite, leading-edge management system, full integration across all player interfaces and a broad range of marketing services and techniques that enable licensees to maximise the potential of their online gaming business.

The period saw growth of software revenues derived from regulated markets, including Italy, Spain and Denmark, further enhanced by organic growth. While the regulatory environment remains in a state of flux in a small number of geographies, the global process of regulating the online gaming industry continues to advance. This trend, led by national and local governments, is a key driver of Playtech’s current and future success. Operating across all regulated areas, Playtech is in a prime position to benefit from increasing regulation as it develops on an international scale. It is the Board’s belief that the Company’s ability to provide market-leading products and services to both established operators and new entrants operating under new regulations will over time increase the scale and quality of its earnings.

Strategic developments during the year included further integration of PTTS, our wholly owned services business, the acquisition of which introduced the ability to provide full turnkey solutions, enhancing joint venture opportunities and further increasing Playtech’s ability to attract new partners. The acquisitions of Mobenga, Ash Gaming and Geneity have been fully

integrated and have proven to positively enhance Playtech's offering and strengthen its position as the best of breed technology provider to the global online gaming industry.

The Company was pleased to announce in February 2013 that its joint venture with Gauselmann in Germany was awarded licenses by the State of Schleswig-Holstein for the provision of casino and sports betting, and management is now working with Gauselmann to develop an appropriate business plan pertinent to the emerging regulatory regime in Germany.

Signs from the US are encouraging, with the news that the states of New Jersey and Nevada are to legalise online gaming and poker respectively. As a result, other US states may contemplate similar actions, however, such developments are in their infancy and there remains much work to do to resolve regulatory, political and practical considerations. We continue to watch developments closely.

Governance and risk management

Playtech is committed to upholding the highest levels of corporate governance. The Company was delighted to welcome Andrew Thomas to the Board as an independent Non-Executive Director, and Chairman of the audit committee, effective 19 June 2012. Andrew brings with him a wealth of experience in the leisure sector and valuable insight into the nuances of taxation and finance.

As announced at the interim results last year, David Mathewson retired as Chief Financial Officer and from the Board on 31 December 2012. I would like to thank David for his efforts and counsel while he was a director.

Ron Hoffman, formerly Vice President of Finance over the previous eight years, and who has played a fundamental role in all of Playtech's recent acquisitions, was appointed to the Board as Chief Financial Officer with effect from the new financial year.

The Board has worked to ensure a robust governance structure to comply with corporate best practice. During 2012, an advanced internal audit function was implemented by PwC and the Company, and a revised Code of Conduct and Ethics policy was adopted.

William Hill Online

In October, the Board of William Hill plc commenced the valuation process relating to their call option over Playtech's 29% stake in William Hill Online. The process culminated in the confirmation that William Hill will exercise the option for a consideration of approximately £424 million. The transaction is expected to complete by the end of April 2013. This has generated substantial returns for the Company during the lifetime of the joint venture. While this brings to a close a highly successful and profitable joint venture for Playtech, the Company will continue to enjoy a close working relationship with William Hill, which remains a top-five licensee.

Dividend

The Board has recommended a final dividend of 15.4 € cents per share, giving a total 2012 dividend of 23.2 € cents per share (2011: 16.5 € cents per share), an increase of 41%. This reflects the Company's strong underlying growth in earnings, cash generation and the Company's dividend policy of paying out 40% of adjusted net profit.

Subject to shareholder approval of the final dividend at the Annual General Meeting, to be held on 8 May 2013, the dividend will be payable on 24 May 2013 to those shareholders on the Company's register as at the record date of 26 April 2013. The ex-dividend date is 24 April 2013.

For any shareholders who elect to receive their dividends in sterling the conversion exchange rate from Euros into sterling will be set on 26 April 2013 and election forms should be returned to the Company's registrars by 3 May 2013.

The Board, with its advisers, is undertaking a broad review of the most effective use of the expected proceeds from the disposal of William Hill Online, once completed, taking into consideration feedback from shareholders and the Company's future requirements. The Board will, amongst other strategic options, assess the potential for further value-enhancing acquisitions, joint ventures and partnerships, focusing on regulated markets, together with the possibility of a return of capital to shareholders. Playtech has a proven ability of generating value through successful acquisitions and management is confident that this will continue.

In summary, Playtech has had another excellent year, incorporating some of its most significant achievements to date. The Company continues to capitalise on its clear strategy and strong balance sheet. The Board is highly confident of the Company's prospects in 2013 and beyond.

Roger Withers
Chairman
14 March 2013

Chief Executive's review

Overview

Playtech again delivered an outstanding financial and operational performance in a year of significant change for the online gaming market. The Company increased revenue by 53% to €317.5 million, gross income by 51% to €368.1 million and adjusted EBITDA grew by 49%.

During the period, Playtech expanded its product offering both organically and through acquisitions, secured 19 new licensees including major operators such as Gala Coral and Betclic Everest, further extended its relationships with existing licensees, and entered into significant new joint venture opportunities.

The Company has the operational capacity to stimulate future growth, specifically in mobile gaming, which enjoyed a triple digit percentage performance increase. In order to maintain its high level of customer service, Playtech invested in new product development related to the mobile hub, IMS and player portal, enabling operators to create a bespoke player experience, and grew its employee base by 62% to support the business and itscustomers.

Importantly, the Company surpassed a major milestone in achieving a Premium Listing on London's Main Market in July and was included in the FTSE 250 Index in September.

Regulated markets

Regulated markets continue to present significant potential for revenue growth and Playtech is in a prime position to take advantage of global market developments, such as those in Italy, Denmark, Spain, the Netherlands, Greece and Germany. Pleasingly, we announced that Playtech's joint venture with Gauselmann, created in January 2012, was awarded two licenses by the state of Schleswig-Holstein for online casino and sports betting a year later.

While Playtech continued to focus on increasing income from regulated markets, revenue from dot.com operators also increased in 2012. These operators provide liquidity in most regulated markets and are important to the Company's strategy, as they establish themselves in regulated markets and provide the cornerstone for our activities in regulated and soon to be regulated markets.

In France, Betclic Everest launched with Playtech's iPoker network on iPoker.fr and iPoker.com in November. This was followed by the launch of Unibet.fr at the beginning of this year. Betfair has also commenced its migration onto the iPoker network, which is due to be completed in July 2013. These developments have cemented Playtech's leadership in the poker market as the natural network of choice.

During the year, Playtech undertook a significant level of activity in anticipation of Spanish regulation and further liberalisation in Italy. The Company has enjoyed pleasing revenue growth following the launch in June of regulated casino, poker and sports betting in Spain and the launch in December of regulated online slots in Italy.

In the UK, the third and final phase of the Gala Coral programme was completed in the last quarter of the year and Betfair commenced its poker migration to the iPoker network. After the highly successful launch of coral.co.uk, Gala migrated all its product verticals onto Playtech's IMS platform. The offering includes some of Playtech's more recent innovations, including the Playtech portal, a new mobile hub and an improved IMS. The current results from Gala Coral are exceeding expectations, illustrating the cumulative, positive impact derived through the cross-selling opportunities afforded by an integrated offering.

In November, the Dutch government announced plans to sell the state-owned casino monopoly and legalise online gaming to increase competition. The government is expected to introduce a draft framework for consultation in the spring of 2013 with a finalised law expected to be approved by the end of the year. We anticipate that Playtech and its licensees will seek to benefit from these changes in the Dutch market.

Signs from the US are encouraging, with the news that the states of New Jersey and Nevada are to legalise online gaming and poker respectively. As a result, other US states may contemplate similar actions, however, such developments are in their infancy and there remains much work to do to resolve regulatory, political and practical considerations. A number of strategic partnerships are being pursued to prepare for the potential opportunities offered by this large, diverse market.

Elsewhere, the Company signed an agreement with Mexican market leader, Caliente and management believes that Playtech, given its commitment and proven track record, is positioned as the natural choice for operators in different regulated markets.

Strategic positioning

Playtech's strategy of organic development, targeted acquisitions, partnerships and joint ventures has enabled it to maximise opportunities created by the significant changes in the online gaming industry. The industry is moving towards locally regulated markets as governments see the implementation of gaming tax and the sale of regulatory licenses as significant revenue streams. Land-based and digital channels are converging as regulatory authorities issue gaming licenses to land-based casinos for both static and online offerings. Through being able to offer a full turnkey solution, Playtech is able to partner with local brands and casinos to take advantage of these opportunities.

Mobile gaming continues to be one of the most significant growth drivers of the global online gaming industry. Playtech's launch of the mobile hub in late 2012 has combined the established Mobenga mobile sports betting solution with other gaming products. This combination uniquely positions the Company to capitalise on further developments in this sector. Mobile gaming is essential to Playtech's future success and we have invested heavily to develop the next generation of products, maximising new functionality on tablets and smartphones, while continuing to roll out products across all mobile platforms, including Android, Apple iOS and HTML5.

Playtech's proven strategy further strengthened its market position, and the Company is seen as the leading software and services supplier to the online gaming industry, as evidenced by Playtech winning the Gaming Awards for iGaming software supplier of the year.

Acquisitions

Playtech's recent acquisitions, including Mobenga, Ash Gaming and Geneity, along with PTTS, have been fully integrated and continue to deliver significant benefits in terms of revenue, product capability, cross-sell opportunity and licensee relationships.

Playtech's capacity for further bolt-on acquisitions and joint ventures will be enhanced considerably following receipt of the £424 million consideration for the sale of Playtech's 29% stake in William Hill Online, which is expected to complete by the end of April.

Licensees

Playtech aims to provide its licensees with market-leading content, features, tools and a broad range of services that support and enhance their businesses.

Betclic Everest launched its poker products on the iPoker network for dot.fr and dot.com. In addition, several other licensees increased the number of product verticals licensed from Playtech. These developments reflect Playtech's success in strengthening its relationships with existing licensees through an integrated solution, which helps deliver maximum player yields.

Gala Coral completed its three-stage programme to move its entire online gaming operation to Playtech's IMS, which we believe serves as a significant endorsement of the Company's market-leading cross-product technology. Playtech now provides Gala Coral with an improved IMS, a newly developed portal, innovative mobile hub, and a full range of gaming products. Gala Coral will use Playtech's systems to manage all of its online activities including Gala Casino and Gala Bingo, as well as Coral.

Pleasingly, Betfair decided to migrate its poker offering to Playtech and its iPoker network, commencing the migration plan in the year with completion anticipated for July 2013.

In connection with the regulation of the Spanish, French and Danish markets, Playtech gained a number of new licensees. Certain existing licensees also underwent regulation and now offer their services on a dot.local basis as compared to a previous dot.com basis.

On 11 March 2013, Playtech announced landmark software and services agreements with Ladbrokes. The existing Playtech offering to Ladbrokes, which includes the provision of bingo and software for land based video licensing terminals, will extend to all product verticals other than sports betting, using a phased approach. The second is a significant agreement for PTTS to provide Ladbrokes with advisory services and to license sophisticated CRM methodologies and business intelligence to assist in the development and growth of Ladbrokes's digital business. This is an outstanding transaction for PTTS, which continues to develop, delivering significant returns for the Company, which are anticipated to increase following the agreement with Ladbrokes.

Products and services

In 2012, Playtech made further investment into its product offering, extending its capabilities both horizontally and vertically through in-house development as well as through the introduction of acquired products. Playtech's licensees benefitted from the introduction of the mobile hub and portal as well as the IMS, enabling operators to offer a bespoke player experience available in all formats and channels. The combined system facilitates a two-way information flow from the IMS, providing licensees with greater real-time insight and control,

and players with an improved user experience thereby maximising the potential of licensee online gaming operations.

Casino

Playtech's flagship product delivered another outstanding performance in 2012. Revenues increased 33% from a combination of organic growth, the addition of new licensees, expansion of the games portfolio, now including all Ash Gaming products, growth from mobile and the revamped live dealer offering, which is now available through all interactive channels, including mobile. Branded games are a valuable marketing tool for Playtech, and the Company has the largest portfolio of games available across multiple delivery channels including online, mobile, TV and gaming terminals. During 2012, Playtech launched 35 games and 21 branded games.

PTTS

Playtech offers affiliate marketing services and sophisticated CRM solutions, combined with advanced player management tools, which are of particular interest to new market entrants requiring a full turnkey solution as well as existing operators that would like to boost their online gaming operations.

During the year, PTTS grew to become Playtech's second largest vertical. In July, Playtech announced that PTTS had achieved an annualised adjusted EBITDA in excess of €40 million in the first two quarters of 2012, fulfilling the condition for acceleration of the additional consideration of €140 million. The additional consideration payable to the vendors is scheduled to be paid over two years from July 2012.

The acquisition of PTTS has been highly successful, delivering outstanding results. We have also demonstrated that the ability to offer a full turnkey solution or advisory services is essential to attracting further business opportunities. Through PTTS we can provide operators, both existing and new licensees, including dot.com operators or new entrants in regulated markets, access to best of breed marketing and CRM services as well as other ancillary services. PTTS has a proven track record of more than a decade and is a fundamental element to the future success of the Company.

Bingo

Playtech provides the industry's leading bingo offering and operates the industry's largest bingo network. Bingo continues to perform strongly, increasing revenue in the period by 19% to €18.0 million (2011: €15.1 million). Strong organic growth was complemented by the launch in the third quarter of Gala Bingo and in the fourth quarter of vernons.com and our mobile bingo offering, which is available on Android and Apple iOS, supported by promotional activity during the final two weeks of the year.

Playtech's bingo brand, VirtueFusion, has once again won a number of industry awards, including eGaming Review's Bingo Network of the Year, and the Bingo Summit's Best Bingo Software, for the third year running.

Poker

The international poker market remained challenging throughout the year. However, Playtech recorded an uplift in revenue in the latter part of the fourth quarter and the beginning of 2013 following a number of new licensees joining the iPoker network.

During the year, as part the phased migration plan, Gala Coral launched on the iPoker network followed by Betclic and Everest who launched on the iPoker.fr and iPoker.com networks and Betfair.com, which launched on iPoker.com and iPoker.es. These licensee wins in conjunction with Playtech's poker liquidity program initiated in August, significantly increase the poker network's liquidity, which is seen as key to attracting poker players and licensees when choosing a supplier, and supported the on-going improvement in poker performance. In addition, Playtech also introduced a variation of Speed Holdem which increased revenue from cash games.

iPoker remains the largest and leading worldwide independent poker network. A number of significant licensees are in discussion with Playtech regarding joining the network. During the year a number of new CRM tools and an improved user interface supported by a revamped version of the poker client were launched.

Videobet
In 2012, Videobet technology was deployed in more than 400 additional terminals, ending the year with approximately 23,000 machines. The expansion of Videobet into emerging and other markets, such as Mexico and Puerto Rico, together with location growth by some existing licensees and new markets currently in test, provide a solid pipeline for 2013.

Mobile
The growth of mobile continues to outperform all other product channels. The success by different operators has led to significant investments by the Company to ensure that it captures the market leading position in the space. Following the acquisition of Mobenga, the market leader in mobile sports betting, the Company has initiated an innovative internal programme, called the mobile hub, converging mobile sports betting and mobile gaming products into one offering. Enabled by mobile touch screen functionality, the new mobile hub creates an exciting new experience for players, with the same products that are available through other interactive channels and share the same liquidity poker and bingo pools and jackpots. It also creates for the first time in our industry the ability to acquire players through the sports betting vertical and then offer other verticals within the same application, maximising the return on invested marketing. Playtech's experience so far is that mobile presents an incremental opportunity as revenues, margins and activity levels are higher compared with other interactive channels. Mobile remains a key focus for the Company and development continues of the next generation of the mobile offering that will be even more exciting and appealing to a larger audience.

Live
Playtech was the first company to introduce live gaming products specifically tailored for local markets. As technology has evolved, the popularity of live gaming formats has grown significantly. In 2012, the live gaming product underwent a comprehensive redevelopment to include new features and functions appealing specifically to live gaming players and designed to capitalise on our first mover advantage in order to retain that lead. In parallel, we introduced a mobile version for the live gaming product complementing the product offering available on other interactive channels. In 2012, Gala Coral migrated its live casino across its brands and we expect additional licensees to migrate to our live gaming offering in the near future. In Spain, Playtech partnered in January 2013 with Casino Gran Madrid to offer live dealer services to the Spanish market.

Sports
Sports is one of the largest gambling markets and frequently acts as the gateway for players to access other gaming experiences. Furthermore, recent events have shown that sports is typically one of the first products to be approved in newly regulated markets. In line with our strategy to provide a comprehensive solution, and our focus on regulated markets, the Company acquired Geneity, a world class, fully integrated and complete sports platform. There are significant opportunites for this business, which has been integrated with both the Mobenga mobile sports product and IMS, and which has already won its first two sports licensees. We expect to see significant growth from sports over the next quarters as more licensees are added.

People

Playtech's people remain a key to the Company's continued success. A great example of the quality of the Company's employees are their great achievement to ensure that Playtech established itself as market leader in the mobile gaming space, following the introduction of mobile technologies. When the Company assesses potential acquisition targets or potential joint ventures, it places a high value on the existence of a complementary culture of employee service and innovation.

In terms of delivery, human capital is as critical as financial capital. Playtech has continued to invest significantly in human resources to maintain its position as a leading quoted supplier of software and services to the online gaming industry by delivering innovative high quality products and services to its clients.

William Hill Online

With the agreed valuation of approximately £424 million for its 29% stake in William Hill Online, together with dividends received over the four years since inception, Playtech has generated a cash return on investment of more than 3.5 times. The success of the joint venture demonstrates the potential of creating significant value by combining a well-established brand with Playtech's best of breed technologies, products and services. Through participation in this joint venture, Playtech widened the breadth of its expertise and proved how successful and valuable a partnership of this nature can be for its stakeholders. While the sale of its stake will bring to a close a highly successful and profitable joint venture for Playtech, the Company will continue to enjoy a close working relationship with William Hill, which will remain a top-five licensee.

The sale process is expected to complete by the end of April 2013, and the Board, with its advisers, is undertaking a broad review of the most effective use of the proceeds from the disposal, taking into consideration feedback from shareholders and the Company's requirements going forward. The Board will, amongst other strategic options, assess the potential for further value-enhancing acquisitions, joint ventures and partnerships, focusing on regulated markets, together with the possibility of a return of capital to shareholders. Playtech has a proven ability to provide shareholder value through successful acquisitions and management is confident that this will continue.

Outlook

Playtech has made a strong start to 2013, with average daily revenues for the first 11 weeks of 2013 up over 15% on Q1 2012 and up 5% on Q4 2012

The anticipated revenue from the number of new licensees who launched during the last quarter of 2012, the introduction of slots in Italy and the extension of existing relationships, such as the migrations of Betfair poker and unibet.fr followed by the progress made in the year to date, such as the landmark agreement with Ladbrokes, secures the Company's position in 2013 and beyond. Playtech is in a prime strategic position and well capitalised to take advantage of opportunities from the evolving global regulatory landscape and we look forward to the future with confidence.

Mor Weizer
Chief Executive Officer
14 March 2013

Financial review

Playtech has again delivered an exceptional financial performance, with gross income for FY2012 increasing by 51% to €368.1 million (2011: €243.6 million), and total revenues for the year increasing by 53% to €317.5 million (2011: €207.5 million) driven by both strong organic growth, introduction of new business and the full year effect of acquisitions undertaken during 2011.

Excluding the impact of acquisitions in 2011 and 2012, which include PTTS, Mobenga, Ash Gaming, Geniety and IGS, Playtech achieved 23% growth in gross income and 19% growth in revenues.

The directors believe that in order to best represent the underlying trading performance and results of the Group, the following cash and non-cash charges should be excluded: professional and finance costs on acquisitions, one-off legal costs related to litigation with William Hill in 2011, costs relating to the move to a Premium Listing on London's Main Market, decline in fair value of available for sale investments and employee stock options expenses (adjustments to EBITDA), amortisation of intangibles on acquisitions, amortisation of intangibles in William Hill Online, one-off tax credit and exchange differences on deferred consideration (adjustment to net profit). These are set out below and in Note 5 to the financial information.

Adjusted EBITDA for the year was up by 49% to €186.7 million (2011: €124.9 million), and adjusted net profit increased by 49% to €168.5 million (2011: €112.8 million). Excluding the impact of acquisitions in 2011 and 2012, Playtech achieved 22% growth in both adjusted EBITDA and adjusted net profit. After further excluding the share of profit of William Hill Online, adjusted EBITDA and adjusted net profit increased by 13% and 11% respectively, which is after the effect of the increased costs in 2012 following an expansion in operations to enable continued development of existing products, investment into new products such as mobile and supporting the Gala Coral project among others.

Adjusted EPS rose by 26% to 58.1 € cents (2011: 46.2 € cents) and diluted adjusted EPS increased by 25% to 57.1 € cents (2011: 45.7 € cents). The growth rates of the adjusted and diluted adjusted EPS were lower than the growth rate of the adjusted net profit due to the full year effect on the weighted average number of shares following the £100 million share placement of 46.5 million shares undertaken in December 2011.

Playtech remains highly cash generative, with a cash conversion rate of 88% from adjusted EBITDA (2011: 88%). Cash balances on 31 December 2012 were €120.9 million (2011: €164.8 million) after payments of €143.1 million (2011: €97.2 million) related to acquisitions made during the year. Net cash (defined as cash and cash equivalents less bank borrowings) on 31 December 2012 was €51.7 million (2011: €137.3 million).

Revenues

Total revenues increased by 53% to €317.5 million (2011: €207.5 million). As indicated above, revenues excluding acquisitions, increased by 19% to €194.8 million (2011: €163.1 million). Of the increase, 11% was derived from organic growth from existing licensees and 8% from new business, defined as new licensees or new products that were launched in the past 18 months.

Casino revenues were €151.7 million (2011: €114.4 million), an increase of 33% over 2011. After excluding the impact of the Ash Gaming acquisition, casino revenues increased by 27%, of which 6% derived from live casino, 3% from mobile casino, and 4% from branded games where an additional premium is charged.

Services revenues grew by 147% to €106.3 million (2011: €43.0 million) reflecting a full year contribution from PTTS, acquired on 1 July 2011, organic growth and new business consisting mainly of the Asian marketing agreement entered into at the beginning of 2012.

Bingo revenues were up by 19% to €18.0 million (2011: €15.1 million), mainly as a result of organic growth, with a further contribution from the launch of Gala Bingo in Q4 2012 and the introduction of mobile bingo in the second half of the year.

Poker revenues decreased by 18% to €17.8 million (2011: €21.8 million) reflecting market trends, however, following the poker liquidity programme changes made during the third quarter, and Betclic Everest and Betfair joining the iPoker network during the fourth quarter, the trend of revenues changed to growth towards the end of 2012.

Videobet revenues increased by 39% to €10.8 million (2011: €7.8 million) reflecting a full year impact of the UK contract with SG Games (previously called The Global Draw). In June 2012, William Hill terminated its contract with SG Games, which decreased the number of machines deployed by SG Games by approximately 2,000. This was offset by further deployment of machines by Ladbrokes, Coral, and other operators in Mexico and Puerto Rico, eventually resulting in a net increase in machines deployed of over 400 in 2012.

As anticipated, the inclusion of revenues from acquisitions undertaken during 2011 increased the revenue contribution from top licensees in 2012. This was mostly caused by the acquisition of PTTS where two significant existing software licensees were also significant PTTS licensees. The number of licensees generating over €1.0 million of revenues grew from 32 to 41 and those over €4 million increased from 10 to 12.

Adjusted EBITDA

	2012 **€'000**	**2011** **€'000**
EBITDA	**181,723**	**116,818**
Employee stock option expenses	2,403	4,678
Decline in fair value of available for sale investments	-	551
Admission to premium listing on the main market	2,098	-
One-off legal costs relating to litigation with William Hill	-	1,389
Professional expenses on acquisitions	496	1,488
Adjusted EBITDA	**186,720**	**124,924**
Adjusted EBITDA margin	**51%**	**51%**

The adjusted EBITDA margin remained flat compared to 2011. After excluding Playtech's share of profit from William Hill Online, the adjusted EBITDA margin was 43% (2011: 43%).

Excluding acquisitions completed in 2011 and 2012, the adjusted EBITDA margin was 56% (2011: 57%), and when excluding acquisitions and Playtech's share of profit from William Hill Online, the margin was 45% (2011: 47%). This small decrease is a result of the incremental costs related to the licensing agreement with Skywind Holdings, and an increase in employee and outsourcing costs in 2012 related to an expansion of operations for the development and deployment of existing products and investment into new products, such as mobile and sports.

Following the growth of PTTS in 2012, which triggered acceleration of the consideration due on its acquisition in the middle of 2012, adjusted EBITDA for the year was €42.1 million (2011: €11 million), representing a margin of 40.5% (2011: 26.3%). As indicated, the increase in margin of PTTS was significantly influenced by the Asian marketing agreement signed in the beginning of 2012.

Cost of operations

Adjusted operating expenses, before depreciation and amortisation, increased by 54% to €181.3 million (2011: €116.8 million) mainly due to additional operating expenses associated with the acquisitions made in 2011 and 2012.

Revenue-driven costs are mostly comprised of direct marketing costs related to PTTS affiliate fees, and license fees paid to third parties including games developers and branded content, which are typically calculated as a share of the revenues generated. These costs have increased due to acquisitions, and as a result of an increase in popularity of branded games and live games. Revenue driven costs in 2012 reflect 11.4% from revenues (2011: 12.1%) and after excluding the impact of acquisition, these costs reflect 9.1% from total revenues (2011: 9.7%)

Employee and outsourcing costs totalled €99.9 million (2011: €64.3 million), net of €10.6 million capitalised development costs, which represents 11.2% of total employee related costs (2011: 12.2%). These costs have increased mainly due to acquisitions undertaken in 2011 and 2012, but have remained consistent at approximately 70% of adjusted non-revenue related costs, despite the Group's average headcount increasing by 183% over the past two years. After excluding the impact of acquisitions, employee related costs have increased by 59% as a result of the Group bolstering its operations for the continued development of its existing offering, launching significant projects (including Gala Coral), new products and platforms, such as mobile and sports which are the foundations for future growth. Such investment allows the Group to penetrate new markets, facilitate future organic growth through the improvement of its overall product offering, increasing the portfolio of its licensees, thereby gaining additional market share and increased revenues. As stated above, this has resulted in a margin decline when excluding WHO and acquisitions.

Playtech has maintained a careful focus on managing cost inflation across the business, and other cost line items have remained stable.

In 2012, cost of service increased to €11.7 million (2011: €4.3 million) due primarily to the PTTS acquisition undertaken in 2011 and the social and real money gaming software license entered into in June 2012.

Analysis of adjusted operating expenses

	2012 €'000		**2011 €'000**	
Adjusted operating expenses	181,291		118,086	
Revenue-driven cost	36,215		25,091	
Adjusted operating expenses excluding revenue driven costs	**145,076**		**92,995**	
Employee related costs	99,868	68.8%	64,309	69.2%
Administration and office costs	15,484	10.7%	11,872	12.7%
Travel, exhibition and marketing costs	6,775	4.7%	4,730	5.1%
Cost of service	11,720	8.1%	4,266	4.6%
Other operational costs	11,229	7.7%	7,818	6.4%

After excluding the impact of acquisitions in 2011 and 2012, adjusted operating expenses were 25% higher, mainly due to increased employee-related costs as the Group invested in its operations. As the market is seeing a very strong trend towards mobile, Playtech has invested further resources into this channel across all product verticals. Playtech has also secured its position in the social gaming market, by signing a software license agreement with Skywind Holdings, providing the Company with a wide range of both social gaming software and real money software, primarily focussed on the rapidly expanding social gaming market and strengthening the Company's mobile gaming product range respectively.

Financial income and tax

Financial income was €4.1million (2011: €4.0 million), €3.6 million of which was received as a dividend from the investment in Asian Logic Limited (2011: €3.1 million). Financial expenses comprise €44.2 million (2011: €6.1 million) relating to the movement in deferred and contingent consideration, mainly affected by the recognition of approximately €39.8 million as

a result of the deferred consideration of PTTS and the continued strong performance and related triggering of the acceleration payment.

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 other jurisdictions and operate on a cost plus basis, and are taxed on their residual profit.

The tax charge in 2012 was €2.1 million (2011: €1.0 million, net of a credit correction to previous years of €0.6 million). The effective rate, excluding the exceptional finance costs on the movement in consideration to PTTS, was 1.7% (2011: 1.9%).

Net profit and earnings per share

Reported net profit for the year attributable to owners of the parent increased by 12% to €86.8 million (2011: €77.7 million) and includes certain cash and non-cash costs relating to current and historic acquisitions, and fair value adjustments to investments. A significant adjustment made during the year was the recognition of €39.8 million of finance costs in respect of the movement in fair value of contingent consideration relating to the acquisition of PTTS, which fulfilled the conditions relating to the acceleration of the additional consideration earlier than originally expected. In accordance with IFRS 3 revised, the increase in fair value due to the acceleration of the payment is charged to the income statement rather than capitalised as an increase in the cost of acquisition. In addition, there was a €4.0 million change in fair value relating to the acquisition of Mobenga.

Reported EPS for the year was 30.0 € cents based on a weighted average number of shares of 289.5 million (2011: 31.8 € cents, 244.1 million shares). Diluted EPS for the year was 29.4 € cents, based on a weighted average number of shares of 294.7 million (2011: 31.4 € cents, 247.2 million shares). The growth rates of EPS and diluted EPS were lower than the growth rate of the net profit due to the full year effect on the weighted average number of shares of the £100 million share placement of 46.5 million shares undertaken in December 2011,

Adjusted net profit and adjusted earnings per share

	2012 €'000	**2011 €'000**
Net profit	86,755	77,696
Amortisation on acquisitions	26,656	15,838
Amortisation of intangibles in William Hill Online	5,729	5,729
Finance costs - movement in deferred and contingent consideration	44,184	6,075
Employee stock option expenses	2,403	4,678
Admission to Premium Listing on the Main Market	2,098	-
Professional costs on acquisitions	496	1,488
One-off legal costs relating to the litigation with William Hill	-	1,389
Decline in fair value of available for sale investments	-	551
Exchange differences on deferred consideration	-	(26)
One-off tax credit	-	(571)
Adjusted net profit	**168,321**	**112,847**
Adjusted net profit margin	**46%**	**46%**
Adjusted basic EPS (in Euro cents)	**58.1**	**46.2**
Adjusted diluted EPS (in Euro cents)	**57.1**	**45.7**

Total amortisation in 2012 was €35.6 million (2011: €23.8 million). Amortisation on acquisitions of €26.7 million (2011: €15.8 million) is comprised of amounts relating to Tribeca (€3.2 million), Virtue Fusion (€3.3 million), GTS (€1.4 million), PTTS (€16.5 million), Ash Gaming (€1.3 million) and other acquisitions (€1.0 million). Of the remaining €8.9 million (2011: €7.9 million), €6.8 million (2011: €5.8 million) was from internally generated development costs and €2.1 million (2011: €2.1 million) related to other intangibles.

Acquisition of Geneity Limited

On 23 January 2012, the Group acquired 100% of the shares of Geneity Limited, a provider of e-gaming software products, focused primarily on the sportsbook and lottery sectors. The group paid an initial cash consideration of €15.1 million (£11.4 million), including working capital adjustments, €4.7 million (£4.0 million) which is held in escrow for 30 months. A further €4.7 million (£4.0 million) was also held in escrow and to be released subject to certain agreed deliverables being met. These deliverables were met in September 2012, and the funds were released.

Acquisition of businesses and assets of PTTS completed in July 2011

On 1 July 2011 the Group acquired 100% of the issued share capital of 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 initial cash consideration for the acquisition was €140 million (subject to working capital adjustment) deferred over a period of two years, and an additional performance related consideration, capped at €140 million payable to the extent that the adjusted EBITDA of PTTS exceeded certain targets.

During the first half of 2012, Playtech entered into an agreement to aggregate the outstanding balance of the Initial Consideration into one payment of €76 million, which reflects both a nominal discount of €4.2 million and also an effective discount to the net present value of the outstanding balance using the Group's actual borrowing rate. The Group has utilised part of its available banking facilities in order to finance the payment of the discounted initial consideration.

PTTS's continued strong performance in 2012 has, under the terms of the acquisition, triggered the accelerated payment of the entire contingent consideration of €140 million. The acceleration has occurred following the achievement of an annualised adjusted EBITDA in excess of €40 million in the first two quarters of 2012, which represents an approximate 100% increase in its adjusted EBITDA run rate since completion of the acquisition. This has resulted in the immediate recognition of approximately €34 million as finance cost charged to the consolidated statement of comprehensive income.

The increase in PTTS adjusted EBITDA in 2012 was significantly contributed from the Asian marketing agreement entered into in the beginning of 2012, and combined with the organic growth since acquired, has resulted in approximate 100% increase in its adjusted EBITDA run rate since completion of the acquisition in July 2011.

License agreement with Skywind Holdings Limited

On 11 June 2012, Playtech entered into a license agreement with Skywind Holdings Limited, to provide the Group with a wide range of social and real money gaming software, which will enable the Group to gain access to and offer its licensees a broad range of social gaming platforms and products and complementary real money products. Apart from the ability to sell-on the products, the license agreement also provides Playtech access to more than 150 developers whose primary focus is on social and real money gaming. The consideration payable for the license is a combination of a fixed consideration of €0.5 million per month and a royalty fee of 20% payable on revenue generated from the social gaming assets only. In the fourth quarter of 2012, the Group commenced generating revenues from licensing real money iOS mobile originally licensed through Skywind.

Cash flow

As repeated in the past, Playtech continues to be a highly cash generative business. Cash as at 31 December 2012 was €120.9 million (31 December 2011: €164.8 million), representing 15% (2011: 21%) of the Group's total assets. The decrease in the year end cash balance is due mainly to acquisition payments, including €118.0 million in respect of the PTTS early payment of initial consideration and payment due to accelerated contingent consideration noted above. Dividends of €70.4 million were paid during the year (2011: €23.4 million).

In the year ended 31 December 2012, the Group generated €112.8 million from operating activities (2011: €74.4 million). In addition it received €47.3 million (2011: €35.1 million) of dividends from William Hill Online, together representing a cash conversion rate from adjusted EBITDA of 88% (2011: 88%).

The Group's cash outflow from investing activities (excluding the dividends received from William Hill Online) was €176.3 million (2011: €135.1 million), consisting of mostly acquisition payments of €143.1 million (2011: €97.2 million), of which €76.0 million related to the early payment of the initial consideration for PTTS, €42.0 million paid as the first instalment of the PTTS accelerated contingent consideration and €25.1 million for new acquisitions in 2012.

Cash outflow from financing activities was €27.8 million (2011: €122.0 million), comprising €70.4 million (2011: €23.4 million) paid in dividends during the year, €47.9 million as the final dividend for 2011 and €22.5 million as interim dividend for 2012 and the repayment of the borrowings for the acquisition of Ash Gaming in December 2011 of €27.5 million and the partial repayment of the borrowing for the early payment of PTTS initial consideration of €6.3 million, offset by funds withdrawn from credit facility of €75.0 million.

Balance sheet

The Group held cash balances of €120.9 million (2011: €164.8 million) that included monies held on behalf of operators in respect of operator's jackpot games and poker operations in the amount of €32.0 million (2011: €36.3 million). Trade receivables were €47.8 million (2011: €30.9 million) mostly in respect of December licensee fees principally paid one month after invoicing and increased as a result of acquisitions, mainly PTTS.

Intangible assets as at 31 December 2012 were €372.4 million (2011: €365.2 million), the majority of which comprised assets acquired from PTTS (€201.1 million), together with assets acquired and related goodwill from the acquisitions of Tribeca, GTS, VF, IGS, Mobenga, Ash Gaming, Geneity and JuegoOnline, patent and intellectual property rights and development costs of new games and products.

Available for sale investments were €35.3 million (2011: €12.4 million) comprising of holdings in Sportech plc, AsianLogic and PhilWeb.

Investments in equity-accounted associates were €156.0 million (2011: €163.0 million), of which €150.7 million (2011: €156.6 million) related to the investment in William Hill Online.

Long and short term deferred consideration balances of €96.5 million (2011: €75.3 million) relates principally to the present value of the accelerated contingent consideration of PTTS. The prior year balance included the fair value of the PTTS initial consideration, which was fully settled in the beginning of the year.

Long and short term contingent consideration of €16.8 million (2011: €111.9 million) represents the fair value of the contingent consideration that may become due for investments in Mobenga and IGS. The prior year balance related mainly to PTTS. This was converted to deferred consideration in June as explained above.

Post balance sheet events

On 1 March 2013, Playtech was informed by the board of William Hill that it intended to exercise its call option to acquire Playtech's 29% stake in William Hill Online for a total consideration of approximately £424 million. In December 2008 when William Hill Online was formed, Playtech injected assets then worth €177.7 million into the joint venture. Since then, until 31 December 2012, Playtech's share of profit has been €140.0 million. As a result, ignoring the software royalties generated, William Hill Online has delivered a cash return to Playtech greater than 3.5 times its original investment in the four years since inception of the joint venture.

Until completion, Playtech will continue to be entitled to a proportionate share of the FY2013 profits of William Hill Online and will continue to receive software royalties for the foreseeable future.

Dividend

In October the Group paid an interim dividend for 2012 of €22.5 million, representing 7.8 € cents per share. The Board has recommended a final dividend of 15.4 € cents per share, giving a total 2012 dividend of 23.2 € cents per share (2011: 16.5 € cents per share), an increase of 41%, reflecting the Board's confidence in the strong underlying growth in earnings, and the Company's dividend policy of paying out 40% of adjusted net earnings. This would represent a payment of €44.8 million.

Principal risks and uncertainties

The key risks areas, which are discussed in our 2012 Annual Report and Accounts are as follows:

- the regulatory environment;
- changes in taxation of Group revenue;
- the competitive landscape;
- the economic climate;
- reliance on key personnel; and
- business continuity and technology risk.

Directors' responsibility statement

We confirm to the best of our knowledge:

1. The Group and Company financial statements, prepared in accordance with IFRSs as adopted by the European Union give a true and fair view of the assets, liabilities, financial position and profit of the Group and Company; and
2. The business review, which is incorporated into the Directors' Report, includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties they face.

The Directors of Playtech Limited are listed in the Group's Annual Report and Accounts for the year ended 31 December 2012. A list of current directors is maintained on Playtech's website, www.playtech.com

By order of the Board,

Mor Weizer
Chief Executive Officer
14 March 2014

Ron Hoffman
Chief Financial Officer
14 March 2014

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012 Actual €'000	2012 Adjusted* €'000	2011 Actual €'000	2011 Adjusted* €'000
Revenues	4	317,504	317,504	207,485	207,485
Distribution costs before depreciation and amortisation		(156,658)	(154,841)	(100,830)	(98,019)
Administrative expenses before depreciation and amortisation		(29,630)	(26,450)	(25,364)	(20,069)
Operating profit before depreciation and amortisation	6	**131,216**	**136,213**	**81,291**	**89,397**
Share of profit of associate	13a	44,824	50,553	30,344	36,073
Amortisation of intangibles in associate	13a	5,729	-	5,729	-
Income from associate	13a	50,553	50,553	36,073	36,073
Share of loss from joint ventures, net		(46)	(46)	(546)	(546)
EBITDA		**181,723**	**186,720**	**116,818**	**124,924**
Depreciation and amortisation, including amortisation of intangibles in associate		(49,493)	(17,108)	(34,866)	(13,299)
Financing income	7	4,096	4,096	3,972	3,946
Finance cost - movement in deferred and contingent consideration		(44,184)	-	(6,075)	-
Finance cost - other		(3,112)	(3,112)	(1,186)	(1,186)
Total financing cost	7	(47,296)	(3,112)	(7,261)	(1,186)
Profit before taxation		**89,030**	**170,596**	**78,663**	**114,385**
Tax expense	8	(2,101)	(2,101)	(957)	(1,528)
Profit for the year		**86,929**	**168,495**	**77,706**	**112,857**
Other comprehensive income for the year:					
Adjustments for change in fair value of available for sale equity instruments	15	15,227	15,227	1,995	1,995
Total comprehensive income for the year		**102,156**	**183,722**	**79,701**	**114,852**
Profit for the year attributable to:					
Owners of the parent		86,755	168,321	77,696	112,847
Non-controlling interest		174	174	10	10
		86,929	**168,495**	**77,706**	**112,857**
Earnings per share for profit attributable to the owners of the parent during the year:					
Basic (cents)	9	30.0	58.1	31.8	46.2
Diluted (cents)	9	29.4	57.1	31.4	45.7
Total comprehensive income attributable to:					
Owners of the parent		101,982	183,548	79,691	114,842
Non-controlling interest		174	174	10	10
		102,156	**183,722**	**79,701**	**114,852**

* Adjusted numbers relate to certain non-cash and one-off items including amortisation of intangibles on acquisitions, amortisation of intangibles in associate, professional costs on acquisitions, finance costs on acquisitions, legal costs related to the litigation with associate and costs of admission to a premium listing on the main market, and additional various non-cash charges. The directors believe that the adjusted profit represents more closely the underlying trading performance of the business. A full reconciliation between the actual and adjusted results is provided in note 5.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2012

	Additional paid in capital	Available for sale reserve	Retained earnings	Total equity attributable to holders of parent	Non-controlling interest	Total equity
	€'000	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**
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**
Balance at 1 January 2012	307,853	1,995	168,891	478,739	(49)	478,690
Changes in equity for the year						
Total comprehensive income for the year	-	15,227	86,755	101,982	174	102,156
Dividend paid	-	-	(70,440)	(70,440)	-	(70,440)
Prior period share issue cost	(41)	-	-	(41)	-	(41)
Exercise of options	3,023	-	-	3,023	-	3,023
Purchase of share options	-	-	(1,616)	(1,616)	-	(1,616)
Cancellation of treasury shares	(366)	-	366	-	-	-
Employee stock option scheme	-	-	2,403	2,403	-	2,403
Balance at 31 December 2012	**310,469**	**17,222**	**186,359**	**514,050**	**125**	**514,175**

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2012

	Note	2012 €'000	2011* €'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	20,304	21,548
Intangible assets	12	372,387	365,201
Investments in equity accounted associates & joint ventures	13	156,036	162,997
Available for sale investments	15	35,333	12,376
Other non-current assets	16	5,175	2,820
		589,235	**564,942**
CURRENT ASSETS			
Trade receivables	17	47,784	30,939
Other receivables	18	26,560	20,228
Cash and cash equivalents	19	120,880	164,832
		195,224	**215,999**
TOTAL ASSETS		**784,459**	**780,941**
EQUITY			
Additional paid in capital		310,469	307,853
Available for sale reserve	15	17,222	1,995
Retained earnings		186,359	168,891
Equity attributable to equity holders of the parent	20	**514,050**	**478,739**
Non-controlling interest		125	(49)
TOTAL EQUITY		**514,175**	**478,690**
NON CURRENT LIABILITIES			
Loans and borrowings	22	31,250	13,746
Other non-current liabilities	21	215	1,423
Deferred revenues		9,092	8,919
Deferred tax liability	24	5,232	5,287
Deferred consideration	14	26,735	41,752
Contingent consideration	14	15,826	110,985
		88,350	**182,112**
CURRENT LIABILITIES			
Loans and borrowings	22	37,970	13,787
Trade payables	23	14,522	13,056
Progressive,operators' jackpots and security deposits		31,607	36,053
Tax liabilities		1,946	1,837
Deferred revenues		3,679	4,986
Deferred consideration	14	69,749	33,591
Contingent consideration	14	-	929
Other payables	25	22,461	15,900
		181,934	**120,139**
TOTAL EQUITY AND LIABILITIES		**784,459**	**780,941**

The financial information was approved by the Board and authorised for issue on 14 March 2013.

* = See note 2 for details of the reclassifications

Mor Weizer
Chief Executive Officer

Ron Hoffman
Chief Financial Officer

CONSOLIDATED STATEMENT OF CASH FLOWS

	2012 €'000	2011 €'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit after tax	86,929	77,706
Adjustments to reconcile net income to net cash provided by operating activities (see below)	29,041	(1,525)
Income taxes paid	(3,174)	(1,821)
Net cash provided by operating activities	**112,796**	**74,360**
CASH FLOWS FROM INVESTING ACTIVITIES		
Long term deposits and loan advances	(2,393)	2,593
Dividend received from equity-accounted associate	47,334	35,087
Acquisition of property, plant and equipment	(8,007)	(12,562)
Investment in joint ventures (note 13b & c)	-	(6,108)
Acquisition of intangible assets	(2,210)	(79)
Return on investment in joint ventures	1,027	1,663
Acquisition of subsidiaries, net of cash acquired	(143,148)	(97,189)
Capitalised development costs	(14,851)	(9,542)
Investment in available for sale investments	(7,730)	-
Investment in equity-accounted associates (note 13a)	-	(15,001)
Proceeds from sale of property, plant and equipment	1,046	1,138
Net cash used in investing activities	**(128,932)**	**(100,000)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid to the holders of the parent	(70,440)	(23,377)
Issue of share capital, net of issue costs	-	117,549
Purchase of treasury shares	-	(366)
Purchase of share options	(1,616)	-
Proceeds from bank borrowings	75,000	27,533
Repayment of bank borrowings	(33,783)	-
Exercise of options	3,023	614
Net cash (used in)/from financing activities	**(27,816)**	**121,953**
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(43,952)	96,313
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	164,832	68,519
CASH AND CASH EQUIVALENTS AT END OF YEAR	**120,880**	**164,832**

	2012 €'000	2011 €'000
ADJUSTMENT TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Income and expenses not affecting operating cash flows:		
Depreciation	8,118	5,364
Amortisation	35,646	23,773
Income from associate	(50,553)	(36,073)
Amortisation of intangibles in associate	5,729	5,729
Share of net loss in joint ventures	46	547
Decline in fair value of available for sale investment	-	551
Movement in deferred and contingent consideration	44,184	6,075
Employee stock option plan expenses	2,403	4,678
Income tax expense	2,101	957
Other	74	105
Changes in operating assets and liabilities:		
Increase in trade receivables	(17,603)	(5,662)
increase in other receivables	(3,024)	(5,461)
Increase/(decrease) in trade payables	1,122	(17,359)
(Decrease)/increase in progressive, operators' jackpot and security deposits	(3,034)	9,056

Increase in other payables	4,966	8,126
Decrease in deferred revenues	(1,134)	(1,931)
	29,041	(1,525)

Acquisition of subsidiary, net of cash acquired

	Note	2012 €'000	2011 €'000
A. Acquisition of Geneity Limited	26a	18,200	-
B. Acquisition of Juego Online EAD	26b	5,996	-
C. Acquisition of Intelligent Gaming Systems Limited	27a	952	2,836
D. Acquisition of PT Turnkey Services Limited	27b	118,000	44,314
E. Acquisition of Mobenga AB Limited	27c	-	7,830
F. Acquisition of Ash Gaming Limited	27d	-	27,027
G. Acquisition of S-Tech Limited	27e	-	(339)
H. Acquisition of GTS Limited		-	7,399
I. Acquisition of Virtue Fusion		-	8,122
		143,148	**97,189**

NOTE 1 – GENERAL

On 21 June 2012 Playtech Limited (the "Company") re-domiciled as a company in the Isle of Man. Prior to this date it was a company domiciled in the British Virgin Islands and was incorporated 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.

Basis of preparation

The directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future and that it is therefore appropriate to adopt the going concern basis in preparing its financial statements.

The financial information set out in this document does not constitute the Group's statutory accounts for the year ended 31 December 2012 or 31 December 2011. The annual report and financial statements for the year ended 31 December 2012 were approved by the Board of Directors on 14 March 2013 along with this preliminary announcement. The auditor's report on the statutory accounts for both the year ended 31 December 2012 and 31 December 2011 was unqualified.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

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

Accounting principles

This financial information has 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 2012.

Changes in accounting policies

a) New standards, interpretations and amendments effective from 1 January 2012

The following new standard, interpretation and amendment, applied for the first time from 1 January 2012, have had an effect on the financial information:

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

None of the other new standards, interpretations and amendments effective for the first time from 1 January 2012, 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:

- Presentation of Items of Other Comprehensive Income (Amendments to IAS 1) (effective for annual periods beginning on or after 1 July 2012);
- IFRS 10 Consolidated Financial information (effective for annual periods beginning on or after 1 January 2014);
- IFRS 11 Joint Arrangements (effective for annual periods beginning on or after 1 January 2014);
- IFRS 12 Disclosure of Interests in Other Entities (effective for annual periods beginning on or after 1 January 2014);
- IFRS 13 Fair Value Measurement (effective for annual periods beginning on or after 1 January 2013);
- IAS 27 Separate Financial Statements (effective for annual periods beginning on or after 1 January 2014);
- IAS 28 Investments in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2014);
- Disclosures – Offsetting Financial Assets and Liabilities (Amendments to IFRS 7) (effective for annual periods beginning on or after 1 January 2013); and
- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) (effective for annual periods beginning on or after 1 January 2014);

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:

- Annual Improvements to IFRS (2009 – 2011 Cycles) (effective for annual periods beginning on or after 1 January 2013);
- Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to IFRS 10, IFRS 11, and IFRS 12); and
- 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 2012 and which have not been adopted early, are expected to have a material effect on the Group's future financial information.

Foreign currency
The financial information of the Company and its subsidiaries is prepared in Euros (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 Euros 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.

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.

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.

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

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.

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.

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.

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
Office furniture and equipment	7 - 20
Building and Leasehold improvements	10 - 20, or over the length of the lease
Motor vehicles	15

Subsequent expenditures are included in the asset 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.

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.

Investments in subsidiary undertakings
Investments in subsidiary undertakings are recognised at cost less, if any, provision for impairment.

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 amount.

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 capitalised development costs	33
Technology IP	20-33
Customer list	7-12.5
Affiliate contracts	5-12.5
Patents and license	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 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.

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 2010, 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 2010, cost comprises the fair value of assets given and liabilities assumed, plus the amount of any non-controlling interests in the acquired business. 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.

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.

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 cost. 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.

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.

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.

Changes in fair value are recognised in other comprehensive income and accumulated in the available-for-sale reserve except to the extent that any decrease in value in excess of the credit balance on the available-for-sale reserve, or reversal of such a transaction, is recognised in profit or loss.

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

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.

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 30). 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 is 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.

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.

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.

Leases
Where substantially all of the risks and rewards incidental to ownership are not transferred to the Group (an "operating lease"), the total rentals payable under the lease are charged to the consolidated statement of comprehensive income on a straight-line basis over the lease term. The aggregate benefit of lease incentives is recognised as a reduction of the rental expense over the lease term on a straight-line basis.

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.

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.

Reclassifications in the prior year
The Group has reclassified some of the comparatives in the balance sheet to show all security deposits along with progressive and other jackpots owed to customers. For the year ended 31 December 2011, trade receivables have increased by €9.9m as a result of the reclassification of security deposit payables, which are now included within progressive, operators' jackpots and security deposits. In addition, for the year ended 31 December 2011, security deposit payables of €5.6m have been reclassified from trade payables to progressive and other operators' jackpots within current liabilities.

There has been no impact on the net assets of the Group in the current or prior year as a result of these reclassifications.

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 other intangible assets, 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

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 12.

Amortisation of development costs 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 11 and 12.

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 15.

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 10 and include, among others, the dividend growth rate, expected share price volatility, expected life of the options and number of options expected to vest.

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 32.

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 27.

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 8.

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 26.

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 (2011 – 6) main product groupings:
- Poker
- Casino
- Bingo
- Videobet
- Services
- Other

The group-wide profit measures are adjusted net profit and adjusted EBITDA (see note 5). 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

	2012 €'000	2011 €'000
Casino	151,745	114,385
Poker	17,840	21,793
Bingo	17,954	15,064
Videobet	10,761	7,769
Services	106,326	43,012
Other	12,878	5,462
Total revenues	317,504	207,485

In the current year, there were three licensees who individually accounted for more than 10% of the total revenue of the group (2011 - two licensees). Revenue from these licensees in the current year totalled €162.2 million (2011 - €77.6 million).

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.

	2012 €'000	**2011 €'000**
Antigua	102,947	57,090
Gibraltar	80,386	54,776
Alderney	38,214	24,358
Curacao	15,069	14,567
Philippines	38,626	21,391
Rest of World	42,262	35,303
	317,504	207,485

Geographical analysis of non-current assets

	2012 €'000	**2011 €'000**
British Virgin Islands	351,727	439,033
Isle of Man	187,901	75,802
Sweden	19,081	19,167
Cyprus	17,889	14,418
Estonia	7,349	7,020
UK	3,544	5,698
Rest of World	1,744	3,804
	589,235	564,942

NOTE 5 – ADJUSTED ITEMS

The following tables give a full reconciliation between adjusted and actual results:

	2012 €'000	**2011 €'000**
Distribution costs before depreciation and amortisation- actual	156,658	100,830
Employee stock option expenses	(1,817)	(2,811)
Distribution costs before depreciation and amortisation – adjusted	154,841	98,019
Administrative expenses before depreciation and amortisation – actual	29,630	25,364
Employee stock option expenses	(586)	(1,867)
Professional fees on acquisitions	(496)	(1,488)
Admission to premium listing on main market	(2,098)	-
One-off legal costs related to the litigation with associate	-	(1,389)
Decline in fair value of available for sale investments	-	(551)
Total adjusted items	(3,180)	5,295

Administrative expenses before depreciation and amortisation – adjusted	26,450	20,069
Depreciation – distribution costs	6,913	4,537
Depreciation – administrative costs	1,205	827
Amortisation – distribution costs	8,990	7,935
Depreciation and amortisation – adjusted	17,108	13,299
Amortisation of intangibles on acquisitions – distribution costs	26,656	15,838
Amortisation of intangibles in associate	5,729	5,729
Total depreciation and amortisation including amortisation of intangibles in associate	49,493	34,866
EBITDA	181,723	116,818
Employee stock option expenses	2,403	4,678
Professional fees on acquisitions	496	1,488
Admission to a premium listing on the main market	2,098	-
One-off legal costs related to the litigation with associate	-	1,389
Decline in fair value of available for sale investments	-	551
Adjusted EBITDA	186,720	124,924
Profit for the year – attributable to owners of the parent	86,755	77,696
Employee stock option expenses	2,403	4,678
Professional fees on acquisitions	496	1,488
Admission to a premium listing on the main market	2,098	-
One-off legal costs related to the litigation with associate	-	1,389
Amortisation of intangibles on acquisitions including amortisation on investment in associate	32,385	21,567
Decline in fair value of available for sale investments	-	551
Movement in deferred and contingent consideration	44,184	6,075
One-off tax credit	-	(571)
Exchange differences – on deferred consideration	-	(26)
Adjusted profit for the year – attributable to owners of the parent	168,321	112,847

NOTE 6 – OPERATING PROFIT

Operating profit is stated after charging:

	2012 €'000	2011 €'000
Directors compensation		
Short term benefits of directors	1,901	1,603
Share based benefits of directors	231	748
Bonuses to executive directors	1,009	438
	3,141	2,789
Auditor's remuneration		
Audit services		
Parent company and Group audit	225	204
Audit of overseas subsidiaries	221	138
Total audit	446	342
Non-audit services		
Other acquisition and assurance services	357	379
Taxation compliance	22	86
	379	465
Development costs (including capitalised development costs of €14.8m (2011 - €9.5m))	34,657	22,844

NOTE 7 – FINANCING INCOME AND COSTS

	2012 €'000	2011 €'000
A. Finance income		
Interest received	71	475
Dividend received from available for sale investments	3,625	3,075
Exchange differences	400	422
	4,096	3,972
B. Finance cost		
Finance cost – movement in deferred and contingent consideration	(44,184)	(6,075)
Bank charges and interest paid	(3,112)	(1,186)
	(47,296)	(7,261)
Net financing expense	(43,200)	(3,289)

NOTE 8 – TAXATION

	2012 €'000	2011 €'000
Current income tax		
Income tax on profits of subsidiary operations	3,562	1,866
Previous year taxes	-	(571)
Deferred tax (note 24)	(1,461)	(338)
Total tax charge	2,101	957

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

	2012 €'000	2011 €'000
Profit before taxation	89,030	78,663
Tax at effective rate in Isle of Man	-	-
Higher rates of current income tax in overseas jurisdictions	3,562	1,866
Adjustments in respect of previous periods	-	(571)
Effect of deferred tax originating in overseas jurisdictions	(1,461)	(338)
Total tax charge	2,101	957

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 Isle of Man which is 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 2011 of €0.6 million related to the creation of deferred tax asset in one of the group's subsidiaries.

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 9 – 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:

	2012		2011	
	Actual €'000	Adjusted €'000	Actual €'000	Adjusted €'000
Profit for the year attributable to owners of the parent	86,755	168,321	77,696	112,847
Basic (Cents)	30.0	58.1	31.8	46.2
Diluted (Cents)	29.4	57.1	31.4	45.7

	Number 2012	Number 2011
Denominator – basic		
Weighted average number of equity shares	289,416,759	244,113,262
Denominator – diluted		
Weighted average number of equity shares	289,416,759	244,113,262
Weighted average number of option shares	5,296,536	3,066,593
Weighted average number of shares	294,713,295	247,179,855

As at 31 December 2012, out of the entire share options outstanding of 4,616,691 (2011 – 9,716,729) 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 10.

NOTE 10– EMPLOYEE BENEFITS

Total staff costs comprise the following:

	2012 €'000	2011 €'000
Salaries and employee related costs	98,973	65,630
Employee stock option costs	2,403	4,678
	101,376	70,308
Average number of employees		
Distribution	2,630	2,145
General and administration	183	110
	2,813	2,255

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.

During the year, the Group amended some of the rules of the Plan. The amendments allow the Group, at the option holders consent, to settle fully vested and exercisable options for cash instead of issuing shares. As disclosed in the remuneration report, some of the executive directors during the year received cash instead of shares.

At 31 December 2012, options under these schemes were outstanding over:

	2012 Number	**2011 Number**
Shares vested on 30 November 2008 at an exercise price of $2.5 per share	135,734	141,067
Shares vested on 30 November 2008 at an exercise price of £1.45 per share	304,915	410,250
Shares vested on 30 November 2008 at an exercise price of £2.32 per share	-	133,334
Shares vested between 1 December 2006 and 6 February 2009 at an exercise price of $4.50 per share	25,000	282,046
Shares vested between 1 December 2006 and 6 February 2009 at an exercise price of £2.55 per share	410,000	610,000
Shares vested between 1 December 2006 and 1 December 2009 at an exercise price of £2.29 per share	-	200,000
Shares vested between 28 March 2007 and 28 March 2009 at an exercise price of £2.57 per share	-	200,000
Shares vested between 21 June 2007 and 21 June 2009 at an exercise price of $5.75 per share	11,000	11,000
Shares vested between 21 June 2007 and 21 June 2009 at an exercise price of £3.16 per share	60,334	60,334
Shares vested between 11 October 2007 and 11 October 2009 at an exercise price of £1.72 per share	-	208,334
Shares vested between 11 December 2007 and 11 December 2009 at an exercise price of $4.35 per share	25,000	65,000
Shares vested between 11 December 2007 and 11 December 2009 at an exercise price of £2.21 per share	182,668	254,669
Shares vested between 31 December 2007 and 31 October 2010 at an exercise price of $7.48 per share	-	75,000
Shares vested between 16 May 2008 and 16 May 2010 at an exercise price of $7.50 per share	20,000	20,000
Shares vested between 16 May 2008 and 16 May 2010 at an exercise price of £3.79 per share	890,000	1,143,000
Shares vested between 18 June 2008 and 18 June 2010 at an exercise price of $7.79 per share	8,501	9,468
Shares vested between 18 June 2008 and 18 June 2010 at an exercise price of £3.96 per share	97,768	110,252
Shares vested between 18 June 2008 and 18 June 2010 at an exercise price of £3.30 per share	10,000	10,000
Shares vested between 31 December 2008 and 31 December 2010 at an exercise price of $7.68 per share	18,000	18,000
Shares vested between 31 December 2008 and 31 December 2010 at an exercise price of £3.86 per share	34,000	41,000
Shares vested between 10 October 2008 and 10 October 2011 at an exercise price of £3.51 per share	92,500	112,500
Shares vested between 20 November 2008 and 20 November 2011 at an exercise price of $7.19 per share	30,000	30,000
Shares vested between 20 November 2008 and 20 November 2011 at an exercise price of £3.51 per share	-	55,500

	2012 Number	2011 Number
Shares vested between 31 December 2008 and 31 December 2011 at an exercise price of £3.1725 per share	200,000	200,000
Shares vested between 25 April 2009 and 25 April 2012 at an exercise price of £4.35 per share	522,667	522,167
Shares vested between 21 May 2009 and 21 May 2012 at an exercise price of £5.31 per share	500,000	500,000
Shares vested between 28 November 2009 and 28 November 2012 at an exercise price of £3.20 per share	1,311,786	1,502,725
Shares vested on 22 May 2012 at an exercise price of £4.155 per share	740,000	765,000
Shares vested on 22 May 2012 at an exercise price of £4.05 per share	-	75,000
Shares vested on 6 November 2012 at an exercise price of £3.7 per share	870,000	1,130,000
Shares vest between 18 April 2012 and 18 April 2013 at an exercise price of £5.12 per share	844,000	1,063,000
Shares vest between 3 June 2012 and 3 June 2013 at an exercise price of £4.84 per share	220,000	220,000
Shares vest between 26 August 2012 and 26 August 2013 at an exercise price of £4.16 per share	225,780	264,725
Shares will vest on 26 August 2013 at an exercise price of £4.16 per share	158,642	180,275
Shares will vest on 10 March 2014 at an exercise price of £3.5225 per share	1,562,850	1,999,950
Shares will vest on 25 August 2014 at an exercise price of £3.0325 per share	100,000	100,000
Shares will vest on 16 December 2014 at an exercise price of £2.3 per share	120,000	120,000
Shares will vest on 23 June 2015 at an exercise price of £3.48 per share	380,000	-
	10,111,145	12,843,596

Total number of shares exercisable as of 31 December 2012 is 7,262,253 (2011 - 6,220,707). The total fair value of the options that were granted in respect of equity settled schemes for 2012 is €0.6 million (2011 - €4.1 million), of which €0.1 million (2011 - €1.0 million) 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.

	2012 Number of options	2011 Number of options	2012 Weighted average exercise price	2011 Weighted average exercise price
Outstanding at the beginning of the year	12,843,596	11,592,082	$4.58, £3.59	$4.57, £3.62
Granted during the year	420,000	2,331,650	£3.478	£3.44
Forfeited	(1,538,261)	(876,434)	$6.76, £3.74	£3.87
Exercised	(1,614,190)	(203,702)	$4.44, £2.55	$4.50, £2.22
Outstanding at the end of the year	10,111,145	12,843,596	$4.36, £3.7	$4.58, £3.59

Included in the number of options exercised during the year is 591,668 (2011 – nil) where a cash alternative was received.

The weighted average share price at the date of exercise of options was £4.47 (2011 £3.47).

The weighted average fair value of options granted during the year at the date of grant was £1.4124 (2011 - £1.78).

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

Expiry date	Exercise price	2012 Number	2011 Number
Between 15 May 2012 and 31 December 2012	Between $7.19 and $7.79 and between £3.30 and £3.96	-	310,333
Between 25 April 2013 and 31 December 2013	$4.35 and between £3.17 and £5.31	357,800	1,323,002
Between 22 May 2014 and 6 November 2014	Between £3.70 and £4.16	-	740,000
1 December 2015	$2.50 and between £1.45 and £2.32	440,649	684,651
Between 6 February 2016 and 11 December 2016	Between $4.35 and $5.75 and between £1.72 and £3.16	714,002	1,891,383
Between 15 May 2017 and 31 December 2017	Between $7.19 and $7.79 and between £3.39 and £3.96	1,200,769	1,314,387
Between 25 April 2018 and 31 December 2018	$4.35 and between £3.17 and £5.31	2,176,653	1,401,890
Between 22 May 2019 and 6 November 2019	Between £3.70 and £4.16	1,610,000	1,230,000
Between 18 April 2020 and 26 August 2020	Between £4.16 and £5.12	1,448,422	1,728,000
Between 10 March 2021 and 16 December 2021	Between £2.30 and £3.52	1,782,850	2,219,950
21 June 2022	£3.48	380,000	-
		10,111,145	12,843,596

The fair value of the options granted under the ESOP is estimated as at the date of grant using the Binomial model. The following table gives the assumptions made during the years ended 31 December 2011 and 2012:

For options granted on 11 Mar 2011, 26 August 2011 and 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

For options granted on 21 June 2012	
Dividend yield	2.95%
Expected volatility	48.88%
Risk free interest rate	1.82%
Weighted average exercise price	£3.4775

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 11 – 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					
At 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)
At 31 December 2011	26,567	1,588	328	6,602	35,085
Accumulated depreciation					
At 1 January 2011	7,738	495	63	209	8,505
Charge	4,457	176	56	675	5,364
Disposals	(262)	(70)	-	-	(332)
At 31 December 2011	11,933	601	119	884	13,537
Net Book Value					
At 31 December 2011	14,634	987	209	5,718	21,548

	Computers and gaming machines	Office furniture and equipment	Motor vehicles	Building and Leasehold improvements	Total
	€'000	€'000	€'000	€'000	€'000
Cost					
At 1 January 2012	26,567	1,588	328	6,602	35,085
Additions	5,764	490	96	1,657	8,007
Acquired through business combinations	26	-	-	-	26
Disposals	(1,403)	(97)	(121)	(202)	(1,823)
At 31 December 2012	30,954	1,981	303	8,057	41,295
Accumulated depreciation					
At 1 January 2012	11,933	601	119	884	13,537
Charge	7,350	206	72	490	8,118
Disposals	(352)	(63)	(47)	(202)	(664)
At 31 December 2012	18,931	744	144	1,172	20,991
Net Book Value					
At 31 December 2012	12,023	1,237	159	6,885	20,304

NOTE 12 – INTANGIBLE ASSETS

	Patents, Domain names and license	Technology IP	Development costs	Customer List & Affiliates	Goodwill	Total
	€'000	€'000	€'000	€'000	€'000	€'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 year 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

	Patents, Domain names & License	Technology IP	Development costs	Customer List & Affiliates	Goodwill	Total
	€'000	€'000	€'000	€'000	€'000	€'000
Cost						
As of 1 January 2012	8,941	12,423	34,283	196,957	164,720	417,324
Additions	2,130	-	14,753	-	-	16,883
Assets acquired on previous years business combinations	-	-	-	-	178	178
Reclassification	-	2,300	(2,300)	-	-	-
Assets acquired on business combinations	4,514	3,528	-	400	17,329	25,771
Disposals	-	(308)	-	-	-	(308)
As of 31 December, 2012	15,585	17,943	46,736	197,357	182,227	459,848
Accumulated amortisation						
As of 1 January 2012	2,693	4,556	14,918	29,956	-	52,123
Provision	935	3,627	6,787	24,297	-	35,646
Disposals		(308)	-	-	-	(308)
As of 31 December 2012	3,628	7,875	21,705	54,253	-	87,461
Net Book Value						
As of 31 December 2012	11,957	10,068	25,031	143,104	182,227	372,387

Management believes that Domain names, with a carrying value of €0.2 million (2011: €0.2 million) have an indefinite life due to their nature. Amortisation of intangible assets is included in distribution costs.

In accordance with IAS 36, the Group regularly monitors the carrying value of its intangible assets, including goodwill. Goodwill is allocated to 8 (2011 – 6 cash generating units ("CGU")) Management determines which of those CGU's are significant in relation to the total carrying value of goodwill as follows:

- Carrying value exceeds 10% of total goodwill; or
- Acquisition during the year; or
- Contingent consideration exists at the balance sheet date

Based on the above criteria, management has concluded that the following CGUs are significant:

- PTTS, with a carrying value of €93.4m (2011 - €93.4m);
- Geneity, with a carrying value of €14.8m (2011 - €nil); and
- Mobenga, with a carrying value of €15.9m (2011 - €15.7m)

The recoverable amounts of all the above CGUs have been determined from value in use calculations based on cash flow projections from formally approved budgets covering a four year period to 31 December 2016. Beyond this period, management has applied an annual growth rate of 2% based on the underlying economic environment in which the CGU operates. Management has applied a discount rate to the cash flow projections of 15.5% (2011 – 15.5%) for both PTTS and Mobenga, and 15% (2011 – nil%) for Geneity.

The results of the review indicated that there was no impairment of goodwill at 31 December 2012. Management has also reviewed the key assumptions and forecasts for the customer lists, brands 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 2012.

NOTE 13 – INVESTMENTS IN EQUITY ACCOUNTED ASSOCIATES & JOINT VENTURES

	2012 €'000	**2011 €'000**
Investment in equity accounted associates and joint ventures comprise:		
A. Investment in William Hill Online	150,692	156,618
B. Investment in Sciplay	-	332
C. Investment in International Terminal Leasing	5,344	6,047
	156,036	162,997

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 Online 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. On 1 March 2013, the Group has been informed by William Hill Plc ("William Hill") that it will exercise its call option to acquire the Group's 29% stake in William Hill Online for a total consideration of £424 million.

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 2011	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
Income from associate	50,553
Amortisation of intangibles in associate	(5,729)
Dividend	(50,750)
Investment in equity accounted associates at 31 December 2012	150,692

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 2012.

Aggregated amounts relating to associates are as follows:

	2012 €'000	2011 €'000
Total assets	134,856	167,337
Total liabilities	84,936	113,388
Revenues	567,294	369,945
Profit	167,005	122,970

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.

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

The Group's loss on the sale was €0.1 million (2011 – share of loss of €0.6 million) and has been recognised in the consolidated statement of comprehensive income.

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.

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%.

The Group received a return on initial investments of €0.9 million during the year (2011: €1.7 million).

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
Share of profit in joint venture	155
Return of initial investment	(859)
Investment in joint venture at 31 December 2012	5,343

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

	2012 **€'000**	**2011** **€'000**
Total assets	27,215	28,764
Total liabilities	614	226
Revenues	4,388	2,881
Profit	634	400

NOTE 14 – DEFERRED AND CONTINGENT CONSIDERATION

	Note	**2012** **€'000**	**2011** **€'000**
Non-current deferred consideration consists:			
Acquisition of PT Turnkey Services Limited	27	26,735	41,752
		26,735	41,752
Current deferred consideration consists:			
Acquisition of PT Turnkey Services Limited	27	69,015	33,591
Acquisition of Intelligent Gaming Systems Limited		734	-
		69,749	33,591
Non-current contingent consideration consists:			
Acquisition of Intelligent Gaming Systems Limited	27	400	709
Acquisition of PT Turnkey Services Limited	27	-	98,643
Acquisition of Mobenga AB Limited	27	15,426	11,633
		15,826	110,985
Current contingent consideration consists:			
Acquisition of Intelligent Gaming Systems Limited	27	-	929
		-	929

NOTE 15 – AVAILABLE-FOR-SALE INVESTMENTS

	2012 **€'000**	**2011** **€'000**
Available-for-sale investments comprise:		
A. Investment in AsianLogic	12,513	2,054
B. Investment in Sportech PLC	17,148	10,322
C. Investment in PhilWeb	5,672	-
	35,333	12,376

	2012 **€'000**	**2011** **€'000**
Change in fair value of available-for-sale investments during the year, net		
A. Investment in AsianLogic	10,459	-
B. Investment in Sportech PLC	6,826	1,444
C. Investment in PhilWeb	(2,058)	-
	15,227	1,444

The fair value of quoted investments is based on published market prices. The fair value of unquoted investments is based on valuation techniques as described below.

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

A. 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.

The Group has increased the carrying value of the investment in AsianLogic to €12.5 million (2011 - €2.1m million). The valuation technique used to determine the fair value as at 31 December 2012 was the dividend income approach. In valuing the investment, management applied a discount rate of 28% to future dividend income, with an annual growth rate of 2%. The increase of €10.5 million has been recognised in equity, within the available-for-sale reserve.

During the year, the Group received a dividend of €3.6 million (2011 - €3.1 million) that has been reflected in the consolidated statement of comprehensive income as finance income.

B. 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 2012 the market value of this investment was €17.1 million (2011 - €10.3 million) and the increase of €6.8 million has been recognised directly in equity, within the available-for-sale reserve. During the prior year the movement of €1.4 million represented an increase in the investment of €2.0m, recognised in equity, and an impairment in the first half of 2011 of €0.6m, which was recognised in the consolidated statement of comprehensive income.

Roger Withers, chairman of the Group during the year, was appointed as Non-Executive Chairman in Sportech PLC in 2011. Mor Weizer was appointed as a Non-Executive Director of Sportech PLC on 23 March 2011.

C. On 30 October 2012, the Group acquired 1.75% stake in PhilWeb, a leading gaming technology provider in the Asia Pacific Region, for a total consideration of €7.7 million. As at 31 December 2012 the market value of this investment was €5.7 million. An amount of €2.0 million has been recognised directly in equity, within the available-for-sale reserve.

As at 12 March 2013, the closing price of PhilWeb shares was PHP 14.56 compared to PHP 12.56 as at 31 December 2012. This has resulted an increase in the fair value of the available for sale investments of €1.0 million since the balance sheet date. This increase in value is a non-adjusting post balance sheet event and has not therefore been accounted for as at 31 December 2012.

NOTE 16 – OTHER NON-CURRENT ASSETS

	2012 €'000	2011 €'000
Loan to customer	221	221
Loan to affiliate	2,255	1,845
Rent and car lease deposits	642	743
Other	2,057	11
	5,175	2,820

NOTE 17 – TRADE RECEIVABLES

	2012 €'000	2011 €'000
Customers	45,981	26,531
Related parties (note 28)	1,803	4,408
	47,784	30,939

NOTE 18 – OTHER RECEIVABLES

	2012 €'000	2011 €'000
Prepaid expenses	6,120	4,871
VAT and other taxes	2,064	3,643
Short term deposits	6,490	2,106
Advances to suppliers	389	152
Related parties (note 28)	6,203	2,871
Loan to customer	530	530
Loan to affiliate	3,390	4,700
Other receivables	1,374	1,355
	26,560	20,228

NOTE 19 – CASH AND CASH EQUIVALENTS

	2012 €'000	2011 €'000
Cash at bank	96,473	111,492
Deposits	24,407	53,340
	120,880	164,832

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:

	2012 €'000	2011 €'000
Funds attributed to jackpots	15,339	20,491
Poker security deposits	16,268	15,562
Other	430	272
	32,037	36,325

NOTE 20 – SHAREHOLDERS' EQUITY

A. Share Capital
Share capital is comprised of no par value shares as follows:

	2012 Number of Shares	2011 Number of Shares
Authorised	N/A(*)	N/A(*)
Issued and paid up	290,236,870	289,314,348

(*) 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.

B. Treasury shares
On 25 June 2012 the Group cancelled all of the 100,000 ordinary shares of no par value held by the company in treasury. These shares were purchased in June 2011. The weighted average cost of own shares held in treasury was £3.28 per share.

C. Share option exercised
During the year 1,022,522 (2011 – 203,702) share options were exercised.

D. Distribution of Dividend
In May 2012, the Group distributed €47,889,585 as a final dividend for 2011.
In October 2012, the Group distributed €22,550,631 as an interim dividend for 2012.

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 15)
Retained earnings	Cumulative net gains and losses recognised in the consolidated statement of comprehensive income

NOTE 21 – NON CURRENT LIABILITIES

	2012 €'000	2011 €'000
Long term trade payables	-	756
Severance pay	215	667
	215	1,423

NOTE 22 – LOANS AND BORROWINGS

	2012 €'000	2011 €'000
Current bank borrowings	37,970	13,787
Non-current bank borrowings	31,250	13,746
	69,220	27,533

The loans are repayable in eight quarterly installments and 2 annual installments starting July 2012.
The rate at which the liabilities are payable is a fixed rate plus movements in the Euribor and Euro Libor rates.

The Group has undrawn committed borrowing facilities available at 31 December 2012 of €35.0 million.

NOTE 23 – TRADE PAYABLES

	2012 €'000	2011 €'000
Suppliers	12,259	8,577
Customer liabilities	1,373	3,293
Related parties (Note 28)	23	75
Other	867	1,111
	14,522	13,056

NOTE 24 – DEFERRED TAX LIABILITY

The deferred tax liability is due to temporary differences on the acquisition of certain businesses.
The movement on the deferred tax liability is as shown below:

	2012 €'000	2011 €'000
At the beginning of the year	5,287	1,950
Arising on the acquisitions during the year (note 26)	1,406	3,675
Reversal of temporary differences, recognised in the consolidated statement of comprehensive income	(1,461)	(338)
	5,232	5,287

NOTE 25 – OTHER PAYABLES

	2012 €'000	2011 €'000
Payroll and related expenses	11,750	10,262
Accrued expenses	7,165	4,104
Related parties (note 28)	506	-
Other payables	3,040	1,534
	22,461	15,900

NOTE 26 – ACQUISITIONS DURING THE YEAR

A. Acquisition of Geneity Limited
On 23 January 2012, the Group acquired 100% of the shares of Geneity Limited (hereinafter "Geneity"). Geneity is a provider of e-gaming software products, focused primarily on the sportsbook and lottery sectors.

The group paid an initial consideration, including working capital adjustment, of €15.1 million (£11.4 million) in cash of which €4.7 million (£4.0 million) is held in escrow for 30 months. A further €4.7 million (£4.0 million) was also being held in escrow and to be released subject to certain agreed deliverables being met. These deliverables were met in September 2012.

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

	Book value prior to acquisition €'000	Adjustments €'000	Fair value on acquisition €'000
Property, plant and equipment	26	-	26
Intangible assets	65	3,864	3,929
Trade and other receivables	654	-	654
Cash and cash equivalents	1,657	-	1,657
Deferred tax liability	(138)	(966)	(1,104)
Trade payables	(110)	-	(110)
Net identified assets	2,154	2,898	5,052
Goodwill			14,805
Fair value of consideration			19,857
Cash purchased			(1,657)
Net cash paid			18,200

Adjustments to fair value include the following:

	Amount €'000	Amortisation %
IP Technology	3,464	8
Customer list	400	8
Total intangible assets	3,864	

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 Geneity business.

The key assumptions used by management to determine the value in use of the IP Technology and customer list within Geneity 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 Geneity's contribution to the Group profit since the acquisition date nor have they disclosed the impact the acquisition would have had on the Group's revenue and profits if it occurred on 1 January 2012, because the amounts are not material.

B. Acquisition of Juego Online EAD

On 27 December 2012, the Group acquired 100% of the shares of Juego Online EAD (hereinafter "Juego"). Juego is a provider of online gaming services for the Spanish market.

The group paid a consideration, including working capital adjustment, of €10.9 million. €6.2 million was paid in cash and the remaining amount was paid by conversion of prior year loan to Juego's ultimate parent company.

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

	Book value prior to acquisition €'000	Adjustments €'000	Fair value on acquisition €'000
Intangible assets	-	4,514	4,514
Trade and other receivables	4,553	-	4,553
Cash and cash equivalents	174	-	174
Trade payables	(443)	-	(443)
Deferred tax liability	-	(451)	(451)
Net identified assets	4,284	4,063	8,347
Provisional goodwill			2,523
Fair value of consideration			10,870
Conversion of prior year loan			(4,700)
Cash purchased			(174)
Net cash paid			5,996

Adjustments to fair value include the following:

	Amount €'000	Amortisation %
IP Technology	4,514	10

The main factors leading to the recognition of goodwill are time to market advantage and the option for the renewal of the license in the future. In accordance with IAS36, the Group will regularly monitor the carrying value of its interest in the Juego business.

The key assumptions used by management to determine the value in use of the gaming license within Juego 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
- The growth rates and attrition rates were based on market analysis.

Management have not disclosed Juego's contribution to the Group profit since the acquisition date nor have they disclosed the impact the acquisition would have had on the Group's revenue and profits if itoccurred on 1 January 2012, because the amounts are not material.

NOTE 27 – ACQUISITIONS IN PRIOR 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 €2.8 million (£2.5 million) in cash and additional contingent consideration of up to €3.5 million (£3.0 million) was payable in respect of the adjusted PBT performance in 2011-2013 in the beginning of each following year. During the year, the Group signed a deed of variation to vary the conditions of the contingent consideration. It was agreed that a sum of €1.4 million (£1.2 million) will be paid in 2 installments, according to the original terms and the remaining contingent consideration amount is now based on adjusted income and product deliverables. The movement in contingent consideration in the year of €0.4 million is included in finance costs.

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 paid an initial amount of €140 million as follows:

	€'000
Working capital adjustment	14,800
Paid in 2011	45,000
Paid in 2012 as early settlement	76,000
Discounting of initial consideration	4,200
Total initial consideration	140,000

In addition to the initial amount, the Group will pay a further €140 million contingent consideration, which became payable during the year, and thus treated as deferred consideration as at 31 December 2012, after meeting the accelerated payment mechanism. The acceleration has occurred by virtue of PTTS having achieved an annualised adjusted EBITDA in excess of €40 million by reference to its actual performance for the period ended 30 June 2012.

In accordance with the original acquisition terms, the deferred consideration is payable in four non-interest bearing instalments over the following 18 months from the 31 July 2012 as detailed in note 14. The movement in fair value of contingent and deferred consideration in the year of €39.1 million is included in finance costs. The finance cost related to initial consideration in the year amounts to €0.7 million.

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.

Immediately prior to Completion, the Group acquired the Intellectual property and Technology (hereinafter "IP Technology") of Mobenga AB for cash consideration of €1 million. An initial consideration, including working capital adjustments, of €8.2 million was paid in cash and additional contingent consideration of up to €15.8 million may be payable in the first quarter of 2014.

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 the balance sheet date is €15.4m (2011 - €11.6m), and the undiscounted range of possible payments is between €nil and €15.8 million. The movement in contingent consideration in the year of €3.8 million is included in finance costs.

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 (£23.0 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 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.

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.

During the year, the group has recognised a non-controlling interest of €0.2 million (2011 - €nil) owing to the 15% minority shareholder.

NOTE 28 – 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 27b). Netplay TV PLC, Skywind Holding Limited ("Skywind")and Anise Developmnet Limited ("Anise") are related by virtue of a common significant shareholder.

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

The following transactions arose with related parties:

	2012 €'000	2011 €'000
Revenue including income from associate		
Sportech	1,311	167
Skywind	120	-
Netplay TV PLC	3,366	2,266
WH Online	82,806	58,497
Share of profit (loss) in joint venture		
ITL	155	72
Sciplay	(164)	(618)
Operating expenses		
Gamepark Trading Limited	-	95
Tech Corporation	-	136
800pay Ltd	-	63
Anise	538	-
Skywind	3,333	-
Additions to property, plant and equipment		
Anise	396	-

The following are year-end balances:

	2012 €'000	2011 €'000
Tech Corporation	-	43
800pay Ltd	-	32
Total related party payables	-	75
Sciplay	-	39
Skywind	20	-
Netplay TV PLC	484	270
Sportech	31	73
WH Online	7,471	6,897
Total related party receivables	8,006	7,279
Sportech PLC (note 15b)	17,148	10,322
Total investment in related party	17,148	10,322

The details of key management compensation (being the remuneration of the directors) are set out in note 6.

NOTE 29 – SUBSIDIARIES

Details of the Group's principal 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 Limited	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 Limited	Israel	100%	Marketing and advertising
Video B Holding Limited	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 Limited	Isle of Man	100%	Management
Evermore Trading Limited	British Virgin Islands	100%	Holding company
Genuity Services Limited	British Virgin Island	100%	Holder of investment in WH Online
Playtech Services (Cyprus) Limited	Cyprus	100%	Activates the ipoker Network in regulated markets. Owns the intellectual property of GTS, Ash and Geneity businesses
VB (Video) Cyprus Limited	Cyprus	100%	Trading company for the Videobet product to Romanian companies
Techplay S.A. Software Limited	Israel	100%	Develops online software
Technology Trading IOM Limited	Isle of Man	100%	Owns the intellectual property rights of Virtue Fusion business
Gaming Technology Solutions Limited	UK	100%	Holding company of VS Gaming and VS Technology
VS Gaming Limited	UK	100%	Develops software and casino games
VS Technology Limited	UK	100%	Develops EdGE platform
Virtue Fusion (Alderney) Limited	Alderney	100%	Online bingo and casino software provider
Virtue Fusion CM Limited	UK	100%	Chat moderation services provider to end users of VF licensees
VB CMS OU	Estonia	100%	Develops software for fixed odds betting terminals and casino machines
Playtech Software (Alderney) Limited	Alderney	100%	To hold the company's Alderney Gaming license
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

Name	Country of incorporation	Proportion of voting rights and ordinary share capital held	Nature of business
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 Operational Services Limited	British Virgin Islands	100%	Operational & hosting services to online gaming operators
Tech Hosting Limited	Alderney	100%	Alderney Hosting services
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
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
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
Playtech Mobile (Cyprus) Limited	Cyprus	100%	Holds the IP of Mobenga AB
Playtech Holding Sweden AB Limited	Sweden	100%	Holding company of Mobenga AB
Mobenga AB Limited	Sweden	100%	Mobile sportsbook betting platform developer
Ash Gaming Limited	UK	100%	Develops interactive gambling and betting games
Geneity Limited	UK	100%	Develops Sportsbook and Lottery software
Factime Limited	Cyprus	100%	Holding company of Juego
Juego Online EAD	Bulgaria	100%	Gaming operator. Holds a license in Spain.
PlayLot Limited	British Virgin Islands	100%	Distributing lottery software

NOTE 30 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Group is exposed to a variety of financial risks, which results 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, bank borrowings, 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 risk and market price risk, 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 €2.3 million (2011 - €5.0 million). The interest on the loans is 5%.

During the year the group drew down €75.0 million from its available credit facilities (2011 - €5.0 million). The rate at which the liabilities are payable is a fixed rate plus movements in the Euribor and Euro Libor rates.

The loans are repayable in monthly installments.

A 1% change in deposit interest rates would impact on the profit before tax by €23 thousands. A 1% change in Euribor and Euro Libor interest rates would impact on the profit before tax by €750 thousands.

As at 31 December 2012 the Group holds undrawn credit facilities of €35.0 million (2011: €82.6 million).

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 30% of its funds (2011- 14%) in financial institutions below A- rate.

	Total	Financial institutes with A- and above rating	Financial institutes below A- rating
	€'000	€'000	€'000
At 31 Dec 2012	120,880	84,710	36,170
At 31 Dec 2011	164,832	141,463	23,369

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

	Total	Not past due	1-2 months overdue	More than 2 months past due
	€'000	€'000	€'000	€'000
At 31 Dec 2012	47,784	27,840	15,788	4,156
At 31 Dec 2011	30,939	20,048	7,920	2,971

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:

	2012	2011
	€'000	€'000
Provision at the beginning of the year	1,829	121
Charged to income statement	29	2,019
Utilised	(1,029)	(311)
Provision at end of year	829	1,829

Related party receivables included in note 17 are not past due.

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 15). 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 2012 includes available for sale investments with a value of €35.3 million which are subject to fluctuations in the underlying share price.

A change of 1% in share price will have an impact of €0.4 million 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

The Group seeks to maintain a capital structure which enables it to continue as a going concern and which supports its business strategy. The Group's capital is provided by equity and debt funding. The Group manages its capital structure through cash flow from operations, returns to shareholders primarily in the form of dividends and the raising or repayment of debt.

The Group has net cash and cash equivalents at the balance sheet date of €52.1 million (2011 - €137.3 million), which includes loans and borrowings of €68.8 million (2011 - €27.5m). Accordingly, management do not believe that there are significant capital risks.

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:

	Total €'000	Within 1 year €'000	1-2 years €'000	2 – 5 years €'000
2012				
Trade payables	14,522	14,522	-	-
Loans and borrowings	69,220	37,970	31,250	-
Other accounts payable	22,461	22,461	-	-
Progressive, operators' jackpots and security deposits	31,607	31,607	-	-
Deferred consideration	98,000	70,000	28,000	-
Contingent consideration	16,950	737	413	15,800
Other non-current liabilities	424	-	-	424
2011				
Trade payables	13,056	13,056	-	-
Loans and borrowings	27,533	13,787	13,746	-
Other accounts payable	15,900	15,900	-	-
Progressive, operators' jackpots and security deposits	36,053	36,053	-	-
Deferred consideration	80,194	35,195	45,000	-
Contingent consideration	131,331	929	768	129,634
Other non-current liabilities	1,423	-	756	667

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:

	2012 €'000 Fair Value	2012 €'000 Carrying amount	2011 €'000 Fair Value	2011 €'000 Carrying amount
Cash and cash equivalent	120,880	120,880	164,832	164,832
Available for sale investments	35,333	35,333	12,376	12,376
Other assets	79,619	79,619	52,575	52,575
Deferred consideration	95,750	95,750	75,343	75,343
Contingent consideration	16,560	16,560	111,914	111,914
Loan and Borrowings	69,220	69,220	27,533	27,533
Other liabilities	56,796	56,796	56,500	56,500

Included in available for sale investments is €22.8 million and €12.5 million measured at fair value using level 1 and level 2 respectively. Contingent consideration of €16.6 million is measured at fair value using level 3 in accordance with IAS 39. These are the Group's only financial assets and liabilities which are measured at fair value.

NOTE 31 – POST BALANCE SHEET EVENTS

On 1 March 2013, the Group has been informed by William Hill Plc ("William Hill") that it will exercise its call option to acquire the Group's 29% stake in William Hill Online for a total consideration of £424 million. The Group will continue to be entitled to a proportionate share of the FY2013 profits of William Hill Online, until the date of completion.

NOTE 32 – 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.

NOTE 33 – OPERATING LEASE COMMITMENTS

The Group has a variety of leased properties. The terms of property leases vary from country to country, although they tend to be tenant repairing within rent reviews every 2 to 5 years and many have break clauses.

The total future value of minimum lease payments is due as follows:

	2012 €'000	2011 €'000
Not later than one year	5,246	2,887
Later than one year and not later than five years	13,380	7,312
Later than five years	10,184	2,956
	28,810	13,155