

Playtech Ltd

("Playtech" or the "Company")

Audited full year results for the 12 months ended 31 December 2009

STRONG FINANCIAL PERFORMANCE, WELL POSITIONED FOR NEW REGULATED MARKETS

Playtech (AIM: PTEC), the international designer, developer and licensor of software for the online, mobile and land-based gaming industry, announces its audited full year results for the year ended 31 December 2009.

Financial highlights

- Gross income* up 23% to €137.3 million (2008: €111.5 million), reflecting first time income from associate, William Hill Online
- Adjusted EBITDA** increased by 25% to €93.7 million (2008: €74.7 million) reflecting margin of 82% from revenues and margin of 68% from gross income (2008: 67% for both measures)
- Total revenues up by 3% to €114.8 million (2008: €111.5 million)
- Like-for-like*** revenues up 8.4%
- Net profit after tax of €69.5 million (2008: €40.7 million) an increase of 71%
- Cash generated from operating activities and sums received from William Hill totaled €89.2 million (2008: €68.7 million) reflecting 95% of the Group's adjusted EBITDA** (2008: 92%)
- Adjusted basic EPS** of 37.4 € cents per share (2008: 34.5 € cents per share)
- Recommended Final Dividend of 9.4 € cents per share, an aggregate dividend for 2009 of 18.3 € cents per share (2008: 15.2 € cents per share), an increase of 20.4% on the previous year

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

(**) Adjusted EBITDA, adjusted EPS and adjusted Net Profit are calculated after adding back certain non-cash charges, and cash expenses relating to professional costs on post year end acquisition (see reconciliation in Financial and Operating Overview below)

(***) Like-for-like excludes revenues from both William Hill (for 2009) and the licensee integrated into William Hill Online (for 2008)

Operational highlights

- Integration of William Hill Online completed in October 2009
- Acquisitions of GTS in December 2009 and Virtue Fusion in February 2010 positions Playtech as the leading supplier for both Bingo and Games platforms
- Strategic partnerships announced since the year end with Scientific Games and Sportech position Playtech for growth in locally regulated markets
- Enhanced product offering:
 - significantly enhanced game portfolio
 - major poker functionality upgrade, including multi-currency capabilities
 - new sportsbook launch with its first licensee
- Italian poker network grew strongly throughout year, now six licensees representing 16% of the Italian market

- Unique cross platform capability enhanced through multiplayer television gaming solution with NetPlayTV and web-based mobile, providing solution for Apple and Google smartphone operating systems
 - Videobet achieves critical mass through partnership with Global Draw, signed after the year end, including substantial UK element giving it a leading position in that market
- Restructured development centres and workflow management delivering efficient and scalable R&D platform

Current Trading

Playtech has enjoyed a strong start to 2010. Following the acquisition of Virtue Fusion, daily average revenues for the first quarter are projected to increase by over 18% compared with Q4 2009 based on the current run-rate. To date, on a like-for-like basis, daily average revenues excluding the acquisition are up by over 8% compared to the already strong previous quarter, reflecting a recovery in activity across our licensee base. Encouragingly, all products are performing in line with or ahead of budget.

We have invested considerably during 2009 – restructuring the business, entering new markets, acquiring new licensees and expanding our portfolio of new games. The Board believes that these developments mean that the Company can look forward to 2010 with great confidence.

Roger Withers, Non-executive Chairman, said: "This has been another significant year of growth for Playtech. Excellent progress has been made both operationally and strategically. We have made good use of our substantial cash position to make a number of focused acquisitions and investments which should prove highly accretive in the medium to long term. Playtech is a growing profitable business with strong cash flows, high margins and an attractive dividend policy. Playtech continues to outperform the market and the Board looks forward to 2010 and beyond with great confidence."

- Ends -

There will be a meeting and presentation for analysts today commencing at 9.30 am in the City Presentation Centre, 4 Chiswell Street, Finsbury Square, London, EC1Y 4UP.

A live audio webcast and slide presentation of the analysts' meeting will be available on the Group's website at 09.30am today and can be found by following the link below:

<http://streamstudio.world-television.com/CCUIv3/login.aspx?ticket=726-834-8256&target=en>

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Chairman's statement

It is very pleasing to be able to report impressive financial results for the year to the end of 2009. Our revenue share model ensures that the business is fully aligned with its licensees, focusing on continual product development to help them achieve their business objectives. This is the cornerstone of the Playtech business and delivers substantial benefits to our investors.

Throughout our determination has been to provide the best possible range of gaming products to our licensees. Content is delivered on an operating platform which is the most sophisticated in the industry. This gives our licensees the range of tools needed to enhance playing experience and maximise player yields, factors that are core elements of their business objectives and critical in a year of economic downturn.

In 2009 we welcomed several new licensees ranging from specialist online sportsbooks such as Betfair, land-based operators such as Olympic, the Serbian state lottery, and entertainment brands such as SEGA and Virgin. This diverse licensee base reflects both the flexibility of Playtech's offering and an increasingly mainstream entertainment profile of the sector, which is attracting a number of new entrants. It also reflects the fact that online gaming continues to be a truly exciting, fast paced and dynamic sector.

In 2009 Playtech recorded total revenues of €114.8 million, up 3% on the prior year, whilst gross income, which includes the Group's share of profit before amortization for William Hill Online, grew by 23% to €137.3 million. The benefits of the high operational gearing of the business together with ongoing cost control has helped deliver 25% increase in adjusted EBITDA to €93.7 million.

Playtech is highly cash generative and recorded a net cash position at the year end of €59 million. Given this strong financial performance, the Board recommends payment of a final dividend of 9.4 € cents and which gives a total dividend of 18.3 € cents for the year. The overall dividend reflects the confidence of the Company going forward and the attractive dividend policy we have which rewards shareholders for their continuing investment in Playtech.

It has been a year of significant consolidation for us and the wider industry as businesses look to achieve the scale necessary to compete for the significant opportunities as regulated markets open up. Internally, we have put in place a new operating structure and realigned certain business units to ensure greater efficiency in the development of new content and product enhancements.

This was achieved concurrently with the roll-out of over 90 casino games across flash and download formats, substantial enhancements to the iPoker network, and three upgrades to our operating platform. This success is testament to the immense efforts of all those involved at Playtech.

In October we completed our work on the integration of William Hill Online (WHO) through its migration to the Playtech casino platform, another significant achievement. This migration marked the end of over 12 months of very substantial work. The share of profit from our 29% interest in this joint venture has had a positive impact on our financial results for the year and will do so going forward.

We have played an active part in the consolidation of the sector, acquiring the games platform developer Gaming Technology Solutions Limited ('GTS') in December 2009 and the leading Bingo network provider, Virtue Fusion after the year end, in February 2010.

Through these actions, Playtech is enhancing its position of being the world's leading B2B provider in online gaming. We are very well positioned to capitalise on the growth expected to come from the opening up of new locally regulated markets and improving economic conditions.

The announcement in November that Playtech had been accepted by the World Lottery Association as an associate member further reflects our growing reputation and profile on the global stage. This was reinforced in January 2010 by the announcement of a joint venture with the second largest global lottery operator, Scientific Games based in the US.

The joint venture, Scisplay, will draw on our market-leading technology and their extensive experience of operating in locally regulated markets. We believe Scisplay will be a powerful force in the emerging B2G segment, and place us in the best possible position to compete for new licensees in locally regulated markets. This is a space where we see potential for very substantial growth in coming years, although both the timing and shape of each market will only become clear once regulation is put in place.

These transactions and the financial results for the year could not have been achieved without the determination and dynamism of the executive management team and the commitment of every employee. I would like to thank each one for the contribution they made this year.

In December I was very pleased to be invited to an employee party to celebrate Playtech's 10th anniversary in Tartu, Estonia, where the Company was founded. Attending the celebration brought home not only how international the Company is, spread across its five main office locations, but the great depth of expertise we draw on. Over 800 employees took part, a number of whom had been with the Company since its earliest years. This is in an industry which is only a few years older than our Company.

In 2009, we committed to investors to enhance our corporate governance. We appointed an experienced Company Secretary in April and in November we appointed our first Head of Investor Relations. More recently we announced a restructuring of the main board which has now achieved Combined Code Compliance in terms of best practice corporate governance. This included the appointment of Barry Gibson, a highly experienced non-executive director who brings particularly relevant experience to the board at an exciting juncture in Playtech's development.

At the same time my sincere thanks go to Tom Hall and Rafi Askhenazi who have made important contributions to Playtech's businesses in Asia and as COO respectively. I am pleased that each will continue to play a role for the Company. We expect to make further Board appointments in the coming months, including a replacement Chief Financial Officer, where an extensive search is reaching its final stages.

After a year of considerable progress and corporate actions, we believe we are well positioned with a clear strategy and the means to capitalise on the exciting opportunities that we see ahead. We are highly confident for the prospects of the Company going forward.

Roger Withers
Chairman
17 March 2010

CEO Report

Overview

Playtech's industry-leading software, diversified licensee base and strong reputation have served us very well in 2009. We have delivered a robust financial performance during a year which has seen our industry operating in a tough economic environment.

It has also been a year of considerable change and development at Playtech, which places the Company in an excellent position to seize new opportunities in the fast moving and ever-evolving online gaming industry. I am very pleased therefore that over the year Playtech has increased its gross income by 23% to €137.3 million, which includes the first time share of income before amortization of intangibles from our interest in William Hill Online of €22.5 million, and net revenues by 3% to €114.8 million (2008: €111.5 million).

I believe this performance demonstrates both the robustness of the business model and the benefits of being a pure B2B provider. One of the key attractions of the Group is the quality and breadth of its product portfolio, and our clarity of focus on innovation and product improvement. There is continual progress through enhancements to our products and in developing new games and content to deliver to all our licensees across all market segments.

The breadth and richness of our portfolio has enabled us in 2009 to attract many new licensees, including those added through acquisition. These licensees were drawn from a wide range of market segments. By these means we increasingly diversify our revenue streams by product, geography and licensee type and this is set to continue as more locally regulated markets open up.

In 2009 we also broadened the overall product offering, both organically with a new sportsbook offer that was soft launched towards the end of the year, and through the acquisition of both an open architecture games platform and the largest bingo network.

What is now a comprehensive product suite is complemented by the further development of the delivery platforms, such as server-based gaming terminals, mobile and broadcast/TV. All products and the cross-platform capability are supported by our unique Information Management System ("IMS") operating system, which is the most sophisticated in the industry.

As a result, we enter our second decade with great optimism and anticipation for the opportunities that lie ahead.

Products

Casino & Poker

The online market was impacted in the early part of the year by reduced levels of spend across the board in response to economic uncertainty. We worked closely with our licensees to help them best attract and retain players, through the features available to them within the IMS. A new bonus system gave operators greater ability to personalise player incentives and maximize player activity. Through such efforts, our licensees showed great resilience in 2009 and this ultimately delivered relatively stable like-for-like revenues for the year.

Our main revenue-line and our flagship product, remains our casino product. In total we launched 90 new game variations across flash and download in 2009 including a new multi-player range of games, which commenced with a multi-player version of European Roulette. These were supported by four releases of the casino platform which incorporated a range of new operator features. Revenue growth was principally driven by new casino licensees including William Hill and Betfair, whose casino platforms became operational in the second half of the year.

In addition, to complement the main casino product, we launched a range of branded games which have proved extremely popular both online and in server-based format, and have attracted new players. Further branded slots such as Pink Panther and Rocky from MGM are planned for 2010.

We further expanded our offering this year with a new European Live Dealers capability which provides state of the art software and a product that caters specifically to the tastes of European players. It has enjoyed a growing following over the year.

Poker revenue growth in 2009 was driven largely by the success of our Italian poker network, which includes top regional operators such as Snai S.p.A, Sisal S.p.A, Eurobet Italia, Cogetech S.p.A and Gamenet, and has exceeded expectations. The network has a 16% market share in what is a rapidly growing market.

Playtech is committed to continually innovating and developing its poker offering, so that our operators have all the tools they need in order to remain at the cutting-edge of the poker industry. At the end of 2009 we introduced material enhancements to the look and feel of the player lobby and a multi-currency capability to our poker software which has strengthened its appeal to players and operators alike. We continually look to improve network management and analysis tools, as brands focus their budgets on effective marketing.

Other products

Our other products, although they account for relatively less in comparison to casino and poker, have grown strongly. In April we announced a new and improved version of our bingo software, including a range of enhancements and new features. Since the year end, our market position in bingo has been transformed by the acquisition of the business and assets of Virtue Fusion, the leading developer and network operator of online bingo products. Virtue Fusion have one of the largest and most liquid networks together with experienced network management, and this acquisition has positioned Playtech as market leader in bingo.

In addition, we recently launched our bingo network in the Italian market in a Play for Fun mode. Playtech is also developing the bingo TV market, with a fully automated, presenter-led format, for broadcasting bingo games based on real-time statistics. Following the acquisition of Virtue Fusion, we expect our bingo product to be a more significant part of our business and revenues will be reported separately.

The broadcast format is attracting increasing interest from players, particularly as interactive TV technology becomes more widespread. In July, Playtech secured a five year exclusive licence with NetPlay TV Plc to provide the full range of Playtech's software including casino, poker, bingo, TV and mobile games, for NetPlay's leading TV gaming offering. This deal positions Playtech as a market leader in TV gaming technology.

Games

Games are also growing in importance, principally as a way to introduce players to a wider range of products and gaming opportunities. To enhance our capability, in December we announced the acquisition of GTS, an experienced games developer with a sophisticated open-architecture technology platform capable of hosting a wide range of 3rd party content. GTS is very well positioned at the forefront of this technology, which focuses on flash as opposed to download formats, and has the ability to be integrated into a very wide range of software platforms.

GTS has a significant industry reputation as offering highly flexible open architecture to facilitate the hosting of products from the most innovative of games developers, in contrast with a number of its competitors. The ability to host such 3rd party content adds a new dimension to our offering, and has significant opportunities in regulated markets where local content looks set to play an important role.

The acquisition also increases our combined portfolio of games to over 500 integrated fixed odds, virtual sports, table games and slot games. This makes Playtech the leading provider of such content to the on-line gaming industry, and is a segment which is experiencing very substantial growth as operators of all kinds look to provide highly tailored content to specific markets.

Sports betting

Playtech's sportsbetting platform, went live with its first licensee at the end of 2009 and remains in trial phase. It is an exciting product which has the capability to support any sport, region, league, event, or bet type required by the operator. It has greater use of automated systems to manage hedging exposure which allows an operator to reduce the size of the trading team needed to support such a platform. The flexibility this affords also makes a comprehensive sports product viable for a much broader range of operators. This allows us to penetrate various new markets, with a focus on regulated jurisdictions in which online sportsbetting is or will be allowed.

Cross Platform - Videobet

Videobet, our server based gaming machine division, continued to grow during 2009. In the UK our fixed odds betting ("FOBT") package enjoyed a successful launch across the UK with the introduction of packages of new games including the new Gladiator branded slot game being particularly successful.

The strength of the Videobet offering has been demonstrated by our strategic technology partnership with The Global Draw, a subsidiary of Scientific Games, relating to both FOBT and video lottery ("VLT") gaming terminals and systems development. This transaction, which was announced shortly after the year end, will initially involve the upgrading of 13,500 existing FOBT terminals in the UK to the Videobet platform and joint marketing in UK and overseas for VLT and FOBT terminals. This is a very major step forward for Videobet and is just rewards for the very substantial efforts of the divisional management team over a number of years.

When taken together, we have the most comprehensive product portfolio and unique cross-platform capability available, and one which licensees can fully integrate into the IMS operating system. Players can now enjoy many of Playtech's cutting edge games at home, on the move, or in a land-based environment, and operators can focus on enhancing player yields through the tools provided by the IMS system.

William Hill Online

The William Hill Online (WHO) business, in which Playtech took a 29% interest in return for a contribution of assets at the end of 2008, commenced operations at the start of the year. Playtech receives a share of profit and as its first full year contribution, this totalled €22.5 million, before amortization of intangibles.

During 2009, various on-line businesses, located in a number of different countries were integrated and the overall headquarters was established in Gibraltar. In the second half of the year the William Hill sportsbook operations were also transferred to Gibraltar, and casino and poker operations migrated to the Playtech platform. Against this backdrop of substantial integration and development, WHO acquired 665,000 new accounts, up 28%, and increased unique active players by 31% to 1.3 million.

WHO's gaming products performed strongly in 2009, achieving on a like for like basis net revenue growth of 11% with standout performance in casino and bingo/skill games, increasing net revenue by 14% and 37% respectively assisted by strong growth in new accounts, up 39% in casino and 63% in bingo. Net revenue from poker declined 14%, in part reflecting some player attrition as migration onto an integrated site took place.

Exposure to the financial impact of a sportsbook operation is new for Playtech and in the middle of the year there was considerable volatility in football margins after a run of unusual results. This reverted to historic norms by the final quarter and ultimately, sports book net revenue was flat over the year, while amounts wagered grew by 19% and customer accounts by 30%.

I am confident that with an internationally focused platform and highly competitive product suite, the William Hill Online operations are now positioned for strong growth over the coming years. In 2010, a World Cup football year, we expect to see the potential benefits of the transaction starting to be demonstrated as the WHO management team put their strategic plan into effect.

New Licensees

Playtech has continued its strategic move into locally regulated markets in Europe and made good progress in Italy, Spain, Serbia and Estonia, as well as in the UK. During the year, the Group signed agreements with 13 new licensees from a broad range of backgrounds, including state lottery operators such as the Serbian Lottery, land based casino operators such as Olympic, retail sports betting operators such as SNAI as well as on-line gaming specialists such as Betfair and leading entertainment brands such as Sega and Virgin.

Our Italian poker network grew to six operators during the year, and together with our licensees, we are taking the opportunity to launch our bingo and casino software as the regulations in Italy allow these games to be offered by operators. In Spain, we signed licence agreements with two leading operators.

We were pleased to announce in September a strategic partnership with the Serbian State Lottery, the sole provider of online gaming in that country. The agreement was Playtech's first with a state lottery and one we hope to build on. In Estonia, preparation work took place in advance of the regulation of the market. Olympic Casino received the first online gaming license in Estonia on 21 January 2010 and they launched their casino at the start of February.

In addition, we have signed a number of memorandum of understandings with leading French casino and gaming groups so as to take advantage of the new licensing regime that is anticipated to start operating in the summer of 2010. The shape of the French market in the short term is yet to be determined and a number of our existing licensees are likely to evaluate the opportunity once the regulations and commercial opportunity become clearer.

In the last year, the diversity of new entrants to the sector together with the very substantial focus on regulatory environments have been indicators of what is likely to come. The timing and shape of each market will only be determined as legislation and regulation is put in place in each jurisdiction. Playtech is positioning itself to be a major beneficiary of this new environment and I believe the progress made in 2009, both in terms of new licensees and strategic actions, will be fundamental to our long term success.

Strategic positioning

We believe the attributes necessary to achieve material market share across locally regulated markets are very different from those of the global offshore market which has defined the sector for much of the past decade. Consequently, we have taken a number of significant steps to secure our position at the forefront of our industry, which I am confident will help drive stronger growth going forward. The acquisitions and enhancements to the product range described above reinforce our position as the leading independent B2B provider to the world-wide gaming industry.

Building on our successful experience in regulated markets such as the UK and Italy, we intend to focus our efforts where certain forms of on-line gaming are in the process of being regulated locally. We believe that such markets hold significant long term growth opportunities for the Group, and the new licensees won in 2009 reflect the success in realising this strategic vision during the year.

We believe our exclusive joint venture with Scientific Gaming, Scisplay announced in January 2010, will enable Playtech to capitalise on some of the most exciting opportunities in the sector. It is a very substantial strategic initiative and we see excellent prospects for working with government monopolies and lottery providers as their markets open up for online gaming.

Governments are increasingly exploring expanded gaming opportunities and in a number of newly regulated markets it is the incumbent lottery operator which is expected to be amongst the first to embrace new regulation, or even invited to be the sole provider. Players of lottery and online gaming are also increasingly converging in terms of shared expectations of exciting interactive gaming entertainment.

The 50:50 joint venture will utilise Playtech's technology capabilities together with Scientific Games' global infrastructure and experience with government gaming entities to deliver revenue-generating, responsible gaming solutions to the B2G sector. Scientific Games has an a presence across five continents and pre-eminent reputation for delivery of services in complex regulated markets, based on a track record of nearly 40 years.

Partnering with such a well-established and reputable provider is crucial for Playtech in a segment where existing relationships with regulators and state operators, together with an on-ground presence can be as important a selection criteria as the products or technology offering itself.

In markets such as the US which is felt to offer very substantial long term potential, Scientific Game's extensive relationships immediately delivers contacts decision makers within both lottery operators and regulators. In the US, Scientific Games holds contracts for instant tickets with more than 40 states and manages the lottery systems in 11 states.

The joint venture is structured so as to maximize the ability to leverage off the capabilities of each partner, while maintaining high flexibility in both marketing effort and product offering. Initially its resources will be a small dedicated marketing-focused team based in the US and Europe as these are geographies where we see real opportunities requiring immediate engagement. Capex is not expected to be material until B2G contracts have been won and would be specific to that opportunity, which are typically multi-year contracts.

Sciplay has the potential to deliver tailored solutions for lottery operators reflecting the regulatory environment in which they operate and the products permitted. Playtech's full product range will enable an operator to build up its offering over time and as the regulatory landscape evolves, whilst immediately benefitting from the player management capabilities of the IMS system.

Where a full turnkey solution is requested, Scientific Games' global infrastructure can also be brought in to play. This will greatly reduce the normal risks of setting up a new operation and minimizing the start-up costs and timeframe.

We view Sciplay as a long term partnership of two highly complementary B2B specialists, delivering a platform which enables both partners to achieve a very substantial position in a hugely exciting new segment.

Also consistent with this approach to B2G markets has been our alliance with and investment in Sportech plc which recently acquired 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 also intend to work with Sportech to offer a sports gaming product based on their pari-mutuel football pools, which has a substantial following and is developing internationally.

Playtech has therefore put in place significant partnerships which together give us the best chance to win market share in regulated markets as they open up. Through our strategic partnerships we are now able to build meaningful relationships and expertise with both regulators and current participants.

We will of course remain focused on our core competence of product development and technology innovation.

Other Developments

2009 was also a year of considerable development inside Playtech. We have taken the opportunity during the year to restructure certain development centre business units, implement a robust new operating model, focused on product based business units. This gives ownership and work-flow management responsibility to the team on an end-to-end basis. As a result we have increased resource in our development centres in Estonia and Bulgaria and closed down our facility in India.

The board believes that this important re-allocation of resources reflects the Group's commitment to continuous product improvement, enhanced delivery and the quality of customer service, and will help drive stronger growth.

Mor Weizer
Chief Executive Officer
17 March 2010

Financial and Operational Review

I am delighted to report on Playtech's financial results for the year ended 31 December 2009, which demonstrates the Company's strength and robust business model through this year's challenging economics conditions and in today's competitive gaming industry. This successful year of growth in trading performance is principally attributable to two main factors: the ability of the Group to continue to attract new business whilst supporting and maintaining growth from existing licensees; and the strong results of William Hill Online ("WHO") which, as expected, has significantly contributed to the Group's gross income.

Playtech has continued to be an active participant in the consolidation of the sector, and has undertaken a number of corporate transactions both in 2009 and after the year end which are expected to be additional drivers for revenue growth. These will be reflected in the future financial statements of the Company.

The influence of Playtech's investment in WHO on the Group's results for the year makes comparison with previous years more complicated. The transaction, which was completed at the end of 2008, resulted in the Group receiving a reduced royalty rate from the casino and poker assets injected into WHO and reducing Playtech's total revenue line. In return, Playtech receives a 29% share of the profit of the entire WHO business, which comprises an enlarged combined casino and poker operations, together with WHO's existing online sportsbook. As WHO is accounted for under IFRS as an investment in an associate, the share of profit is presented as income from associate.

In accordance with accounting guidance, Playtech is recording 100% of the license fees received from WHO in its revenue line, with its income from associate being shown separately in the statement of comprehensive income. On that basis, gross income (total revenues and income from associate before amortization of intangibles) becomes the relevant measurement of the group's trading performance.

Gross income for the year ended 31 December 2009, increased by 23% to €137.3 million (2008: €111.5 million), out of which, €22.5 million is related to Playtech's income from associates.

Total revenues for the year were up 3% to €114.8 million (2008: €111.5 million). Casino revenues decreased by 3% to €76.8 million (2008: €79.4 million) and Poker revenues increased by 12% to €33.8 million (2008: €30.1 million).

Total revenues excluding revenues from WHO for the year were up 8.4% to €103.5 million (2008: €95.5 million excluding revenue from former customer). On the same basis Casino revenues were up 3.2% to €68.3 million (2008: €66.2 million) and Poker revenues up by 14.9% to €31.7 million (2008: €27.6 million).

Net profit for the year increased by 71% to €69.5 million (2008: €40.7 million). Earnings per share ('EPS') for the year were 29 € cents based on the weighted average number of shares (2008: 17.9 € cents). The fully-diluted EPS for the year were 28 € cents (2008: 17.3 € cents).

The net profit figures, for the years ended 31 December 2009 and 2008, were achieved after charging professional costs on post year-end acquisition and after charging various non-cash charges relating to the investments in WHO, Tribeca, CY Foundation Group Limited and AsianLogic Limited, and the employee stock option plan.

As is widely accepted practice, greater focus is placed on the performance excluding the majority of non-cash charges, and accordingly we set out below the key line items on an adjusted basis together with their reconciliation to the audited accounts.

Adjusted Net Profit and Adjusted Earnings per Share

Management believes that adjusted net profit better presents the underlying performance of the Group and sets out below the basis on which these are calculated and reconciled to the Group's accounts.

Adjusted net profit for the year totalled €89.6 million (2008: €78.6 million), an increase of 14%. Adjusted net profit margin (as a percentage of revenues) for the year was 78% (2008: 70%). The adjusted EPS for the year, based on the weighted average number of shares is 37.4 € cents (2008: 34.5 € cents).

Adjusted Net Profit and Adjusted Earnings per Share

	2009	2008
	€000	€000
Net profit	69,511	40,691
Amortization of intangibles on acquisition of WHO	10,513	-
Decline in fair value of available for sale investment in CY Foundation and AsianLogic	399	16,698
Discounting of deferred consideration for investments	418	748
Amortization of customer list on acquisitions	3,282	3,173
Employee stock option expenses	5,150	4,125
Professional costs on post year end acquisition	360	-
Exchange differences relating to the investment in William Hill Online	-	13,126
Adjusted net profit	89,633	78,561
Adjusted net profit margin (as a % revenues)	78%	70%
Adjusted basic EPS (in Euro cents)	37.4	34.5
Adjusted diluted EPS (in Euro cents)	36.1	33.4

Adjusted EBITDA

Adjusted EBITDA is calculated after adding the income from the associate (WHO), together with adding back expenses related to professional costs on post-year end acquisition and adding back certain non-cash expenses. These relate to the investment in WHO, Tribeca, CY Foundation Group Limited and AsianLogic Limited, and the employee stock option plan. Adjusted EBITDA for the period year totalled €93.7 million (2008: €74.7 million), an increase of 25.4% over the same period in 2008. Adjusted EBITDA margin (as % revenue) in the year was 82% (2008: 67%).

Adjusted EBITDA

	2009	2008
	€000	€000
Operating profit	56,449	47,977
Amortization & depreciation	8,778	5,912
EBITDA	65,227	53,889
Share of profit of associates before amortization of intangibles	22,534	-
Decline in fair value of available for sale investment in CY Foundation and AsianLogic	399	16,698
Professional costs on post year end acquisition	360	-
Employee stock option expenses	5,150	4,125
Adjusted EBITDA	93,670	74,712
Adjusted EBITDA margin (as % of revenues)	82%	67%

Acquisition of Gaming Technology Solutions Limited

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 ("**GTS Group**"). The GTS Group's principal activity is to provide cutting-edge software to operators in the gaming industry, and through the GTS Enhanced Gaming Engine ("**EdGE**") platform, to provide clients with access to soft and casino games, including from 3rd party developers ("**GTS Business**").

Playtech paid an initial consideration of €10.9 million on completion. Additional contingent consideration payments, capped at €21.6 million are dependent on the profitability of the GTS Business over a period of 2 years following completion, and are payable in the first quarters of 2011 and 2012.

Cash Flow

Playtech continues to be a highly cash generative business, and the dividend received from WHO has further increased the cash flow of the Company. The main uses for funds were dividend payments together with consideration payable for acquisitions undertaken. As set out in 'Post Balance Sheet events' below, there were additional acquisitions made after the year end on which cash considerations have also been paid.

Cash and cash equivalents as at 31 December 2009 amounted to €58.7 million (2008: €31.6 million), representing 18% (2008: 11%) of the Group's total assets.

In the year ended 31 December 2009, the Group generated €89.2 million from its operating activities and from cash received from WHO as share of profit (2008: €68.7 million). The conversion ratio from adjusted EBITDA was 95% (2008: 92%)

The Group's net cash usage in investing activities, excluding cash received from WHO, was €25.9 million of which €11.3 million was for the acquisition of GTS group, and the remainder broadly split between software development costs and infrastructure (2008: €197.1 million, the majority of which was used for the investment in WHO).

The Group's net cash usage in its financing activity was €36.1 million for the year ended 31 December 2009, the majority of which was used for the payment of the final dividend of 2008 and the interim dividend of 2009 (2008: net cash generated of €105 million, including €138.1 million derived from proceeds of a public offering issued for the purpose of the investment in WHO).

Cost of Operations

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

The Group also continues to seek additional strategic acquisitions and investments in joint ventures. Such activities have resulted in an increase in administrative expenses. Professional costs for the year ended 31 December 2009 amounted to €360,000 and related to post year end acquisitions which have been completed.

Adjusted operating expenses for the year ended 31 December 2009, excluding the above mentioned non-cash charges and costs on post year end acquisitions totalling €14.7 million (2008: €26.7 million), were €43.6 million (2008: €36.7 million), representing an increase of 19% over 2008. The increase is mainly due to employee related costs, which represent 58% of the Adjusted operating expenses (2008: 52%) reflecting the growth in the number of employees in the year, together with related costs for additional offices rented, additional office maintenance and equipment expenses incurred.

Adjusted Operating Expenses

	2009	2008
	€000	€000
Operating Expenses	58,326	63,473
Amortization & Depreciation	(8,778)	(5,912)
Decline in fair value of available for sale investment in CY Foundation and AsianLogic	(399)	(16,698)
Professional costs on post year end acquisition	(360)	-
Employee stock option expenses	(5,150)	(4,125)
Adjusted Operating Expenses	43,639	36,738

Financing Income and Tax

Cash is generally held in short-term deposits, which generated net finance income of €0.5 million in the year (2008: €4.7 million). The decrease is due to significantly lower interest rates in 2009 and large cash balances held in 2008 subsequent to the public offering. Financing income also includes €1.7 million received as a dividend from the investment in AsianLogic (2008: €0.2 million).

The Company 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 operate on a cost plus basis. The subsidiaries are taxed on their residual profit. Tax charges in 2009 totalled €0.8 million (2008: €0.8 million), resulting in a 1.2% effective tax rate (2008: 1.8%).

Balance Sheet

Cash and cash equivalents as at 31 December 2009 were €58.7 million (2008: €31.6 million).

The majority of the trade receivables balance as at 31 December 2009 was due to amounts payable by licensees for the month of December 2009 and which were paid in the consecutive month.

Intangible assets as at 31 December 2009 totalled €65.5 million (2008: €43.1 million), the majority of which comprised: customer lists purchased from Tribeca and GTS; goodwill generated in the Tribeca and GTS acquisitions; patent and intellectual property rights; and development costs of products including new slot and Mahjong games, the new sports product and the mobile platform.

Available for sale investments totaling €5.5 million (2008: €4.9 million) comprise the investments in both Foundation and AsianLogic.

Deferred consideration in the amount of €13.6 million (net of discount for deferred consideration of €0.4 million) as at 31 December 2009 (2008: €13.4 million (net of discount for deferred consideration of €0.8 million)) represents the present value of the remaining consideration to be paid for the investment in WHO.

Contingent consideration in the amount of €7.0 million (net of discount for deferred consideration of €0.4 million) as at 31 December 2009 represents the present value of the contingent consideration (based on management forecasts) to be paid for the investment in the GTS Group.

Investments in equity accounted associates relate to the investment in WHO totalled €170.4 million (2008: €181.1 million). The decrease from 2008 is due to the relevant portion of amortization of the intangibles on acquisition of WH Online.

Dividend

In October 2009, the Company distributed an interim dividend of 8.9€ cents per share, totaling approximately €21.4 million.

On 16 March 2010, the Board recommended the distribution of a final dividend for 2009 of 9.4 € cents per share which represents a payment of approximately €22.5 million. This implies a total dividend of 18.3 € cents per share for the year. Subject to approval by the shareholders at the Company's Annual General Meeting on 27 May 2010, the dividend will be paid on 3 June 2010 to the Shareholders and Depositary Interest holders on the record on 30 April 2010.

Post balance sheet events

Establishment of commercial partnership with Scientific Games

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

- An exclusive Joint Venture focused on the B2G online gaming market on a global basis, called 'Sciplay' that will utilize Playtech's technology capabilities together with Scientific Games' global infrastructure experience and reach to the B2G market.
- Exclusive agreements for Playtech's fully owned subsidiary Videobet to develop gaming terminal software and a next generation central monitoring system to be distributed by Scientific Games and its subsidiaries

Acquisition of a strategic stake in Sportech PLC.

On 27 January 2010, the Company acquired a 9.99% shareholding in Sportech PLC, the UK's leading pari-mutuel football gaming business, and owner of The New Football Pools, for a total consideration of €11.4 million as part of a capital raising by Sportech to fund its acquisition of Scientific Games Racing (the US-based pari-mutuel and venue management business division of Scientific Games Corporation) for up to \$83 million. Playtech intends to provide its software products and services to the Sportech businesses, targeting their combined customer base.

Assets purchase of Virtue Fusion Limited

On 12 February 2010, the Company entered into an assets purchase agreement with Virtue Fusion Limited, the leading developer and licensor of online bingo products.

The Company purchased the Intellectual property rights, technology, customers list, brands, plant and equipment, 100% of the shares of the sellers' operating subsidiaries, and other assets, for an initial consideration of €22.7 million on completion, and an additional amount of up to €10.2 million payable within 30 days of completion. Additional contingent consideration of up to €8.0 million, may be payable in the first quarter of 2011 based on adjusted EBIT performance in 2010.

Shuki (Moshe) Barak
Chief Financial Officer
17 March 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	For the year ended 31 December 2009	For the year ended 31 December 2008
Revenues	4	114,775	111,450
Distribution costs		(45,453)	(35,423)
Administrative expenses		(12,873)	(28,050)
Total operating costs		(58,326)	(63,473)
Operating profit before the following items:		68,764	73,034
Professional expenses on post year end acquisition		(360)	-
Employee stock option expenses	9	(5,150)	(4,125)
Amortization of intangible assets	11	(6,406)	(4,234)
Decline in fair value of available for sale investments	14	(399)	(16,698)
Total		(12,315)	(25,057)
Operating profit	5	56,449	47,977
Financing income	6a	2,380	7,680
Financing cost – discounting of deferred consideration		(418)	(748)
Financing cost – other		(93)	(330)
Exchange rate differences – Investments in equity accounted associates	12	-	(13,126)
Total financing cost	6b	(511)	(14,204)
Income from associate		22,534	-
Amortization of intangibles in associate		(10,513)	-
Share of profit of associate		12,021	-
Profit before taxation		70,339	41,453
Tax expense	7	(828)	(762)
Profit for the period attributable to the equity holders of the parent		69,511	40,691
Other comprehensive income for the year:			
Adjustments for change in fair value of available for sale equity instruments		1,025	(196)
Total comprehensive income for the year attributable to the equity holders of the parent		70,536	40,495
Earnings per share (in cents)	8		
Basic		29.0	17.9
Diluted		28.0	17.3

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, 2008				
Balance at 1 January 2008	39,065	196	40,870	80,131
Changes in equity for the year				
Total comprehensive income for the year	-	(196)	40,691	40,495
Dividend paid	-	-	(35,893)	(35,893)
Public offering proceeds	140,989	-	-	140,989
Share issue costs	(2,874)	-	-	(2,874)
Exercise of options	2,917	-	-	2,917
Employee stock option scheme	-	-	4,441	4,441
Balance at 31 December 2008	180,097	-	50,109	230,206
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

CONSOLIDATED BALANCE SHEET

	Note	As of 31 December 2009 €000	As of 31 December 2008 €000
NON-CURRENT ASSETS			
Property, plant and equipment	10	8,395	4,823
Intangible assets	11	65,459	43,082
Investments in equity accounted associates	12	170,366	181,072
Available for sale investments	14	5,513	4,887
Other non-current assets	15	2,309	1,340
		252,042	235,204
CURRENT ASSETS			
Trade receivables	16	6,994	10,082
Other receivables	17	10,119	2,802
Cash and cash equivalents	18	58,700	31,558
		75,813	44,442
TOTAL ASSETS		327,855	279,646
EQUITY			
Additional paid in capital		183,563	180,097
Available for sale reserve	14	1,025	-
Retained earnings		85,328	50,109
Equity attributable to equity holders of the parent	19	269,916	230,206
NON CURRENT LIABILITIES			
Other non-current liabilities	20	1,168	184
Deferred revenues	14	14,745	18,136
Deferred tax liability	22	2,231	-
Contingent consideration	13	6,983	-
Deferred consideration	12	-	13,378
		25,127	31,698
CURRENT LIABILITIES			
Trade payables	21	10,561	7,038
Tax liabilities		1,087	104
Deferred revenues	14	3,441	3,352
Deferred consideration	12	13,554	-
Other payables	23	4,169	7,248
		32,812	17,742
TOTAL EQUITY AND LIABILITIES		327,855	279,646

The financial statements were approved by the Board and authorised for issue on 17 March 2010.

Mor Weizer
Chief Executive Officer

Shuki (Moshe) Barak
Chief Financial Officer

CONSOLIDATED STATEMENT OF CASH FLOWS

	For the year ended 31 December 2009	For the year ended 31 December 2008
	€000	€000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	70,339	41,453
Tax	(828)	(762)
Adjustments to reconcile net income to net cash provided by operating activities (see below)	1,176	28,051
Net cash provided by operating activities	70,687	68,742
CASH FLOWS FROM INVESTING ACTIVITIES		
Long term deposits	172	(391)
Long term loan	(1,141)	(692)
Dividend received from equity-accounted associates	18,528	-
Acquisition of property, plant and equipment	(5,886)	(3,389)
Proceeds from sale of available for sale investments	-	311
Investments in equity-accounted associates	-	(165,376)
Acquisition of intangible assets	(2,309)	(1,925)
Acquisition of business	-	(19,542)
Acquisition of subsidiary, net of cash acquired (Note 13)	(11,310)	-
Capitalised development costs	(5,503)	(6,138)
Net cash used in investing activities	(7,449)	(197,142)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(39,562)	(35,893)
Public offering proceeds	-	140,989
Share issue costs	-	(2,874)
Exercise of options	3,466	2,917
Net cash (used in)/provided by financing activities	(36,096)	105,139
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	27,142	(23,261)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	31,558	54,819
CASH AND CASH EQUIVALENTS AT END OF YEAR	58,700	31,558

	For the year ended 31 December 2009 €000	For the year ended 31 December 2008 €000
ADJUSTMENT TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Income and expenses not affecting operating cash flows:		
Depreciation	2,372	1,678
Amortisation	6,406	4,234
Income from associate	(22,534)	-
Amortization of intangibles in associate	10,513	
Decline in fair value of available for sale investment	399	16,698
Employee stock option plan expenses	5,150	4,125
Others	122	(6)
Changes in operating assets and liabilities:		
Decrease/(increase) in trade receivables	3,486	(2,159)
(Increase)/decrease in other receivables	(3,076)	758
Increase in trade payables	3,097	3,840
(Decrease)/increase in other payables	(1,457)	2,514
Decrease in deferred revenues	(3,302)	(3,631)
	1,176	28,051

NOTE 1 – GENERAL

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

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

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

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

A. Accounting principles

These financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting standards and interpretations (collectively IFRS) issued by the International Accounting Standards Board (IASB) as adopted by the European Union ("adopted IFRSs"). In the current year the Group has adopted all of the new and revised standards and interpretations issued by the IASB and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB, as they have been adopted by the European Union, that are relevant to its operations and effective for accounting periods beginning on 1 January 2009.

Changes in accounting policies

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

IFRS 8, Operating Segments (effective for accounting periods beginning on or after 1 January 2009). This standard sets out requirements for the disclosure of information about the group's operating segments and also about the group's products and services, the geographical areas in which it operates, and its major customers, based on the information reviewed by the 'chief operating decision maker'. As this is a disclosure standard it has had no impact on the results or net assets of the Group.

Amendments to IAS 1 Presentation of Financial Statements: A Revised Presentation: The revised Standard has introduced a number of terminology changes and has resulted in a number of changes in presentation and disclosure. As a result of the application of this Amendment the Group has elected to present a single statement of comprehensive income. However, the revised Standard has had no impact on the reported results or financial position of the Group.

Improving Disclosures about Financial Instruments (Amendments to IFRS 7): The application of this Amendment has resulted in changes to the disclosures provided in respect of financial instruments, primarily in note 26 to the financial statements including an analysis of financial asset and financial liability that is measured at fair value in the statement of financial position, into a three level fair value measurement hierarchy. The Amendment does not change the recognition or measurement of transactions and balances in the financial statements.

The following new standards, interpretations and amendments, also effective for the first time from 1 January 2009, have not had a material effect on the financial statements:

- Amendment to IAS 23 Borrowing Costs

- Amendment to IFRS 2 Share-based Payment: Vesting Conditions and Cancellations
- Amendments to IAS 32 and IAS 1 Puttable Financial Instruments and Obligations Arising on liquidation
- Improvements to IFRSs (2008)
- IFRIC 15 Agreements for the Construction of Real Estate
- Embedded Derivatives (Amendments to IFRIC 9 and IAS 39)

Standards, amendments and interpretations not yet effective

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2010 or later periods and which the Group has decided not to adopt early. These are:

IFRS 3 (revised), Business Combinations and complementary Amendments to IAS 27, Consolidated and separate financial statements (both effective for the group's accounting period beginning on 1 January 2010). IFRS 3 (revised) includes certain very significant changes to the requirements of IFRS, and options available, in accounting for future business combinations, in particular all legal and professional fees are expensed immediately, and contingent consideration is assessed at fair value on the date of acquisition, with all subsequent changes being recognized in the income statement, and not goodwill. It is expected that this Standard will have a significant impact on the Group given the acquisition already completed subsequent to the balance sheet date (see note 27). Acquisition expenses incurred in respect of those acquisitions not completed at 31 December 2009 have been expensed during 2009 in line with the revised IFRS.

The Amendment to IAS 27 is adopted at the same time as IFRS 3 (revised), and will affect in particular the acquisitions of subsidiaries achieved in stages and disposals of interests, with significant differences in the accounting depending on whether or not control is obtained as a result of the transaction, or where a transaction results only in a change in the percentage of a controlling interest. Management is currently assessing the impact this standard might have on the Group.

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

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

It does not have retrospective application.

Amendment to IAS 39 Financial Instruments: Recognition and Measurement: Eligible Hedged Items. This Amendment clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation should be applied in the designation of a one-sided risk in a hedged item, and inflation in a financial hedged item. Management does not expect this Amendment to have a significant impact on the Group, due to the absence of such arrangements.

IFRIC 18 Transfer of Assets from Customers (received on or after 1 July 2009; effective from accounting period beginning on or after 1 November 2009). This Interpretation clarifies the treatment of agreements in which an entity receives from a customer an item of property, plant and equipment (or cash which must be used only to acquire or construct an item of property, plant and equipment) that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services. Management is currently assessing the impact this Interpretation might have on the Group.

Improvements to IFRSs (2009) effectively for accounting periods beginning on or after 1 January 2010. The Amendments take various forms, including the clarification of the requirements of IFRS and the elimination of inconsistencies between Standards. Management is currently assessing the full impact of the Amendment on the accounts but those aspects that may be applicable are listed below:

Total assets for each reportable segment need only be disclosed when such information is regularly provided to the chief operating decision maker.

The Amendment changes IAS 38 to bring the guidance on the treatment of intangible assets acquired as part of a business combination in line with the requirements of IFRS 3 (revised) and to clarify the description of valuation techniques used in the absence of an active market.

Group Cash-settled Share-based Payment Transactions (Amendments to IFRS 2) This has yet to be endorsed by the EU. This Amendment clarifies that, where a parent (or another group entity) has an obligation to make a cash-settled share-based payment to another group entity's employees or suppliers, the entity receiving the goods or services should account for the transaction as equity-settled. Management is currently assessing the impact this Amendment might have on the Group.

Classification of Rights Issues (Amendment to IAS 32). This Amendment addresses the accounting for rights issues (rights, options, or warrants) that are denominated in a currency other than the functional currency of the issuer. Previously such rights were accounted for as derivative liabilities. However, the Amendment requires that, provided the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments, such rights issues are classified as equity regardless of the currency in which the exercise price is denominated. Management is currently assessing the impact this Amendment might have on the Group.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments. This has yet to be endorsed by the EU. This Interpretation addresses transactions in which an entity issues equity instruments to a creditor in return for the extinguishment of all or part of a financial liability. Broadly, it applies to transactions where the two parties are acting only in their capacity as lender and borrower. For transactions within its scope, where the whole liability is extinguished, the Interpretation requires the equity instruments issued to be measured at their fair value and the difference between the fair value and the carrying value of the financial liability extinguished to be recognized in profit or loss. Management is currently assessing the impact this Interpretation might have on the Group.

Revised IAS 24 Related Party Disclosures. This has yet to be endorsed by the EU. The revision to IAS 24 provides for a partial exemption for government related entities, and a revised definition of a related party. The structure of the definition of a related party has been simplified and inconsistencies eliminated. The revised definition will mean that some entities will have more related parties for which disclosures will be required. Management is currently assessing the impact this Revision might have on the Group.

IFRS 9 Financial Instruments. This has not been endorsed by the EU. IFRS 9 will eventually replace IAS 39 in its entirety.

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

B. Foreign currency

The financial statements of the Company and its subsidiaries are prepared in Euro (the functional currency), which is the currency that best reflects the economic substance of the underlying events and circumstances relevant to the Group Transactions and balances in foreign currencies are converted into Euro in accordance with the principles set forth by International

Accounting Standard (IAS) 21 ("The Effects of Changes in Foreign Exchange Rates"). Accordingly, transactions and balances have been converted as follows:

Monetary assets and liabilities - at the rate of exchange applicable at the balance sheet date; Income and expense items - at exchange rates applicable as of the date of recognition of those items. Non-monetary items are converted at the rate of exchange used to convert the related balance sheet items i.e. at the time of the transaction. Exchange gains and losses from the aforementioned conversion are recognized 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 recognized in the accounting periods in which the gaming transactions occur. Royalty and other income receivable under fixed-term arrangements are recognized 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 plan which commenced with effect from 1 December 2005. The fair value of the options granted is charged to the Income Statement on a straight line basis over the vesting period and the credit is taken to equity, based on the Group's estimate of shares that will eventually vest. Fair value is determined by the BlackScholes 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 recognized where the carrying amount of an asset or liability in the consolidated balance sheet differs from its tax base, except for differences arising on:

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

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

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

- the same taxable group company; or
- different group entities which intend either to settle current tax assets and liabilities on a net basis, or to realize 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 recognized 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	33.33
Office furniture and equipment	7.00-20.00
Leasehold improvements	10.00, or over the length of the lease
Motor vehicles	15

Subsequent expenditures are included in the assets carrying amount or recognized 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 recognized 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 capitalized software development costs. All such intangible assets are stated at cost less accumulated amortization. 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.

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

	%
Domain names	Nil
Internally generated capitalized development costs	33.33
Technology IP	20-33.33
Customer list	12.5
Patents	Over the expected useful lives 10-33

Intangible assets identified under the investment accounted for using equity method

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

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

Expenditure incurred on development activities including the Group's software development is capitalized 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 capitalized intangible assets is capitalized only where it clearly increases the economic benefits to be derived from the asset to which it relates. All other expenditure, including that incurred in order to maintain an intangible assets current level of performance, is expensed as incurred.

L. Goodwill

Goodwill 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 capitalized as an intangible asset with any impairment in carrying value being charged to the consolidated income statement. Goodwill is not amortized 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 recognized in the consolidated statement of recognized income and expense. An impairment loss recognized 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 recognized in the consolidated balance sheet at their fair value. The Group's share of post-acquisition profits and losses is recognized in the consolidated income statement, except that losses in excess of the Group's investment in the associate are not recognized unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associates are recognized 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 capitalized as goodwill and included in the carrying amount of the associate. The carrying amount of investment in associate is subject to impairment in the same way as goodwill arising on a business combination described above.

O. 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.

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 recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortized 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 recognized 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 recognized in the income statement.

Purchases and sales of available for sale financial assets are recognized on settlement date with any change in fair value between trade date and settlement date being recognized 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 recognized in the income statement.

P. Share capital

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

Q. Financial liabilities

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

R. Fair value measurement hierarchy

IFRS 7 requires certain disclosure which require the classification of financial assets and financial liabilities measured at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the fair value measurement (see note 26). The fair value hierarchy has the following levels:

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

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

S. Long term liabilities

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

T. Provisions

Provisions, which are liabilities of uncertain timing or amount, are recognized 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 JUDGEMENTS

The areas requiring the use of estimates and critical judgements that may potentially have a significant impact on the Group's earnings and financial position are impairment of goodwill, the recognition and amortization 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. Recognition and amortization of development cost and other intangible assets and the useful life of property, plant and equipment

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

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

C. Fair value of financial instruments

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

The methods and assumptions applied, and the valuation techniques used, are disclosed in note 26

D. Share based payments

The Group has a share based remuneration scheme for employees. The fair value of share options is estimated by using the Black-Scholes model, on the date of grant based on certain assumptions. Those assumptions are described in note 9 and include, among others, the dividend growth rate, expected share price volatility, expected life of the options and number of options expected to vest. During 2008 the Group reassessed the fair value of the options granted, in order to provide reliable and more relevant information by taking into account historical forfeiture rates, relevant risk free interest rates and re-measurement of volatility per each grant. During 2009, the Group made 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. Provision will be made if it is probable that there will be an outflow of economic benefit. More details are included in note 28.

F. Determination of fair value of intangible assets acquired

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

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 recognizes 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 3 main product groupings:

- poker
- casino
- 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,	
	2009	2008
	€000	€000
Casino	76,757	79,396
Poker	33,813	30,073
Other	4,205	1,981
Total revenues	<u>114,775</u>	<u>111,450</u>

In the current year, there were 2 licensees who individually accounted for more than 10% of the total revenue of the group (2008 - 2 licensees). Revenue from these licensees in the current year totalled €44.8m (2008 - €50.7m)

Geographical analysis of revenues by jurisdiction of gaming license

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

	For the year ended	
	31 December,	
	2009	2008
	€000	€000
Canada	47,849	52,983
Philippines	4,703	4,501
Curacao and Antigua	33,925	28,884
Rest of World	28,298	25,082
	<u>114,775</u>	<u>111,450</u>

Geographical analysis of non-current assets

	As of	
	December 31,	
	2009	2008
	€000	€000
Estonia	1,970	1,879
Israel	773	809
Philippines	421	391
Isle of Man	1,849	110
Bulgaria	409	173
Cyprus	1,993	916
UK	295	-
India	-	403
British Virgin Islands	244,332	230,523
	<u>252,042</u>	<u>235,204</u>

NOTE 5 – OPERATING PROFIT

Operating profit is stated after charging:

	For the year ended 31	
	December,	
	2009	2008
	€000	€000
Directors compensation		
Short term benefits of directors	1,233	1,597
Share based benefits of directors	980	1,130
Bonuses to executive directors	488	484
	<u>2,701</u>	<u>3,211</u>

	For the year ended 31	
	December,	
	2009	2008
	€000	€000
Auditor's remuneration		
Audit services		
Parent company and Group audit	160	168
Audit of overseas subsidiaries	40	46
Total audit	<u>200</u>	<u>214</u>
Non-audit services		
Other acquisition and assurance services	117	324
	<u>317</u>	<u>538</u>

	For the year ended 31	
	December,	
	2009	2008
	€000	€000
Development costs recognized in the consolidated statement of comprehensive income	<u>7,431</u>	<u>6,453</u>

NOTE 6 – FINANCING INCOME AND COSTS

	For the year ended 31 December,	
	2009	2008
	€000	€000
A. Finance income		
Bank interest received	508	4,676
Dividend received from available for sale investments	1,729	163
Exchange differences (net)	143	2,841
	<u>2,380</u>	<u>7,680</u>
B. Finance cost		
Finance cost- discounting of deferred consideration	(418)	(748)
Exchange rate differences – Investments in equity accounted associates (note 12)	-	(13,126)
Bank charges	(93)	(330)
	<u>(511)</u>	<u>(14,204)</u>
 Net financing income/(expense)	 <u>1,869</u>	 <u>(6,524)</u>

NOTE 7 – TAXATION

	For the year ended 31 December,	
	2009	2008
	€000	€000
Current income tax		
Income tax on profits of subsidiary operations	1,345	762
Deferred tax (note 22)	(517)	-
Total tax charge	<u>828</u>	<u>762</u>

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

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,	
	2009	2008
	In euro cents	In euro cents
Basic	29.0	17.9
Diluted	28.0	17.3
	€000	€000
Profit for the year	69,511	40,691
	Number	Number
<i>Denominator – basic</i>		
Weighted average number of equity shares	239,476,501	227,696,037
<i>Denominator – Diluted</i>		
Weighted average number of equity shares	239,476,501	227,696,037
Weighted average number of option shares	8,562,031	7,413,260
Weighted average number of shares	248,038,532	235,109,297

B. Adjusted earnings per share

The adjusted earnings per share present the profit for the year before certain significant non cash expenses included in the consolidated statement of comprehensive income as the directors believe that the adjusted profit represents more closely the underlying trading performance of the business.

NOTE 8 – EARNINGS PER SHARE (cont.)

	For the year ended December 31,	
	2009	2008
	In cents	In cents
Basic – adjusted	37.4	34.5
Diluted – adjusted	36.1	33.4
	€000	€000
Profit for the year	69,511	40,691
Decline in fair value of available for sale investments	399	16,698
Amortization on acquisitions	3,282	3,173
Amortization of intangibles in associate	10,513	-
Finance cost on discounting of deferred consideration	418	748
Employee stock option expense	5,150	4,125
Professional expenses on post year end acquisition	360	-
Exchange differences – Investments accounted for using equity method	-	13,126
Adjusted profit for the year	89,633	78,561
	Number	Number
<i>Denominator – basic</i>		
Weighted average number of equity shares	239,476,501	227,696,037
<i>Denominator – diluted</i>		
Weighted average number of equity shares	239,476,501	227,696,037
Weighted average number of option shares	8,562,031	7,413,260
Weighted average number of shares	248,038,532	235,109,297

As at 31 December 2009, out of the entire share options outstanding, 2,952,991 (2008 – 4,821,327) are antidilutive and therefore not included in the above calculation.

NOTE 9– EMPLOYEE BENEFITS

Total staff costs comprise the following:

	31 December,	
	2009	2008
	€000	€000
Salaries and employee related costs	29,628	25,191
Employee stock option costs	5,270	4,441
	34,898	29,632
	Number	Number
Average number of employees		
<i>Distribution</i>	743	674
<i>General and administration</i>	74	77
	817	751

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

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

At 31 December 2009, options under this scheme were outstanding over:

	2009	2008
	Number	Number
Shares vested on 30 November 2008 at an exercise price of \$2.5 per share	213,679	1,823,127
Shares vested on 30 November 2008 at an exercise price of £1.45 per share	851,020	-
Shares fully vested on 30 November 2008 at an exercise price of £2.32 (\$4.00 before repricing) per share	133,334	66,668
Shares vesting on 6 February 2009 at an exercise price of £1.45 (\$4.50 before repricing) per share	333,334	1,000,000
Shares vesting between 1 December 2006 and 6 February 2009 at an exercise price of \$4.50 per share	919,712	1,279,712
Shares vesting between 1 December 2006 and 6 February 2009 at an exercise price of £2.55 per share	213,333	-
Shares vesting between 1 December 2006 and 1 December 2009 at an exercise price of £2.49 (\$4.00 before repricing) 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	64,602	148,220
Shares vesting between 21 June 2007 and 21 June 2009 at an exercise price of £3.16 per share	71,978	-
Shares vesting between 11 October 2007 and 11 October 2009 at an exercise price of £1.72 (\$3.24 before repricing) per share	833,334	900,000
Shares vesting between 11 December 2007 and 11 December 2009 at an exercise price of \$4.35 per share	520,902	990,805
Shares vesting between 11 December 2007 and 11 December 2009 at an exercise price of £2.21 per share	285,270	-
Shares vesting between 31 December 2007 and 31 October 2010 at an exercise price of \$7.48 per share	325,000	550,000
Shares vesting between 16 May 2008 and 16 May 2010 at an exercise price of \$7.50 per share	40,000	1,413,000
Shares vesting between 16 May 2008 and 16 May 2010 at an exercise price of £3.79 per share	1,163,000	-
Shares vesting between 18 June 2008 and 18 June 2010 at an exercise price of \$7.79 per share	-	372,327
Shares vesting between 18 June 2008 and 18 June 2010 at an exercise price of £3.96 per share	153,388	-
Shares vesting between 18 June 2008 and 18 June 2010 at an exercise price of £3.30 (\$6.63 before repricing) per share	10,000	10,000
Shares vesting between 3 October 2008 and 3 October 2011 at an exercise price of \$6.90 per share	300,000	300,000
Shares vesting between 10 October 2008 and 10 October 2011 at an exercise price of £3.51 (\$7.12 before repricing) per share	150,000	350,000
Shares vesting between 20 November 2008 and 20 November 2011 at an exercise price of \$7.19 per share	30,000	230,000

Shares vesting between 20 November 2008 and 20 November 2011 at an exercise price of £3.51 per share	94,000	-
Shares vesting between 31 December 2008 and 31 December 2010 at an exercise price of \$7.68 per share	28,500	86,000
Shares vesting between 31 December 2008 and 31 December 2010 at an exercise price of £3.86 per share	55,000	-
Shares vesting between 25 April 2009 and 25 April 2012 at an exercise price of \$8.61 per share	40,000	1,010,000

	2009	2008
	Number	Number
Shares vesting between 25 April 2009 and 25 April 2012 at an exercise price of £4.35 per share	666,500	-
Shares vesting between 21 May 2009 and 21 May 2012 at an exercise price of £5.31 (\$10.54 before repricing) 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	1,832,353	2,035,345
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	805,000	-
Shares fully vesting on 22 May 2012 at an exercise price of £4.05 per share	75,000	-
Shares fully vesting on 6 November 2012 at an exercise price of £3.7 per share	1,386,000	-
	<u>12,694,240</u>	<u>13,665,204</u>

Total number of shares exercisable as of 31 December is 6,908,693 and 6,964,611 for 2009 and 2008 respectively.

The fair value of the options that were granted in respect of equity settled schemes for 2009 is €5.3m (2008 - €4.4m). During 2009, €5.2m (2008 - €4.1m) has been recognized as an expense in the income statement and €0.1m (2008 - €0.3m) has been capitalized 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,	
	2009	2008	2009	2008
	Number of options	Number of options	Weighted average exercise price	Weighted average exercise price
Outstanding at the beginning of the year	13,665,204	11,794,246	\$5.56, £3.15	\$4.82, £2.57
Granted during the year	2,266,000	3,745,893	£3.87	\$9.25, £3.2
Forfeited	(1,517,208)	(573,845)	\$7.47, £3.43	\$5.01, £3.2
Exercised	(1,719,756)	(1,301,090)	\$3.00, £1.70	\$3.43
Outstanding at the end of the year	<u>12,694,240</u>	<u>13,665,204</u>	<u>\$5.12, £3.20</u>	<u>\$5.56, £3.15</u>

The weighted average share price at the date of exercise of options was £4.48 and £4.36 in 2009 and 2008 respectively.

The weighted average fair value of options granted during the year at the date of grant was £1.47 and £3.80 in 2009 and 2008 respectively.

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

Expiry date	Exercise price	2009 Number	2008 Number
December 1 2010	Between \$2.5 and \$6.9 and between £1.45 and £2.55	2,129,970	2,889,795
Between February 6 2011 and December 11 2011	Between \$3.24 and \$5.75 and between £1.72 and £3.16	3,010,528	3,718,737
Between 15 May 2012 and 31 December 2012	Between \$6.19 and \$7.79 and between £3.3 and £3.96	2,048,889	3,311,327
Between 25 April 2013 and 31 December 2013	Between \$8.61 and \$10.54 and Between £3.1725 and £5.31	3,238,853	3,745,345
Between 25 April 2013 and 31 December 2013	Between £3.7 and £4.155	2,266,000	-
		12,694,240	13,665,204

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 2008 and 2009:

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

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

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

For options modified as a result of the re-pricing 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

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

	Computers	Office furniture and equipment	Motor vehicles	Leasehold improvements	Total
	€000	€000	€000	€000	€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	<u>12,068</u>	<u>977</u>	<u>129</u>	<u>746</u>	<u>13,903</u>
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	<u>4,982</u>	<u>343</u>	<u>42</u>	<u>158</u>	<u>5,508</u>
Net Book Value -					
As of 31 December, 2009	<u>7,086</u>	<u>634</u>	<u>87</u>	<u>588</u>	<u>8,395</u>

NOTE 11 – INTANGIBLE ASSETS

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

	Patents	Domain names	Technology IP	Development costs (internally generated)*	Customer list (*)	Goodwill	Total
	€000	€000	€000	€000	€000	€000	€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	<u>3,775</u>	<u>121</u>	<u>4,657</u>	<u>16,293</u>	<u>33,586</u>	<u>21,703</u>	<u>80,135</u>
Accumulated amortization -							
As of 1 January, 2009	567	51	63	1,733	5,856	-	8,270
Provision	394	-	93	2,660	3,259	-	6,406
Assets acquired on business combinations	-	-	-	-	-	-	-
As of 31 December, 2009	<u>961</u>	<u>51</u>	<u>156</u>	<u>4,393</u>	<u>9,115</u>	<u>-</u>	<u>14,676</u>
Net Book Value -							
As of 31 December, 2009	<u>2,814</u>	<u>70</u>	<u>4,501</u>	<u>11,900</u>	<u>24,471</u>	<u>21,703</u>	<u>65,459</u>

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

Amortization of intangible assets is included in the distribution costs. Included in the additions to development costs is €0.1m (2008 - €0.3m) in respect of share-based payments.

(*) The remaining amortization period for the customer list assets and internally generated development costs as of 31 December, 2009 is approximately 5 – 7 years, and 1-5 years respectively.

In accordance with IAS 36, the Group regularly monitors the carrying value of its intangible assets, including goodwill. Goodwill is allocated to 2 cash generating units ("CGU") which are related to the Tribeca transaction (hereinafter "Tribeca CGU") and the GTS business combination (hereinafter "GTS CGU") (see note 13).

At 31 December 2009 the recoverable amount of the CGU's has been determined from value in use calculations based on cashflow projections from the formally approved budget for 2010 and detailed projections covering the periods as noted below.

Key assumptions are as follows:

For the Tribeca CGU: 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 7% for 2010 and 5% for 2011-2013. Growth rates beyond the first four years are based on prudent estimates using historic growth rates.

For the GTS CGU: 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 19.5% for 2010, 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.

The results of the review indicated that there was no impairment of goodwill at 31 December 2009. 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 2009.

NOTE 12- INVESTMENTS IN EQUITY ACCOUNTED ASSOCIATES

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

Immediately prior to the transaction, the Group acquired from a significant shareholder and other third parties, various online gaming businesses, marketing assets and contracts ("the Purchased Assets") for a total cash consideration of \$250 million (€177.7 million). In consideration for the injection of the Purchased Assets into WH Online, the Group received a 29% interest in WH Online. The acquisition of the Purchased Assets by the Group was solely for the purpose of contributing them directly to WH Online in consideration for the Group's 29% interest therein, hence the Group treated the transaction as a single acquisition of a 29% interest in an associate.

The investment in WH Online has been accounted for using the equity method in the consolidated financial statements and has been recognized 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 recognized as share of profits of associates. Software license royalties fees charged to WH Online have been recognized 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.

Out of the total consideration of USD 250 million (€177.7 million), payable for the Purchased Assets (and hence the Group's interest in WH Online) USD 202.2 million (€143.8 million) was paid to companies related to the Group's significant shareholder (hereinafter "Affiliates"), USD 40 million (€28.4 million) was payable to the Group's former customer (out of which USD 20 million (€14.2 million) was paid in cash and the remaining amount is to be paid by 30 December 2010) and USD 0.3 million (€0.2 million) was paid to a third party providing marketing services to the Affiliates in consideration for an option to purchase their business for a total cost of USD 7.5 million (€5.4 million). The option was exercised on 4 September 2009.

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

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

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

	€000
Cash consideration to vendor of the purchased assets	161,209
Deferred consideration	16,505
Expenses paid in cash	4,167
Total cash consideration	<u>181,881</u>
Finance cost arising on discounting of cash consideration	(809)
Present value of consideration including expenses	<u>181,072</u>
Group share of fair value of net assets of WH Online:	
Customer relationships	5,114
Affiliate contracts	2,177
Brands	40,104
Software	5,600
Covenant not to compete	10,351
Acquired net assets	<u>2,823</u>
	<u>66,169</u>
Goodwill	<u>114,903</u>
Present value of the consideration including expenses	<u>181,072</u>

Included in the above cash consideration is deferred consideration of €13.6 million (net of discount of €0.4 million) that is due for payment on 30 Dec 2010.

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

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

- The income approach, in particular, the relief of royalty approach was applied for the valuation, considering projected revenues derived from the brands.
- The royalty rate was based on a third party market participant assumption for use of the brands, considering age of the brands, market competition, market share, profitability and prevailing rates for similar properties.
- The discount rate assumed was equivalent to the WACC plus 1% (15%) for the customer relationships and WACC plus 2% (16%) for the affiliate contracts
- Annual growth rate of 8% for 2010, 10% for 2011, 8% for 2012-2013 and 2% for the following years. The attrition rates were based on market analysis.

Management has reviewed the key assumptions and forecasts for the above mentioned assets and the result of the review indicated that there was no impairment of the Group's investment in WH Online at 31 December 2009.

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

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)
Investment accounted for using equity method	180,900
Income from associate	22,534
Amortization of intangibles in associate	(10,513)
Dividend	(22,555)
Investment in equity accounted associates at 31 December 2009	170,366

Aggregated amounts relating to associates are as follows:

	2009
	€000
Total assets	326,670
Total liabilities	57,730
Revenues	229,470
Profit	74,450

NOTE 13 – ACQUISITIONS DURING THE 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 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	Adjustments	Fair value on acquisition
	€000	€000	€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			10,902
Present value of consideration			18,448
			€000
Cash consideration			10,851
Contingent consideration			7,346
Expenses paid in cash			628
Total cash consideration			18,825
Finance cost arising on discounting of contingent consideration			(377)
Present value of consideration			18,448
Cash purchased			(169)
Net cash paid			18,279

The contingent consideration of €7.0 million (net of discount of €0.4 million) is dependent on profits generated by the GTS business over a period of 2 years following the date of acquisition. The amount included above represents the directors' current best estimate of the amount payable, which they consider is likely to be paid.

Adjustments to fair value include the following:

	<u>Amount</u>	<u>Amortization</u>
	<u>€000</u>	<u>%</u>
IP Technology	1,783	20
Customer list	<u>8,032</u>	12.5
Total intangible assets	<u>9,815</u>	

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

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

Management's impairment review as at 31 December 2009 of the carrying value of goodwill is disclosed in note 11.

Management have not disclosed GTS's contribution to group profit since the acquisition date nor have they disclosed the impact the acquisition would have had on the group's revenue and profits if it had occurred on 1 January 2009 , because the amounts are not material.

NOTE 14 - AVAILABLE FOR SALE INVESTMENTS

	<u>31 December,</u>	
	<u>2009</u>	<u>2008</u>
	<u>€000</u>	<u>€000</u>
Available for sale investments comprise:		
A. Investment in Foundation Group Limited	3,459	2,434
B. Investment in AsianLogic	<u>2,054</u>	<u>2,453</u>
	<u>5,513</u>	<u>4,887</u>

	<u>31 December,</u>	
	<u>2009</u>	<u>2008</u>
	<u>€000</u>	<u>€000</u>
Change in fair value of available for sale investments during the year		
A. Foundation Group Limited	(1,025)	9,240
B. AsianLogic	<u>399</u>	<u>7,458</u>
	<u>(626)</u>	<u>16,698</u>

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.

In accordance with IAS 39, the increase in the investment in Foundation Group Limited of €1.0 million has been recognized as other comprehensive income in the available for sale reserve in equity. The decline in the investment in AsianLogic of €0.4 million has been recognized as operating profit.

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

As at 3 July 2009, ALL 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 2009 the Group received a dividend of €1,729,000 that has been reflected in the income statement as finance income.

Tom Hall, a non executive director of the Group, is also a director and shareholder of ESL, a wholly owned subsidiary of AsianLogic

Foundation Group Limited and AsianLogic entered into software license agreement as part of the shares acquisition in 2007. The directors considered that the fair value of the consideration received by way of discount to the market value represented deferred income of the software license agreement. The revenues are being recognized over the remaining lifetime of the software license agreement, and as at 31 December 2009, the following amounts are included in deferred revenues:

	31 December,	
	2009	2008
	€000	€000
Deferred revenues – non-current		
Foundation Group Limited	12,150	14,093
Asian Logic	2,595	3,929
Others	-	114
	<u>14,745</u>	<u>18,136</u>

	31 December,	
	2009	2008
	€000	€000
Deferred revenues – current		
Foundation Group Limited	1,943	1,943
Asian Logic	1,334	1,334
Others	164	75
	<u>3,441</u>	<u>3,352</u>

NOTE 15 – OTHER NON-CURRENT ASSETS

	31 December,	
	2009	2008
	€000	€000
Loan to customer	1,833	692
Rent and car lease deposits	476	648
	<u>2,309</u>	<u>1,340</u>

NOTE 16 – TRADE RECEIVABLES

	31 December,	
	2009	2008
	€000	€000
Customers	4,726	9,805
Related party receivable (note 24)	2,268	277
	<u>6,994</u>	<u>10,082</u>

NOTE 17 – OTHER RECEIVABLES

	31 December,	
	2009	2008
	€000	€000
Prepaid expenses	2,139	523
VAT and other taxes	1,191	266
Short term investment	42	29
Advances to suppliers	70	71
Funds receivable due to options exercised	-	38
Related party receivable (note 24)	4,027	464
Loan to customer	1,822	966
Other receivables	827	445
	<u>10,118</u>	<u>2,802</u>

NOTE 18 – CASH AND CASH EQUIVALENTS

	31 December,	
	2009	2008
	€000	€000
Cash at bank	29,880	30,122
Deposits	28,820	1,436
	<u>58,700</u>	<u>31,558</u>

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,	
	2009	2008
	€000	€000
Funds attributed to jackpots	1,068	1,429
Poker security deposits	670	68
	<u>1,738</u>	<u>1,497</u>

NOTE 19– SHAREHOLDERS EQUITY

	31 December,	
	2009	2008
A. Share Capital	Number of Shares	
Share capital is comprised of no par value shares as follows:		
Authorized	N/A(*)	N/A(*)
Issued and paid up	240,204,579	238,483,378

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

Share issue

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

Share option exercised

During the year 1,719,756 (2008 – 1,301,090) share options were exercised.

B. Distribution of Dividend

In May 2009, the Group distributed €18,194,198 as a final dividend for 2008.

In October 2009, the Group distributed €21,368,175 as an interim dividend for 2009.

No dividends were waived.

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 14)
Retained earnings	Cumulative net gains and losses recognized in the consolidated income statement

NOTE 20 – NON CURRENT LIABILITIES

	31 December,	
	2009	2008
	€000	€000
Long term trade payables	1,038	-
Severance pay	130	184
	<u>1,168</u>	<u>184</u>

NOTE 21 – TRADE PAYABLES

	31 December,	
	2009	2008
	€000	€000
Suppliers	3,901	1,875
Progressive and other operators' jackpots	1,068	1,429
Customer in credit	529	14
Related parties (Note 24)	4,323	3,615

Poker security deposits	670	68
Other	70	37
	<u>10,561</u>	<u>7,038</u>

NOTE 22 – 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:

	<u>2009</u>	<u>2008</u>
	<u>€000</u>	<u>€000</u>
At 1 January 2009	-	-
Arising on the acquisition of the GTS group	2,748	-
Reversal of temporary differences, recognized in the consolidated statement of comprehensive income	(517)	-
	<u>2,231</u>	<u>-</u>

NOTE 23 – OTHER PAYABLES

	<u>31 December,</u>	
	<u>2009</u>	<u>2008</u>
	<u>€000</u>	<u>€000</u>
Payroll and related expenses	3,308	3,350
Accrued expenses	841	1,487
Other payables	20	2,411
	<u>4,169</u>	<u>7,248</u>

NOTE 24 – 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, Euro Live Technologies Ltd, Netplay TV PLC and 800pay Ltd are related by virtue of a common significant shareholder. Emphasis Services Limited ("ESL"), AsianLogic Limited ("ALL"), S-tech Limited, Uniplay International Limited and Six Digits Trading Limited are related by virtue of the former chief executive officer and current director interest in those Companies. WH Online and Laserstorm Services Ltd are associates of the Group.

The following transactions arose with related parties:

	31 December,	
	2009	2008
	€000	€000
Revenue including income from associate		
ESL	4,507	2,925
S-tech Ltd	259	173
Netplay TV PLC	29	-
WH Online	33,795	-
	<u>33,795</u>	<u>-</u>
Operating expenses		
Gamepark Trading Limited	267	-
S-tech Ltd	249	-
Tech Corporation	99	-
Euro Live Technologies	207	-
800pay Ltd	56	-
ESL	1,285	1,362
	<u>1,285</u>	<u>1,362</u>
Loans		
Laserstorm Services Ltd	(464)	464
ESL	-	(634)
	<u>(464)</u>	<u>(634)</u>
Acquisition of assets from related parties (note 12)		
Six Digits Trading Limited	-	108,417
Uniplay International Limited	-	35,336
	<u>-</u>	<u>143,753</u>

The following are year-end balances:

	31 December,	
	2009	2008
	€000	€000
Gamepark Trading Limited	4,185	3,578
ESL	-	37
Tech Corporation	39	-
Eurolive	54	-
OSSI	36	-
800pay Ltd	9	-
Deferred revenues – ESL (note 14)	3,935	5,263
Total related party creditors	<u>8,641</u>	<u>8,878</u>
ESL	384	-
S tech Ltd.	98	265
Tech Corporation	-	12
Netplay TV PLC	29	-
WH Online	5,784	-
Laserstorm Services Ltd	-	464
	<u>6,295</u>	<u>741</u>
Total related party debtors	<u>6,295</u>	<u>741</u>
ALL (note 14)	2,054	2,453
Total investment in related party	<u>2,054</u>	<u>2,453</u>

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

NOTE 25 – SUBSIDIARIES

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

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

NOTE 26 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

a. Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Group's income and operating cash flows are substantially independent of changes in market interest changes. The management monitors interest rate fluctuations on a continuous basis and acts accordingly.

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

During the year the group advanced loans to customers for a total amount of €2.0m (2008-€1.6m). The interest on the loans is between 5.5% to 7%.

The loans are repayable in monthly installments.

A 1% change in deposit interest rates would impact on the profit before tax by between €100 thousands and €150 thousands.

b. Credit risk

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

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

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

Wherever possible and commercially practical the Group invests cash with major financial institutions that have a rating of A- as defined by Standard & Poors. The Group maintains monthly operational balances with banks that do not meet this credit rating in Estonia and the Philippines to meet local salaries and expenses. These balances are kept to a minimum and typically do not exceed €2 million at any time during the monthly payment cycle. During 2009 a few additional banks in which the Group holds approximately 50% of its funds were degraded to below A- rate.

In thousands of Euro	Total	Financial institutes with A- and above rating	Financial institutes below A- rating
As at 31 December 2009	58,700	28,420	30,280
As at 31 December 2008	31,558	30,467	1,091

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 2009	7,140	6,168	714	258
As at 31 December 2008	10,175	8,289	1,588	298

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:

	2009 €000	2008 €000
Provision at the beginning of the year	93	143
Charged to income statement	154	784
Utilized	(101)	(834)
Provision at end of year	146	93

Related party receivables included in note 17 of €4.0m (2008 - €0.5m) are not past due

c. Currency risk

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

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

Foreign exchange risk also arises when Group operations are entered into in currencies denominated in a currency other than the functional currency. During 2008, the Group reflected a foreign exchange loss in the income statement due to the cash held in US Dollars in relation to the consideration for the WH Online investment (note 12).

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

d. Equity price risk

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

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

The Group's balance sheet at 31 December 2009 includes available for sale investments with a value of €3.5m which are subject to fluctuations in the underlying share price.

A change of 1% in shares price will have an impact of €0.03m 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.

The following are the contractual maturities of the Group's financial liabilities:

Year ended 31 December, 2009 In thousands of Euro	Total	Within 1 year	1-2 years	More than 2 year
Trade payables	10,561	10,561	-	-
Other accounts payable	4,169	4,169	-	-
Deferred consideration	13,955	13,955	-	-
Contingent consideration	7,346	-	7,346	-
Other non-current liabilities	1,168	-	1,038	130

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

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,			
	2009		2008	
	€000		€000	
	Fair Value	Carrying amount	Fair Value	Carrying amount
Cash and cash equivalent	58,700	58,700	31,558	31,558
Available for sale investments	5,513	5,513	4,887	4,887
Other assets	19,421	19,421	13,701	13,701
Deferred consideration	13,955	13,955	14,047	14,047
Contingent consideration	5,349	5,349	-	-
Other liabilities	15,898	15,898	13,997	13,997

Included in available for sale investments is €3.5m and €2.0m measured at fair value using level 1 and level 2 respectively.

NOTE 27 –POST BALANCE SHEET EVENTS

Establishment of commercial partnership with Scientific Games

On 21 January 2010, the Group formed two strategic partnerships with New York-based 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. Exclusive agreements for Playtech's Videobet to develop gaming terminal software for Scientific Games and its subsidiary *Acquisition of a strategic stake in Sportech PLC.*

On 27 January 2010, the Group acquired a 9.99% stake in Sportech PLC, a UK's leading pari-mutuel football gaming business, and owner of The New Football Pools, for a total consideration of €11.4 million as part of a capital raising by Sportech to fund its acquisition of Scientific Games Racing (the US-based pari-mutuel and venue management business division of Scientific Games Corporation) for up to \$83 million. Playtech intends to provide its software products and services to the Sportech businesses, targeting their combined customer base.

Acquisition of business and assets 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, customers list, brands, 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.

The group paid an initial consideration of £20 million (€22.7 million) on completion. An amount of £9 million (€10.2 million) is subject to agreed working capital adjustments and payable within 30 days of completion and additional contingent consideration of up to £7 million (€8 million) is payable in the first quarter of 2011 based on adjusted EBIT performance in 2010.

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 – 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.