

# Source of Success

Annual Report and Accounts  
For the year ended 31 December 2011



# Playtech is the world's leading publicly-traded online gaming software supplier.

## Philosophy

Our philosophy is based on deep and stable partnerships with our licensees, and our success based on a commitment to achieving excellence through cooperation and shared goals.

## Value-added Solution

We offer cutting-edge, value-added solutions to the industry's leading operators. Our licensees include both experienced online operators and new entrants, such as land-based and state-owned entities.

## Technology

Playtech's leading gaming products are supported by the most sophisticated operator platform in the industry. Products can be fully integrated into a unique cross-platform capability, enabling the same content to run across multiple channels, with a single player wallet.

## Innovation

With one of the industry's largest and most experienced R&D teams, Playtech is dedicated to the continual development of innovative technology solutions and content.

## Sustainability

Playtech has developed a robust and sustainable business model, where its resources and core values are aligned both with the Group's strategic goals, and those of its licensees.

## Expertise

With over a decade of software development and outsourced services across a broad range of markets, Playtech offers licensees unparalleled breadth and depth of expertise.

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# About Playtech

## At a glance

**Playtech is a business with market-leading scale, a full product capability and the pre-eminent technology platform in the industry – backed by a comprehensive marketing and service capability. Our reach extends further than traditional online gaming include other channels such as mobile, live broadcast and land-based gaming.**

### Our Products and Platform

Playtech has industry-leading content and player networks combined with unique cross-platform capabilities. This is supported by the sophisticated and all-encompassing tools of the IMS enabling operators to easily integrate new products on a single platform and maximise the potential for enhanced player returns.

### Our Integrated Operator Platform (IMS)

The real-time reporting and advanced marketing tools provided by the IMS play a key role in player retention and conversion. These tools allow licensees to generate reports and statistics on all aspects of their players' activity, thereby enabling the crucial segmentation of the player base and the more effective targeting of marketing strategy and future spend.



### Key Products

#### Casino

With best-of-breed graphics and audio, together with regular releases of new games content including branded games, Playtech Casino has been designed to attract and retain a broad range of players.

#### Live & TV Gaming

With both European and Asian formats, Playtech's Live offering drives important cross-channel traffic, blurring the boundary between land-based and online environments.

#### Poker

Home to Europe's leading operators, Playtech's iPoker network is the largest independent poker network in the world, with over 30,000 concurrent players at peak time.

#### Games

Playtech's Games Tab is centred on an innovative open platform solution which enables the seamless integration of a wide range of games from both internal and third-party developers.

#### Mobile

As an integral part of the cross-platform offering, Playtech Mobile enables valuable operator cross-selling opportunities across casino games, poker and sports betting.

#### Bingo

Playtech's Bingo network includes over 80 sites and is home to 60,000 daily players, over 15,000 concurrent players at peak time, driving over €165 million in total stakes-per-month.

## Our presence and markets

As the world's leading supplier of online gaming systems, Playtech offers the widest product choice in the industry, backed by a decade of outsourcing expertise, including marketing and player retention.

### Global Operators

Leading operators include sportsbook and specialist gaming operators, such as Titan, bet365, Gala Coral, Ladbrokes, Paddy Power, Betfair, Betfred and Mansion.

### Locally-Regulated Markets

Well-recognised local operators in regulated markets, including Sportech, SNAI, SISAL, JOA, Casino Gran Madrid, Codere, COPA, Buongiorno and Olympic.

### B2G

State-owned or state-sponsored entities, including the Serbian Lottery and RAY in Finland.

### Joint Ventures

Partnerships with leading land-based operators including William Hill Online, Gauselmann and Peermont.

### Turnkey Services

PTTS delivers material value and expertise to its licensees across the key elements of player acquisition and retention, together with the opportunity to realise substantial cost efficiencies through the outsourcing of operational services which benefit from economies of scale.

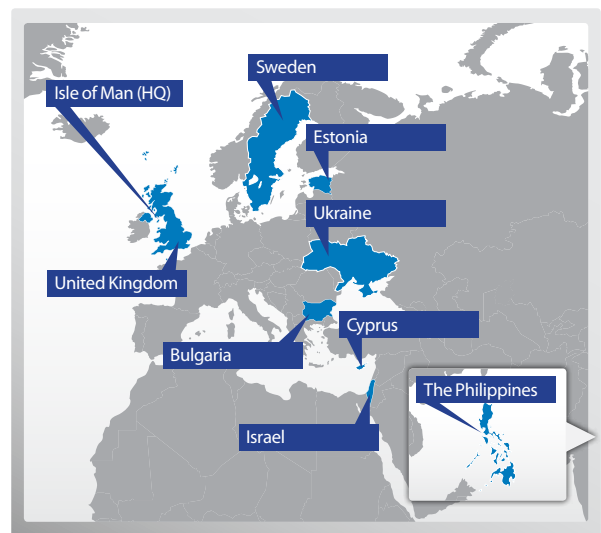


### Sports Betting

Playtech's Sports Betting platform offers a sophisticated next-generation trading and in-play capability across a very broad sports offering.

### Videobet

Playtech's gaming machine subsidiary Videobet provides a complete end-to-end solution for land-based gaming operations, leveraging the architecture and stability of Playtech's online offering.



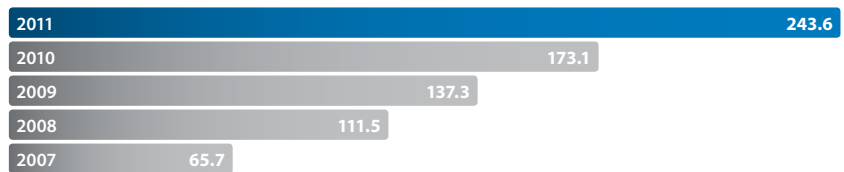
## Highlights

### Continued strong performance

Strong organic growth and 2011 acquisitions have positioned Playtech well for continued expansion.

#### Gross Income\*

**€243.6m**  
**+41%**  
 2010: €173.1m



#### Adjusted EBITDA\*\*

**€125.5m**  
**+22%**  
 2010: €103.1m

#### Total Revenue

**€207.5m**  
**+46%**  
 2010: €142.3m

#### Adjusted Net Profit\*\*

**€112.8m**  
**+21%**  
 2010: €93.2m

#### Net Cash Balances\*\*\*

**€137.3m**  
 2010: €68.5m

#### Adjusted Basic EPS\*\*

**46.2 € cents**  
**+20%**  
 2010: 38.5 € cents

#### Recommended Combined Interim and Final Dividend for 2011

**16.5 € cents**  
 per share

#### Progress in 2011

Bingo licensing agreement established with Nordic Gaming  
 24 January

Acquisition of casino systems developer: Intelligent Gaming Systems  
 25 January

Videobet roll-out of over 20,000 UK machines to The Global Draw licensees is completed  
 May

Appointment of David Mathewson as Chief Financial Officer  
 25 May

Agreement signed with the California Online Poker Association (COPA)  
 21 June

Acquisition of PT Turnkey Services Limited  
 1 July

Long-term software contract with Gala Coral signed  
 20 July

Italian casino and cash table poker networks launched  
 20 July

Acquisition of mobile developer: Mobenga AB  
 31 August

Paddy Power migrates to Playtech's casino product  
 3 October

Acquisition of games developer: Ash Gaming Limited  
 16 December

Successful share placing raises £100m  
 21 December

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

\*\* Adjusted EBITDA, adjusted EPS and adjusted net profit are calculated after adding back certain non-cash charges, cash expenses relating to professional costs on acquisitions, legal costs relating to litigation with William Hill and prior year taxes (see reconciliation in Financial and Operating Overview on pages 19 and 20).

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

## Chairman's Statement

### Innovative technology and unrivalled experience

**Playtech has continued to grow vigorously, with growth coming through a combination of organic developments and a number of acquisitions undertaken in the year.**



#### Introduction

These are really exciting times for Playtech which has once again delivered an excellent set of financial results. Playtech has continued to grow vigorously, with growth coming through a combination of organic developments and a number of acquisitions undertaken in the year.

The Company has consolidated its position as the clear market leader in the provision of software and services to the online gaming industry. It has expanded its offering to encompass all aspects of online gaming, including a full suite of products, cutting-edge management systems, integration with land-based operations, a broad range of ancillary services and the marketing skills that will enable licensees to get the most out of their online businesses.

#### Strategic Developments

The most significant development of 2011 was Playtech's acquisition of PT Turnkey Services Limited (PTTS) which brought a wide range of affiliate marketing services into the Group, thereby enhancing its service offering. This ability to be a single source supplier is particularly attractive to the growing number of new entrants targeting newly-regulated online markets.

The ability to provide such services has also opened up the potential for joint ventures with leading land-based operators in local markets. Two such joint ventures were announced in early 2012 – with Germany's Gauselmann and South Africa's Peermont – and more are planned as the Company positions itself for the many new opportunities which are in the pipeline.

Alongside the PTTS transaction, Playtech has also undertaken a series of four targeted acquisitions to broaden its technical capabilities. In December we successfully completed a £100 million fundraising to provide new capital with which to continue making targeted acquisitions but, more importantly, establish lucrative new joint venture partnerships in newly-regulated markets.

When taken together, Playtech's strategic actions have placed it in an extremely powerful position in the market, from which it can capitalise on the growing opportunities in regulated markets.

#### Governance and Risk Management

The Board was delighted to announce the appointment of David Mathewson as Playtech's Chief Financial Officer in May 2011. Mr. Mathewson, a Chartered Accountant, demonstrated his capability for the role during his time as a non-executive director where, since joining in June 2010, he had been a highly active Chairman of the Company's Audit and Risk Committees. As such, David had been fully engaged with the business for almost a year before his appointment as CFO and he has been able to make a meaningful impact from the outset.

During the year Playtech's Senior Independent non-executive director, Barry Gibson, left the Company to pursue other interests. Mr. Gibson brought a wealth of experience to Playtech during a very important period of its development. The Board is extremely grateful to him for his service to the Company and wishes him every success in his future endeavours.

In view of these Board changes and the impending Main Market listing, Playtech is committed to maintaining a Board composition that complies with the UK Corporate Governance Code and will appoint a new non-executive director in the near future. Further details will be announced as appropriate.

During the year the Board has advanced its work to ensure a robust corporate governance structure. An enhanced internal audit programme is well underway, with the assistance of PwC, and the Risk Committee has considered a number of measures, including the adoption of a revised Group Code of Conduct and Ethics Policy, which will be implemented across the Company in 2012.

#### Employees and Remuneration

The Group's success continues to rest on the creativity, industry and determination of its employees and Playtech's continuing success is a testament to their hard work and dedication. I would like to thank each of them for their contribution to the performance we have achieved this year.

Employee growth was 96% in absolute terms, reflecting the transfer of 939 employees from PTTS, 81 from other acquisitions; and around 100 added to the overall headcount who joined to help fulfil the Group's further need for human resources.

Playtech's progress has led to expanded operations and a larger global footprint, necessitating the need for more effective internal communications and to locate as many of its people together as possible in a high-quality working environment. To that end, Playtech has completed office relocations in each of its key development centres during the year. The Company's new facilities have already delivered increased productivity, improved employee well-being and energy efficiency and we now have better capacity to handle Playtech's medium-term growth.

Playtech has also worked with a leading remuneration consultancy to put in place a revised executive share scheme which meets best practice guidelines, demonstrating greater transparency and rewarding executives for sustainable long-term performance.

## Post-balance sheet events

### On 24 January 2012, Playtech announced three corporate transactions which form a key part of its regulated markets strategy.

#### Dividend

Playtech continues to be a highly cash-generative business. At the end of 2011 the Group had committed but undrawn facilities of €82.6m together with net cash balances of €137.3m.

At the time of the half-year results in August we indicated we would review the Group's long-term dividend policy in light of the Board's view of the changing shape of the business. This was completed by late autumn and, at the time of the Placing in November, it was confirmed that the Board would be setting a new policy targeting 40% of adjusted net earnings, and would pay this in a revised split of one-third interim dividend and two-thirds final dividend.

At that time, it was also indicated that Playtech would pay a final dividend for 2011 which comprised the full dividend for the year. Accordingly the Board recommends payment of a final dividend of 16.5 € cents per share.

In conclusion, after a year of considerable progress and significant corporate actions, Playtech is well positioned with a clear strategy and means to capitalise on the exciting opportunities that lie ahead. Accordingly, the Board is highly confident both for the current year and indeed for Playtech's long-term future.



**Roger Withers**  
Chairman

15 March 2012

#### #1 Acquisition: Genuity Limited

**Acquired the entire issued share capital of Genuity Limited, a UK-based provider of egaming software products, focussed primarily on the sportsbook and lottery sectors, for a maximum cash consideration of £15 million.**

- Founded in 2006, over 20 full-time employees based in London, mostly engaged in software development and support
- Brings a modern, proven, robust and scalable sports betting platform as well as lottery capabilities to Playtech's suite of gaming products
- Well-respected team of experienced sportsbook developers with many years of in-depth industry expertise
- Will replace Playtech's existing sports offering with potential for cost savings

More information on Playtech's sportsbook capability can be found on page 34.

#### #2 Joint Venture: Gauselmann – Merkur

**Signed a joint venture agreement with Merkur Interactive GmbH, the online division of the Gauselmann Group, one of Europe's leading gaming groups.**

- Founded in 1957, and with over 6,000 employees, Gauselmann has developed its laughing Merkur sun into the most recognisable German domestic gaming brand
- Long-term joint venture formed in advance of expected revisions to German online gambling regulations
- Partnership will offer broad-based gaming and sports betting products and services, where permitted
- The joint venture will apply for specific regulatory licences dependent upon the gambling activity and local regulatory developments

More information on the Gauselmann Joint Venture can be found on page 24.

#### #3 South African Joint Venture: Peermont Group

**Signed a joint venture agreement with Peermont Group ('Peermont'), one of the leading South African gaming and hospitality business, which will enable Peermont to establish itself as a leading online gaming operator in the South African market.**

- Peermont holds seven casino licenses in South Africa and three in neighbouring Botswana
- Long-term joint venture in advance of expected revisions to South African online gaming regulations
- The joint venture is expected to initially offer sports betting and later broad-based gaming after the introduction of new regulations

## Business Model

### Fully aligned with our licensees

**Our business model is centred on the continual development of market-leading gaming products and content. These, together with a broad range of ancillary services, are provided to a diverse range of operators across both global and locally regulated markets.**

Our revenue share model ensures the business is fully aligned with our licensees, developing a strong and mutually beneficial relationship focussed on achieving their business objectives.

This delivers economies of scale as we can focus on developing a single, flexible operating platform and product suite. Licensees benefit from a range of tools which keep pace with market innovation, and content which is customised to reflect their own branding.

#### Information Management Solution (IMS)

The cornerstone of Playtech's offering is the unique operating platform, the IMS. Its real-time reporting and advanced marketing tools play a key role in player retention and conversion. These tools allow licensees to generate reports and statistics on all aspects of their players' activity, thereby enabling the crucial segmentation of the player base and the more effective targeting of marketing strategy and future spend.

Operators maximise player yields through cross-selling opportunities onto higher margin games and, with the continual development of new content, they enhance the player experience and therefore player longevity. Operators can also easily integrate new products on a single platform, creating new revenue streams and maximising profitability.



### Cross-Platform Capability

We look to offer the same content seamlessly across both download and browser-based formats, and across all delivery channels, from online, mobile and broadcast, through to server-based gaming machines. This gives operators the widest choice to suit their target player base, with a single interface and set of management tools.

A truly flexible approach to integration enables operators to choose services ranging from a single product to complement their own in-house capabilities, through to a one-stop turnkey gaming solution. We have built proprietary tools to minimise the operational risk when migrating from other technology platforms onto our own, which has traditionally been a key barrier.

### Turnkey Services

Across the player lifecycle and utilising Playtech's sophisticated IMS operator tools, the highly experienced services team can optimise the player experience and enhance player retention. This is key for maximising lifetime value from each individual player. Economies of scale are generated from outsourced services, such as hosting and payment advisory, as well as deep relationships across the affiliate marketing network.

### Regulated Markets

Playtech's experience in locally-regulated markets, such as the UK, Italy and Finland, is a crucial part of the Company's success and holds substantial long-term growth opportunities. Membership of the World Lottery Association and close relationships with regulators worldwide reflect Playtech's strong reputation. This is aided by Playtech's profile as a publicly listed company.



## Strategy & Objectives

### Strategic positioning

**Playtech's strategy of organic development and targeted acquisitions has enabled us to maximise our opportunities from the significant changes that are being experienced as the online gambling industry becomes increasingly sophisticated.**

In particular, online gambling is moving towards locally-regulated markets and the convergence of online and land-based channels. We have positioned ourselves to take advantage of the opportunities that these changes present.

This strategy is founded on maintaining a business with market-leading scale, a full product capability with the pre-eminent software platform and the most up-to-date technology in the industry. Playtech's reach extends further than traditional online gaming and now includes other channels, such as mobile and tablet, live broadcast

and TV, and land-based gambling, and we are unique in the breadth of our capabilities. This is where the convergence of operator activity and management of the player experience is shaping the industry's future and is able to deliver both functionality and content across a wide range of distribution channels.

#### Strategy

**Playtech's strategy, supported by its strong balance sheet, now centres on developing its three highly complementary business channels: products and services; turnkey solutions; and joint ventures.**

**Through this multi-channel approach, we believe Playtech will be in a position to maximise the potential for growth and market share in newly-regulating markets, in addition to strengthening the existing relationships with traditional online gaming operators.**

#### #1 Products and services

Playtech has developed a full suite of gambling products, from casino and poker to sports and bingo and ancillary services including marketing, operational and support, advisory and network management services. Its goal is to become the supplier of choice to the gambling industry's well-established and well-recognised operators attracted by the scale and breadth of its player networks, the industry's largest content library, and the most sophisticated player management platform.

Through ongoing R&D and bolt-on acquisitions, Playtech will continue to develop its product and content offering into new or complementary areas, including expanding its cross-platform capabilities. We intend to target operators in newly-regulating markets with a dynamic product and services offering and responsible gambling tools which fully comply with the evolving regulatory landscape.

New entrants to regulating markets are increasingly looking for a greater degree of expert support from their service providers to ensure their penetration is timely and successful. The degree to which a licensee chooses to outsource its operations depends on its business model, but Playtech can provide a cost effective and highly experienced service capability to reduce operating costs and deliver market-leading expertise in non-core areas. Playtech's strategy is to continue to seek further opportunities to provide a broad range of outsourced services to significant licensees.



Providing licensees with a range of out-sourced services, as well as a comprehensive technology offering, has further expanded the market opportunity. This ability to deliver a turnkey solution has enabled Playtech to extend its relationships with existing online gaming operators, as well as new entrants to the online gaming industry,

and to form joint ventures with well-recognised local operators as their markets adopt regulation.

The move to locally-regulated markets has also redefined the way in which operators and service providers address each market. The Group's capabilities are flexible and

can be optimised to cater for the needs of a diverse operator base and the market dynamics they face. Strategic alliances or partnerships with other B2B providers have brought greater global reach and extended the Group's capabilities in market segments where a local presence or track record is critical.

## #2 Turnkey solutions

Following the acquisition of PT Turnkey Services (PTTS), the Group is now a single source supplier of online gaming solutions, particularly to the growing number of new entrants targeting regulated online markets. Playtech has grown into a business capable of offering deep affiliate marketing penetration and experienced marketing support, combined with the most advanced player management systems which can leverage its market-leading gaming content and cross-channel capabilities.

For many operators, particularly in emerging and newly-regulating markets, there is a clear need for such a partner that can deliver the very best marketing and operational support services to compete in highly competitive new markets, along with a premier product offering.

This will be offered as a full turnkey solution where the Group delivers a complete and cost effective offering for licensees: either from a low-cost Playtech location or a local greenfield site, depending on the requirements of the operator or jurisdiction.

## #3 Joint ventures

Playtech's strategy is to identify new partners with whom to establish long-term ventures. In markets such as the UK, Germany and South Africa, Playtech has been chosen as a joint venture partner by the leading domestic land-based operators. These partners are looking to develop a market-leading online offering, supported by highly experienced marketing and player management capabilities. Joint venture partners recognise the benefits of Playtech's expertise when they are competing against established international businesses transitioning from being offshore dot.com operators to local market participants.

In each case Playtech will provide its localised service expertise whilst its local partners commit their gaming brand, any online operations, customer lists and management to the new joint venture. It is anticipated that both parties' interests are aligned through the injection of working capital and/or certain assets into the venture. This model is designed to maximise both joint venture partners' potential financial returns whilst maintaining the Group's profile as a B2B provider. These partnerships also provide cornerstone liquidity pools for Playtech's networks in a ring-fenced market, benefitting all software licensees within the network.

## Chief Executive Officer's Report

### Continuing our progress

**In a year characterised by significant change in the online gaming market and a challenging macroeconomic environment, Playtech has once again achieved strong growth and passed significant milestones.**



“Playtech has continued to secure new licensees, develop its product offering both organically and through acquisitions, and explore exciting new joint venture opportunities.”

#### Overview

The Company has focussed on the pursuit of its regulated markets strategy and consolidating its position as the world's leading supplier of software and services to the online gaming industry.

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

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

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

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

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

The Company's M&A activities have focussed on adding capabilities that broaden Playtech's offering and extend its technology capabilities and speed of time to market. The acquisition of PTTS in July delivered a step change in Playtech's outsourced services capabilities and has enabled a one-stop full service turnkey solution to be offered.

While PTTS was the most significant transaction, there have been four other acquisitions in the period, including January 2012, which together have brought substantial new depth to Playtech's cross-platform and content capabilities, as well as a significantly enhanced sportsbook capability. We have stuck to a consistent acquisition strategy and delivered on it through the acquisitions of IGS, Mobenga, Ash Gaming and Genieity.

“December’s £100 million fundraising has provided Playtech with significant firepower to make a number of accretive acquisitions and pursue its joint venture strategy.”

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

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

#### Regulated Markets

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

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

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

Playtech stand at ICE Gaming exhibition, January 2012.

Other markets, including Belgium and the Netherlands, possess attractive opportunities for incremental revenues.

#### Strategic Positioning

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

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

Providing licensees with a range of outsourced services, as well as a comprehensive technology solution, has further expanded the market opportunity. This ability to offer a turnkey solution has enabled Playtech to extend its relationships with existing online gaming operators, as well as new entrants to the online gaming industry, and to form joint ventures with well-recognised local operators as their markets adopt regulation.

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



# Chief Executive Officer's Report

## Continued

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

### Acquisitions

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

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

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

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

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

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

Playtech believes that mobile gaming is more than just another channel for existing customers. It is increasingly attracting players on to platforms in its own right – particularly through sports betting. A number of operators state that as much as 30% of new customers play via mobile, in part linked to the growth of in-play betting. There are then significant follow-on opportunities to cross-sell other products to these players – and this is where Playtech has traditionally excelled both in the online arena and in its cross-platform capability. This has the unique potential to enable a player to remain within a single application for all their betting and gambling needs, which no other provider can offer.

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

“Playtech's acquisitions have brought new, market-leading capabilities to the Group, filling important gaps in its wider suite of products that would have taken far longer to develop organically.”



## Acquiring Industry-Leading Capabilities

# Ash Gaming



Finally, the acquisition of leading casino content developer, Ash Gaming ('Ash') was completed in December 2011. Established in 2000, Ash is one of the leading suppliers entirely dedicated to producing interactive gambling and betting games. Ash has one of the highest penetrations of games in the UK market and was well known to Playtech as a major developer for Playtech's GTS open platform licensees. The acquisition comprised an initial consideration of £15.5 million and a deferred contingent consideration of up to £7.5 million.

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

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

### Licensees

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

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

**Playtech acquired Ash Gaming Ltd in December 2011 for a consideration up to a maximum of £23 million. Ash Gaming is one of the leading developers of interactive gambling and betting games, delivering industry-leading content of predominantly slot-based games to major operators.**

### Highlights

- Leading game titles distributed to operators directly and across game platforms, principally under revenue-share agreements
- Library of over 40 games delivered to over 30 licensees, including many of the leading sportsbooks such as William Hill, bet365, Paddy Power and Gala Coral
- Potential for revenue synergies, significantly enhancing wholly-owned content libraries and delivering increased margins for casino and game platforms, as well as enabling the addition of side games to poker and bingo clients
- Won industry accolades such as 'Highly Commended' for 'Innovation in Slot Production' in 2010 by eGaming Review.

Ash Gaming has one of the highest penetrations of games in the UK market, and this acquisition will enable the broader distribution of its leading content internationally. In addition, its games will have greater reach through a wider range of distribution channels than its historic position on an operator's Games Tab, such as through casino, poker and bingo channels. As it already has a number of licensees through Playtech's GTS open platform, it will also substantially increase the percentage of GTS content over which Playtech retains full revenue economics.

Mor Weizer commented at the time of the acquisition:

*"I am delighted that we have been able to acquire Ash Gaming. They have a fantastic reputation with their licensees for delivering class-leading and innovative content along with a growing presence both in the UK and internationally. We have known the team for some time and they will provide significant benefits to Playtech both in terms of expertise and know-how. We are very excited about our plans for extending Ash's games to a wider audience and throughout the Playtech casino product. This is key for many licensees where content is king, and we strive to provide them with the very best games to enhance their player experience, as that maximises their player loyalty and player value."*



# Chief Executive Officer's Report

## Continued

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

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

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

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

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

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

### Products Casino

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

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

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

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

GTS is becoming the games engine for a variety of Playtech products and a broader range of Playtech casino content will shortly be available across the bingo platform. GTS also signed four new games developers on to the platform who will bring a range of exciting new content, extending the variety of choices for Playtech's licensees.

The benefit of networked jackpots was also recently reinforced when a Betfred player won £5.1 million in February 2012 on Playtech's Beach Life slot game. This was reported as being the UK's biggest ever jackpot win and the third highest ever worldwide. As a marketing tool, such wins and the continual availability of a number of million dollar jackpots is invaluable to operators, large or small.

“Casino produced a stand-out performance in 2011 as revenues grew by 18%, as a result of a mix of organic growth and new licensees.”



## Acquiring Industry-Leading Capabilities

# Mobenga Gaming

mobenga  
a Playtech company

### Poker

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

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

In addition, the summer launch of cash tables in Italy helped to maintain momentum in what remains the most attractive of new regulated markets. Having been the first provider to pass cash table certification, Playtech secured its position as the top Italian regulated network, working with its licensees on projects such as the very successful cash table campaign 'A million for all'.

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

**Playtech acquired Mobenga AB in July 2011 for a consideration up to a maximum of €23.8 million. Mobenga is the leading provider of mobile sportsbook platforms, with a fast-growing base of customers. It has developed a market-leading mobile solution delivering a sports betting offering to handheld devices, including smartphones and tablets, across Apple iOS, Android and HTML.**

### Highlights

- Fully customised, highly flexible offering allowing an operator to properly reflect its brand through the design, look and feel of its mobile channel, complementing its online offering
- A range of features such as a touch user interface (TUI) and advanced functionality, including live video streaming, fully integrated with operators' existing platforms
- Licensees include major brands such as PaddyPower, William Hill Online, Unibet, Skybet, Stan James and Nordicbet
- Won the prestigious 'Rising Star of the Year' award at the 2011 EGR B2B awards

At the time of the acquisition, Playtech's CEO Mor Weizer said:

*"Recent developments in mobile gaming are increasingly important in driving player acquisition and delivering demonstrable revenue streams. Sportsbetting has always been the core product for many operators – one that creates cross-selling opportunities to other gaming products. This deal will position Playtech as the leading mobile gaming provider to take best advantage of the growth in mobile gaming. Integrating sportsbetting alongside our existing mobile casino, poker and bingo offerings provides operators with the ability to offer a complete, multi-product mobile gaming solution."*

*"The Mobenga team has successfully developed, and rapidly-deployed, a flexible solution which is highly regarded by many of the industry's largest operators, and are growing their licensee base strongly. By integrating such a proven and sophisticated mobile platform into our offering, and gaining access to the excellent skills and know-how of the Mobenga team, we continue our strategy of positioning Playtech as the pre-eminent independent software provider. We are delighted to welcome Mobenga into the Playtech family."*



# Chief Executive Officer's Report

## Continued

### Bingo

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

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

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

### Videobet

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

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

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

### Services

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

The shifting balance in the poker market after the DoJ actions in April presented an opportunity for PTTS to attract some very high quality affiliates who had been historically active on behalf of some of the US-facing poker sites. These opportunities were seized, with attractive terms being offered to some high performing affiliates, and PTTS saw a resulting increase in its revenues later in the year, albeit with some increased related costs. Overall, in the second half of the year operating margins have improved, but the step change in the business profile will only really come with the opening of a material new market, or through joint venture opportunities.

### People

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



## Acquiring Industry-Leading Capabilities

# Intelligent Gaming Systems



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

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

### Outlook

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

**Mor Weizer**  
Chief Executive Officer  
15 March 2012

**Playtech acquired Intelligent Gaming Systems (IGS) in January 2011 for a consideration up to a maximum of £5.5m. IGS is a rapidly growing provider of software-based casino management systems to land-based casinos. IGS has developed an enterprise-level suite of casino management software which manages electronic and table gaming, poker CRM, accounting and security.**

- IGS offers an operator modern scalable architecture and the ability to manage its entire business through a single application
- The IGS system delivers real-time analysis of the gaming floor and provides mobile applications (iPod and iPad) designed to deliver enhanced player value
- Its land-based casino management system provides a gateway to the integration of both online and land-based formats in a seamless solution across all channels
- The two largest casinos in the UK, the Aspers Casino in Stratford (opened December 2011) and the Hippodrome Casino (due to open May 2012), both in London, use IGS systems for their entire operation and are amongst 12 casinos using the systems
- The Playtech multi-channel solution now enables seamless cross registration of players and transfer of funds across land-based and remote gaming channels
- The integration between the IGS land-based systems and the Playtech online platform is unique and positions Playtech as the leading provider of multi-channel gaming solutions worldwide

For Playtech, the acquisition brings a highly regarded management team and software development capability in a business area that is complementary to its existing business and enhances Playtech's multi-channel capability.

Commenting on the acquisition Playtech's Chief Executive, Mor Weizer, said:

*"The convergence of land-based and online segments is becoming a key theme in the industry and we continue to position Playtech as the independent software provider of choice with market leading integrated technology. We see this deal as increasing Playtech's unique competitive advantage and cross-platform capabilities."*

*"The IGS management team has a long track record in the development of such systems and we are delighted to welcome them into the Playtech family. They will enhance our capabilities in a product area which will further our attractiveness to land-based operators."*



## Industry Overview

### A dynamic and exciting sector

**The gaming industry is undergoing fundamental and structural change and Playtech is determined to be a market leader in providing technology and services to the broadest range of participants worldwide.**

#### Overall Market Size

While global statistics are hard to verify, data compiled by gambling industry consultants H2 Gambling Capital suggests that the reported global gaming market from licensed jurisdictions grew from €202 billion in 2004 to over €285 billion in 2011, as defined by gross gaming yield to the operator.

The figure for 2011 comprises €187 billion from commercial operations such as casinos, betting shops, gaming machine arcades and regulated online 'e-gaming' and €98 billion from monopolies such as lotteries and horse race betting pari-mutuels.

#### Online Growth

The online market developed in the mid-1990s, first with online casinos and then with poker from 1998. In 2004 the market was estimated as having revenues of approximately €10 billion, and it has grown substantially throughout the second half of the decade.

The market has benefited from improved broadband penetration, a growing number of market participants, and greater acceptance of online gaming as a mainstream leisure pastime. Since UIGEA, which intended to close the US market in 2006, the main focus of operators has been in Europe and in particular on markets where legislation begins to allow various forms of online gaming on a locally regulated basis.

In 2011, H2 Gambling Capital reported that the online segment was worth €24.6 billion in terms of gross gaming yield. Of this, contributions came from casino (24%); poker (13%); bingo/other gaming (11%); and commercial sports betting, including horse racing (25%). These figures do not include the online activities of horse race betting pari-mutuels (18%) or state lottery monopolies (9%).

#### Regulating Markets

The local regulation of a national market has been a catalyst to substantial market changes. Where permitted, it typically attracts new entrants to the market including major local gaming companies such as betting shop operators, lotteries and local casino groups who have historically not been willing to operate in an unregulated format.

The ability to advertise more freely across a broad range of media formats, such as TV and offline news media, raises awareness of online gaming as a leisure activity and has also driven increasing player interest. It is the combination of these two factors which have led to major growth in players and revenues in markets such as the UK and Italy. For a B2B provider such as Playtech, the opportunities across a range of newly-regulating markets are therefore substantial as a broad range of providers look to participate.

The tax regime within a jurisdiction has a material impact in determining whether online gaming is likely to be commercially attractive in the longer term. In addition, the products which are permitted when a market regulates will also determine its attractiveness for potential participants.

Changing regulation is therefore expected to remain a key focus for market participants and an important driver of online gaming revenue growth over the next few years. As markets move from a 'dot.com' to a 'dot.national' regime, there are expected to be notable opportunities together with some potential headwinds and uncertainties through the transition period.

Over the past two years there has been considerable momentum in many countries looking to regulate online gaming. In Europe, new products were permitted in Italy, France, Finland and Estonia, and countries such as Spain, Netherlands, Greece, Belgium and Germany are in the process of defining new regulatory frameworks.

#### Market Participants

The online gaming market accommodates a wide range of participants and has become more specialised as it matures into a substantial global industry. As more participants entered, businesses quickly evolved to outsourcing certain elements such as software for backend systems and games content. More recently, operators have been increasingly able to outsource a wide range of specialised support and marketing services. Industry participants have traditionally been defined within two categories:

**B2C:** The B2C sector includes all player-facing activities such as marketing and delivery of the gaming experience. Operators typically have a strong marketing-led business model and seek to attract players to their website and encourage ongoing loyalty from their active players.

In addition to commercial operators, there has been a growing B2G segment, comprising state-owned or state-controlled entities such as lotteries and other organisations that have looked to enter the online gaming market as a B2C operator.

#### 2011 Online 'e-gaming'

Casino	24%	€5.9bn
Poker	13%	€3.2bn
Bingo	11%	€2.7bn
Sports betting	25%	€6.2bn
Horse race betting pari-mutuels	18%	€4.4bn
State lottery monopolies	9%	€2.2bn

Source: H2GC



**B2B:** Supporting B2C operators are a number of technology providers offering software platforms, specialist products and services and content such as new casino games. They compete in offering the highest-quality gaming products, or systems capable of achieving the operators' business objectives.

Playtech is the largest of these B2B providers with a full product suite that includes substantial poker and bingo networks. These networks provide its licensees with the benefits of combined scale and joint marketing, plus networked jackpots. Unlike a B2C partnership, licensees can still manage their own business activities and maintain their independence from the platform provider.

#### Turnkey Services

Online gaming is part of the fast-changing e-commerce industry that requires different assets and skills from traditional land-based operations. As local or land-based operators seek to add a complementary online offering to their existing business, they have increasingly looked for help from an experienced partner with the ability to offer a range of services up to a full turnkey solution. Such a solution would include the know-how and manpower necessary to ensure they can compete against the sophisticated marketing capabilities of well-established online operators from day one.

#### Competition and Market Position

Playtech has traditionally faced competition for B2B mandates from other software providers, typically of smaller scale. More recently there have been B2C operators who are looking to minimise their own risk of entering a newly-regulated market by partnering with substantial and well-recognised local businesses. This gives them access to a local profile and enhanced player liquidity which they might otherwise not enjoy themselves. In return they typically

look to offer a white-label turnkey solution for their local partner alongside their own, albeit competing, operations.

Despite these new capabilities, Playtech's positioning in the industry remains constant as a B2B provider. We focus on providing scale and breadth of product offering, and ensuring our licensees have the most advanced technology and operator platform in the industry with best-of-breed tools and content.

Advances in technology have also improved the operator's player management systems, delivering features such as real-time analytics and VIP management tools. A significant milestone has been the ability of some platforms to offer a single wallet capability across a range of product segments. This enables players to move across games or products without changing user account and maintaining a single account balance across all products.

Additionally, these advances in technology have been utilised to provide greater player protection to prevent under-age and problem gambling, including age verification tools, tracking player activity and self-exclusion tools.

Improved player management systems are key elements in increasing player loyalty and enhancing an operator's cross-selling potential as players are encouraged to move to higher-margin games. This can now be combined with cross-platform capabilities including server-based gaming terminals, and onto mobile phones and tablets using browser-based technology.

#### Convergence of Online and Land-Based

Perhaps the most recent but significant of industry trends is the growing convergence of land-based and online market segments. This is principally due to the fact that many

new entrants in regulated markets are existing land-based gaming, betting and lottery operators. They already have a substantial local presence, well-recognised brands and existing player databases, and are very familiar with the local regulatory environment.

Historically separate in their philosophy and systems, there has been a fundamental shift in both segments towards common techniques for player attraction and retention, such as VIP levels and loyalty schemes. Operators are becoming more aware of the importance of player retention and of incentivising the player on an individual basis, whether they are playing online, on a mobile or tablet, or in a land-based environment. This provides huge cross-selling opportunities, but also presents substantial technical challenges.

Playtech has focussed much of its recent development efforts on ensuring that it is able to deliver both functionality and content across the full range of distribution channels, and to capitalise on this trend of convergence. It has proactively developed the most sophisticated of server-based gaming systems; unique capabilities in TV and broadcast; and cutting-edge mobile and online products. All are managed by a single operator platform and with the potential for a single player wallet across all formats.

The gaming industry is undergoing fundamental and structural change and Playtech is determined to remain a market leader in providing technology and services to the broadest range of participants worldwide.

## Financial and Operational Review

### A robust performance

**In my first full-year report as Chief Financial Officer, I am very pleased to be able to report that Playtech has again delivered a robust financial performance.**



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

Playtech has again delivered a robust financial performance, with gross income for the year rising by 41% to €243.6 million (2010: €173.1 million) and total revenues for the year increasing 46% to €207.5 million (2010: €142.3 million). It has been a year of very significant change, both in the industry and for Playtech itself, with new markets preparing for regulations and material acquisitions undertaken by the Company in the year.

Consequently the financial profile of the consolidated business has changed. In particular, due to the size of the acquisition of PTTS which completed in July. When taken together with the other acquisitions in the year, this makes certain historic comparisons harder to present.

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

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

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

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

#### Gross Income and Total Revenues

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

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

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

Revenues from Videobet totalled €7.8 million (2010: €2.1 million), due to the completion in the second quarter of the roll-out of the UK Global Draw contract.

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

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

#### Reported Net Profit and Earnings Per Share

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

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

#### Adjusted EBITDA

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

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

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

“It has been a year of very significant change both in the industry and for Playtech itself, with new markets preparing for regulations, and material acquisitions undertaken by the company in the year.”

#### Adjusted EBITDA

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

# Financial and Operational Review

## Continued

The increase in the finance costs on the movement of deferred and contingent consideration is mainly due to the acquisition of PTTS, where the consideration is substantially deferred. Calculation of the fair value is based on a probability exercise of expected consideration payable. The decrease in WH Online amortisation is due to the affiliates contracts and customer relationship assets, identified under the investment in WH Online joint venture, being fully amortised during the prior year.

### Cost of Operations

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

Revenue-driven costs comprise mainly fees paid to sales agents and license fees paid to third parties for branded content or games developers, which are typically calculated as a share of the revenues generated from a particular game. These costs have continued to increase as branded games increase in popularity and grow in accordance with the growth of our licensees. In addition, a significant element of the increase was due to the acquisition of PTTS on 1 July 2011. Overall PTTS represented 37% of the total revenue-driven costs for the year.

### Adjusted Net Profit and Adjusted Earnings per Share

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

### Adjusted Operating Expenses

	2011 €000	2010 €000
<b>Operating expenses</b>	<b>155,331</b>	<b>96,985</b>
Amortisation and depreciation	29,137	17,090
Decline in fair value of available for sale investments	551	2,223
One-off legal costs relating to the litigation with William Hill	1,389	–
Professional costs on acquisitions	1,488	1,802
Employee stock option expenses	4,678	5,855
<b>Adjusted Operating Expenses</b>	<b>118,088</b>	<b>70,015</b>

## Analysis of Adjusted Operating Expenses

	2011 €000	%	2010 €000	%
Adjusted operating expenses	118,088		70,015	
Revenue-driven cost	25,091		12,574	
<b>Adjusted operating expenses excluding revenue driven costs</b>	<b>92,997</b>		<b>57,441</b>	
Employee related costs	64,309	69.2%	39,594	68.9%
Administration and office costs	11,872	12.7%	8,852	15.5%
Travel, exhibition and marketing costs	4,730	5.1%	4,608	8.0%
Cost of service	4,266	4.6%	831	1.4%
Other operational costs	7,818	8.4%	3,556	6.2%

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

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

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

### Financial Income and Tax

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

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

The tax charge in 2011 of €1.0 million (2010: €2.3 million) is after a credit correction to previous years of €0.6 million (2010: prior year tax charge of €0.9 million). The effective rate, excluding these items, was 1.9% (2010: 2.1%).

### Cash Flow

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

## Financial Highlights (in € millions)

### Gross Income

2011	243.6
2010	173.1

### Total Revenue

2011	207.5
2010	142.3

### Adjusted EBITDA

2011	125.5
2010	103.1

### Adjusted Net Profit

2011	112.8
2010	93.2

# Financial and Operational Review

## Continued

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

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

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

### Investment in International Terminal Leasing and Intelligent Gaming Systems Limited

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

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

### Acquisition of Business and Assets of PT Turnkey Services Limited

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

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

### Acquisition of Mobenga AB

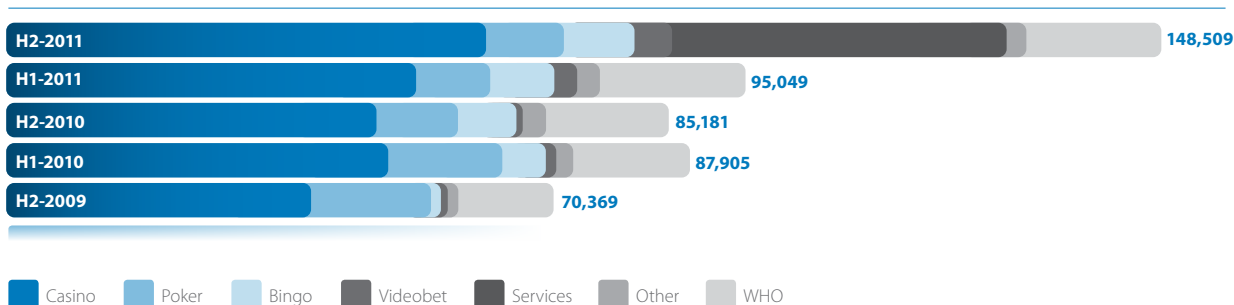
On 31 August 2011 the Group acquired 100% of the issued share capital of Mobenga AB (Mobenga), the leading mobile sportsbook betting platform provider and has a fast growing customer base.

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

### Acquisition of Ash Gaming Limited

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

### Gross Income by Product (in € thousands)



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

### Balance Sheet

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

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

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

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

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


### Dividend

At the time of the placing last year we confirmed that our new dividend policy going forward would target a 40% payout of adjusted net profit, and that Playtech would move to a one-third interim – two-thirds final dividend payment structure. We also indicated our intention to pay a combined interim and final dividend for the 2011 financial year.

Accordingly, the board has determined to pay a dividend in May 2012 for the 2011 financial year of 16.5 € cents per share. This represents a payment for the year of €47.7 million (2010: €46.1 million) representing an increase over last year's payment notwithstanding the amendment to the dividend payout policy.

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

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

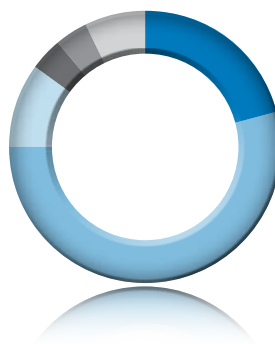


**David Mathewson**  
Chief Financial Officer  
15 March 2012

### Analysis of Costs and Expenses (€ in millions)

#### Adjusted Operating Expenses FY2011 (€118.1m = 100%) (excluding Dep & Amor)

Revenue-driven costs	25.1	21%
Employee related costs	64.3	54%
Administration and office costs	11.9	10%
Travel, exhibitions & marketing	4.7	4%
Cost of services	4.3	4%
Other	7.8	7%



## PT Turnkey Services

### A transformational transaction

**PT Turnkey Services (PTTS) brings operators an industry-leading marketing and services capability, and places Playtech in the best position for winning turnkey mandates in regulated markets.**

#### Summary:

- Providing marketing and ancillary services to operators of online gaming businesses
- Access to over 70,000 affiliates, the largest in the industry
- Enables the Group to be a single source supplier of online gaming solutions
- Delivers potential for turnkey services and joint venture partnerships

The acquisition of PTTS was announced on 10th March and completed on 1st July 2011. It brought a significant boost to the Group's B2B capabilities, including the opportunity to become a single source supplier of turnkey services as well as software. This is increasingly becoming the key focus for new entrants to online gaming in newly-regulated markets.

With operations principally in the Philippines and Bulgaria, PTTS offers low-cost economies of scale to its licensees, combined with significant relationships with e-commerce providers such as payment processors. Its affiliate marketing network is one of the largest in the industry with longstanding experience across many continents.

PTTS currently has over 60 customers, all of which are existing licensees of Playtech's software. They utilise a variety of services, principally hosting, network management and payment advisory. A smaller number

use PTTS's high-value marketing and CRM capabilities, which are some of the most significant in the industry. PTTS principally receives a revenue share, or where relevant for certain services, a percentage of deposits.

#### External and Internal Marketing Services

Central to PTTS's capabilities is its affiliate marketing network, which with access to over 70,000 affiliates is the largest in the industry. Extensive affiliate CRM, a sophisticated deal engine, and a substantial back office for advanced reporting, permission and deal management ensures operators receive the highest possible ROI from their affiliate marketing efforts.

An international media and advertising department create and implement campaigns and media strategy to aid the acquisition of new players. Promotions are delivered across both online and offline channels in order to maximise brand visibility and conversion.

#### Case study: Germany

## Gauselmann Group Joint Venture

**The capacity to offer a full turnkey capability has greatly enhanced Playtech's flexibility in addressing new markets and its potential attractiveness to new entrants in regulated jurisdictions.**

One good example is the German market which is currently reviewing its regulations following the expiry of the Interstate Gambling Treaty at the end of 2011.

Following intensive discussions and joint business planning, Playtech announced on 24th January 2012 a joint venture with Merkur Interactive GmbH, the online division of the Gauselmann Group. Together we will form an online gaming operation focussed on new opportunities as the German online markets regulate.

#### Summary

- Long-term joint venture with Gauselmann
- Utilising Germany's leading gaming brand, Merkur
- Formed in advance of expected revisions to German online gaming regulations
- Will offer broad-based gaming and sports betting products and services, where permitted
- Includes a related software licensing agreement with Playtech

#### Gauselmann

Founded in 1957, Gauselmann has developed its laughing Merkur sun into the most recognisable German domestic gaming brand. With Group revenues in excess of €1.5 billion in 2010 and over 6,000 employees, Gauselmann is one of Europe's leading gaming groups.

Search Engine Marketing (SEM) and Search Engine Optimisation (SEO) teams work to ensure high brand visibility utilising leading pay-per-click strategies, keyword research tools and market analyses. Social media specialists work with blogs, forums and social media sites including Facebook, Twitter and LinkedIn to create a strong presence for brands across the online space.

In addition to marketing services for the acquisition of new players, an internal marketing division ensures the effective retention and conversion of existing players. Responsible for the entire player journey, the internal marketing team proactively approach players via chat and guide them through the deposit process, introduce online promotions and create an exciting gaming environment. Player segmentation tools enable the specific targeting of players with the most relevant promotions, thereby maximising player spend and lifetime value.

#### Customer Relations Management

An experienced operational team provides operators with a range of CRM services, including 24/7 support, communication management and extensive business intelligence. Through detailed research and performance analysis, operators can run customised VIP and loyalty programmes to ensure maximum profitability and ROI.

#### Payment Advisory

A payment advisory team monitors all financial transactions; checks wagering calculations; and requests and reviews player documentation. Supported by business development, consulting services and legal teams, operators can offer players the most up-to-date, comprehensive and fully-compliant payment processing services.

#### Fraud and Risk Management

Using sophisticated analytical and statistical tools, the Fraud and Risk Management team constantly monitors chargeback ratio to guarantee maximum sales conversion. PTTS has developed an extensive knowledge base that enables the constant upgrade of forecasting abilities, in turn reducing fraudulent activity.

#### Hosting Services

The ability to provide co-location hosting services on a shared environment for both game server and end-user databases is particularly important for new operators in the regulated markets. The shared hosting environments are all situated in regulated locations around the world and fully comply with the regulations in each jurisdiction.

#### Poker Network Management

Playtech's iPoker network delivers the highest levels of liquidity in the industry, and through PTTS, operators are equipped with full network management support. Day-to-day operational services include the supervision of cash-outs and jackpot claims, cross-cage reconciliation, collusion prevention and monitoring of player complaints, server hosting, tournament set-up, 24/7 support and data analysis.

Gauselmann has operations across Germany focussed on the development and production of amusement and gaming machines and related gaming content, along with over 200 gaming arcades operated by its Merkur Spielothek division.

Internationally, it operates more than 200 gaming arcades in ten European countries and has a global distribution capability for its Merkur Slot/VLT machines and related gaming content. Gauselmann has additional interests including a retail and online sportsbook capability in Italy with over 75 shops; and a controlling shareholding in the UK-based games developer, Blueprint.

#### Joint Venture

The agreement to set up the joint venture is in advance of expected changes to German gaming regulations. This will enable the joint venture to prepare for the expected regulatory approval process where it will seek to be granted an online gaming license as soon as regulatory developments permit.

The proposed business activities will encompass online sports betting, gaming and gambling products which are regulated by the appropriate authorities in Germany. The joint venture will apply for specific regulatory licenses dependent upon each territory and gaming activity.



# PT Turnkey Services

## Continued

**PTTS delivers material value and expertise to its licensees across the key elements of player acquisition and retention, together with the opportunity to realise substantial cost efficiencies through the outsourcing of operational services which benefit from economies of scale.**

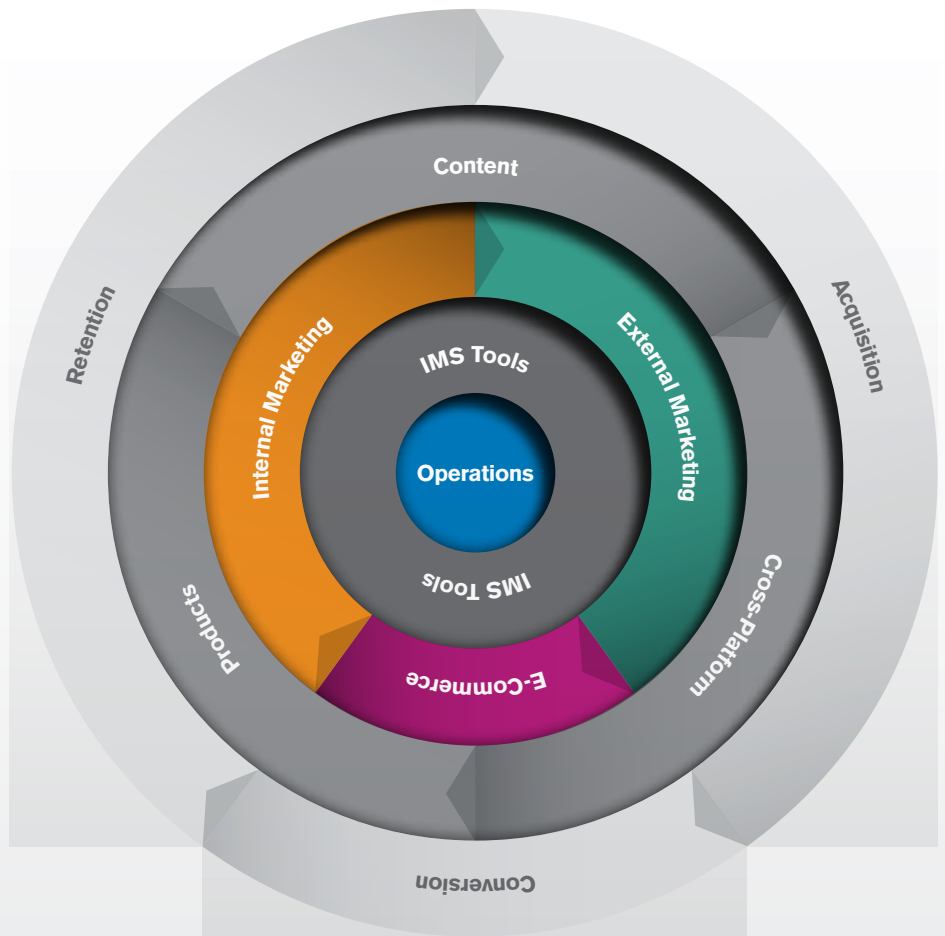
### Business Model

**In addition to marketing services for the acquisition of new players, an internal marketing division ensures the effective retention and conversion of existing players.**

Utilising Playtech's sophisticated IMS operator tools across the player lifecycle, and the highly experienced PTTS team can optimise the player experience and enhance player retention. This is key for maximising lifetime values from each individual player.

For new operators preparing to enter highly-competitive online regulated markets, Playtech's turnkey solution levels the playing field with experienced online operators and brings a decade of expertise to bear on their behalf.

When combined with Playtech's market-leading product suite, content and cross-platform capability, Playtech is becoming the supplier of choice to the online gaming industry.



## External marketing

### Maximising brand potential and new player signups

Attracting players to operators' websites through marketing campaigns, banner adverts, attractive bonus offers and exciting content. Providing expertise and extensive affiliate marketing relationships and deals.



## Internal marketing

### Keeping players happy and increasing players' lifetime value

Maximising retention and player lifetime value through individually targeted promotions and bonuses, proactive chat and excellent customer service supported by a low-cost operating environment.



## E-commerce

### Achieving the highest conversion through quick and secure customer deposits

Committed to safe and secure payment methods to support conversion and retention rates. Delivering economies of scale and optimal pricing through aggregated deals with payment processors.



## Operations

### Turnkey hosting operations and network management

Providing operators with facilities to outsource non-core operations and technology to low cost and highly efficient centres. Managing the player networks for the benefit of all.



## Products

### Casino

**Playtech's casino is the Company's flagship product, and continues to be the leading online casino in the industry.**



#### Highlights:

- Move to EdGE open platform solution, the leading games engine in the industry, utilising GTS
- Continued expansion into regulated markets including Italy, Denmark, and Spain
- Complete revamp of Flash and download platforms
- Move to monthly delivery of content, including new branded and seasonal-based games

With its open gaming platform, the Playtech casino offers the best games library in the industry, including unrivalled branded content, plus hundreds of games integrated from various third-party developers. A best-of-breed back office system provides unique bonusing capabilities, cross-selling and conversion tools to enrich the playing experience and leverage lifetime value.

The casino team's activities in 2011 focussed on delivering operators the highest-quality casino platform across both Flash and download platforms, with the successful release of more than 50 new games throughout the year.

In addition, Playtech launched a mini game and side game platform across multiple channels, which enables players to enjoy their favourite casino games and new releases whilst playing on other products including poker, live dealer games and bingo. The ability to offer players access to casino games across product verticals increases player engagement, maximises player value and provides additional revenue streams.

#### Open Gaming Platform

Powered by the EdGE technology, Playtech's open platform offers operators the opportunity to enjoy Playtech's own extensive content library, as well as hundreds of new games from various third-party game providers, all developed using the same EdGE technology. Combined with the strength and capabilities of Playtech's IMS, this open platform is unrivalled in the industry.

#### Games Portfolio

Playtech's expanding games library continues to incorporate a careful selection of branded games designed to help licensees draw in new players and continue exciting their existing players through mass-market appeal. The most notable 2011 releases include Kong: 8th Wonder of the World, The Mummy, Frankie Dettori, Mr. Cash Back and Iron Man 2.

A new segment was developed with branded scratch-cards content to be used as an acquisition tool in order to drive more traffic to the successful branded Slots. In addition, Playtech sought to maximise revenue during seasonal events with games such as Tennis Stars (developed for Wimbledon), Halloween Fortune, Easter Surprise and Santa Surprise.

2012 is set to be the year of the most branded game releases to date, which was kicked off with Monty Python's Spamalot and will soon be followed by The Sopranos, Cowboys & Aliens, Baywatch, Little Britain, John Wayne, Thor, Captain America and Marilyn Monroe, to name a few.

#### Download and Flash Revamp

2011 was one of the most successful years for the Playtech casino, with far-reaching improvements to the technology and usability of the platform, including a complete overhaul of the downloadable lobby. New features, graphic updates, and an advanced yet intuitive design enable easy navigation and instant access to the entire collection of casino games.

The Flash platform has undergone a few architectural changes to further improve the gaming experience. Its latest user interface incorporates several innovative new features such as a new in-game lobby, a desktop gadget where players can access their favourite games directly from the desktop, and the personalised game advisor feature.



Advancements to the segmentation and personalisation engine enable licensees to offer targeted games, promotions, and cross-selling features to individual, pre-defined player groups, based on their playing preferences. These tools can be employed across all of the casino platforms and are a key driver in increasing player loyalty and lifetime value.

#### Regulated Markets

In 2011, eight operators launched Playtech's casino product in Italy, making Playtech one of the dominant software providers in this newly-regulated market. The Italian package includes dozens of games in download and

Flash, and 2012 will see the continued penetration into this market with Playtech's most popular slot games, a package of soft games including arcade and semi-slot, full support for Playtech's progressive jackpot network, more table games, and tournament certification.

In addition, Playtech entered the Danish market with the launch of bet365's full casino solution, in download and Flash, and more operators are scheduled to launch in Denmark in the coming year. Playtech is also ready to pursue new business opportunities when the Spanish market opens in the near future.

#### Mobile and Tablets

Playtech is currently developing a new platform based on HTML5 technology, which will allow operators to offer the same robust casino platform and best-of-breed content on mobile and tablet devices.

## Products Games

**The recent acquisition of Ash Gaming will provide an entire new portfolio of proven content, which will be embedded in the Casino platform during the year and offered to all our Casino licensees.**



#### Highlights:

- Broadening the reach of games across channels and platform
- Notable 2011 releases include Kong, The Mummy, Frankie Dettori, Mr. Cash Back and Iron Man 2
- Seasonal launches for sporting and festive occasions

#### Games Tab

Playtech's open platform was developed by Gaming Technology Solutions (GTS) which was acquired in December 2009. GTS partners with industry-leading game developers around the world, and through its Enhanced Gaming Engine (EdGE) operators have access to content from these third-party suppliers, enabling a regular offering of new games in addition to localised content for particular markets.

The games library is continually expanding, as developers come up with new and exciting games and variations.

Operators can choose from over 500 games via the EdGE platform, from over 20 different content providers. Along with integration to any games, bingo or casino offering, operators have the option of embedding 'mini' or popup formats into their live sportsbook application.

The platform was designed as a cross-channel content delivery solution, with the ability to seamlessly integrate games to new and existing online operations, either as a downloadable client or web-based product. Games can be implemented across the entire product portfolio in a single integration, enabling cross-selling opportunities between all channels.

The incorporation of the EdGE system into Playtech's IMS provides licensees with additional tools to manage their online operations, including comprehensive reporting, account management, customer support and promotional tools. EdGE also forms part of Playtech's cross-platform solution; games on the platform can be played on PC, mobile and TV using one username and login.



## Products

### Live Games

**Bringing live games to multiple platforms including web, TV, mobile, and tablets, Playtech's live product takes the authenticity of the land-based experience into the home and on the go.**



#### Highlights:

- First to successfully deploy live games on mobile and tablet devices
- TV broadcast games experience a major boom in regulated markets

Playtech's live offering drives important cross-channel traffic, blurring the boundary between land-based and online environments. The live dealer and TV formats attract a broad range of participants who enjoy interaction with the dealers, the sense of trust when playing with real cards on real tables, and the enhanced community-feel of the playing experience, across a range of casino table games.

#### Live Dealer Games

Playtech's live dealer centres are designed as real, land-based casinos, which enable operators to attract traditional land-based players into the online arena. Live games also play a key part in an operator's conversion strategy; the option to use a private table area allows operators to fully promote their brand and other product offerings, through specific targeted promotions.

Operators can offer fully-integrated casino mini games alongside the live dealer games, generating valuable cross-selling opportunities. 2011 was a year marked by important advancements aimed at enhancing and maximising player engagement, including much faster streaming capabilities. The live product was also completely revamped with a clear and efficient user interface, with the lobby broadcasting live footage from the studio, allowing players to immediately experience the live land-based 'look & feel' of the studio.

The European studio in Riga, renovated in 2010, further expanded last year with the introduction of the 'Ruby Room,' an exclusive area where active players are permitted to enter and bet with higher limits. This development, combined with newly-added tables and dealers, provides Playtech's operators with greater versatility when it comes to attracting and retaining more players.

The Asian live dealer studio was officially acquired by Playtech in Q4 2011. Following acquisition, it underwent a substantial overhaul both on studio and software levels. It is now in line with the European standard and designed to effectively appeal to the needs of the growing Asian market, where it is currently the leading live product.

#### New Mobile and Tablet Platform

Playtech's Live dealer games have recently been customised for iPhone, Android and Tablets, making it the first live product in the market to be available on this platform. Following the ability to manage video synchronization on mobile devices, players on the web, mobile devices and tablets can now seamlessly connect on one live table.

#### TV Broadcast Games

Playtech's TV broadcast games support an unlimited number of players on one game, at any one time and allows operators to take advantage of television's market penetration. One of the product's goals is to attract a mass audience, with an entertaining, softer gaming format.

The Live Studio and 3D Animated formats present games such as Roulette and Keno, which are broadcast on leading channels including Virgin, Sky and on a number of Freeview channels. Games can be played simultaneously through a broad range of platforms, including web interface, IVR (voice telephony), SMS and mobile. In 2011, Playtech's TV broadcast games experienced considerable growth in its core UK market, and expanded into the Italian regulated market. It also prepared for entry into the Spanish market, once regulated.



## Products

### Videobet

**Videobet provides a complete end-to-end solution for land-based gaming operations, ranging from standalone gaming machines to server-supported Fixed Odds Betting Terminals (FOBT) and full server-based Video Lottery Terminals (VLT).**



#### Highlights:

- Transformational year, becoming the UK's market leader
- Over 20,500 FOBTs converted or upgraded
- International expansion underway

Videobet provides a complete end-to-end solution for land-based gaming operations, ranging from standalone gaming machines to server-supported Fixed Odds Betting Terminals (FOBT), and full server-based Video Lottery Terminals (VLT).

The Videobet product encompasses both terminal software and control systems. These can be configured to meet a wide range of operational requirements, from VLT or remote multi-site operations to casino and slot hall management. Videobet provides access to the entire Playtech games portfolio, including all branded and licensed content.

For an operator, the core of the offering is the server-based technology that allows for remote management or on-demand changes. These range from real-time management of games or bonuses, remote updating of software, or full terminal-level financial reporting and control.

Videobet works closely with its licensees to ensure that the product is localised to meet their specific requirements. The unified back office system allows for real-time monitoring, control and updating of all gaming machines from a single application and has the ability to connect to, and monitor, machines from third-party vendors.

#### 2011 Performance

Videobet has had a transformational year. By the end of 2011, in conjunction with The Global Draw, the UK's leading provider of server-based gaming terminals, Videobet had deployed over 20,500 FOBT conversions and upgrades and over 5,200 cashier/POS conversions across the UK. Videobet also worked to enhance its capacity through upgrading its main data centre and its replica back-up data centre. With multiple levels of redundancy and fully-supported disaster recovery mechanisms, Videobet's business-critical infrastructure needs are served by some of the most complete, reliable and capable technology solutions in the gaming industry.

Building on this strong foundation, Videobet is now delivering content, feature updates and enhancements to its existing markets. It is also pushing forward with new ventures, deploying its technology into European and South and Central American markets. Preparatory work has included certification from a significant test lab, GLI for Puerto Rico, a US-protectorate.

#### Casino Management Systems

Playtech acquired Intelligent Gaming Solutions (IGS) in January 2011. IGS is a rapidly-growing provider of software-based casino management systems to land-based casinos.

It has developed an enterprise-level suite of casino management software which manages electronic and table gaming, poker CRM, accounting and security. This software is highly scalable, delivers real-time analysis of the gaming floor and provides mobile applications for the iPod and iPad designed to deliver enhanced player value.

Since acquisition, IGS has made significant progress with its work on management systems for the two largest casinos in the UK: the Aspers Casino in Stratford, which opened in December 2011, and the Hippodrome Casino which is scheduled to open in May 2012. At present, over a dozen casinos already use IGS systems to manage their entire land-based operation.

The integration between the IGS land-based systems and the Playtech online platform is unique, positioning Playtech as the leading provider of multi-channel gaming solutions worldwide.



Videobet machines at ICE gaming show.



## Products

### Poker

**Home to Europe's leading operators, Playtech's iPoker network is the largest independent poker network in the world, with over 30,000 concurrent players at peak time.**



#### Highlights:

- Secured the largest network position in the global .com market
- €25 million given away in guaranteed tournament prizes across the network and €2 million in jackpot prizes
- Q4 showed 15% liquidity growth
- Launch of the exclusive Poker side-betting game 'BackBet'
- Development of revolutionary software UI and the exclusive 'Widget Bar' application

#### Software Enhancements

One of iPoker's major objectives in 2011 was to enhance the player's experience across the network, primarily by improving the user interface of the poker lobby. Superior performance, memory usage and high-resolution options now ensure a smoother game flow for players, delivering continuous, uninterrupted gameplay. The lobby integrates cutting-edge design elements with slide animation, reflective of iPoker's forward-thinking approach when it comes player retention and generating a consistent stream of revenue.

Further work has been undertaken preparing for additional developments to add greater personalisation to the network to drive deeper player engagement and achieve higher player retention and lifetime value.

#### Regulated Markets

The regulated Italian iPoker.it network continues to have a strong presence in the market, with 15% market share making it the largest online poker network in Italy. Following the regulatory progress, Playtech was the first to certify its cash games and tournaments with buy-ins of up to €250, contributing significantly to its licensees' revenue stream. Playtech owes this strong positioning in the online market to its long-standing media presence in Italy;

another major advantage for licensees.

One example is the strongest cash table campaign to date, entitled 'A Million for All' which gave away a total of €1 million in prizes.

Playtech maintains its position as the leader in the market with its aggressive approach to new regulated markets. In the coming year, iPoker will launch a certified platform in compliance with Spanish and Danish gaming regulations.

#### iPoker Tournaments

The iPoker networks provide centralised table and tournament management, enabling operators to take part in a range of regular network tournaments for a fraction of the marketing costs or prize exposure if offered on a standalone basis.

Tournaments include online satellites to land-based events and daily, weekly and monthly tournaments offering over €10 million in guaranteed prize money every month.

With over one million cash table hands played every day, and more than 100 scheduled daily tournaments, players on the iPoker network have constant access to plenty of fast-paced play. iPoker's operational management services include collusion and fraud prevention and a dedicated 24/7 online support team, to ensure the smooth operation of every poker room on the network.

#### iPoker's First Ever Land-based Event "iPOPS Live"

The iPOPS tournament has an online and a land-based component, which occur simultaneously. iPOPS online includes four main events with \$1 Million in total guaranteed prizes. As soon as there are three final tables, the game is paused in order for the players to complete the tournament in a live casino. At the same time and in the same live casino, players are participating in the iPOPS Live event with buy-ins of €770. In merging the land-based and online experience, iPoker is exploring unique ways to continue engaging players on all levels.



# Products

## Bingo

The bingo network of choice for blue-chip gaming companies across the UK and Europe, Playtech's Virtue Fusion networks provide an award-winning bingo offering, connected to the industry's largest bingo liquidity pool with close to 60,000 daily players.



### Highlights:

- Further strengthened its position as the largest bingo network in the .com market
- Migrated Italian licensees from Playtech's legacy bingo product to the Virtue Fusion product
- Launched market flexible loyalty programme
- Full integration with GTS EdGE platform

The Virtue Fusion multi-currency and multi-lingual product services over 25 operators across its .com and regulated Italian networks. A product offering of the industry's largest range of bingo variants, branded content and side games delivers peak traffic of up to 15,000 concurrent daily players driving over €165 million in total stakes-per-month.

### Product Development

Virtue Fusion has continued to focus on adding value across its licensee network through ongoing product development. A notable development being its flexible loyalty system, allowing each licensee to set up a completely bespoke loyalty programme for its players by assigning specific programme names, different numbers of loyalty levels, a range of accrual rates per level, and various redemption rates per level and per bonus category.

The popularity of side games saw the integration of GTS EdGE with Virtue Fusion to give licensees access to Playtech's ever increasing suite of market-leading branded and proprietary games in mini and full-screen formats.

### Regulated Markets

Following the migration of its Italian licensees to Virtue Fusion's award-winning bingo product, Playtech solidified its position within the Italian market with market share of close to 25%.

Virtue Fusion continues to invest in an ever-developing Italian bingo market with focus on localised product enhancement; the introduction of casino side games; and growing the network through the introduction of new licensees.

In the coming year, Virtue Fusion will look to bring additional licensees to its Italian offering and expects to establish networks in newly-regulated markets.

### Virtue Fusion Networks

Virtue Fusion's .com and Italian networks provide substantial liquidity, enabling operators to offer the most attractive promotions and prizes, appealing to a broad spectrum of players in their target markets. The benefits of network-wide game management allow operators to take advantage of the professionally run chat rooms, with over 300 part-time dedicated chat moderators that provide player interaction in a wide range of languages.

Unrivalled bingo value for players is matched by jackpot pay-outs in excess of €1.9 million per month.



## Products

# Sports Betting

**Playtech's sports betting capability has been transformed with the acquisition of two market-leading developers focusing on mobile and online segments.**



### Highlights:

- Acquisition of mobile sports enabler, Mobenga
- Acquisition of next-generation sports platform developer, Geneity

### Sports

Playtech has substantially increased its sports betting capabilities in the past year and now has a highly sophisticated solution across both online and mobile channels. This has come through the acquisition of two software companies, which together form the platform for a market-leading sports offering.

### Mobenga

In August 2011, Playtech acquired Mobenga AB, a leading developer of mobile sportsbook platforms. Its solution allows operators to have a fully integrated mobile sports betting offering alongside their online operations, delivered seamlessly onto handheld devices including smartphones and tablets, across a number of operating systems. More information on Mobenga is set out on the opposite page, in the mobile product category.

### Geneity

In January 2012, Playtech acquired Geneity Limited, developer of a next-generation and fully featured sportsbook. Designed to take advantage of the latest trends, concepts and technologies, Geneity's sportsbook platform, GenBet, has sought to provide significant structural improvements on existing management systems to take Playtech's sportsbook offering to the next level.

The GenBet architecture is modular in design, robust, proven and highly scalable allowing the same basic system to be tailored to both large and small operators. The platform has been designed to address bottlenecks experienced in traditional sportsbook platforms, whether in terms of speed of pricing or bet placement, or in development time-to-market for client-facing tools and features.

Benefitting from modern development language and the latest operating and database systems, GenBet allows for simultaneous processing of multiple transactions. Together with features such as active in-memory database at the 'middleware' layer, this structure improves responsiveness and efficiency, greatly reducing latency which is increasingly important in the in-play segment. This next generation architecture gives both cost and scale benefits, as well as enhanced flexibility to the operator.

### Innovative Trading Tools

Automated event setup and settlement tools allow operators to manage large numbers of events and markets with little operational overhead. GenBet's direct integration with pre-match and in-play pricing algorithms can dramatically reduce trader workload. All events can be managed by GenBet's contemporary trading screens, designed to provide traders the capability to manage their live content from a single screen, or exclusively by automated feeds from a selectable choice of suppliers for different categories.

Real-time bet management tools provide the trading team with unrivalled flexibility in customer interaction whilst full multi-lingual/multi-currency functionality configurable by sales channel supports a highly advanced per-view pricing. This allows different prices to be offered on the same market, across multiple jurisdictions where varying levels of taxation apply, or simply to offer incentives to customers across certain channels.

### Complete Solution

GenBet has been designed for delivery to web, mobile, retail, self-service and telebetting channels, supporting both online and offline operations. Extensive application interfaces, both customer-facing and at the system level, give operators the advantage and flexibility to integrate new content and interfaces directly into the GenBet platform using their own development resources.

GenBet's integrated content management system offers comprehensive site customisation, with the ability to schedule and preview content in advance, enabling operators to provide a rich, attractive customer interface. The interface can be complimented by Playtech's extensive library of side games; the largest in the industry. GenBet is available to operators as a traditional sportsbook, or a fully-managed solution.

The GenBet sportsbook will be integrated into the IMS player management system to take advantage of its back office infrastructure over the course of the first half of 2012. This will enable full player lifecycle management, VIP and affiliate management, cross-product marketing campaigns and promotional administration to be managed from within a single interface, and across all gaming products.



## Products

### Mobile

**An integral part of the cross-platform offering, Playtech Mobile enables valuable operator cross-selling opportunities across casino games, poker and live sports betting.**



#### Highlights:

- Significant enhancement of mobile gaming capabilities
- Launch of live dealer product
- Launch of 'Frankie Dettori's Magic Seven' on Mobile
- Acquisition of Mobenga broadens offering into sports

Playtech Mobile supports a range of products, increasing valuable cross-selling opportunities for operators. In what is a very fast-growing gaming channel, Playtech has significantly enhanced its mobile capabilities in 2011 with developments both in mobile gaming, and through the acquisition of Mobenga AB, the leading developers of mobile sportsbooks.

#### Mobile Gaming

In 2011, mobile support for Playtech's live dealer platform was introduced, leading the mobile industry with unique Android and iOS apps that combine live streaming and real-time gaming.

The live dealer mobile platform retains all the functionality of its online counterpart for the mobile UI, including live chat with the dealers, neighbour bets and statistics.

In an effort to bring the best games to the mobile platform, Playtech's exclusive branded hit, 'Frankie Dettori's Magic Seven', was launched as a mobile slot in Q4. Featuring video footage and rich audio from the horseracing legend's winning races, this game is a strong choice for mobile given its mass-market appeal. Mobile bingo is in the last stages of development, and will soon allow players to plug-in to Playtech's bingo network, accessing the same jackpots and prizes found online, with the ability to pre-purchase tickets via their mobile.

Following extensive certification and compliance processes, the mobile delivery division has made enormous progress in bringing Playtech's games to regulated markets such as Italy, with Wingo.it and Betfair. The expansion of mobile, both product-wise and market-wise, continues to be the focus of the coming year.

#### Mobile Sports Betting

Mobenga is the leading provider of mobile sportsbook betting platforms, with a fast-growing base of licensees, including major brand names from all over the world.

Mobenga provides mobile sports betting platforms for smartphones and tablets, across Apple iOS, Android and HTML. Its innovative multi-platform offering, scalable technology and growing list of leading licensees led to the Company being awarded the prestigious 'Rising Star of the Year' at the eGaming Review B2B awards in 2011.

The flexible offering can be fully customised to properly reflect an operator's brand through the design, look and feel of its mobile channel, complementing the online offering and maximising conversion potential. By smoothly integrating with virtually any betting software and content provider, Mobenga ensures that an operator's mobile identity and functionality are aligned with that of its online product. Operators also have a range of advanced features at their disposal, such as a touch user interface (TUI) and fully-integrated, live video streaming.

Mobenga brings Playtech's licensees the technology and experience to succeed in what is a key segment of future growth in the online gaming industry, with a mobile sportsbook that will strengthen any operator's offering.



## Products

### IMS

**The IMS is the backbone of Playtech's offering. Controlling all products and generating higher levels of player conversion and retention potential, it drives profitability through maximising cross-selling opportunities.**

Sophisticated CRM tools enable operators to better understand players' gaming behaviour, using a single interface that generates reports to analyse every player on the network, or a predefined segment.

The IMS is a cross-platform infrastructure enabling online, broadcast, mobile and land-based platforms to be managed through a single administrative system. Recent innovations include a quick deposit feature located in all lobby and game windows, making depositing an easy and immediate process. In addition, a ring-fencing feature enables players who are registered at a multi-product brand to facilitate play and bonusing without the need for funds transfer. Together, these tools enhance an operator's ability to attract, convert and retain their player base, while encouraging players to try new or unfamiliar products, enhancing player yields.

#### Dashboard for KPI Monitoring

Enhanced analysis tools allow licensees to generate reports and statistics on all aspects of their players' activity, enables the crucial segmentation of the player base, and helps define marketing strategy and future spend.

A dynamic new operational dashboard was added in 2011. This powerful tool provides an at-a-glance view of KPIs, using clear graphs and charts to display key business trends including player numbers and activity, earnings per active player, player churn, bonus costs, deposits, withdrawals and declines. These real-time reporting and advanced marketing tools play a key role in player retention and conversion.

#### Player Engagement

With the tools to understand their players, licensees can devise appropriate marketing strategies accordingly. Furthermore they can communicate these promotions in the most relevant way to a particular player segment, through offline and online communication tools, and chat applet, all in multiple languages.

In 2011, enhancements to the player engagement capabilities included a new customer ticketing system and configurable chat alerts for the licensee's customer support and sales teams. These tools significantly increase the number of player events the customer service staff can monitor and react to in real time. For example, in addition to sign-ups, successful and declined deposits, alerts can now be set for specific player events, such as when they make large deposits, request large withdrawals and win a large amount in a single game round.

Playtech has created a completely new, fully-customisable method of awarding players bonuses in order to encourage to play. The system allows licensees to offer players a slate of bonuses, each one personally tailored to each specific player. This provides players with information about all of the potential bonuses available, giving them the opportunity to choose which bonuses they want and what amount they would like to receive. As a powerful player retention tool, operators have the maximum opportunity to retain players on their system.

#### Support for Regulated Markets

As an industry leader in regulated markets, Playtech is committed to providing a back office solution that allows licensees to operate with confidence in regulated environments. During 2011 Playtech provided support for licensees operating, or preparing to operate, in Italy, France, Spain and Denmark.

These projects included support for new licensing requirements both on a product level, and for a turnkey solution in certain countries. Such efforts ensure that operators are compliant with the regulatory requirements across all of their product offering, and is a key benefit of the IMS platform, providing a single point of contact for regulatory reporting systems no matter what product or channel.

#### Case Study: IMS as full back office solution

## Gala Coral

**In July 2011, Playtech announced that it had signed a significant, long-term software contract with major international gaming group Gala Coral, to provide its leading technology platform and gaming products to Gala Coral for its online gaming businesses.**

Playtech will provide a full range of gaming products, in addition to its cutting-edge IMS gaming management platform, which will be utilised across all products to provide full player management, player retention and back-office tools.

This is a unique offering that will allow Gala Coral to enjoy advanced management tools across all areas of its business. The platform will support Gala Coral's entire product range, including sports betting, and over time will be able to provide a seamless solution across online, remote and land-based channels.



## Partnerships

### Joint Venture: William Hill Online

**William Hill Online delivered an outstanding performance again in 2011, recording a second consecutive year of revenue growth of greater than 20%.**

In December 2008 the leading UK land-based betting company, William Hill PLC, acquired from Playtech a series of online gaming websites and an online marketing and customer services company. Playtech received a 29% stake in William Hill Online (WH Online) in return for the acquired assets.

Through the acquisition of assets from Playtech, WH Online substantially increased the scale and sophistication of its online marketing abilities. WH Online quickly became established as one of the top three European online companies by profitability; extended its reach beyond the UK and into Europe; gained access to best-in-class poker and casino software; and brought in substantial online marketing expertise and a European customer services infrastructure.

Playtech receives a revenue share on its licensed products, together with its share of profit from the enhanced operations. This gives Playtech financial exposure to one of Europe's leading gaming operators, including WH Online's substantial sportsbook.

William Hill PLC has call options to re-acquire Playtech's 29% stake in 2013 and 2015. WH Online has a minimum five-year licensing agreement for Playtech's market-leading casino and poker software.

It is a licensee of Playtech's Virtue Fusion bingo network, as well as Playtech's locally regulated Italian poker network and casino platform. WH Online outsources its customer services operations in Manila from PTTS, although this is managed directly by WH Online personnel.

#### 2011 Financial Performance

WH Online delivered an outstanding performance again in 2011, recording a second consecutive year of revenue growth of greater than 20%.

Net revenue was 28% higher, supported by continued strong growth in the sportsbook, with gaming net revenue advancing by 24% in total. Within gaming, all of the product verticals of casino, poker and bingo grew in net revenue.

Marketing investment was equivalent to 27% of net revenue, and this growth in marketing was partly due to WH Online's entry into the Italian regulated market. Overall online costs were up 31%, primarily as a result of a step-up in marketing investment as well as increased employee costs, particularly in IT, marketing and operations teams.

Operating profit was 17% higher than in the prior year, resulting in a non-controlling interest for Playtech of €36.1 million for the year (2010: €30.8 million).

WH Online entered the Italian market in 2011.



#### Other Partnerships

Playtech's strategic relationship with Scientific Games has delivered some notable successes in 2011. Working with Scientific Games' UK gaming machine subsidiary, The Global Draw, Playtech rolled out Videobet software to over 20,000 FOBT gaming machines across the UK in the first half of 2011. This was a hugely successful deployment and is discussed in more detail in the Videobet product section on page 31.

In addition, the two partners worked together to achieve the groundbreaking agreement with COPA, the association of 60 Californian tribes and card rooms, announced in May 2011. Having revised the formal legal structure of Sciplay in early 2012, Playtech and Scientific Games will continue to look for joint opportunities across both lottery and other channels where each party can add significant value to a combined proposal.

Playtech is also working closely with Sportech plc to identify opportunities to work together, particularly as the US looks to make progress towards regulations in certain states where Sportech has existing operations.



## Board of Directors

### Dedicated to delivering value

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**1.**  
**Roger Withers (aged 69)**  
**Non-Executive Chairman**

Roger started his career with Booz, Allen & Hamilton as an international management consultant and, subsequently, has over 30 years experience in the leisure and gaming industries. In 1973, Roger joined Ladbrokes where he held a number of senior positions in the bookmaking, casino, lottery and gaming machine divisions. In 1986, he joined Bass where his roles included managing director of BMLS and Coral Racing and executive chairman of Bass Leisure, South Africa.

He retired from Bass in 1998. Since then, he has held a number of other non-Executive directorships, including chairman of Arena Leisure plc as well as with a number of substantial privately-held companies in the property, technology, publishing and exhibitions sectors. He is also currently non-executive chairman of Sportech plc, the pools and tote betting company.

**2.**  
**Mor Weizer (aged 36)**  
**Chief Executive Officer**

Mor was appointed as the Group's Chief Executive Officer in May 2007. Prior to this he was the chief executive officer of one of the Group's subsidiaries, Techplay Marketing Ltd, which required him to oversee the Group's licensee relationship management, product management for new licensees and the Group's marketing activities.

Prior to joining the Playtech Group, Mor worked for Oracle for over four years, initially as a development consultant and then as a product manager, which involved creating sales and consulting channels on behalf of Oracle Israel and Oracle Europe, the Middle East and Africa. Before this, he worked in a variety of roles, including as an auditor and financial consultant for PricewaterhouseCoopers and a system analyst for Tadiran Electronic Systems Limited, an Israeli company that designs electronic warfare systems.





3.

**3.**  
**David Mathewson (aged 64)**  
**Chief Financial Officer**

David is a qualified chartered accountant with significant experience in the banking and finance sectors as well as in the gaming industry. He served on the board of Rodime Plc (renamed Sportech plc following the acquisition of Littlewoods Pools) for 13 years and was chairman until 2006. He was previously a director of corporate finance at Noble Grossart Limited and a non-executive director at Noble & Co Limited.

Until May 2010, Mr. Mathewson was Senior Independent director at Edinburgh UK Tracker Trust plc, where he served on the board for 12 years. He was appointed a non-executive director of the Company on 10 June 2010 and took up his position as Chief Financial Officer in May 2011.



4.

**4.**  
**Alan Jackson (aged 68)**  
**Non-Executive Director**

Alan has over 30 years experience in the leisure industry. From 1973 to 1991, he occupied a number of positions at Whitbread, principally as managing director of Beefeater steakhouse and also the Whitbread restaurant division where he was responsible for the creation and development of the Beefeater, Travel Inn and TGI Friday brands.

In 1991, he founded his own business which became Inn Business Group plc in 1995 and was subsequently acquired by Punch Taverns plc in 1999. He has been chairman of The Restaurant Group plc since 2001. He is also chairman of Charles Wells Limited and deputy chairman and senior non-executive director at Redrow plc.

In addition, until 4 November 2011, Barry Gibson served as a non-executive director. The Company is currently looking to appoint an additional non-executive director to replace Mr Gibson.

## Our People

### Playtech's people are its key asset

**Attracting the best talent, together with motivating and retaining employees, is fundamental to Playtech's business sustainability and industry leadership.**

#### Locations and People

Playtech is headquartered in the Isle of Man and has seven main offices, including principal software development centres in Estonia (Tartu and Tallinn), Bulgaria, the UK (London and Ipswich) and Israel. Its new services business has substantial offices in Bulgaria and the Philippines as well as a corporate centre in Cyprus.

In 2011, Playtech employed an average of 1,737 people. At the end of the year, total headcount had increased by nearly 100% to over 2,300 people.

The new services business comprises marketing services, operational services, advisory services and poker network management, with over 650 staff located in the Philippines and more than 275 in Bulgaria. Of these business units, the internal marketing and customer service unit has the largest headcount and includes a dedicated group of over 300 staff in the Philippines who service William Hill Online (WHO) and report directly to WHO's management.

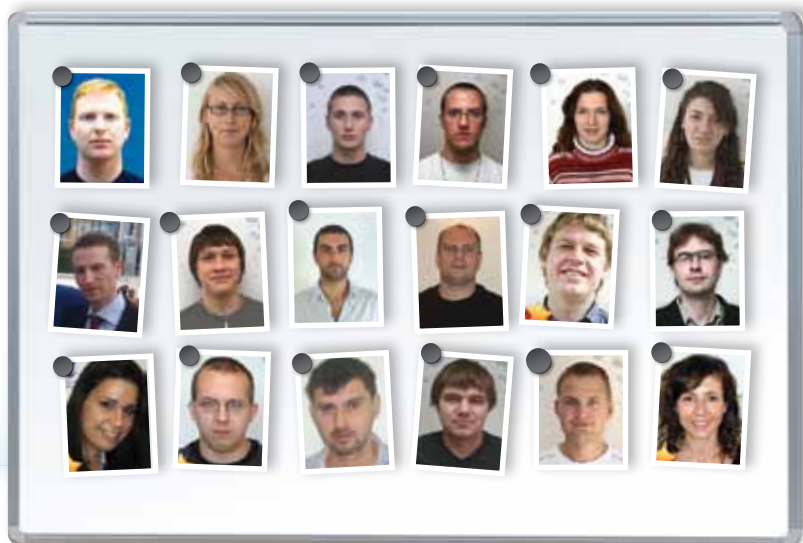
Marketing and customer service teams are located in both the Philippines and Bulgaria. The team in the Philippines focuses mainly on English-speaking players, whilst the Bulgarian team has a broader language capability. A wide range of ancillary services such as risk and fraud management, payment advisory and infrastructure management are also provided from these two locations.

In addition to the permanent headcount, Playtech has initiated a programme to outsource certain ancillary development and service activities, which are predominately production-related rather than software development. This will speed up time-to-market for routine upgrades and free up key development resources. Playtech's outsourcing partner, Ciklum, is an experienced service provider with a facility based in the Ukrainian city of Kiev. PTTS also outsources some basic e-marketing processes and reconciliation activities.

#### Employees of the Quarter

A number of employees are recognised each quarter for their outstanding contribution to the business and its licensees.

These employees were recognised as 'Employees of the Quarter' in 2011.



**Average Number of Employees**

**1,737** +55%  
2010: 1,122

2011	1,737
2010	1,122
2009	817

**Product Development**

Playtech's software business is structured along product lines, with separate business units for each product area, such as the IMS, casino, poker, bingo and sports, and across the online, live dealer, mobile and land-based delivery channels. This structure aims to ensure that Playtech can manage the demands of increasing operational scale, as existing licensees develop and new customers migrate to the Company's gaming platform.

In practice, this approach co-locates product teams so that, for example, those employees working on Playtech's casino product are all located in Tartu, Estonia, with content and software developers, quality assurance and product delivery teams working closely together on the same office floor. This approach enhances collaboration and enables the team to quickly identify and resolve any technical issues that may arise. In 2011, Playtech deployed a new software delivery management process which has

reduced the time-to-market for new games and launch time for new licensees. The Company's intelligent approach to managing project workflows is increasingly becoming a significant competitive advantage when compared to its peers.

Playtech has also looked to utilise outsourcing resources, or to deliver a greater ability to licensees to self-manage their content. This greater degree of control has benefits for the licensee in terms of faster deployment time for new content and helps to maximise the productivity of Playtech's development teams.

**R&D and Customer Service**

Playtech's R&D operations are among the biggest in the online gaming industry and employ over 850 people, principally devoted to software development. The scale of Playtech's R&D function helps it to maintain a competitive advantage in technology innovation, content development and product pipeline.

The Company's extensive experience and capabilities enable it to be neutral as to the technology platform or system when developing new solutions for licensees so that it is able to offer its market-leading products and services to the widest possible customer base. This flexibility offers a substantial advantage as licensees increasingly look for a combination of both download and browser-based formats for the same games, and across platforms ranging from online to mobile and gaming terminals.

The service-orientated philosophy underpinning Playtech's content development activities can also be found in its product and infrastructure operations, with a team of over 150 people providing a 24/7 support service to licensees.

From the beginning of every project, Playtech supports its licensees, drawing on over a decade of experience with more than 90 licensees. Dedicated teams, staffed by professionals from all disciplines, provide complete project and launch management, assisting with strategy, business planning, compliance and regulatory requirements, through to recruitment and team building.



New office locations in Tartu (Estonia) and Sofia (Bulgaria).



# Our People Continued

Playtech provides its customers' operational teams with an intensive two-week training programme ahead of launch. Thereafter, each licensee is assigned an experienced account manager who provides day-to-day support and a point of contact. Customers can draw on a pool of product and technology specialists to advise on any issues, and a consulting team provides value-added input to optimise the tools available on the Playtech platform.

### Valuing Our People

Playtech's market-leading position is a significant asset in its efforts to attract the best talent in the industry. Candidates are drawn to Playtech by the combination of its highly motivated, entrepreneurial team culture and its breadth of knowledge and ability to harness cutting-edge technology. This has also been an important factor in Playtech's corporate acquisitions, where the potential to benefit from such a large and

experienced support network has been a key discussion point and decision factor for a management team assessing the benefits of joining Playtech.

Playtech's culture focuses on the continued improvement of its workforce, driven by a strong ethos of innovation, technological development and the delivery of market-leading performance. Many of Playtech's new employees are referred by existing staff, reflecting the Company's focus on developing a close-knit collegiate corporate culture. Ongoing training and career development are important elements of Playtech's sustainability efforts. These are discussed in detail on page 44.

### Employee Performance

Whilst the development of market-leading software and products is at the heart of Playtech's growth, licensees naturally expect 24/7 operational performance and efficient

delivery. The Company's business units are integral to ensuring Playtech meets the requirements of its licensees, and employees are rewarded accordingly.

Playtech's appraisal system is based around individual business unit and Group-wide objectives, which are directly aligned to the Group's strategy and deal with specific areas of implementation and execution. Employees have clearly defined objectives and targets that are set in each review period and their performance is routinely measured against these objectives. Employee remuneration which includes competitive salaries and cash bonuses is set by reference to the achievement of these objectives, and by the demonstration of other competencies and contributions to the Group. A revised long-term, share-based incentive scheme to attract and retain the best operational and business managers is currently being implemented.

### GIQ Hot 50

Playtech had more people represented in leading gaming magazine GIQs 'Hot 50' than any other industry participant.



## Key Members of the Central Management Team



### Ron Hoffman VP Finance

Ron joined in 2004 and spent the last eight years managing the financial department at Playtech, including its listing on AIM in 2006, supporting the growth of the business through its operations and financial planning and reporting. Previously held senior managerial position at Ernst & Young.



### Rafi Ashkenazi Chief Operating Officer

Rafi brings extensive experience and knowledge having been with Playtech for more than six years, holding different senior roles within the organisation including a director on the Board, COO, which he now resumes, and VP Business Operations.



### Paul Wright Company Secretary and Legal Counsel

Paul has over a decade of legal and company secretarial experience with listed companies. He was Company Secretary and General Counsel at FTSE 250 listed Taylor Nelson Sofres plc until 2009 and before that had several years experience as a solicitor with leading London law firms.



### Shimon Acad VP Operations

Joined Playtech in 2011 heading Videobet operations, and was recently appointed as VP Operations for Playtech, responsible for development, delivery and day-to-day operations. Has over five years of software development experience and 15 years of management and international land-based gaming experience.



### Uri Levy VP Business Development

Responsible for overall business development activities including M&A, distribution, rights and content partnerships. Joined in 2008 having been the CFO and CEO of Win Gaming Media Inc., a US-listed company, and VP Finance of a leading state development company up to its privatisation.



### Liron Snir VP Customer Relations

Joined Playtech in 2007 to manage the Projects team, responsible for management of both commercial and technical relationships with Playtech licensees, and is now VP of all client relationships. Has over 12 years industry experience including five years at leading operator, 888.



Playtech had a very substantial presence at the ICE gaming show in London in January 2012.



## Key Risks

### Managing for a sustainable future

**Achieving Playtech's strategic goals whilst minimising some of the key risks will deliver a sustainable business and long-term growth.**

There are general risks faced by the business together with more specific risks to Playtech, which are discussed below. Risks related to the industry we operate in are also covered in the Industry Overview section on pages 16 and 17.

The risks outlined here are those principal risks and uncertainties that are material to the Group. They do not include all those associated with Group activities and are not set out in any order of priority. How these risks are identified is described in the Corporate Governance section on pages 52 to 55.

#### Regulatory Risk:

### Impacts on reputation and revenues

<p><b>Issue</b></p> <p>The Group holds a number of licences for its activities from regulators, principally for its activities as a software provider issued by the UK Gambling Commission and the Alderney Gambling Control Commission. Loss of all or any of these licences may adversely impact on the revenues and/or reputation of the Group.</p>	<p><b>Actions</b></p> <p>The Group has appointed Peter Cercone as Chief Compliance Officer to develop relationships with regulators, monitor the regulatory environment closely and ensure continuation of all necessary licences and permits to allow the Group to continue its current business.</p>
<p><b>Issue</b></p> <p>The Group licences its products to operators in the online gaming industry whose ability to operate in any jurisdiction may be impacted by changes in regulations, or failure to obtain any necessary licences. Laws and regulations relating to the supply of gambling services are complex, inconsistent and evolving and the Group may be subject to such laws indirectly, insofar as it has assisted the supply to licensees who are themselves subject to such laws and so subject to enforcement risks.</p>	<p><b>Actions</b></p> <p>As an established regulated supplier to the online gambling industry, the Company is vigilant over legal and regulatory issues that could apply to its activities not only in those jurisdictions where the Company is located, but also in the jurisdictions where its licensees are operating using Playtech's software and services. Under the terms of its licences, the Group prohibits the acceptance of players from jurisdictions such as the US where the acceptance of bets is clearly prohibited and the enforcement risk is considered to be highest.</p>
<p><b>Issue</b></p> <p>New licensing regimes may impose licensing conditions, such as the requirement to locate significant technical infrastructure within the relevant territory or establish and maintain real-time data interfaces with the regulator that present operational challenges, or may prohibit the ability of licensees offer the full range of the Group's products.</p>	<p><b>Actions</b></p> <p>The Group closely monitors developments in jurisdictions seeking to introduce new licensing regimes and seeks to establish joint venture relationships, or other close contractual relationships, with key local operators with influence on the development of local regulation. In addition, through the participation of the Group in industry bodies such as the Remote Gambling Association, it seeks to influence the shape of new licensing regulations.</p>

#### Financial Risk of Reliance on Major Licensees:

### Impacts on revenues

<p><b>Issue</b></p> <p>The Group operates a revenue-sharing model with its licensees meaning results can be impacted by poor performance of its licensees or by its licensees choosing to withdraw from any particular market.</p>	<p><b>Actions</b></p> <p>The Group has continued to diversify its licensee base, so that the top five licensees represent 55% of 2011 revenues and to develop business in more stable regulated markets.</p>
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#### Risk of Changes in Tax Rates:

### Impacts on net earnings

<p><b>Issue</b></p> <p>The Group benefits from favourable arrangements in some of the jurisdictions in which it is established. Changes in taxation legislation and rates may impact the Group's net earnings and cash flows.</p>	<p><b>Actions</b></p> <p>The Group works closely with its tax advisers to review its tax position, undertake periodic tax audits and monitor any changes in tax rates.</p>
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## Competitive Threats:

### May lead to loss of customers and revenues

#### Issue

The gambling industry is extremely competitive and so is the related software industry that supports it and technologies developing and evolving. Failure to compete effectively may result in the loss of licensees and also the inability to attract new licensees.

#### Actions

The Group continues to invest significant resources in research and development in order to enhance its technology, products and services and in making strategic acquisitions to broaden the range of technologies and products that it can offer to licensees.

## Reliance on Key Personnel:

### Impacts on business sustainability

#### Issue

The Group's future success depends in large part on the continued service of senior management, the retention of which cannot be guaranteed.

#### Actions

The Group has introduced a comprehensive performance evaluation system to identify key talent and to ensure that key personnel are appropriately rewarded and incentivised through a mixture of annual bonuses and long-term incentives linked to the attainment of business objectives and revenue growth.

## Counterparty Risk:

### Impacts on reputation and revenues

#### Issue

The Group derives material levels of profit from associates, and failure to manage effectively the Groups' joint venture relationships such as those with William Hill may reduce these levels of profit.

#### Actions

The Group is committed to the success of its joint ventures and meets regularly with its joint venture partners to agree strategies to increase the profitability of the ventures and to maintain good working relationships.

## Intellectual Property Risk:

### Impacts on competitiveness

#### Issue

The Group's ability to compete effectively depends, amongst other things, on its ability to protect, register and enforce, as appropriate, its intellectual property rights.

#### Actions

The Group registers patents, where this is possible, and trademarks to protect key aspects of its intellectual property. In addition, the Group protects access to its copyrights and confidential information, as appropriate, through legal and strict physical security process and vigorously defends itself against third-party claims. The Group also implements encryption to protect its intellectual property.

## Information Technology Risk:

### Impacts on operational capacity

#### Issue

The Group may be adversely affected by activities such as system intrusions, denial of service attacks, virus spreading and phishing.

#### Actions

The Group works continuously to improve the robustness and security of the Group's information technology systems. These measures include traffic filtering, anti-DDoS (Distributed Denial of Service) devices and anti-virus protection from leading vendors. In addition, the Group has put in place disaster recovery processes.

## Corporate Social Responsibility

### Our commitment to integrating CSR within our businesses

**Playtech’s continued commitment to integrating corporate social responsibility into its businesses supports its ability to generate sustainable long-term value, enhancing delivery on its strategic objectives.**

**The Company believes that its true value is not solely demonstrated by its balance sheet and financial results, but through other, more intangible assets, such as goodwill, its people and reputation.**

By embracing policies and behaviours governing responsible conduct, the Company creates more valuable relationships with its stakeholders, enhancing trust by demonstrating its focus on, and management of, the material non-financial risks in the business. Playtech believes that a responsible approach to these challenges, together with risk assessment and mitigation, will positively impact its ability to succeed operationally and strategically.

#### Focus on Sustainability

Playtech continues to improve its understanding and monitoring of material non-financial risks, despite operating in a highly-dynamic and rapidly-changing environment. In 2011, the Company experienced very substantial business change through the acquisition of five companies and the resulting material increase in headcount. The Company’s CSR efforts identified a number of aspects as the priorities of the business as it went through this change, including a programme to put in place consistent documentation and Group-wide policies and procedures, as well as a number of employee-related improvements.

Alan Jackson, chair of the Risk Committee, has Board-level responsibility for the programme.

#### Workplace

Playtech understands that the success of its business is due to the vital contribution made by its employees. It is therefore essential to the Company’s continued growth and development that it is able to attract and retain talented employees who will contribute to the long-term success of the business.

The Group is fully committed to equality of opportunity and dignity at work for all. Its primary aim in this area is to recruit the best and most appropriate employees, irrespective of race, religion, ethnic or national origins, gender, sexuality, disability, class or age.

Playtech operates in a highly-competitive industry and so retaining key staff is a priority. The Company provides financial rewards and a positive working environment, developing employees’ skills for improved performance and increased job satisfaction levels. In 2011, Playtech worked on revising its executive share-based remuneration scheme in order to give better transparency and structure to its long-term incentives for key staff. In addition, it improved the workplace environment in many of its principal locations, as it effected the move to larger and more modern office locations.

#### Governance

Playtech’s Board is responsible for the Group’s financial and operational performance, promoting the success and sustainability of the business by directing and supervising the Company’s policy and strategy.

In an industry which continues to undergo significant structural changes, the Board’s role has never been more important, not least as the Company prepares to move

to a Premium Listing on the London Stock Exchange. Playtech will ensure that its Board composition complies with the Combined Code on Corporate Governance as it concludes this process.

As noted in the 2010 report, an experienced Chief Compliance Officer was appointed to focus the Company’s efforts on corporate governance, and this is of particular significance as Playtech continues to expand its regulated markets offering. An enhanced internal audit programme was developed, supported by external consultants, which is due to report in early 2012, prior to being embedded into business practices.

The identification of significant risks facing the business, and processes to monitor and mitigate them, is covered in more detail on pages 44 and 45.

#### Marketplace

Playtech’s CSR marketplace metrics focus on stakeholder perceptions of the Company’s transparency and engagement with shareholders; its relationships with licensees and its responsiveness to their requirements; and on Playtech’s relationships with regulators and other industry bodies. The Company will look to report on these, and in due course, conduct surveys to ensure that it properly understands external perceptions of the business and manages its reputation.

In a rapidly changing industry environment, where newly-regulating markets play a central role, it is critical that the Company’s reputation as the best quality partner in the industry is maintained and promoted. Playtech’s customers are its licensees and the Company plays a central role in helping them to manage their gaming operations responsibly.

**The issues of interest to the Company’s stakeholders can be grouped into five areas:**

#### #1 Workplace

The wellbeing of our employees, and how we attract, develop and retain the best talent

#### #2 Governance

Maintaining high standards of corporate governance to monitor and mitigate risks associated with the business and comply with regulatory requirements

The Company's approach to Responsible Gaming is discussed in detail on pages 48 and 49.

Playtech delivers a high quality service to its licensees so that they can offer the best customer experience. The Company works to monitor customer satisfaction levels across the licensee base as the retention of licensees is central to the sustainability of its business model. Playtech places great value on its relationships with gaming regulators around the world and works with them to ensure all aspects of the business meet or exceed their standards.

Over the past year, Playtech has also continued to improve its transparency and dialogue with all stakeholders, including a broader dialogue with shareholders and financial institutions at executive Board level. In 2011, over 175 meetings were held with investors and a significant number of equity research analysts now cover the Company.

**Environment**

In comparison to other global companies, Playtech has a relatively low environmental impact, by virtue of the fact that it is an online business with a limited number of office locations. The day-to-day running of the business will inevitably have consequences, particularly in terms of energy consumption and travel, and the Company has put in place processes to monitor its carbon dioxide emissions from air travel and reduce any unnecessary travel.

As part of the move to newer premises in a number of the Company's key locations, consideration has been made for the implementation of greater energy-efficient measures. In Estonia, the building was

designed with a highly efficient cooling system for the computer room, and in all new locations there has been a move to reduce energy consumption. With a ratio of employees to printers of over 30, the offices can be seen to be increasingly paperless environments. In addition, bottled water has been largely replaced by water fountains.

**Community**

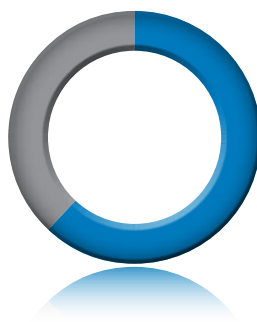
Playtech recognises its responsibility to support the local and international community in which it operates, and employs a social involvement programme accordingly. The Company values the positive influence on its employees' personal and professional development that can be found through volunteer work and sees it as important for the business over the long-term.

The Company's employees are actively engaged in supporting charities and Playtech has expanded its programme to focus on initiatives that deliver educational support and assistance to disadvantaged children in those countries where the Group has operations.

In 2011 Playtech gave approximately €100,000 to charitable organisations working in the fields of education; research into, and treatment of, problem gambling; and also provided non-financial support to these causes, including computer hardware and training.

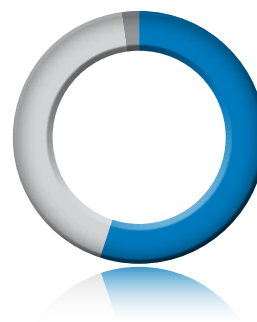
**Gender profile**

Male	62%
Female	38%



**Age profile**

Below 30	55%
30-45	43%
Above 45	2%



**#3 Marketplace**

Working with regulators, partners and licensees to further responsible gaming

**#4 Environment**

Mitigating the Company's environmental impact, where relevant and appropriate, to reflect the nature and scale of its business

**#5 Community**

Our broader community-related obligations in those locations where our employees, business partners and licensees live and work

## Responsible Gaming

### Leading the way

**As a leader in the online gaming industry, Playtech takes its responsibilities to operators and regulators seriously and is focussed on co-operating with both parties on issues of responsible gaming.**

#### Philosophy

Responsible gaming is an integral part of Playtech's institutional mindset and a significant factor in all of its activities. As a software provider the Company is not directly in contact with players, but responsible gaming nonetheless remains a fundamental issue for the Company in safeguarding its business and reputation, and for the continued development of the industry.

Within the new services division, Playtech now has a greater degree of contact with players on behalf of its licensees, and is consequently dedicating a substantial focus on the proper management of the relevant responsible gaming protocols, in conjunction with its operators.

Playtech is an associate member of the World Lottery Association (WLA), the global professional association for state lottery and gaming organisations, which draws members from over 80 countries and six continents. The WLA and its members are committed to maintaining the highest ethical standards of gaming.

#### Responsible Gaming

The Company's fully-integrated management system provides operators with the latest responsible gaming solutions. Embedded systems and controls ensure fair play and facilitate responsible gaming for players and ensure a safe playing environment for all.

Playtech's software and services provide operators with the means to deploy advanced responsible gaming tools and sophisticated player tracking, across all products and platforms, to control and prevent issues such as compulsive usage and under-age access of the Company's gaming products. The Group has contributed financially to the work of the Great Foundation, a UK charity dedicated to supporting research into problem gambling, education and training.

#### Certification and Regulation

As a responsible supplier to the regulated gaming industry, Playtech's systems comply with all the guidelines published by the variety of well-regulated jurisdictions in which its licensees operate. The Company partners with regulatory and governmental bodies, and all its products undergo comprehensive testing by independent third parties.

Playtech is an active member of the Remote Gambling Association (RGA), which has developed an industry code of practice on social responsibility and age verification, which the Company fully supports. As part of the certification process, Playtech's games and their software engines – including the random number generators – are regularly tested and certified by leading industry bodies to ensure consistency and fair play.

The Group holds a certificate of evaluation from the accredited testing facility TST which is part of Gaming Laboratories International (GLI), the world's largest independent gaming testing and certification laboratory. Playtech also holds an official Certificate of Prior Approval from the Alderney Gambling Control Commission (AGCC). In regulated markets, such as Italy, France, Spain, Estonia and Finland, Playtech's software has been reviewed and passed for use by the local regulators.



**Operator and Player Toolkit**

Every licensee is provided with Playtech’s transparency toolkit, which is embedded in the Company’s software and includes viewable player protection content, self-exclusion tools, a compulsive gamblers’ interface, time-out mechanism and age verification tools. The toolkit also includes:

- Compulsive gambling prevention
- Age verification
- Deposit limits
- Bet limits
- Session time limits
- Self-exclusion tools

The Company also provides comprehensive training and ongoing support to licensees to ensure that they are able to manage the responsible gaming tools to the best of their abilities.

**Fraud, Money Laundering and Fair Play**

An integral part of Playtech’s technology platform is its ability to monitor and identify fraud and money laundering. Playtech employs a dedicated security team focussed on ensuring that it is at the forefront of industry best-practice. With comprehensive monitoring of transactions and gaming behaviour, licensees are able to ensure that players cannot gain an advantage through unfair means. This is a particular focus in player-to-player games such as poker, to minimise any risk of player collusion.

**Services Division**

Where Playtech provides external and internal marketing services to a licensee, it puts in place clear protocols and procedures for player engagement. Playtech’s technology platform provides the tools to identify and manage any player thought to be showing indications of problem gaming, and regular dialogue, reporting and joint training exercises with licensees address any concerns that arise.

This activity focuses on the early identification of the small percentage of players that have the potential, under certain circumstances, to develop gambling-related problems; and the much smaller group who demonstrate an inability to control their gaming habits or actions.

In addition to the self-help tools, such as deposit and session time limits that enable players to reliably control their behaviour, the customer services team is trained in their interactions with players to identify certain actions or comments that indicate a current or emerging problem. For those displaying problem gambling characteristics, the team is trained to manage their exclusion and provide information on how to seek necessary help.

**Certification**



# Directors' Report

The directors present their report and the audited financial statements for the year ended 31 December 2011.

## Principal Activities

The Group's principal activities are the development and licensing of software and the provision of ancillary services for the online and land-based gaming industries.

## Results

The results of the Company and the Group for the year ended 31 December 2011 set out on pages 62 to 100 show total gross income (total revenue plus the Group's share of profits in William Hill Online before non-cash amortisation of intangibles) of €243.6 million (2010: €173.1 million) and a net profit after tax of €77.7 million (2010: €64.7 million).

## Dividends

The Board has recommended the payment of a dividend for the 2011 financial year of 16.5 € cents per share. The payment of this dividend requires shareholder approval which will be sought at the Company's Annual General Meeting to be held in Douglas on 16 May 2012.

## Directors and Directors Interests

The directors of the Company who held office during the 2011 year and to date are:

	Appointed	Resigned
Roger Withers	28.03.2006	
Alan Jackson	28.03.2006	
Barry Gibson	10.03.2010	04.11.2011
David Mathewson	10.06.2010	
Moshe (Shuki) Barak	24.02.2006	25.05.2011
Mor Weizer	02.05.2007	

The interests of the directors who held office during 2011 and to date, together with any connected parties, are shown in the Remuneration committee report on pages 56 and 57.

## Significant Shareholdings

As of 31 December 2011 the Company had been advised of the following significant shareholders:

Shareholders	%*	No. of ordinary shares
Brickington Trading Limited	43.46	125,745,782
BlackRock Investment Management (Instl Group)	7.24	20,957,261
Capital (Institutional Group)	4.95	14,311,675
Morgan Stanley Limited	3.4	289,209,348
Greenlight Capital	3.08	8,911,500
Interexpo Trading Limited	3.03	8,774,200

\* Assuming a total issued share capital of 289,314,348 as at 31 December 2011.

There are 100,000 ordinary shares held in treasury, and therefore as at 28 February 2012 the total number of ordinary shares with voting rights in the Company is 289,218,748.

## Related Party Transactions

Details of all related party transactions are set out in note 27 to the Financial Statements.

## Corporate Governance

The directors' statement on Corporate Governance is set out on pages 52 to 55.

## Political and Charitable Donations

The Company made a charitable donation of £30,000 to the Great Foundation, a charity which funds the research into and treatment of problem gambling during the year ended 2011. It made no political donations during this period.

## Future Prospects

The Board is highly confident of its performance for 2012. Its aim in 2012 is to further enhance Playtech's market leading position with a focus on regulated markets and using its strong cash position, if appropriate, to look at the acquisition of complementary businesses.

**AGM**

The 2011 AGM was held in May in Douglas, Isle of Man. All directors were present, and made themselves available to answer questions from shareholders. The AGM provides an opportunity for the directors to communicate personally performance and future strategy to non-institutional shareholders and for those shareholders to meet with and question the Board. All directors again plan to be present. All results of proxy votes are read out, made available for review at the meeting, recorded in the minutes of the meeting and communicated to the market and via the group website.

The Annual General Meeting will be held at the Sefton Hotel, Loch Promenade, Douglas, Isle of Man, IM1 2RW on Wednesday 16 May 2012 at 11.30am. A notice of the meeting convening the 2012 AGM, outlining the business to be considered and resolutions to be passed will be circulated over 20 days in advance of the meeting as in previous years.

**Auditors**

A resolution to reappoint BDO LLP as the Company's auditors will be submitted to the shareholders at the Annual General Meeting.

Approved by the Board and signed on behalf of the Board

**Paul Wright**

**Company Secretary and Legal Counsel**

15 March 2012

# Corporate Governance

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## Introduction

The Company's policy is to achieve best practise in our standards of business integrity in all our activities around the world. This includes recognising the important part the principles of good corporate governance play in helping us achieve this goal, particularly as the Group's business in increasingly being transacted in regulated environments. As currently an AIM listed company Playtech is not required to follow the provisions of the UK Corporate Governance Code (the "Code"), but the Board seeks to do so and is committed to follow the highest standards of corporate governance throughout the Group. The Company has made significant strides in its corporate governance. Up until the decision of Barry Gibson to step down as a non-executive director of the Group in November 2011, the Company had a majority of non-executive directors on the Board, but from that time Playtech did not comply with the provisions of the Code.

The Board is accountable to the Company's shareholders for good governance and the statement set out below describes how the Group applies the principles identified in the Code.

## The Board Constitution and Procedures

### Composition

As at 15 March 2012, the Board comprises the non-executive Chairman, the Chief Executive, the Chief Finance Officer, together with an independent Non-Executive. Pursuant to the Code, the Chairman is not considered to be independent as he holds options in the Company. However, the remaining non-executive director is considered by the Board to be independent of management and free of any relationship, which could materially interfere with the exercise of his independent judgment. All of the currently appointed directors served throughout the financial year, with the exception of Shuki Barak who resigned on 25 May 2011 and Barry Gibson who resigned on 4 November 2011. Biographical information for current Board directors is given on pages 38 and 39.

In accordance with the articles of association, executive directors retire by rotation and submit themselves for re-election every three years. The Board has collectively agreed that the directors proposed for re-election in 2012 have made significant contributions to the business since their last re-election and has a key role to play in the formulation of the Group's future strategy.

### Non-Executives

The non-executive directors continue to contribute their considerable collective experience and wide-ranging skills to the Board and provide a valuable independent perspective; where necessary constructively challenging proposals, policy and practices of executive management. In addition, they helped formulate the Group's strategy. During the year, the Chairman met the other Non-Executives in the absence of the executive directors to re-confirm and take account of their views. All the non-executive directors have sufficient time to fulfil their commitments to the Company.

### Responsibilities

The Board meets regularly, with ten meetings scheduled in 2011. It was necessary for the Board to hold two unscheduled Board meetings in the year in connection with the placing of 46,511,627 new ordinary shares that was undertaken in December 2011. Directors were provided with comprehensive background information for each meeting and all directors were available to participate. There remains in place a formal schedule of matters specifically reserved for Board consideration and approval, which includes matters related to strategy and management; acquisitions and disposals; structure and capital; financial reporting and controls; internal controls; significant changes to Group operations; Board constitution, communications and performance evaluation; remuneration; and delegated authorities.

In 2011, the Board remained satisfied that the roles of the Chairman, Chief Executive and other directors continued to be clearly and comprehensively defined.

The Chairman is primarily responsible for the efficient functioning of the Board. He ensures that all directors receive sufficient relevant information on financial, business and corporate issues prior to meetings. Any specific actions arising during meetings are agreed by the Board and a comprehensive follow-up procedure ensures their completion. The Chief Executive's responsibilities focus on coordinating the Group's business and implementing Group strategy. Regular interaction between the Chairman and Chief Executive between meetings ensures the Board remains fully informed of developments in the business at all times.

The principal role of the Board is the protection and advancement of shareholders' interests. A formal schedule of matters reserved for consideration by the Board gives it responsibility for overall Group strategy, acquisition and investment policy, approval of major capital expenditure projects and consideration of significant financing matters and is designed to ensure that shareholders interests are protected. The Board also reviews the strategic direction of the Group, any codes of conduct, annual budgets, progress towards achievement of these budgets and any capital expenditure programmes.

All directors are entitled to seek independent professional advice under an agreed Board procedure, which would then be organised by the Company Secretary & Legal Counsel, Paul Wright. The non-executive directors sought such advice in 2011 in relation to the circumstances surrounding the injunction taken out against the Group by William Hill PLC. All directors additionally have access to the services provided by the Company Secretary and the Group General Counsel. The removal of the Company Secretary and the Group General Counsel remains a matter for the Board as a whole.

The Company Secretary takes responsibility for organising and renewing the directors' and Officers' Liability insurance maintained by the Company arranged through Howden Insurance Brokers Limited which has been in place throughout the year.

## Board Committees

The Board delegates clearly defined powers to its Audit, Remuneration, Risk and Nomination committees. The minutes of each committee are circulated to and reviewed by the Board. The Company Secretary is secretary to each of the committees. The Terms of Reference for each of the committees are available to view on the Company's website.

### Audit Committee

The Audit Committee is chaired by Alan Jackson, who has recent relevant financial experience and the committee consists of the non-executive directors. Prior to the appointment of David Mathewson as Chief Financial Officer, the committee was chaired by David Mathewson. There were three committee meetings during the financial year, all previously scheduled. The external auditor, BDO LLP, attended each meeting and separately met with the Chairman and the members of the committee.

The primary responsibilities delegated to, and discharged by, the committee included: monitoring the effectiveness of internal control and associated functions; approving and amending Group accounting policies; reviewing and ensuring the integrity of interim and annual financial statements before submission to the Board; monitoring and approving the scope and costs of audit; and ensuring audit independence by approving significant non-audit services provided by the auditor in accordance with the appropriate committee policy. A summary of non-audit fees incurred during 2012, including due diligence, tax advisory and tax compliance work, is included in note 5 to the financial statements on page 74.

### Remuneration Committee

Details of the membership of the Remuneration Committee, its terms of reference, meeting during the year and remuneration policy are set out in the Remuneration Report on pages 56 to 59.

### Risk Committee

The Risk Committee is comprised of two non-executive directors, the CFO, the COO, the General Legal Counsel, the Company Secretary and the Chief Security Officer, Jochanan Sommerfeld. Other executives may be invited to attend all or part of the meetings. The committee met twice in 2011 to review the Company's risk register and to consider the revised risk register and the mitigating actions undertaken by the senior management to team to mitigate these risks.

The primary responsibilities delegated to and discharged by the committee include identifying, managing and mitigating key risks to the achievement of the Company's objectives; reviewing the most significant risks to the achievement of objectives; monitoring resolution of committee recommendations; monitoring incidents and remedial activity and agreeing on behalf of the Board and continually reviewing a risk management strategy and relevant policies for the Company.

### Nomination Committee

The Nomination Committee is comprised of the non-executive directors and is chaired by Roger Withers. The committee met twice in 2011 to consider the appointment of the Chief Financial Officer and to consider candidates for an additional non-executive director. In the future the committee will continue to meet whenever necessary during the year, and not less than twice a year.

The primary responsibilities delegated to, and discharged by, the committee included: regularly reviewing the composition of the Board; the consideration of succession planning and the development of associated policies; and the identification and recommendation of candidates to join the Board whenever deemed appropriate. Thorough appointment processes and policies have been developed by the committee, involving the development of objective criteria, creation of precise job specifications taking into account existing Board expertise, the use of external search consultancies and appropriate interviewing.

### Evaluation

The Board is committed to an ongoing evaluation process of itself and its committees to assess their performance and identify areas in which their effectiveness, policies and processes might be enhanced. The Chairman and the Chief Executive Officer, in discussion with the senior non-executive director, intend to undertake a review of the performance of individual directors. The senior non-executive director will consider the performance of the Chairman, taking into account the views of the executive directors.

Newly appointed directors can expect a detailed and systematic induction on joining the Board. They meet various members of senior management and familiarise themselves with all core aspects of the Group's operations. On request, meetings can be arranged with the major shareholders. In 2011, the Board conducted a site visit in Nicosia, Cyprus in July 2011 to view the operations of PT Turnkey Services Limited that are conducted from that location.

# Corporate Governance

## Continued

### Board and Committee Meetings – Attendance

	Board	Audit	Remuneration	Nomination
<b>Number of Meetings</b>	<b>12</b>	–	–	–
Roger Withers	12	1	1	2
Alan Jackson	12	3	3	2
Mor Weizer	11	–	–	–
David Mathewson	12	2	–	–
Barry Gibson	7	2	2	–
Shuki Barak	3	–	–	–

### Communication with Investors

Primary responsibility for effective communication with shareholders lies with the Chairman, but all the Company's directors are available to meet with shareholders throughout the year. In particular the Chief Executive and Chief Financial Officer prepare a general presentation for analysts and institutional shareholders following the interim and preliminary announcements. Further presentations are also prepared following significant acquisitions and whenever the Board considers it beneficial to the shareholders to do so. In addition, Ross Hawley our Head of Investor Relations undertook numerous meetings with shareholders and potential shareholders throughout the year.

The Company endeavours to answer all queries raised by shareholders promptly.

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

### Internal Control

In presenting this report, and having monitored, reviewed or approved all shareholder communications in 2011 and since the end of the financial year, the Board is confident that it has presented a balanced and understandable assessment of the Company's position and prospects.

The Company has established an internal audit function responsible for reviewing, reporting and monitoring improvements in internal control performance across its operations. In the first part of the year, this function was conducted by Icarus Wyatt Consulting Limited who were appointed to undertake the internal audit function, commencing with a full risk assessment of the Company. Following the assessment, it was decided to appoint PricewaterhouseCoopers LLP to undertake further internal audit work, focusing on key risk processes and provide an ongoing independent assurance that these key processes are effective.

The Board confirms that an internal audit programme has been agreed by the Audit Committee and any necessary action will be taken to remedy any significant failings or weaknesses identified from the review. This system of internal controls and audit is designed to ensure local legal and regulatory compliance and manage, rather than eliminate, the risk of failure to achieve business objectives. It can therefore only provide reasonable and not absolute assurance against material misstatement or loss.

The Group has a widely publicised Code of Conduct, approved by the Risk Committee, a specific delegated authorities framework, and a dedicated Compliance function, headed by Peter Cercone, who has many years experience of regulatory matters in his native Australia, to ensure that the Company meets with all applicable regulatory requirements wherever it operates. Performance across the group is also closely scrutinised against budget and forecasts. These initiatives help establish and promote an improved control environment and working practices. In addition, the Company has initiated a Corporate Social Responsibility programme to identify the key non-financial risk areas on a group-wide basis. Further details of the programme are set out on pages 46 and 47.

The current areas of principal risks and uncertainties, as identified by the Risk Committee, are set out on pages 44 and 45. This list is not presumed to be exhaustive and by its very nature is subject to change.

### Investor Relations (IR) and Communications

The Company has a well-established IR process, which supports a structured programme of communications with existing and potential investors and analysts. Executive directors and members of the IR team participated in a number of investor events, attending industry conferences and regularly meet, or are in contact with, existing and potential institutional investors from around the world, ensuring that Group performance and future strategy is effectively communicated, within regulatory constraints. Other representatives of the Board and senior management meet with investors from time to time. The IR team provides regular reports to the Board on related matters, issues of concern to investors, and analyst views and opinions.

Whenever required, the executive directors and the Chairman communicate with the Company's brokers to confirm shareholder sentiment and to consult on governance issues.

During 2011, over 60 regulatory announcements were released informing the market of acquisitions, corporate actions, important customer contracts, financial results, the results of annual general meetings and Board changes. Copies of these announcements, together with other IR information and documents, are available on the Group website.

### Independence of Auditors

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

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

# Remuneration Report

The directors' remuneration report is presented to shareholders by the Board. While the Company, as a company incorporated in the British Virgin Islands, is not required to comply with the requirements set out in Part 15 of the Companies Act 2006 and the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (2008 Regulations), the Board seeks to do so in all material respects. Accordingly, this report sets out the following:

- Details of the executive directors emoluments;
- Details of the fees paid to the non-executive directors;
- A summary of the directors' interests in the Company's shares;
- Details of the share option plans and awards made under them;
- Details of the service contracts and letters of appointment of the directors; and
- Total emoluments overview.

A resolution will be put to shareholders at the Annual General Meeting on 16 May 2012 inviting them to approve this report.

## Part A

The following information set out in Part A of the Remuneration Report has been audited by BDO LLP, the Company's auditors. The emoluments, benefits and shareholdings of those persons who have served as a director during the year ended 31 December 2011 were as follows:

### 1. Directors' Emoluments (in Euros)

Director	Salary	Bonuses	Benefits	Total (excluding option charges)	Option charges	Total emoluments
<i>Executive</i>						
Mor Weizer	525,315	270,302	12,401	808,018	696,448	1,504,466
David Mathewson	325,621	119,356	38,708	483,685	17,150	500,835
Moshe (Shuki) Barak*	79,099	48,268	10,086	137,453	34,298	171,751

### 2. Non-executive directors' Emoluments

Fees						
<i>Non-executive</i>						
Roger Withers <sup>(1)(2)(3)(4)</sup>	389,180	–	–	389,180	–	389,180
Alan Jackson <sup>(1)(2)(3)(4)</sup>	114,882	–	–	114,882	–	114,882
Barry Gibson**	107,873	–	–	107,873	–	107,873

#### Notes

\* Moshe Barak resigned from the Board on 27 May 2011 and

\*\* Barry Gibson resigned from the Board on 4 November 2011.

(1) Member of the Audit Committee.

(2) Member of the Remuneration Committee.

(3) Member of the Nomination Committee.

(4) Member of the Risk Committee.

### 3. Directors Interests

#### 3.1 Interests of Directors in Ordinary Shares

	Ordinary shares			
	As at 31.12.11		As at 31.12.10	
	No. shares	Percentage*	No. shares	Percentage**
Roger Withers	19,333	0.008%	19,333	0.008%
Alan Jackson	5,000	0.002%	5,000	0.002%

\* Based on the total issued share capital of 289,314,348 as at 31.12.11.

\*\* Based on the total issued share capital of 242,599,019 as at 31.12.10.

### 3.2 Table of Interests of Directors in Options

	Number of options	Date of grant	Exercise price	Exercised during the year	Earliest exercise date	Expiry of exercise period
Mor Weizer	200,000	6 February 2006	£2.55	NIL	1 December 2006	6 July 2016
	200,000	11 October 2006	£1.72	NIL	11 October 2007	11 October 2016
	600,000	16 May 2007	£3.79	NIL	16 May 2008	16 May 2017
	200,000	6 November 2009	£3.70	NIL	6 November 2012	6 November 2019
David Mathewson	100,000	26 August 2011	£3.03	NIL	26 August 2014	26 August 2021
Roger Withers	200,000	28 March 2006	£2.57	NIL	28 March 2007	28 March 2016
	100,000	16 May 2007	£3.79	NIL	16 May 2008	16 May 2017

### 4. Directors Service Contracts

The following are the key terms of the executive directors' terms and conditions of employment:

Name	Date	Notice period	Termination payment	Non-compete	Change of control payment
Mor Weizer	02.05.2007	6 months notice on either side (unless gross misconduct)	Payment in lieu of notice of up to 6 months basic salary	During employment and for 6 months thereafter	None
David Mathewson	25.05.2011	6 months notice on either side (unless gross misconduct)	Payment in lieu of notice of up to 6 months basic salary	During employment and for 6 months thereafter	None

The following is a summary of the key terms of the letters of appointment for the non-executive directors:

Name	Date	Term	Termination
Roger Withers	14.03.06	No stated term but stands for re-election every 3 years	90 days notice on either side or if not re-elected, disqualification or commits gross misconduct
Alan Jackson	14.03.06	No stated term but stands for re-election every 3 years	90 days notice on either side or if not re-elected, disqualification or commits gross misconduct

#### Part B

This part of the Remuneration Report has not been audited.

#### Remuneration Committee: Membership

The Remuneration Committee is comprised of three independent non-executive directors. The committee was chaired by Barry Gibson until his resignation on 4 November 2011 and is now chaired by Roger Withers. The committee operates within agreed terms of reference and met four times in 2011. The committee's terms of reference are available for inspection on the company's website.

The committee considers the terms and conditions of employment and overall remuneration of the executive directors, the Company Secretary and key members of executive management and has regard to the level of share options, salaries, incentive payments and performance related pay due to the executive directors and senior management. The Board determines the remuneration of non-executive directors.

# Remuneration Report

## Continued

### No director is involved in any decisions as to his/her own remuneration.

The committee takes advice from both inside and outside the group on a range of matters, including the scale and composition of the total remuneration package payable to people with similar responsibilities, skills and experience in comparable companies that have extensive operations outside the UK.

During the year, the committee received material assistance and advice from the Chief Executive and from the Company Secretary & Legal Counsel (who is also Secretary to the committee). In addition, the committee received material assistance and advice from New Bridge Street Consulting, which acts as the main adviser to the committee. New Bridge Street Consulting do not provide any other services to the Company.

### Remuneration Policy

The Company's remuneration policy is designed to ensure that the Group has the ability to attract, retain and motivate individuals to ensure the success of the Company. Remuneration packages are designed to reward the executive directors and members of the senior management team fairly for their contributions, whilst remaining within the range of benefits offered by similar companies in the sector.

The committee believes that the individual contributions made by the executive directors and senior management are fundamental to the successful performance of the Company. The committee after discussion with the executive directors and its advisers, New Bridge Street Consulting, has therefore adopted a remuneration policy with the following objectives:

- Pay executives competitively recognising that they have highly marketable skills to players already in (and those considering entry to) the online gaming industry, but acknowledge local market levels, and where appropriate, practices.
- Incentivise and reward behaviours that will contribute to superior Company performance.
- Avoid the need to make ad hoc payments outside the formal structure.
- Enable the Company to attract and retain international executives at the required calibre, particularly in potential new markets, such as the US.
- Be simple and understandable.
- Provide good lock-in of key employees through deferred elements.
- Avoid reward for failure.

The following graph shows the Company's total shareholder return (TSR) performance over the past five years: the Company's TSR is compared with a broad equity market index. The index chosen here is the FTSE350 Travel & Leisure Index, which is considered the most appropriate published index.



### Elements of Remuneration

The total remuneration of the executive directors comprises the following elements: base salary, benefits in kind, annual bonus and long-term incentives.

### Salary and Benefits in Kind

Salaries are reviewed annually for each executive director. The committee takes into account individual performance and experience, the size and nature of the role, the relative performance of the Company, pay policy within the Company and salaries in comparable companies. Benefits include private medical insurance, permanent health insurance, and life assurance.

### Annual Bonus

Executive directors and senior management are eligible to participate in an annual bonus plan based on a combination of corporate financial goals and individual achievements. The maximum level of bonus that could have been awarded for the financial year 2011 was 150 per cent of base salary for the CEO and 100 per cent of base salary for the remaining executive directors and senior managers.

In 2011, bonuses for the main Board were based 70 per cent on financial performance measures, comprising group EBITDA, with the remaining 30 per cent being based on personal objectives. The committee believes that its remuneration policy creates a coherent and appropriate framework for remunerating directors and senior executives of the Company and draws a clearer link between performance and reward.

The level of bonus payable by reference to the financial performance of the Company will be determined on a sliding scale based around the 'target' number, set by reference to the Company's budget for the forthcoming financial year. The achievement of the target is not 'all or nothing', but instead would be on a sliding scale, with no bonus being paid until at least 90% of target is achieved and rising on a straight line basis with the maximum paid out only if 120% of target budget is achieved.

### Pensions

None of the executive directors are members of any Company pension plans.

### Share Option Plan

The Company operates an unapproved share option scheme in accordance with the rules of the Playtech Limited 2005 Global Share Option Plan (the "2005 Plan"), pursuant to which the senior management and where relevant, the Remuneration Committee, makes recommendation to the Board concerning the allocation of share options to employees of the Company. Options under 2005 Plan are granted at market value and in the case of the executive directors exclusively vest on the third anniversary of the relevant grant date, and in the case of senior management generally vest on the third anniversary of the relevant grant date, though some options granted under the 2005 Plan vest in equal proportions on the three anniversaries of the relevant grant date. Unexercised options expire ten years after the date of grant, unless the relevant employee leaves the Group's employment, in which case the unvested options lapse and any vested options lapse three months after the date that the employment ends.

### Long-Term Incentive Plan

Given the dilutive effect of traditional share options and the increasing disconnect between the financial performance of companies generally and the performance of their share prices in the current turbulent economic times, the Board decided in March 2012, after discussions with its advisers, New Bridge Street Consulting, to adopt a new long-term incentive plan, the Playtech Long-Term Incentive Plan 2012 (the "2012 Plan").

Under the 2012 Plan, a range of share-based awards can be made to executive directors and senior managers of the Group, including conditional awards, nil-cost options or a forfeitable share awards which would be exercisable in general three years after grant and would lapse ten years after the date of grant, unless the relevant employee leaves the Group's employment, in which case the unvested options lapse and any vested options lapse three months after the date that the employment ends.

Exercise of any awards granted under the 2012 Plan to executive directors will be subject to the achievement of a mixture of performance conditions based in part on total shareholder return and part in the growth in earnings per share over the period, as the Remuneration Committee determines to be appropriate. Awards made to the executive directors and senior management will also be capable of being forfeited (in whole or in part) between grant and vesting or following vesting in the event of misconduct or material misstatement of the Group's financial results resulting in an award vesting to a greater degree than would otherwise have been granted. Awards may be satisfied by the issue of new shares, market purchase shares or may be cashed-out, subject to the tax treatment in the hands of the recipient.

### Other Incentive Schemes

In December 2009, the Board approved the establishment of a phantom share plan for the senior executives of Videobet Limited ('Videobet'), in order to retain and incentivise the management team. The overall size of the plan is limited to amounts equal to 2.5% of the share capital of Videobet and will vest once the Company has received in cash an amount equal to its total investment in Videobet plus an amount equal to base rate plus 10% on such invested amount compounded annually. Participants will be able to exercise their awards on a share sale, listing or such earlier date as is agreed between the participant and the Company, acting through the Remuneration Committee.

The Company also established a HMRC approved Company Share Option Plan ('CSOP') in 2010 for the Group's UK businesses to retain and incentivise key employees based in the UK. The rules of the CSOP were approved by HMRC in August 2010. Under the CSOP options can be granted to UK-based employees and, subject to compliance with the rules of the CSOP, subject only to capital gains tax on any growth in value. Under the rules of the CSOP options may not be exercised until the third anniversary of grant and in general will lapse if the employee leaves the Group's employment.

## Directors' Statement of Responsibilities

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The directors have elected to prepare the financial statements for the Group in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group, for safeguarding the assets and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

International Accounting Standard 1 (revised) requires that financial statements present fairly for each financial year the Group's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the Preparation and Presentation of Financial Statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable International Financial Reporting Standards. A fair presentation also requires the directors to:

- select and apply appropriate accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

All of the current directors have taken all the steps that they ought to have taken to make themselves aware to any information needed by the Group's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

The financial statements are published on the Group's website. The maintenance and integrity of the Group's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

# Independent Auditor's Report to the Directors of Playtech Limited

We have audited the financial statements of Playtech Limited for the year ended 31 December 2011 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, the Consolidated Balance Sheet, the Consolidated Statement of Cash Flow, and the related notes. The financial reporting framework that has been applied in their preparation is International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Our report has been prepared pursuant to the terms of our engagement letter dated 9 June 2011 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the terms of our engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

## Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

## Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

## Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's affairs as at 31 December 2011 and of its profit for the year then ended; and
- have been properly prepared in accordance with IFRSs as adopted by the European Union;

## Opinion on other matters

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## BDO LLP

Chartered Accountants  
London  
United Kingdom

15 March 2012

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

# Consolidated Statement of Comprehensive Income

	Note	For the year ended 31 December 2011 €000	For the year ended 31 December 2010 €000
Revenues	4	207,485	142,294
Distribution costs		(129,140)	(72,867)
Administrative expenses		(26,191)	(24,118)
<b>Total operating costs</b>		<b>(155,331)</b>	<b>(96,985)</b>
Operating profit before the following items:		82,644	68,863
Professional expenses on acquisitions		(1,488)	(1,802)
Employee stock option expenses	9	(4,678)	(5,855)
Amortisation of intangible assets	11	(23,773)	(13,674)
Decline in fair value of available-for-sale investments	14	(551)	(2,223)
<b>Total</b>		<b>(30,490)</b>	<b>(23,554)</b>
Operating profit	5	52,154	45,309
<b>Total financing income</b>	<b>6a</b>	<b>3,972</b>	<b>1,690</b>
Financing cost – movement in deferred and contingent consideration	25	(6,075)	(736)
Financing cost – other		(1,186)	(424)
Exchange rate differences – on deferred consideration	12a	–	(1,200)
<b>Total financing cost</b>	<b>6b</b>	<b>(7,261)</b>	<b>(2,360)</b>
Income from associate	12a	36,073	30,792
Amortisation of intangibles in associate	12a	(5,729)	(8,266)
Share of profit of associate		30,344	22,526
Share of net loss in joint ventures		(546)	(152)
Profit before taxation		78,663	67,013
Tax expense	7	(957)	(2,343)
<b>Profit for the year</b>		<b>77,706</b>	<b>64,670</b>
<b>Other comprehensive income for the year:</b>			
Transfer to profit and loss on sale		–	(1,025)
Adjustments for change in fair value of available-for-sale equity instruments	14	1,995	–
<b>Total comprehensive income for the year</b>		<b>79,701</b>	<b>63,645</b>
<b>Profit for the year attributable to:</b>			
Owners of the parent		77,696	64,670
Non-controlling interest		10	–
		<b>77,706</b>	<b>64,670</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the parent		79,691	63,645
Non-controlling interest		10	–
		<b>79,701</b>	<b>63,645</b>
<b>Earnings per share for profit attributable to the owners of the parent during the year:</b>			
Basic (cents)	8	31.8	26.7
Diluted (cents)	8	31.4	25.7

# Consolidated Statement of Changes in Equity

	Additional paid in capital €000	Available-for- sale reserve €000	Retained earnings €000	Total attributable to equity holders of parent €000	Non-controlling interest €000	Total equity €000
<b>For the year ended 31 December 2010</b>						
Balance at 1 January 2010	183,563	1,025	85,328	269,916	–	269,916
<b>Changes in equity for the year</b>						
Total comprehensive income for the year	–	(1,025)	64,670	63,645	–	63,645
Dividend paid	–	–	(45,593)	(45,593)	–	(45,593)
Exercise of options	6,127	–	–	6,127	–	6,127
Employee stock option scheme	–	–	5,855	5,855	–	5,855
<b>Balance at 31 December 2010</b>	<b>189,690</b>	<b>–</b>	<b>110,260</b>	<b>299,950</b>	<b>–</b>	<b>299,950</b>
<b>For the year ended 31 December 2011</b>						
Balance at 1 January 2011	189,690	–	110,260	299,950	–	299,950
<b>Changes in equity for the year</b>						
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
<b>Balance at 31 December 2011</b>	<b>307,853</b>	<b>1,995</b>	<b>168,891</b>	<b>478,739</b>	<b>(49)</b>	<b>478,690</b>

# Consolidated Balance Sheet

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

The financial statements was approved by the Board and authorised for issue on 15 March 2012.

**Mor Weizer**  
Chief Executive Officer

**David Mathewson**  
Chief Financial Officer

# Consolidated Statement of Cash Flows

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

## Consolidated Statement of Cash Flows (Continued)

	For the year ended 31 December 2011 €000	For the year ended 31 December 2010 €000	
<b>ADJUSTMENT TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>			
<b>Income and expenses not affecting operating cash flows:</b>			
Depreciation	5,364	3,416	
Amortisation	23,773	13,674	
Income from associate	(36,073)	(30,792)	
Amortisation of intangibles in associate	5,729	8,266	
Share of net loss in joint ventures	547	152	
Decline in fair value of available-for-sale investment	551	2,223	
Employee stock option plan expenses	4,678	5,855	
Income tax expense	957	2,343	
Others	105	16	
<b>Changes in operating assets and liabilities:</b>			
Increase in trade receivables	(4,250)	(2,791)	
Increase in other receivables	(5,461)	(176)	
(Decrease)/Increase in trade payables	(17,359)	1,933	
Increase in progressive and other operators' jackpot	7,644	3,483	
Increase in other payables	14,201	4,395	
Decrease in deferred revenues	(1,931)	(3,073)	
	<b>(1,525)</b>	<b>8,924</b>	
<b>Acquisition of subsidiary, net of cash acquired</b>			
	Note	For the year ended 31 December 2011 €000	For the year ended 31 December 2010 €000
A. Acquisition of Intelligent Gaming Solutions Limited	25a	2,836	–
B. Acquisition of PT Turnkey Services Limited	25b	44,314	–
C. Acquisition of Mobenga AB	25c	7,830	–
D. Acquisition of Ash Gaming Limited	25d	27,027	–
E. Acquisition of S-Tech Limited	25e	(339)	–
F. Acquisition of GTS Limited		7,399	–
G. Acquisition of Virtue Fusion		8,122	26,136
		<b>97,189</b>	<b>26,136</b>

## Accounts

# Notes to the Financial Statements

For the year ended 31 December 2011

### NOTE 1 – GENERAL

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

Playtech and its subsidiaries (“the Group”) develop unified software platforms for the online and land-based gambling industry, targeting online and land-based operators. Playtech’s gaming applications – online casino, poker and other P2P games, bingo, mobile, live gaming, land-based kiosk networks, land-based terminal and fixed-odds games – are fully inter-compatible and can be freely incorporated as standalone 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.

### NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

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

#### A. Accounting Principles

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

#### Changes in Accounting Policies

##### a) New standards, interpretations and amendments effective from 1 January 2011

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

IAS 24 (Revised) – Related-Party Disclosures

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

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

##### b) New standards, interpretations and amendments not yet effective

The following new standards, interpretations and amendments, which have not been applied to these financial statements, will or may have an effect on the Group’s future financial statements:

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

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

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

IFRS 10 Consolidated Financial statements;

IFRS 11 Joint Arrangements;

IFRS 13 Fair Value Measurement;

IAS 28 Investments in Associates and Joint Ventures;

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

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

IFRS 9 Financial Instruments (effective for annual periods beginning on or after 1 January 2015).

The Group is currently assessing the impact, if any, that these standards will have on the presentation of its consolidated results.

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

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2011

## NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### B. Foreign currency

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

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

### C. Basis of Consolidation

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

### D. Revenue Recognition

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

### E. Distribution Costs

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

### F. Share-Based Payments

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

### G. Income Taxes and Deferred Taxation

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

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

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

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

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

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

### H. Dividend Distribution

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

### I. Property, Plant and Equipment

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

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****I. Property, Plant and Equipment** (continued)

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

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

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

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

**J. Business Combinations**

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

**K. Intangible Assets**

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

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

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

Intangible assets identified under the investment in equity accounted associates:

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

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

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

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2011

### NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### K. Intangible Assets (continued)

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.

#### L. Goodwill

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

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

For business combinations completed on or after 1 January 2011, cost comprises the fair value of assets given and liabilities assumed, plus the amount of any non-controlling interests in the acquire. Contingent consideration is included in cost at its acquisition date fair value and, in the case of contingent consideration classified as a financial liability, remeasured subsequently through profit or loss. For combinations completed on or after 1 January 2010, direct costs of acquisition are recognised immediately as an expense in the consolidated statement of comprehensive income, within administrative costs.

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

#### M. Impairment

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

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

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

#### N. Associates

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

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

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

#### O. Joint Ventures

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

#### P. Financial Assets

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

## NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### P. Financial Assets (continued)

#### Loans and Receivables

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

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

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

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

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

#### Available-for-sale financial assets

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

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

### Q. Share Capital

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

### R. Financial Liabilities

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

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

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

### S. Fair Value Measurement Hierarchy

IFRS 7 requires certain disclosure which require the classification of financial assets and financial liabilities measured at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the fair value measurement (see note 29). The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- 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
- 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 categorised 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.

### T. Long-Term Liabilities

Long-term liabilities are those liabilities that are due for repayment or settlement in more than 12 months from balance sheet date.

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2011

## NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### U. Provisions

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

### V. Non-Controlling Interests

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

### W. Treasury shares

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

## NOTE 3 – CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

### Estimates and Assumptions

#### A. Impairment of goodwill

The Group is required to test, on an annual basis, whether goodwill has suffered any impairment. The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the choice of a discount rate in order to calculate the present value of the cash flows. Such estimates are based on management's experience of the business, but actual outcomes may vary. More details including carrying values are included in note 11.

#### B. Amortisation of development cost and other intangible assets and the useful life of property, plant and equipment

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

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

#### C. Fair value of available-for-sale investments

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

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

#### D. Share-Based Payments

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

#### E. Legal proceedings and contingent liabilities

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

#### F. Determination of fair value of intangible assets acquired

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

#### G. Income taxes

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

**NOTE 3 – CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)****Estimates and Assumptions** (continued)**H. Determination of the fair value of contingent consideration**

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

The preparation of financial statements 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 statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

**NOTE 4 – SEGMENT INFORMATION**

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

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

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

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

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

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

**Revenue by Product**

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

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

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2011

## NOTE 4 – SEGMENT INFORMATION (CONTINUED)

### Geographical Analysis of Revenues by Jurisdiction of Gaming License

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

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

### Geographical Analysis of Non-Current Assets

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

## NOTE 5 – OPERATING PROFIT

Operating profit is stated after charging:

	For the year ended 31 December 2011 €000	For the year ended 31 December 2010 €000
<b>Directors compensation</b>		
Short-term benefits of Directors	1,603	1,471
Share-based benefits of Directors	748	898
Bonuses to Executive Directors	438	528
	<b>2,789</b>	<b>2,897</b>

### Auditor's remuneration

Audit services		
Parent company and Group audit	204	144
Audit of overseas subsidiaries	138	125
Total audit	<b>342</b>	<b>269</b>
Non-audit services		
Other acquisition and assurance services	379	355
Taxation compliance	86	46
	<b>807</b>	<b>670</b>
Development costs (including capitalised development cost)	22,844	16,972

**NOTE 6 – FINANCING INCOME AND COSTS**

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

**NOTE 7 – TAXATION**

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

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

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

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

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

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

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2011

## NOTE 8 – EARNINGS PER SHARE

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

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

## B. Adjusted earnings per share

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

	For the year ended 31 December 2011 € cents	For the year ended 31 December 2010 € cents
Basic – adjusted	46.2	38.5
Diluted – adjusted	45.7	37.1
	€000	€000
<b>Profit for the year</b>	<b>77,696</b>	<b>64,670</b>
Decline in fair value of available-for-sale investments	551	2,223
Amortisation on acquisitions	15,838	7,516
Amortisation of intangibles in associate	5,729	8,266
Movement in deferred and contingent consideration	6,075	736
Employee stock option expense	4,678	5,855
Professional expenses on acquisition	1,488	1,802
One-off legal costs related to the litigation with WHO	1,389	–
Previous year taxes	(571)	939
Exchange differences – on deferred consideration	(26)	1,200
<b>Adjusted profit for the year</b>	<b>112,847</b>	<b>93,207</b>
	Number	Number
<i>Denominator – basic</i>		
<b>Weighted average number of equity shares</b>	<b>244,113,262</b>	<b>242,011,308</b>
<i>Denominator – diluted</i>		
Weighted average number of equity shares	244,113,262	242,011,308
Weighted average number of option shares	3,066,593	9,173,326
<b>Weighted average number of shares</b>	<b>247,179,855</b>	<b>251,184,634</b>

**NOTE 8 – EARNINGS PER SHARE (CONTINUED)****B. Adjusted Earnings per Share** (continued)

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

**NOTE 9 – EMPLOYEE BENEFITS**

Total staff costs comprise the following:

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

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

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

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

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

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2011

## NOTE 9 – EMPLOYEE BENEFITS (CONTINUED)

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

	2011 Number	2010 Number
Shares vested on 30 November 2008 at an exercise price of \$2.5 per share	141,067	141,067
Shares vested on 30 November 2008 at an exercise price of £1.45 per share	410,250	489,979
Shares fully vested on 30 November 2008 at an exercise price of £2.32 per share	133,334	133,334
Shares vesting between 1 December 2006 and 6 February 2009 at an exercise price of \$4.50 per share	282,046	325,046
Shares vesting between 1 December 2006 and 6 February 2009 at an exercise price of £2.55 per share	610,000	611,666
Shares vesting between 1 December 2006 and 1 December 2009 at an exercise price of £2.29 per share	200,000	200,000
Shares vesting between 28 March 2007 and 28 March 2009 at an exercise price of £2.57 per share	200,000	200,000
Shares vesting between 21 June 2007 and 21 June 2009 at an exercise price of \$5.75 per share	11,000	11,000
Shares vesting between 21 June 2007 and 21 June 2009 at an exercise price of £3.16 per share	60,334	60,334
Shares vesting between 11 October 2007 and 11 October 2009 at an exercise price of £1.72 per share	208,334	208,334
Shares vesting between 11 December 2007 and 11 December 2009 at an exercise price of \$4.35 per share	65,000	65,000
Shares vesting between 11 December 2007 and 11 December 2009 at an exercise price of £2.21 per share	254,669	276,669
Shares vesting between 31 December 2007 and 31 October 2010 at an exercise price of £3.79 per share	–	250,000
Shares vesting between 31 December 2007 and 31 October 2010 at an exercise price of \$7.48 per share	75,000	75,000
Shares vesting between 16 May 2008 and 16 May 2010 at an exercise price of \$7.50 per share	20,000	20,000
Shares vesting between 16 May 2008 and 16 May 2010 at an exercise price of £3.79 per share	1,143,000	1,143,000
Shares vesting between 18 June 2008 and 18 June 2010 at an exercise price of \$7.79 per share	9,468	9,468
Shares vesting between 18 June 2008 and 18 June 2010 at an exercise price of £3.96 per share	110,252	121,808
Shares vesting between 18 June 2008 and 18 June 2010 at an exercise price of £3.30 per share	10,000	10,000
Shares vesting between 10 October 2008 and 10 October 2011 at an exercise price of £3.51 per share	112,500	112,500
Shares vesting between 20 November 2008 and 20 November 2011 at an exercise price of \$7.19 per share	30,000	30,000
Shares vesting between 20 November 2008 and 20 November 2011 at an exercise price of £3.51 per share	55,500	55,500
Shares vesting between 31 December 2008 and 31 December 2010 at an exercise price of \$7.68 per share	18,000	18,000
Shares vesting between 31 December 2008 and 31 December 2010 at an exercise price of £3.86 per share	41,000	49,500
Shares vesting between 25 April 2009 and 25 April 2012 at an exercise price of £4.35 per share	522,167	569,667
Shares vesting between 21 May 2009 and 21 May 2012 at an exercise price of £5.31 per share	500,000	500,000
Shares vesting between 28 November 2009 and 28 November 2012 at an exercise price of £3.20 per share	1,502,725	1,674,210
Shares vesting between 31 December 2008 and 31 December 2011 at an exercise price of £3.1725 per share	200,000	200,000
Shares fully vesting on 22 May 2012 at an exercise price of £4.155 per share	765,000	765,000
Shares fully vesting on 22 May 2012 at an exercise price of £4.05 per share	75,000	75,000
Shares fully vesting on 6 November 2012 at an exercise price of £3.7 per share	1,130,000	1,260,000
Shares vesting between 18 April 2012 and 18 April 2013 at an exercise price of £5.12 per share	1,063,000	1,098,000
Shares vesting between 3 June 2012 and 3 June 2013 at an exercise price of £4.84 per share	220,000	328,000
Shares vesting between 26 August 2012 and 26 August 2013 at an exercise price of £4.16 per share	264,725	288,670
Shares fully vesting on 26 August 2013 at an exercise price of £4.16 per share	180,275	216,330
Shares fully vesting on 10 March 2014 at an exercise price of £3.5225 per share	1,999,950	–
Shares fully vesting on 25 August 2014 at an exercise price of £3.0325 per share	100,000	–
Shares fully vesting on 16 December 2014 at an exercise price of £2.3 per share	120,000	–
	<b>12,843,596</b>	<b>11,592,082</b>

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

**NOTE 9 – EMPLOYEE BENEFITS (CONTINUED)**

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

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

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

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

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

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

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

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

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

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

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

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

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2011

## NOTE 9 – EMPLOYEE BENEFITS (CONTINUED)

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

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

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

## NOTE 10 – PROPERTY, PLANT AND EQUIPMENT

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

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

**NOTE 11 – INTANGIBLE ASSETS**

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

	Patents & domain names €000	Technology IP €000	Development costs €000	Customer list & affiliates €000	Goodwill €000	Total €000
<b>Cost</b>						
As of 1 January 2011	7,897	7,702	24,086	52,414	36,635	128,734
Additions	79	–	9,542	287	–	9,908
Assets acquired on previous years business combinations	–	–	–	–	(1,200)	(1,200)
Assets acquired on business combinations	965	4,721	655	144,256	129,285	279,882
As of 31 December 2011	8,941	12,423	34,283	196,957	164,720	417,324
<b>Accumulated amortisation</b>						
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
<b>Net Book Value –</b>						
As of 31 December 2011	6,248	7,867	19,365	167,001	164,720	365,201

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

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

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

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

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

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2011

## NOTE 11 – INTANGIBLE ASSETS (CONTINUED)

Key assumptions are as follows:

For the GTS CGU with carrying value of €18.0 million (2010: €20.4 million): Discount rate of 15.5% which is based on the Group's WACC to reflect management's assessment of specific risks related to the goodwill.

Annual growth rate of 1% for 2012, 10% for 2013-2015 and 2% for the following years, based on the average forecast GDP growth rate for the UK.

For the VF CGU with carrying value of €33.3 million (2010: €36.6 million): Discount rate of 15.5% which is based on the Group's WACC to reflect management's assessment of specific risks related to the goodwill.

Annual growth rate of 9.6% for 2012, 4% for 2013, 3% for 2014, 2.5% for 2015 and 2% for the following years, based on the average forecast GDP growth rate for the UK.

For the IGS CGU with carrying value of €4.4 million (2010: €nil): Discount rate of 15.5% which is based on the Group's WACC to reflect management's assessment of specific risks related to the goodwill.

Annual growth rate of 226% for 2012, 34% for 2013, 43% for 2014, 20% for 2015-2016 and 2% for the following years, based on the average forecast GDP growth rate for the UK.

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

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

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

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

## NOTE 12 – INVESTMENTS IN EQUITY ACCOUNTED ASSOCIATES AND JOINT VENTURES

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

### A. Investment in William Hill Online

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

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

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

**NOTE 12 – INVESTMENTS IN EQUITY ACCOUNTED ASSOCIATES AND JOINT VENTURES (CONTINUED)****A. Investment in William Hill Online** (continued)

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

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

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

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

Aggregated amounts relating to associates are as follows:

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

**B. Investment in Sciplay**

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

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

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

On 28 September 2010 each of the parties paid additional paid in capital of €477,000 (€227,000 to Sciplay International Sarl and €250,000 to Sciplay (Luxembourg) Sarl).

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

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

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2011

## NOTE 12 – INVESTMENTS IN EQUITY ACCOUNTED ASSOCIATES AND JOINT VENTURES (CONTINUED)

### B. Investment in Sciplay (continued)

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

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

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

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

### C. Investment in International Terminal Leasing

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

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

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

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

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

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

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

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

**NOTE 13 – DEFERRED AND CONTINGENT CONSIDERATION**

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

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

**NOTE 14 – AVAILABLE-FOR-SALE INVESTMENTS**

	31 December 2011 €000	31 December 2010 €000
Available-for-sale investments comprise:		
<b>A.</b> Investment in Foundation Group Limited	–	–
<b>B.</b> Investment in AsianLogic	2,054	2,054
<b>C.</b> Investment in Sportech PLC	10,322	8,878
	<b>12,376</b>	<b>10,932</b>
Change in fair value of available-for-sale investments during the year, net		
<b>A.</b> Foundation Group Limited	–	231
<b>B.</b> AsianLogic	–	–
<b>C.</b> Sportech PLC	1,444	(2,454)
	<b>1,444</b>	<b>(2,223)</b>

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

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

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

# Notes to the Financial Statements (Continued)

## For the year ended 31 December 2011

### NOTE 14 – AVAILABLE-FOR-SALE INVESTMENTS (CONTINUED)

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

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

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

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

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

### 2011

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

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

### NOTE 15 – OTHER NON-CURRENT ASSETS

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

### NOTE 16 – TRADE RECEIVABLES

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

**NOTE 17 – OTHER RECEIVABLES**

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

**NOTE 18 – CASH AND CASH EQUIVALENTS**

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

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

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

**NOTE 19 – SHAREHOLDERS' EQUITY****A. Share Capital**

	31 December 2011 €000 Number of Shares	31 December 2010 €000 Number of Shares
Share capital is comprised of no par value shares as follows:		
Authorised	N/A <sup>(*)</sup>	N/A <sup>(*)</sup>
Issued and paid up	289,314,348	242,599,019

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

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

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

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2011

## NOTE 19 – SHAREHOLDERS' EQUITY (CONTINUED)

### B. Treasury Shares

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

### C. Share Option Exercised

During the year 203,702 (2010: 2,394,440) share options were exercised.

### D. Distribution of Dividend

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

### E. Reserves

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

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

## NOTE 20 – NON-CURRENT LIABILITIES

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

## NOTE 21 – LOANS AND BORROWINGS

	31 December 2011 €000	31 December 2010 €000
Current bank borrowings	13,787	–
Non-current bank borrowings	13,746	–
	<b>27,533</b>	<b>–</b>

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

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

## NOTE 22 – TRADE PAYABLES

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

**NOTE 23 – DEFERRED TAX LIABILITY**

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

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

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

**NOTE 24 – OTHER PAYABLES**

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

**NOTE 25 – ACQUISITIONS DURING THE YEAR****A. Acquisition of Intelligent Gaming Systems Limited**

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

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

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

	Book value prior to acquisition €000	Adjustments €000	Fair value on acquisition €000
Property, plant and equipment	27	–	27
Intangible assets	–	973	973
Trade receivables	110	–	110
Cash and cash equivalents	79	–	79
Deferred tax liability	–	(273)	(273)
Trade payables	(134)	–	(134)
<b>Net identified assets</b>	<b>82</b>	<b>700</b>	<b>782</b>
Goodwill			3,691
<b>Fair value of consideration</b>			<b>4,473</b>
			<b>€000</b>
Cash consideration			2,914
Non-current contingent consideration			748
Current contingent consideration			894
Total cash consideration			4,556
Finance cost arising on discounting of contingent consideration			(83)
Fair value of consideration			4,473
Cash purchased			(79)
<b>Net cash payable (of which €2.9m was paid in the year)</b>			<b>4,394</b>

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2011

### NOTE 25 – ACQUISITIONS DURING THE YEAR (CONTINUED)

#### A. Acquisition of Intelligent Gaming Systems Limited (continued)

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

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

Adjustments to fair value include the following:

	Amount €000	Amortisation %
IP Technology	90	12.5
Total intangible assets	883	12.5
	<b>973</b>	

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

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

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

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

#### B. Acquisition of PT Turnkey Services Limited

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

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

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

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

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

**NOTE 25 – ACQUISITIONS DURING THE YEAR (CONTINUED)****B. Acquisition of PT Turnkey Services Limited** (continued)

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

	Book value and provisional fair value on acquisition €000
Property, plant and equipment	1,910
Intangible assets	132,758
Non-current accounts receivables	1,610
Trade receivables	969
Other receivables	3,319
Cash and cash equivalents	687
Trade payables	(21,266)
Non-current accounts payables	(124)
Net identified assets	119,863
Provisional goodwill	93,374
<b>Fair value of consideration</b>	<b>213,237</b>
	<b>€000</b>
Cash consideration	45,000
Non-current deferred consideration	35,195
Current deferred consideration	45,000
Maximum contingent consideration	140,000
Total maximum cash consideration	265,195
Finance cost arising on discounting of deferred and contingent consideration	(51,958)
Fair value of consideration	213,237
Cash purchased	(687)
<b>Net cash payable (of which €45.0m was paid in the year)</b>	<b>212,550</b>

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

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

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

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

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

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2011

## NOTE 25 – ACQUISITIONS DURING THE YEAR (CONTINUED)

### B. Acquisition of PT Turnkey Services Limited (continued)

Since the acquisition date, PTTS has contributed €41.2 million to Group revenues, €2.1 million to Group profits, €11.0 million to Group adjusted EBITDA and €9.8 million to Group adjusted net profit respectively. The Combined Group revenues as if the PTTS acquisition had occurred on 1 January 2011 would have been higher by €39.2 million, the Combined Group profits by €1.4 million, the Combined Group adjusted EBITDA and adjusted net profit (excluding the impact of finance costs on deferred and contingent consideration) would have been higher by €10.6 million and €9.0 million respectively.

### C. Acquisition of Mobenga AB Limited

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

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

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

	Book value prior to acquisition €000	Adjustments €000	Provisional fair value on acquisition €000
Property, plant and equipment	17	–	17
Intangible assets (customer list)	1,000	3,563	4,563
Trade and other receivables	406	–	406
Cash and cash equivalents	169	–	169
Trade and other payables	(374)	–	(374)
Deferred tax liability	–	(937)	(937)
Net identified assets	1,218	2,626	3,844
Provisional goodwill			15,672
<b>Fair value of consideration</b>			<b>19,516</b>
			€000
Cash consideration			8,000
Contingent consideration			12,384
Total cash consideration			20,384
Finance cost arising on discounting of contingent consideration			(868)
<b>Fair value of consideration</b>			<b>19,516</b>
Cash purchased			(169)
<b>Net cash payable (of which €8.0m was paid in the year)</b>			<b>19,347</b>

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

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

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

**NOTE 25 – ACQUISITIONS DURING THE YEAR (CONTINUED)****C. Acquisition of Mobenga AB Limited** (continued)

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

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

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

**D. Acquisition of Ash Gaming Limited**

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

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

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

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

Adjustments to fair value include the following:

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

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

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2011

## NOTE 25 – ACQUISITIONS DURING THE YEAR (CONTINUED)

### D. Acquisition of Ash Gaming Limited (continued)

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

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

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

### E. Acquisition of S-Tech Limited

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

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

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

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

## NOTE 26 – ACQUISITIONS IN PRIOR YEAR

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

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

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

Since the acquisition date, VF contributed €18.0 million and €5.5 million to group revenues and profits respectively in the year ended 31 December 2010. The Group did not disclose the results of the Combined Group as if the VF acquisition had occurred on 1 January 2010 as they considered the amounts involved to be immaterial.

## NOTE 27 – RELATED PARTIES AND SHAREHOLDERS

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

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

**NOTE 27 – RELATED PARTIES AND SHAREHOLDERS (CONTINUED)**

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

The following transactions arose with related parties:

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

The following are year-end balances:

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

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

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2011

## NOTE 28 – SUBSIDIARIES

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

Name	Country of incorporation	Proportion of voting rights and ordinary share capital held	Nature of business
Playtech Software Ltd	British Virgin Islands	100%	Main trading company of the Group, owns the intellectual property rights and licenses the software to customers
OU Playtech (Estonia)	Estonia	100%	Designs, develops and manufactures online software
Techplay Marketing Ltd	Israel	100%	Marketing and advertising
Video B Holding Ltd	British Virgin Islands	100%	Trading company for the Videobet software, owns the intellectual property rights of Videobet and licenses it to customers
OU Videobet	Estonia	100%	Develops software for fixed-odds betting terminals and casino machines (as opposed to online software)
Playtech Bulgaria	Bulgaria	100%	Designs, develops and manufactures online software
PTVB Management Ltd	Isle of Man	100%	Management
Playtech (Cyprus) Ltd	Cyprus	100%	Dormant
Playtech Live Ltd	British Virgin Islands	100%	Dormant
Networkland Ltd	British Virgin Islands	100%	Dormant
Playtech Bingames Ltd	British Virgin Islands	100%	Technical support
Evermore Trading Ltd	British Virgin Islands	100%	Holder of convertible notes in Foundation
Playtech Software India Ltd	India	100%	Designs, develops and manufactures online software
Genuity Services Ltd	British Virgin Island	100%	Holder of investment in WH Online
Playtech Services (Cyprus) Ltd	Cyprus	100%	Activates the Italian iPoker Network
VB (Video) Cyprus Ltd	Cyprus	100%	Trading company for the Videobet product to Romanian companies
Guideview Trading Limited	Cyprus	100%	Licenses Software to companies
Playtech Sports Limited	British Virgin Islands	100%	Holds sports betting IP
Regisol Holdings Limited	Cyprus	100%	Dormant
Playtech Software Bulgaria EOOD	Bulgaria	100%	Dormant
Makemoreprofit Investments Ltd	British Virgin Islands	100%	Holder of Guideview Trading Limited
Techplay S.A. Software LTD	Israel	100%	Develops online software
Technology Trading IOM Limited	Isle of Man	100%	Owns the intellectual property rights of the GTS, VF and Ash Gaming businesses
Gaming Technology Solutions Limited	UK	100%	Holding company of VS Gaming and VS Technology
VS Gaming Limited	UK	100%	Develops soft and casino games
VS Technology Limited	UK	100%	Develops EdGE platform
Bandwich Investments Ltd	Cyprus	100%	Holding company of Bandwich Investments OU
Bandwich Investments OU	Estonia	100%	Owns a building
Virtue Fusion (Alderney) Limited	Alderney	100%	Online bingo and casino software provider
VF Interactive Gaming Limited	Malta	100%	Dormant
Virtue Fusion CM Limited	UK	100%	Chat moderation services provider to end users of VF licensees
Playtech Services Romania S.R.L	Romania	100%	Providing customer support
VB CMS OU	Estonia	100%	Develops software for fixed-odds betting terminals and casino machines
Playtech Software (Alderney) Ltd	Alderney	100%	To hold the company's Alderney Gaming license
Playtech Gaming SAS	France	100%	Dormant

**NOTE 28 – SUBSIDIARIES (CONTINUED)**

Name	Country of incorporation	Proportion of voting rights and ordinary share capital held	Nature of business
Intelligent Gaming Systems Limited	UK	100%	Casino management systems to land-based businesses
VF 2011 Limited	Alderney	100%	Holds license in Alderney for online gaming
PT Turnkey Services Limited	British Virgin Islands	100%	Holding company of the Turnkey Services group
PT Turnkey EU Services Limited	Cyprus	100%	Turnkey services for EU online gaming operators
PT Entretenimiento Online EAD	Bulgaria	100%	Poker and Bingo network for Spain
PT Marketing Services Limited	British Virgin Islands	100%	Marketing services to online gaming operators
PT Domains Limited	British Virgin Islands	100%	Domains and hosting services to online gaming operators
Fullaccess Trading Limited	Cyprus	100%	Domains and hosting services for EU
Ciera Trading Limited	Cyprus	100%	Marketing services to parent company
Karmina Trading Limited	British Virgin Islands	100%	Marketing services to parent company
PT Operational Services Limited	British Virgin Islands	100%	Operational and hosting services to online gaming operators
Tech Hosting Limited	Alderney	100%	Alderney Hosting services
PT Antigua Limited	Antigua	100%	Operational services
PT Entertainment services	Antigua	100%	Holder of Antiguan license for Poker Network and Online Gaming Operator
Paragon International Customer Care Limited	British Virgin Island and branch office in the Philippines	100%	English Customer support, chat, fraud, finance, dedicated employees services to parent company
Starting Point Consultants Limited	Cyprus	100%	Operational and administration 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
Xwise marketing (Israel) Limited	Israel	100%	Marketing services to parent company
Xwise Research and Development (Israel) Limited	Israel	100%	Maintenance to affiliate programme of parent company
S-Tech Limited	British Virgin Islands and 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 and cashier to online gaming operators
PT Processing EU Advisory Limited	Cyprus	100%	Advisory services for processing and cashier for EU online gaming operators
PT Network Management Limited	British Virgin Islands	100%	Manages the iPoker network
Gamepark Investments Limited	British Virgin Islands	100%	Subsidiary of PT Network Management
Playtech Mobile (Cyprus) Limited	Cyprus	100%	Holds the IP of Mobenga AB
Playtech Holding Sweden AB	Sweden	100%	Holding company of Mobenga AB
Mobenga AB	Sweden	100%	Mobile sportsbook betting platform developer
Ash Gaming Limited	UK	100%	Develops interactive gambling and betting games

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2011

### NOTE 29 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

#### a) Interest Rate Risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Group's income and operating cash flows are substantially independent of changes in market interest changes. The management monitors interest rate fluctuations on a continuous basis and acts accordingly.

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

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

The loans are repayable in monthly instalments.

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

#### b) Credit Risk

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

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

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

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

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

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

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

The above balances relate to customers with no default history.

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

	2011 €000	2010 €000
Provision at the beginning of the year	121	146
Charged to income statement	2,019	64
Utilised	(311)	(89)
<b>Provision at end of year</b>	<b>1,829</b>	<b>121</b>

**NOTE 29 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)****b) Credit Risk** (continued)

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

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

**c) Currency Risk**

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

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

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

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

**d) Equity Price Risk**

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

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

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

A change of 1% in shares price will have an impact of €0.1 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**

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

**f) Liquidity Risk**

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

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

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

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

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2011

### NOTE 29 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

#### g) Total Financial Assets and Liabilities

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

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

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

### NOTE 30 – POST-BALANCE SHEET EVENTS

#### Acquisition of Geneity Limited

On 24 January 2012, the Group acquired 100% of the issued share capital of Geneity Limited ('Geneity') shares, a UK-based provider of e-gaming software products, focussed primarily on the sportsbook and lottery sectors, for an initial cash consideration of €11 million (subject to a working capital adjustment), of which €4 million will be held in escrow for 30 months. A further €4 million in cash will be payable subject to certain agreed deliverables to be provided by Geneity.

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

#### Joint Venture with Merkur Interactive GmbH

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

### NOTE 31 – CONTINGENT LIABILITIES

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

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

# Five-Year Financial Summary

	2011 €m	2010 €m	2009 €m	2008 €m	2007 €m
<b>Income statement</b>					
Total revenues	207.5	142.3	114.8	111.5	65.7
Associate income (WH Online)	36.1	30.8	22.5	–	–
<b>Gross income</b>	<b>243.6</b>	<b>173.1</b>	<b>137.3</b>	<b>111.5</b>	<b>65.7</b>
Adjusted EBITDA	125.5	103.1	93.7	74.7	43.0
Adjusted net profit	112.8	93.2	89.4	78.6	43.9
<b>Balance sheet</b>					
Non-current assets	564.9	292.8	252.0	235.2	42.4
Current assets	206.1	91.3	75.1	44.4	88.4
Current liabilities	110.2	64.3	32.1	17.7	28.6
Non-current liabilities	182.1	19.8	25.1	31.7	22.1
Net assets	478.7	300.0	269.9	230.2	80.1
<b>Equity</b>					
Additional paid-in capital	307.9	189.7	183.6	180.1	39.1
Available-for-sale reserve	2.0	–	1.0	–	0.2
Retained earnings	168.9	110.3	85.3	50.1	40.9
<b>Statistics</b>					
Basic adjusted EPS (in Euro cents)	46.2	38.5	37.3	34.5	20.4
Diluted adjusted EPS (in Euro cents)	45.7	37.1	36.0	33.4	19.5
Dividend per share (in Euro cents)	16.5	19.0	18.3	15.2	10.1
Share price low/high	215.5p/420p	390p/548p	291.75p/482p	305p/550p	242p/412.5p

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