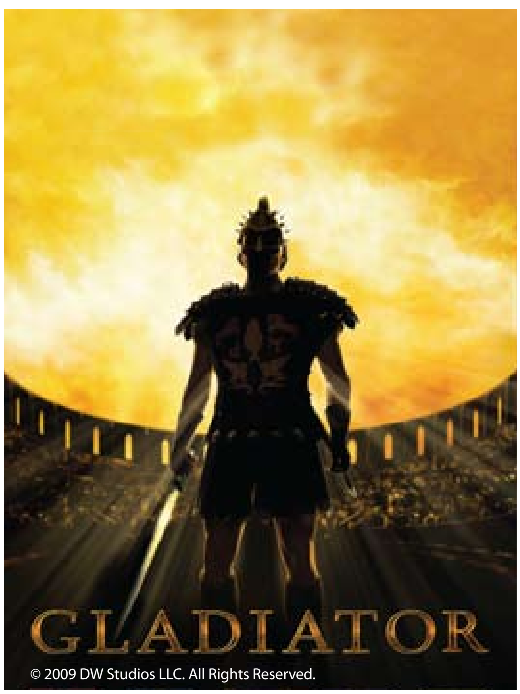
Source of success

Annual Report and Accounts
For the year ended 31 December 2008



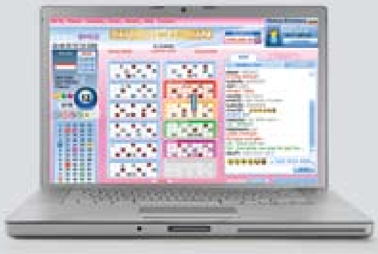
Latest Innovations:
Playtech's most recent product developments have consolidated its reputation as an industry leader, spearheading innovation and technological advancement in the global gaming arena.

New branded slots:

One of our most thrilling new additions, the branded slot, Gladiator (TM). Based on the box-office blockbuster and offering original clips from the hit movie, the slot offers great prizes and bonuses. Equally, with multi-line and multi-spin slots, such as Wild Spirit and Silent Samurai, Playtech is taking slots to a whole new level. Coming soon: Iron Man and the Incredible Hulk.

→ Read more on page 4

Bingo Network re-design:



Our complete client revamp provides a cutting-edge look and feel, offering a large embedded chat, and a clear call for action, via an attractive user-friendly interface. A new downloadable flash client enables players to enjoy Bingo and additional games using an internet connection between the client application and the bingo game server on the web. Improvements to the back end capability through enhanced reporting tools and additional configurations further enhance the revitalised Bingoland offering.

→ Read more on page 5

Broadcast gaming:

Broadcast Gaming enables operators to bring interactive live gaming action to their players. Mass multi-player solutions enabling synchronous broadcast via TV and the Web, give operators the opportunity to swell the ranks of their player base.

→ Read more on page 8

ipoker.it – A new online poker network in Italy:

Our Italian poker network, iPoker.it, created in full compliance with the regulatory requirements for online gaming as outlined by Italy's regulatory body, the AAMS. Playtech has attracted Italy's major operators to the network, using the know-how garnered from years of experience working in regulated markets.

→ Read more on page 13

Total revenues up by

+70% to €111.5m

(2007: €65.7m)

Net profit up by

+55% to €40.7m

(2007: €26.3m)

Adjusted net profit up by

+79% to €78.6m

(2007: €43.9m)

Adjusted net profit margin up to

70%

(2007: 67%)

Business Overview

Directors' Statements

Committee Reports

Accounts

Our Philosophy: We work closely with clients to identify the optimum business solution for their operation.

The world's largest publicly traded online gaming software supplier, we offer cutting edge, value-added solutions to the online gaming industry's top operators.

Our philosophy is based on a deep and stable partnership foundation and our success is based first and foremost on a commitment to achieving excellence through cooperative discourse with our clients. We believe that our practice of fostering open channels of communication with licensees is the best means of generating profitability, as it enables us to fine tune our management tools and product lines to suit our customers' specific requirements.

Playtech has established its presence in growing markets, both geographically and in terms of product development, by delivering comprehensive best of breed solutions to our market and developing a dynamic and diversified business model.

The client-centric design of the Playtech gaming system provides operators with added value, and facilitates the optimisation of their business performance. Our philosophy of ongoing and open dialogue with licensees has led to the release of some of the company's most successful and revenue generating innovations, catapulting Playtech to its position as the industry's leading platform provider.

Cutting-edge creativity meets new technology: Playtech is a cutting-edge software provider with a reputation for setting industry standards and pioneering new gaming technologies in partnership with licensees.

Founded in 1999, and employing over 800 personnel distributed globally, Playtech has established a stellar reputation for supplying its clientele with tools for optimised growth and a first-class player experience. Playtech provides its licensees with cutting-edge technologies and access to the world's largest poker network. A commitment to the belief that a profound and real partnership with operators is the surest means of meeting their needs and moving the industry forward, has led to success after success. In less than a decade, Playtech has become the world's largest publicly traded online gaming software supplier (AIM: PTEC).

> Playtech Cross-Platform
The Playtech cross-platform network enables online, broadcast, mobile and land-based platforms to be run via a unified administrative system. Accessed and funded through one user account, and username-password combination, it allows players to continue playing on their mobile devices after leaving the gaming floor, or to access the casino online after playing through their TV, using the same account.

Managed by the operator via a single robust management interface, land-based to mobile and internet game flow enhances the gaming experience and maximises profitability.

Our Products: Playtech's extensive product range is shown on the following pages.

All these products are part of a unified platform and can be managed via a single robust management interface.

They are fully inter-compatible yet can also be freely incorporated as stand-alone applications.

Casino

The Playtech Casino benefits from stunning 3D graphics, first-class audio and an unparalleled user interface.

In game chat facilities, VIP bonus plans and real time transaction history and game history further establish Playtech's offering as the industry's premier online casino software. The vast games portfolio includes classic table and card games, multi-line and multi-spin slots, progressive jackpot games, Asian facing games, Fixed-odds games, Virtual horse racing, Playtech's revenue enhancing exclusive games such as Blackjack Switch, Tequila Poker and Stravaganza and branded slots such as Gladiator and The Untouchables.

Live games, presented in real time by Asian and European facing dealers, further boost profitability. Revenue can also be maximised from the Casino brand with Bingo and Poker cross-product game play, by offering exclusive casino side games on other platforms.

Poker

With the success of Playtech's poker network iPoker, the largest poker network in the world, and with the high quality of our poker product, we are at the top of the game.

Playtech's user-friendly poker client offers operators the chance to launch their own customisable fully branded poker rooms supporting multiple languages and currencies. As part of the IMS, the client is supported by advanced back end management tools including targeted promotions, bonuses, state-of-the-art collusion prevention and detection tools, and 24/7 online support.

iPoker: Always A Full House

Over 30,000 concurrent players at peak time have made iPoker the fastest growing network in the global gaming market, attesting to Playtech's experience at spiking revenue in the online space. A vast array of expertly designed and managed tournaments and cash tables has contributed to record levels of player retention and longevity. A broad based P2P community attracts players looking for more opponents, greater stakes, lucrative tournaments, such as the European Championship of Online Poker (ECOOP), bigger prizes, and satellite access to major events.

Bingo

The Playtech Bingo network, Bingoland.com, is designed to truly duplicate the community feel of a land-based bingo hall atmosphere.

Operators can run their own fully customised bingo game, with multiple rooms, a vast array of games, scratch cards and embedded progressives. They reap the benefits of network-wide game management, professionally run chat rooms and substantial resources in terms of players, prize money and centrally prepared marketing collateral.

A rapid succession of games, run by the Chat Manager, maintains the momentum between rounds while automatic bonuses, additional side games, private chat and newsletters cultivate a loyal, broad based player community.

An average of 3,000 gamers online

Mobile

Fully inter-compatible with Playtech's online platform, Playtech Mobile enables players to enjoy their favourite Playtech online casino games on their mobile phones.

Managed via Playtech's powerful back end, IMS, the mobile platform affords operators absolute control in a fully branded borderless gaming environment, accessible anywhere, anytime.

Mobilise Marketing Opportunities

- Targeted promotional/bonuses SMS and email messaging.
- Mass exposure to Mobile's extensive user base.
- A broad range of classic casino games and original progressive Jackpot slots.
- Multi-lingual and multi-currency support.
- Entertainment focused mobile adjusted games.
- Cross-selling opportunities through full integration with the Playtech Platform.

Fixed Odds / Arcade

Our proven portfolio of Fixed-Odds and Arcade games complements any sports book, casino or poker operation.

Renowned for first-class animation and realistic audio, this fully branded package supports multiple languages and currencies. The games are available as part of the downloadable client or can be instantly launched from the non-download client as stand-alone Flash games.

One Step Ahead of the Pack

- Penalty Shoot-out.
- Popular virtual racing games, such as Derby Day.
- Original online interpretations of traditional pub games, a variety of hi-low games, street games.
- Popular themed games and unique featured progressive games, such as Mega Ball, all offering intuitive game-play and non-stop action.
- Mini Roulette and Pop Bingo, customarily favoured by fans of the casino floor or the bingo hall.

Win A Jackpot

With a track record for breaking records, Win A Jackpot is a progressive game network designed to broaden the appeal of hit progressive jackpot games.

Available on all of Playtech's platforms, WinAJackpot offers operators the opportunity to connect their players to an online network of millions, all of whom are playing for giant progressive jackpots. The network offers a vast array of games, all of which boast 3D interactive bonus stages. Games range from revenue enhancing exclusive slot progressive side-games, such as Dollar Ball, to video pokers, table games and video slots with multi-million dollar jackpots, such as Gold Rally and Beach Life.

Gold Rally has jackpots that time and again pass the $2 million mark and a total amount paid out to date of over $33 million, while Beach Life lays claim to a record setting $4,750,266.06 win. The jackpots just keep growing and since launching in 2003, the WinAJackpot total payout has reached over $120 million!

Total amount paid out to date:

> $120 million

Live

Playtech's extensive Live offering incorporates live dealer tables, in addition to TV and Web broadcasts of live casino shows.

Playtech Live provides the excitement of the casino from the comfort of home in a wholly transparent gaming environment, enabling players to interact with the dealer in real time.

Live Games: Be a Part of the Action

Playtech Live Gaming employs cutting-edge technology to create broadcasts that simulate the quality of high-definition television viewing.

One dealer centre is in Asia, where the need for local players to see it to believe it, has made the Asian facing live games with all their regional variations remarkably popular. The other dealer centre is in Europe and is designed to suit the cultural character and gaming patterns of European players. The European and the Asian facilities offer casino designs, game variations, languages and management tools, customised to suit the unique specifications of each region.

Players can enjoy real-time viewing of statistics and wagers placed by the other players at the table, and with multi-player games attracting large numbers to each table, the community feel is enhanced. Simultaneously, operators can view player-dealer chat and the recording of live studio footage by means of the sophisticated exposure monitoring system. With a flexible automated point system and VIP bonus plans, Playtech is setting the industry standard higher in the live gaming arena.

Broadcast Gaming

Broadcast Gaming enables operators to bring interactive live gaming action to their players.

Mass-participation by an unlimited number of players stems from the simultaneous streaming of the shows on a combination of media, while television's broad and diverse user base leads to substantial player conversion rates.

On a range of classic table games such as Baccarat, Roulette, or Blackjack, players experience the buzz of the casino and the immediacy and excitement of live TV game shows.

A full management toolkit affords operators the utmost control and security while players can also enjoy access to real-time transaction and game histories. Playtech's Casino Live Shows can be run as part of Playtech's cross-platform offering or as a stand-alone product.

Videobet

Videobet is a world leader in server-supported gaming.

The high end server supported gaming platform can run as a stand-alone unit or as a server-based network. We tailor locally facing solutions to meet the specific requirements of our client's business for maximum performance and enhanced profitability.

Videobet's first class, wide-ranging, games portfolio includes slot games, progressive games, table games, video-poker, arcade games, live gaming and bingo. Equally, our FOBT package has met with success across the UK, while Videobet's AWP, certified by Comma 6a, is setting the standard in the Italian market.

BLING™ – Spark up your Gaming Floor

Completely self-sufficient, the BLING™ gaming terminal is a stand-alone terminal possessing advanced server-based features such as downloadable games, game scheduling, advanced local reporting and accounting, all working together to maximise machine profits and optimise operational performance. The BLING™ terminal is housed in the attractive and robust sleekly designed dual-screen Jupiter™ cabinet.

Videobet®

Asian

Through fostering open channels of communication with our Asian licensees we have designed a uniquely tailored, comprehensive software package catering to the Asian market.

Playtech's Asian Live Dealers present casino games such as Roulette, Baccarat, Blackjack and Sic Bo in real time. Equally popular are a vast range of regionally tailored Asian P2P game variations, cash tables and enhanced tournament structures including Big2, Chinese Poker and Fight the Landlord. The package also features a variety of Asian facing slots, and versions of classic Asian games such as Pachinko. Cross-selling opportunities between the Casino, the live dealers and the P2P games enhance player value and expose players to a stream of new offerings.

The platform is supported by sophisticated operational tools to aid operators in catering their operation to the cultural nuances of the Asian market.

Sew up the Market and Tailor your Offering

- Support for a huge variety of languages and dialects.
- A vast selection of regional games variations.
- Compliance with all the prescriptions of local regulatory bodies.
- A range of regionally compatible payment methods.
- Marketing: Affiliates/Agents system customisation.

IMS

Information Management Solution (IMS) is an all-embracing management system for the operation of Playtech's entire product portfolio.

It provides all the elements of operational infrastructure in a full end-to-end solution and offers you total command, via a single, powerful, user-friendly interface that controls all aspects of maintenance, configuration and administration. The system's modular architecture, full scalability and built-in redundancy enable it to grow and accommodate future product diversification, while ensuring maximum availability at all times.

Playtech works in partnership with its licensees and develops the optimum business solution for each operation, one that takes into account the integration of existing legacy systems.

Compatible with multiple languages and currencies IMS is the leading management system in the gaming market. It provides the ultimate comprehensive tool kit, monitoring player activity from the player's first click on an affiliate's banner, continuing through download, registration, deposits, play and withdrawal.

Our People:
We are Playtech. We believe in a young, talented and motivated workforce guided by the core belief that "what's best for our clients is best for us too".

The Playtech team consists of over 800 employees from all over the world with a diverse range of talents and skills. Our dynamic workforce is based in a number of locations, including the Isle of Man, Estonia, Bulgaria, the Philippines and Israel.

Though spread out across the globe, the Playtech family has worked together as a unit to set the standard in the online and land-based gaming industry. Combining their strengths, Playtech's employees work closely in teams to come up with fresh ways to enhance the Company's offering.

First-rate facilities enable our workers to focus on the job at hand, in an open atmosphere where everyone can voice their ideas. A work space buzzing with enthusiasm makes for a fun professional environment and serves as a breeding ground for creativity and product innovation.

Playtech is wholly invested in its workforce, the Company's most valuable resource, and our employees are equally invested in Playtech. They are highly motivated to maintain our position as a gaming leader, and gain a great deal of professional satisfaction as they pioneer new products and technologies to propel the industry forward.

The Online Markets: As a publicly traded company working extensively in regulated markets, Playtech has shown an unwavering dedication to meeting all the regulatory requirements of the jurisdictions in which its licensees are active.

> Gateway to Regulated Markets

As the gaming industry expands into new regions, and gains momentum in un-mined markets, a vast potential player base is opening up. Yet, with these exciting revenue opportunities come the challenges of meeting the strict protocols of a range of international regulatory bodies.

> Our Client Partnerships

To take advantage of these developments, operators need a reputable partner, experienced in the penetration of new markets, with global credentials. As the world's largest publicly traded software supplier working extensively in regulated markets, Playtech has shown an unwavering dedication to meeting all the regulatory requirements of the jurisdictions in which its licensees are active.

Playtech's most recent success, establishing itself in Italy, with iPoker.it, testifies to this extensive experience in penetrating new markets. The Italian poker network includes the region's top four gaming operators, and fully complies with the prescriptions for online gaming, outlined by Italy's regulatory body, the AAMS.

iPoker.it™
ITALIAN POKER NETWORK

Case study:

ipoker.it network – hold the winning hand.

The success of its Italian poker network testifies to Playtech's extensive experience in penetrating new markets.

iPoker.it has the region's top gaming operators on board, including SNAI S.p.A., Sisal S.p.A., Gala Coral's Eurobet Italia and Cogetech S.p.A. and fully complies with the prescriptions for online gaming outlined by Italy's regulatory body, the AAMS. By meeting the strict protocols of international jurisdictions and by swiftly customising its offering to suit the preferences of local markets, Playtech has established its global credentials, enabling it to offer a strong P2P community and high player liquidity on the iPoker.it network.

> A Wealth of Choice

- Full screen or mini-view mode for easier multi-table simultaneous play.
- Multiple tournament options (Freezeout, Addon/Rebuy, Heads up, Sit'n'Go).
- Numerous game variations (Texas Hold'em, Omaha, Omaha HiLo, 7 Card/5 Card Stud).
- A choice of avatars.
- Player to player chat.
- A unique automated flexible VIP program.
- Exclusive casino side games.
- Multiple betting types on all games.
- A broad choice of table stakes and buy-ins.

Chairman's Report:
I am very pleased to report Playtech's financial results for the year ended 31 December 2008. Now in its third year as a listed entity, Playtech continues to outperform its competition.

Winner of the non-executive Director awards
Roger Withers was named as AiM Non-Executive Chairman of the Year 2009.

NON-EXECUTIVE DIRECTOR AWARDS

Total Revenues for the year:

+70%

New licensees:

15

The Group has delivered significant growth across all divisions, generating record revenues and profits for shareholders.

In the course of the year Playtech's management has continued to deliver upon its goal to enhance the Group's position as the world's leading software provider to the gaming industry. Management has relentlessly focused on being responsive to customer needs and investing in research and development that will provide new and exciting high quality products for its licensees.

Playtech's market leading position has been strengthened by the addition of 15 new licensees coupled with strong organic growth from its existing customer base, further demonstrating the success of Playtech's strategy to migrate licensees from competitors, target new and existing operators in newly created and lucrative regulated markets and diversify geographically.

Total revenues for the year rose by 70% to €111.5 million (2007: €65.7million), whilst net profit rose 55% to €40.7 million (2007: €26.3). Adjusted net profit* rose by 79% to €78.6 million, (2007: €43.9 million) representing a margin of 70% of total revenues. The Board recommends the payment of a final dividend of 7.6 € cents per share which is payable, subject to shareholder approval, on 15 May 2009 to all shareholders on the register at 3 April 2009. This follows the interim dividend payment of 7.6 € cents per share (12 US cents) announced in September 2008 making a total dividend of 15.2 € cents per share. The overall dividend reflects the Board's confidence in the Group's business and prospects.

Playtech's Board and management took great comfort from the positive response investors demonstrated to the Group's placement of new ordinary shares in June 2008 raising £112 million before expenses (€141 million) and underlining confidence in the Group's ability to deliver high quality sustainable growth. Given the state of financial markets at the time of the placement, this was an impressive achievement and clearly demonstrated Playtech's value proposition. At the time of fundraising the Company earmarked the proceeds for future acquisitions. The Company subsequently utilised the proceeds of the fundraising to undertake its transaction with William Hill Online, which involved Playtech's acquisition of certain online gaming marketing assets, businesses and contracts from affiliates and other third parties for a total consideration of US$250 million (€177.7 million) in cash and the immediate injection of those assets in return for a 29% interest in William Hill Online.

As well as the William Hill transaction the other major business development of 2008 was Playtech's entry into the newly regulated Italian market. Four of the Group's 15 new licensees were derived from this major development. Regulated markets remain an important target for Playtech's expansionary ambitions in 2009 and we anticipate a continuing trend of operational start-up in new jurisdictions.

Playtech has continued to work closely with its partner customers to develop and launch new products tailored to particular markets. The Group constantly seeks to improve the products on offer to licensees; accordingly, a dedicated new games software development unit has been established which will significantly increase the number of games released to our licensees.

I would like to thank my colleagues on the Board and every employee within Playtech for the outstanding contribution they have made to another successful year. In December 2008 Avigur Zmora resigned from his position as non-executive director of the Company, having steered through the final stages of the William Hill transaction. Avigur's contribution to Playtech's success is well known and appreciated and Avigur will continue to provide consultancy services to the Board on strategic matters. I would also like to thank former Finance Director Guy Emodi for his contribution to the Group throughout the year and to express my appreciation to Shuki Barak who has taken on the role of Interim Chief Financial Officer.

We are all aware of current global economic conditions and no industry is escaping the effects of the slowdown. Notwithstanding this the Group's market leading position as a software provider and its diversified business model should ensure that it should continue to deliver in terms of its financial performance.

To conclude, Playtech has enjoyed an excellent year of progress. We will continue to follow our successful strategy of organic and acquisitive growth as we take full advantage of the opportunities that lie ahead. There are new geographic markets to break into, new products to launch, new licensees to migrate and, if appropriate, acquisitions to make. As a result, the Board is highly confident of its prospects for 2009 and beyond.

Roger Withers
Chairman

* Adjusted EBITA and adjusted net profit are calculated after adding back certain items in relation to the investments in CY Foundation Group Limited, AsianLogic Limited, Tribeca and the exchange loss relating to the investment in William Hill Online which are not part of the Group's core business and the employee stock option plan.

Chief Executive Officer's Report: The 2008 results show excellent growth over the previous year in all areas of the business.

> Introduction

I am delighted to report another excellent year for Playtech. The Group made strong financial progress, again delivering record levels of revenue and profit. This year saw some important achievements, two of which I am particularly proud. The first was the equity placing in June 2008 to institutional investors in the Company which raised £112 million before expenses (€141 million). The second achievement was the transaction with William Hill which involved the acquisition by Playtech of online gaming marketing assets, businesses and contracts from affiliates and other third parties for a total consideration of US$250 million (€177.7 million) in cash and the immediate injection of those assets in return for a 29% interest in a new operation created with William Hill ('William Hill Online') which will operate on Playtech's market leading software platform under a five year licence agreement. I am confident that William Hill Online will be highly successful and will bring financial benefits to both William Hill and Playtech.

There were several other notable achievements. Pursuant to our strategy to target regulated markets, in the last week of the year we launched our Italian poker network, of which SNAI, SISAL, Eurobet Italy and COGETECH are members. The network is already showing significant player growth despite only being in its early stages. We believe that regulated markets have a significant potential and anticipate that further markets will be opened up in the future. Accordingly, Playtech is focused on regulated markets and will continue to invest efforts and resources in them. We are closely monitoring the development of regulations within Europe and elsewhere and as demonstrated in Italy, we aim to be well placed to take advantage of any opportunities that present themselves in this area.

In 2008 we continued to attract well known and established operators to the Playtech stable, such as Betsson, Mansion Poker, Hollywood Poker and Genting Stanley. This will further enhance and strengthen Playtech's diversification both in terms of revenue generation and geographic exposure. We continued our strategy of expanding the Group's product portfolio by the acquisition of the assets of MixTV, a developer and provider of advanced user experience and quality live streaming products accessible via a unique combination of TV and internet media.

Playtech's iPoker network strengthened its position as the world's largest online poker network, providing our licensees with the liquidity and expertise to offer their poker players a best of breed product and experience.

The Group's land based gaming division, Videobet, made significant progress during the year, executing an agreement with Sceptre Leisure for the deployment of 800 machines in the UK, obtaining AAMS approval of its machines in Italy and planning to deploy 300 machines in the country.

> Review of Operations

The 2008 results show excellent growth over the previous year in all areas of the business. As previously announced, the Group has moved to reporting in Euros. Revenues have grown to €111.5 million (2007: €65.7 million), adjusted net profit* was up to €78.6 million (2007: €43.9 million) and adjusted basic earnings per share* was 34.5 € cents (2007: 20.4 € cents). Playtech's casino revenues increased by 68% and its poker revenues increased by 73%. In 2008, 80% of royalty revenues were derived from Europe, 10.7% from Asia, 2.3% from Africa and 7% from the rest of the world.

In 2008 Playtech's poker network, iPoker, became the world's largest poker network** and attracted several additional quality online poker operators such as Mansion and Boyles Sports. In December the iPoker network held the third European Championship of Online Poker ('ECOOP III') which saw over 27,000 players participating for an aggregate of $4.8 million in prize money.

During 2008, the Group undertook a review of its operations and processes. This has resulted in a move from a geographic based operational structure to a process based structure which the Company believes will allow faster delivery of products and services, and as a result a faster time to market. The Group currently employs approximately 800 talented and valued personnel around the world, the majority of which are focussed on product research and delivery.

> Development

We continue to focus on offering existing and potential licensees the products and tools which will allow them to optimise their ability to grow organically, penetrate new markets and successfully launch new products.

During 2008 the Group fully launched its Asian P2P Games with selected licensees together with an enhanced set of management tools specifically for use with the Asian markets. This will allow the Group to further strengthen its position in Asia through existing and new Asian focused licensees.

We also released a new version of the bingo product, which will provide better player experience and a greater set of management tools to the operators. This is the first phase of a continuing process to develop our bingo product and we expect that additional versions will be released in the second half of 2009.

* Adjusted EBITA and adjusted net profit are calculated after adding back certain items in relation to the investments in CY Foundation Group Limited, AsianLogic Limited, Tribeca and the exchange loss relating to the investment in William Hill Online which are not part of the Group's core business and the employee stock option plan.

** www.pokerscout.com

Chief Executive Officer's Report
continued

The Group's live games product offering is being expanded to include a European branded product located in a new live games facility in Riga, Latvia operated by a third party. This facility will have live streaming of local dealers which we expect will widen the appeal of this innovative and popular product offering.

During the year, the Group also launched a flash version of its poker product and is now in the process of rolling it out to all licensees.

As previously announced in our 2008 interim statement, Playtech has established a dedicated new games software development unit which is focused on delivering an increased number of card, table and slots games to its licensees. This has already shown good results with the release of an increased number of new games. A further demonstration of the Group's commitment was the four year exclusive licensing agreement with Paramount Digital Entertainment, as part of which the Group developed exciting new games featuring the well-known Paramount Pictures brand, 'Gladiator' for its licensees. The 'Gladiator' games are in the process of being released to licensees and we believe they will offer players an exciting and rewarding user experience.

We also continued to make improvements and enhancements to Playtech's world leading back end system. This enables our licensees to have all the tools they need to maximise their revenues and provide their players with the best possible service.

> Regulatory Environment

The Board considers it prudent to monitor and be as close as possible to the regulatory environment in which the Group operates. Accordingly our in-house Legal and Regulatory Department undertakes this on a regular basis and from time to time and where necessary we also seek external legal advice from leading experts in the industry.

> Contract Wins

During 2008, the Group signed up 15 new licensees. These included well known names such as Betsson, Genting Stanley Alderney, Vista Global Limited, Poker Plex and Sun Poker as well as those operators who joined Playtech's Italian poker network, SNAI, SISAL Eurobet Italy and COGETECH. On top of this the landmark transaction with William Hill was signed and completed whereby Playtech is to supply William Hill Online with casino, poker and other gaming software products on a phased basis and culminating in an exclusive relationship for casino and poker from 1 January 2010.

> Strategy

We will continue with our previous stated strategy of supporting the organic growth of our licensees through additional product developments as well as cross selling to existing licensees, new and existing products and acquiring new licensees in strategic geographic markets, with a particular emphasis on regulated markets. Playtech, as a public company, is ideally placed to take advantage of the opportunities that will present themselves as such markets are established. In addition we will also continue to look at acquiring complementary businesses which will enhance the Group's ability to provide a full range of gambling products and services.

We are pleased to say that Playtech has a strong pipeline of new potential licensees.

> Current Trading and Outlook

The year has started positively with average daily overall earnings up by 8% compared to the fourth quarter of 2008. Revenues during the first 11 weeks of 2009 are up 2.3% against the average during the fourth quarter of 2008 (excluding revenues from William Hill Online and Playtech's former customer, whose assets were injected into William Hill Online in Q1 09 and in Q4 08, respectively). The average daily income to the Group from the joint venture with William Hill (which is a combination of royalty revenue and a share of the profits of William Hill Online) during the first eight weeks of 2009 is approximately 40% greater than the daily average income Playtech generated from its former customer during the previous quarter. We are very pleased with the way that the integration is working and look forward to a profitable relationship with William Hill in the coming year and beyond.

We are pleased to say that Playtech has a strong pipeline of new potential licensees. New markets are opening up for the Company and operators in existing markets are approaching us to improve their product offering and business potential. Below we outline a number of new and exciting developments in the business.

> Regulated Markets

We are delighted to be able to announce that the Company had finalised the terms of agreement for Gamenet S.P.A. to join its Italian poker network. Gamenet is owned by CRIGA, the third largest network provider for regulated slot machines in Italy. It is a leader in its core business of New Slot gaming and has a network of over 50,000 machines in approximately 20,000 public domains.

On 16 March 2009 we announced that Playtech had signed a new licence agreement to supply its market leading online casino and poker products to Casino Gran Madrid ('CGM'), one of the largest and most prestigious land based gaming operators in Europe. Under the terms of the licence agreement, Playtech will provide CGM with its casino platform and poker product, through the iPoker network, as the operator launches its online operations.

We continue to make solid progress in other jurisdictions towards adding new countries to our stable of regulated markets. Playtech has been heavily active and has signed a number of MOUs with several leading operators in anticipation of regulatory developments and is encouraged by the progress it is making in the country.

Elsewhere around the world we continue to work industriously towards meeting the requirements of other regulated markets and will provide further updates as new opportunities develop.

> Branded Games

We recently announced a landmark exclusive multi-year licensing agreement with Marvel Characters B.V., a wholly owned subsidiary of Marvel Entertainment, Inc., to use its motion picture brands. Under the terms of the licensing agreement, Playtech will have the right to use iconic Marvel film brands such as 'The Incredible Hulk', 'Fantastic Four', 'X-Men', 'Iron Man' and 'Blade', amongst others. We expect that the release of these new games, along with the recent release of the 'Gladiator' branded games, will enhance the player's gaming experience, enabling our licensees to offer a wide variety of compelling games.

In a new development we are delighted to be able to announce a major, exclusive multi-year licensing agreement with MGM interactive Inc to use all of its 'Rocky' and 'Pink Panther' motion picture brands. Playtech will be able to use these brands across all of its gaming products, including casino, poker, bingo; and on all of its platforms – online, mobile and TV, as well as on stand-alone and server-based gaming terminals, via Videobet. The games will be developed to appeal to adult gamers in all age groups and across all geographical territories.

> P2P

Another exciting new development which we announce today is our entry into an asset acquisition of sports betting and betting exchange software from Player2Players.

Under the terms of the agreement Player2Players' software will be integrated into Playtech's existing platforms and will be available to Playtech licensees. The important acquisition means that Playtech will now offer to its licensees a full suite of gaming products: casino, poker, bingo, mobile gaming, live gaming, sports betting and land based gaming. Sports betting offers important growth opportunities for Playtech in those regulated jurisdictions where it is permitted and we are confident that our entry into regulated sports betting markets will create new cross-selling opportunities, allow our licensees to diversify their businesses and enable us to attract new licensees.

We are all aware of the general conditions impacting the global economy, however we believe that Playtech's diversified business model and market leading position will enable it to outperform and continue to create value for our shareholders.

Mor Weizer
Chief Executive Officer

Financial and Operational Review: The Company's record revenues for the year can be attributed to two main factors: the strong organic growth of Playtech's existing licensees and the expansion of our portfolio through additional licensees.

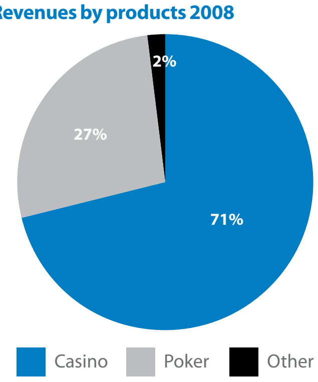
I am pleased to present Playtech's financial results for the year ended 31 December 2008. Once again Playtech has continued to grow from strength to strength both in terms of revenues and profits. The Company's record revenues for 2008 can be attributed to two main factors – the strong organic growth of Playtech's existing licensees and the expansion of Playtech's portfolio through additional licensees.

The number of the Company's licensees targeting the European market increased substantially during 2008 and hence the majority of the Group's revenues and expenses were generated in Euros. With effect from 1 July 2008, the Group has changed its functional currency from United States dollars to Euros. Accordingly, the financial information of the Company and its subsidiaries are prepared in Euro (the measurement currency), which is the currency that best reflects the economic substance of the underlying events and circumstances relevant to the Group. Comparative numbers for all primary statements, the balance sheet and the income statement for the period to 30 June 2008, were converted to Euros based on the EURO: USD rate as at 1 July 2008, being 1.57777.

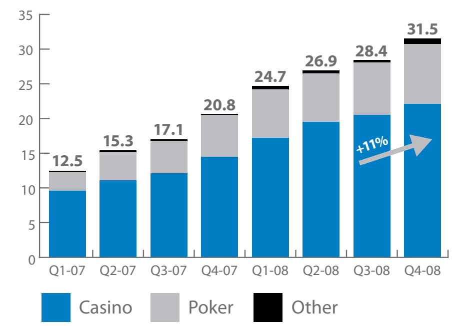
Total revenues for the year were €111.5 million, representing an increase of 70% on the €65.7 million achieved in 2007. Casino revenues totalled €79.4 million, an increase of 68% from €47.4 million in 2007. Poker revenues for the year totalled €30.1 million, an increase of 73% from the €17.4 million in 2007.

The net profit for the year ended 31 December 2008 amounted to €40.7 million, representing an increase of 55% on the €26.3 million in 2007. This has resulted in the earnings per share ('EPS') for the period being 17.9 cents (based on the weighted average number of shares), compared to 12.3 cents per share in 2007. The diluted EPS for the year ended 31 December 2008 was 17.3 cents compared to 11.7 cents in 2007. The net profit figure was reached after charging various significant charges relating to the investments in CY Foundation Group Limited and AsianLogic Limited, the acquisition of the assets of Tribeca, the employee stock option plan and an exchange loss relating to funds held to finance the acquisition of the Group's 29% interest in William Hill Online.

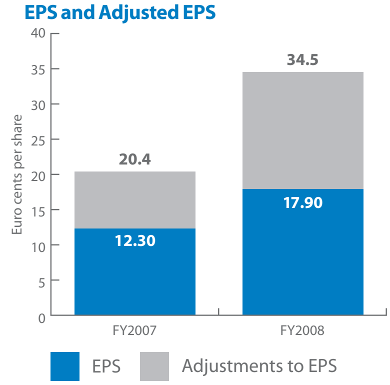
Revenues by products 2008



Quarterly revenues by products (in € millions)



EPS and Adjusted EPS



Financial and Operational Review:
continued

> Adjusted Net Profit and Adjusted Earnings per Share

Management believes that the adjusted net profit better presents the underlying results of the Group. Adjusted net profit for the year ended 31 December 2008 totalled €78.6 million (2007: €43.9 million), an increase of 79% over 2007. Adjusted net profit margin in 2008 was 70% compared to 67% in 2007. The adjusted EPS for the year, based on the weighted average number of shares is 34.5 cents, compared to 20.4 cents in the same period in 2007.

> Adjusted EBITA

EBITA (Earnings Before Interest Taxation and Amortisation) is an indicator of the Group's financial performance. Adjusted EBITA is calculated after adding back certain expenses in relation to the investments in CY Foundation Group Limited, AsianLogic Limited, Tribeca, which are not part of the Group's core business and the employee stock option plan. Adjusted EBITA for the year ended 31 December 2008 totalled €73.0 million (2007: €42.0 million), an increase of 74% over 2007. Adjusted EBITA margin in 2008 was 66% compared to 64% in 2007.

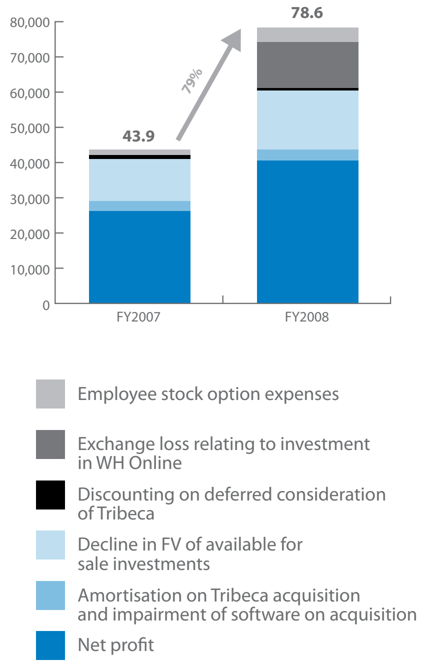
Adjusted Net Profit and Adjusted Earnings per Share

	2008 €000	2007 €000
Net profit	40,691	26,307
Loss on disposal of available for sale investment in CY Foundation	–	415
Decline in fair value of available for sale investment in CY Foundation and AsianLogic	16,698	11,579
Discounting of deferred consideration of Tribeca acquisition	748	1,026
Amortisation of customer list on acquisition of Tribeca	3,173	2,684
Exchange rate differences related to the investment in William Hill Online	13,126	–
Impairment of software on acquisition of Tribeca	–	174
Employee stock option expenses	4,125	1,676
Adjusted net profit	**78,561**	**43,861**
Adjusted net profit margin	**70%**	**67%**
Adjusted basic EPS (in Euro cents)	**34.5**	**20.4**
Adjusted diluted EPS (in Euro cents)	**33.4**	**19.5**

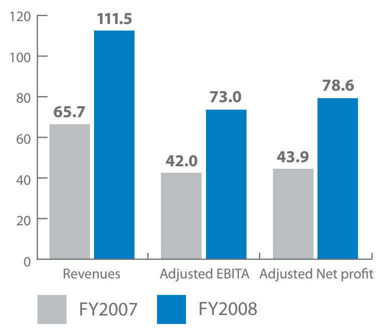
Adjusted EBITA

	2008 €000	2007 €000
Operating Profit	**47,977**	**24,784**
Amortisation	4,234	3,362
EBITA	52,211	28,146
Loss on disposal of available for sale investment in CY Foundation	–	415
Decline in fair value of available for sale investment in CY Foundation and AsianLogic	16,698	11,579
Impairment of software on acquisition of Tribeca	–	174
Employee stock option expenses	4,125	1,676
Adjusted EBITA	**73,034**	**41,990**
Adjusted EBITA margin	**66%**	**64%**

Adjusted Net Profit (in € millions)



Revenues, Adjusted EBITA and Adjusted Net Profit (in € millions)



> M&A Activity and Investment in William Hill Online

Following the successful transaction with Tribeca Tables Europe Limited, the Group took the strategic decision to continue to evaluate potential acquisitions that will produce benefits to Playtech and its shareholders.

To enable Playtech to fund such transactions, the Group successfully raised €141 million (£112 million) before expenses of €2.9 million during the first half of the year, by way of a placing of 21,620,946 new ordinary Shares at a price of 520 pence per placing share. The placing shares represented approximately 9.9% of Playtech's issued Ordinary Shares immediately prior to the placing. The proceeds from this transaction were designated for the investment into WH Online, as detailed above.

In October 2008, Playtech entered into an agreement with William Hill PLC (hereinafter 'WH'), for the establishment of two new jointly owned entities (hereinafter 'WH Online' or 'JVCOs'), to facilitate the integration of the online businesses of WH and the businesses and contracts comprising an affiliate marketing business, customer services operation and gaming brands and websites ('the Purchased Assets') which were purchased by Playtech as detailed below. The transaction completed on 30 December 2008.

Financial and Operational Review:
continued

Immediately prior to the transaction, Playtech acquired from a significant shareholder and other third parties, various online gaming businesses, marketing assets and contracts for a total consideration of US$250 million (€177.7 million) in cash. In consideration for the injection of such Purchased Assets into WH Online, Playtech received a 29% interest in WH Online. Playtech's ownership interest can increase up to 32% depending on certain conditions relating to the integration of the activities. WH has an option to acquire Playtech's interest in WH Online on an independent fair value basis, exercisable after four or six years from completion of the transaction (the 'Option'). Upon exercise of the Option, Playtech 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 Online has also entered into a software licence agreement with Playtech for a minimum term of five years for the provision of Playtech's online poker and casino gaming software. In addition, Playtech will provide advisory and consultancy services to WH Online.

The consideration for the acquisition was denominated in US dollars. Accordingly the Group held the equivalent amount of the consideration in US dollars currency following the initial agreement of terms in October 2008 until completion of the transaction on 30 December 2008. The strengthening of the Euro against the US dollar during this period resulted in an exchange rate expense in the amount of €13.1 million, which has been reflected in the income statement for the year.

> Investment in CY Foundation Group Limited and AsianLogic Limited

In 2007, the Group entered into a 10 year software licence agreement with CY Foundation Group Limited ('Foundation') in conjunction with obtaining Foundation convertible notes and an investment into Foundation shares. In May 2008, the Group converted the convertible notes into shares in Foundation.

In December 2007, the Group entered into a share purchase agreement to acquire shares of AsianLogic Limited ('ALL') and received additional shares in ALL, in conjunction with a new five year term licence agreement.

In accordance with accounting standards the Group evaluated the benefit arising from the above shareholdings and records such benefit as deferred revenues, which are being recognised as revenue over the respective licence periods. Deferred revenues of €2.8 million have been recognised as revenue during the year and €21.5 million are included in liabilities and will be released in future periods.

The closing price of Foundation and ALL shares on 31 December 2008 was HK$0.124 (2007: HK$0.65) and £0.335 (2007: £0.12) respectively, resulting in a decrease in the value of the investment in Foundation and ALL in the period and a non-cash charge of €9.2 million (2007: €11.6 million) and €7.5 million (2007: €nil) respectively, which has been accounted for in the Group's income statement.

> Cash Flow

Cash and cash equivalents as at 31 December 2008 amounted to €31.6 million (2007: €54.9 million), representing 11% (2007: 42%) of the Group's total assets.

During the year 2008, the Group generated €68.7 million from its operating activities (2007: €39.7 million).

The Group's cash usage in investing activities was €197.1 million (2007: €34.6 million), the majority of which was derived from the investment in WH Online transaction, the conclusion of the Tribeca asset deal, capitalised development costs and the acquisition of property, plant and equipment.

Of the €197.1 million spent, approximately 73% was paid to companies related to Playtech's significant shareholder, €14 million was paid to Playtech's former customer and €0.2 million was paid to a third party providing marketing services in consideration for an option to purchase its business for a total cost of €5.4 million.

The Group generated €105 million (2007: cash used of €14.5 million) from financing activities, €141 million of which was from the proceeds of the share placing which was reduced by the €35.9 million paid to shareholders for the final dividend of 2007 (€13.6 million) and the interim dividend for the first half of 2008 (€22.3 million) in accordance with the Group's policy.

> Cost of Operations

The Group's ongoing revenues rely on its investment into research and development which allows the Group to improve its product offering, penetrate new markets, facilitate future organic growth and increase the portfolio of its licensees and thereby gain additional market share and increase revenues.

The Group also continues to seek additional strategic acquisitions and investments in joint ventures. Such activities have resulted in an increase in administrative expenses.

Total distribution costs for the year ended 31 December 2008, excluding the above mentioned non-cash charges totalling €7 million (2007: €4.5 million), were €28.4 million (2007: €18.9 million), representing an increase of 50% over 2007. The increase is mainly due to employee related costs. The average number of employees increased by 171, which represents an increase of 34% from the average in 2007. As a result of this increase, additional offices were rented and additional office maintenance and equipment expenses were incurred.

Total administrative expenses, excluding the above mentioned non-cash charges totalling €18 million (2007: €12.7 million), were €10 million (2007: €4.8 million), an increase of 176% over 2007. The increase was mainly due to employee related costs. The average number of administrative employees increased by 34 employees, representing an increase of 79% over 2007. In addition, we experienced increases in other administrative expenses such as legal fees and expenses related to the Group being a public company.

> Financial Income and Tax

Cash is generally held in short-term deposits, which generated a financial income of €4.8 million in 2008 compared to €2.4 million in 2007.

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. Tax charges for the 2008 year totalled €0.8 million (2007: €0.5 million), resulting in a 1.8% effective tax rate (2007: 2.0%).

> Balance Sheet

Cash and cash equivalents as at 31 December 2008 were €31.6 million (2007: €54.8 million).

The majority of the trade receivables balance as at 31 December 2008 was due to amounts payable by licensees for the month of December 2008.

Intangible assets as at 31 December 2008 totalled €43.1 million (2007: €38.9 million), the majority of which comprised the customer list purchased from Tribeca, goodwill, patent and intellectual property rights and development costs of products such as new slot games, Mahjong, the mobile platform, etc.

Available for sale investments totalling €4.9 million (2007: €22.1 million) are due to the equity investments in both Foundation and AsianLogic.

Deferred consideration in the amount of €13.4 million (net of discount of €0.8 million) as at 31 December 2008, represents the present value of the remaining consideration to be paid for the investment in the WH Online transaction.

Investments accounted for using the equity method relate to the investment in WH Online.

> Dividend

In October 2008, the Group distributed an interim dividend of 7.6 € cents per share, totalling approximately €22.3 million.

On 18 March 2009, the Board recommended the distribution of dividend of 7.6 € cents per share resulting in approximately €18.1 million. Subject to shareholder approval at the Company's AGM, the final dividend will be paid on 15 May 2009 to the Shareholders and Depositary Interest holders.

Shuki (Moshe) Barak
Chief Financial Officer

Board of Directors

Roger Withers (aged 66)
Non-Executive Chairman

Roger started his career with Booz, Allen & Hamilton as an international management consultant and, subsequently, has more than 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 BLMS 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, chairman of Littlewoods Leisure Limited and senior non-executive director of Sportech plc, as well as with a number of substantial privately held companies in the property, technology, publishing and exhibitions sectors.

Mor Weizer (aged 34)
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.

Shuki (Moshe) Barak (aged 39)
Interim Chief Financial Officer

Shuki joined the Playtech Group as Chief Financial Officer in February 2006 having previously been financial controller of ImageSat International N. V., a leading provider of satellite imagery services to worldwide customers. Prior to this, he worked at Arthur Andersen in Israel where he qualified as a certified public accountant. In October 2007, Shuki stepped down from his position as CFO but continued to be a director on the Board. In October 2008, he re-adopted the position of Interim CFO following the resignation of Guy Emodi.

Rafael Ashkenazi (aged 34)
Chief Operating Officer

Rafi joined the Playtech Group as Chief Operating Officer of the Playtech Group in January 2006.

From 2001 until 2005, Rafi was VP of project and products for SQLink Group, an Israeli company and provider of end-to-end IT services specialising in on-site software consulting and services. Prior to this, Rafi worked at Hapoalim Bank, the largest bank in Israel, as a system analyst and developer.

Thomas Hall (aged 41)
Non-Executive Director

Tom moved to the position of non-executive director on 3 July 2008, having previously been the Group's Business Development Director and prior to that the Group's Chief Executive Officer. Tom has been with the Group since 2002. Based in Asia, Tom was primarily responsible for overseeing global customer growth and the development of customised software solutions for the Asian marketplace. Tom is currently the CEO of listed gaming operator AsianLogic Limited. From 1995 until he joined Playtech Group in 2002, he was chief executive officer of TTR Strategic Holdings Limited ('TTR'), an Asia Pacific focused financial services group. Prior to that, he worked in Swiss private banking and private client financial services in the UK and Hong Kong.

Alan Jackson (aged 66)
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 chaired Oriental Restaurant Group plc until its sale to Noble House in 2000 and has been chairman of The Restaurant Group plc since 2001. He is also chairman of Luminar Leisure plc and Charles Wells Limited.

Corporate Governance

Introduction
The Company recognises the importance of the principles of good corporate governance and the Board is pleased to report its commitment to high standards throughout the year. As an AIM listed company Playtech is not required to follow the provisions of the Combined Code on Corporate Governance (June 2006 version) (the 'Code') as set out in the Financial Services Authority Listing Rules.

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

The Board Constitution and Procedures
The Company is controlled through the Board of Directors, which currently comprises three Executive and three Non-Executive Directors. Pursuant to the Code, the Chairman is not considered to be independent as he holds options in the Company. However, Mr Jackson 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. As the Chairman is primarily responsible for the running of the Board, he ensures that all Directors receive sufficient relevant information on financial, business and corporate issues prior to meetings. The Chief Executive's responsibilities focus on coordinating the Group's business and implementing Group strategy.

A formal schedule of matters is reserved for consideration by the Board, which meets at least eight times each year. The Board is responsible for overall Group strategy, acquisition and investment policy, approval of major capital expenditure projects and consideration of significant financing matters. It reviews the strategic direction of the Group, their codes of conduct, their annual budgets, their progress towards achievement of these budgets and their capital expenditure programmes. In addition, the Directors have access to the advice and services of the Company Secretary and all Directors are able to take independent professional advice in the furtherance of their duties if necessary. All Directors, in accordance with the Code, will submit themselves for re-election at least once every three years.

Board Committees
The Board delegates clearly defined powers to its Audit, Remuneration 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.

Audit Committee
The Audit Committee is comprised of two Non-Executive Directors and is chaired by Roger Withers. All members of the Committee are appointed by the Board and are Non-Executive Directors.

The Audit Committee met twice during 2008. Both of those meetings were also attended by a representative of the Company's external auditors. The Committee will continue to meet not less than twice a year. At least once a year the Committee meets with representatives of the external auditors of the Company without any Executive Directors being present, except by invitation of the Committee.

The duties of the Committee include monitoring the auditor's performance and reviewing accounting policies and financial reporting procedures. The Committee prepares a summary of its work, which is included each year in the Company's Annual Report.

Remuneration Committee
The Remuneration Committee is comprised of two Non-Executive Directors and is chaired by Alan Jackson. The Committee met twice in 2008. In future, the Committee will continue to meet whenever necessary during the year, and not less than twice a year.

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

Nomination Committee
The Nomination Committee is comprised of two Non-Executive Directors and is chaired by Alan Jackson. The Committee met four times in 2008. In the future the Committee will continue to meet whenever necessary during the year, and not less than twice a year.

The Committee is responsible for reviewing the size, structure and composition of the Board, succession planning and identifying and nominating candidates for all senior management and Board positions.

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 Independent Non-Executive Director will consider the performance of the Chairman, taking into account the views of the Executive Directors and other Non-Executive Directors.

Communication with Investors

The Directors are available to meet with shareholders throughout the year. In particular the Executive Directors prepare a general presentation for analysts and institutional shareholders following the interim and preliminary announcements. Both the Chairman and the Chief Executive Officer are available for meetings with shareholders throughout the year. The Board endeavours to answer all queries raised by shareholders promptly.

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

Internal Control

In 2008, the Company established a Risk Management Committee and appointed an internal audit function. The Risk Committee is chaired by Alan Jackson and the other members consist of the Chairman of the Company, the CEO, the CFO, the COO, the Company Secretary, the General Counsel and the Internal Auditor. The internal audit function was originally outsourced to Deloitte, Isle of Man but is now back under the control of the Committee for a full review. The Risk Management Committee has met twice during 2008 and will continue to meet on a regular basis to consider and review any significant risk and compliance issues as well as the management plans in place to address them. The areas of risk which the Risk Management Committee consider to be the current principal risks and uncertainties are set out below. This list is not presumed to be exhaustive and by its very nature is subject to change.

- Regulatory risk
- Risk of change in tax rates
- Financial risk of reliance on major licensees
- Financial system/cash management risk
- Intellectual property risk
- Information Technology risk
- Reliance on key personnel

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.

Board and Committee Attendance Record 2008

	Board	Audit	Remuneration	Nomination	Risk
Number of Meetings	**10**	**2**	**2**	**4**	**2**
Roger Withers	10	2	2	4	2
Alan Jackson	10	2	2	4	2
Mor Weizer	10	–	–	–	0
Guy Emodi	8	–	–	–	0
Shuki (Moshe) Barak	10	–	–	–	–
Rafael Ashkenazi	9	–	–	–	2
Thomas Hall	6	–	–	–	–
Avigur Zmora	9	–	–	–	–

Directors' Report

The Directors present their report and the audited financial statements for the year ended 31 December 2008.

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

Results
The results of the Company and the Group for the year ended 31 December 2008 set out on pages 36 to 68 show revenues of €111.5 million (2007: €65.7 million) and a net profit after tax of €40.7 million (2007: €26.3 million).

Dividends
The Board has recommended the payment of a final dividend of 7.6 cents per share. The payment of this dividend requires shareholder approval, which will be sought at the Company's AGM. On the basis that such dividend payment is approved by shareholders, the Company's total dividend for the 2008 year is 15.2 cents per share.

Directors and Directors' Interests
The Directors of the Company who held office during the 2008 year and to date are:

	Appointed	Resigned
Roger Withers	28.03.2006	
Alan Jackson	28.03.2006	
Avigur Zmora	24.02.2006	02.01.2009
Shuki (Moshe) Barak	24.02.2006	
Rafael Ashkenazi	24.02.2006	
Thomas Hall	24.02.2006	
Mor Weizer	02.05.2007	
Guy Emodi	03.10.2007	20.10.2008

The interests of the Directors who held office during 2008 and to date, together with any connected parties, are shown in the Remuneration Committee report on pages 32 and 33.

Substantial Shareholdings
As of 31 December 2008, the Company had been advised of the following substantial shareholders:

Shareholders	%(*)	No. of ordinary shares
Brickington Trading Limited	41	97,866,667
Toscafund Asset Management LLP	12.4	29,554,648
Blackrock Investment Management (UK) Limited	4.69	11,179,153
Interexpo Trading Limited	3.68	8,774,200

(*) Assuming a total issued share capital of 238,483,378 as at 31 December 2008.

Related Party Transactions
Details of all related party transactions are set out in note 18 to the Financial Statements.

Corporate Governance
The Directors' statement on Corporate Governance is set out on pages 28 and 29.

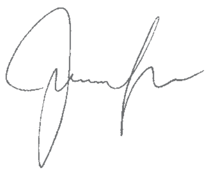
Political and Charitable Donations
The Company made no political or charitable donations during the year ended 31 December 2008.

Future Prospects
The Board is highly confident of its performance for 2009. Its aim in 2009 is to further enhance Playtech's market leading position with a strong focus on regulated markets.

AGM
The Annual General Meeting will be held at the Sefton Hotel, Loch Promenade, Douglas, Isle of Man on 13 May 2008 at 11am. A notice of the meeting is set out on pages 71 to 72 of this Annual Report.

Auditors
A resolution to reappoint BDO Stoy Hayward 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.



Jonathan Lockyer
Company Secretary and Legal Counsel
19 March 2009

Remuneration Report

The Directors' emoluments, benefits and shareholdings during the year ended 31 December 2008 were as follows:

1. Directors' Emoluments (Euros)

Director	Salary/Service Fee	Bonuses	Benefits	Total (excluding option charges)	Option charges	Total emoluments
Executive						
Mor Weizer	295,568	374,503	9,406	679,477	335,000	1,014,477
Guy Emodi (4)	188,581	–	–	188,581	165,000	353,581
Shuki (Moshe) Barak	110,306	62,417	30,380	203,103	10,000	213,103
Rafael Ashkenazi	113,195	46,813	35,913	195,921	62,000	257,921
Non-executive						
Roger Withers (1)(2)(3)	277,660	–	–	277,660	85,000	362,660
Alan Jackson (1)(2)(3)	91,089	–	–	91,089	–	91,089
Avigur Zmora (5)	324,902	500,000	12,983	837,885	473,000	1,310,885
Thomas Hall	80,930	–	–	–	–	80,930

Notes

(1) Member of the Audit Committee (the chairman sits on this Committee as there are insufficient other non-executive directors appointed to constitute the Committee and the Board also considers his experience and qualifications to be of such value to the Committee as to make any lack of independence (by virtue of being the chairman of the Company and a shareholder of the Company and option holder in respect of shares in the Company) of little significance in the context of the make-up and balance of the skills of the Company's Board.

(2) Member of the Remuneration Committee.

(3) Member of the Nomination Committee.

(4) Resigned on 20 October 2008.

(5) Was an executive director of the Company during 2007 and moved to non-executive director on 15 January 2008. Resigned as a member of the Board on 2 January 2009.

2. Directors Interests

2.1 Interests of Directors in Ordinary Shares

Ordinary Shares	As at 31.12.2008		As at 31.12.2007	
	Number of Ordinary Shares	Percentage of issued share capital	Number of Ordinary Shares	Percentage of issued share capital
Roger Withers	19,333	0.008%	19,333	0.009%
Avigur Zmora	500,000	0.210%	500,000	0.234%
Thomas Hall	190,000	0.080%	190,000	0.088%
Shuki (Moshe) Barak	2,220	0.001%	2,220	0.001%
Guy Emodi	–	–	–	–
Alan Jackson	5,000	0.002%	5,000	0.002%
Mor Weizer	–	–	–	–
Rafael Ashkenazi	–	–	–	–

2.2 Interests of Directors in Options as at 31 December 2008

	Number of Options	Date of grant	Exercise price	Exercised during the year	Earliest Exercise Date	Expiry of exercise period
Roger Withers	200,000	28 March 2006	£2.57	–	28 March 2007	27 March 2011
	100,000	16 May 2007	US$7.50	–	15 May 2008	16 May 2012
Alan Jackson	–	–	–	–	–	–
Avigur Zmora	1,000,000 (1)	1 December 2005	US$4.50	–	1 December 2006	30 November 2010
	400,000 (2)	6 February 2006	US$4.50	–	6 February 2007	30 November 2010
	500,000	11 October 2006	US$3.24	–	11 October 2007	10 October 2011
	200,000	16 May 2007	US$7.50	–	15 May 2008	16 May 2012
	200,000 (3)	21 May 2008	US$10.54	–	21 May 2009	21 May 2013
Thomas Hall	–	–	–	–	–	–
Shuki (Moshe) Barak	200,000	1 March 2006	US$4.00	–	1 December 2006	1 March 2011
	200,000	31 December 2008	£3.1725	–	31 December 2009	30 December 2013
Rafael Ashkenazi	133,334	1 December 2005	US$4.00	–	1 December 2006	30 November 2010
	133,334	11 October 2006	US$3.24	–	11 October 2007	10 October 2011
	50,000	16 May 2007	US$7.50	–	15 May 2008	16 May 2012
Mor Weizer	200,000	6 February 2006	US$4.50	–	1 December 2006	17 March 2011
	200,000	11 October 2006	US$3.24	–	11 October 2007	11 October 2011
	600,000	16 May 2007	US$7.50	–	15 May 2008	16 May 2012
Guy Emodi	300,000 (3)(4)	3 October 2007	US$6.90	–	3 October 2008	3 October 2012

(1) Avigur Zmora agreed to pay the Company US$40,000 for the grant of these options and such amount remains outstanding.

(2) These options vested in full on 6 February 2007. Avigur Zmora agreed to pay the Company approximately US$30,000 for the grant of these options and such amount remains outstanding.

(3) These options vest in equal proportions over four years.

(4) Guy Emodi resigned as CFO and member of the Board on 20 October 2008. Accordingly, he is entitled to exercise 75,000 of those 300,000 options issued to him.

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.

Terms of Reference

The Board of Directors has approved written terms of reference for the Remuneration Committee, and a copy of the terms of reference can be obtained upon request from the company secretary.

In accordance with such terms, the committee determines the terms and conditions of services of the Group's senior staff and Executive Directors taking into account market conditions, the need to attract, retain and motivate appropriate staff, and the interests of the Company's shareholders. This includes the remuneration for all executive directors, the chairman of the Board and the company secretary. The remuneration of Non-Executive Directors is a matter for the chairman of the Board and the executive members of the Board. No Director is involved in any decisions as to his/her own remuneration.

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, pursuant to which the senior management and where relevant, the Remuneration Committee make recommendations to the Board concerning the allocation of share options to employees of the Company. Options under this scheme are granted at market value and usually vest in equal proportions on the three anniversaries of the relevant grant date. The unexercised options expire five 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.

Other Incentive Schemes

The Company is in the process of reviewing its current remuneration and benefits packages and incentive scheme arrangements, and will advise shareholders of any new incentive arrangements once they have been put into place.

Directors' Statement of Responsibilities

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 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.

Report of the Independent Auditors

to the Directors of Playtech Limited

We have audited the consolidated financial statements (the 'financial statements') of Playtech Limited for the year ended 31 December 2008 which comprise the Consolidated Income Statement, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective Responsibilities of Directors and auditors

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

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

We report to you our opinion as to whether the financial statements give a true and fair view and whether the information given in the Directors' Report is consistent with those financial statements. We also report to you if, in our opinion, the Company has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

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

Our report has been prepared pursuant to the terms of our engagement 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.

Basis of Audit Opinion

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

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

Opinion

In our opinion:

- The financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 December 2008 and of its profit for the year then ended; and
- The information given in the Directors' Report is consistent with the financial statements.

Emphasis of Matter – Regulatory Issues

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosures made in the financial statements concerning the uncertainty of the actions, if any, that certain regulatory authorities may take. Further information is set out in note 25, which states that the Directors consider that no provision is necessary in respect of this matter.

BDO Stoy Hayward LLP
Chartered Accountants
London
19 March 2009

Consolidated Income Statement

	Note	For the year ended 31 December 2008 €000	For the year ended 31 December 2007(*) €000
Revenues	4	111,450	65,665
Distribution costs		(35,423)	(23,369)
Administrative expenses		(28,050)	(17,512)
		(63,473)	(40,881)
Operating profit before the following items:		73,034	41,990
Employee stock option expense	9	(4,125)	(1,676)
Amortisation of intangible assets	11	(4,234)	(3,362)
Impairment of software on acquisition	12	–	(174)
Decline in fair value of available for sale investments	14	(16,698)	(11,579)
Loss on disposal of available for sale investment	14	–	(415)
Total		**(25,057)**	**(17,206)**
Operating profit	5	47,977	24,784
Financing income		4,839	2,411
Exchange rate differences – other		2,841	750
Total financing income	6a	**7,680**	**3,161**
Financing cost – discounting of deferred consideration		(748)	(1,026)
Financing cost – other		(330)	(83)
Exchange rate differences – Investments accounted for using equity method	13	(13,126)	–
Total financing cost	6b	(14,204)	(1,109)
Profit before taxation		41,453	26,836
Tax expense	7	(762)	(529)
Profit for the year attributable to the equity holders of the parent		**40,691**	**26,307**
Earnings per share (in cents)	8		
Basic		17.9	12.3
Diluted		17.3	11.7

(*) Details of changes in presentation to the consolidated income statement are given in note 2B.

Consolidated Statement of Changes in Equity

	Additional paid in capital €000	Available for sale reserve €000	Retained earnings(*) €000	Total €000
For the year ended 31 December 2007				
Balance at 1 January 2007	35,728	–	30,712	66,440
Changes in equity for the year				
Adjustments for change in fair value of available for sale investments	–	196	–	196
Profit for the year	–	–	26,307	26,307
Total recognised income and expense for the year	–	196	26,307	26,503
Dividend paid	–	–	(17,825)	(17,825)
Exercise of options	3,337	–	–	3,337
Employee stock option scheme	–	–	1,676	1,676
Balance at 31 December 2007	**39,065**	**196**	**40,870**	**80,131**
Changes in equity for the year ended 31 December 2008				
Adjustments for change in fair value of available for sale investments	–	(196)	–	(196)
Profit for the year	–	–	40,691	40,691
Total recognised income and expense for the year	–	(196)	40,691	40,495
Dividend paid	–	–	(35,893)	(35,893)
Public offering proceeds	140,989	–	–	140,989
Share issue costs	(2,874)	–	–	(2,874)
Exercise of options	2,917	–	–	2,917
Employee stock option scheme	–	–	4,441	4,441
Balance at 31 December 2008	**180,097**	**–**	**50,109**	**230,206**

(*) Details of reclassifications to the consolidated statement of changes in equity are given in note 2B.

Consolidated Balance Sheet

	Note	As of 31 December 2008 €000	As of 31 December 2007(*) €000
NON-CURRENT ASSETS			
Property, plant and equipment	10	4,823	3,230
Intangible assets	11	43,082	38,887
Investments accounted for using equity method	13	181,072	–
Available for sale investments	14	4,887	–
Other non-current assets	15	1,340	256
		235,204	42,373
CURRENT ASSETS			
Trade receivables	16	10,082	7,923
Other receivables	17	2,802	3,560
Available for sale investments	14	–	22,086
Cash and cash equivalents	19	31,558	54,819
		44,442	88,388
TOTAL ASSETS		**279, 646**	**130,761**
EQUITY			
Additional paid in capital	20	180,097	39,065
Available for sale reserve	14	–	196
Retained earnings		50,109	40,870
Equity attributable to equity holders of the parent		230,206	80,131
NON-CURRENT LIABILITIES			
Deferred consideration	13	13,378	–
Deferred revenues		18,136	22,000
Other non-current liabilities		184	66
		31,698	22,066
CURRENT LIABILITIES			
Trade payables	21	7,038	3,334
Tax liabilities		104	578
Deferred revenues		3,352	3,119
Other accounts payables	22	7,248	21,533
		17,742	28,564
TOTAL EQUITY AND LIABILITIES		**279,646**	**130,761**

(*) Details of changes in presentation to the consolidated balance sheet are given in note 2B.

The financial statements were approved by the Board and authorised for issue on 19 March 2009.

Mor Weizer
Chief Executive Officer

Shuki (Moshe) Barak
Chief Financial Officer

Consolidated Statement of Cash Flows

	Note	For the year ended 31 December 2008 €000	For the year ended 31 December 2007(*) €000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		41,453	26,836
Tax		(762)	(529)
Adjustments to reconcile net income to net cash provided by operating activities (see below)		28,051	13,367
Net cash provided by operating activities		68,742	39,674
CASH FLOWS FROM INVESTING ACTIVITIES			
Long term deposits		(391)	(176)
Long term loan		(692)	–
Acquisition of property, plant and equipment		(3,389)	(1,661)
Proceeds from sale of property, plant and equipment		–	22
Proceeds from sale of available for sale investments		311	–
Investments accounted for using equity method	13	(165,376)	–
Acquisition of intangible assets		(1,925)	(1,061)
Acquisition of business	12	(19,542)	(17,454)
Investment in available for sale equity shareholding	14	–	(12,035)
Capitalised development costs	11	(6,138)	(2,272)
Net cash used in investing activities		(197,142)	(34,637)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(35,893)	(17,825)
Public offering proceeds		140,989	–
Share issue costs		(2,874)	–
Exercise of options		2,917	3,337
Net cash (used in) provided by financing activities		105,139	(14,488)
DECREASE IN CASH AND CASH EQUIVALENTS		(23,261)	(9,451)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		54,819	64,270
CASH AND CASH EQUIVALENTS AT END OF YEAR		**31,558**	**54,819**

(*) Details of changes in presentation to the consolidated statement of cash flows are given in note 2B.

Consolidated Statement of Cash flows
continued

	Note	For the year ended 31 December 2008 €000	For the year ended 31 December 2007 €000
ADJUSTMENT TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Income and expenses not affecting operating cash flows:			
Depreciation	10	1,678	1,057
Amortisation	11	4,234	3,362
Impairment loss	12	–	174
Decline in fair value of available for sale investment	14a	16,698	11,579
Loss on disposal on available for sale investment	14a	–	415
Employee stock option plan expenses	9	4,125	1,676
Others		(6)	32
Changes in operating assets and liabilities:			
Increase in trade receivables		(2,159)	(3,957)
Decrease in other receivables		758	(371)
(Decrease)/increase in trade payables		3,840	(395)
Increase in other payables		2,514	687
Decrease in deferred revenues		(3,631)	(892)
		28,051	**13,367**

Non-cash transactions

	Note	For the year ended 31 December 2008 €000	For the year ended 31 December 2007 €000
Intangible assets	9,12	(316)	(19,491)
Other payables – deferred consideration	12	–	19,473
Trade payables		–	136
Investments	14	–	(22,043)
Property, plant and equipment – accrued costs		–	(118)
Trade receivables – deferred payment	14	–	(2,377)
Deferred revenues	14	–	24,224
Available for sale reserve	14	–	196
Retained earnings	9	316	–

Notes to the Financial Statements

NOTE 1 – GENERAL

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

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

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 2008.

Changes in accounting policies

The adoption of the following new and revised standards and interpretations has not resulted in any significant changes to the Group's accounting policies nor have they had a material effect on the amounts reported for the current or prior years.

IFRIC 11, IFRS 2 – Group and Treasury Share Transactions (effective for accounting periods beginning on or after 1 March 2007). IFRIC 11 requires share-based payment transactions in which an entity receives services as consideration for its own equity instruments to be accounted for as equity settled. This applies regardless of whether the entity chooses or is required to buy those equity instruments from another party to satisfy its obligations to its employees under the share-based payment arrangement. It also applies regardless of whether: (a) the employee's rights to the entity's equity instruments were granted by the entity itself or by its shareholder(s); or (b) the share-based payment arrangement was settled by the entity itself or by its shareholder(s).

Standards, amendments and interpretations not yet effective

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2009 or later periods and which the Group has decided not to adopt early. These are:

IFRS 8, Operating Segments (effective for accounting periods beginning on or after 1 January 2009). This standard sets out requirements for the disclosure of information about an entity's operating segments and also about the entity's products and services, the geographical areas in which it operates, and its major customers. It replaces IAS 14, Segmental Reporting, whereby the current prescriptive approach will be replaced by a management approach based on the information reviewed by the 'chief operating decision-maker'. The Group will apply this standard in the accounting period beginning on 1 January 2009. As this is a disclosure standard it will not have any impact on the results or net assets of the Group.

IAS 1, Presentation of Financial Statements (effective for accounting periods beginning on or after 1 January 2009). This is a comprehensive revision to the presentation of accounts. Key changes in the revised version of IAS 1 include: the requirement to aggregate information in the financial statements on the basis of shared characteristics; changes in the titles of some primary statements (non-mandatory); introducing the requirement for a single Statement of Comprehensive Income (combining the Income Statement and the Statement of Recognised Income and Expense); only the total of comprehensive income is to be shown in the Statement of Changes in equity. Management is currently assessing the impact of the Amendment on the accounts, but the effect is presentational and will not change the Group's result. As this is a disclosure standard it will not have any impact on the results or net assets of the Group.

IAS 23, Borrowing Costs (revised) (effective for accounting periods beginning on or after 1 January 2009). The main change from the previous version is the removal of the option of immediately recognising as an expense borrowing costs that relate to qualifying assets, broadly being assets that take a substantial period of time to get ready for use or sale. IAS 23 is currently not relevant to the Group's operations due to the absence of such borrowing costs.

IAS 32, Financial Instruments: Presentation and associated amendment to IAS 1 (effective for accounting periods beginning on or after 1 January 2009). These amendments are still to be endorsed by the EU but are expected to be applicable for the Group's 2009 year end. These amendments relate to the disclosure of puttable instruments and obligations arising on liquidation and may result in certain financial instruments that have the characteristics of a liability but represent a residual interest in an entity being classified as equity. Currently management consider the Amendments will have little impact on the accounts.

Notes to the Financial Statements
continued

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES continued

IFRIC 13, Customer Loyalty Programmes (effective for accounting periods beginning on or after 1 July 2008). IFRIC 13 addresses sales transactions in which the entities grant their customers award credits that, subject to meeting any further qualifying conditions, the customers can redeem in future for free or discounted goods or services. Management is currently assessing the impact of IFRIC 13 on the accounts.

Revised IFRS 3, Business Combinations and complementary Amendments to IAS 27, Consolidated and separate financial statements (both effective for accounting periods beginning on or after 1 July 2009). This revised standard and amendments are still to be endorsed by the EU. The revised IFRS 3 and amendments to IAS 27 arise from a joint project with the Financial Accounting Standards Board (FASB), the US standards setter, and result in IFRS being largely converged with the related, recently issued US requirements.

There are certain very significant changes to the requirements of IFRS, and options available, in accounting for future business combinations, in particular all legal and professional fees are expensed immediately, and losses are attributed to non-controlling interests even if this results in a minority interest in net liabilities. No restatement of past business combinations is required. Management is currently assessing the impact of revised IFRS 3 and amendments to IAS 27 on the accounts.

Amendment to IFRS 2, Share-based payments: vesting conditions and cancellations (effective for accounting periods beginning on or after 1 January 2009). The Amendment to IFRS 2 is of particular relevance to companies that operate employee share save schemes. This is because it results in an immediate acceleration of the IFRS 2 expense that would otherwise have been recognised in future periods should an employee decide to stop contributing to the savings plan, as well as a potential revision to the fair value of the awards granted to factor in the probability of employees withdrawing from such a plan. Currently management considers the Amendment will have little impact on the accounts.

Improvements to IFRS (effective for accounting periods beginning on or after 1 January 2009). This improvements project is still to be endorsed by the EU but is expected to be applicable for the Group's 2009 year end. The 35 Amendments take various forms, including the clarification of the requirements of IFRS and the elimination of inconsistencies between Standards. Management is currently assessing the full impact of the Amendment on the accounts, but those aspects that may be applicable are listed below:

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – where a Group plans to sell its controlling interest in a subsidiary, but retain a non-controlling interest, then that subsidiary's assets and liabilities are classified as 'held for sale' if these items meet the other criteria of IFRS 5;

IAS 1 Presentation of financial statements – Financial assets classified as held for trading are not automatically presented as current assets or liabilities;

IAS 16 Property, plant and equipment – Assets previously held for rental that are routinely sold at the end of their rental life are transferred to inventories prior to sale. Sale proceeds are recognised as revenue. IFRS 5 does not apply;

IAS 36 Impairment of assets – when discounted cash flows are used to assess the recoverable amounts of assets of cash generating units containing goodwill or other indefinite life assets, disclosure is required of the period covered by the cash flows, the growth rate used and discount rates applied;

IAS 38 Intangible Assets – Prepayments for promotional goods and services are only allowed to the point that the entity has right of access to the goods or receives the services. Thereafter these costs are expensed;

IAS 39 Financial Instruments: Recognition and Measurement – outlines circumstances in which items might be moved into or out of 'fair value through profit or loss' without being considered a reclassification.

IFRIC 17 Distributions of Non-cash Assets to Owners
(effective for accounting periods beginning on or after 1 July 2009). IFRIC 17 is still to be endorsed by the EU. This IFRIC addresses distributions of non-cash assets to owners and clarifies that:

(a) A dividend payable should be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity.
(b) An entity should measure the dividend payable at the fair value of the net assets to be distributed.
(c) An entity should recognise the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss.

It does not have retrospective application.

The Group does not consider that any other standards or interpretations issued by the IASB, but not yet applicable, will have a significant impact on the financial statements.

B. Changes in presentation

B1. Changes in functional currency

During the second half of 2008, the majority of the Group's revenues and expenses were generated in Euros. With effect from 1 July 2008, the Group has changed it functional currency from United States dollars to Euros. Therefore, the financial statements of the Company and its subsidiaries are prepared in Euro (the measurement currency), which is the currency that best reflects the economic substance of the underlying events and circumstances relevant to the Group.

Comparative numbers for all primary statements, the balance sheet and the income statement for the period to 30 June 2008, were converted to Euros based on the EURO: USD rate as at 1 July 2008, being 1.57777.

Starting from 1 July 2008 all subsidiaries of the Group are reporting in the Euro currency in line with the Group policy.

Foreign currency

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 income statement.

B2. Changes in income statement

During the second half of 2008, management decided to allocate its expenses presentation on the face of the income statement to comply with the Group's internal measurement of its business. The previously presented operating expenses, development costs and marketing expenses were combined to 'Distribution costs' while administrative expenses remained as presented before.

B3. Reclassification

In 2008, the employee stock options reserve was reclassified to retained earnings.

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. Inter-company transactions and balances between Group companies are therefore eliminated in full.

D. Share capital

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

E. 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.

F. 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.

G. Property, plant and equipment

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

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

	%
Computers	33.33
Office furniture and equipment	7.00
Leasehold improvements	10.00
Motor vehicles	15

Notes to the Financial Statements
continued

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES continued

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 incurred.

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

H. 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.

I. Revenue recognition
Royalty 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 is recognised in the accounting periods in which the gaming transactions occur. Royalty and other income receivable under fixed-term arrangements are recognised over the term of the agreement on a straight line basis.

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

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 amount.

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

	%
Domain names	Nil
Internally generated capitalised development costs	33.33
Technology IP	33.33
Customer list	12.5
Patents	Over the expected useful lives 10-33

Intangible assets identified under the investment accounted for using equity method.

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

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

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

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

L. Income taxes
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 is not material to the Group's operations.

M. Share-based payments
Certain employees participate in the Group's share option plan which commenced with effect from 1 December 2005. The fair value of the options granted is charged to the Income Statement 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 valuation model. The share options plan does not have any performance conditions other than continued service.

N. 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 income statement from the date on which control is obtained.

O. Goodwill
Goodwill on acquisition is initially measured at cost being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Cost comprises the fair values of assets given, liabilities assumed and equity instruments issued, plus any direct costs of acquisition. 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.

P. 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 income statement, except to the extent they reverse gains previously recognised in the consolidated statement of recognised income and expense. An impairment loss recognised for goodwill is not reversed.

Q. 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 income statement, 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.

R. 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.

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.

Notes to the Financial Statements
continued

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES continued

The Group's receivables comprise trade and other receivables and cash and cash equivalents 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.

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 recognised directly in equity. 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 income statement.

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 income statement.

S. 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.

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 financial instruments, share-based payments, legal proceedings and contingent liabilities, determination of fair values of intangible assets acquired in business combinations and income tax.

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.

B. Recognition and 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 income statement in specific periods. More details including carrying values are included in notes 10 and 11.

C. Fair value of financial instruments

The Group determines the fair value of financial instruments 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.

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 model, 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. During 2008 the Group has reassessed the fair value of the options granted, in order to provide reliable and more relevant information by taking into account historical forfeiture rates, relevant risk free interest rates and re-measurement of volatility per each grant.

E. Legal proceedings and contingent liabilities

Management regularly monitors the key risks affecting the Group, including the regulatory environment in which the Group operates. Provision will be made if it is probable that there will be an outflow of economic benefit. More details are included in note 25.

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.

G. Income taxes

The Group is subject to income tax in two jurisdictions 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.

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

The Directors consider that the Group has one business segment. Segmentation by geographical regions is made according to the jurisdiction of the gaming licence of the licensee. This does not reflect the region of the end users of the Group's licensees whose locations are worldwide.

Revenues are derived from the following geographic regions:

	31 December 2008 €000	31 December 2007 €000
Canada	52,983	33,637
Philippines	4,501	5,683
Curacao and Antigua	28,884	14,143
Rest of World	25,082	12,202
	111,450	65,665

Revenues are derived from the following products:

	31 December 2008 €000	31 December 2007 €000
Casino	79,396	47,371
Poker	30,073	17,392
Other	1,981	902
	111,450	65,665

Notes to the Financial Statements

continued

NOTE 4 – SEGMENT INFORMATION continued

The assets, liabilities and capital additions of the Group arise in the following countries:

	31 December 2008 Assets €000	31 December 2007 Assets €000
Estonia	3,018	3,001
Israel	2,409	987
Philippines	586	331
Isle of Man	370	340
Bulgaria	364	334
Cyprus	1,295	–
India	719	–
British Virgin Islands	270,885	125,768
	279,646	**130,761**

	31 December 2008 Liabilities €000	31 December 2007 Liabilities €000
Estonia	358	514
Israel	1,054	774
Philippines	49	2
Isle of Man	74	61
Bulgaria	42	90
Cyprus	81	–
India	57	–
British Virgin Islands	47,725	49,189
	49,440	**50,630**

	31 December 2008 Capital Additions €000	31 December 2007 Capital Additions €000
Estonia	1,212	850
Israel	323	206
Philippines	265	61
Isle of Man	7	8
Bulgaria	163	143
Cyprus	281	–
India	383	–
British Virgin Islands	9,066	40,789
	11,700	**42,057**

NOTE 5 – OPERATING PROFIT

Operating profit is stated after charging:

Directors' compensation	For the year ended 31 December 2008 €000	For the year ended 31 December 2007 €000
Short term benefits of directors	1,571	1,107
Share-based benefits of directors	1,130	650
Bonuses to executive directors	484	326
	3,185	**2,083**

Auditor's remuneration	For the year ended 31 December 2008 €000	For the year ended 31 December 2007 €000
Audit services		
Parent company and Group audit	168	125
Audit of overseas subsidiaries	46	23
Total audit	214	148
Non-audit services		
Other acquisition and assurance services	324	119
	538	**267**

Directors' compensation	For the year ended 31 December 2008 €000	For the year ended 31 December 2007 €000
Development costs	**5,255**	**2,384**

NOTE 6 – FINANCING INCOME AND COSTS

	For the year ended 31 December 2008 €000	For the year ended 31 December 2007 €000
A. Finance income		
Bank interest received	4,676	2,411
Dividend received from available for sale investments	163	–
Exchange differences	2,841	750
	7,680	3,161
B. Finance cost		
Interest paid	–	(13)
Finance cost – discounting of deferred consideration	(748)	(1,026)
Exchange rate differences – Investments accounted for using equity method (note 13)	(13,126)	–
Bank charges	(330)	(70)
	(14,204)	(1,109)
Net financing (expense)/income	**(6,524)**	**2,052**

Notes to the Financial Statements
continued

NOTE 7 – TAXATION

	For the year ended 31 December 2008 €000	For the year ended 31 December 2007 €000
Current income tax		
Income tax on profits of subsidiary operations	762	328
Provision for prior periods	–	201
Total tax charge	**762**	**529**

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 tax charge shown above arises from the different tax rates applied in subsidiaries' jurisdictions.

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

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 are as follows:

	For the year ended 31 December 2008 in Euro Cents	For the year ended 31 December 2007 in Euro Cents
Basic	17.9	12.3
Diluted	17.3	11.7

	€000	€000
Profit for the year	40,691	26,307

	Number	Number
Denominator – basic		
Weighted average number of equity shares	**227,696,037**	**214,715,335**
Denominator – diluted		
Weighted average number of equity shares	227,696,037	214,715,335
Weighted average number of option shares	7,413,260	10,476,036
Weighted average number of shares	**235,109,297**	**225,191,371**

B. Adjusted earnings per share

The adjusted earnings per share present the profit for the year before certain significant non-cash expenses included in the income statement, being the decline in fair value of available for sale investments, the loss on disposal on available for sale investment, the impairment of software on acquisition, the amortisation of the customer list on acquisition, the finance cost on discounting of deferred consideration, the employee stock option expense and the exchange rate differences related to the investment in associates using the equity method, as the Directors believe that the adjusted profit represents more closely the underlying trading performance of the business.

	For the year ended 31 December 2008 in cents	For the year ended 31 December 2007 in cents
Basic – adjusted	34.5	20.4
Diluted – adjusted	33.4	19.5

	€000	€000
Profit for the year	40,691	26,307
Decline in fair value of available for sale investments	16,698	11,579
Loss on disposal of available for sale investment	–	415
Impairment of software on acquisition	–	174
Amortisation on acquisition	3,173	2,684
Finance cost on discounting of deferred consideration	748	1,026
Employee stock option expense	4,125	1,676
Exchange differences – Investments accounted for using equity method	13,126	–
Adjusted profit for the year	**78,561**	**43,861**

The loss on disposal of the available for sale investment and the impairment of software on acquisition, whilst not individually material, have been included above as they are linked to larger transactions (see note 12 and 14).

	Number	Number
Denominator – basic		
Weighted average number of equity shares	**227,696,037**	**214,715,335**
Denominator – diluted		
Weighted average number of equity shares	227,696,037	214,715,335
Weighted average number of option shares	7,413,260	10,476,036
Weighted average number of shares	**235,109,297**	**225,191,371**

NOTE 9 – EMPLOYEE BENEFITS

Total staff costs comprise the following:

	For the year ended 31 December 2008 €000	For the year ended 31 December 2007 €000
Salaries and wages costs	24,212	13,501
Employee stock option costs	4,441	1,676
	28,653	**15,177**

	For the year ended 31 December 2008 Number	For the year ended 31 December 2007 Number
Average number of employees		
Distribution	674	503
General and administration	77	43
	751	**546**

Notes to the Financial Statements
continued

NOTE 9 – EMPLOYEE BENEFITS continued

The Group has an employee share option plan ('ESOP') for the granting of non-transferable options to certain employees. Options granted under the plan vest on the first day on which they become exercisable, which is typically between one to four years after grant date. The overall term of the ESOP is five years. These options are settled in equity once exercised. Option prices are either denominated in USD or GBP, depending on the option grant terms.

At 31 December 2008, options under this scheme were outstanding over:

	2008 Number	2007 Number
Shares vested on 30 November 2008 at an exercise price of $2.5 per share	1,823,127	2,844,977
Shares fully vested on 30 November 2008 at an exercise price of $4.00 per share	66,668	66,668
Shares vesting on 6 February 2009 at an exercise price of $4.50 per share	1,000,000	1,000,000
Shares vesting between 1 December 2006 and 6 February 2009 at an exercise price of $4.50 per share	1,279,712	1,603,667
Shares vesting between 1 December 2006 and 1 December 2009 at an exercise price of $4.00 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	148,220	263,034
Shares vesting between 11 October 2007 and 11 October 2009 at an exercise price of $3.24 per share	900,000	900,000
Shares vesting between 11 December 2007 and 11 December 2009 at an exercise price of $4.35 per share	990,805	1,127,500
Shares vesting between 31 December 2007 and 31 October 2010 at an exercise price of $7.48 per share	550,000	550,000
Shares vesting between 16 May 2008 and 16 May 2010 at an exercise price of $7.50 per share	1,413,000	1,453,000
Shares vesting between 18 June 2008 and 18 June 2010 at an exercise price of $7.79 per share	372,327	543,400
Shares vesting between 13 August 2008 and 13 August 2010 at an exercise price of $6.19 per share	–	40,000
Shares vesting between 18 June 2008 and 18 June 2010 at an exercise price of $6.63 per share	10,000	10,000
Shares vesting between 3 October 2008 and 3 October 2011 at an exercise price of $6.90 per share	300,000	300,000
Shares vesting between 10 October 2008 and 10 October 2011 at an exercise price of $7.12 per share	350,000	350,000
Shares vesting between 20 November 2008 and 20 November 2011 at an exercise price of $7.19 per share	230,000	250,000
Shares vesting between 31 December 2008 and 31 December 2010 at an exercise price of $7.68 per share	86,000	92,000
Shares vesting between 25 April 2009 and 25 April 2012 at an exercise price of $8.61 per share	1,010,000	–
Shares vesting between 21 May 2009 and 21 May 2012 at an exercise price of $10.54 per share	500,000	–
Shares vesting between 28 November 2009 and 28 November 2012 at an exercise price of £3.20 per share	2,035,345	–
Shares vesting between 31 December 2008 and 31 December 2011 at an exercise price of £3.1725 per share	200,000	–
	13,665,204	11,794,246

Total number of shares exercisable as of 31 December is 6,964,611 and 4,665,385 for 2008 and 2007 respectively.

The fair value of the options that were granted in respect of equity settled schemes for 2008 is €4.4m (2007: €1.7m). During 2008, €4.1m (2007: €1.7m) has been recognised as an expense in the income statement and €0.3m (2007: €nil) has been capitalised as part of development costs.

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

	31 December 2008 Number of options	31 December 2007 Number of options	31 December 2008 Weighted average exercise price	31 December 2007 Weighted average exercise price
Outstanding at the beginning of the year	11,794,246	10,096,737	$4.82, £2.57	$3.49, £2.57
Granted during the year	3,745,893	3,588,400	$9.25, £3.2	$7.42
Forfeited	(573,845)	(70,334)	$5.01, £3.2	$4.82
Exercised	(1,301,090)	(1,820,557)	$3.43	$2.81
Outstanding at the end of the year	13,665,204	11,794,246	$5.56, £3.15	$4.82, £2.57

The weighted average share price at the date of exercise of options was £4.36 and £3.53 in 2008 and 2007 respectively.

The weighted average fair value of options granted during the year at the date of grant was £3.80 and £3.72 in 2008 and 2007 respectively.

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

Expiry date	Exercise price	2008 Number	2007 Number
1 December 2010	Between $2.5 and $4.5	2,889,795	3,911,645
Between 6 February 2011 and 11 December 2011	Between $3.24 and $5.75	3,718,737	4,294,201
Between 15 May 2012 and 31 December 2012	Between $6.19 and $7.79	3,311,327	3,588,400
Between 25 April 2013 and 31 December 2013	Between $8.61 and $10.54 and between £3.1725 and £3.2	3,745,345	–
		13,665,204	**11,794,246**

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 2007 and 2008:

For options granted on 15 May 2007, 16 May 2007, 18 June 2007, 13 August 2007, 26 September 2007, 3 October 2007, 10 October 2007, 20 November 2007 and 31 December 2007:

Dividend yield (%)	2%
Expected volatility (%)	4.69% to 39.25%
Risk free interest rate (%)	3.07% to 5.07%
Expected life of options (years)	2.82 to 4.5
Weighted average exercise price	$7.42

For options granted on 25 April 2008, 21 May 2008, 28 November 2008 and 31 December 2008:

Dividend yield (%)	2%
Expected volatility (%)	43.21 to 52.58%
Risk free interest rate (%)	2.64% to 3.26%
Expected life of options (years)	3 to 4.5
Weighted average exercise price	$9.25, £3.20

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.

Notes to the Financial Statements
continued

NOTE 10 – PROPERTY, PLANT AND EQUIPMENT

	Computers €000	Office furniture and equipment €000	Motor vehicles €000	Leasehold improvements €000	Total €000
Cost – As of 1 January 2007	2,162	248	96	165	2,671
Additions	1,552	146	–	81	1,779
Assets acquired on business combinations (note 12)	490	110	–	15	615
Disposals	(3)	–	(20)	–	(23)
As of 31 December 2007	4,201	504	76	261	5,042
Accumulated depreciation – As of 1 January 2007	724	21	7	8	760
Charge	941	58	15	43	1,057
Disposals	(1)	–	(4)	–	(5)
As of 31 December 2007	1,664	79	18	51	1,812
Net Book Value – As of 31 December 2007	**2,537**	**425**	**58**	**210**	**3,230**

	Computers €000	Office furniture and equipment €000	Motor vehicles €000	Leasehold improvements €000	Total €000
Cost – As of 1 January 2008	4,201	504	76	261	5,042
Reclassification	63	(63)	–	–	–
Additions	2,710	326	–	235	3,271
Disposals	–	–	(4)	–	(4)
As of 31 December 2008	6,974	767	72	496	8,309
Accumulated depreciation – As of 1 January 2008	1,664	79	18	51	1,812
Reclassification	20	(20)	–	–	–
Charge	1,553	79	12	34	1,678
Disposals	–	–	(4)	–	(4)
As of 31 December 2008	3,237	138	26	85	3,486
Net Book Value – As of 31 December 2008	**3,737**	**629**	**46**	**411**	**4,823**

NOTE 11 – INTANGIBLE ASSETS

	Patents €000	Domain names €000	Technology IP €000	Development costs (internally generated) €000	Customer list €000	Goodwill €000	Total €000
Cost – As of 1 January 2007	1,141	119	63	1,945	–	166	3,434
Additions	1,077	2		2,272	–	–	3,351
Assets acquired on business combinations (note 12)	–	–	174	–	25,554	10,584	36,312
Disposals	–	–	(174)	–	–	–	(174)
As of 31 December 2007	2,218	121	63	4,217	25,554	10,750	42,923
Accumulated amortisation – As of 1 January 2007	170	51	63	390	–	–	674
Provision	188	–	–	491	2,683	–	3,362
As of 31 December 2007	358	51	63	881	2,683	–	4,036
Net Book Value – As of 31 December 2007	**1,860**	**70**	**–**	**3,336**	**22,871**	**10,750**	**38,887**

	Patents €000	Domain names €000	Technology IP €000	Development costs (internally generated) €000	Customer list (*) €000	Goodwill €000	Total €000
Cost – As of 1 January 2008	2,218	121	63	4,217	25,554	10,750	42,923
Additions	803	–	1,122	6,453	–	–	8,378
Assets acquired on business combinations	–	–	–	–	–	51	51
As of 31 December 2008	3,021	121	1,185	10,670	25,554	10,801	51,352
Accumulated amortisation – As of 1 January 2008	358	51	63	881	2,683	–	4,036
Provision	209	–	–	852	3,173	–	4,234
As of 31 December 2008	567	51	63	1,733	5,856	–	8,270
Net Book Value – As of 31 December, 2008	**2,454**	**70**	**1,122**	**8,937**	**19,698**	**10,801**	**43,082**

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 the distribution costs.

(*) The remaining amortisation period for the customer list assets as of 31 December 2008 is approximately six years.

In accordance with IAS 36, the Group regularly monitors the carrying value of its intangible assets, including goodwill. Goodwill is allocated to one cash generating unit ('CGU') which is Tribeca (see note 12). At 31 December 2008 the recoverable amount of the CGU has been determined from value in use calculations based on cash flow projections from the formally approved budget for 2009 and detailed projections covering the following two year period to 31 December 2011.

Notes to the Financial Statements
continued

NOTE 11 – INTANGIBLE ASSETS continued
Key assumptions are as follows:

Discount rate of 14% which is based on the Group's beta adjusted to reflect management's assessment of specific risks related to the goodwill.

Annual growth rate of 11% for 2009, 7% for 2010 and 5% for 2011-2013. Growth rates beyond the first three years are based on prudent estimates using historic growth rates.

The results of the review indicated that there was no impairment of goodwill at 31 December 2008. Management has also reviewed the key assumptions and forecasts for the customer list, applying the above same key assumptions. The results of the review indicated that there was no impairment of the intangible assets at 31 December 2008.

NOTE 12 – ACQUISITIONS IN PRIOR PERIOD
In November 2006, the Group signed an asset purchase agreement with Tribeca Tables Europe Limited ('Tribeca') in respect of certain non-US assets.

The contingent consideration for the acquisition was calculated according to a formula based on the future earnings of the acquired assets. The final consideration was €37,870,000.

The conditions required to acquire control and complete the agreement were satisfied in January 2007. Therefore the agreement was accounted for as a business combination under IFRS 3 in the year ended 31 December 2007.

The value of the assets in the Tribeca books was not disclosed to the Group. Accordingly, the book value on acquisition is unknown. The fair value of the net assets acquired is as below.

The intangible assets relate to the recognition of the customer lists and other intangibles acquired as part of the acquisition. These intangibles are being amortised over their estimated useful lives of eight years. The Directors reassessed the fair value of the assets acquired based on their value in use and as a result the software valued at €174,000 on acquisition was charged to the income statement as an impairment in the year ended 31 December 2007.

	€000
Cash consideration to Tribeca	37,870
Expenses	854
Total cash consideration	38,724
Finance cost arising on discounting of cash consideration	(1,746)
Present value of consideration including expenses	**36,978**
Fair value of customer lists	25,554
Fair value of property, plant and equipment	615
Fair value of software	174
Goodwill	10,635
Present value of the consideration including expenses	**36,978**

The consideration of €19.5 million and €17.5 million was paid in 2008 and 2007 respectively.

NOTE 13 – INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

On 19 October 2008, the Group entered into an agreement with William Hill Organisation Limited, a subsidiary of William Hill PLC (hereinafter 'WH'), a provider of fixed odds bookmaking services in the UK, for the establishment of two jointly owned entities (hereinafter 'WH Online' or 'JVCOs'), to facilitate the integration of the online businesses of WH together with the businesses and contracts (comprising of an affiliate marketing business, customer services operation with gaming brands and websites) which were purchased and then contributed by the Group. The transaction completed on 30 December 2008.

Immediately prior to the transaction, the Group acquired from a significant shareholder and other third parties, various online gaming businesses, marketing assets and contracts ('the Purchased Assets') for a total cash consideration of $250 million (€177.7 million). In consideration for the injection of the Purchased Assets into WH Online, the Group received 29% interest in WH Online. The Group's ownership interest can increase up to 32% depending on certain conditions relating to the integration of the activities as further detailed below. The acquisition of the Purchased Assets by the Group was solely for the purpose of contributing them directly to WH Online in consideration for the Group's 29% interest therein, hence the Group has treated the transaction as a single acquisition of a 29% interest in an associate.

The investment in WH Online is 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 will be recognised as share of profits of associates. Software licence royalties fees charged to WH Online will be recognised as revenues only to the extent of the 71% external interest in WH Online. The residual profits of 29% will be recorded as part of the share of net profits of associates.

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 completion of the transaction (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.

Out of the total consideration of USD 250 million (€177.7 million), payable for the Purchased Assets (and hence the Group's interest in WH Online) USD 202.2 million (€143.8 million) was paid to companies related to the Group's significant shareholder (hereinafter 'Affiliates'), USD 40 million (€28.4 million) was payable to the Group's former customer (out of which USD 20million (€14.2 million) was paid in cash and the remaining amount is to be paid by 30 December 2010) and USD 0.3 million (€0.2 million) was paid to a third party providing marketing services to the Affiliates in consideration for an option to purchase their business for a total cost of USD 7.5 million (€5.4 million). The option is exercisable until 31 December 2009.

WH Online has also entered into a contract with the Group for a minimum term of five years for the provision of online gaming software for poker and casino. In addition, the Group will provide advisory and consultancy services to WH Online until the businesses are fully integrated.

The Group has assessed the fair value of its interest in WH Online by reviewing the underlying identifiable tangible and intangible assets in WH Online and their value in use supported by the net present value of forecast cash flows, based on approved budgets and plans. These assets are being amortised in the Group's interest in WH Online over their estimated useful lives as follows:

	Useful life
Software	10 years
Customer relationships	17 months
Affiliate contracts	23 months
WH Brands	15 years
Purchased assets brands	10 years
Covenant not to compete	5 years

Notes to the Financial Statements
continued

NOTE 13 – INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD continued

	€000
Cash consideration to vendor of the purchased assets	161,209
Deferred consideration	16,505
Expenses paid in cash	4,167
Total cash consideration	181,881
Finance cost arising on discounting of cash consideration	(809)
Present value of consideration including expenses	**181,072**

Group share of fair value of net assets of WH Online:	
Customer relationships	5,114
Affiliate contracts	2,177
Brands	40,104
Software	5,600
Covenant not to compete	10,351
Acquired net assets	2,823
	66,169
Goodwill	114,903
Present value of the consideration including expenses	**181,072**

Included in the above cash consideration is deferred consideration of €13.4 million (net of discount of €0.8 million) that is due for payment on 30 December 2010 and €2.3 million that is due for payment in the beginning of 2009.

The main factors leading to the recognition of goodwill are the synergistic growth and revenues 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 IAS 36, the Group will regularly monitor the carrying value of its interest in WH Online.

The key assumptions used by management to determine the value in use of the brands, affiliate contracts and customer relationships within WH Online are as follows:

- The income approach, in particular the relief of royalty approach, was applied for the valuation, considering projected revenues derived from the brands.
- The royalty rate was based on a third party market participant assumption for use of the brands, considering age of the brands, market competition, market share, profitability and prevailing rates for similar properties.
- The discount rate assumed is equivalent to the WACC plus 1% for the customer relationships and WACC plus 2% for the affiliate contracts.
- The growth rates and attrition rates were based on market analysis.

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 2008.

Due to the fact that the consideration for the acquisition of the Purchased Assets was in US dollars, the Group decided to hold the equivalent amount of the consideration in US dollars. This resulted in an exchange rate expense in the amount of €13.1 million that has been reflected in the income statement for the year 2008.

NOTE 14 – AVAILABLE FOR SALE INVESTMENTS

	31 December 2008 €000	31 December 2007 €000
Available for sale investments comprise:		
A. Investment in Foundation Group Limited		
• Shares	2,434	1,419
• Convertible notes	–	10,563
	2,434	11,982
B. Investment in AsianLogic	2,453	10,104
	4,887	**22,086**

	31 December 2008 €000	31 December 2007 €000
Decline of fair value of available for sale investments from the time of acquisition:		
A. Foundation Group Limited		
• Shares	941	1,372
• Convertible notes	8,299	10,207
	9,240	11,579
B. AsianLogic	7,458	–
	16,698	**11,579**

During 2008 the Group reclassified the available for sale investments from current assets to non-current assets in accordance with management estimation that the Group will not sell the shares in the near future due to the low share price.

A. During 2007 the Group entered into a ten year software licence agreement with Foundation Group Limited ('Foundation'), a company incorporated in Bermuda which during March 2007 re-listed on the Hong Kong Stock Exchange at a price of HK$1.28 ('Flotation Price'). In connection with the software licence agreement the Group also entered into the following agreements in respect of ordinary shares in Foundation:

- A share sale and purchase agreement with Luck Continent Limited to acquire 53,750,000 ordinary shares of HK$0.001 each in Foundation.
- A share sale and purchase agreement with Emphasis Services Limited ('ESL') to purchase 50% of the ordinary shares in Copernicus Trading Limited ('Copernicus'), a private company incorporated in the British Virgin Islands. Copernicus' only asset was a convertible note convertible into 400,000,000 shares in Foundation.

The 53,750,000 shares in Foundation were acquired for €4.8 million, which represented an aggregate discount of 15% to the Flotation Price. These shares have been classified as an available for sale asset. The Group also entered into an agreement to sell 50% of the 53,750,000 shares it acquired in Foundation to ESL for a consideration of €2.4 million payable in September 2007. As a consequence, the loss from the disposal of €415,000 was reflected in the income statement in 2007. The fair value of 50% of the shares at time of acquisition was €2.8 million.

In July and August 2008 the Group sold 12,150,000 of Foundation shares for total consideration of €311,000 based on the average share price of HK$0.31. The fair value of the remaining 14,725,000 shares at 31 December 2008 amounted to €167,000. In accordance with IAS 39, the decrease in value has been reflected in the income statement.

Notes to the Financial Statements

continued

NOTE 14 – INVESTMENTS continued

The Group acquired the shares in Copernicus for a consideration of €4.1 million. Based on Foundation's share price at this time, the underlying value of the Group's interest in the convertible note amounted to €20.8 million. The Group's interest in the convertible note was transferred in November 2007 to Evermore Trading Limited, a 100% subsidiary of Playtech Software Limited. In May 2008, the Group converted the convertible note into shares in Foundation. The Group's interest at 31 December 2008 was €2.3 million. In accordance with IAS 39, the decrease in value has been reflected in the income statement.

The Directors consider the fair value of the consideration received by way of discount to the market value of the 53,750,000 Foundation shares of €828,000 and the fair value of the convertible notes in excess of consideration paid of €16.7 million, to represent deferred income of the software licence agreement. As a consequence, €17.5 million was included in deferred revenues. The Group has commenced recognition of revenues from the software licence agreement following the delivery of the software which occurred on 1 April 2008. The revenues are recognised over the remaining life time of the software licence agreement. An amount of €1.5 million was recognised in the year ended 31 December 2008.

As at 15 March 2009, the closing price of Foundation shares was HK$0.08 compared to HK$ 0.124 as at 31 December 2008. This has resulted in a decrease in the fair value of the total available for sale equity shareholding and convertible notes of €694,000. This reduction in value is a non-adjusting post balance sheet event and has not therefore been accounted for as at 31 December 2008.

Tom Hall, a Non-Executive Director of the Group, is also a director and shareholder of ESL.

B. In December 2007 the Group entered into a share purchase agreement to acquire 246 shares of ESL for a total consideration of €3.2 million. Following the completion of such agreement, AsianLogic Limited ('ALL'), the parent company of ESL incorporated in the British Virgin Islands was admitted to the AIM market at a price of £1.1162 ('Flotation Price'). Separately and in connection with the entry into a new software licence agreement with ESL for a five year term, the Group received 467 shares in ESL for no consideration. In addition, the Group entered into a Share Exchange Agreement with ALL. Pursuant to the Share Exchange Agreement, ALL acquired all 713 of the Group's shares in ESL in consideration for the issue of 7,130,000 shares in ALL.

The 246 shares in ESL were acquired for €3.2 million, which represented an aggregate discount of 15% to the Flotation Price, the same discount which a number of other pre IPO investors were offered. These shares have been classified as an available for sale asset. The fair value at 31 December 2008 amounted to €846,000. The decrease in value of €2.3 million has been reflected in the income statement.

The Group received the 4,670,000 shares in ALL in consideration for agreeing a lower licence fee percentage in the software licence agreement with ESL. Based on ALL's share price at this time, the underlying value of the Group's interest in the shares amounted to €6.8 million. The Group's interest at 31 December 2008 was €1.6 million. In accordance with IAS 39, the decrease in value has been reflected in the income statement.

The Directors consider the fair value of the consideration received by way of discount to the market value of the 4,670,000 shares, to represent deferred income of the software licence agreement. As a consequence, €6.8 million was included in deferred revenues. The Group has commenced recognition of revenues from the software licence agreement following the delivery of the software which occurred in December 2007. The revenues are recognised over the remaining lifetime of the software licence agreement. An amount of €1.3 million was recognised in the year ended 31 December 2008.

The total value of available for sale investments in ALL at 31 December 2008 amounted to €2.4 million.

As at 15 March 2009, the closing price of ALL shares was £0.1225 compared to £0.335 as at 31 December 2008. This has resulted in a decrease in the fair value of the total available for sale shareholding of €1.5 million. This reduction in value is a non-adjusting post balance sheet event and has not therefore been accounted for as at 31 December 2008.

During 2008 the Group received a dividend of €163,000 that has been reflected in the income statement.

NOTE 15 – OTHER NON-CURRENT ASSETS

	31 December 2008 €000	31 December 2007 €000
Loan to customer	692	–
Rent and car lease deposits	648	256
	1,340	**256**

NOTE 16 – TRADE RECEIVABLES

	31 December 2008 €000	31 December 2007 €000
Customers	9,805	6,909
Related party receivable	277	1,014
	10,082	**7,923**

NOTE 17 – OTHER ACCOUNTS RECEIVABLE

	31 December 2008 €000	31 December 2007 €000
Prepaid expenses	523	543
VAT and other taxes	266	455
Short term investment	29	24
Advances to suppliers	71	107
Funds receivable due to options exercised	38	–
Related party receivable	464	2,377
Loan to customer	966	–
Others	445	54
	2,802	**3,560**

Notes to the Financial Statements
continued

NOTE 18 – 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.

Tech Corporation, Oriental Support Services, Gamepark Trading Ltd and 800pay Ltd are related by virtue of a common significant shareholder. Emphasis Services Limited ('ESL'), AsianLogic Limited ('ALL'), S-tech Limited, Uniplay International Limited and Six Digits Trading Limited are related by virtue of the former chief executive officer and current director interest in those companies. WH Online and Laserstorm Services Ltd are associates of the Group.

The following transactions arose with related parties:

	31 December 2008 €000	31 December 2007 €000
Revenue		
ESL	2,925	2,344
S-tech Ltd	173	167
Operating expenses		
ESL	1,362	1,032
Loans		
Laserstorm Services Ltd	464	–
ESL	(634)	634
Acquisition of assets from related parties (note 13)		
Six Digits Trading Limited	108,417	–
Uniplay International Limited	35,336	–
Investment in related parties		
ESL (note 14b)	–	3,176
Sale of assets to a related party		
ESL (note 14a)	–	2,377

The following are year-end balances:

	31 December 2008 €000	31 December 2007 €000
Gamepark Trading Limited	3,578	–
ESL	37	
Deferred revenues – ESL	5,263	6,732
Total related party creditors	**8,878**	**6,732**
S-tech Ltd	265	11
Tech Corporation	12	–
ESL	–	3,379
Laserstorm Services Ltd	464	–
Total related party debtors	**741**	**3,390**
ALL	2,453	10,104
Total investment in related party	**2,453**	**10,104**

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

NOTE 19 – CASH AND CASH EQUIVALENTS

	31 December 2008 €000	31 December 2007 €000
Cash at bank	30,122	10,137
Deposits	1,436	44,682
	31,558	**54,819**

The Group held cash balances which includes 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 2008 €000	31 December 2007 €000
Funds attributed to jackpots	1,429	1,985
Poker security deposits	68	–
	1,497	**1,985**

Notes to the Financial Statements

continued

NOTE 20 – SHAREHOLDERS' EQUITY

A. Share Capital

	31 December 2008 Number of Shares	31 December 2007 Number of Shares
Share capital is comprised of no par value shares as follows:		
Authorised	N/A(*)	N/A(*)
Issued and paid up	238,483,378	215,561,342

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

Share issue
In June 2008, the Group raised additional cash of €140,989,000 by means of a share placing. The total number of shares issued amounted to 21,620,946 at a price of 520 pence per share.

Share option exercised
During the year 1,301,090 share options were exercised.

B. Distribution of Dividend

In May 2008, the Group distributed €13,570,039 as a final dividend for 2007.

In October 2008, the Group distributed €22,322,323 as an interim dividend for 2008.

No dividends were waived.

C. Reserves

The following describes the nature and purpose of each reserve within owners 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 income statement

NOTE 21 – TRADE PAYABLES

	31 December 2008 €000	31 December 2007 €000
Suppliers	1,875	1,050
Progressive and other operators' jackpots	1,429	1,985
Customer in credit	14	299
Related parties (note 18)	3,615	–
Other	105	–
	7,038	3,334

NOTE 22 – OTHER ACCOUNTS PAYABLE

	31 December 2008 €000	31 December 2007 €000
Payroll and related expenses	3,350	1,965
Accrued expenses	1,487	68
Deferred consideration (note 12)	–	19,472
Other payables	2,411	28
	7,248	21,533

NOTE 23 – 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

NOTE 24 – 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.

A 1% change in deposit interest rates would impact on the profit before tax by between €300 thousands and €600 thousands.

Notes to the Financial Statements
continued

NOTE 24 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT continued

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 Estonia and the Philippines to meet local salaries and expenses. These balances are kept to a minimum and typically do not exceed €2 million at any time during the monthly payment cycle.

In thousands of Euro	Total	Financial institutes with A- and above rating	Financial institutes below A- rating
As at 31 December 2008	31,558	30,467	1,091
As at 31 December 2007	54,819	53,509	1,310

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

In thousands of Euro	Total	Not past due	1-2 months overdue	More than 2 months past due
As at 31 December 2008	10,175	8, 289	1,588	298
As at 31 December 2007	8,066	6,932	449	685

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:

	2008 €000	2007 €000
Provision at the beginning of the year	143	183
Charged to income statement	784	75
Utilised	(834)	(115)
Provision at end of year	**93**	**143**

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. During 2008, the Group has reflected a foreign exchange loss in the income statement due to the cash held in US Dollars in relation to the consideration for the WH Online investment (note 13).

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 2008 includes available for sale investments with a value of €4,887 thousand which are subject to fluctuations in the underlying share price.

A change of 1% in shares price will have an impact of €49 thousand on the income statement and the fair value of the available for sale investments will change by the same amount.

E. Capital risks

Given the Group's position with no borrowings and 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 of the Group's financial liabilities:

Year ended 31 December 2008 In thousands of Euro	Total	Within 1 year	1-2 years	More than 2 years
Trade payables	7,038	7,038	–	–
Other accounts payable	6,775	6,775	–	–
Deferred consideration	14,047	–	14,047	–
Other non-current liabilities	184	–	184	–

Year ended 31 December 2007 In thousands of Euro	Total	Within 1 year	1-2 years	More than 2 years
Trade payables	3,334	3,334	–	–
Other accounts payable	2,639	2,639	–	–
Deferred consideration	19,472	19,472	–	–
Other non-current liabilities	66	–	66	–

Notes to the Financial Statements
continued

NOTE 24 – 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 2008 €000		For the year ended 31 December 2007 €000	
	Fair Value	Carrying amount	Fair Value	Carrying amount
Cash and cash equivalent	31,558	31,558	54,819	54,819
Available for sale investments	4,887	4,887	22,086	22,086
Other assets	13,701	13,701	11,197	11,197
Deferred consideration	14,047	14,047	19,472	19,472
Other liabilities	13,997	13,997	25,511	25,511

NOTE 25 – CONTINGENT LIABILITIES

A. Regulatory

The Group is not a gaming operator and does not provide gaming services to players.

From 13 October 2006, following the approval by the US President of the Unlawful Internet Gambling Enforcement Act 2006 (the 'UIGEA'), the Group requested all of its licensees to cease their US facing activity. Such request was accepted and implemented by all licensees. The Directors believe that the Group has taken all measures necessary to be in full compliance with the UIGEA.

The Directors are aware of activity by certain regulatory authorities creating uncertainty as to further actions that may occur, if any. Accordingly, the Directors have considered any residual risk arising in an indirect manner from the Group's activities and the potential impact on the financial statements, and no provision has been made in the financial statements in respect of the likelihood of any adverse impact that may arise from such activities.

B. Other

Management is not aware of any contingencies that may have a significant impact on the financial position of the Group in addition to the above mentioned. Management is not aware of any additional material, actual, pending or threatened claims against the Group.

Notes

Notes

Notice of Annual General Meeting

Notice is given that the Annual General Meeting of Playtech Limited (the 'Company') will be held at The Sefton Hotel, Harris Promenade, Douglas, Isle of Man, IM1 2RW on 13 May 2009 at 11.00am for the following purposes:

ORDINARY BUSINESS
To consider and if thought fit, pass the following resolutions which will be proposed as ordinary resolutions:

1. To receive the Company's Annual Accounts together with the report of the Directors and Auditors for the financial year ended 31 December 2008.
2. To reappoint BDO Stoy Hayward LLP as auditors to hold office from the conclusion of the meeting to the conclusion of the next meeting at which the accounts are laid before the Company.
3. To authorise the Directors to determine the Auditor's remuneration.
4. To approve the payment of a final dividend for the year ended 31 December 2008 of 7.6 cents per Ordinary Share of no par value payable to those shareholders on the register at the close of business on 3 April 2009.
5. To re-elect Roger Withers, who retires by rotation, as a Director.
6. To re-elect Rafi Ashkenazi, who retires by rotation, as a Director.

SPECIAL BUSINESS
To consider and, if thought fit, pass the following resolution which will be proposed as a special resolution:

7. THAT, pursuant to and for the purposes of, article 4.2.3 of the Company's articles of association, the Directors be and they are empowered to allot new Ordinary Shares of no par value in the Company ('Ordinary Shares') for cash, pursuant to the authority conferred on them by article 4.1 of the Company's Articles of Association, provided that this power shall be limited to the allotment of an aggregate number of 11,933,346 Ordinary Shares and shall expire at the conclusion of the next succeeding Annual General Meeting of the Company or, if shorter, 15 months after the date of the passing of this resolution.

By order of the Board

Jonathan Lockyer
Company Secretary
Trident Chambers
PO Box 146
Road Town
Tortola
British Virgin Islands
3 April 2009

NOTES:
1. Only holders of Ordinary Shares, or their duly appointed representatives, are entitled to attend, vote and speak at the meeting. A member so entitled may appoint (a) proxy(ies), who need not be (a) member(s), to attend, speak and vote on his/her behalf. A proxy form is enclosed with this Notice. To be valid a proxy appointment must reach the office of the Company's Registrars Computershare Investor Services (Channel Islands) Limited, PO Box 83, Ordnance House, 31 Pier Road, St Helier, Jersey, JE4 8PW by not later than 11.00am on 11 May 2009.
2. The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those shareholders on the register of members of the Company as at 11.00am on 11 May 2009 (or, if the meeting is adjourned, shareholders on the register of members not later than 48 hours before the time fixed for the adjourned meeting) are entitled to attend and vote at the meeting in respect of the shares registered in their names at that time. Subsequent changes to the register shall be disregarded in determining the rights of any person to attend and vote at the meeting.
3. In the case of joint holders, the signature of only one of the holder joint holders is required on the Form of Proxy, but the vote of the first named on the register of members shall be accepted to the exclusion of the votes of the other joint holders.

Notice of Annual General Meeting
continued

4. If you are a Depositary Interest Holder and you wish to attend and vote at the AGM, you must be entered on the Company's register of Depositary Interests by 11.00am on 8 May 2009 and bring to the AGM a letter of corporate representation validly executed on behalf of the Depositary. A letter of corporate representation can be obtained from the Depositary.

   Depositary Interest Holders may then attend in person and vote on a show of hands or on a poll. Depositary Interest Holders not wishing to attend the AGM but wishing to vote in respect of the resolutions to be considered at the AGM can do so by instructing the Depositary. This may be done in one or two ways:

   A. Depositary Interest Holders who are CREST members may give such an instruction utilising the CREST electronic voting service in accordance with the procedures described in the CREST Manual. CREST personal Depositary Holders or other CREST sponsored members, and those CREST members who have appointed a voting service provider, should refer to their CREST sponsor or voting service provider, who will be able to take the appropriate action on their behalf.

      In order for an instruction made by CREST to be valid, the appropriate CREST voting instruction must be properly authenticated in accordance with Euroclear UK & Ireland requirements and must contain information required for such instructions, as described in the CREST manual. The message, in order to be valid, must be transmitted so as to be received by the Depositary's agent, ID 3RA50 by 8.00pm on 8 May 2009. The time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST applications host) from which the Depositary's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. The Depositary may treat as invalid a CREST voting instruction in the circumstances set out in Regulation 35(5) (a) of the Uncertified Securities Regulations 2001.

      CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST proxy instructions. It is the responsibility of the CREST member concerned to take (or to procure that his/her CREST sponsor or voting service provider takes such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. Please refer to the CREST manual for further guidance.

   B. Depositary Interest Holders who cannot give voting instructions via CREST should complete the enclosed Form of Instruction and submit it to the Depositary. If the Depositary Interest Holder is a Corporation then the Depositary Instruction Form must be executed by a duly authorised person or under its common seal or in a manner authorised by its constitution. To be effective, all votes must be lodged with the Depositary at the offices of the Custodian (Computershare Company Nominees Limited), Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY by no later than 11.00am on 8 May 2009.

   Investors in the Shares or the Depositary Interests holding through a nominee service should arrange with that nominee service provider to be appointed as a corporate representative in respect of their holding in order to attend and vote at the AGM.

Explanatory Notes

Resolution 1 – Report and Accounts
The Directors of the Company are required to present to the meeting the accounts and the Directors' and auditor's report for the financial year ended 31 December 2008.

Resolutions 2 and 3 – Re-appointment and remuneration of auditors
Resolutions 2 and 3 propose the re-appointment of BDO Stoy Hayward LLP as auditors of the Company and authorise the Directors to set their remuneration.

Resolution 4 – Declaration of a dividend
A final dividend can only be paid after the members at a general meeting have approved it. A final dividend of 7.6 cents per Ordinary Share is recommended by the Directors for payment to members who are on the register at the close of business on 3 April 2009.

Resolutions 5 and 6 – Re-election of Directors
Under the articles of association, one-third of the Directors are required to retire by rotation each year and no Director may serve more than three years without being re-elected by members. Roger Withers and Rafi Ashkenazi will each retire by rotation and seek re-election.

Resolution 7 – Disapplication of pre-emption rights
It is proposed to renew the authority to the Directors to allot equity securities for cash without first being required to offer such securities to existing members. This will include the sale on a non-pre-emptive basis of any shares the Company holds in treasury for cash. The authority relates to up to 5% of the issued Ordinary Shares of the Company as at 29 March 2009. The authority sought at the Annual General Meeting will expire at the conclusion of the next Annual General Meeting of the Company or, if shorter, 15 months after the date of passing the resolution.

Company Information

Registered Office
Trident Chambers
PO Box 146
Road Town
Tortola
British Virgin Islands

Head Office and address for correspondence
2nd Floor
St George's Court
Upper Church Street
Douglas
Isle of Man IM1 1EE

Nominated Adviser and Joint Broker
Collins Stewart Europe Limited
9th Floor
88 Wood Street
London EC2V 7QR

Joint Broker
Deutsche Bank AG
1 Great Winchester Street
London EC2N 2DB

Auditors
BDO Stoy Hayward LLP
55 Baker Street
London W1U 7EU

Financial PR
Bell Pottinger Corporate & Financial
6th Floor
330 High Holborn
London WC1V 7QD

UK Solicitors to the Company
Berwin Leighton Paisner LLP
Adelaide House
London Bridge
London EC4R 9HA

BVI Solicitors to the Company
Harney Westwood & Riegels
Craigmuir Chambers
PO Box 71
Road Town
Tortola
British Virgin Islands

Registrars
Computershare Investor Services (BVI) Limited
Woodbourne Hall
PO Box 3162
Road Town
Tortola
British Virgin Islands

Designed and produced by **Emperor Design Consultants Ltd**
Tel **+44 (0)131 220 7990 www.emperordesign.co.uk**

Playtech Limited
Head Office
2nd Floor
St George's Court
Upper Church Street
Douglas
Isle of Man IM1 1EE

www.playtech.com