Source of Success

Annual Report and Accounts
For the year ended 31 December 2010

Welcome to Playtech
The leading supplier of online gaming software

Introduction

As the world's largest publicly-traded online gaming software supplier, Playtech offers cutting-edge, value-added solutions to the industry's leading operators. Our licensees include both experienced online operators and new entrants, such as land-based and state-owned entities.

Philosophy

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

Technology

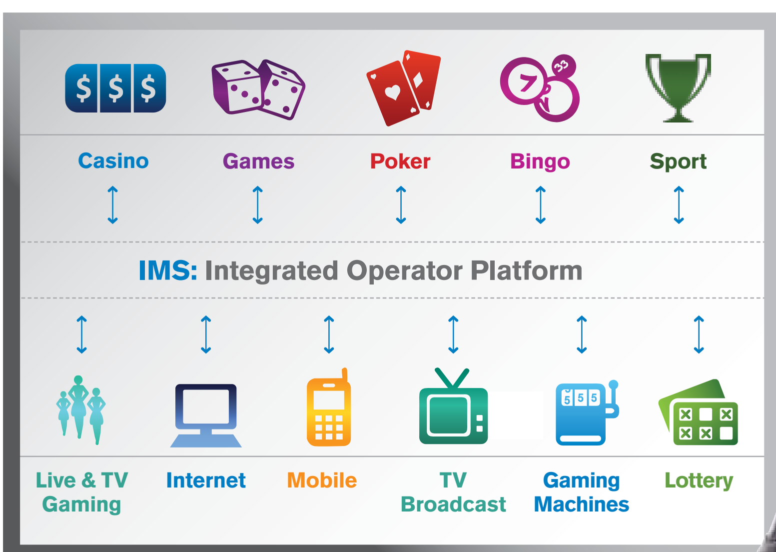
Playtech's leading gaming products are supported by the most sophisticated operator platform in the industry. Products can be fully integrated into a unique cross-platform capability, enabling the same content to run across multiple channels, with a single player wallet.

Innovation

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

Sustainability

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



Licensees
We supply the world's leading operators

Global Operators

Leading operators including both sportsbooks and specialist gaming operators, such as Titan, bet365, William Hill Online, Betfair, Betfred and Mansion.

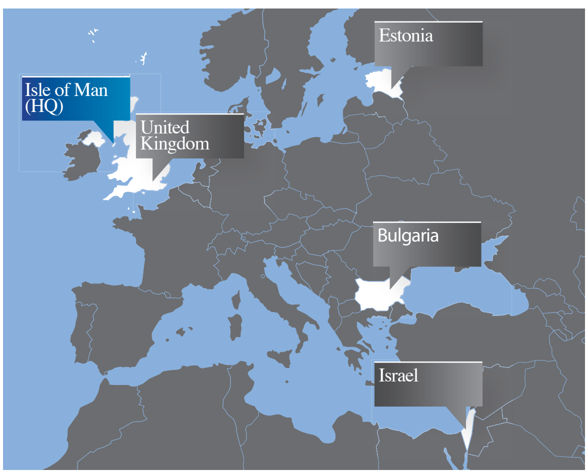
Locally-Regulated Markets

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

B2G

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

Key locations



- Isle of Man (HQ)
- Estonia – 2 locations
- United Kingdom – 2 locations
- Israel
- Bulgaria

Learn More
Our People: Page 34

Progress in 2010

21 JANUARY
- Strategic partnership with Scientific Games (Sciplay) announced

27 JANUARY
- Acquisition of strategic stake in Sportech PLC

15 FEBRUARY
- Acquisition of Virtue Fusion Limited

17 MARCH
- Bingo licensing agreement with Boylesports

24 MARCH
- Launch of 1st Italian bingo licensee

20 MAY
- Licence agreement with Rahaautomaattiyhdistys ("RAY") in Finland

Best-in-class product provider
The widest choice in the industry

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

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

Live & TV Gaming
Playtech's Live offering drives important cross-channel traffic, blurring the boundary between land-based and online environments.

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

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

Bingo
Playtech's Bingo network includes over 80 sites and is home to 40,000 daily players, over 10,000 concurrent players at peak time, driving over €115 million in total stakes-per-month.

Sports Betting
Playtech's Sports Betting platform utilises sophisticated technology to deliver a comprehensive sportsbook offering, with the capability to support any sport, region, league, event or bet type required by the operator.

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

Learn More
Products: Page 20

20 JULY
- Launch of French iPoker network

28 JULY
- Snai and Eurobet join Italian bingo network

5 AUGUST
- Ladbrokes gaming machine contract signed

26 AUGUST
- Launch of Flash-based casino product for Betfair

24 NOVEMBER
- Codere Interactiva joins Italian bingo network

29 NOVEMBER
- Launch of casino and poker products for RAY

14 DECEMBER
- Bingo licensing agreement with Unibet

20 DECEMBER
- Italian casino agreement with Buongiorno

Highlights

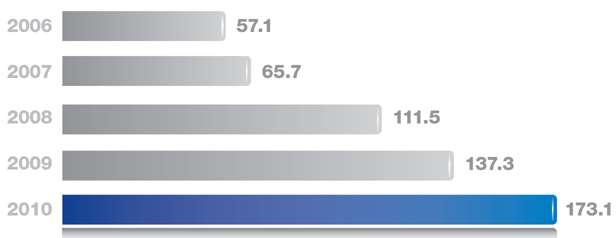
Gross Income
+26% to €173.1m
(2009: €137.3m)

Total Revenue
+24% to €142.3m
(2009: €114.8m)

Adjusted EBITDA
+10% to €103.1m
(2009: €93.7m)

Adjusted Net Profit
+4% to €93.2m
(2009: €89.4m)

Gross Income (€m)



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Five-Year Financial Summary: Page 99

Contents

Chairman's Statement

Meaningful Progress

Playtech is an innovative technology business with unrivalled experience in one of the most dynamic industry sectors.

Introduction

It is very pleasing to be able to report impressive financial results for the year to 31 December 2010. Playtech has made meaningful progress this year in delivering on its strategic objectives and recorded another very solid set of financial results, with gross income up 26% and adjusted EBITDA up 10%. We have also grown in balance sheet strength, with net cash of over €68 million at the year-end.

We have developed a robust and sustainable business model, where our resources and core values are aligned both with our strategic goals and with those of our licensees. Through our strategy we believe we best place ourselves to maintain industry leadership and benefit from the structural changes and exciting opportunities offered in the gaming sector.

Over the past five years, the company has grown substantially, with gross income rising threefold from €57 million to over €173 million and adjusted EBITDA from €37.5 million to €103.1 million since 2006. Over this period we have established ourselves as the clear market leader in the provision of technology solutions and content to the online gaming industry.

Strategic Developments

At the beginning of 2010 we announced significant partnership agreements with Scientific Games and its gaming machine subsidiary, The Global Draw, together with an investment in Sportech PLC. These partnerships position us very well to grow our business in a number of key new market segments. This includes geographically, such as in the US, or in product categories such as lotteries and gaming machines, where our Videobet division is gaining a substantial UK profile through the rollout of over 20,000 Fixed Odds Betting Terminals (FOBTs).

In February 2010 we acquired Virtue Fusion which brought to the Group the leading European bingo network and a number of significant new licensees, such as Ladbrokes and Mecca. The acquisition has been very successful, exceeding the forecasts produced at the time of the transaction.

Since the year-end, we have extended our reach further into the land-based arena with the acquisition of Intelligent Gaming, which develops casino management systems.

Overall, Playtech has demonstrated its success in expanding the scale and breadth of its capability and product range, as we strive to best position ourselves in advance of the opening of regulated markets, both in Europe and elsewhere.

We have separately announced the terms of the acquisition of a range of B2B service assets and businesses. These will enable us to deliver a full turnkey service to an increasing number of potential licensees in regulated and soon-to-be-regulated markets, who are looking for an outsourced solution. We see this as the gateway to our success in a number of substantial regulating markets, as offering a turnkey service is fundamental to achieving a sustainable business model in what is a changing market dynamic.

Governance & Risk Management

We have also taken the opportunity during the year to strengthen the Board and our corporate governance regime. Following the appointment of Barry Gibson and David Mathewson, two experienced and independent non-executive directors, the Board met the requirements of the UK Combined Code on Corporate Governance.

Under David Mathewson's chairmanship, the Group Risk Committee has been refocused and the remit widened, including the introduction of a comprehensive CSR programme. You will see in this report further evidence of the steps that we have taken to strengthen the internal controls and systems that form the basis for sustaining the Group's growth, and will underpin commercial success in newly-regulated markets.

It is vital for our long-term success to understand the regulations in those countries which are opening up to online gaming, and to ensure that our systems comply, as well as to develop good relations with the regulators in those jurisdictions.

We have appointed an experienced Group Compliance Officer, to ensure that we are able to capitalise on the opportunities available to the Group in what is a changing market environment. Our Group Security Officer has also undertaken a thorough review of the security of our IT systems, and is rolling out a programme to ensure that they meet the exacting international standards for data security.

Employees & Remuneration

The Group's success is built on the quality of our employees, who have developed a market-leading technology platform and innovative content. The Group recognises the importance of establishing a workplace culture that attracts and retains key staff. In our Corporate Responsibility report we set out the work that we have begun in order to measure more closely the key metrics around employee engagement and retention.

"The acquisition of PTTS brings us an industry-leading marketing and services capability, putting us in the best position for winning turnkey mandates in regulated markets."

These are focused on helping us build a sustainable business and high-quality working environment. We have also commenced a structured exercise around succession planning, identifying key positions and critical staff and knowledge.

You will see evidence in the Remuneration Report of the work that has been done to align our remuneration policies more closely with shareholders' interests, under the guidance of Barry Gibson. Our revised remuneration policy puts in place a more coherent short-term and longer-term incentive package to retain and reward the executive directors and senior management, whose skills and dedication are vital to continue the growth trajectory seen over our first five years as a public company.

I believe the corporate and strategic developments outlined above, and the reputation of the business, were instrumental in Playtech being voted International AIM Company of the Year at the 2010 AIM Awards in October.

Premium Listing

At the time of our interim statement in September last year, I stated that we had commenced work to seek a move to a Premium Listing on the London Stock Exchange. Very recently, we were informed that the UKLA has deemed Playtech to be currently ineligible for a Premium Listing on the London Stock Exchange due to a lack of a three-year track record over 75% of its earnings.

A key driver in this has been the strong growth of the William Hill Online joint venture that was formed at the beginning of 2009, contributing more than 25% to Playtech's earnings. Playtech is committed to attaining a Premium Listing in early 2012 when this earnings track record will be established.

Dividend

Playtech continues to be highly cash-generative. At the end of 2010, the Group had committed but undrawn bank facilities of €50 million and recorded net cash balances of €68.5 million. Given this strong financial position, the Board recommended payment of a final dividend of 9.6 € cent per share, which gives a total dividend of 19.0 € cent per share for the year.

Roger Withers
Chairman
10 March 2011

PT Turnkey Services Limited:

On 10 March this year we announced the acquisition of PT Turnkey Services Limited ("PTTS") for an initial cash consideration of €140 million payable in instalments over the next three years. PTTS is a leading provider of ancillary services to online gaming companies.

The transaction will:

- deliver potential to win substantial mandates in newly-regulating markets from operators looking for a single supplier solution
- provide the largest B2B affiliate marketing network in the industry, with access to over 70,000 affiliates and in excess of 1 million websites, together with other marketing capabilities
- enable Playtech to offer additional services including client servicing, technology hosting and payment advisory services.

The transaction is expected to complete by the end of June 2011 and full integration is expected by the end of the year.

A further consideration will be paid should the performance of the business in 2014 exceed the current levels, capped at €140 million and also payable in instalments over the following 18 months.

Further details of the transaction and PTTS are set out in the press release dated 10 March 2011 and available on the Playtech website.

Strategy
& Objectives

Our strategic goals are focused on positioning ourselves to benefit from the substantial growth and structural changes that are being experienced in the gaming industry.

We have developed a robust and sustainable business model, where our resources and core values are aligned with both our strategic goals, and those of our licensees. Through this we believe we best place ourselves to maintain and increase our industry leadership position.

Key elements of our strategy include:

Targeting operators in newly-regulating markets with a dynamic product suite and responsible gaming tools that fully comply with the evolving regulatory landscape

2010 delivery:
- RAY launched in Finland with 9 custom games and advanced responsible gaming tools
- Launch of Italian bingo network (4 licensees)
- French poker network launched (5 licensees)

2011 opportunities:
- Italian casino launch expected in Q2
- Launch of casino and poker for Casino Gran Madrid for Madrid region
- Further regulation in EU markets; positioning for regulation in US

Partnering with well-established operators, giving them best-of-breed tools and content to maximise their player revenues

2010 delivery:
- Betfair: Flash casino added to download product
- Unibet and Tain expanded their product line-up from Playtech
- New casino segmentation tools: full player personalisation with targeted games and promotions

2011 opportunities:
- Target new licensees looking to upgrade their technology partner
- Cross-selling opportunities through the addition of more products to existing licensees
- Increase licensee base in regulated markets, including France, UK and Italy

Proactively leveraging Playtech's unique cross-platform capabilities, allowing operators to extend into different product areas and helping the online and land-based arenas converge

2010 delivery:
- Videobet: 20,000 gaming machine contracts signed for UK
- Enhanced casino games launched as mobile web apps for smartphones
- Buongiorno: signed for Italian casino platform including TV and mobile

2011 opportunities:
- IG acquisition brings casino floor system capability
- UK pub market and international opportunities for Videobet
- Launch of poker application for smartphones and tablets

Achieving scale and breadth across all products and networks, including delivering both internal and third-party content on a single platform

2010 delivery:
- Acquisition of Virtue Fusion brings premier bingo network
- Integration of GTS open platform capability: 500+ games library
- Over 70 games produced across Flash and download

2011 opportunities:
- Continue to develop branded content, for example titles from Universal Studios
- Expansion of both internal and third-party content
- Further development of sportsbook and lottery products

Securing strategic partnerships that bring global reach and extend or leverage Playtech's own capabilities

2010 delivery:
- Scientific Games: Sciplay JV targeting lotteries and government entities (B2G)
- Global Draw: server-based gaming partnership for UK and overseas
- Sportech: partnership provides access to US horse racing operators

2011 opportunities:
- Remain opportunistic in developing partnerships with experienced businesses
- Cross-selling a pari-mutuel betting product through alliance with Sportech

Maintaining a flexibility of approach and being opportunistic in the continually evolving nature of the industry and technology

2010 delivery:
- Responsible gaming tools for RAY
- Playtech games package on bet365's own games tab
- Development of exclusive content for core licensees

2011 opportunities:
- PTTS acquisition delivers capability to provide a single source turnkey solution
- Further development of both cross-platform and open platform capabilities

Business Model

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

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

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

Cross-Platform Capability

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

A truly flexible approach to integration enables operators to choose services ranging from a single product to complement their own in-house capabilities, through to a one-stop turnkey gaming solution.

We have built proprietary tools to minimise the operational risk when migrating from other technology platforms onto our own, which has traditionally been a key barrier.

Information Management Solution (IMS)

The cornerstone of Playtech's offering is the unique operating platform, the IMS. Operators maximise player yields through cross-selling opportunities onto higher margin games and, with the continual development of new content, they enhance the player experience and therefore player longevity (see panel, right).

Regulated Markets

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

Licensees

Pure B2B provider:

Playtech's pure B2B approach avoids any conflict of interest with licensees, and ensures a focus on developing the tools and business solutions best suited to third-party operators.

Partnering with a diverse range of licensees gives Playtech a unique understanding of the marketplace and the ability to develop tools which are at the cutting edge of industry practice.

Maximising flexibility and integration capabilities:

Products can operate on a standalone basis or are easily integrated into existing third-party platforms, such as sportsbook or lottery systems. The full product/cross-platform capability allows operators to maximise their cross-selling capabilities.

Playtech has sophisticated tools to facilitate the seamless migration of licensees from other software providers, greatly reducing the operational risks when operators upgrade to the Playtech platform.

Comprehensive product offering:

Playtech's licensees benefit from a best-of-breed product offering, including leading games content, the largest independent networks, server-based terminals, live dealer games, sports betting, TV broadcast games and mobile games.

A full product suite and cross-platform capability is particularly important as new regulated markets open in stages; new products can be quickly integrated as and when they become regulated in the market.

Delivering market-leading technology:

Operators are provided with the very best in real-time tools and analytics, which are continually developed by Playtech in conjunction with our licensees' needs and expectations.

The combination of Playtech's 11 years of development expertise with the B2C expertise of our licensees produces the most sophisticated tools for maximising player acquisition, retention and overall yield.

Products

"Our revenue share model ensures that the business is fully aligned with our licencees."

IMS – Full Service Support

Like race teams behind Formula 1 drivers, Playtech's IMS supports operators in all aspects of their business strategy and operations, using proprietary technology and continual innovation to achieve even greater performance.

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

With Playtech's unique cross-platform capabilities, supported by the sophisticated and all-encompassing tools of the IMS, operators can easily integrate new products on a single platform, creating new revenue streams and maximising profitability.

For more about the IMS visit http://www.playtech.com/html/#page/ims

Clear alignment with all licensees:

Playtech does not compete with operators, and through the revenue share structure, the interests of Playtech and the licensee are aligned.

New tools and games are suggested by experienced operators but the resulting upgrades are provided to all licensees so that there is a level playing field between operators.

Continual innovation:

Playtech is at the forefront of industry innovation and growth, with a product development team of over 700 people.

Licensees benefit through regular releases of new games content and developments of the operating platform. These match the pace of change and increasing demand from players for an enhanced gaming experience.

Unique industry position delivering economies of scale and extensive licensee understanding

Highly scalable business model and high operating margins

Ability to address the needs of both licensees and newly-regulated markets

Chief Executive
Officer's Report

Strong Performance

Playtech's strategic positioning and market presence have enabled another strong performance in 2010 and delivered continued growth across all financial and non-financial measures.

Overview

Playtech's strategic positioning and market presence have enabled another strong performance in 2010 and delivered continued growth across all financial and non-financial measures. Gross income and revenues were up strongly at 26% and 24% respectively.

On a like-for-like basis, revenues were up 12%, excluding acquisitions and the closure of the French market in June. Adjusted EBITDA grew 10% and cash generated from operating activities in the year totalled €71.0 million. Playtech's financial strength makes it an attractive B2B partner for operators and has enabled it to actively participate in the industry's ongoing consolidation.

Playtech has been extremely active in the development of new content and new products. Over 70 new casino games were produced in the year, and the acquisition of GTS in December 2009 delivered a library of over 500 games from both in-house developers and third-party providers. Meanwhile, the Company's acquisition of the leading bingo developer, Virtue Fusion, in February 2010 enabled it to establish a market-leading position in an important product segment.

In total over 15 new licensees joined the Playtech platform or added new products, along with 20 new licensees who joined as part of the Virtue Fusion bingo acquisition. Major operators such as RAY, Betfair, Unibet and Codere all launched on the platform and Buongiorno signed in advance of regulations permitting casino in Italy.

A number of major European countries regulated their national markets, either for the first time or by permitting new products. Playtech's licensees launched in all four new markets, including Italy, France and Finland. The Company is developing a significant track record of helping its licensees operate in newly-regulated environments and developing a range of market-specific responsible gaming tools.

Newly-regulated markets continue to offer the most exciting opportunities for the online sector. Italy is expected to commence both casino and cash poker games in the coming few months.
In Spain, where federal legislation is currently under review, Playtech is poised to launch casino and poker for Casino Gran Madrid in the already regulated Madrid region.

Playtech's 500m² stand at January's ICE gaming exhibition in London showcased our complete product offering.

"The announcement of a number of notable new licensee wins across the product range also included international gaming groups such as Codere and Unibet."

There are substantial opportunities in other major European gaming jurisdictions, such as Germany and Greece, and further afield as proposed legislation comes under review in several countries. In advance of these new territories moving towards regulation, Playtech has been highly active to ensure it is appropriately positioned.

In the UK, Videobet's agreement with Global Draw in January 2010 marked the start of a major rollout of server-based gaming machines, and delivered critical mass to this product line. The majority of the UK's leading betting operators now use Videobet's software to power some, or substantially all, of their FOBT network. This will be a significant profile and will prove invaluable in the Company's international marketing efforts. The Company expects to finish the deployment in the UK market later this year and intends to invest in other markets, leveraging the proven track record of the Videobet technology in what is considered one of the most developed gaming markets.

Since the year-end Playtech has acquired a UK-based developer of casino management systems, Intelligent Gaming. This further extends our product reach in the land-based arena, this time on to the casino floor. Playtech now has a comprehensive online and land-based offering with the most developed cross-platform capability in the market.

While there has been notable progress in 2010, Playtech expects that the next two years will see a fundamental structural shift in the global regulatory landscape, and Playtech has been positioning itself to be a substantial beneficiary.

Strategy

Playtech's strategic goals focus on positioning the Company to leverage the substantial growth and structural changes that are being experienced in the gaming industry.

The Company has developed a robust and sustainable business model, where its values, strategic goals and resources are aligned with those of its licensees. It is this approach that enables Playtech to maintain and increase its leading industry position.

The main elements of Playtech's strategy comprise:

- Targeting operators in newly-regulating markets with a dynamic product suite and responsible gaming tools and services that fully comply with the evolving regulatory landscape
- Partnering with well-established operators, giving them best-of-breed tools and content to maximise their player revenues
- Proactively leveraging Playtech's unique cross-platform capabilities, allowing operators to extend into different product areas and helping the online and land-based arenas converge
- Achieving scale and breadth across all products and networks, including delivering both Playtech and third-party content on a single platform
- Securing strategic partnerships that bring global reach and extend or leverage the Company's own capabilities
- Maintaining a flexibility of approach and being opportunistic in the continually evolving nature of the industry and technology.

Significant New Licensees

Chief Executive Officer's Report (Continued)

Regulated Markets

Playtech's focus on newly-regulated markets is rooted in its belief that these territories are driving growth in player numbers and the number of operators looking to enter the market. Of the seven major European gaming countries by per capita spend, four have already regulated in some form and the remaining three are actively considering changes to their legislation.

Of these, Greece and Spain have recently taken their first legislative steps, while the German states are actively considering their next steps as the Interstate treaty expires this year. Playtech's combined exposure to these markets is limited at less than 9%, with Greece and Spain each less than 2%. In contrast to the experience in France, there exist far more opportunities than threats in these markets as they move towards regulated form.

Italy permitted bingo to run alongside tournament poker in March. Shortly after the regulations were enacted, SISAL launched its bingo offering on Playtech's platform and was joined in the summer by SNAI, Cogetech, Eurobet and Codere. With Italian casino and cash poker games set for launch in the coming few months this market, together with the UK, remains perhaps the most attractive in Europe for operators.

In May, Playtech was awarded the contract to provide the technology platform and content for RAY, the Finnish slot machine operator, which was granted a monopoly on onshore casino and poker, having held the land-based monopoly for over 70 years. Finland is a highly active gaming market with six times as many gaming machines per head as in the UK. It is also a market with a longstanding history of responsible gaming and RAY's main criteria for selecting a partner rested on their ability to deliver advanced responsible gaming tools and standards.

RAY launched at the end of November, and within a month accrued over 60,000 registered players. It has been a notable success for Playtech and demonstrates the Company's capabilities in delivering highly complex integrated solutions within a regulated environment. Also in 2010, Estonia regulated both poker and casino, and Playtech was the first to launch these products with the market-leading Olympic Casino.

The regulation of the French market at the end of June had a substantial financial impact on the full year, equivalent to some €7 million of EBITDA (or 2.8 € cents of diluted EPS), as it had been the Company's largest offshore continental European market by revenue. The French poker market remains a fiercely competitive environment as operators look to achieve critical mass in market share. While it will take some time for revenues in that market to recover, the Company believes it has secured the basis of a sustainable business, with a mix of local and international operators launched on its platform and growing revenues.

Licensees

Playtech's business model is focused on delivering premium content and tools to its licensee base, helping them grow their business organically, whilst attracting new licensees on to the platform to enlarge and diversify revenue streams. Both are key elements in the Company's strategy for maximising revenue growth.

Although the Football World Cup in June and July focused the spring marketing spend for many sportsbook-oriented licensees away from gaming, during 2010 most licensees experienced a partial recovery from the macro-economic challenges of 2009 and a return to organic growth of 12% on a like-for-like basis.

Playtech has also sought to provide existing licensees with greater product, format and content choice to encourage them to expand their product line-up on the platform.

Recent Acquisitions

"Playtech expects that the next two years will see a fundamental structural shift in the global regulatory landscape, and has positioned itself to be a substantial beneficiary."

In 2010 a number of licensees expanded their product range, including bet365, Tain, SISAL, SNAI, Unibet and Betfair. The Company is actively working with its licensees to develop cross-selling opportunities, giving them the widest possible choice of content on a single integrated platform.

The announcement of a number of notable new licensee wins across the product range also included international gaming groups such as Codere and Unibet. As all the major new operators launched in the second half of the year they have yet to make a material impact on revenues, but their activity augurs well for 2011 with potential across a number of markets. The pipeline also looks healthy, reflecting the considerable opportunities for Playtech in Europe and further afield.

Acquisitions

Playtech's acquisitions have delivered significant benefits in terms of product capability and licensee relationships, in addition to adding senior management expertise to the business.

In February 2010 the Company announced the acquisition of the business and assets of Virtue Fusion. This transformed Playtech into the market leader in bingo, with the largest independent online network. Virtue Fusion now has over 40,000 daily players and 9,500 concurrent players at peak periods, with over €115 million of stakes each month.

For Playtech, the acquisition significantly enhanced its own bingo offering, brought new licensees and strengthened its relationships with a number of existing customers. It also positioned Playtech as the leading supplier in all of the key gaming product segments, with substantial liquidity in each of its player networks.

The initial consideration paid was €33.4 million, together with an additional earn-out of up to €8.1 million based on Virtue Fusion's performance in 2010. Playtech recently paid the full capped amount, reflecting the strength of Virtue Fusion's ongoing growth trajectory, and reduced the historic acquisition multiple to below 5 times given cost and revenue synergies. Whilst it is a dominant player in the UK, Virtue Fusion has only just started to penetrate international markets. By leveraging Playtech's considerable expertise and relationships the Company expects Virtue Fusion's international expansion to develop throughout 2011 and beyond.

Playtech's games platform developer, GTS, has also had a very successful first year as part of the Group. Acquired in December 2009, the team brought a sophisticated open architecture platform and a substantial third-party content library. Their expertise in both open platform architecture and browser-based formats has helped take Playtech's overall thinking forward in technologies which are growing in importance for the whole industry.

Since the year-end, the acquisition of Intelligent Gaming was completed for an initial consideration of £2.5 million with further consideration capped at addition £3 million based on the performance of the company. Its suite of casino management tools will complement Videobet's capabilities and takes Playtech further into the land-based arena, as well as delivering relationships with a number of casino groups operating in the UK and internationally.

The Company will continue to be opportunistic in its approach to acquisitions and would expect to identify other attractive targets as it remains active in the consolidation of the sector.

Chief Executive Officer's Report (Continued)

Partnerships

Playtech looks for strategic partnerships that extend or leverage its own capabilities, or deliver exposure to new products or markets. In 2010 the Company made two new strategic partnerships, through agreements with the US-based lottery provider Scientific Games, and with pools betting provider, Sportech.

Playtech's relationship with Scientific Games has two elements. The first is a business development joint venture, called Sciplay, which has been set up to target opportunities in the B2G market. In 2010 Sciplay has been actively marketing to lotteries and other institutions looking to develop complementary gaming products. In line with regulatory changes, Sciplay is participating in various bid processes throughout Europe and North America.

The second is an agreement the Company's gaming machine division, Videobet, has established with Scientific Games' subsidiary, The Global Draw, which has delivered strongly on the Company's goal of establishing a market-leading server-based gaming product. The rollout of over 20,000 machines in the UK this year will provide a substantial demonstration of the partnership's capability and there are other exciting joint opportunities, particularly in the Americas.

Playtech's investment in Sportech, linked to the latter's acquisition of Scientific Games' pari-mutuel horse racing operations, is set to provide access to a segment where online betting is already regulated in many jurisdictions. Sportech's US regulatory approval process for this acquisition in three states, including New Jersey, took up much of 2010, ultimately receiving approval in October. It was an intensive exercise in which Playtech actively participated and was an important indicator of the scrutiny to be expected in the US.

In its second year of operation, William Hill Online (WHO) achieved strong year-on-year growth, with reported net revenue rising 24% to £251.5m (2009: £203.5m) and operating profit 22% higher at £91.1m (2009: £74.4m). This resulted in a non-controlling interest for Playtech of €30.8 million (£26.3m) (2009: €22.5m/£20.1m).

WHO strengthened its competitive position by expanding the breadth and depth of its sports betting product range and by further enhancing its gaming experience. The result was underpinned by a strong sportsbook performance, helped by the 2010 Football World Cup and an enhanced in-play offering.

Products

Playtech's licensees benefit from a highly flexible open architecture gaming platform and a best-of-breed product range which covers the core gaming products, together with substantial player liquidity on its networks.

Two-thirds of the Company's full-time employees work in research and development roles and Playtech continues to invest in improvements to its product suite and the development of new platforms, such as sports, mobile poker and lottery products.

Casino and Poker

Casino revenues grew strongly in 2010, presenting a growth of 26%, comprising a mix of organic growth, new licensees, and the inclusion of revenues from the casino side games on the bingo network. Playtech has moved from a quarterly to monthly release cycle and produced 76 new games across download and browser-based formats, including 20 branded games, such as Pink Panther and Rocky, and 21 exclusive games.

Industry Awards in 2010

"Playtech's licensees benefit from a highly flexible open architecture gaming platform and a best-of-breed product range."

There were two releases of enhancements to the operating platform, delivering improvements to the player lobby and registration modules, along with a number of new tools and analytics. The live dealer facility in Riga has also been revamped and the Company has expanded its mobile offering.

GTS delivered 53 brand-new games which were rolled out to customers in 360 different formats, such as differing languages and currencies. As well as launching additional content, the GTS team has focused on integration into Playtech's IMS, and jointly developing Playtech's next-generation browser-based platform. This is an important project as browser-based content often comprises a substantial portion of an operator's games offering.

On 24 December a player won over £3.9 million on the Clover Rollover progressive jackpot, a bingo side game, which attracted extensive media coverage. The win highlights the advantages of being able to offer networked progressive jackpots. With prize money driven by player activity across the entire operator network, such jackpots bring advantages to the casino product similar to network player liquidity in poker, and bingo can be a valuable marketing tool.

In 2011 Playtech will continue the rate of product development, in terms of both branded content and further innovation to its historic top performing games. This work will focus on strengthening the web-based offering, both content and platform, and harnessing synergies across product areas which utilise the casino product as side games.

Poker revenues in 2010 were helped by ongoing strength in Italy and the launch of operations in Finland towards the end of the year. Overall, revenues were adversely affected by the closure of the French market and by substantial competition in the offshore segment, where all non-US-facing operators suffered declines in market share.

Playtech believes that its focus on the recreational player best serves its licensees, and invests heavily in providing them with superior functionality and community management tools. At the start of 2011 the Company announced the launch of an advanced mobile offering, providing access to the iPoker network based on the latest technology.

Future revenue growth in poker will come primarily from the regulated arena, and further incremental progress is expected from existing operations in Finland, Italy and France, together with emerging opportunities as other markets regulate.

Bingo

Bingo has been one of the stand-out successes of the year, largely due to the transformational acquisition of the business and assets of Virtue Fusion in February. Virtue Fusion combines the largest and most liquid network together with experienced network management and content development. As well as enjoying strong underlying growth in the bingo market, licensees have benefited from a programme of highly successful product launches such as Britain's Got Talent and Deal or No Deal, for which Virtue Fusion won one of its three awards in June for best bingo software and innovation.

The regulation in March of bingo in Italy allowed those operators already on Playtech's Italian platform to quickly add a complementary bingo product. SISAL launched its bingo offering in April and within three months had achieved a market share in excess of 15%. They were joined by major brands including SNAI, Cogetech, and Codere. Overall, Playtech's Italian licensees hold a market share close to 25%.

New bingo licensees who launched in the first half included the Irish operators Boyle Sports and Rehab Bingo. Towards the end of the year, Virtue Fusion's growing international presence was solidified with the launch of two Scandinavian operators, Unibet and Nordic Gaming. There remain notable opportunities in both offshore and regulating markets for growing the bingo licensee base.

Cross-Platform

The live product underwent substantial development in 2010 with the introduction of new features such as side games and integrated video, together with improved functionality such as automatic optimising of bandwidth for the highest-quality video streaming. Overall, revenues from the live product increased by over 20% from 2009, with roulette being the main table game played, followed by baccarat.

The broadcast format continues to grow and is attracting increasing interest from players, particularly as interactive TV technology becomes more widespread. In addition, enhanced functionality allows games to be played on a variety of channels including web, voice telephony, SMS and mobile. In 2011 the Company aims to capitalise on opportunities in regulated markets, such as Italy, where TV game shows enjoy a substantial following.

For most operators, mobile gaming has principally remained a complementary channel to their online offering rather than a more substantial revenue generator in its own right. Mobile can however add considerable value in enhancing player values and longevity. Playtech's internal analysis indicates the potential for a threefold increase in both player value and longevity where mobile gaming is integrated into a cross-platform casino offering, along with a suite of mobile-specific marketing tools.

Playtech enjoyed an increase of over 20% in mobile revenues in 2010 and expects this to grow with the recent launch of the mobile poker product. This will connect players to the iPoker network through a browser-based HTML5 application that supports many of the latest handsets and tablets, including Apple and Android devices.

Videobet

Videobet, our land-based division, has undergone a transformational year. At the start of 2010 Videobet signed an exclusive agreement with The Global Draw, the UK's leading provider of server-based gaming terminals, to upgrade its technology platform.

This included an agreement to upgrade 13,500 Fixed Odds Betting Terminals (FOBTs) in the UK to the Videobet platform, including the estates of Gala Coral, William Hill and the Tote. This relationship was expanded in August when Ladbrokes selected this technology platform for approximately 7,600 of its gaming machines, nearly its entire estate.

Much of 2010 was spent preparing for the largest simultaneous software conversions ever undertaken in the gaming machine industry. As of 9 March 2011, over 12,000 machines had been converted and were operating successfully on the new platform. The migration is expected to be substantially complete within the coming months.

Alongside the changing regulation for online gaming, many countries are also updating their gaming machine regulations. This opens up the potential for international growth across a range of international markets. The Company is gearing up to take advantage of its leading position in the UK market as well as leverage its proven track record to establish itself in other markets.

Other Products

Playtech's sports platform was operational throughout 2010 with a single licensee, as the product was properly market tested and additional features introduced, along with a mobile platform using HTML5. Operating in five languages, they enjoyed particular player interest in football, tennis and basketball.

Playtech is working to develop a new version of the sports betting software with a wide range of sports and bet types, including adding a number of mid-range sports, together with horse racing, which is key for the UK market. The Company sees growing opportunities for its sportsbook in markets such as Italy, France and South Africa, and would expect to bring two or three new licensees on to the platform as the product matures in 2011.

Subsequent to the joint venture with Scientific Games, Playtech has also developed a bespoke content set targeted at lottery operators looking to provide a complementary gaming offering.

“Videobet, our land-based division, has undergone a transformational year.”

Eligibility for a Premium Listing

The UKLA is responsible for assessing eligibility for a Premium Listing and applies various tests to assess this. One of the key tests is that a company must have an audited track record covering at least 75% of its business for the past three years.

As the William Hill Online Joint Venture was only formed in late 2008, Playtech does not have an audited track record for this business for the whole of 2008. Due in part to the rapid growth of WHO, the JV business contributed over 25% of Playtech’s profits in 2010 and therefore Playtech does not have the required audited track record covering at least 75% of its business for the past three years.

It has taken several months to finalise our discussions with the UKLA as there were several moving parts in ascertaining the contribution of WHO to Playtech’s earnings being the performance of the “core” business, final numbers for PTTS and the growth of WHO. The acquisition of PTTS made it more likely that Playtech would be eligible as it reduced the percentage contribution of WHO to the group although, in the final analysis, WHO still contributed more than 25% and so the UKLA deemed Playtech currently ineligible.

By the end of 2011, Playtech will have established an audited track record for WHO for the period 2009 to 2011. Accordingly, Playtech is committed to attaining a Premium Listing in early 2012.

Outlook

The Company has made a good start to the year. With a number of licensees who launched in the second half of 2010 building out their operations, there is good revenue growth potential in the coming months. Playtech’s ability to offer a full turnkey solution to licensees in newly-regulated markets positions it well for what are changing market dynamics.

Mor Weizer
Chief Executive Officer
10 March 2011

Industry
Overview

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

Commercial Operations

€195bn

Monopolies

€104bn

Global Gaming Market 2010

€299bn

2004

€223bn

Overall Market Size
While global statistics are hard to verify, data compiled by gambling industry consultants H2 Gambling Capital suggests that the reported global gaming market from licensed jurisdictions grew from €223 billion in 2004 to over €299 billion in 2010, as defined by gross gaming yield to the operator.

The figure for 2010 comprises €195 billion from commercial operations such as casinos, betting shops, gaming machine arcades and regulated online "e-gaming" and €104 billion from monopolies such as lotteries and horse race betting pari-mutuels.

Online Growth
The online market developed in the mid-1990s, first with online casinos and then with poker from 1998. In 2004 the market was estimated as having revenues of approximately €8 billion, and it has grown substantially throughout the second half of the decade.

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

In 2010, H2 Gambling Capital reported that the online segment was worth €22.5 billion in terms of gross gaming yield. Of this, contributions came from casino (23%); poker (18%); bingo (9%); and commercial sports betting, including horse racing (22%). These figures do not include the online activities of horse race betting pari-mutuels (18%) or state lottery monopolies (10%).

Of these, casino and bingo have grown strongly over the past 12 months at 13% and 28% respectively, while poker has shown slower growth at 7%. European poker operators have also been impacted by competition from a limited number of sites that continue to accept players from the US and so benefit from greatly enhanced liquidity. Sports grew strongly in 2010 on the back of greater development of in-play features and the Football World Cup.

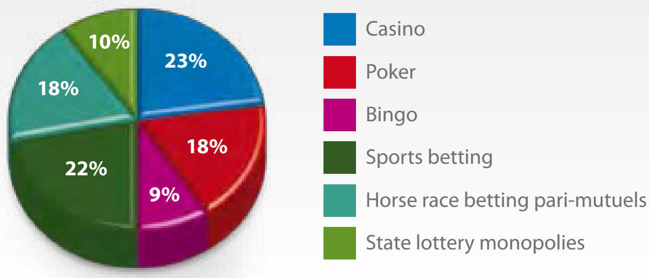
Regulating Markets
The local regulation of a national market has been a catalyst to substantial market change. Where permitted, it typically attracts new entrants to the market including major local gaming companies such as betting shop operators, lotteries and local casino groups who have historically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

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

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

Germany is currently reviewing alternatives for the State Lottery Treaty which is due for renewal at the end of 2011. Other countries have chosen to reconfirm or tighten their existing controls. Outside Europe, there has been progress in countries such as Canada with state lotteries and in Australia, while poker-related bills were proposed at both a state and federal level in the US, although none passed onto the statute book.

2010 Online "e-gaming"



Global Gaming Market

Gross Gaming Yield (€bn)	2004	2010	CAGR
Total market	223	299	+5.0%
Online	8	22.5	+18.8%

Source: H2 Gambling Capital

There are a number of differing regulatory models under consideration, ranging from a more liberalised model, allowing various operators from different permitted jurisdictions, such as the UK; to local markets with one license or limited number of licenses being granted such as in Finland.

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

In France, only sports and poker were regulated, while in Finland, poker and casino were regulated concurrently. Some countries are expected to permit products over time. In Italy for example, the regulated online market commenced with sports in 2002 and tournament poker in August 2008. Bingo was permitted in March 2010 and both casino table games and cash poker are expected in the first half of 2011.

The regulation of casino games is of material benefit and operators expect the Italian market to grow substantially once these are permitted. There are also opportunities available to an operator which can offer a broad range of permissible products to its players enabling cross-selling opportunities from one product to another, materially enhancing both player longevity and yields.

At the same time there can be a greater tax and regulatory burden for operators as they enter a regulated market and especially when compared to the offshore marketplace. Where products are specifically prohibited as a market regulates, as with casino and bingo in France, there is a potential loss of revenue for operators who had historically generated revenues from French-based players within the offshore environment.

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

Market Participants

The online gaming market accommodates a wide range of participants and has become more specialised as it matures into a substantial global industry. At the outset, operators managed an end-to-end offering, from software and content development through to direct player marketing.

As more participants entered, businesses quickly evolved to outsourcing certain elements such as software for backend systems and games content. More recently, operators have been increasingly able to outsource a wide range of specialised support and marketing services.

Industry Overview (Continued)

Industry participants have traditionally been defined within two categories:

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

These operators include dedicated online casino, poker and sportsbook sites, some of which have been around for nearly a decade or longer, such as Imperial and 888. There has also been a growing online presence of major land-based casino and betting businesses such as SNAI, SISAL, William Hill, Ladbrokes, Olympic, Codere, and Casino Gran Madrid.

In addition to commercial operators, there has been a growing B2G segment, comprising state-owned or state-controlled entities such as lotteries and other organisations that have looked to enter the online gaming market as a B2C operator. Examples include RAY in Finland; the Serbian and Canadian Lotteries; and PMU in France.

As the costs of entering a number of regulated markets can be considerable, there has been some consolidation amongst operators, and this looks set to continue. They have combined to enhance their marketing power and reduce operating costs as scale and breadth is becoming increasingly important, especially in a higher tax and cost environment.

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

Operators may choose to outsource a range of functions depending on their own in-house capabilities. For example, a sportsbook operator may look for a complementary bingo, poker or casino product; server hosting services; or joining a poker or bingo network to benefit from enhanced player liquidity. There has also been consolidation within the B2B sector, as providers seek scale and greater resources to compete in the international marketplace.

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

New Entrants – Changing Requirements

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

Given the strong demand already seen, we believe the requirement for a broad range of outsourced services rather than just software is likely to be repeated across markets as they regulate and local entrants seek to join the online sector for the first time.

Competition and Market Position

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

The desire for a full turnkey capability has been a key requirement in a number of substantial tenders during 2010 and Playtech has responded with the acquisition of PTTS which is due to complete in June 2011. Through this acquisition we will have a broader and more flexible capability including a full turnkey solution, making Playtech attractive to the widest range of potential licensees. It will enable Playtech to be more flexible in the way it addresses a market in support of our licensees, whether as a pure software provider, a broader service provider, or in partnership or joint venture.

We believe this acquisition furthers Playtech's goal of developing a sustainable business model in what are still rapidly changing market dynamics. As regulated markets develop, it will also help to diversify our revenues by product, geography and licensee and increase the proportion derived from such regulated sources.

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

Technology and Product Development

The online gaming segment has embraced the capabilities of the internet, whether in terms of techniques for attracting new players, developing highly liquid playing networks, or delivering ever more feature-rich games and enhanced player experience. Some products still closely replicate traditional formats such as roulette and blackjack. Others such as poker and slots/arcade formats have developed a large range of variants and constantly innovate. Increasingly sophisticated bonus rounds now incorporate video clips which broadens their entertainment appeal.

“Players have never had so many high-quality games and products available on such a wide range of playing formats.”

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

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

Cross-Platform

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

Players have never had so many high-quality games and products available on such a wide range of playing formats.

Convergence of Online and Land-Based

Perhaps the most recent but significant of industry trends is the growing convergence of land-based and online market segments. This is principally due to the fact that many new entrants in regulated markets are existing land-based gaming, betting and lottery operators (see table below). They already have a substantial local presence, well-recognised brands and existing player databases, and are very familiar with the local regulatory environment.

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

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

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

Operator Segmentation

	State-owned	Land-based operator		Dot.com		Entertainment brand
Sub-category	Monopoly or lottery	Betting	Casino, Bingo	Dedicated operator	Sportsbook	Media/Telecom/Entertainment
Example	RAY, Serbian lottery	William Hill, Gala Coral	Casino Gran Madrid, Mecca	Casino Tropez, Titan Poker	Paddy Power, bet365	Virgin, Sky, Buongiorno
Leverage	Cross-selling, e.g. from online lottery	Cross-selling from land-based, leverage off gaming brand		Core focus	Cross-selling from online sports	Extension to internet and e-commerce; customer/ player database
Profile	Highly regulated, known brand	Product-led, often historic brand		Marketing-led, strong player acquisition skills		Global media or entertainment brand
Ownership	State owned	Often longstanding private/ public company		Entrepreneur-led/origins, increasingly larger companies		Large multinationals
Player type	Broad demographic/ lottery players	Traditional betting/ social gambling		Broad demographic, linked to internet penetration		Very broad demographic, often young, social networkers, segmented
Geographic focus	Country	Country, or where historic brand presence		Global potential		Country/worldwide

Product Innovation

Cross-Platform

Playtech's cross-platform capability is a fundamental element of the Group's business model and unique in the sector.

Our capability links online, land-based, lottery, TV and mobile channels on the same operator platform, with a player holding a single account and login.

Players can seamlessly transition between products and platforms, playing the same games at home, on the move or in a land-based venue, while enjoying a unified bonus and loyalty programme.

Operators gain a complete view of their players' activity across their entire business through Playtech's Information Management Solution (IMS). This single backend gives operators the tools to maximise cross-selling opportunities, player loyalty and yield.

This is achieved through cross-platform promotional tools, consolidated campaign management and content distribution. Through the conversion of players onto other channels, an operator can increase their lifetime value, in some cases by three to four times.

An increasingly significant trend in the industry has been the convergence of land-based and online market segments. With existing land-based gaming, betting and lottery operators moving online, Playtech's cross-platform capabilities provide a unified set of player management tools for the acquisition and retention of players across the entire business.

The ability to maintain a consistent offering across all platforms allows operators to leverage their brand in new channels, and deliver their existing players additional ways of playing.

This provides huge cross-selling opportunities, but also presents substantial technical challenges. Playtech is focused on delivering both functionality and content across the full range of distribution channels, with the most sophisticated of server-based gaming systems; unique capabilities in TV and broadcast; and cutting-edge mobile and online products.

"As a leading global enabler of the mobile connected life, with over 300 million users, we needed a partner with the technological capabilities and content to cater for both online and mobile players, working seamlessly together.

Playtech's cross-platform infrastructure was the clear market leader and will enable us to offer our players the very best casino games across these two channels, with a single user login.

As markets open in stages, this cross-platform capability allows the seamless expansion into new products and playing channels, as and when regulation permits."

Assen Diakovski,
Head of Global Online Gaming at Buongiorno

BUONGIORNO

A complete cross-platform capability accessed through a single login

Players log in using a single account, and their playing preferences are stored. The unified loyalty programme ensures players are rewarded across every playing platform. With the same games adapted across all the platforms, moving between media is a seamless process.

For operators, the cross-platform offering allows the easy integration of new products and greater brand leverage, maximising the appeal of blockbuster games and increasing cross-selling and conversion opportunities.

Product Innovation
Cross-Platform

Mobile

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

In 2010, mobile support for Playtech's Sports Betting platform was introduced, enabling essential in-running betting across a full range of sports, leagues, events and bet types. January 2011 saw the soft launch of Mobile Poker, which will be rolled out to operators in Q2.

Playtech Mobile provides operators with access to a constantly expanding player base, accompanying the rapid growth of mobile applications, games and marketing channels. Available on both mass-market handsets and high-end smartphones, an increasing number of games are now playable on the move.

The mobile platform enables operators to utilise unique targeted promotional tools, like push advertising and SMS messaging. The "Invite a Friend" feature allows players to invite friends directly from their contact list, and is used as an effective viral marketing tool. Automatic bonuses, loyalty points and VIP levels are configured and managed in the IMS and play a key role in player retention efforts.

Product Innovation
Cross-Platform

Lottery

With lottery operators looking for further opportunities for revenue growth, and the expectations of both lottery and online gaming players increasingly converging, Playtech has identified a pack of its games that answer the needs of this emerging market.

The games in the pack include variations of keno, bingo, instant win and fixed-odds number games which are best suited to a lottery-facing audience.

Playtech also develops custom games and functions to meet the regulatory requirements of different markets and has integrated a range of payment methods which address the particular needs of lottery operators and their players.

Lottery is part of Playtech's cross-platform capability, with a unified loyalty programme and single player account enabling players to move seamlessly between all the different playing channels.

Playtech's joint venture with Scientific Games in early 2010 saw the creation of Sciplay, which brings a full suite of next-generation internet products and services to government-regulated and government-sponsored lottery operators.

Read more about Sciplay on page 33.

Product Innovation
Cross-Platform

Videobet

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

Videobet products include both terminal software and control systems which can be configured to meet a wide range of operational requirements, from VLT or remote multi-site operations, to casino and slot hall management.

The system uses the architecture and stability of Playtech's online offering, providing gaming solutions that are scalable, feature-rich and can be completely integrated to the Company's primary or online product offering.

2010 was a year of consolidation and expansion for Videobet, particularly in the UK market. Following January's joint venture agreement with The Global Draw, an upgrade of 20,000 FOBT terminals in the UK to the Videobet platform commenced, with rollout scheduled to finish by the end of Q2 2011.

Videobet provides access to the entire Playtech games portfolio, including all branded and licensed content. It supports its own progressive jackpot network and the launch of EDGE™ Tournaments in early 2010 delivered configurable and automatic tournament management, across single venue, regional or national operations.

Videobet works closely with its licensees to ensure that the product is localised to meet their specific requirements. This can be from customisation of their gaming machine artwork and corporate branding in the game lobbies to bespoke game enhancements, such as maths, graphics or the development of a completely new game.

The system can be fully integrated into the IMS, enabling a single player account across both the online and land-based products. This substantially increases player retention, as well as cross-selling opportunities.

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

Monitoring System

Core to the Videobet central monitoring system is the unified back office that allows for the real-time monitoring, control and updating of all gaming machines from a single application.

This powerful application can not only manage Videobet terminals but it also has the ability to connect to and monitor machines from third-party vendors. It provides real-time accounting, player tracking and bonusing functionality across the whole estate, through a single client application.

The Videobet central monitoring system also integrates to other third-party monitoring or information systems. This allows operators to utilise the value-added services that the Playtech technology enables, while still maintaining their existing infrastructure.

Casino Management Systems

Through the acquisition of Intelligent Gaming in January 2011, Playtech offers comprehensive software-based casino management systems to some of the leading land-based casinos around the world.

Extensive bonusing, marketing and CRM features enable casino operators to generate targeted promotions and offers which result in loyal, sustainable and profitable players.

Operational and analytical tools help the casino management to understand and optimise the business, ensuring the right product mix and staffing structures.

With Intelligent Gaming's extensive experience and a powerful and flexible suite of modern technologies, Playtech aims to become the preferred systems partner of the most progressive land-based gaming operators worldwide.

Product Innovation

Storyboard of a Game

Playtech has dedicated in-house teams that work on every game from the concept and creative to the development and delivery.

1. Concept

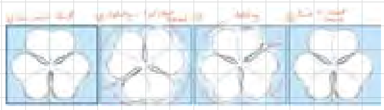
Following extensive market research, a concept outline is developed, deciding on the unique features, overall theme and target audience of the game.

2. Analysis

Product managers, creative directors and mathematicians gather to brainstorm, establishing the game specification outline and graphical orientation. Feasibility checks are performed for the proposed maths model.

3. Design

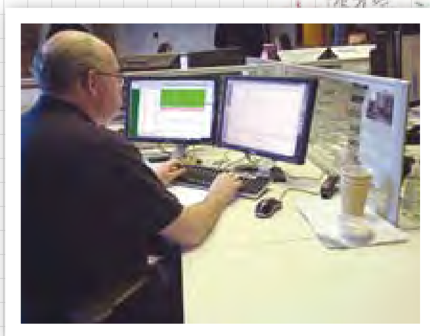
A team of designers, animators and sound editors create all the assets of the game, with ongoing focus groups, game simulations and gameplay analysis.



4. Development

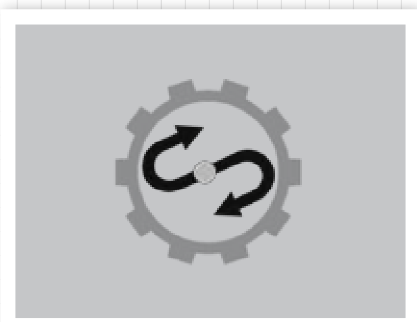
The game passes into development, where a team of over 60 perform the preliminary analysis, GAP analysis and review the asset list.

5. Engine



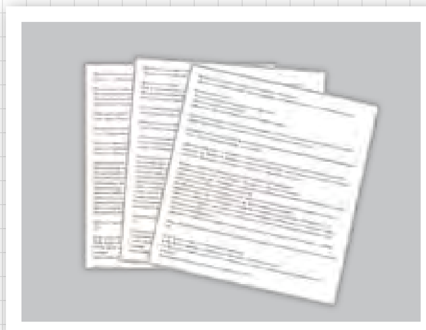
Development of the API (application programming interface), back office tools, client logic and game logic takes place, followed by testing and simulations.

6. Quality Assurance



A team of 25 perform extensive QA checks to ensure the game is ready for launch, with a QA test cycle, QA test review and code/GFX fixes.

7. Documentation



The release documentation is created, including help files for players and operation manuals for licensees.

8. Completion

The finished game is rolled out to licensees, supported by a full marketing kit.

Products
Casino

Playtech's Casino is the Company's flagship product, and continues to be the software of choice for many of the industry's leading operators.

Highlights:

- Launch of casino in Finnish regulated market with Finnish Slot Association RAY
- Launch of Betfair's Flash-based casino
- Completion of regulatory protocols for Italian casino

With best-of-breed graphics and audio, together with regular releases of new games content, the casino has been designed to attract and retain a broad range of players. The online offering not only replicates the authentic look and feel of traditional table games, but brings new features and variations that enhance the playing experience.

With over 70 new games produced in 2010, the casino's game portfolio now comprises over 200 games in a downloadable format. With 153 of these also available as Flash games, Playtech has developed a strong web-based offering. The games suite currently features 103 slots, 34 card and table games, 24 arcade games, 15 video poker, 8 scratch cards, 11 live dealer and 5 Asian-facing games.

The release of a further 4 multiplayer games in 2010 reflects the increasing interest in networked games, and the multiplayer suite will be extended in the coming year to include slot games as well as more traditional table and card games.

Branded Games

An integral part of Playtech's games portfolio is the selection of branded games, which enable licensees to capitalise on the mass-market appeal of established entertainment brands. 2010 saw the release of MGM's Pink Panther and Rocky, plus The Punisher and Iron Man 2, bringing the Marvel series to a total of 9 games. A licensing agreement with Universal Studios saw the release of Kong: The 8th Wonder of the World in Q1 2011, with The Mummy set to follow in Q2.

Segmentation and Personalisation Tools

The casino can be customised and localised, with 33 languages, 47 currencies and custom games available. Licensees can define various graphical elements of the offering, such as the lobby and branding of a selection of games. In this way there is a significant difference between the games, and the look and feel of Playtech's licensees, even though they are all on the same casino platform.

With 2010's introduction of a range of segmentation tools, licensees can personalise their casino offering per player profile, offering players specifically-targeted games and promotions that are geared around their personal playing preferences. This personalised playing experience, along with an extended VIP system that supports the precise segmentation of the player base, plays an important part in an operator's retention strategy, helping to increase player loyalty and lifetime value.

Cross-Product and Cross-Platform

Playtech's casino is a cross-product and cross-platform offering, with games available across server-based terminals, online, mobile and TV, all via a single account.

This cross-platform capability has proven to dramatically increase cross-selling opportunities for operators, such as those offering bingo, where casino games can be a very substantial proportion of overall revenues.

Progressive Jackpot Network: Win a Jackpot

Playtech's Win a Jackpot is an online progressive games network, available across all of Playtech's platforms, that has paid out over €120 million since its launch in 2003. Connecting 18 of Playtech's most popular slots, video poker and table games, Win a Jackpot enables players to play on their favourite games whilst simultaneously being in with the chance to win an extra jackpot.

With the addition of branded games into Playtech's game suite, the Marvel Jackpot links all 9 Marvel games with a multi-level, mystery progressive jackpot.

Products

Games

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

Highlights:

- > CasinoEuro launch GTS games in their casino
- > Titan launch GTS games on games tab
- > Integration of GTS and Playtech platforms

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

The games library is continually expanding, as developers come up with new and exciting games and variations. In 2010 GTS delivered 53 new games, representing more than 360 game clients to customers in up to 33 languages and 19 currencies.

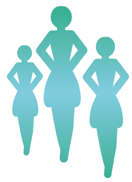
Operators can choose from over 500 games via the EdGE platform, from over 20 different content providers. Along with integration to any games, bingo or casino offering, operators have the option of embedding "mini" or popup formats into their live sportsbook application.

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

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

Products

Live & TV Gaming



Consisting of live dealer games played online and broadcast TV game shows, Playtech's Live offering brings the experience of a land-based casino into the players' homes.

Highlights:

- Complete renovation of the Live centre in Riga
- Introduction of the highest-quality video broadcast equipment, professional tables and two new games

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

Live Dealer Games

Playtech's live dealer centres are designed as real, land-based casinos, which enable operators to attract traditional land-based players into the online arena. Live games also play a key part in an operator's conversion strategy; the option to use private tables allows operators to fully promote their brand and other product offerings, through specific targeted promotions. Operators can offer fully-integrated casino mini games alongside the live dealer games, generating valuable cross-selling opportunities.

Two live dealer studios, one in Europe and one in Asia, appeal to the different needs of each market. In 2010 the European studio in Riga was completely renovated, including the introduction of new tables, an enhanced user interface, high-quality cameras and the latest streaming technology.

Supported by one of the most advanced content distribution networks (CDNs) in the market, players enjoy TV-quality distribution.

Two new games in 2010, Unlimited Blackjack and Double Screen Roulette, joined a suite of 12 games that includes Roulette, Blackjack, Mahjong Paigow, Sic Bo, Casino Hold'em and five different versions of Baccarat.

TV Broadcast Games

Playtech's TV broadcast games support an unlimited number of players, together on one game, at one time. Aimed at attracting a mass audience, with an entertaining, softer gaming format, it allows operators to reach out to a new player base. The product is currently focused on the UK market, but is well positioned to expand as other markets begin to regulate, such as in Italy.

The Live Studio and 3D Animated formats present games such as Bingo, Keno and Roulette which are broadcast on leading channels including Virgin, Sky and on a number of Freeview channels. Games can be played simultaneously through a broad range of platforms, including web interface, IVR (voice telephony), SMS and mobile.

Products
Poker

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

Highlights:

- Launch of poker product for RAY in Finnish regulated market
- Continued strong presence in Italian market with 15% market share
- €1.9 million given away in jackpot prizes across the network
- Launch of French iPoker network

Playtech's poker product offers nine different game types, playable in multiple currencies, on a sleek, resizable table. Players can play on up to 16 tables at the same time, providing an enhanced playing experience as well as maximising potential revenue generation.

Regulated Markets

In 2010 Playtech launched its poker product in the Finnish regulated market with the state-owned monopoly RAY. The offering included seven different kinds of poker and the ability to share tournaments between the online environment and RAY's gaming locations, such as Grand Casino Helsinki.

Playtech's Italian regulated iPoker.it network continues to have a strong presence in the market, and following recent regulatory changes, cash tables will join the tournaments currently on offer in the second half of 2011. One of the benefits for Italian licensees operating in a regulated market is that they can advertise freely in a variety of media channels, in addition to seeing greater average revenue per user, compared to offshore non-regulated activity.

2010 saw the regulation of the French poker market, and Playtech's subsequent launch of its French iPoker network. Regulation permits cash tables and tournaments, and with the recent addition of leading operator Titan.fr, Playtech further extended its liquidity pool in the market.

Operator Tools

The poker client is integrated with Playtech's IMS, which gives licensees the tools to track players, generate statistics and target marketing campaigns.

The automated, fully flexible VIP suite is a key tool for player retention, increasing player loyalty and lifetime value.

We upgraded the table and lobby at the start of the year, introducing an intuitive design and user interface. Operators can customise the look of both table and lobby, and large Flash and HTML banner areas on the client serve to differentiate card rooms and reinforce brand awareness.

iPoker Tournaments

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

With over 1 million cash table hands played a day and more than 100 scheduled daily tournaments, players on the iPoker network have constant access to plenty of fast-paced play. iPoker's operational management services include collusion and prevention and a dedicated 24/7 online support team, to ensure the smooth operation of every poker room on the network.

Tournaments include online satellites to land-based events, and daily, weekly and monthly tournaments, with over €6 million in guaranteed prize money every month. iPoker aims to actively generate traffic at all times, for example with a weekly $200,000 guaranteed prize tournament, on Sunday evenings.

iPoker ALWAYS A FULL HOUSE

iPoker.it™ ITALIAN POKER NETWORK

iPoker.Fr™ FRENCH POKER NETWORK

Products

Bingo

Through Virtue Fusion Alderney, Playtech provides an award-winning bingo offering, connected to the largest bingo network in the industry.

Highlights:

- Launch of bingo network for Italian regulated market
- Integration of Virtue Fusion and Bingoland networks
- Launch of bingo product for Unibet and Nordic Gaming Group
- Launch of bingo product for Rehab Bingo in Ireland

2010 saw the acquisition and subsequent integration of the Virtue Fusion bingo offering with Playtech's existing Bingoland network. The network now includes over 80 sites and is home to 40,000 daily players, with over 10,000 concurrent players at peak time, driving over €115 million in total stakes-per-month.

All products are created in-house and a licensing agreement with Freemantle in 2010 enabled the development of bingo games based on the hit television programmes Blockbusters and Britain's Got Talent. These join an existing suite of branded bingo and scratch card games from Endemol, including Deal or No Deal, Big Brother and Golden Balls.

As bingo operates on a pari-mutuel basis with prizes derived from the game stakes, the participation of a large number of players in each game allows sizable prizes for low individual stakes. It also enables regular networked games with some of the largest guaranteed prize pots in the industry, including a £4 million win on Clover Rollover in late 2010.

These networked games include both bingo games and side games, such as slots, scratch cards, roulette and blackjack, played concurrently with the bingo games. Side games typically make up a significant portion of a bingo operator's revenue, as well as providing valuable conversion and cross-selling opportunities.

Chat Moderators

The community aspect is an extremely important element of the Playtech bingo product and there are over 200 part-time chat moderators providing player interaction in a wide range of languages.

Individual chat moderators often generate a loyal following with players, marketing the operator's brand to them directly, which enhances player retention and longevity.

Bespoke Bingo Management

Supported by the tools of the IMS, the bingo back office system enables the complete end-to-end management of an operation. Data analysis and segmentation tools allow the targeting of promotions for effective acquisition and retention campaigns, while progressive jackpot configuration and bingo schedule management tools ensure maximum operational efficiency.

Operators can choose from a full range of support services to suit their specific needs and requirements, including hosting services, gaming licences, chat moderation, payment services, 24/7 customer support, client relationship management and affiliate programmes.

The bingo client and room variants are tailor-made to customers' specific brand requirements to give a bespoke look and feel to each operator. Operators design and launch as many standalone bingo games as they want and the ability to run VIP games to reward their most valued players is key to retention strategies.

First Mover in Regulated Markets

Playtech's Italian bingo network commanded an average market share of 20% in 2010, with the region's leading operators on board, including SNAI, SISAL, Eurobet and Codere. With more major licensees expected to join in the near future, Playtech is well positioned to take advantage of new opportunities as the trend of regulation continues.

Products
Sports Betting

Playtech's Sports Betting product is a complete end-to-end solution that supports online, mobile and retail platforms.

Highlights:

- Software approval from French regulatory body ARJEL
- Release of two new versions with multiple language support and enhanced risk management tools
- Advanced live betting features

The platform utilises sophisticated technology to deliver a comprehensive sportsbook offering, with the capability to support any sport, region, league, event or bet type required by the operator.

A new version released in anticipation of the World Cup introduced an enhanced live betting interface that covered all the games in the tournament. Playtech licensee Titanbet saw a substantial increase in turnover and revenue in comparison to the previous month.

A further release in October 2010 delivered multiple language support, new sport and market types, an advanced bonus and management system, and the initial product developments for the regulated French and South African markets. Advanced horse racing support, in compliance with the Italian market, is set to launch in H1 2011.

Trading Tools and Services

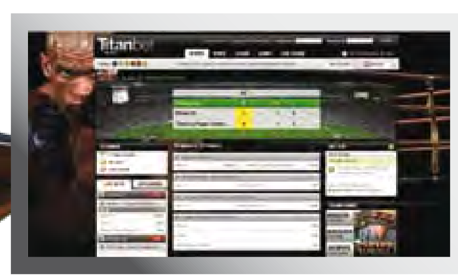
The platform is centred on a suite of sophisticated market management tools which use mathematical algorithms to automatically adjust the prices (odds) offered, in order to remain within a predetermined level of financial exposure. Operators can effectively manage and limit their exposure, reacting to market changes in real time, while still maintaining a competitive offering across a wide range of sport and bet types.

An advanced risk management suite allows operators to set their own thresholds to various bet and market profiles. Tools that can immediately identify high-risk betting patterns enable operators to react swiftly to limit their exposure.

With the level of automation of the platform and 2010's introduction of tailored trading services, operators do not need to invest in substantial trading teams for the management of odds pricing and the manual hedging of trading exposures. Using the automated features of the platform, supported by a 24/7 team of experienced traders, operators maintain prices that are representative of the market, without substantial cost or a disproportionate risk profile.

Customisation

The sports betting platform is a customisable solution that can be tailored to meet the different needs of operators in terms of business scale and target market demographic. The availability of a range of regionally specific betting styles, and the support of any language and currency, allows operators to localise their operations to Asian, British and European markets. With the ability to customise everything from the design, layout and branding to the sports and bets on offer, licensees can tailor their operations on a per-customer basis, to appeal to their targeted demographic.



William Hill Online Joint Venture

William Hill //online

In 2010, William Hill Online recorded strong revenue and operating profit growth.

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

Playtech is a passive investor and has no influence on the management of the business. WHO receives no special treatment compared to other licensees, and Playtech receives a revenue share on its licensed products, together with a 29% share of profit from the enhanced operations.

This gives Playtech financial exposure to one of Europe's leading gaming operators, including a substantial sportsbook.

William Hill PLC has call options to re-acquire Playtech's 29% stake in 2013 and 2015. WHO has a minimum five-year licensing agreement for Playtech's market-leading casino and poker software, and it is a licensee of Playtech's Virtue Fusion bingo network, as well as a licensee of Videobet Software Global Draw.

Through the transactions with Playtech, WHO became established as one of the top three European online companies by profitability, extended its reach beyond the UK and into Europe, gained access to best-in-class poker and casino software, and brought in substantial online marketing expertise and European customer services infrastructure.

The acquisition of assets from Playtech substantially increased the scale and sophistication of WHO's online marketing abilities. Utilising the full capabilities of Playtech's sophisticated IMS, the enhanced team leverages all the key areas of online marketing, including affiliates, pay-per-click, search engine optimisation and media buying.

2010 Performance

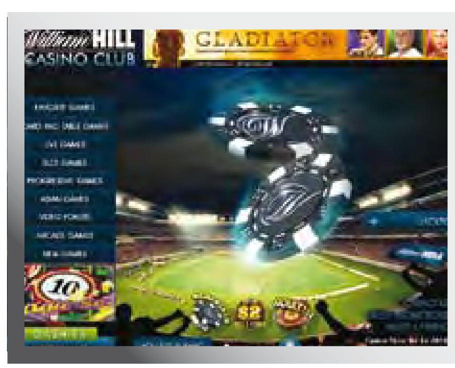
In 2010, William Hill Online recorded strong revenue and operating profit growth. The result was underpinned by a strong sportsbook performance and the number of new accounts increased by more than 800,000, which was 22% higher than in 2009.

Gaming net revenue grew 5%, with good underlying growth in casino, particularly benefiting from an enhanced Flash-based product range.

However, William Hill's decision to withdraw from France in June, due to the introduction of an unfavourable tax and regulatory regime for online gaming, resulted in a flat year-on-year casino net revenue result. This was partly offset by a continuation of strong growth in bingo and an improved poker performance from Q2 onwards following the anniversary of the migration to Playtech's iPoker network.

Innovation in the product range has been complemented by the launch of the first of a series of apps for the iPhone and Android platforms, including sportsbook and casino apps available via WHO's website.

Operating profit was 22% higher than in the prior year. This resulted in a non-controlling interest for Playtech of €30.8m (2009: €22.5m).



Partnerships

Delivering Global Reach

Playtech has sought to partner with other B2B providers to target newly-regulating markets, leveraging a combined skill set and global relationships.

Sciplay
Playtech's joint venture with US-based Scientific Games, Sciplay, is focused on delivering interactive content to the regulated gaming industry and lottery organisations around the world.

Scientific Games has nearly 40 years of expertise in creating fully compliant gaming solutions for government gaming entities.

Combined with Playtech's fully integrated, cross-platform product suite, Sciplay is well positioned to capitalise on the many opportunities that regulation brings in Europe, the US and elsewhere.

The Global Draw
In addition to Sciplay, Playtech formed a software partnership with Scientific Games' gaming machine distributor, The Global Draw, for gaming terminal software.

This strategic partnership provides exclusive access to the Videobet technology for Scientific Games' gaming terminal business in North America, the United Kingdom and other key jurisdictions, and non-exclusive access in the rest of the world.

The agreement signed in January 2010 included the upgrading of an existing 13,500 FOBT terminals in the UK to the Videobet software platform, together with joint marketing opportunities in the UK and overseas for VLT and FOBT terminals. In August 2010, Global Draw agreed to supply Ladbrokes with the technology platform for over 7,600 gaming machines.

The upgrading of over 20,000 FOBT terminals in the UK to the Videobet platform will be completed in Q2 2011. This will secure Videobet's place as the leading technology supplier in the UK market and act as a showcase for international expansion.

Sportech
In January 2010 Playtech put in place a partnership and investment in Sportech PLC, which had recently agreed to acquire Scientific Games' pari-mutuel horse racing operations, Scientific Games Racing.

Horse racing is highly regulated and is a market where an online platform already exists in many jurisdictions. In a number of US states, pari-mutuel betting on horse racing is already permitted online.

We believe this relationship, including the regulatory scrutiny undertaken as part of the SGR acquisition, positions Playtech well for opportunities in certain US states where SGR is the incumbent provider.

We also intend to work with Sportech to offer a sports gaming product based on their pari-mutuel football pools, which have a substantial following that is developing internationally.

Our
People

Our People are Our Key Asset

Attracting the best talent, together with motivating and retaining employees, is fundamental to our business sustainability and industry leadership.

Locations and People
Playtech is headquartered in the Isle of Man, and has seven offices worldwide, including key development centres in four countries, comprising Estonia (Tartu and Tallinn), Bulgaria, the UK (London and Ipswich) and Israel.

In 2010, we employed an average of 994 people, an increase of 22% over 2009. This was principally due to the acquisition of UK-based Virtue Fusion in February which included over 200 part-time chat moderators.

Business Unit Structure
Playtech is structured along product lines, with separate business units for each product area, such as the IMS casino, poker, bingo and sports, and across the delivery channels including live dealer, mobile and Videobet.

The structure is designed to manage growth in the scale of the business and the capacity to manage substantial growth in new licensees. For example, members of the casino product unit are all located in Tartu, Estonia, with content and software developers, quality assurance and product delivery teams working closely together on the same office floor. This enhances collaboration, and enables potential workflow roadblocks to be quickly identified and technical issues resolved.

Strength and Depth in Management

Playtech has considerable depth in its senior management team, and can draw on substantial and longstanding international experience across its operations.

Operations

Shmuel Weiss
COO
Joined in 2004 as the CEO of Videobet, and was appointed to Playtech's COO in 2008. Over 25 years' experience in managing large-scale technology platforms, infrastructure systems and complex projects for both military and commercial applications.

Shay Segev
VP Products & Delivery
Joined in 2006 as the COO of Videobet, and was appointed to his current position in 2008. Over 15 years' experience in management roles in the technology industry, including at Comverse Technologies and Mercury Interactive.

In 2010, Playtech developed a software delivery management process based on the "Theory of Constraints" philosophy, supported by a proprietary workflow management system. This has delivered substantial benefits in terms of time to market for new games and launch time for new licensees. This is increasingly becoming a key competitive advantage for Playtech compared to its peers.

Research and Development

Playtech's product development teams total over 700 employees, principally software developers, making it one of the largest R&D teams in the online gaming industry. The scale of these operations brings a material advantage in terms of maintaining continually high levels of technology innovation, content development and product pipeline.

Our extensive experience and capabilities run across a range of programming languages and formats. This allows us to be neutral as to the technology platform for delivery, even for content such as branded games with heavy video content. In a rapidly evolving industry, this flexibility is a substantial advantage as licensees increasingly look for a combination of both download and browser-based formats for the same games, and across platforms ranging from online to mobile and gaming terminals.

Customer Service

This depth of capability runs across not only content development, but product and infrastructure support with a team of over 150 people providing a 24/7 support service to our licensees.

From the beginning of every project, we are there to support our licensees, drawing on 11 years of experience with over 80 licensees. Strategy and business planning, compliance and regulatory requirements are just the start of a successful Playtech delivery. Dedicated teams, staffed by professionals from all disciplines, offer complete project and launch management. Assistance with recruitment and team building is available from the beginning of each project.

Prior to launch, an intensive two-week training programme is provided to the operational team of all new licensees. On an ongoing basis, each licensee has an experienced account manager who provides day-to-day support and a point of contact. They can draw on a substantial resource pool of product and technology specialists to advise on any particular issue. In addition, a consulting team provides value-added input for licensees looking to optimise their use of the tools available on the Playtech platform.

Products

Al Haig-Thomas
MD Bingo Division
Joined in February 2010 following the acquisition of Virtue Fusion, of which he was the founder and managing director. Prior to setting up Virtue Fusion, Al worked in merchant banking.

Steven Matsell
Director, GTS
Joined in 2009 through the acquisition of GTS, as a founder and board member. Previously held directorial commercial roles in both service and end-product sectors.

Peter Moffitt
COO, Videobet
Joined Videobet in 2010, having spent 6 years as a consultant to both Playtech and Videobet. Previous management roles in the gaming industry include President and COO at Octavian International and founder and CEO of Bounty Ltd.

Our People (Continued)

Valuing Our People

As market leader we are able to attract the best talent in the marketplace. This helps foster a highly motivated and entrepreneurial team culture together with a great breadth of experience and ability to harness cutting-edge technology. Playtech is driven by a strong culture of innovation, development and delivery of market-leading performance. This can only be achieved through continued improvement in the performance of our workforce.

Many of our new employees are referred by existing staff (2010: 44% came through internal referrals), reflecting the focus we have on developing the Playtech "family". Ongoing training and career development are important elements of our sustainability efforts in the workplace and a key pillar of our CSR efforts. These are discussed in detail on page 38.

Employee Performance

Employees have defined objectives and targets that are set in each performance review period. The appraisal system is based on an individual business unit and Group-wide objectives. The objectives are directly aligned to the strategy of the Group and deal with specific areas of implementation and execution. Performance is routinely measured against these objectives. Remuneration for each employee is set by reference to the achievement of these objectives and by the demonstration of other competencies and contributions to the Group.

While market-leading software development is the cornerstone of Playtech's business and revenue growth, licensees naturally expect 24/7 operational performance and efficient delivery. All business units, from frontline infrastructure and account management teams to internally focused departments, play an integral part in ensuring Playtech delivers on the requirements of its licensees, and employees are rewarded accordingly. This includes competitive salaries and cash bonuses together with a share option scheme to incentivise and retain key operational and business managers.

In 2010 a senior management remuneration policy review was initiated and will be implemented in H1 2011. This has benchmarked key roles against the market and will also formalise the metrics against which compensation will be awarded, including both individual and company performance.

Strength and Depth in Management

Playtech has considerable depth in its senior management team, and can draw on substantial and longstanding international experience across its operations. Set out below, and on the previous two pages, are some short biographies which illustrate the scale and breadth of this capability across operations, products, client services and infrastructure.

Strength and Depth in Management

Client Services

Liron Snir
VP Customer Relations
Joined in 2006, with over 11 years' experience working in the online gaming industry, including 6 years at 888 and as consultant for various online gaming companies.

Uri Levy
VP Business Development
Joined in 2008 having been the CFO and CEO of Win Gaming Media Inc., and VP Finance of a leading state development company.

Daniel Polturak
VP Sales
Joined in 2002 and has spent the last 9 years driving the high-level business strategies and negotiating contracts with operators around the world.

Playtech's new office in Tartu, Estonia is scheduled for completion in late 2011.

Quarterly internal newsletters keep employees up to date and engaged with the Company's activities.

Infrastructure

Peter Cercone
Chief Compliance Officer; VP Marketing
Joined in 2007 as Director of Product in Videobet; appointed to his current roles in 2010. Over 16 years' experience in the gaming industry worldwide, working with both government regulators and tier 1 gaming and wagering operators.

Jochanan Sommerfeld
Chief Security Officer
Joined in 2008, with over 20 years' experience working with information security technologies. Previous roles include Senior Vice President and Director of the Board at db@net, a leading provider of IT architecture solutions.

Gal Ehrlich
VP Shared Services
Joined in December 2009 with over 15 years' experience managing R&D delivery divisions and project units in large global enterprise companies, such as HP and the telecom industry.

Corporate
Social Responsibility

Playtech is committed to integrating corporate social responsibility within its businesses, supporting the continued generation of long-term value and enhancing our ability to deliver on our strategic objectives.

We believe our true value is reflected not simply by our balance sheet but through intangible assets such as goodwill, our people and our reputation.

We recognise that corporate responsibility creates more valuable relationships with our stakeholders, enhancing stakeholder trust by evidencing our focus and management of the non-financial risks of concern. A responsible approach to such challenges, together with risk assessment and mitigation, will positively impact our ability to succeed operationally and strategically.

The issues of interest to our stakeholders can be grouped into five areas:

Workplace

Our employees and how we attract, develop and retain the best talent

Governance

Maintaining high standards of corporate governance, monitoring and mitigation of risks and compliance with regulatory requirements

Marketplace

Commitment to work with regulators and our licensees on responsible gaming

Environment

To mitigate our environmental footprint, where relevant and appropriate to the nature and scale of our business

Community

Where our employees, business partners and licensees live and work; our broader obligations to society

Focus on Sustainability

In the second half of 2010 we commenced an exercise to place our sustainability efforts on a more formal and documented basis than before. Identifying the key non-financial risk areas on a Group-wide basis, these were then benchmarked against our peer group and with reference to industry best practice.

By aligning a process of mitigating non-financial risks and promoting the Group's core values within our business strategy, we have sought to further our goals of a sustainable business model. Many of the key elements which make up responsible management in our business are already firmly in place, and the focus of the 2010 CSR programme has been to codify these existing elements and to initiate work streams that enable key metrics to be monitored on a consistent basis. David Mathewson, chair of the Risk Committee, has Board-level responsibility for the programme.

Workplace

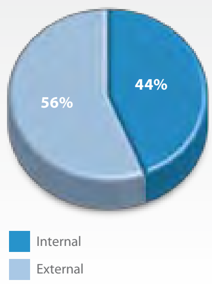
The Group is aware of the vital contribution its employees make to the success of the business. Ensuring that the Group continues to be able to attract and retain talented employees is essential in maintaining the long-term success of the business.

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

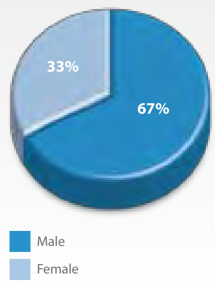
As we operate within a highly competitive industry, retaining key staff is a priority. We provide financial rewards and a positive working environment, developing employees' skills for improved performance and increased job satisfaction levels. An annual employee survey measures the overall satisfaction of staff with their work and their environment.

CSR Report

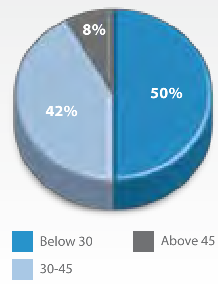
Recruitment:



Gender profile:



Age profile:



Governance

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

Against an industry background of regulatory review and reform, in 2010 we have strengthened the skill set and operation of our Board and developed the way it governs and delivers value for shareholders. Two experienced independent non-executive directors were appointed, who have made substantial contributions to the business and corporate governance.

An experienced Chief Compliance Officer has been appointed, reflecting our increasing focus on corporate governance. It is also key to our operations as we expand our business in regulated markets.

2010 saw an increasing emphasis on identifying the significant risks facing the business, and putting in place processes to monitor and mitigate these risks, which are discussed on pages 42 and 43.

Marketplace

Our CSR metrics in terms of marketplace focus on stakeholder perception of our transparency and engagement with shareholders; on our relationships with our licensees and our responsiveness to their requirements; and on our relationships with regulators and other industry bodies. We will look to report on these, and in due course to conduct marketplace surveys to ensure that we properly understand and manage our perception and reputation.

An important element of this is our reputation for integrity as a partner, which is key to the sustainability of our business. In a rapidly changing industry environment, and one in which newly-regulating markets are playing a central role, this is ever more critical. While Playtech's customers are its licensees, we play a pivotal role in helping them manage their gaming operations responsibly. Our approach to Responsible Gaming is discussed in detail on page 40.

We are committed to offering the best customer experience and place a high priority on the quality of our service to licensees. We seek to ensure that we sustain a high level of customer satisfaction across the licensee base and see retention of our licensees as the core of our sustainable business model.

We greatly value our relationships with gaming regulators worldwide and work with them to ensure all aspects of the business meet or exceed the expected standards. As an associate member of the World Lottery Association we are committed to maintaining the highest ethical standards in gaming.

Over the past year we have sought to improve our transparency and dialogue with all stakeholders. The appointment of a Director of Investor Relations in late 2009 has increased engagement with shareholders. In 2010, over 150 meetings were held with investors and the number of equity research analysts covering Playtech has grown from 6 to 12.

Environment

As an online company with a limited number of office locations, we believe we have a relatively low impact on the environment in comparison to many other global businesses. We do recognise that the day-to-day running of our business will inevitably have consequences, particularly in terms of energy consumption and essential travel. We have put in place processes to monitor our CO_2 emissions from air travel and reduce any unnecessary travel, and will look to report on these in future periods. We are also making energy-related cost savings as we move to new offices in Estonia.

Community

We recognise our responsibility to support both the local and international community, and in response to this, the Board has launched a social involvement programme. We value the positive influence of encouraging volunteering on our staff's personal and professional development and see it as important for our business over the long term.

Our people are actively engaged in supporting charities and the Company expanded its programme focusing on initiatives that deliver educational support and assistance to disadvantaged children, in the countries where the Group has operations.

In 2010 the Company gave over €100,000 to charitable organisations working in the fields of education and both the research into, and treatment of problem gambling, together with non-financial support including computer hardware and training.

For a more detailed CSR report refer to our website **www.playtech.com**

Responsible **Gaming**

As leaders in the online gaming industry, Playtech takes its responsibilities to operators and regulators seriously, and is focused on cooperating with both parties on issues of responsible gaming.

Philosophy of Responsible Gaming

While as a software provider we are not directly in contact with players, responsible gaming remains a fundamental issue for us in safeguarding our business and reputation, and for the continued development of the industry. As a result, responsible gaming is an integral part of our mindset, and a key driving force behind all of our activities.

We are an associate member of the World Lottery Association (WLA), the global professional association for state lottery and gaming organisations which draws members from 90 countries and five continents. The WLA and its members are committed to maintaining the highest ethical standards of gaming.

Responsible Gaming

Playtech aims to provide operators with the tools to facilitate responsible gaming for their players and ensure a safe playing environment for all. Our fully-integrated management system provides a complete and comprehensive solution with embedded systems and controls to ensure fair play.

The combination of advanced responsible gaming tools and sophisticated player tracking, across all products and platforms, gives operators the means through which to control and prevent issues such as compulsive usage and under-age access of our gaming products. The Group has contributed financially to the work of the Great Foundation, a UK charity dedicated to supporting research into problem gambling, education and training.

Certification and Regulation

As a responsible supplier to the regulated gaming industry, we ensure our systems comply with all the guidelines published by the variety of well-regulated jurisdictions in which our licensees operate. We partner with regulatory and governmental bodies, and all our products undergo comprehensive testing by independent third-parties.

We are an active member in the Remote Gambling Association (RGA), which has developed an industry code of practice on social responsibility and age verification, which we support.

As part of the certification process, our games and their software engines – including the random number generators – are regularly tested and certified by leading industry bodies to ensure consistency and fair play.

Case Study: RAY

In May 2010 Playtech was awarded the contract to provide the online gaming technology for the Finnish slot machine monopoly, Rahaautomaattiyhdistys (RAY).

As the state-owned monopoly, RAY has a strong focus on social responsibility, and profits go to health and social welfare programmes, including gaming support. Its reputation for ethical and responsible operations is very high and is regularly monitored through national surveys.

RAY's key criteria for an online gaming partner were the requirements for systems which would integrate with RAY's existing gaming controls and would maintain their high standards for responsible gaming. Playtech was able to demonstrate that its platform and software development could provide RAY with the highest levels of control and functionality needed to maintain this capability, across its online and existing land-based formats.

Certification

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

Operator and Player Toolkit

Every licensee is provided with our transparency toolkit, which is an embedded part of Playtech's software, and includes viewable player protection content, self-exclusion tools, compulsive gamblers' interface, a time-out mechanism and age verification tools.

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

We provide comprehensive training and ongoing support to our licensees to ensure that they are able to manage the responsible gaming tools to the best of their abilities.

Fraud, Money Laundering and Fair Play

As an integral part of the technology platform, Playtech has developed a sophisticated monitoring capability to identify and protect from fraud and money laundering. It is supported by a dedicated security team focused on ensuring the business and infrastructure is at the forefront of industry best practice. With comprehensive monitoring of transactions and gaming behaviour, licensees can ensure players cannot gain an advantage through unfair means. This is a particular focus in P2P games such as poker, to minimise any risk of player collusion.

Central to RAY's requirements for an online gaming partner was the ability to be fully aligned and consistent with its land-based operations. This would ensure the integrity of its high standards for responsible gaming as it moved into the online space.

Playtech's innovative approach to these challenges, as well as the logic and technology behind the responsible gaming tools themselves, was noted by RAY as one of the key attractions in a partner.

Such tools included:

- Functionality for strict age and identity verification linked in to the state's social security database
- A range of session and loss limits
- Support for self-exclusion and much more

Since the agreement in May 2010, the companies worked together to develop an online platform that would answer the requirements of Finnish regulation and comply with RAY's strong philosophy of responsible gaming; this was launched at the end of November.

Principal Risks and Uncertainties

Achieving Playtech's strategic goals whilst minimising some of the key risks will deliver a sustainable business and long-term growth. There are general business risks faced by the business together with more specific risks to Playtech, which are discussed below. Risks related to the industry we operate in are also covered in the Industry Overview section on pages 16 to 18.

The risks outlined here are those principal risks and uncertainties that are material to the Group. They do not include all those associated with Group activities and are not set out in any order of priority. How these risks are identified is described in the Corporate Governance section on pages 54 to 57.

Regulatory risk: impacts on reputation and revenues

Issue

The regulatory framework of online gaming is dynamic and complex. Playtech is regulated as a software provider by the Alderney Gambling Control Commission. The Group licences its products to operators in the online gaming industry whose ability to operate in any jurisdiction may be impacted by changes in regulations, or failure to obtain any necessary licences.

Actions

The Group has appointed Peter Cercone as Chief Compliance Officer to develop relationships with regulators, and monitor the regulatory environment closely. Under the terms of its licences, the Group prohibits the acceptance of players from jurisdictions such as the USA where the acceptance of bets is prohibited.

Financial risk of reliance on major licensees: impacts on revenues

Issue

The Group operates a revenue-sharing model with its licensees meaning results can be impacted by poor performance of its licensees or by its licensees choosing to withdraw from any particular market.

Actions

The Group has continued to diversify its licensee base, so that the top 5 licensees represent 49% of 2010 revenues and to develop business in more stable regulated markets.

Risk of changes in tax rates: impacts on net earnings

Issue

The Group benefits from favourable fiscal arrangements in some of the jurisdictions in which it is established. Changes in taxation legislation and rates may impact the Group's net earnings and cash flows.

Actions

The Group works closely with its tax advisers to review its tax position, undertake periodic tax audits and monitor any changes in tax rates.

Reliance on key personnel: impacts on business sustainability

Issue	Actions
The Group's future success depends in large part on the continued service of senior management, the retention of which cannot be guaranteed.	The Group has introduced a comprehensive performance evaluation system to identify key talent and ensure that key personnel are appropriately rewarded and incentivised.

Counterparty risk: impacts on reputation and revenues

Issue	Actions
The Group derives material levels of profit from associates, and failure to manage effectively the Groups' joint venture relationships such as those with William Hill and Scientific Games.	The Group is committed to the success of its joint ventures and meets regularly with its joint venture partners.

Intellectual property risk: impacts on competitiveness

Issue	Actions
The Group's ability to compete effectively depends, amongst other things, on its ability to protect, register and enforce, as appropriate, its intellectual property rights.	The Group registers its trademarks and protects access to its copyrights and confidential information, as appropriate, and vigorously defends itself against third-party claims. The Group also implements strict physical security process and encryption to protect its intellectual property.

Information technology risk: impacts on operational capacity

Issue	Actions
The Group may be adversely affected by activities such as system intrusions, denial of service attacks, virus spreading, and phishing.	The Group works continuously to improve the robustness and security of the Group's information technology systems. These measures include traffic filtering, anti-DDoS (Distributed Denial of Service) devices and anti-virus protection from leading vendors. In addition, the Group has put in place disaster recovery processes.

Financial and Operational Review

A Robust Performance

Playtech has again delivered a robust financial performance, with total income for the year rising by 26%.

Playtech remains highly cash-generative, with very high cash conversion of adjusted EBITDA and net cash balances of €68.5 million at the end of the year.

Playtech has again delivered a robust financial performance, with total income for the year rising by 26% to €173.1 million (2009: €137.3 million). Total income comprises total revenues and Playtech's share of profit from its associate income in William Hill Online "WH Online". Total revenues for the year increased 24% to €142.3 million (2009: €114.8 million). €30.8 million (2009: €22.5 million) was generated by Playtech's share of profit from WH Online, up 37% on the prior year.

Casino revenues increased 26% to €96.7 million (2009: €76.8 million), poker revenues decreased 19% to €27.4 million (2009: €33.8 million) and bingo revenues totalled €10.9 million (2009: €0.2 million). Casino recorded a strong increase in revenues helped both by the acquisitions and the further development of the branded games portfolio. A fall in poker revenues principally reflected increased competition in the marketplace.

Playtech benefited from the launch of a number of licensees in the year and enjoyed a greatly enhanced bingo capability through the acquisition of Virtue Fusion in February. These were in part offset by the impact of the closure of the French offshore market in June, which had been Playtech's largest continental market. On a like-for-like basis (excluding the impact from acquisitions in the year and the closure of France), Playtech achieved 12% growth in revenues.

Adjusted EBITDA for the year totalled €103.1 million (2009: €93.7 million), an increase of 10% over the same period in 2009, producing an adjusted EBITDA margin from gross income of 60%, compared to 68% in 2009. This reduction, which had been anticipated, was principally due to the acquisitions of GTS and Virtue Fusion, both lower-margin businesses, close to the start of the year. The closure of France lowered the adjusted EBITDA in the second half by an estimated €7 million, equivalent to a reduction in EPS of 2.9 € cents.

Playtech remains highly cash-generative, with very high cash conversion of adjusted EBITDA and net cash balances of €68.5 million at the end of the year. Our funding capacity also improved in the year with two available facilities totalling €50 million put in place.

Reported Net Profit and EPS

Reported net profit for the year decreased by 7% to €64.7 million (2009: €69.5 million), principally due to cost items not relating to the core business of the group. These include certain cash and non-cash costs relating to current and historic acquisitions and fair value adjustments to investments (see Adjusted Net Profit table, page 46).

Reported earnings per share ("EPS") for the year was 26.7 € cents based on the weighted average number of shares of 242.0 million (2009: 29.0 € cents, 239.5 million). The diluted EPS for the year was 25.7 € cents based on 251.2 million shares (2009: 28.0 € cents, 248.0 million).

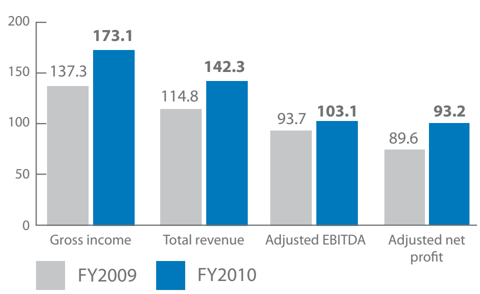
Adjusted EBITDA

Adjusted EBITDA is calculated after adding the income from Playtech's associate, WH Online, together with adding back expenses related to professional costs on acquisitions, and after charging various non-cash charges as detailed on page 45. Management believes that these results, excluding such one-off items and non-cash items, best represent the underlying results of the Group.

Adjusted EBITDA

	2010 €000	2009 €000
Operating profit	**45,309**	56,449
Amortisation on acquisitions (not including amortisation on investment in WHO)	**7,516**	3,282
Amortisation of other intangibles (not including amortisation on investment in WHO)	**6,158**	3,124
Depreciation	**3,416**	2,372
EBITDA	**62,399**	65,227
Share of profit of WH Online	**30,792**	22,534
Employee stock option expenses	**5,855**	5,150
Decline in fair value of available-for-sale investment in CY Foundation, AsianLogic and Sportech	**2,223**	399
Professional expenses on acquisition	**1,802**	360
Adjusted EBITDA	**103,071**	93,670
Adjusted EBITDA margin	**60%**	**68%**

Financial Highlights (in € millions)



Amortisation on acquisitions and amortisation of other intangibles (not including amortisation on investment in WH Online) totalled €13.7 million (2009: €6.4 million), the rise relating to a €4.3 million increase through the recent acquisitions of Virtue Fusion and GTS and from the amortisation of capitalised development costs.

Other material items excluded comprise a €2.4 million decline in the fair value of the investment in Sportech PLC partly set off by €0.2 million increase in the fair value of Foundation in 2009, which was recognised as a result from the disposal of all Foundation shares in the year. Other material items also comprise of expenses relating to the employee share option scheme of €5.9 million (2009: €5.2 million), together with €1.8 million (2009: €0.4 million) of acquisition expenses.

Adjusted Net Profit and Adjusted Earnings per Share

	2010 €000	2009 €000
Net profit	**64,670**	69,511
Amortisation of investment in WH Online	**8,266**	10,513
Decline in fair value of available-for-sale investments	**2,223**	399
Amortisation on acquisitions	**7,516**	3,282
Employee stock option expenses	**5,855**	5,150
Professional costs on acquisitions	**1,802**	360
Exchange differences on deferred consideration	**1,200**	(232)
One-off tax charge	**939**	–
Discounting of deferred consideration	**736**	418
Adjusted net profit	**93,207**	89,401
Adjusted net profit margin	**54%**	**65%**
Adjusted basic EPS (in Euro cents)	**38.5**	**37.3**
Adjusted diluted EPS (in Euro cents)	**37.1**	**36.0**

Costs relating to current year or historic acquisitions incurred in 2010 include: professional costs of €1.8 million; €1.2 million of exchange rate differences relating to the outstanding payment due for assets injected into WH Online and due to the contingent consideration relating to the acquisition of Virtue Fusion; and €0.7 million for the discounting of deferred consideration relating to the recent acquisitions of GTS and Virtue Fusion.

Amortisation on acquisitions of €7.5 million included amounts relating to Tribeca (€3.2 million); Virtue Fusion (€3.0 million); and GTS (€1.4 million).

The one-off tax charge of €0.9 million relates to a single transfer of software assets in 2006, following an agreement with the Israeli tax authorities.

Cost of Operations

Playtech's business model is centred around the ongoing development of its technology platform and of new games and products in response to demand from its licensees, and new opportunities particularly in regulated markets. This continual development process supports revenue growth both organically from existing licensees, and through the addition of new licensees across a wide range of products and geographic markets.

Playtech has a diverse licensee base, with 29 licensees each generating over €1 million of revenues in 2010, and benefits from substantial economies of scale which support a significant software development capability. With a high proportion of fixed costs being principally employee-related, the revenue share model delivers the potential for substantial operational gearing.

Adjusted Operating Expenses costs for the year were €70.0 million (2009: €43.6 million), an anticipated increase of 60% over 2009. The increase is mainly due to employee-related costs, together with revenue-based fees payable to third parties. These two items made up 75% of Playtech's adjusted operating expenses.

Adjusted Operating Expenses

	2010 €000	2009 €000
Operating expenses	**96,985**	58,326
Amortisation and depreciation	**17,090**	8,778
Decline in fair value of available-for-sale investments	**2,223**	399
Professional costs on acquisitions	**1,802**	360
Employee stock option expenses	**5,855**	5,150
Adjusted operating expenses	**70,015**	**43,639**

Amortisation and depreciation costs of €17.1 million include depreciation of €3.4 million and amortisation of €7.5 million related to business acquisitions, not including amortisation relating to the investment in WH Online. Of the remaining €6.1 million, €4.7 million was from internally generated development costs and €1.4 million related to other intangibles.

Employee stock option expenses included €2.3 million relating to the extension of previously granted options from 5 years' to 10 years' duration, together with €0.7 million of new option grants.

Analysis of Costs and Expenses

Adjusted Operating Expenses FY2010

In 2010, employee costs totalled €39.6 million (net of development cost capitalised) or 57% of adjusted operating expenses, an increase from €25.4 million (2009: 58%). This principally reflects the rise in headcount through the acquisitions of Virtue Fusion and GTS bringing over 300 employees. There has been a minor increase in organic headcount, partly helped by the use of contracted developers to assist with specific development projects. As a percentage of operating expenses, employee costs have remained stable.

Revenue-driven costs comprise reseller fees and game patent licence fees paid to third parties and are typically calculated as a share of the revenues generated from a particular game. These costs have risen with the increase in the popularity with players of branded games such as Pink Panther, Rocky and Deal or no Deal for which licence fees are payable, and the expansion of third-party content on Playtech's open games platform capability through GTS.

Playtech has maintained a careful focus on managing cost inflation across the business, and admin, office, travel and other operating costs have remained relatively steady.

Financial Income and Tax

Cash is principally held in short-term deposits, which generate interest income. Interest received in the year totalled €0.5 million (2009: €0.5 million). Financial income also includes €1.1 million received as dividend from the investment in AsianLogic Limited (2009: €1.7 million), but was offset by an FX charge of €1.2 million for exchange rate differences on deferred consideration in respect of the WH Online investment, and €0.7 million for the discounting of deferred consideration relating to the recent acquisitions of GTS and Virtue Fusion.

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 in 2010 totalled €2.3 million (2009: €0.8 million), including a one-off prior year tax charge of €0.9 million relating to a single transfer of software assets in 2006, following an agreement with the Israeli tax authorities. The effective rate, excluding this charge, was 2.1% (2009: 1.2%). This increase is mainly due to the higher tax regimes in which the newly acquired GTS and Virtue Fusion operate.

Financial and Operational Review (Continued)

Cash Flow

Playtech continues to be a highly cash-generative business, and the dividend received from WH Online has further increased the cash flow of the company. The main uses for funds related to the considerations payable for acquisitions and investments undertaken in the year. Cash and cash equivalents as at 31 December 2010 amounted to €68.5 million (2009: €58.7 million), representing 18% (2009: 18%) of the Group's total assets.

In the year ended 31 December 2010, the Group generated €71.0 million from its operating activities (2009: €70.7 million), in addition to €32.3 million (2009: €18.5 million) of dividend payments received from WH Online, which are presented as cash generated from investing activities.

The Group's cash usage in investing activity was €21.7 million (2009: €7.4 million), principally due to the acquisition of Virtue Fusion assets and the investment in Sportech, netted-off by the dividend received from the investment in WH Online. Cash usage in financing activities was €39.5 million (2009: €36.1 million), being the payment of the final dividend of 2009 and the interim dividend of 2010 to shareholders.

Investment in Sciplay

On 21 January 2010, Playtech formed two strategic partnerships with Scientific Games Corporation to jointly develop and market next-generation internet and land-based gaming products and services to regulated gaming operators in the US and other countries.

- An exclusive joint venture focused on the B2G online gaming market on a global basis, called "Sciplay" that will utilise Playtech's technology capabilities together with Scientific Games' global infrastructure and experience. On 30 April 2010 the Group purchased 50% of the share capital issued for a consideration of €12,500. On 28 September 2010 the Group paid an additional capital contribution of €0.5 million.

- Exclusive agreements for Playtech's Videobet subsidiary to develop gaming terminal software for Scientific Games and its subsidiary, The Global Draw. During the year the Group invested €2.4 million in gaming terminals.

Investment in Sportech

On 27 January 2010, the Group acquired a 9.99% stake in Sportech PLC, a leading UK pari-mutuel football gaming business, and owner of The New Football Pools, for a total consideration of €11.3 million. The investment has been accounted for under IFRS as an available-for-sale investment and accordingly is recorded at fair value. The fair value of this investment reduced by €2.4 million in the year, as Sportech's share price declined.

Acquisition of Virtue Fusion Limited

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

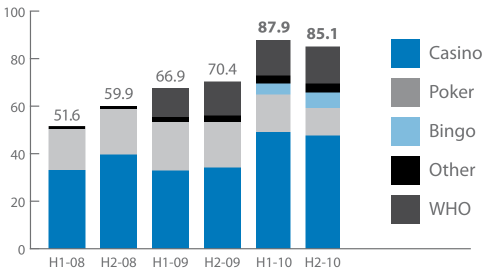
The group paid an initial consideration, including working capital adjustments, of €37.7 million (£33.2 million) in cash and additional contingent consideration of €8.1 million (£7.0 million) was paid in March 2011 based on adjusted EBIT performance in 2010.

Balance Sheet

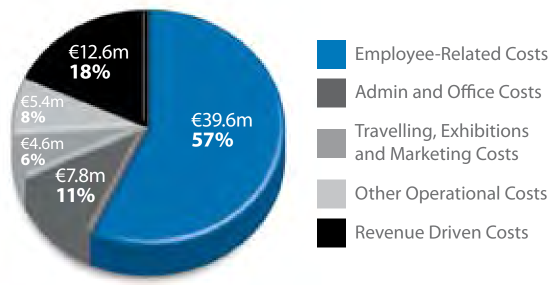
Cash and cash equivalents as at 31 December 2010 were €68.5 million (2009: €58.7 million). The majority of the trade receivables balance of €13.4 million as at 31 December 2010 (2009: €6.3 million) was due to amounts payable by licensees for the month of December, as these are principally paid one month in arrears.

Intangible assets as at 31 December 2010 totalled €100.4 million (2009: €65.5 million), the majority comprised of assets acquired from Tribeca, GTS and the VF business; goodwill that arose from those acquisitions; patent and intellectual property rights and development costs of products such as new slot games, Mahjong, and the mobile platform. The increase in intangible assets is mainly due to the VF acquisition.

Gross Income by Product (in € millions)



Analysis of Costs and Expenses
Adjusted Operating Expenses FY2010
(€70.0m = 100%) (excl' Dep&Amor)



Available-for-sale investments totalling €10.9 million (2009: €5.5 million) comprise investments in Sportech and AsianLogic, as the investment in Foundation was sold in the first half of 2010. Investments in equity-accounted associates relates to the investment in WH Online totalled €162.2 million (2009: €170.4 million).

Deferred consideration of €15.0 million as at 31 December 2010 (2009: €13.6 million (net of discount of €0.4 million)) represents the present value of the remaining consideration to be paid to a third party for assets acquired and then injected into the WH Online joint venture.

Contingent consideration in the amount of €16.5 million (net of discount of €0.1 million) as at 31 December 2010 represents the present value of the contingent consideration to be paid for the investment in GTS Group and the acquisition of the VF business (2009: €6.9 million (net of discount of €0.4 million) for the investment in GTS Group).

Dividend

In October 2010, the Group distributed an interim dividend of 9.4 € cents per share, totalling approximately €22.7 million.

On 9 March 2010, the Board recommended the distribution of dividend of 9.6 € cents per share totalling approximately €23.3 million. For the full year, the total dividend increased by 4% to 19.0 € cents per share (2009: 18.3 € cents per share).

The dividend will be paid on 2 June 2011 to the shareholders and depositary interest holders.

Moshe (Shuki) Barak
Chief Financial Officer
10 March 2011

Board
of Directors

The current Board of Directors consists of:

Roger Withers (aged 68)
Non-Executive Chairman

Roger started his career with Booz, Allen & Hamilton as an international management consultant and, subsequently, has over 30 years' experience in the leisure and gaming industries. In 1973, Roger joined Ladbrokes where he held a number of senior positions in the bookmaking, casino, lottery and gaming machine divisions. In 1986, he joined Bass where his roles included Managing Director of 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 as well as with a number of substantial privately held companies in the property, technology, publishing and exhibitions sectors. He is also currently a Non-Executive Director of Sportech PLC, the pools and tote betting company.

Mor Weizer (aged 35)
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.

Moshe (Shuki) Barak (aged 41)
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.

Alan Jackson (aged 67)
Non-Executive Director

Alan has over 30 years' experience in the leisure industry. From 1973 to 1991, he occupied a number of positions at Whitbread, principally as Managing Director of Beefeater steakhouse and also the Whitbread restaurant division where he was responsible for the creation and development of the Beefeater, Travel Inn and TGI Friday brands. In 1991, he founded his own business which became Inn Business Group plc in 1995 and was subsequently acquired by Punch Taverns plc in 1999. He has been Chairman of The Restaurant Group plc since 2001. He is also Chairman of Charles Wells Limited and Deputy Chairman and Senior Non-Executive Director at Redrow plc.

Barry Gibson (aged 59)
Non-Executive Director

Barry began his career as a management trainee for Littlewoods plc in 1970 and subsequently occupied various executive roles culminating in Group Chief Executive of Littlewoods plc, a position he held from 1997 to 2001. His non-executive career began in 1994 serving on the Kingston and Esher Health Authority board and since then other non-executive directorships have included Somerfield plc and William Hill plc. He is currently Non-Executive Chairman of both Harding Brothers Limited and SSP Group Limited, positions he has held since 2004 and 2006 respectively, and is Senior Independent Director of Homeserve plc.

David Mathewson (aged 63)
Non-Executive Director

David is a qualified chartered accountant and has significant banking and advisory experience having been a Director of corporate finance at Noble Grossart limited and Non-Executive Director of Noble & Co Limited. He has been a Director of many publicly listed companies including investment trusts over the past twenty years. Recent appointments have included Non-Executive Director and then Chairman of Sportech PLC, Senior Independent Director of Edinburgh UK Tracker Trust plc and Chairman of both AMZ Holdings plc and Asian Growth Properties Limited. In all cases he was Chairman of the audit committee. He previously served for eight years on the Board of Trustees of the Royal Botanic Garden Edinburgh.

Directors' Report

The Directors present their report and the audited financial statements for the year ended 31 December 2010.

Principal Activities

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

Details of the Group's activities and a review of the business are set out in the Chairman's statement on pages 2 to 3, the Chief Executive's review on pages 8 to 15 and in the Financial and Operational review on pages 44 to 49 and forms part of this report. A description of the principal risks and uncertainties facing the business is set out on pages 42 and 43 and forms part of this report.

Information relating to the Group's employees and the environment is included in the Corporate and Social Responsibility report set out on pages 38 to 39 of this document.

Results

The results of the Company and the Group for the year ended 31 December 2010 set out on pages 64 to 98 show total gross income (total revenue plus the Group's share of profits in William Hill Online before non-cash amortisation of intangibles) of €173.1 million (2009: €137.3 million) and a net profit after tax of €64.7 million (2009: €69.5 million).

Dividends

The Board has recommended the payment of a final dividend of 9.6 € cents per share, payable to shareholders on the register on 3 May 2011. The payment of this dividend on 2 June 2011 requires shareholder approval which will be sought at the Company's Annual General Meeting to be held in Douglas on 25 May 2011.

Directors and Directors Interests

The Directors of the Company who held office during the 2010 year and to date are:

	Appointed	Resigned
Roger Withers	28.03.2006	
Alan Jackson	28.03.2006	
Barry Gibson	10.03.2010	
David Mathewson	10.06.2010	
Moshe (Shuki) Barak	24.02.2006	
Mor Weizer	02.05.2007	
Rafael Ashkenazi	24.02.2006	10.03.2010
Thomas Hall	24.02.2006	10.03.2010

Having been appointed during the year Barry Gibson stood down in accordance with the Company's articles of association (the "Articles") and was re-elected at the Company's Annual General Meeting held on 27 May 2010. At the same time, Mor Weizer and Shuki Barak, who retired by rotation in accordance with the Articles, were re-elected as directors.

At the Company's Annual General Meeting which will be held on 25 May 2011, David Mathewson, who was appointed during the year, and Alan Jackson, who retires by rotation, will be proposed for re-election. The Company has decided not to put up all the Directors for re-election at the Annual General Meeting as required by the UK Corporate Governance Code effective for financial years commencing after 30 June 2010, as the Board has recently been restructured and continuity in governance is considered important. The Board will consider implementation of paragraph 8.7.1 of the UK Corporate Governance Code again ahead of the Company's next Annual General Meeting.

Biographical details of all of the directors are set out on pages 48 to 49. Details of the Directors' remuneration, their share interests and their service contracts are set out in the Remuneration Report set out on pages 58 to 61.

The interests of the Directors who held office during 2010 and to date, together with any connected parties, are shown in the Remuneration Report on pages 58 to 61.

Director's Indemnities and Insurance

The Company continues to maintain Directors' and Officers' liability insurance. In accordance with the Company's articles of association the Company has entered into a deed of indemnity to the extent permitted by law with Roger Withers and Alan Jackson.

Significant Shareholdings
As of 10 March 2011 the Company had been advised of the following significant shareholders:

Shareholders	%*	No. of ordinary shares
Brickington Trading Limited	40.33	97,866,667
Fidelity International	10.34	25,103,062
BlackRock Advisors (Instl Group)	6.86	16,663,738
Capital (Institutional Group)	5.75	13,966,254
Interexpo Trading Limited	3.6	8,774,200

* Assuming a total issued share capital of 242,635,953 as at 28 February 2011.

Related Party Transactions
Details of all related party transactions are set out in note 25 to the Financial Statements.

Corporate Governance
The Directors' statement on Corporate Governance is set out on pages 54 to 57.

Political and Charitable Donations
During the year, the Company expanded its Social Involvement Programme designed to support educational charities and initiatives in the countries where the Group has operations. The purpose of the projects is to create a better future for the children of our communities globally, through providing education and opportunities to those who are otherwise at risk of exclusion.

The Company continued to work with the Israeli charity Atidim, to support the education of children of Ethiopian heritage.

Other programmes have been developed in Estonia, where the Company supported a number of educational initiatives including sponsoring three scholarships for Tartu University IT students and provided a number of computers for schools in Estonia and the Isle of Man during the first half of 2010.

The Company made a charitable donation of £30,000 to the Great Foundation, a charity which funds the research into and treatment of problem gambling during the year ended 2010. It made no political donations during this period.

Future Prospects
The Board is confident of the continued solid performance of the Company during 2011. Its aim in 2011 is to focus on positioning the Company to leverage from the substantial growth and structural changes that are being experienced in the gaming industry and using its strong cash position, if appropriate, to look at the acquisition of complementary businesses.

AGM
The 2010 AGM was held in May in Douglas, Isle of Man. All directors were present, and made themselves available to answer questions from shareholders. The AGM provides an opportunity for the directors to communicate personally on the Group's performance and future strategy to non-institutional shareholders and for those shareholders to meet with and question the Board. All directors again plan to be present at the 2011 AGM. All results of proxy votes are read out, made available for review at the meeting, recorded in the minutes of the meeting and communicated to the market and via the group website.

The Annual General Meeting will be held at The Sefton Hotel, Harris Promenade, Douglas, Isle of Man, IM1 2RW on Wednesday 25 May 2011 at 10:00am. A notice of the meeting convening the 2011 AGM will be circulated separately over twenty one days in advance of the meeting as in previous years and will outline the business to be considered, including separate resolutions for adoption by shareholders.

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

Each of the directors in office as of the date of this report confirms that so far as he is aware, there is no relevant audit information (being information needed by the auditor in connection with preparing its report) of which the auditor is unaware and that he has taken all steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of the information.

Approved by the Board and signed on behalf of the Board

P&K Wright

Paul Wright
Company Secretary and Legal Counsel
10 March 2011

Corporate Governance

Introduction

The Company's policy is to achieve best practice in our standards of business integrity in all our activities around the world. This includes recognising the importance of the principles of good corporate governance. As an AIM listed company Playtech is not required to follow the provisions of the UK Corporate Governance Code, but the Board seeks to do so and is committed to follow the highest standards of corporate governance throughout the Group. The Company has made significant strides in its corporate governance, and with effect from the appointment of David Mathewson to the Board on 10 June 2010, the Company has complied with the best practice provisions of Section 1 of the Combined Code on Corporate Governance (the "Code") of June 2008 which applied during the financial year.

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

The Board Constitution and Procedures

Composition

As at 10 March 2011, the Board comprises the Chairman, the Chief Executive and the Chief Financial Officer, together with three independent non-executives. Pursuant to the Code, the Chairman is not considered to be independent as he holds options in the Company. However, the remaining non-executive directors are considered by the Board to be independent of management and free of any relationship which could materially interfere with the exercise of their independent judgment. All of the currently appointed directors served throughout the financial year, with the exception of Barry Gibson who was appointed in March 2010 and David Mathewson who was appointed in June 2010. Biographical information for current Board directors is given on pages 48 to 49.

In accordance with the articles of association, executive directors retire by rotation and submit themselves for re-election every three years. The Board has collectively agreed that the directors proposed for re-election in 2011 have made significant contributions to the business since their last re-election and each has a key role to play in the formulation of the Group's future strategy.

Non-Executives

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

Responsibilities

The Board meets regularly, with 10 meetings scheduled and held in 2010. It was only necessary for the Board to hold one unscheduled Board meeting, in relation to the acquisition of Virtue Fusion. Directors were provided with comprehensive background information for this meeting and all directors were available to participate. There remains in place a formal schedule of matters specifically reserved for Board consideration and approval, which includes matters related to strategy and management; acquisitions and disposals; structure and capital; financial reporting and controls; internal controls; significant changes to group operations; Board constitution, communications and performance evaluation; remuneration and delegated authorities.

In 2010, the Board remained satisfied that the roles of the Chairman, Chief Executive and other directors continued to be clearly and comprehensively defined.

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

The principal role of the Board is the protection and advancement of shareholders' interests. A formal schedule of matters reserved for consideration by the Board gives it responsibility for overall Group strategy, acquisition and investment policy, approval of major capital expenditure projects and consideration of significant financing matters. The Board also reviews the strategic direction of the Group, any codes of conduct, annual budgets, progress towards achievement of these budgets and any capital expenditure programmes. Any directors appointed to the Board during the year will submit themselves for re-election at the next Annual General Meeting following their appointment.

All directors are entitled to seek independent professional advice under an agreed Board procedure, which would then be organised by the Company Secretary and Legal Counsel, Paul Wright. No director sought such advice in 2010. All directors additionally have access to the services provided by the Company Secretary and Legal Counsel. The removal of the Company Secretary and Legal Counsel remains a matter for the Board as a whole.

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

Board Committees

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

Audit Committee

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

The primary responsibilities delegated to, and discharged by, the committee included: monitoring the effectiveness of internal control and associated functions; approving and amending Group accounting policies; reviewing and ensuring the integrity of interim and annual financial statements before submission to the Board; monitoring and approving the scope and costs of audit; and ensuring audit independence by approving significant non-audit services provided by the auditor in accordance with the appropriate committee policy. A summary of non-audit fees incurred during 2011, including due diligence, tax advisory and tax compliance work, is included in note 5 to the financial statements on page 76.

Remuneration Committee

Details of the membership of the Remuneration Committee, its terms of reference, meeting during the year and remuneration policy are set out in the Remuneration Report on pages 58 to 61.

Risk Committee

The Risk Committee is comprised of the four Non-Executive Directors, the CFO, the COO, the General Legal Counsel and the Chief Security Officer, Jochanan Sommerfeld. Other executives may be invited to attend all or part of the meetings. The committee met three times in 2010 to initiate a review of the Company's risk register and to consider the revised risk register and the mitigating actions undertaken by the senior management team to manage these risks.

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

Nomination Committee

The Nomination Committee is comprised of three Non-Executive Directors and is chaired by Roger Withers. The committee met twice in 2010 to consider candidates for additional Non-Executive Directors, as well as to consider the executive search for a permanent Chief Financial Officer, and engaged outside recruitment consultants to assist in the search for all these roles. In the future the committee will continue to meet whenever necessary during the year, and not less than twice a year.

The primary responsibilities delegated to, and discharged by, the committee included: regularly reviewing the composition of the Board; the consideration of succession planning and the development of associated policies; and the identification and recommendation of candidates to join the Board whenever deemed appropriate. Thorough appointment processes and policies have been developed by the committee, involving the development of objective criteria, creation of precise job specifications taking into account existing board expertise, the use of external search consultancies and appropriate interviewing. These processes and policies were followed in respect of the appointment of Barry Gibson and David Mathewson in 2010.

Evaluation

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

Newly appointed directors can expect a detailed and systematic induction on joining the Board. They meet various members of senior management and familiarise themselves with all core aspects of the Group's operations. On request, meetings can be arranged with the major shareholders. David Mathewson and Barry Gibson underwent a thorough induction on joining the Board, involving visits to the Company's operations in Israel and Estonia. In 2010, the Board also conducted a site visit in Sofia, Bulgaria to view the Company's operations conducted from that location.

Corporate Governance (Continued)

Board and Committee meetings – Attendance

	Board	Audit	Remuneration	Nomination	Risk
Number of Meetings					
Roger Withers	10	1	3	2	3
Alan Jackson	7	3	4	2	3
Mor Weizer	10	–	–	–	–
Moshe (Shuki) Barak	10	–	–	–	–
Barry Gibson	7	2	–	–	3
David Mathewson	6	2	3	–	3

Although Rafi Ashkenazi and Tom Hall served as directors until 10 March 2010, only one board meeting was held in that time which they did not attend.

Communication with Investors

Primary responsibility for effective communication with shareholders lies with the Chairman, but all the Company's Directors are available to meet with shareholders throughout the year. In particular the Executive Directors prepare a general presentation for analysts and institutional shareholders following the interim and preliminary announcements. Further presentations are also prepared following significant acquisitions and whenever the Board considers it beneficial to the shareholders to do so.

In June 2010 the Company held its first investor day, with presentations and demonstrations of the Company's capabilities designed to give greater understanding of the Company's products and operations, which was attended by more than 60 analysts and investors. Further such investor days are planned and Ross Hawley, our Director of Investor Relations, undertook numerous meetings with shareholders and potential shareholders throughout the year.

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

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

Internal Control

In presenting this report, and having monitored, reviewed or approved all shareholder communications in 2010 and since the end of the financial year, the Board is confident that it has presented a balanced and understandable assessment of the Company's position and prospects.

The Company has established an internal audit function responsible for reviewing, reporting and monitoring improvements in internal control performance across its operations. This function is conducted by Icarus Wyatt Consulting Limited who were appointed to undertake the internal audit function, commencing with a full risk assessment of the Company. Following the assessment, they have assisted in the implementation of a key control register against which they will monitor the Company's key risk processes and provide an ongoing independent assurance that these key processes are effective.

The system of internal controls and audit is designed to ensure local legal and regulatory compliance and manage, rather than eliminate, the risk of failure to achieve business objectives. It can therefore only provide reasonable and not absolute assurance against material misstatement or loss.

The Group has a widely publicised Code of Conduct, a specific delegated authorities framework, and a dedicated Compliance function, to ensure that the Company meets with all applicable regulatory requirements wherever it operates. Performance across the Group is also closely scrutinised against budget and forecasts. These initiatives help establish and promote an improved control environment and working practices. In addition, the Company has initiated a Corporate Social Responsibility programme to identify the key non-financial risk areas on a Group-wide basis. Further details of the programme are set out on pages 38 and 39.

The Group operates in a fast changing business environment. In addition to the threats and challenges faced by most enterprises, the current areas of principal risks and uncertainties, as identified by the Risk Committee, are set out on pages 42 and 43. This list is not presumed to be exhaustive, or presented in any order of priority, and by its very nature is subject to change.

Investor Relations (IR) and Communications

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

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

During 2010, various regulatory announcements were released informing the market of acquisitions, important customer contracts, financial results, the results of annual general meetings and board changes. Copies of these announcements, together with other IR information and documents, are available on the investors tab on the Group website.

Independence of Auditors

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

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

Remuneration Report

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

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

A resolution will be put to shareholders at the Annual General Meeting on 25 May 2011 inviting them to approve this report.

Part A

The following information set out in Part A of the Remuneration Report has been audited by BDO LLP, the Company's auditors.

The Directors' emoluments, benefits and shareholdings during the year ended 31 December 2010 were as follows:

1. Directors' Emoluments (in Euros)

Director	Salary	Bonuses	Benefits	Total (excluding option charges)	Option charges	Total emoluments
Executive						
Mor Weizer	472,975	339,584	13,359	825,918	466,862	1,292,780
Moshe (Shuki) Barak	250,221	188,658	85,115	523,994	201,594	725,588
Rafael Ashkenazi	34,050	–	4,172	38,222	–	38,222

2. Non-Executive Directors' Emoluments (in Euros)

	Fees					
Non-Executive						
Roger Withers[(1)(3)(4)]	352,868	–	–	352,868	229,525	582,393
Alan Jackson[(1)(2)(3)(4)]	107,532	–	–	107,532	–	107,532
Barry Gibson[(1)(2)(4)]	81,132	–	–	81,132	–	81,132
David Mathewson[(1)(2)(4)]	52,123	–	–	52,123	–	52,123
Thomas Hall	17,141	–	–	17,141	–	17,141

Notes
(1) Member of the Audit Committee.
(2) Member of the Remuneration Committee.
(3) Member of the Nomination Committee.
(4) Member of the Risk Committee.

3. Directors' Interests
3.1 Interests of Directors in Ordinary Shares

	Ordinary shares			
	As at 31.12.10		As at 31.12.09	
	No. of shares	Percentage*	No. of Shares	Percentage**
Roger Withers	19,333	0.008%	19,333	0.008%
Alan Jackson	5,000	0.002%	5,000	0.002%
Barry Gibson	5,000	0.002%	–	–
Moshe (Shuki) Barak	2,220	0.001%	2,220	0.001%

* Based on the total issued share capital of 242,599,019 as at 31 December 2010
** Based on the total issued share capital of 240,204,579 as at 31 December 2009

3.2 Table of Interests of Directors in Options

	Number of options	Date of grant	Exercise price	Exercised during the year	Earliest Exercise date	Expiry of exercise period
Roger Withers	200,000	28 March 2006	£2.57	–	28 March 2007	28 March 2016
	100,000	16 May 2007	£3.79	–	16 May 2008	16 May 2017
Moshe (Shuki) Barak	200,000	1 March 2006	£2.29	–	1 December 2006	1 March 2016
	200,000	31 December 2008	£3.1725	–	31 December 2009	31 December 2018
Mor Weizer	200,000	6 February 2006	£2.55	–	1 December 2006	17 June 2011
	200,000	11 October 2006	£1.72	–	11 October 2007	11 October 2011
	600,000	16 May 2007	£3.79	–	16 May 2008	16 May 2012
	200,000	6 November 2009	£3.70	–	6 November 2012	6 November 2014

Other than Roger Withers, who is accordingly not considered to be an independent Non-Executive Director, none of the Non-Executive Directors have any options over shares in the Company.

4. Directors' Service Contracts

The following are the key terms of the Executive Directors' terms and conditions of employment:

Name	Date	Notice period	Termination payment	Non-compete	Change of control payment
Mor Weizer	02.05.07	6 months notice on either side (unless gross misconduct)	Payment in lieu of notice of up to 6 months basic salary	During employment and for 6 months thereafter	None
Moshe (Shuki) Barak	21.03.06	3 months notice from the Company and 6 months from the employee (unless gross misconduct)	Payment in lieu of notice of up to 6 months basic salary	During employment and for 6 months thereafter	None

The following is a summary of the key terms of the letters of appointment for the Non-Executive Directors:

Name	Date	Term	Termination
Roger Withers	14.03.06	No stated term but stands for re-election every 3 years	90 days notice on either side or if not re-elected, is disqualified or commits gross misconduct
Alan Jackson	14.03.06	No stated term	90 days notice on either side or if not re-elected, is disqualified or commits gross misconduct
Barry Gibson	10.03.10	Until third AGM after appointment	90 days notice on either side or if not re-elected, is disqualified or commits gross misconduct
David Mathewson	09.06.10	Until third AGM after appointment	90 days notice on either side or if not re-elected, is disqualified or commits gross misconduct

Part B

This part of the Remuneration Report has not been audited.

Remuneration Committee: Membership

The Remuneration Committee is comprised of three independent Non-Executive Directors and is chaired by Barry Gibson. The committee operates within agreed terms of reference and met four times in 2010. The committee's terms of reference are available for inspection on the Company's website.

In future, the committee has developed a schedule of regular meetings and will meet not less than four times a year.

The committee considers the terms and conditions of employment and overall remuneration of the Executive Directors, the Company Secretary and key members of executive management regarding share options, salaries, incentive payments and performance-related pay. The Board determines the remuneration of Non-Executive Directors.

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

Remuneration Report (Continued)

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

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

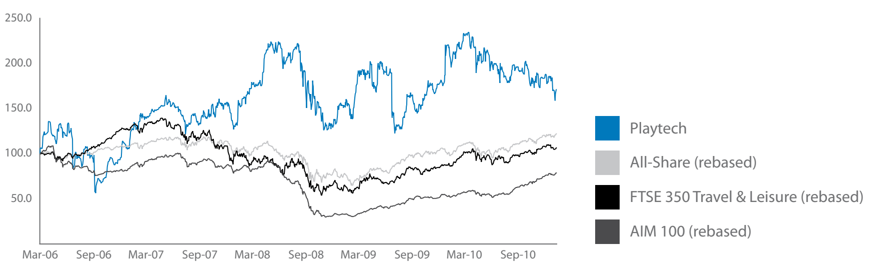
Remuneration Committee: Policy

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

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

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

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



Elements of Remuneration

Executive directors' total remuneration comprises base salary, benefits in kind, annual bonus and long-term incentives.

Salary and Benefits in Kind

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

Annual Bonus
Executive directors are eligible to participate in an annual bonus plan based on a combination of corporate financial goals and individual achievements. The maximum level of bonus that could have been awarded for the financial year 2010 was 100 per cent of base salary.

In 2010, bonuses for the main board were based partly on financial performance measures, and partly on personal performance. In 2010, as described above, the committee worked with the executive management team and its advisers, Hewitt New Bridge Street, to develop a more coherent and appropriate framework for remunerating directors and senior executives of the Company that draws a clearer link between performance and reward.

Under the 2011 bonus plan the maximum level of bonus that can be awarded for the financial year will be 150 per cent of base salary for the CEO and 100 per cent of base salary for the remaining executive directors and senior managers. In 2011, bonuses for the main board were based 70 per cent on financial performance measures, comprising group EBITDA, with the remaining 30 per cent being based on personal objectives.

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

Pensions
None of the executive directors are members of any company pension plans.

Share Option Plan
The Company operates an unapproved share option scheme in accordance with the Rules of the Playtech Limited 2005 Global Share Option Plan, pursuant to which the senior management and where relevant, the Remuneration Committee makes 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 on the third anniversary of the relevant grant date, though options granted before the current year vest in equal proportions on the three anniversaries of the relevant grant date. Following a change in the rules of the Plan approved by the Remuneration Committee during the year, the unexercised options expire ten years after the date of grant, unless the relevant employee leaves the Group's employment, in which case the unvested options lapse and any vested options lapse three months after the date that the employment ends.

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

Following the acquisitions of Gaming Technology Services Limited and of the business of Virtue Fusion, in February 2010, it was decided to establish an incentive plan to retain and incentivise key employees in the acquired businesses. As part of these arrangements, the Board approved the establishment of a HRMC approved Company Share Option Plan ("CSOP") under which options could be granted to UK-based employees and, subject to compliance with the rules of the CSOP, subject only to capital gains tax on any growth in value. Under the rules of the CSOP options may not be exercised until the third anniversary of grant and except in certain limited circumstances, such as death or disability, will lapse if the employee leaves the employment in the Group. The rules of the CSOP were approved by HMRC in August 2010 and on 24 August 2010 options over a total of 216,330 ordinary shares were granted to 30 employees.

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

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

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

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

Report of the Independent Auditors

We have audited the financial statements of Playtech Limited for the year ended 31 December 2010 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, the Consolidated Balance Sheet, the Consolidated Statement of Cash Flows, and the related notes. The financial reporting framework that has been applied in their preparation is International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Our report has been prepared pursuant to the terms of our engagement letter dated 4 August 2010 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the terms of our engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Respective responsibilities of directors and auditors

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2010 and of its profit for the year then ended; and
- have been properly prepared in accordance with IFRSs as adopted by the European Union.

Opinion on other matters

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

BDO LLP
Chartered Accountants
London
United Kingdom

10 March 2011

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

Consolidated Statement of Comprehensive Income

	Note	For the year ended 31 December 2010 €000	For the year ended 31 December 2009 €000
Revenues	4	142,294	114,775
Distribution costs		(72,867)	(45,453)
Administrative expenses		(24,118)	(12,873)
Total operating costs		**(96,985)**	**(58,326)**
Operating profit before the following items:		68,863	68,764
Professional expenses on acquisition		(1,802)	(360)
Employee stock option expenses	9	(5,855)	(5,150)
Amortisation of intangible assets	11	(13,674)	(6,406)
Decline in fair value of available-for-sale investments	15	(2,223)	(399)
Total		**(23,554)**	**(12,315)**
Operating profit	5	45,309	56,449
Financing income – other		1,690	2,148
Exchange rate differences – on deferred consideration	12	–	232
Financing income	**6A**	**1,690**	**2,380**
Financing cost – discounting of deferred consideration		(736)	(418)
Financing cost – other		(424)	(93)
Exchange rate differences – on deferred consideration	12	(1,200)	–
Total financing cost	**6B**	**(2,360)**	**(511)**
Income from associate	12	30,792	22,534
Amortisation of intangibles in associate	12	(8,266)	(10,513)
Share of profit of associate		22,526	12,021
Share of loss in joint venture	12	(152)	–
Profit before taxation		67,013	70,339
Tax expense	7	(2,343)	(828)
Profit for the period attributable to the equity holders of the parent		**64,670**	**69,511**
Other comprehensive income for the year:			
Transfer to profit and loss on sale		(1,025)	–
Adjustments for change in fair value of available-for-sale equity instruments		–	1,025
Total comprehensive income for the year attributable to the equity holders of the parent		**63,645**	**70,536**
Earnings per share (in cents)	8		
Basic		26.7	29.0
Diluted		25.7	28.0

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 2009				
Balance at 1 January 2009	180,097	–	50,109	230,206
Changes in equity for the year				
Total comprehensive income for the year	–	1,025	69,511	70,536
Dividend paid	–	–	(39,562)	(39,562)
Exercise of options	3,466	–	–	3,466
Employee stock option scheme	–	–	5,270	5,270
Balance at 31 December 2009	**183,563**	**1,025**	**85,328**	**269,916**
For the year ended 31 December 2010				
Balance at 1 January 2010	183,563	1,025	85,328	269,916
Changes in equity for the year				
Total comprehensive income for the year	–	(1,025)	64,670	63,645
Dividend paid	–	–	(45,593)	(45,593)
Exercise of options	6,127	–	–	6,127
Employee stock option scheme	–	–	5,855	5,855
Balance at 31 December 2010	**189,690**	**–**	**110,260**	**299,950**

Consolidated Balance Sheet

	Note	As of 31 December 2010 €000	As of 31 December 2009 €000
NON-CURRENT ASSETS			
Property, plant and equipment	10	12,876	8,395
Intangible assets	11	100,384	65,459
Investments in equity-accounted associates & joint ventures	12	162,583	170,366
Available-for-sale investments	15	10,932	5,513
Other non-current assets	16	6,070	2,309
		292,845	**252,042**
CURRENT ASSETS			
Trade receivables	17	13,385	6,324
Other receivables	18	9,364	10,119
Cash and cash equivalents	19	68,519	58,700
		91,268	**75,143**
TOTAL ASSETS		**384,113**	**327,185**
EQUITY			
Additional paid-in capital		189,690	183,563
Available-for-sale reserve	15	–	1,025
Retained earnings		110,260	85,328
Equity attributable to equity holders of the parent	20	**299,950**	**269,916**
NON-CURRENT LIABILITIES			
Other non-current liabilities	21	953	1,168
Deferred revenues	15	11,469	14,745
Deferred tax liability	23	1,950	2,231
Contingent consideration	14	5,474	6,983
		19,846	**25,127**
CURRENT LIABILITIES			
Trade payables	22	13,013	8,823
Progressive and other operators' jackpots		12,847	1,068
Tax liabilities		1,499	1,087
Deferred revenues	15	3,644	3,441
Deferred consideration	12	15,001	13,554
Contingent consideration	13,14	11,059	–
Other payables	24	7,254	4,169
		64,317	**32,142**
TOTAL EQUITY AND LIABILITIES		**384,113**	**327,185**

The financial statements were approved by the Board and authorised for issue on 10 March 2011.

Mor Weizer
Chief Executive Officer

Moshe (Shuki) Barak
Chief Financial Officer

Consolidated Statement of Cash Flows

	For the year ended 31 December 2010 €000	For the year ended 31 December 2009 €000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit after tax	64,670	69,511
Adjustments to reconcile net income to net cash provided by operating activities (see below)	8,924	2,017
Income taxes paid	(2,591)	(841)
Net cash provided by operating activities	**71,003**	**70,687**
CASH FLOWS FROM INVESTING ACTIVITIES		
Long-term deposits	(238)	172
Long-term loan	(1,003)	(1,141)
Dividend received from equity-accounted associates	32,269	18,528
Acquisition of property, plant and equipment	(7,176)	(5,886)
Investment in available-for-sale investments (note 15C)	(11,332)	–
Proceeds from sale of available-for-sale investments	2,665	–
Investment in partnership (note 28B)	(2,430)	–
Investments in joint venture (note 12)	(490)	–
Acquisition of intangible assets	(111)	(2,309)
Acquisition of subsidiary, net of cash acquired (note 13)	(26,136)	–
Acquisition of subsidiary, net of cash acquired (note 14)	–	(11,310)
Capitalised development costs	(7,793)	(5,503)
Proceeds from sale of property, plant and equipment	57	–
Net cash used in investing activities	**(21,718)**	**(7,449)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(45,593)	(39,562)
Exercise of options	6,127	3,466
Net cash used in financing activities	**(39,466)**	**(36,096)**
INCREASE IN CASH AND CASH EQUIVALENTS	9,819	27,142
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	58,700	31,558
CASH AND CASH EQUIVALENTS AT END OF YEAR	**68,519**	**58,700**

Consolidated Statement of Cash Flows (Continued)

	For the year ended 31 December 2010 €000	For the year ended 31 December 2009 €000
ADJUSTMENT TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Income and expenses not affecting operating cash flows:		
Depreciation	3,416	2,372
Amortisation	13,674	6,406
Income from associate	(30,792)	(22,534)
Amortisation of intangibles in associate	8,266	10,513
Share of loss in joint venture	152	–
Decline in fair value of available-for-sale investment	2,223	399
Employee stock option plan expenses	5,855	5,150
Income tax expense	2,343	828
Others	16	122
Changes in operating assets and liabilities:		
(Increase)/decrease in trade receivables	(2,791)	4,156
Increase in other receivables	(176)	(3,076)
Increase in trade payables	1,933	2,788
Increase/(decrease) in progressive and other operators' jackpot	3,483	(361)
Increase/(decrease) in other payables	4,395	(1,444)
Decrease in deferred revenues	(3,073)	(3,302)
	8,924	**2,017**

Notes to the Financial Statements

For the year ended 31 December 2010

NOTE 1 – GENERAL

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

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

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

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

A. Accounting Principles

These financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and interpretations (collectively IFRS) issued by the International Accounting Standards Board (IASB) as adopted by the European Union ("adopted IFRSs"). In the current year the Group has adopted all of the new and revised standards and interpretations issued by the IASB and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB, as they have been adopted by the European Union, that are relevant to its operations and effective for accounting periods beginning on 1 January 2010.

Changes in Accounting Policies

a) New standards, interpretations and amendments effective from 1 January 2010

The following new standards, interpretations and amendments, applied for the first time from 1 January 2010, have had an effect on the financial statements:

IFRS 3 (revised) Business Combinations – much of the basic approach to business combinations accounting required under the previous version of IFRS 3 Business Combinations has been retained in this revised version of the standard. However, in some respects the revised standard may result in very significant changes to the accounting treatments previously adopted. These include the requirement to write off all acquisition costs to profit or loss instead of including them in the cost of investment (which will have a consequent effect on the value of goodwill recognised); the requirement to recognise an intangible asset event if it cannot be reliably measured; and an option to gross up the balance sheet for goodwill attributable to non-controlling interests (known formerly as "minority interests" on a combination by combination basis. There are also some significant changes in the disclosure requirements of the revised standard. Contingent consideration in an IFRS 3 (revised) business combination will also now fall within the scope of IAS 39 and be measured initially and subsequently at fair value with re-measurement differences being recognised in profit or loss unless the re-measurement relates to conditions which existed as at the date of acquisition, in which the differences would be recognised in goodwill. Changes in the value of contingent consideration in a business combination falling within the scope of the old IFRS 3 continue to be treated as adjustments to goodwill.

The revised standard does not require the restatement of previous business combinations and, in consequence, the Group's acquisition of a 100% interest in Virtue Fusion is the first business combination to fall within the scope of IFRS 3 (revised). The principal effect of the adoption of IFRS 3 (revised) on that acquisition is the recognition of €0.7 million of acquisition expenses in "administrative expenses" within the consolidated statement of comprehensive income; this had an immaterial effect on the EPS calculation for the year.

Amendments to IAS 27 Consolidated and Separate Financial Statements – this amendment affects in particular the treatment of non-wholly-owned subsidiaries. Transactions which increase or decrease the Group's interest in a subsidiary without altering control will no longer give rise to changes in the carrying value of the subsidiary's assets or liabilities (including its associated goodwill) and will not give rise to a gain or loss. Any difference between the consideration paid or received and the adjustment to the carrying value of the non-controlling interest will be recognised directly in equity. In addition, total comprehensive income must now be attributed to owners of the parent and to the non-controlling interest even if this results in the non-controlling interest having a deficit balance. Previously, unfunded losses in such subsidiaries would be attributed entirely to the Group.

The amendment does not require the restatement of previous transactions and has had no effect on the current financial year.

None of the other new standards, interpretations and amendments effective for the first time from 1 January 2010 have had a material effect on the financial statements.

b) New standards, interpretations and amendments not yet effective

The following relevant interpretations were issued by the IASB or the IFRSC before the year-end but were not effective for the 2010 year-end:

IAS 32 (amended) – Classification of Rights Issues (effective for annual periods beginning on or after 1 February 2010).

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)
IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after 1 July 2010).

IAS 24 (Revised) – Related Party Disclosures (effective for annual periods beginning on or after 1 January 2011).

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

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

IFRS 9 Financial Instruments (effective for annual periods beginning on or after 1 January 2013). This has not yet been yet been endorsed by the EU.

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

None of the other new standards, interpretations and amendments which are effective for periods beginning after 1 January 2010 and which have not been adopted early are expected to have a material effect on the Group's future financial statements.

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

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

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

D. Revenue Recognition
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.

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

F. Share-Based Payments
Certain employees participate in the Group's share option plans which commenced with effect from 1 December 2005. The fair value of the options granted is charged to the 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 and binomial valuation model. The share options plan does not have any performance conditions other than continued service.

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

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

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

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

H. Dividend Distribution

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

I. Property, Plant and Equipment

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

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

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

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

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

J. Business Combinations

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

K. Intangible Assets

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

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 when 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	20–33.33
Customer list	12.5
Patents	Over the expected useful lives 10–33

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 asset's current level of performance, is expensed as incurred.

L. 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.

M. Impairment

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

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

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

N. Associates

Where the Group has the power to participate in (but not control) the financial and operating policy decisions of another entity, it is classified as an associate. Associates are initially recognised in the consolidated balance sheet at their fair value. The Group's share of post-acquisition profits and losses is recognised in the consolidated 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 associates is subject to impairment in the same way as goodwill arising on a business combination described above.

O. Joint Ventures

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

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Financial Assets

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

Loans and Receivables

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

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

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

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

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

Available-for-Sale Financial Assets

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

Q. Share Capital

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

R. Financial Liabilities

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

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

S. Fair Value Measurement Hierarchy

IFRS 7 requires certain disclosures which require the classification of financial assets and financial liabilities measured at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the fair value measurement (see note 27). The fair value hierarchy has the following levels:

(a) Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
(b) Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
(c) Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

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

T. Long-Term Liabilities

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

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

U. Provisions

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

NOTE 3 – CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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. More details including carrying values are included in note 11.

B. Amortisation of Development Cost and Other Intangible Assets and the Useful Life of Property, Plant and Equipment

Intangible assets and property, plant and equipment are amortised or depreciated over their useful lives. Useful lives are based on management's estimates of the period that the assets will generate revenue, which are periodically reviewed for continued appropriateness. Changes to estimates can result in significant variations in the amounts charged to the consolidated income statement in specific periods. More details including carrying values are included in notes 10 and 11.

C. Fair Value of Available-for-Sale Investments

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

The methods and assumptions applied, and the valuation techniques used, are disclosed in note 27.

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 2010, the Group made additional modifications to existing options which resulted in an incremental fair value charge in the current year. Further details are provided in note 9 to the financial statements.

E. Legal Proceedings and Contingent Liabilities

Management regularly monitors the key risks affecting the Group, including the regulatory environment in which the Group operates. A provision will be made where there is a present obligation from a past event, a transfer of economic benefits is probable and the amount of costs of the transfer can be estimated reliably. In instances where the criteria are not met, a contingent liability may be disclosed in the notes to the financial statements. More details are included in note 29.

F. Determination of Fair Value of Intangible Assets Acquired

The fair value of the intangible assets acquired is based on the discounted cash flows expected to be derived from the use of the asset. Further information in relation to the determination of fair value of intangible assets acquired is given in notes 12, 13 and 14.

G. Income Taxes

The Group is subject to income tax in three 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

Management considers that the Group's activity as a provider of an online gaming software platform constitutes one operating and reporting segment, as defined under IFRS 8.

Management review the performance of the Group by reference to Group-wide profit measures and the revenues derived from four main product groupings:

- Poker
- Casino
- Bingo
- Other

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

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

Revenue by Product

	For the year ended 31 December	
	2010 €000	2009 €000
Casino	96,710	76,757
Poker	27,406	33,813
Bingo	10,853	235
Other	7,325	3,970
Total revenues	**142,294**	**114,775**

In the current year, there were two licensees who individually accounted for more than 10% of the total revenue of the group (2009: two licensees). Revenue from these licensees in the current year totalled €44.3m (2009: €44.8m).

Geographical Analysis of Revenues by Jurisdiction of Gaming Licence

Analysis 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.

	For the year ended 31 December	
	2010 €000	2009 €000
Gibraltar	44,149	12,340
Canada	42,809	47,849
Curaçao	14,752	33,925
Philippines	9,855	4,703
Rest of World	30,729	15,958
	142,294	**114,775**

Notes to the Financial Statements (Continued)

For the year ended 31 December 2010

NOTE 4 – SEGMENT INFORMATION (Continued)

Geographical Analysis of Non-Current Assets

	As of 31 December	
	2010 €000	2009 €000
British Virgin Islands	220,399	225,462
Isle of Man	58,313	20,719
Cyprus	7,438	1,993
Estonia	4,222	1,970
Israel	1,049	773
Bulgaria	451	409
UK	378	295
Alderney	347	–
Malta	182	–
Philippines	66	421
	292,845	**252,042**

NOTE 5 – OPERATING PROFIT

Operating profit is stated after charging:

	For the year ended 31 December	
	2010 €000	2009 €000
Directors' compensation		
Short-term benefits of directors	1,471	1,233
Share-based benefits of directors	898	980
Bonuses to executive directors	528	488
	2,897	**2,701**

	For the year ended 31 December	
	2010 €000	2009 €000
Auditors' remuneration		
Audit services		
Parent company and Group audit	144	160
Audit of overseas subsidiaries	125	40
Total audit	269	200
Non-audit services		
Other acquisition and assurance services	355	117
Taxation compliance	46	–
	670	**317**

	For the year ended 31 December	
	2010 €000	2009 €000
Development costs (including capitalised development cost)	**14,720**	**7,431**

NOTE 6 – FINANCING INCOME AND COSTS

	For the year ended 31 December 2010 €000	2009 €000
A. Finance income		
Interest received	492	508
Dividend received from available-for-sale investments	1,074	1,729
Exchange rate differences – on deferred consideration	–	143
Exchange differences	124	–
	1,690	2,380
B. Finance cost		
Finance cost–discounting of deferred consideration	(736)	(418)
Exchange differences – on deferred consideration	(1,200)	–
Bank charges	(424)	(93)
	(2,360)	(511)
Net financing (expense)/income	**(671)**	**1,869**

NOTE 7 – TAXATION

	For the year ended 31 December 2010 €000	2009 €000
Current income tax		
Income tax on profits of subsidiary operations	1,685	1,345
Previous year taxes	939	–
Deferred tax (note 23)	(281)	(517)
Total tax charge	**2,343**	**828**

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

	For the year ended 31 December 2010 €000	2009 €000
Profit before tax	67,013	70,339
Tax at effective rate in Isle of Man	–	–
Higher rates of current income tax in overseas jurisdictions	1,685	1,345
Adjustments in respect of previous periods	939	–
Effect of deferred tax originating in overseas jurisdictions	(281)	(517)
	–	–
Total tax charge	**2,343**	**828**

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

The previous year taxes are due to the finalisation of tax assessments relating to 2006.

The deferred tax is due to the reversal of temporary differences arising on the acquisition of the GTS group.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2010

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	
	2010 Euro cents	2009 Euro cents
Basic	26.7	29.0
Diluted	25.7	28.0
	€000	€000
Profit for the year	**64,670**	**69,511**
	Number	Number
Denominator – basic		
Weighted average number of equity shares	**242,011,308**	**239,476,501**
Denominator – Diluted		
Weighted average number of equity shares	242,011,308	239,476,501
Weighted average number of option shares	9,173,326	8,562,031
Weighted average number of shares	**251,184,634**	**248,038,532**

B. Adjusted Earnings per Share

The adjusted earnings per share presents the profit for the year before charging professional costs on acquisitions, previous year taxes and expenses related to the investment in joint venture and after various non-cash charges relating to acquisitions and investments together with the employee stock option plan. The directors believe that the adjusted profit represents more closely the underlying trading performance of the business.

	For the year ended 31 December	
	2010 Euro cents	2009 Euro cents
Basic – adjusted	38.5	37.3
Diluted – adjusted	37.1	36.0
	€000	€000
Profit for the year	64,670	69,511
Decline in fair value of available-for-sale investments	2,223	399
Amortisation on acquisitions	7,516	3,282
Amortisation of intangibles in associate	8,266	10,513
Finance cost on discounting of deferred consideration	736	418
Employee stock option expense	5,855	5,150
Professional expenses on acquisition	1,802	360
Previous year taxes	939	–
Exchange differences – on deferred consideration	1,200	(232)
Adjusted profit for the year	**93,207**	**89,401**
	Number	Number
Denominator – basic		
Weighted average number of equity shares	**242,011,308**	**239,476,501**
Denominator – diluted		
Weighted average number of equity shares	242,011,308	239,476,501
Weighted average number of option shares	9,173,326	8,562,031
Weighted average number of shares	**251,184,634**	**248,038,532**

NOTE 8 – EARNINGS PER SHARE (Continued)

As at 31 December 2010, out of the entire share options outstanding, 2,089,468 (2009: 2,952,991) have been excluded from the calculation of diluted EPS as their exercise price is greater than the weighted average share price during the year (i.e. they are out of the money) and therefore it would not be advantageous for the holders to exercise those options. The total number of options in issue is disclosed in note 9.

NOTE 9 – EMPLOYEE BENEFITS

Total staff costs comprise the following:

	31 December	
	2010 €000	2009 €000
Salaries and employee-related costs	47,732	29,628
Employee stock option costs	5,855	5,270
	53,587	**34,898**

	31 December	
	2010 Number	2009 Number
Average number of employees		
Distribution	913	743
General and administration	81	74
	994	**817**

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

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

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

On 19 March 2009, the directors approved a repricing plan to convert options previously granted in USD to an equivalent GBP price. The impact of the modification was to recognise an incremental fair value charge of €0.2m during 2010 (2009: €2.7m).

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

Notes to the Financial Statements (Continued)

For the year ended 31 December 2010

NOTE 9 – EMPLOYEE BENEFITS (Continued)

At 31 December 2010, options under this scheme were outstanding over:

	2010 Number	2009 Number
Shares vested on 30 November 2008 at an exercise price of $2.50 per share	141,067	213,679
Shares vested on 30 November 2008 at an exercise price of £1.45 per share	489,979	851,020
Shares fully vested on 30 November 2008 at an exercise price of £2.32 per share	133,334	133,334
Shares vesting on 6 February 2009 at an exercise price of £1.45 per share	–	333,334
Shares vesting between 1 December 2006 and 6 February 2009 at an exercise price of $4.50 per share	325,046	521,379
Shares vesting between 1 December 2006 and 6 February 2009 at an exercise price of £2.55 per share	611,666	611,666
Shares vesting between 1 December 2006 and 1 December 2009 at an exercise price of £2.29 per share	200,000	200,000
Shares vesting between 28 March 2007 and 28 March 2009 at an exercise price of £2.57 per share	200,000	200,000
Shares vesting between 21 June 2007 and 21 June 2009 at an exercise price of $5.75 per share	11,000	64,602
Shares vesting between 21 June 2007 and 21 June 2009 at an exercise price of £3.16 per share	60,334	71,978
Shares vesting between 11 October 2007 and 11 October 2009 at an exercise price of £1.72 per share	208,334	833,334
Shares vesting between 11 December 2007 and 11 December 2009 at an exercise price of $4.35 per share	65,000	520,902
Shares vesting between 11 December 2007 and 11 December 2009 at an exercise price of £2.21 per share	276,669	285,270
Shares vesting between 31 December 2007 and 31 October 2010 at an exercise price of £3.79 per share	250,000	250,000
Shares vesting between 31 December 2007 and 31 October 2010 at an exercise price of $7.48 per share	75,000	75,000
Shares vesting between 16 May 2008 and 16 May 2010 at an exercise price of $7.50 per share	20,000	40,000
Shares vesting between 16 May 2008 and 16 May 2010 at an exercise price of £3.79 per share	1,143,000	1,163,000
Shares vesting between 18 June 2008 and 18 June 2010 at an exercise price of $7.79 per share	9,468	9,468
Shares vesting between 18 June 2008 and 18 June 2010 at an exercise price of £3.96 per share	121,808	143,920
Shares vesting between 18 June 2008 and 18 June 2010 at an exercise price of £3.30 per share	10,000	10,000
Shares vesting between 3 October 2008 and 3 October 2011 at an exercise price of $6.90 per share	–	300,000
Shares vesting between 10 October 2008 and 10 October 2011 at an exercise price of £3.51 per share	112,500	150,000
Shares vesting between 20 November 2008 and 20 November 2011 at an exercise price of $7.19 per share	30,000	30,000
Shares vesting between 20 November 2008 and 20 November 2011 at an exercise price of £3.51 per share	55,500	94,000
Shares vesting between 31 December 2008 and 31 December 2010 at an exercise price of $7.68 per share	18,000	28,500
Shares vesting between 31 December 2008 and 31 December 2010 at an exercise price of £3.86 per share	49,500	55,000
Shares vesting between 25 April 2009 and 25 April 2012 at an exercise price of $8.61 per share	–	40,000
Shares vesting between 25 April 2009 and 25 April 2012 at an exercise price of £4.35 per share	569,667	666,500
Shares vesting between 21 May 2009 and 21 May 2012 at an exercise price of £5.31 per share	500,000	500,000
Shares vesting between 28 November 2009 and 28 November 2012 at an exercise price of £3.20 per share	1,674,210	1,832,353
Shares vesting between 31 December 2008 and 31 December 2011 at an exercise price of £3.1725 per share	200,000	200,000
Shares fully vesting on 22 May 2012 at an exercise price of £4.155 per share	765,000	805,000
Shares fully vesting on 22 May 2012 at an exercise price of £4.05 per share	75,000	75,000
Shares fully vesting on 6 November 2012 at an exercise price of £3.70 per share	1,260,000	1,386,000
Shares vesting between 3 June 2012 and 3 June 2013 at an exercise price of £4.84 per share	328,000	–
Shares vesting between 26 August 2012 and 26 August 2013 at an exercise price of £4.16 per share	288,670	–
Shares fully vesting on 26 August 2013 at an exercise price of £4.16 per share	216,330	–
	11,592,082	**12,694,240**

Total number of shares exercisable as of 31 December is 5,971,186 and 6,908,693 for 2010 and 2009 respectively.

NOTE 9 – EMPLOYEE BENEFITS (Continued)

The fair value of the options that were granted in respect of equity-settled schemes for 2010 is €5.9 million (2009: €5.3 million). During 2010, €3.8 million (2009: €5.2 million) has been recognised as an expense in the income statement and €nil (2009: €0.1 million) 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		31 December	
	2010 Number of options	2009 Number of options	2010 Weighted average exercise price	2009 Weighted average exercise price
Outstanding at the beginning of the year	12,694,240	13,665,204	$5.12, £3.20	$5.56, £3.15
Granted during the year	1,958,000	2,266,000	£4.82	£3.87
Forfeited	(665,718)	(1,517,208)	$6.61, £3.71	$7.47, £3.43
Exercised	(2,394,440)	(1,719,756)	$4.38, £1.92	$3.00, £1.70
Outstanding at the end of the year	11,592,082	12,694,240	$4.57, £3.62	$5.12, £3.20

The weighted average share price at the date of exercise of options was £5.08 and £4.48 in 2010 and 2009 respectively.

The weighted average fair value of options granted during the year at the date of grant was £1.67 and £1.47 in 2010 and 2009 respectively.

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

Expiry date	Exercise price	2010 Number	2009 Number
1 December 2010	Between £1.45 and £2.55	–	2,129,970
Between 6 February 2011 and 11 December 2011	Between $4.35 and $5.75 and between £1.72 and £3.16	473,666	3,010,528
Between 15 May 2012 and 31 December 2012	Between £3.3 and £3.96	1,164,333	2,048,889
Between 25 April 2013 and 31 December 2013	$4.35 and £3.20	1,490,830	3,238,853
Between 22 May 2014 and 6 November 2014	Between £3.7 and £4.155	790,000	2,266,000
1 December 2015	$2.5and between £1.45 and £2.32	764,380	–
Between 6 February 2016 and 11 December 2016	Between $4.5 and $5.75 and between £1.72 and £3.16	1,484,383	–
Between 15 May 2017 and 31 December 2017	Between $7.19 and $7.79 and between £3.79 and £3.96	730,443	–
Between 25 April 2018 and 31 December 2018	$4.35 and between £3.1725 and £5.31	1,453,047	–
Between 22 May 2019 and 6 November 2019	Between £3.7 and £4.155	1,310,000	–
Between 18 April 2020 and 26 August 2020	Between £4.16 and £5.12	1,931,000	–
		11,592,082	12,694,240

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 2009 and 2010:

For options granted on 22 May 2009, 6 November 2009 and 24 November 2009	
Dividend yield (%)	2% – 3.06%
Expected volatility (%)	56.1% – 56.29%
Risk free interest rate (%)	2.06% – 2.61%
Expected life of options (years)	3 – 4.5
Weighted average exercise price	£3.87

NOTE 9 – EMPLOYEE BENEFITS (Continued)

For options modified as a result of the repricing on 19 March 2009	
Dividend yield (%)	2%
Expected volatility (%)	39.7%–56.4%
Risk free interest rate (%)	1.24%–2.02%
Expected life of options (years)	1–4
Weighted average exercise price	£3.32

For options granted on 18 April 2010, 3 June 2010 and 24 August 2010	
Dividend yield (%)	2.8%–2.85%
Expected volatility (%)	42.1%–53.0%
Risk free interest rate (%)	1.30%–2.63%
Expected life of options (years)	3.61–4.61
Weighted average exercise price	£4.82

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

For options modified as a result of the amendment to Plan on 1 July 2010	
Dividend yield (%)	2.76%
Expected volatility (%)	52.9%
Risk free interest rate (%)	2.35%
Expected life of options to last exercise date (years)	5.42
Weighted average exercise price	£3.32

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

NOTE 10 – PROPERTY, PLANT AND EQUIPMENT

	Computers and gaming machines €000	Office furniture and equipment €000	Motor vehicles €000	Leasehold improvements €000	Total €000
Cost					
As of 1 January 2009	6,974	767	72	496	8,309
Additions	5,431	181	57	217	5,886
Acquired through business combinations	75	43	–	48	166
Disposals	(412)	(14)	–	(32)	(458)
As of 31 December 2009	12,068	977	129	729	13,903
Accumulated depreciation					
As of 1 January 2009	3,237	138	26	85	3,486
Charge	2,087	208	16	61	2,372
Disposals	(342)	(3)	-	(5)	(350)
As of 31 December 2009	4,982	343	42	141	5,508
Net book value					
As of 31 December 2009	**7,086**	**634**	**87**	**588**	**8,395**

NOTE 10 – PROPERTY, PLANT AND EQUIPMENT (Continued)

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

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 2009	3,021	121	1,185	10,670	25,554	10,801	51,352
Additions	620	–	1,689	5,623	–	–	7,932
Assets acquired on business combinations	134	–	1,783	–	8,032	10,902	20,851
As of 31 December 2009	3,775	121	4,657	16,293	33,586	21,703	80,135
Accumulated amortisation							
As of 1 January 2009	567	51	63	1,733	5,856	–	8,270
Provision	394	–	93	2,660	3,259	–	6,406
As of 31 December 2009	961	51	156	4,393	9,115	–	14,676
Net book value							
As of 31 December 2009	**2,814**	**70**	**4,501**	**11,900**	**24,471**	**21,703**	**65,459**

NOTE 11 – INTANGIBLE ASSETS (Continued)

	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 2010	3,775	121	4,657	16,293	33,586	21,703	80,135
Additions	101	–	10	7,793	–	–	7,904
Assets acquired on previous year business combinations	–	–	–	–	–	1,182	1,182
Assets acquired on business combinations	3,900	–	3,035	-	18,828	13,750	39,513
As of 31 December 2010	7,776	121	7,702	24,086	52,414	36,635	128,734
Accumulated amortisation							
As of 1 January 2010	961	51	156	4,393	9,115	–	14,676
Provision	845	–	1,830	4,720	6,279	–	13,674
As of 31 December 2010	1,806	51	1,986	9,113	15,394	–	28,350
Net book value							
As of 31 December 2010	**5,970**	**70**	**5,716**	**14,973**	**37,020**	**36,635**	**100,384**

Management believes that domain names are stated at fair value and have an indefinite life due to their nature.

Amortisation of intangible assets is included in distribution costs. Included in the additions to development costs is nil (2009: €0.1m) in respect of share-based payments.

In accordance with IAS 36, the Group regularly monitors the carrying value of its intangible assets, including goodwill. Goodwill is allocated to three cash-generating units ("CGUs"), and the carrying values are below:

At 31 December 2010 the recoverable amount of the CGUs has been determined from value-in-use calculations based on cash flow projections from the formally approved budget for 2011 and detailed projections covering the periods as noted below.

Key assumptions are as follows:

For the Tribeca CGU with carrying value of €23.9 million: discount rate of 16% which is based on the Group's WACC to reflect management's assessment of specific risks related to the goodwill.

Annual growth rate of 5% for 2011–2013. Growth rates beyond the first three years are based on prudent estimates using historic growth rates.

For the GTS CGU with carrying value of €20.4 million: discount rate of 19% which is based on the Group's WACC to reflect management's assessment of specific risks related to the goodwill.

Annual growth rate of 15.7% for 2011, 4% for 2012, 3% for 2013 and 2% for the following years, based on the average forecasted GDP growth rate for the UK.

For the VF CGU with carrying value of €36.6 million: discount rate of 19% which is based on the Group's WACC to reflect management's assessment of specific risks related to the goodwill.

Annual growth rate of 23% for 2011, 9.6% for 2012, 4% for 2013, 3% for 2014, 2.5% for 2015 and 2% for the following years, based on the average forecasted GDP growth rate for the UK.

The results of the review indicated that there was no impairment of goodwill at 31 December 2010. Management has also reviewed the key assumptions and forecasts for the customer lists, applying the above same key assumptions. The results of the reviews indicated that there was no impairment of the intangible assets at 31 December 2010.

NOTE 12 – INVESTMENTS IN EQUITY ACCOUNTED ASSOCIATES & JOINT VENTURES

	2010 €000	2009 €000
Investment in equity-accounted associates and joint ventures comprise:		
A. Investment in William Hill Online (associate)	162,245	170,366
B. Investment in Sciplay (joint venture)	338	–
	162,583	**170,366**

A. Investment in William Hill Online

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

WH has an option to acquire the Group's interest in WH Online on an independent fair value basis, exercisable after four or six years from 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.

WH has 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 provided advisory and consultancy services to WH Online until the businesses were fully integrated.

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

	€000
Investment in equity-accounted associates at 1 January 2009	181,072
Adjustment to expenses	(172)
	180,900
Income from associate	22,534
Amortisation of intangibles in associate	(10,513)
Dividend	(22,555)
Investment in equity-accounted associates at 31 December 2009	**170,366**
Income from associate	30,792
Amortisation of intangibles in associate	(8,266)
Dividend	(30,647)
Investment in equity-accounted associates at 31 December 2010	**162,245**

The deferred consideration as of 31 December 2010 of €15.0 million is payable in the beginning of 2011 due to an extension of payment terms granted by the vendor of the original purchased assets that were subsequently injected into William Hill Online at the time of the acquisition in 2008.

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 2010.

The deferred consideration for the acquisition of the Purchased Assets is payable in US dollars. This caused an exchange rate expense in the amount of €1.2 million that was reflected in the income statement for 2010 (2009: income of €0.2 million).

Aggregated amounts relating to associates are as follows:

	2010 €000	2009 €000
Total assets	116,584	98,385
Total liabilities	84,740	62,937
Revenues	295,200	229,470
Profit	105,519	74,450

NOTE 12 – INVESTMENTS IN EQUITY ACCOUNTED ASSOCIATES & JOINT VENTURES (Continued)

B. Investment in Sciplay

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

Exclusive joint ventures focused on the B2G online gaming market on a global basis, called Sciplay International Sarl and Sciplay (Luxembourg) Sarl (hereinafter “Sciplay”), will utilise Playtech’s technology capabilities together with Scientific Games’ global infrastructure and experience.

On 30 April 2010 each of the parties purchased 50% of the share capital issued of Sciplay for a total consideration of €13k.

In addition each of the parties contributed €100k share premium to Sciplay International Sarl and $150k to Sciplay (Luxembourg) Sarl by contribution in kind of intangible assets. The Group contributed an exclusive licence to copyrighted software for interactive gaming activities and Scientific Games contributed the right to use the patented MAPS database, the implied utilisation of the “Scientific Games” trademark in interaction with customers and in the development of the “SciPlay” trademark, and general expertise in the lottery business.

On 28 September 2010 each of the parties paid additional paid-in capital of €477k (€227k to Sciplay International Sarl and €250k to Sciplay (Luxembourg) Sarl).

The Group’s share in the Sciplay loss for the period amounted to €368k and has been recognised in the consolidated statement of comprehensive income.

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

Aggregated amounts relating to joint ventures are as follows:

	2010 €000
Total assets	1,094
Total liabilities	(426)
Revenues	–
Loss	(736)

NOTE 13 – ACQUISITIONS DURING THE YEAR

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

The group paid an initial consideration, including working capital adjustments, of €37.7m (£33.2m) in cash and additional contingent consideration of €8.1m (£7.0m) is payable in the first quarter of 2011 based on adjusted EBIT performance in 2010.

NOTE 13 – ACQUISITIONS DURING THE YEAR (Continued)

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

	Book value prior to acquisition €000	Adjustments €000	Fair value on acquisition €000
Property, plant and equipment	886	–	886
Intangible assets	–	25,763	25,763
Trade receivables	3,600	–	3,600
Other receivables	702	–	702
Cash and cash equivalents	11,610	–	11,610
Trade payables	(1,587)	–	(1,587)
Progressive and other operators' jackpot	(8,296)	–	(8,296)
Other payable	(702)	–	(702)
Net identified assets	6,213	25,763	31,976
Goodwill			13,750
Present value of consideration			**45,726**

	€000
Cash consideration	37,746
Contingent consideration	8,122
Total cash consideration	45,868
Finance cost arising on discounting of contingent consideration	(142)
Present value of consideration	**45,726**
Cash purchased	(11,610)
Net cash payable (of which €26.2m was paid in the year)	**34,116**

Adjustments to fair value include the following:

	Amount €000	Amortisation %
Customer list	18,828	12.5
IP Technology	3,035	10
Brand	3,900	10
Total intangible assets	**25,763**	

The main factors leading to the recognition of goodwill are the synergistic growth and revenues expected to be created by the combined highly complementary business activities and the strengthening of the Group's position in comparison to its competitors in the market. In accordance with IAS 36, the Group will regularly monitor the carrying value of its interest in the VF business.

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

- The income approach, in particular, the relief of royalty approach was applied for the valuation, considering projected revenues derived from the business.
- The royalty rate was based on a third-party market participant assumption for use of the IP Technology and brand, considering market competition, quality, absolute and relative profitability.
- The discount rate assumed is equivalent to the WACC for the brand, WACC plus 1% for the IP Technology and WACC plus 2% for the customer relationships.
- The growth rates and attrition rates were based on market analysis.

The contingent consideration for the acquisition of the purchased assets is payable in GBP. This caused an exchange rate income in the amount of €0.3 million that was reflected in the income statement for 2010.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2010

NOTE 13 – ACQUISITIONS DURING THE YEAR (Continued)

Since the acquisition date, VF has contributed €18.0 million and €5.5 million to group revenues and profits respectively. The Group has not disclosed the results of the Combined Group as if the VF acquisition had occurred on 1 January 2010 as they consider the amounts involved to be immaterial.

NOTE 14 – ACQUISITIONS IN PRIOR YEAR

On 8 December 2009 the Group acquired 100% of the shares of Gaming Technology Solutions Limited, which owns 100% of the shares of VS Technology Limited and VS Gaming Limited (hereinafter "GTS Group"). The GTS Group's principal activity is to provide cutting-edge software to the operators in the gaming industry, and through the GTS Enhanced Gaming Engine (EdGE) platform, provide clients with access to soft and casino games (hereinafter "GTS business").

An initial consideration of €10.85 million was paid in cash and additional contingent consideration of up to €10.8 million is payable in respect of the adjusted EBIT performance in 2010 and 2011 in the first quarters of 2011 and 2012 respectively.

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

	Book value prior to acquisition €000	Adjustments €000	Fair value on acquisition €000
Property, plant and equipment	166	–	166
Intangible assets	134	9,815	9,949
Trade receivables	398	–	398
Other receivables	214	–	214
Cash and cash equivalents	169	–	169
Trade payables	(426)	–	(426)
Tax liabilities	(103)	–	(103)
Other payable	(73)	–	(73)
Deferred tax liability	–	(2,748)	(2,748)
Net identified assets	479	7,067	7,546
Goodwill			12,307
Present value of consideration			**19,853**

	€000
Cash consideration	10,851
Non-current contingent consideration	5,474
Current contingent consideration	2,900
Expenses paid in cash	628
Total cash consideration	19,853
Finance cost arising on discounting of contingent consideration	(377)
Present value of consideration	**19,476**
Cash purchased	(169)
Net cash paid	**19,307**

As noted above, the contingent consideration is based on performance in 2010 and 2011. Management has re-assessed the fair value of the expected consideration to be paid in the future. Based on this review, the amount of contingent consideration has been increased from €7.0 million (net of discount of €0.4 million) to €8.4 million (net of discount of €0.2 million) as at 31 December 2010. As this was an acquisition in 2009 and accounted for under the old IFRS 3 rules, the adjustment has been recognised in goodwill in the financial statements.

NOTE 14 – ACQUISITIONS IN PRIOR YEAR (Continued)

Adjustments to fair value include the following:

	Amount €000	Amortisation %
IP Technology	1,783	20
Customer list	8,032	12.5
Total intangible assets	**9,815**	

The main factors leading to the recognition of goodwill are the synergistic growth and revenues expected to be created by the combined highly complementary business activities and the strengthening of the Group's position in comparison to its competitors in the market. In accordance with IAS 36, the Group will regularly monitor the carrying value of its interest in GTS Group.

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

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

Management's impairment review as at 31 December 2010 of the carrying value of goodwill is disclosed in note 11.

NOTE 15 – AVAILABLE-FOR-SALE INVESTMENTS

	31 December	
	2010 €000	2009 €000
Available-for-sale investments comprise:		
A. Investment in Foundation Group Limited	–	3,459
B. Investment in AsianLogic	2,054	2,054
C. Investment in Sportech PLC	8,878	–
	10,932	**5,513**

	31 December	
	2010 €000	2009 €000
Change in fair value of available-for-sale investments during the year:		
A. Foundation Group Limited	231	(1,025)
B. AsianLogic	–	399
C. Sportech PLC	(2,454)	–
	(2,223)	**(626)**

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

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

A. During the year, the Group sold all of its shares in Foundation Group Limited. Prior to the sale of shares, the carrying value declined by €0.8 million which has been recognised in the consolidated statement of comprehensive income as an impairment. On disposal of the shares, the available for sale reserve at 31 December 2009 of €1,025k has been reclassified to profit and loss, resulting in a net credit of €0.2 million in the consolidated statement of comprehensive income.
B. As at 3 July 2009, AsianLogic shares were delisted from AIM. At that date, the share price was £0.245. The Directors do not consider there to have been any further impairment in the investment since 3 July 2009.

During 2010 the Group received a dividend of €1.1 million that has been reflected in the income statement as finance income.

NOTE 15 – AVAILABLE-FOR-SALE INVESTMENTS (Continued)

C. On 27 January 2010, the Group acquired a 9.99% stake in Sportech PLC, a leading UK pari-mutuel football gaming business, and owner of The New Football Pools, for a total consideration of €11.3 million. As at 31 December the market value of this investment was €8,878k. The decline in market value of €2.5 million has been recognised as an impairment in the consolidated statement of comprehensive income.

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

Foundation Group Limited and AsianLogic entered into software licence agreement as part of the shares acquisition in 2007. The directors considered that the fair value of the consideration received by way of discount to the market value represented deferred income of the software licence agreement. The revenues are being recognised over the remaining lifetime of the software licence agreement, and as at 31 December 2010, the following amounts are included in deferred revenues:

	31 December	
	2010 €000	2009 €000
Deferred revenues – non-current		
Foundation Group Limited	10,207	12,150
AsianLogic	1,262	2,595
	11,469	**14,745**

	31 December	
	2010 €000	2009 €000
Deferred revenues – current		
Foundation Group Limited	1,943	1,943
AsianLogic	1,334	1,334
Others	367	164
	3,644	**3,441**

NOTE 16 – OTHER NON-CURRENT ASSETS

	31 December	
	2010 €000	2009 €000
Loan to customer	2,836	1,833
Advance for partnership (note 28B)	2,430	–
Rent and car lease deposits	793	476
Other	11	–
	6,070	**2,309**

NOTE 17 – TRADE RECEIVABLES

	31 December	
	2010 €000	2009 €000
Customers	10,974	3,828
Related party receivable (note 25)	2,411	2,496
	13,385	**6,324**

NOTE 18 – OTHER RECEIVABLES

	31 December 2010 €000	2009 €000
Prepaid expenses	2,584	2,139
VAT and other taxes	1,197	1,191
Short-term investment	47	42
Advances to suppliers	17	70
Related party receivable (note 25)	2,459	5,136
Loan to customer	1,116	713
Loan to affiliate	1,013	–
Other receivables	931	827
	9,364	**10,118**

NOTE 19 – CASH AND CASH EQUIVALENTS

	31 December 2010 €000	2009 €000
Cash at bank	29,550	29,880
Deposits	38,969	28,820
	68,519	**58,700**

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

	31 December 2010 €000	2009 €000
Funds attributed to jackpots	12,847	1,068
Poker security deposits	1,447	670
Other	438	–
	14,732	**1,738**

NOTE 20 – SHAREHOLDERS' EQUITY

A. Share Capital

	31 December 2010 Number of Shares	2009
Share capital is comprised of no par value shares as follows:		
Authorised	N/A(*)	N/A(*)
Issued and paid up	242,599,019	240,204,579

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

Share Option Exercised
During the year 2,394,440 (2009: 1,719,756) share options were exercised.

B. Distribution of Dividend

In May 2010, the Group distributed €22,913,530 as a final dividend for 2009.

In October 2010, the Group distributed €22,679,613 as an interim dividend for 2010.

No dividends were waived.

NOTE 20 – SHAREHOLDERS' EQUITY (Continued)

C. Reserves

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

Reserve	Description and purpose
Additional paid-in capital	Share premium (i.e. amount subscribed for share capital in excess of nominal value)
Available-for-sale reserve	Changes in fair value of available-for-sale investments (note 15)
Retained earnings	Cumulative net gains and losses recognised in the consolidated income statement

NOTE 21 – NON-CURRENT LIABILITIES

	31 December	
	2010 €000	2009 €000
Long-term trade payables	767	1,038
Severance pay	186	130
	953	**1,168**

NOTE 22 – TRADE PAYABLES

	31 December	
	2010 €000	2009 €000
Suppliers	3,986	3,901
Customer liabilities	7,971	529
Related parties (note 25)	443	4,269
Other	613	124
	13,013	**8,823**

NOTE 23 – DEFERRED TAX LIABILITY

The deferred tax liability is due to temporary differences on the acquisition of the GTS group.

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

	2010 €000	2009 €000
At 1 January 2010	2,231	–
Arising on the acquisition of the GTS group	–	2,748
Reversal of temporary differences, recognised in the consolidated statement of comprehensive income	(281)	(517)
	1,950	**2,231**

NOTE 24 – OTHER PAYABLES

	31 December	
	2010 €000	2009 €000
Payroll and related expenses	5,999	3,308
Accrued expenses	1,218	841
Other payables	37	20
	7,254	**4,169**

NOTE 25 – 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, Netplay TV PLC, Sceptre Leisure Plc and 800pay Ltd are related by virtue of a common significant shareholder. The former chief executive officer of Emphasis Services Limited ("ESL"), AsianLogic Limited ("ALL") and S-tech Limited was a director of the Group until 10 March 2010. Sportech PLC is related by virtue of a common non-executive Director. WH Online and Sciplay are associates of the Group.

The following transactions arose with related parties:

	31 December	
	2010 €000	2009 €000
Revenue including income from associate		
ESL	7,764	4,507
S-tech Ltd	51	259
Sceptre Leisure Plc	364	504
Netplay TV PLC	1,399	29
WH Online	46,398	33,795
Share of loss in joint venture – Sciplay	(152)	–
Operating expenses		
Gamepark Trading Limited	211	267
S-tech Ltd	15	249
Tech Corporation	146	99
800pay Ltd	69	56
ESL	288	1,285

The following are year-end balances:

	31 December	
	2010 €000	2009 €000
Gamepark Trading Limited	117	4,185
Tech Corporation	319	75
800pay Ltd	7	9
Total related party creditors	**443**	**4,269**
Netplay TV PLC	306	29
Sceptre Leisure Plc	–	1,337
WH Online	4,512	5,784
Sciplay	52	–
Total related party debtors	**4,870**	**7,150**
Sportech PLC (note 15C)	8,878	–
ALL (note 15B)	–	2,054
Total investment in related parties	**8,878**	**2,054**

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

NOTE 26 – 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	100%	Designs, develops and manufactures online software India Ltd
Genuity Services Ltd	British Virgin Islands	100%	Holder of investment in WH Online
Playtech Services (Cyprus) Ltd	Cyprus	100%	Activates the Italian ipoker network
VB (Video) Cyprus Ltd	Cyprus	100%	Trading company for the Videobet product to Romanian companies
Guideview Trading Limited	Cyprus	100%	Licenses software to companies
Playtech Sports Limited	British Virgin Islands	100%	Holds sports betting IP
Regisol Holdings Limited	Cyprus	100%	Dormant
Playtech Software Bulgaria EOOD	Bulgaria	100%	Dormant
Makemoreprofit Investments Ltd	British Virgin Islands	100%	Holder of Guideview Trading Limited
Techplay S.A. Software LTD	Israel	100%	Develops online software
Technology Trading IOM Limited	Isle of Man	100%	Owns the intellectual property rights of the GTS Business
Gaming Technology Solutions Limited	UK	100%	Holds VS Gaming and VS Technology
VS Gaming Limited	UK	100%	Develops soft and casino games
VS Technology Limited	UK	100%	Develops EdGE platform
Bandwick Investments Ltd	Cyprus	100%	Holding Company
Bancwick Investments OU	Estonia	100%	Owns a building
Virtue Fusion (Alderney) Limited	Alderney	100%	Shareholder of Bingo Networks (Alderney) Limited
VF Interactive Gaming Limited	Malta	100%	Dormant

NOTE 26 – SUBSIDIARIES (Continued)

Name	Country of incorporation	Proportion of voting rights and ordinary share capital held	Nature of business
Virtue Fusion CM Limited	UK	100%	Chat moderation services provider to end users of VF licensees
Playtech Services Romania S.R.L	Romania	100%	Providing customer support
VB CMS OU	Estonia	100%	Develops software for fixed odds betting terminals and casino machines
Playtech Software (Alderney) Ltd	Alderney	100%	To hold the company's Alderney gaming license
Playtech Gaming SAS	France	100%	Dormant

NOTE 27 – 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 rates. The management monitors interest rate fluctuations on a continuous basis and acts accordingly.

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

During the year the Group advanced loans to customers for a total amount of €1.0m (2009 – €2.0m). The interest on the loans is 5.5%.

The loans are repayable in monthly installments.

A 1% change in deposit interest rates would impact on the profit before tax by €40k.

B. Credit Risk

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

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

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

Wherever possible and commercially practical the Group invests cash with major financial institutions that have a rating of A- as defined by Standard & Poors. The Group maintains monthly operational balances with banks that do not meet this credit rating in Israel and in the Philippines to meet local salaries and expenses. These balances are kept to a minimum and typically do not exceed €1 million at any time during the monthly payment cycle. During 2010 and 2009 a few additional banks in which the Group holds approximately 26% of its funds (2009: 50%) were degraded to below A- rate.

NOTE 27 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

In thousands of Euros	Total	Financial institutes with A- and above rating	Financial institutes below A- rating
As at 31 December 2010	68,519	49,714	18,805
As at 31 December 2009	58,700	28,420	30,280

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

In thousands of Euro	Total	Not past due	1–2 months overdue	More than 2 months past due
As at 31 December 2010	13,506	8,807	3,885	814
As at 31 December 2009	6,470	5,498	714	258

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:

	2010 €000	2009 €000
Provision at the beginning of the year	146	93
Charged to income statement	64	154
Utilised	(89)	(101)
Provision at end of year	121	146

Related party receivables included in note 17 of €2.4m (2009 – €2.3m) are not past due.

As at 31 December 2010 the Group holds undrawn credit facilities of €50.0 million.

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

Foreign exchange risk arises because the Group has operations located in various parts of the world. However, the functional currency of those operations is the same as the Group's primary functional currency (Euros) 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 other than the functional currency. During the current year, the Group suffered a foreign exchange loss on the re-translation of a USD and GBP denominated liability (deferred consideration) in respect of the WH Online and Virtue Fusion investments (notes 12 and 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 15). Variations in market value over the life of these investments have or will have an impact on the balance sheet and the income statement.

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

The Group's balance sheet at 31 December 2010 includes available-for-sale investments with a value of €8.9m which are subject to fluctuations in the underlying share price.

A change of 1% in shares price will have an impact of €0.09m on the consolidated statement of comprehensive income and the fair value of the available-for-sale investments will change by the same amount.

E. Capital 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.

NOTE 27 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

The following are the contractual maturities of the Group's financial liabilities:

Year ended 31 December 2010 In thousands of Euro	Total	Within 1 year	1–2 years	More than 2 years
Trade payables	13,013	13,013	–	–
Other accounts payable	7,254	7,254	–	–
Progressive and other operators' jackpots	12,847	12,847	–	–
Deferred consideration	15,001	15,001	–	–
Contingent consideration	16,795	11,059	5,736	–
Other non-current liabilities	953	–	767	186

Year ended 31 December 2009 In thousands of Euro	Total	Within 1 year	1–2 years	More than 2 years
Trade payables	8,823	8,823	–	–
Other accounts payable	4,169	4,169	–	–
Progressive and other operators' jackpots	1,068	1,068	–	–
Deferred consideration	13,955	13,955	–	–
Contingent consideration	7,346	–	7,346	–
Other non-current liabilities	1,168	–	1,038	130

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			
	2010 €000		2009 €000	
	Fair value	Carrying amount	Fair value	Carrying amount
Cash and cash equivalents	68,519	68,519	58,700	58,700
Available-for-sale investments	10,932	10,932	5,513	5,513
Other assets	28,819	28,819	18,752	18,752
Deferred consideration	15,001	15,001	13,955	13,955
Contingent consideration	16,533	16,533	6,983	6,983
Other liabilities	34,067	34,067	15,228	15,228

Included in available-for-sale investments is €8.9m and €2.0m measured at fair value using level 1 and level 2 respectively. These are the Group's only financial assets which are measured at fair value.

NOTE 28 – POST BALANCE SHEET EVENTS

A. Acquisition of Intelligent Gaming Solutions (IGS) Shares

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

An initial consideration of £2.5m was paid in cash and additional consideration of up to £3.0m is payable in respect of the adjusted PBT performance in 2011–2013 in the beginning of the following year.

As of the approval date of the financial statements by the Board, due to the short time period since the acquisition was announced, the Group had not completed the valuation of the fair value of the intangible assets and liabilities acquired, and accordingly these disclosures are not provided in the financial statements.

NOTE 28 – POST BALANCE SHEET EVENTS (Continued)

B. Partnership with Scientific Games

On 8 March 2011, the Group entered into an agreement with Scientific Games to form a partnership called International Terminal Leasing (hereinafter "ITL") which relates to the strategic partnership with Scientific Games Corporation (note 12B).

During 2010 the Group paid a total amount of €2.4 million as a contribution towards the purchase of gaming machines on behalf of the partnership. Upon incorporation of the above partnership, it is anticipated that those funds will be exchanged for equity in ITL and accounted for as an investment in joint ventures in the interim financial statements for 2011.

C. Acquisition of Business and Assets of Associated Businesses

On 10 March 2011 the Group entered into an agreement to purchase 100% of the issued share capital of PT Turnkey Services limited, a company which owns various assets of associated businesses including certain companies related by virtue of a significant common shareholder, for an initial cash consideration of €140 million, to be spread over instalments during 30 months from completion which is expected to be in June 2011, plus certain other contingent consideration depending on performance of the acquired businesses through to the end of 2014.

As of the approval date of the financial statements, the Group had not completed the valuation of the fair values of the intangible assets and liabilities acquired and accordingly these disclosures are not provided in the financial statements.

NOTE 29 – CONTINGENT LIABILITIES

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

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

Ten-Year History

Year	Products	Corporate
1999		Playtech was founded by entrepreneurs from the casino, software engineering and multimedia industries.
2000		Market analysis and product definition commenced. The blueprints of Playtech's software architecture took form.
2001	The first major deal was struck with an existing online operator.	
2002	The first established European land-based casino to go online launched with Playtech.	
2003	Launch of bingo network and Live Casino.	
2004	Launch of iPoker network. Launch of Videobet.	
2005	Launch of Mobile Gaming.	Certification of RNG engine by TST.
2006	Gaming software approved by Alderney GCC.	Playtech's shares admitted to the AIM of the LSE.
2007	15 significant new licensees joined the company.	Migration of Tribeca's non-US poker network, acquired end 2006.
2008	Launch of Italian poker network.	Exclusive licensing agreement signed with Paramount Pictures.
2009	Launch of Live TV product and Sports Betting platform.	Start of joint venture operation with William Hill Online. Playtech awarded World Lottery Association membership. Acquisition of Gaming Technology Solutions. Licensing agreement signed with Marvel Entertainment Inc.

Five-Year Financial Summary

	2010 €m	2009 €m	2008 €m	2007 €m	2006 €m
Income statement					
Total revenues	142.3	114.8	111.5	65.7	57.1
Associate income (WH Online)	30.8	22.5	–	–	–
Gross income	**173.1**	**137.3**	**111.5**	**65.7**	**57.1**
Adjusted EBITDA	103.1	93.7	74.7	43.0	37.5
Adjusted net profit	93.2	89.4	78.6	43.9	38.7
Balance sheet					
Non-current assets	292.8	252.0	235.2	42.4	4.8
Current assets	91.3	75.1	44.4	88.4	69.0
Current liabilities	64.3	32.1	17.7	28.6	7.3
Non-current liabilities	19.8	25.1	31.7	22.1	0.0
Net assets	300.0	269.9	230.2	80.1	66.4
Equity					
Additional paid-in capital	189.7	183.6	180.1	39.1	35.7
Available-for-sale reserve	–	1.0	–	0.2	–
Retained earnings	110.3	85.3	50.1	40.9	30.7
Statistics					
Basic adjusted EPS (in Euro cents)	38.5	37.3	34.5	20.4	18.4
Diluted adjusted EPS (in Euro cents)	37.1	36.0	33.4	19.5	17.8
Dividend per share (in Euro cents)	19.0	18.3	15.2	10.1	10.0
Share price low/high	390p/548p	291.75p/482p	305p/550p	242p/412.5p	142.5p/349p

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