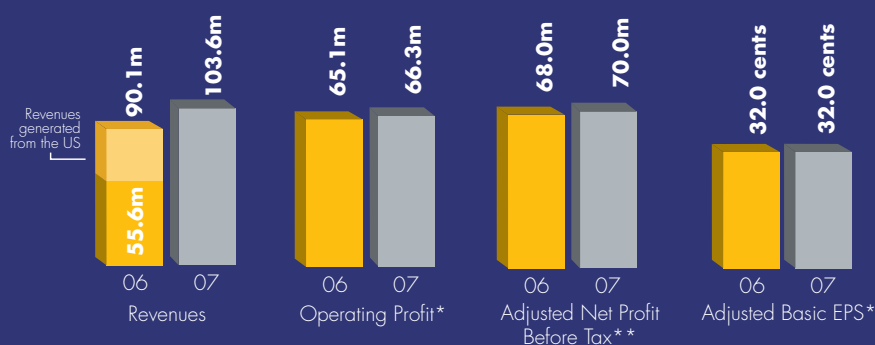




# Financial Highlights



\*In 2006 EXCLUDING FOUNDERS' CASH CONTRIBUTION, AMORTISATION OF INTANGIBLE ASSETS AND STOCK OPTION EXPENSES OF \$7.9M AND IN 2007 EXCLUDING SIGNIFICANT NON CASH CHARGES RELATING TO THE INVESTMENT IN CY FOUNDATION, ACQUISITION OF TRIBECA ASSETS, AMORTISATION OF INTANGIBLE ASSETS AND STOCK OPTION EXPENSES OF \$27.1M

\*\*In 2006 EXCLUDING FOUNDERS CASH CONTRIBUTION AND STOCK OPTION EXPENSES OF \$7.3M AND IN 2007 EXCLUDING SIGNIFICANT NON CASH CHARGES RELATING TO THE INVESTMENT IN CY FOUNDATION, ACQUISITION OF TRIBECA ASSETS AND STOCK OPTION EXPENSES

Revenues – Excluding US \$m	2007	2006	Change
Total Revenues	103.6	55.6	+86%
Casino Revenues	74.7	47.3	+58%
Poker Revenues	27.4	7.4	+269%

- Recommended final dividend of 9.9 cents per share

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## Chairman's Report



It gives me great pleasure to report Playtech's second full year financial results as a publicly traded company. Our expectations have been exceeded with all key performance indicators performing ahead of targets. For a business that is growing rapidly, the year

has not been without its challenges – principally in controlling expansion through the correct channelling of resources into the relevant commercial operations without losing sight of our end objectives. I am proud to state that this has been achieved as a result of the enormous commitment and drive of all employees. My thanks go to everyone within Playtech, including my fellow directors, for their outstanding contribution throughout 2007.

The growth of the business was driven by two key factors: our geographical presence in growing markets and our ability to deliver comprehensive best of breed solutions for our licensees. Our relationship with licensees is far more than a purely commercial one – we help to drive their growth by providing innovative products that meet their market demands. This is an evolving and never-ending process whereby Playtech is constantly developing, marketing and launching new products to ensure our partner customers maintain their competitive advantage in fast-moving markets. That is why we believe that Playtech is the world's leading provider of software solutions to the online gaming industry.

On a global scale, the online gaming market continues to grow across all major economic regions and as such still constitutes a young and growing marketplace. There is much to play for and Playtech's world leading position means it is ideally placed to further benefit from growth in all of its operations. Our focus is on innovation, imagination, a diversified business model and strength as a software and platform provider. With a strong balance sheet and cash resources, Playtech is well placed to make strategic acquisitions and will be opportunistic in its approach. The Group will continue to follow its

successful strategy of organic and acquisitive growth.

A number of key achievements were reached during the year. The first was when the Group's monthly revenues exceeded those reached prior to the withdrawal of the Group's licensees from the US market and the second saw Playtech's iPoker network become the world's largest independent online poker network. The Group also successfully completed the migration and integration of the non US assets of the Tribeca poker network onto Playtech's iPoker platform. This acquisition has been highly beneficial to the Group and has contributed greatly to Playtech's ongoing success. The Group continues to win new licensees, with the addition of 15 during the year. Eight of these were the former Tribeca poker licensees as well as notable additions Mansion and CY Foundation, both of which are focusing on the rapidly expanding China and Asian markets.

In financial terms, I am pleased to report continued growth in total revenues to \$103.6million, representing an increase of 86% on the \$55.6million achieved in 2006 (excluding US derived revenues of \$34.5 million). The adjusted net profit before tax (which ignores significant non-cash charges relating to the CY Foundation investment, the Tribeca non-US assets acquisition and the stock option charges as well), was an impressive US\$70 million (68% of total revenues).

The Board recommends the payment of a final dividend of 9.9¢ per share which is payable, subject to shareholder approval, on 20 May 2008 to all shareholders on the register at 28 March 2008. This follows the interim dividend payment of 6.1¢ per share announced in October 2007 making a total dividend of 16.0¢ per share. The overall dividend is in line with our stated dividend policy and is an acknowledgment of our continued confidence in the Group's businesses.

I have been delighted to welcome to the Board both Mor Weizer and Guy Emodi as Group CEO and CFO respectively. Mor is a qualified chartered accountant and was a senior operational manager within Playtech for approximately two years prior to joining the Board. His experience in managing customer relations, product

## Chairman's Report continued

delivery and technical support as Chief Executive Officer of Techplay Marketing Ltd, a Playtech subsidiary, provides the ideal grounding as the Group's Chief Executive Officer. Guy has more than 18 years of experience in international finance and brings a wealth of skills and expertise in his core competence of financial management of large companies. They both have much to offer Playtech.

I would also like to thank Avigur Zmora, who stepped down from his roles as CEO and more latterly as Executive Vice Chairman to become a Non-executive Director of the Company, for his invaluable contribution to the success of the Group. Avigur has adopted a senior consultancy role and will continue to work closely with management with a particular focus on strategic matters.

In summary, Playtech has enjoyed an excellent year of progress. The business is still at a formative stage and its aspirations are a long way in front of where the Group is now. There are new geographic markets to penetrate, new products to launch, existing and new licensees to migrate and if appropriate, acquisitions to make. As a result, the Board is highly confident of its performance for 2008 and beyond.



**Roger Withers**  
Chairman



# Chief Executive Officer's Report



## Introduction

I am delighted to introduce my maiden set of preliminary results as CEO and report on another excellent year for Playtech. The Group made strong financial progress, again recording record levels of revenue and operating profit. The successful

performance of 2007 includes a few major milestones. The first was when Playtech's iPoker network became the world's largest independent online poker network. The second was achieved in September, when the Group's monthly revenues exceeded those reached prior to the withdrawal of the Group's licensees from the US market, which reduced, at that time, our monthly revenues by approximately half. The third was the addition of seven new licensees signed last year bringing the number of new licensees during 2007 to fifteen. This is a clear demonstration of the robustness and flexibility of Playtech's business model and the figures presented are a credit to the management team and all those who work for the Group.

The licensees withdrawal from the US market has forced them to seek new markets and such new markets required enhanced offering of new languages and products. Playtech has supplied these requirements within weeks and by that provided its licensees with the superior software they needed to establish market leading positions in most countries. In addition, many countries are considering or already in the process of regulating online gaming and Playtech is well positioned to crystallise the opportunity given its robust platform and products, leading to further growth in 2008 and beyond.

## Review of Operations

The 2007 results show excellent growth over the previous year from all our divisions. Revenues have grown to \$103.6 million (2006:\$55.6 million excluding US revenues of \$34.5 million), adjusted\*\* net profit before taxation was up to \$70.0 million and basic adjusted\*\* earnings per share was 32 cents (2006:32 cents) which is the indicator to the Group's core activity. Cash reserves remain very healthy at \$86.5 million at 31 December 2007 (2006: US\$101.4 million). The Group's business model continued to support a high conversion ratio of cash from operating profit before non cash items of 95%. In 2007 Playtech's casino revenues increased by 58% (ex-US) and its poker revenues increased by 269% (ex-US). In 2007, 71% of Playtech's player base came from Europe,

21% from Asia and 8% from the rest of the world. The exceptional strong growth in Europe is attributed to the organic growth of our existing licensees and the gaining of new licensees targeting the European market, notably those poker licensees who were formally on the Tribeca poker network and migrated to Playtech's poker network when Playtech acquired the Tribeca poker network's non US assets.

One of the major highlights of 2007 was the successful completion of the migration and integration of the non US assets of the Tribeca poker network to the iPoker network. This migration gave Playtech a significantly increased liquidity base and further strengthened Playtech's position as the leading software provider to the online gaming industry. As a result, the Group is now in the enviable position of providing the largest poker network in the world\*. The iPoker network continues to attract quality online poker operators who value a strong network supported by our cutting edge software. In December the iPoker network held the European Championship of Online Poker ("ECOOP") which saw over 44,000 players participating for an aggregate of \$2.85 million in prize money. Following the success of the first ECOOP tournament, further tournaments are planned for this year including a second ECOOP tournament with an aggregate of more than \$3.5 million in prize money.

The year also saw a significant strengthening of the development team through the retention of more than 100 former Tribeca employees in India and the Philippines, as well as the management team, which was necessary to oversee the expansion of the Group's enlarged operations.

The recently completed Bulgarian development centre and the acquisition of the Indian and Philippines development operations as part of the Tribeca transaction means that the Group is now a truly multinational organisation, with subsidiaries in Asia and Europe. In all, the Group employs approximately 650 valued personnel. A key element of our success is the ability to offer existing and potential licensees market-leading research, development and production capabilities which allow them to achieve their strong organic growth, penetrate new markets rapidly and successfully launch new products. I am confident that our growing investment in research and development will help Playtech maintain its leading position.

The Group's land based division, Videobet is gradually expanding its operations and line of products. A major milestone for the division was the completion of its server supported application which allows an operator to

\*Source: [www.pokerscout.com](http://www.pokerscout.com)

\*\* See reconciliation on page 6 of adjusted net profit

# Chief Executive Officer's Report continued

operate gaming machines on a stand alone basis and convert it to server based according to legislation and operational requirements, using the same platform. This has enabled Videobet to enter into several Memoranda of Understanding with operators in the rapidly expanding South American and Eastern European markets. A significant milestone was achieved when Videobet entered into a joint venture agreement with Unicum in January 2008. This joint venture will allow Videobet's software to be utilised in at least 500 stand alone gaming machines located in the Ukraine.

## Investment into strategic relationships

We have strategic stakes in two of our licensees, CY Foundation Group Limited ("Foundation") and AsianLogic Limited ("AsianLogic"). The Group invested US\$10.2 million into Foundation, which as at 31 December 2007 was worth \$18.9 million based on the closing share price of Foundation shares on the Hong Kong stock Exchange. This resulted in an unrealised economic benefit of approximately \$8.7 million). The IFRS rules require the fair value of the Group's benefit in excess of cost to be treated as deferred revenue and spread over the term of the software licence agreement. Any change in the share price from the time of investment is accounted for as a revenue item. Due to the change in the Foundation share price since the time of our investment, this has resulted in a non-cash loss for 2007 in this investment of \$18.3 million while the deferred revenues are \$27.6 million. The Group remains committed to its relationship with Foundation and views them as a key partner in Playtech's continuing expansion into the rapidly expanding Asian and China gaming markets.

Playtech, as the key supplier to AsianLogic, was given an opportunity to participate in its IPO and it was allocated additional shares as part of the renewal of the licence agreement. Accordingly its total cash investment AsianLogic was \$5.0 million which on 31 December 2007 was worth \$15.9 million based on the closing share price of AsianLogic shares on the London Stock Exchange. This has resulted in an unrealised economic gain of US\$10.9 million. We look forward to sharing in AsianLogic's success in the Asian market.

## Development

During 2007 the Group continued to place considerable resources into enhancing its product portfolio. The Casino product remains Playtech's flagship offering and it continues to show impressive growth. The Group is continuing to invest in its poker product as it has rapidly become a significant contributor to Playtech's growth. During the year we also completed the development of an updated version of the downloadable Bingo product and a new Bingo flash version. Our mobile product was launched with one of our licensees during the year and we are committed to offering our licensees multiple distribution channels.

The development of products which are tailored towards specific markets is a key component of our geographical diversification strategy. During the first half of 2007, the Group focused on converting the majority of its downloadable casino games into flash technology and introduced flash version of our bingo product, which is the preferred format in Europe and the UK sportsbook market in particular. In addition, we completed the upgrade of the live gaming software, a key offering for the Asian market. We also focused on the development of Asian P2P games, the first of which we expect to launch at the end of the first quarter of 2008.

We also continued to upgrade the Playtech back end system, which is the cornerstone of Playtech's software offering. This unified system contains the tools and features which enable our licensees to offer multiple products on different platforms and monitor all activity from a single interface in real time. Furthermore, Playtech is one of the few providers which are able to offer licensees the full range of gaming and management products and its backend is considered to be the best in the industry. This benefit was clearly demonstrated when the migrated poker licensees from Tribeca were able to offer casino side games on the online poker room software which has significantly enhanced the revenues that the licensees are able to generate.

The Group maintains a strong pipeline of additional games and products. The Group has accelerated the development of new games and we expect to release a large number of new games, including a variety of slot, table and card games and additional Asian P2P games, in the coming year to support the efforts of our licensees in their various markets. In addition, the Group continues with the development of new products and we expect to release flash poker technology in the second quarter of 2008 and the Mahjong product in the fourth quarter of 2008.

# Chief Executive Officer's Report continued

## Regulatory Environment

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

## Contract Wins

Throughout 2007, the Group continued to win new licensees, with fifteen new licensees joining the stable. Eight of these were the Tribeca migrated poker licensees who are now firmly established on the iPoker network. All of these licensees are operators which cater to the European and Asian markets and this is therefore in line with the Group's geographical diversification strategy. The successful migration of the Tribeca poker licensees also led to Bet365, an existing casino software licensee, choosing to move its poker offering to the iPoker network. The Group continued to develop opportunities in the Asian market, with the signing in 2007 of two new Asian-facing licensees, the first of which was Foundation, which I have already mentioned and the second of which is one of the largest Asian facing online gaming operators.

The Group will continue to seek to attract high quality licensees with an established customer base and track record whilst developing new technology platforms and aiming to be at the forefront of industry standards.

## Strategy

We will continue with our previously stated strategy of cross selling to existing licensees, new and existing products and acquiring new licensees in strategic geographic markets with a particular emphasis on regulated markets. I believe that regulation will be the avenue that many governments will take in relation to the online gaming industry and Playtech, as a public company, is ideally placed to take advantage of the opportunities that will present themselves as such markets are established.

Using our strong cash position, if appropriate, we will also look at the acquisition of complementary businesses. The successful completion of the Tribeca acquisition and integration of Tribeca's Indian and Philippine development centres demonstrated our ability to complete and integrate deals of this type and scale. Importantly, the Group will continue to actively seek further earnings-enhancing acquisitions.

## Current Trading and Outlook

This year has started strongly with average daily royalties in January 2008 showing 11.7% growth over the average in the fourth quarter of 2007 (total revenues are up 14.4%). The momentum continued in February. The Group has already signed 6 new licensees in line with its strategy to diversify geographically, focus on regulated markets and migrate licensees from competitors. As a market leading software provider to the industry, we are constantly receiving enquiries from well established online and land based operators in the industry. Accordingly the Group has a strong pipeline of potential additional licensees.

The Group will continue to support the organic growth of our existing licensees through new products and new games that are either in development or will be developed during this year. Such development will be in line with our licensees' efforts to penetrate new markets. New products assist our existing licensees to grow further and also attract additional licensees. We intend to launch the new Asian P2P games, which are extremely popular in the Asian market, by the end of the first quarter of 2008.

Our aim in 2008 is to further enhance Playtech's market leading position with a focus on regulated markets. In January 2008, one of Playtech's key licensees in Asia, AsianLogic Limited announced a deal with Philweb, the official licensed provider of online games in the Philippines, which will utilise Playtech's software. The Group has also made significant progress in signing MOUs and agreements with companies located in regulated markets.

It would be remiss of me not to pay tribute to the outstanding contribution made by our employees during the year ended 31 December 2007. The work they undertook to ensure the success of the Tribeca acquisition was a testament to their dedication and talent. Our people are the lifeblood of the Group and the Board of Directors is committed to continually investing in their growth and development. On behalf of the Board, I would like to extend my sincere thanks to all our employees for their tremendous efforts during 2007 and I look forward to 2008 with great confidence.



**Mor Weizer**  
Chief Executive Officer

# Financial and Operational Review

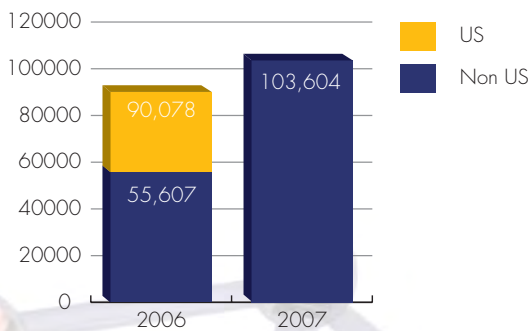


I am pleased to announce Playtech's financial results for the year ended 31 December 2007. It was another successful year of growth for the Group demonstrating the strong diversified business model. The Group's revenue expansion in 2007 was principally due to three factors. The first was the organic growth of

our existing licensees. The second the completion of the migration and integration of the former non-US Tribeca Tables licensees onto Playtech's iPoker platform, resulting in the network assuming the position of the world's largest independent online poker network. The third was the addition of seven further licensees onto Playtech's platform during the year.

For ease of comparison all 2006 revenues exclude contributions from the US from where the Company's licensees withdrew more than a year ago.

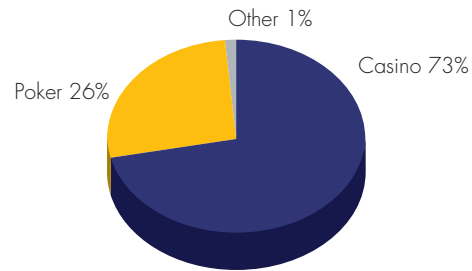
## Revenues 2007 vs 2006 (\$'000s)



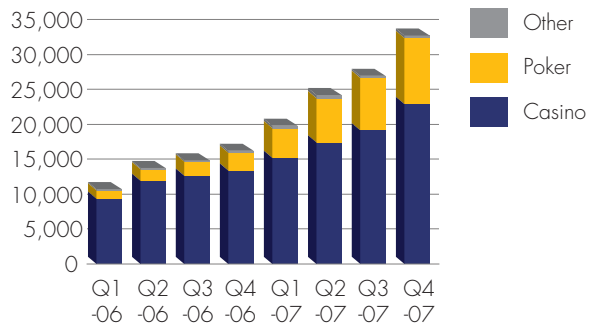
Total revenues for the year were \$103.6 million which represented an increase of 86% on the \$55.6 million achieved in 2006. Casino revenues for the year totalled \$74.7 million, an increase of 58% from \$47.3 million in the previous year. Poker revenues for the year totalled \$27.4 million, an increase of 269% from the \$7.4million in 2006.

Revenues for the fourth quarter of 2007 grew strongly with a 22% rise compared to the third quarter of 2007 and 101% increase compared to the fourth quarter of 2006. Both casino and poker revenues grew strongly, 20% and 26% respectively compared to the previous quarter and 72% and 265% respectively compared to the same quarter in 2006.

## Revenues by products 2007



## Quarterly revenues by products 2006 and 2007 (Excluding US)



The net profit includes various significant non cash charges relating to the investment in CY Foundation Group Limited and also the acquisition of the assets of Tribeca, the employee stock option plan and the founder's one-off cash contribution to employees in 2006. These are detailed as below:

	2007 US\$000	2006 US\$000
Profit after tax	41,507	60,414
Tax	834	345
Profit before tax	42,341	60,759
Charge related to founder's cash contribution to employees	-	6,566
Loss on disposal of available for sale investment in CY Foundation	654	-
Decline in fair value of available for sale investment in CY Foundation	18,269	-
Impairment of software on acquisition of Tribeca	275	-
Amortisation of customer list on acquisition of Tribeca	4,233	-
Discounting of deferred consideration of Tribeca acquisition	1,619	-
Employee stock option expenses	2,645	703
Adjusted net profit before taxation	70,036	68,028
Adjusted net profit after tax	69,202	67,683
Adjusted EPS (cents US)	32	32

## Financial and Operational Review continued

### Investment in CY Foundation Group Limited

During 2007 the Group entered into a 10 year software licence agreement with CY Foundation Group Limited ("Foundation"), which during March 2007 re-listed on the Hong Kong Stock Exchange at a price of HK\$1.28. The fair value of the shares and convertible notes in Foundation as at 31 December 2007, based on the closing price of Foundation shares on the Hong Kong Stock Exchange (HK\$0.65) was \$18.9 million. The total cash paid by the Group for the shares and notes in Foundation was \$10.2 million. As such the economic unrealised gain on 31 December 2007 was \$8.7 million. The accounting treatment of this transaction takes into account the fact that the shares were acquired in connection with the software licence agreement.

As a result of such accounting treatment, the Group was required to evaluate the benefit arising from the above shareholdings and record such benefit in its financial reports as deferred revenues. The Group evaluated such benefit as \$27.6 million. Once royalty revenues commence under the Foundation software licence agreement, the deferred revenues will be realised as income over the term of the licence agreement.

As previously mentioned, the closing price of Foundation shares on 31 December 2007 was HK\$0.65, resulting in a decrease in value of the investment in Foundation and a non-cash charge of \$18.3 million, which was accounted for in the Group's income statement.

### Investment in AsianLogic

In December 2007, the Group entered into a share purchase agreement to acquire shares of AsianLogic Limited ("ALL") for a total consideration of \$5 million. Following the completion of such agreement, ALL was admitted to the AIM market, and entered into a new 5 year term licence agreement. In connection with such licence agreement, the Group also received additional shares in ESL, which were subsequently replaced with shares in ALL. The market value of the investment as at 31 December 2007 amounted to \$15.9 million, presenting an economic unrealised gain of \$10.9 million. The accounting treatment of this transaction takes into account the fact that the shares were acquired in connection with the software licence agreement, and considered the transaction as an available for sale investment.

As a result of such accounting treatment, the Group was required to evaluate the benefit arising from the above shareholdings and recorded such benefit in its financial

reports as deferred revenues. The Group evaluated such benefit as \$10.6 million. The deferred revenues are recognised as income over the term of the licence agreement.

The closing price of ALL shares on 31 December 2007 was £1.12, resulting in a decrease in value of the investment in Foundation of \$0.3 million and, which was accounted for as capital fund.

### Acquisition of non-US assets of Tribeca Tables Europe

In November 2006, the Group signed an asset purchase agreement with Tribeca Tables Europe Limited ("Tribeca") in respect of certain non US assets for a consideration calculated according to a formula based on the future earnings of the acquired assets. The final consideration payable is \$59,750,000.

The intangible assets purchased in the framework of the acquisition are being amortised over their estimated useful lives of 8 years. The amortisation charge for 2007 totalled \$4.2 million. The directors have also reassessed the fair value of the assets acquired based on their present use and as a result the software which was valued at \$275,000 on acquisition has been charged to the income statement as an impairment.

The payment of the consideration to Tribeca is by way of cash in four instalments, and has been discounted back to present values resulting in a finance cost charge of \$1.6 million. Two instalments have been paid during 2007 (\$26.8 million) and the remaining two instalments will be paid during 2008. The total balance to be paid in 2008 is \$32.95 million.

### Net profit before tax and adjusted net profit before taxation

Net profit before taxation, following the recognition of the significant non cash charges of \$27.1 million (2006: \$7.3 million) was \$42.3 million, compared to \$60.8 million in 2006. This has resulted in the earnings per share ("EPS") for the year, based on the weighted average number of shares, of 19 cents, compared to 29 cents per share in 2006. The fully diluted EPS for 2007 was 18 cents compared to 28 cents in 2006.

Adjusted net profit before taxation for 2007 (net of the mentioned above significant non cash items relating to the investment in CY Foundation Group Limited and also the acquisition of the assets of Tribeca and the employee stock option plan as detailed in the table above) was \$70.0

# Financial and Operational Review continued

million (2006: \$68.0 million), an increase of 3.0% over 2006 which also included revenues derived from US activity. The adjusted EPS for the year, based on the weighted average number of shares is 32 cents, which was the same as in 2006. The fully diluted adjusted EPS for 2007 was 31 cents which was also the same as in 2006.

## Dividend

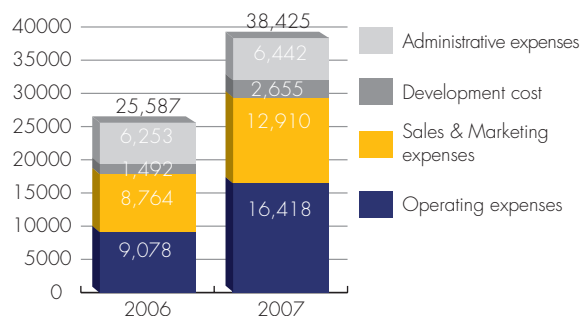
The Board has recommended a final dividend of 9.9 US cents per share, totalling approximately \$21.48 million. Once approved and paid, this will result in shareholders receiving an aggregate dividend for the 2007 year of 16.0 cents per share or approximately \$34.60 million which is an amount of 50% of the adjusted net profit (as previously described).

The Company paid dividends in respect of the 2006 year in the amount of approximately \$33.5 million or approximately 15.7 cents per share.

## Cost of Operations

Playtech's successful recovery from the withdrawal of its licensees from the US market in October 2006 was due to the huge investment made into the business as a result of the increased focus on European and Asian markets, where licensees require multiple languages, currencies and different products. As a result, the Group incurred increased costs in relation to penetrating new markets, developing new products, improving existing products, and searching for additional strategic acquisitions and joint ventures. While this has resulted in increased operating, sales and marketing, development and general and administration costs, the Board believes that this is a sound investment to gain an increasing foothold in one of the world's most active gaming markets. The migration of the Tribeca Tables licensees onto Playtech's platform contributed significantly to its success in 2007. As expected, this has resulted in an increase in the number of employees in the Group to approximately 650, which included two new development and operating centres located in India and the Philippines. Additionally there was further recruitment by our Estonian operation and the new Bulgarian subsidiary.

## Operational expenses 2007 vs 2006



Operating expenses excluding significant non cash charges were \$16.4 million, representing an increase of 81% over 2006.

Sales and Marketing expenses were \$12.9 million, representing an increase of 47% on 2006.

Development costs increased by 78% from the previous year, to \$2.7 million. These costs are associated with investment in the improvement of existing products. The cost of new products are capitalised and amortised as part of the operating expenses when they are launched. The total capitalised costs in 2007 were \$3.6 million.

General and administrative expenses, excluding exceptional items were \$6.4 million, an increase of 3% over 2006.

## Financial Income and Taxation

Cash is generally held in short-term deposits. Such deposits generated a financial income of \$5 million in 2007.

Only the Bulgarian and Israeli subsidiaries incurred taxable income. Total tax charges in 2007 amounted to \$0.8 million, representing a 1.2% effective tax rate of the adjusted net profit before taxation. The majority of profits arise in the British Virgin Islands where no tax is assessed.

# Financial and Operational Review continued

## Balance Sheet

Cash and cash equivalents as at 31 December 2007 amounted to \$86.5 million, representing 42% of the Group's balance sheet (2006: 87%).

The majority of trade receivables balance as at 31 December 2007 is due to amounts payable by licensees for the month of December 2007.

Intangible assets totalling \$61.4 million as at 31 December 2007 mainly consist of the Tribeca customer list, goodwill, patent and intellectual property rights and development costs of products such as the iPoker platform, mobile platform, and the Videobet product. The development of Mahjong and other Asian games is also included under this section.

Available for sale investments totalling \$34.8 million are due to the equity investments in both Foundation and AsianLogic. The cash costs of these investments are \$15.25 million. Following the accounting treatment of those investments, deferred revenues amounting to \$39.6 million are recorded under current liabilities and are to be recognised over the term of the relevant licence agreement.

Other accounts payable totalling \$34 million as at 31 December 2007 mainly consist of the Tribeca deferred consideration which will be fully settled by the end of 2008.

## Cash Flow

In 2007, the Group generated cash of \$62.6 million from operating activities which is a conversion of 95% of the Group's operating profit before the above mentioned non cash charges. This high cash conversion rate demonstrates the strength of the Group's business model

The Group's cash usage in investing activities was \$54.6 million (2006: \$6.5 million), which was mainly accounted for from the Tribeca asset deal (\$27.5 million), the available for sale investments (\$19 million), capitalised development costs (\$3.6 million) and the acquisition of fixed assets (\$2.6 million).



**Guy Emodi**  
**Chief Financial Officer**



## Board of Directors

### **Roger Withers (aged 65), Non Executive Chairman**

Roger started his career with Booz, Allen & Hamilton as an international management consultant and, subsequently, has over 30 years experience in the leisure and gaming industries. In 1973, Roger joined Ladbrokes where he held a number of senior positions in the bookmaking, casino, lottery and gaming machine divisions. In 1986, he joined Bass where his roles included managing director of BMLS and Coral Racing and executive chairman of Bass Leisure South Africa. He retired from Bass in 1998. Since then, he has held a number of other non-executive directorships, including chairman of Arena Leisure plc, senior non executive director of Sportech plc as well as with a number of substantial privately held companies in the property, technology, publishing and exhibitions sectors.

### **Mor Weizer (aged 33), Chief Executive Officer**

Mor was appointed as the Group's Chief Executive Officer in May 2007. Prior to this he was the chief executive officer of one of the Group's subsidiaries, Techplay Marketing Ltd which required him to oversee the Group's licensee relationship management, product management for new licensees and the Group's marketing activities. Prior to joining the Playtech Group, Mor worked for Oracle for over four years, initially as a development consultant and then as a product manager, which involved creating sales and consulting channels on behalf of Oracle Israel and Oracle Europe, the Middle East and Africa. Before this, he worked in a variety of roles, including as an auditor and financial consultant for PricewaterhouseCoopers and a system analyst for Tadiran Electronic Systems Limited, an Israeli Company that designs electronic warfare systems.

### **Guy Emodi (aged 44), Chief Financial Officer**

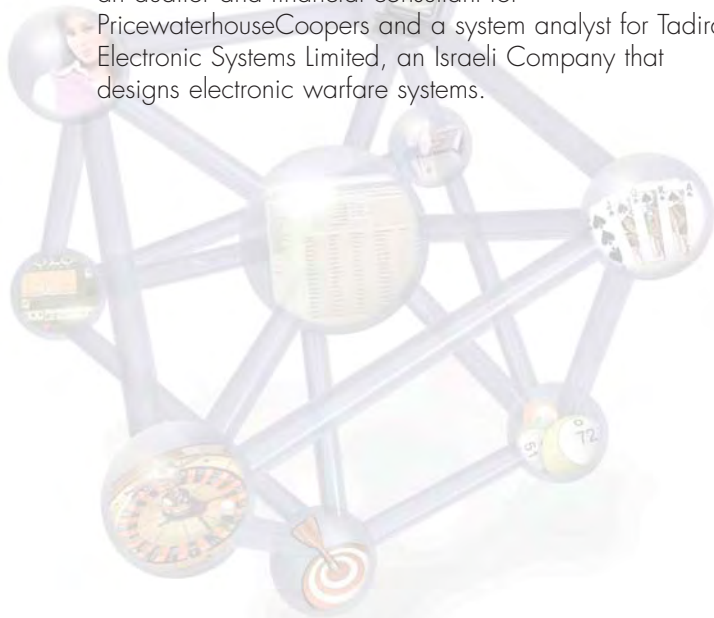
Guy was appointed as the group's Chief financial Officer on 3 October 2007. Guy holds an MBA from the London Business School (LBS) UK and has more than 18 years of experience in international finance during which he was involved in transactions totalling more than \$5 billion. Prior to joining Playtech, Guy was Chief Executive Officer of Ocif India LTD, a Real Estate Investment subsidiary of Ocif (TSE: OCIF), where he headed up a new investment venture in India. Before this, Guy spent eight years with Partner Communications LTD (NASDAQ: PTNR, LSE: PCCD), four of them as Director of Finance and CFO of Partner Communications 2000 Ltd, where he oversaw Partner's growth from a start up business to becoming a leading mobile phone provider. Prior to his tenure at Partner Communications, Guy was the executive assistant to the chairman of Dankner Group – a large investment company with holdings in telecommunications, real estate, banking, energy and chemicals.

### **Rafael Ashkenazi (aged 33), Chief Operating Officer**

Rafi joined the Playtech Group as Chief Operating Officer in January 2006. From 2001 until 2005, Rafi was VP of project & products for SQLink Group, an Israeli company and provider of end-to-end IT services specialising in on-site software consulting and services. Prior to this, Rafi worked at Hapoalim Bank, the largest bank in Israel, as a system analyst and developer.

### **Thomas Hall (aged 40), Business Development Director**

Tom is the Group's Business Development Director and former Chief Executive Officer having been with the Group since 2002. Based in Asia, Tom has been primarily responsible for overseeing global customer growth and the development of customised software solutions for the Asian marketplace. From 1995 until he joined Playtech Group in 2002, he was chief executive officer of TTR Strategic Holdings Limited ("TTR"), an Asia Pacific focused financial services group. Tom remains a non-executive director of NAV Limited, a financial services data processing subsidiary of TTR. Prior to that, he worked in Swiss private banking and private client financial services in the UK and Hong Kong. He also currently serves as the executive vice chairman of AsianLogic Limited.



## Board of Directors continued

### *Moshe Barak (aged 38), Executive Director*

Shuki joined the Playtech Group as Chief Financial Officer in February 2006 having previously been financial controller of ImageSat International N. V. a leading provider of satellite imagery services to worldwide customers. Prior to this, Shuki worked at Arthur Andersen in Israel where he qualified as a certified public accountant. In October 2007 Shuki stepped down from his position as CFO and continues to be a director on the board.

### *Avigur Zmora (aged 34), Non Executive Director*

Avigur joined the Playtech Group in July 2002 as Chief Financial Officer leading to his appointment as Chief Executive Officer in February 2006. In May 2007 he transferred his role to that of Executive Deputy Chairman, focusing on new business development in regulated markets and the Videobet product and in January 2008 became Non-Executive Director. Prior to joining the Group, Avigur was chief financial officer of New Age Ventures Limited, a Tel Aviv listed company that served as an incubator to several successful technology companies including Playtech. Prior to this, Avigur was controller and chief financial officer of Gateway 4 You Limited, a Tel Aviv listed company and leading payment processing firm specialising in credit card fraud protection. Avigur qualified as a certified public accountant with Arthur Andersen after national service in the Israeli defence forces.

### *Alan Jackson (aged 65), Non-executive Director*

Alan has over 30 years' experience in the leisure industry. From 1973 to 1991, he occupied a number of positions at Whitbread, principally as managing director of Beefeater steakhouse and also the Whitbread restaurant division where he was responsible for the creation and development of the Beefeater, Travel Inn and TGI Friday brands. In 1991, he founded his own business which became Inn Business Group plc in 1995 and was subsequently acquired by Punch Taverns plc in 1999. He chaired Oriental Restaurant Group plc until its sale to Noble House in 2000 and has been chairman of The Restaurant Group plc since 2001. He is currently non-executive chairman of Charles Wells Limited and a non-executive Chairman of Luminar Plc.



# Corporate Governance

## Introduction

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

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

## The Board Constitution and Procedures

The Company is controlled through the Board of Directors, which currently comprises five Executive and three Non Executive Directors. Pursuant to the Code, the chairman is not considered to be independent as he holds options in the Company. In addition, pursuant to the code, Mr Zmora is not considered to be independent as he holds options in the Company and is a former executive in the Company. However, Mr Jackson is considered by the Board to be independent of management and free of any relationship, which could materially interfere with the exercise of his independent judgment. As the Chairman is primarily responsible for the running of the Board, he ensures that all Directors receive sufficient relevant information on financial, business and corporate issues prior to meetings. The Chief Executive's responsibilities focus on coordinating the Group's business and implementing Group strategy.

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

## Board Committees

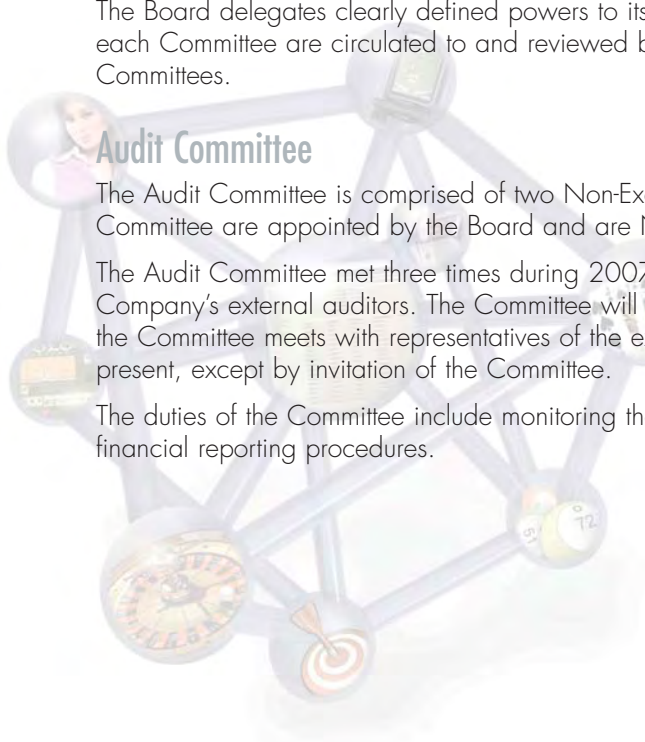
The Board delegates clearly defined powers to its Audit, Remuneration and Nomination Committees. The minutes of each Committee are circulated to and reviewed by the Board. The Company Secretary is secretary to each of the Committees.

### Audit Committee

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

The Audit Committee met three times during 2007. Two of those meetings were also attended by a representative of the Company's external auditors. The Committee will continue to meet not less than three times a year. At least once a year the Committee meets with representatives of the external auditors of the Company without any Executive Directors being present, except by invitation of the Committee.

The duties of the Committee include monitoring the auditor's performance and reviewing accounting policies and financial reporting procedures.



# Corporate Governance continued

## Remuneration Committee

The Remuneration Committee is comprised of two Non-Executive Directors and is chaired by Alan Jackson. The Committee met twice in 2007. In future, the Committee will continue to meet whenever necessary during the year, and not less than twice a year.

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

## Nomination Committee

The Nomination Committee is comprised of two Non-Executive Directors and is chaired by Roger Withers. The Committee met twice in 2007. In the future the Committee will continue to meet whenever necessary during the year, and not less than twice a year.

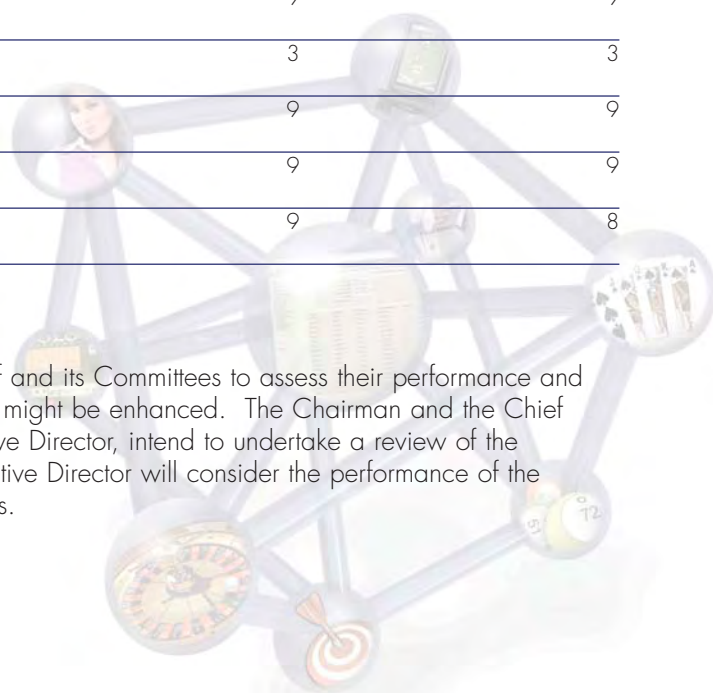
The Committee will be responsible for reviewing the size, structure and composition of the Board, succession planning and identifying and nominating candidates for all senior management and Board positions.

## Directors' Attendance record

Director	Possible Meetings	Number	Meetings Attended
Roger Withers (appointed on 28 March 2006)	Board	9	9
	Audit	3	3
	Remuneration	2	2
	Nomination	2	2
Alan Jackson (appointed on 28 March 2006)	Board	9	9
	Audit	3	3
	Remuneration	2	2
	Nomination	2	2
Mor Weizer (appointed on 2 May 2007)	Board	7	7
Avigur Zmora (appointed on 24 February 2006)	Board	9	9
Guy Emodi (appointed on 3 October 2007)	Board	3	3
Moshe Barak (appointed on 24 February 2006)	Board	9	9
Rafael Ashkenazi (appointed on 24 February 2006)	Board	9	9
Thomas Hall (appointed on 24 February 2006)	Board	9	8

## Evaluation

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



# Corporate Governance continued

## Communication with Investors

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

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

## Risk Management

In 2008, the Company established a risk management committee and appointed an internal audit function. The risk committee is chaired by Alan Jackson and the other members consist of the Chairman of the Company, the CEO, the CFO, the COO, the Company Secretary, the General Counsel and the Internal Auditor. The internal audit function is outsourced and is being undertaken by Deloitte, Isle of Man. The risk management committee has met once and will continue to meet on a quarterly basis to receive and consider the reports from the Internal Auditor which will identify any significant risk and compliance issues and management plans in place to address them. The areas of risk which the risk management committee consider to be the current principal risks and uncertainties are set out below. This list is not presumed to be exhaustive and by its very nature is subject to change.

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

## Independence of Auditors

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

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



# Directors' Report

The Directors present their report and the audited financial statements for the year ended 31 December 2007.

## Principal activities

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

## Results

The results of the Company and the Group for the year ended 31 December 2007 are set out on pages 23 to 27 show Group revenues of US\$103.6 million and a net profit after tax of US\$41.51 million.

## Dividends

The Board has recommended the payment of a final dividend of 9.9 cents per share. The payment of this dividend requires shareholder approval which will be sought at the Company's AGM.

## Directors and Directors' Interests

The Directors of the Company who held office during the 2007 year and to date are:

	Appointed
Roger Withers	28.03.2006
Alan Jackson	28.03.2006
Avigur Zmora	24.02.2006
Moshe Barak	24.02.2006
Rafael Ashkenazi	24.02.2006
Thomas Hall	24.02.2006
Mor Weizer	02.05.2007
Guy Emodi	03.10.2007

## Substantial Shareholdings

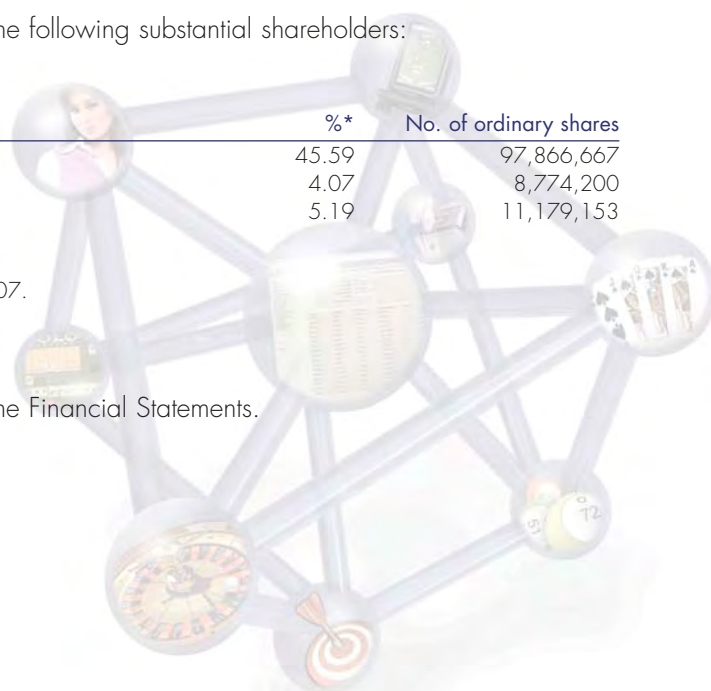
As of 31 December 2007, the Company had been advised of the following substantial shareholders:

Shareholders	%*	No. of ordinary shares
Brickington Trading Limited	45.59	97,866,667
Interexpo Trading Limited	4.07	8,774,200
Blackrock Investment Management (UK) Limited	5.19	11,179,153

\*Assuming a total issued share capital of 215,561,342 as at 31 December 2007.

## Related Party Transactions

Details of all related party transactions are set out in note 15 to the Financial Statements.



## Directors' Report continued

### Corporate Governance

The Directors' statement on Corporate Governance is set out on pages 12 to 14.

### Political and Charitable Donations

The Company made no political or charitable donations during the year ended 31 December 2007.

### Future Prospects

The Board is highly confident of its performance for 2008. Its aim in 2008 is to further enhance Playtech's market leading position with a strong focus on regulated markets and using its strong cash position, if appropriate, to look at the acquisition of complementary businesses.

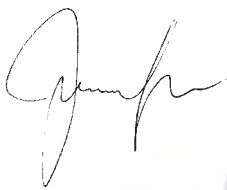
### AGM

The Annual General Meeting will be held at the Claremont Hotel, 18-22 Loch Promenade, Douglas, Isle of Man, IM1 2LX on 14 May 2008 at 11am. A notice of the meeting is attached to this Annual Report.

### Auditors

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

Approved by the Board and signed on behalf of the Board



**Jonathan Lockyer**  
**Company Secretary and Legal Counsel**  
**4 March 2008**



# Remuneration Report

The Directors' emoluments, benefits and shareholdings during the year ended 31 December 2007 were as follows:

## 1. Directors' Emoluments (in US Dollars)

Director	Salary/Service Fee	Bonuses	Benefits	Option charges	Total emoluments
<b>EXECUTIVE</b>					
Mor Weizer <sup>(4)</sup>	247,000	225,000	4,000	319,000	795,000
Guy Emodi <sup>(5)</sup>	60,000	-	-	32,000	92,000
Thomas Hall	113,000	-	-	-	113,000
Moshe Barak	166,000	59,000	34,000	20,000	279,000
Rafi Ashkenazi	169,000	30,000	49,000	157,000	405,000
<b>NON-EXECUTIVE</b>					
Roger Withers <sup>(1) (2) (3)</sup>	341,000	-	-	71,000	412,000
Alan Jackson <sup>(1) (2) (3)</sup>	127,000	-	-	-	127,000
Avigur Zmora <sup>(6)</sup>	397,000	200,000	39,000	427,000	1,063,000

### Notes

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

<sup>(2)</sup> Member of the Remuneration committee

<sup>(3)</sup> Member of the Nomination committee

<sup>(4)</sup> Appointed as CEO and a member of the Board on 2 May 2007

<sup>(5)</sup> Appointed as CFO and a member of the Board on 3 October 2007

<sup>(6)</sup> Was an executive director of the Company during 2007 and moved to non-executive director on 15 January 2008.



# Remuneration Report

## 2. Directors' Interests

### 2.1 Interests of Directors in ordinary shares *Ordinary Shares*

	As at 31.12.2007 Number of Ordinary Shares	Percentage of issued share capital	As at 31.12.2006 Number of Ordinary Shares	Percentage of issued share capital
Roger Withers	19,333	0.009%	19,333	0.009%
Avigur Zmora	500,000	0.232%	500,000	0.234%
Thomas Hall	190,000 <sup>(2)</sup>	0.088%	3,050,000	1.43%
Moshe Barak	2,220	0.001%	2,220	0.001%
Rafi Ashkenazi	- <sup>(1)</sup>	-	5,555	0.0026%
Alan Jackson	5,000	0.002%	5,000	0.002%
Mor Weizer	-	-	-	-
Guy Emodi	-	-	-	-

<sup>(1)</sup> On 5 March 2007, Mr Ashkenazi sold 5,555 Ordinary Shares at a price of £3.36.

<sup>(2)</sup> In February 2007, Mr Hall transferred 1,000,000 Ordinary Shares to persons for whom he held such shares on trust. On 14 June 2007, Mr Hall transferred 1,500,000 Ordinary Shares to persons for whom held such shares on trust and sold 70,000 Ordinary Shares at a price of 399.25p per share. Between 15 June and 19 June 2007, Mr Hall sold 100,000 Ordinary Shares at a price of 394.28p per share. On 14 September 2007, Mr Hall sold 100,000 Ordinary Shares and on 17 September 2007 sold a further 90,000 Ordinary Shares, in each case at a price of 354p per share.

### 2.2 Interests of Directors in Options

	Number of Options	Date of Grant	Exercise price	Exercised during the year	Earliest Exercise date	Expiry of exercise period
Roger Withers	200,000	28 March 2006	£2.57		28 March 2007	27 March 2011
	100,000	16 May 2007	US\$7.50		15 May 2008	16 May 2012
Alan Jackson	-	-	-		-	-
Avigur Zmora	1,000,000 <sup>(1)</sup>	1 December 2005	US\$4.50		1 December 2006	30 November 2010
	400,000 <sup>(2)</sup>	6 February 2006	US\$4.50		6 February 2007	30 November 2010
	500,000	11 October 2006	US\$3.24		11 October 2007	10 October 2011
	200,000	16 May 2007	US\$7.50		15 May 2008	16 May 2012
Thomas Hall	-	-	-		-	-
Moshe Barak	200,000	1 March 2006	US\$4.00		1 December 2006	1 March 2011
Rafi Ashkenazi	200,000	1 December 2005	US\$4.00	66,666 <sup>(4)</sup>	1 December 2006	30 November 2010
	200,000	11 October 2006	US\$3.24	66,666 <sup>(5)</sup>	11 October 2007	10 October 2011
	50,000	16 May 2007	US\$7.50		15 May 2008	16 May 2012
Mor Weizer	200,000	6 February 2006	US\$4.50		1 December 2006	17 March 2011
	200,000	11 October 2006	US\$3.24		11 October 2007	11 October 2011
	600,000	16 May 2007	US\$7.50		15 May 2008	16 May 2012
Guy Emodi	300,000 <sup>(3)</sup>	3 October 2007	US\$6.90		3 October 2008	3 October 2012

<sup>(1)</sup> Mr Zmora agreed to pay the Company US\$40,000 for the grant of these options and such amount remains outstanding.

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

<sup>(3)</sup> These options vest in equal proportions over four years.

<sup>(4)</sup> On 5 March 2007, Mr Ashkenazi exercised his right to acquire 66,666 shares which he then subsequently sold at a price per share of £3.40.

<sup>(5)</sup> On 12 November 2007, Mr Ashkenazi exercised his right to acquire 66,666 shares which he then subsequently sold at a price per share of £3.80.

# Remuneration Report continued

## Remuneration Policy

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

## Terms of Reference

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

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

## Share Option Plan

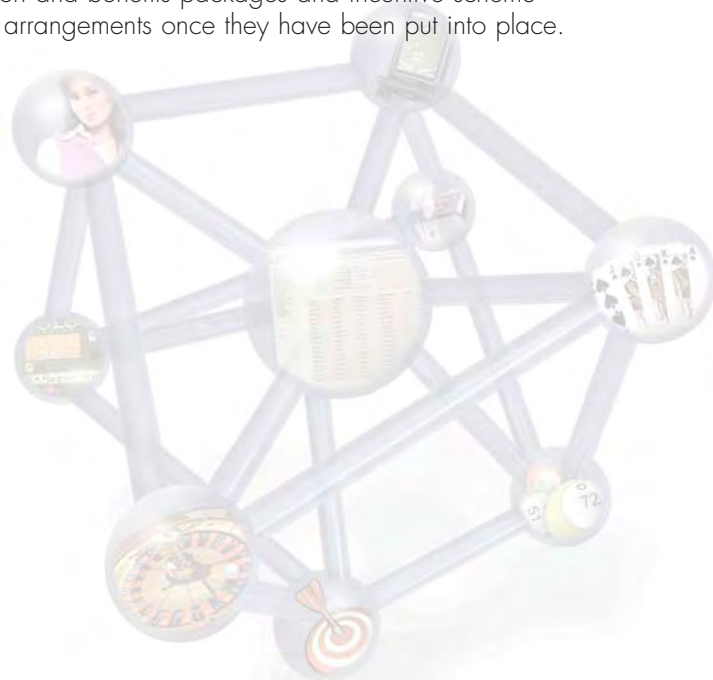
The Company operates an unapproved share option scheme in accordance with the Rules of the Playtech Limited 2005 Global Share Option Plan, pursuant to which the senior management and where relevant, the remuneration committee makes recommendations to the board concerning the allocation of share options to employees of the Company. Options under this scheme are granted at market value and usually vest in equal proportions on the three anniversaries of the relevant grant date. The unexercised options expire five years after the date of grant, unless the relevant employee leaves the Groups employment, in which case the unvested options lapse and any vested options lapse three months after the date that the employment ends.

## Other Incentive Schemes

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



**Alan Jackson**  
**Chairman of the Remuneration Committee**  
**4 March 2008**



## Directors' Statement of Responsibilities

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

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

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

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

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

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



# Report of the Independent Auditors to The Directors of Playtech Limited

We have audited the consolidated financial statements (the "financial statements") of Playtech Limited for the year ended 31 December 2007 which comprise the Consolidated Income Statement, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity and the related notes. These financial statements have been prepared under the accounting policies set out therein.

## Respective responsibilities of directors and auditors

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

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

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

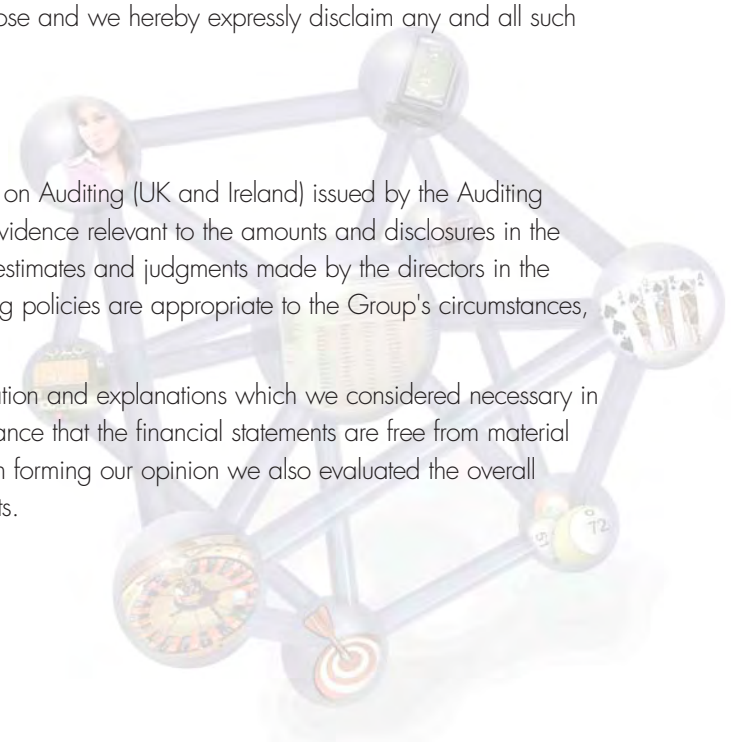
We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report, the Directors' Remuneration Report, the Chairman's report, the Chief Executive Officer's report, the Financial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

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

## Basis of audit opinion

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

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



# Report of the Independent Auditors to The Directors of Playtech Limited continued

## Opinion

In our opinion:

- The financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 December 2007 and of its profit for the year then ended; and
- The information given in the Directors' report is consistent with the financial statements.

## Emphasis of matter – regulatory issues

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosures made in the financial statements concerning the uncertainty of the actions, if any, that certain regulatory authorities may take. Further information is set out in note 23a, which states that the Directors consider that no provision is necessary in respect of this matter.

**BDO Stoy Hayward LLP**  
**55 Baker Street, London W1U 7EU**  
**United Kingdom**  
**4 March 2008**

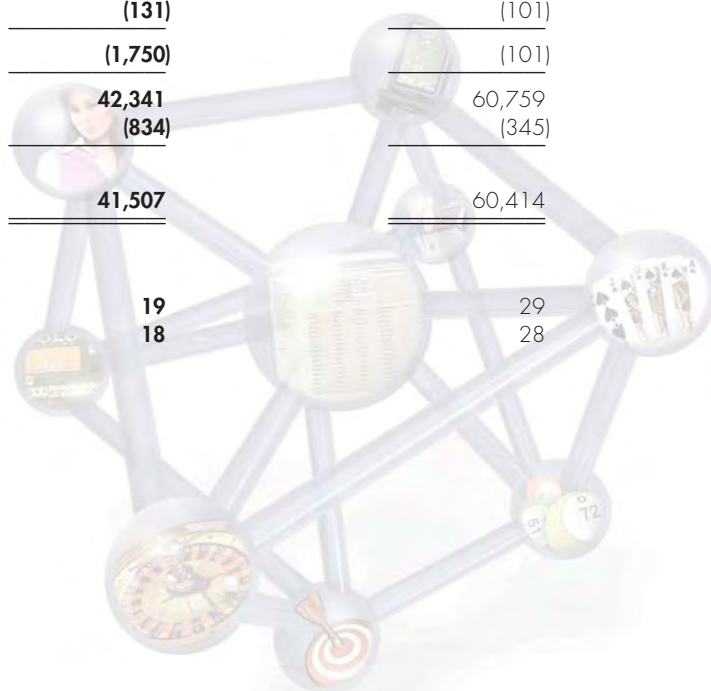


# Financial Statements

## Consolidated Income Statement

as of 31 December, 2007 (In thousands)

	Note	For the year ended 31 December,	
		2007	2006
Revenues	4	<b>103,604</b>	90,078
Operating expenses		<b>(21,171)</b>	(9,247)
Sales & marketing expenses		<b>(13,902)</b>	(8,941)
Development costs		<b>(2,905)</b>	(1,567)
Administrative expenses		<b>(26,523)</b>	(13,101)
		<b>(64,501)</b>	(32,856)
Operating profit before the following items:		<b>66,250</b>	65,097
Charge related to founders' cash contributions to employees	9	-	(6,566)
Employee stock option expense	9	<b>(2,645)</b>	(703)
Amortisation of intangible assets	11	<b>(5,304)</b>	(606)
Impairment of software on acquisition	12	<b>(275)</b>	-
Decline in fair value of available for sale investment	16	<b>(18,269)</b>	-
Loss on disposal of available for sale investment	16	<b>(654)</b>	-
Total		<b>(27,147)</b>	(7,875)
Operating profit	5	<b>39,103</b>	57,222
Financing income	6	<b>4,988</b>	3,638
Financing cost - discounting of deferred consideration		<b>(1,619)</b>	-
Financing cost - other		<b>(131)</b>	(101)
Total financing cost	6	<b>(1,750)</b>	(101)
Profit before taxation		<b>42,341</b>	60,759
Tax expense	7	<b>(834)</b>	(345)
<b>Profit for the year attributable to the equity holders of the parent</b>		<b>41,507</b>	60,414
<b>Earnings per share (in Cents)</b>	8		
Basic		<b>19</b>	29
Diluted		<b>18</b>	28



# Financial Statements continued

## Consolidated Statement of Changes in Equity

as of 31 December, 2007 (In thousands)

	Share capital	Additional Paid in Capital	Available for sale reserve	Employee stock options reserve	Retained earnings	Total
FOR THE YEAR ENDED 31 DECEMBER, 2006						
Balance at 1 January 2006	10	100	-	22	19,587	19,719
CHANGES IN EQUITY FOR THE YEAR						
Profit for the year	-	-	-	-	60,414	60,414
<b>Total recognised income and expense for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>60,414</b>	<b>60,414</b>
Dividend paid	-	-	-	-	(39,500)	(39,500)
Initial Public Offering proceeds	-	59,862	-	-	-	59,862
Share issue costs	-	(4,335)	-	-	664	(3,671)
Cancellation of issued shares	(10)	10	-	-	-	-
Founders' cash contribution to employees	-	-	-	-	6,566	6,566
Exercise of options	-	733	-	-	-	733
Employee stock option scheme	-	-	-	703	-	703
Balance at 31 December 2006	<u>-</u>	<u>56,370</u>	<u>-</u>	<u>725</u>	<u>47,731</u>	<u>104,826</u>
CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER, 2007						
Profit for the year	-	-	-	-	41,507	41,507
<b>Total recognised income and expense for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>41,507</b>	<b>41,507</b>
Dividend paid	-	-	-	-	(28,125)	(28,125)
Adjustments for change in fair value of available for sale investments (note 16)	-	-	309	-	-	309
Exercise of options	-	5,266	-	-	-	5,266
Employee stock option scheme	-	-	-	2,645	-	2,645
Balance at 31 December 2007	<u>-</u>	<u>61,636</u>	<u>309</u>	<u>3,370</u>	<u>61,113</u>	<u>126,428</u>



# Financial Statements continued

## Consolidated Balance Sheet

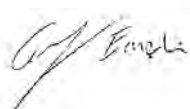
as of 31 December, 2007 (In thousands)

	Note	As of 31 December,	
		2007	2006
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	5,095	3,015
Intangible assets	11	61,355	4,355
Other non-current assets		405	127
		<b>66,855</b>	<b>7,497</b>
<b>CURRENT ASSETS</b>			
Trade receivables	13	12,501	6,257
Other receivables	14	5,617	1,280
Available for sale investments	16	34,846	-
Cash and cash equivalents	17	86,491	101,403
		<b>139,455</b>	<b>108,940</b>
<b>Total assets</b>		<b>206,310</b>	<b>116,437</b>
<b>EQUITY AND LIABILITIES</b>			
Additional paid in capital	18	61,636	56,370
Available for sale reserve	16	309	-
Employee stock option reserve	9	3,370	725
Retained earnings		61,113	47,731
Equity attributable to equity holders of the parent		<b>126,428</b>	<b>104,826</b>
<b>NON-CURRENT LIABILITIES</b>			
Other non-current liabilities		104	46
<b>CURRENT LIABILITIES</b>			
Trade payables	19	5,260	5,667
Tax		911	397
Deferred revenues	16	39,631	2,818
Other accounts payables	20	33,976	2,683
		<b>79,778</b>	<b>11,565</b>
<b>Total equity and liabilities</b>		<b>206,310</b>	<b>116,437</b>

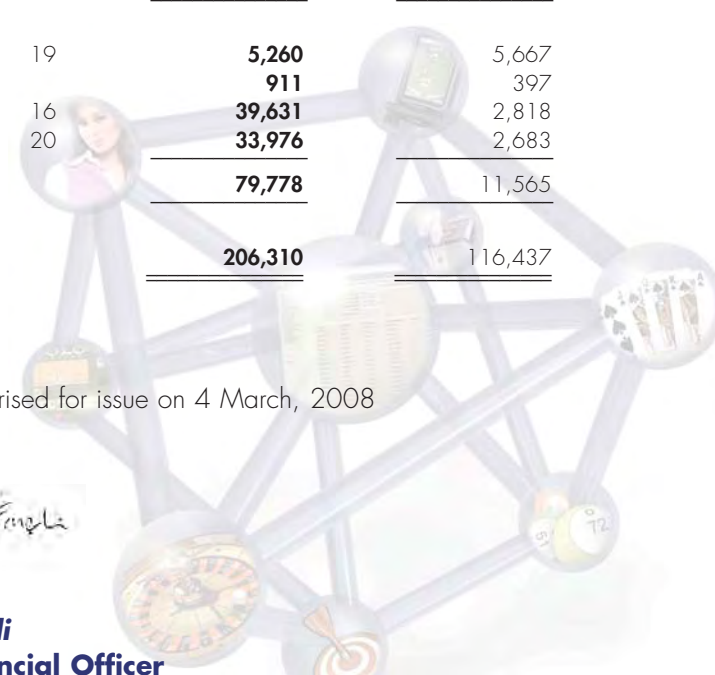
The financial statements were approved by the board and authorised for issue on 4 March, 2008



**Mor Weizer**  
Chief Executive Officer



**Guy Emodi**  
Chief Financial Officer

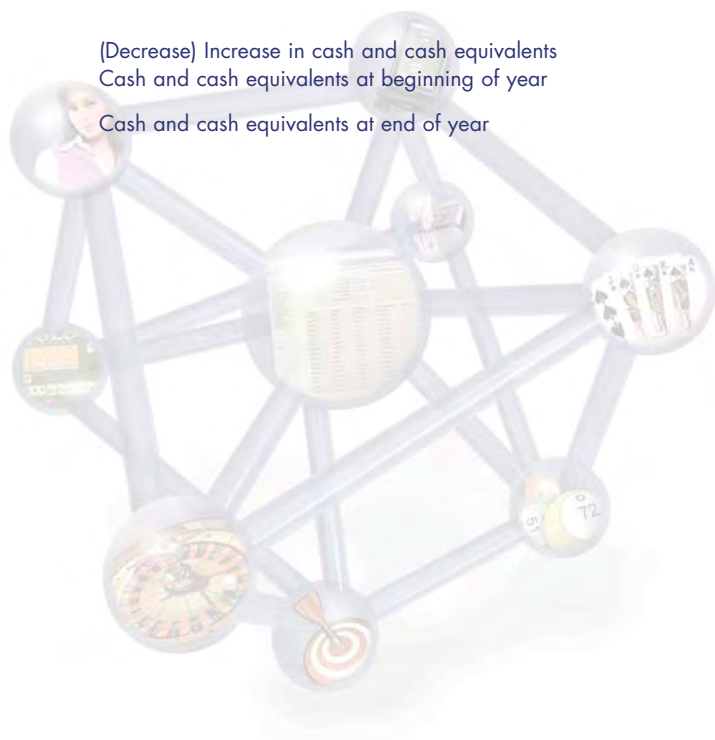


# Financial Statements continued

## Consolidated Statement of Cash Flows

as of 31 December, 2007 (In thousands)

	Note	For the year ended 31 December,	
		2007 US\$000	2006 US\$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		<b>42,341</b>	60,759
Tax		<b>(834)</b>	(345)
Adjustments to reconcile net income to net cash provided by operating activities (see below)		<b>21,089</b>	12,213
Net cash provided by operating activities		<b>62,596</b>	72,627
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Long term deposits		<b>(278)</b>	(135)
Acquisition of property, plant and equipment		<b>(2,620)</b>	(2,747)
Proceeds from sale of equipment		<b>35</b>	-
Acquisition of intangible assets		<b>(1,674)</b>	(1,738)
Acquisition of business	11	<b>(27,539)</b>	-
Investment in available for sale equity shareholding	16	<b>(18,989)</b>	-
Capitalised development costs	16	<b>(3,584)</b>	(1,835)
Net cash used in investing activities		<b>(54,649)</b>	(6,455)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividends paid		<b>(28,125)</b>	(39,705)
Initial Public Offering proceeds		-	59,862
Exercise of options		<b>5,266</b>	733
Share issue costs		-	(3,671)
Others		-	17
Net cash (used in) provided by financing activities		<b>(22,859)</b>	17,236
<b>(Decrease) Increase in cash and cash equivalents</b>		<b>(14,912)</b>	83,408
Cash and cash equivalents at beginning of year		<b>101,403</b>	17,995
Cash and cash equivalents at end of year		<b>86,491</b>	101,403



# Financial Statements continued

## Consolidated Statement of Cash Flows continued

as of 31 December, 2007 (In thousands)

	Note	For the year ended 31 December,	
		2007 US\$000	2006 US\$000
ADJUSTMENT TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
INCOME AND EXPENSES NOT AFFECTING OPERATING CASH FLOWS:			
Depreciation	10	1,667	666
Amortisation	11	5,304	606
Impairment loss	12	275	-
Decline in fair value of available for sale investment	16a	18,269	-
Loss on disposal on available for sale investment	16a	654	-
Founders' cash contribution to employees		-	6,566
Employee stock option plan expenses	9	2,645	703
Finance income		(3,238)	(3,537)
Others		52	18
CHANGES IN OPERATING ASSETS AND LIABILITIES:			
Increase in trade receivables		(6,244)	(2,068)
Decrease in other receivables		2,651	2,594
(Decrease) Increase in trade payables		(623)	4,785
Increase in other payables		1,084	3,745
Decrease in deferred revenues		(1,407)	(1,865)
		<u>21,089</u>	<u>12,213</u>

## Non-Cash Transactions

	Note	For the year ended 31 December,	
		2007 US\$000	2006 US\$000
Intangible assets		(30,752)	-
Other payables- deferred consideration	20	30,723	-
Trade payables		215	-
Investments	16	(34,779)	-
Property, plant and equipment - accrued costs		(186)	-
Trade receivables - deferred payment	16	(3,750)	-
Deferred revenues	16	38,220	-
Available for sale reserve	16	309	-

# Notes to the Financial Statements

## Note 1 – General

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

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

## Note 2 – Significant Accounting Policies

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

### A. Accounting Principles

These financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting standards and interpretations (collectively IFRS) issued by the International Accounting Standards Board (IASB) as adopted by the European Union ("adopted IFRSs"). In the current year the Group has adopted all of the new and revised standards and interpretations issued by the IASB and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB, as they have been adopted by the European Union, that are relevant to its operations and effective for accounting periods beginning on 1 January 2007. The adoption of the following new and revised standards and interpretations had 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.

### Changes in accounting policies

IFRS 7, Financial Instruments: disclosures and a complementary amendment to IAS 1, Presentation of Financial Statements – capital disclosures (effective for accounting periods beginning on or after 1 January 2007). IFRS 7 introduces new requirements aimed at improving the disclosure of information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk. Where those risks are deemed to be material to the Group it requires disclosures based on the information used by key management. It replaces the disclosure requirements in IAS 32 'Financial Instruments: disclosure and presentation'. The amendment to IAS 1 introduces disclosures about the level and management of an entity's capital. The Group has applied IFRS 7 and the amendment to IAS 1 to the financial statements for the period beginning on 1 January 2007.

IFRIC 8, Scope of IFRS 2 (effective for accounting periods beginning on or after 1 May 2006). IFRIC 8 requires consideration of transactions involving the issue or grant of equity instruments to establish whether or not they fall within the scope of IFRS 2. It applies to situations where the identifiable consideration received is or appears to be less than the fair value of the equity instruments issued. There was no impact on the Group's financial statements from its adoption.

IFRIC 9, Reassessment of embedded derivatives (effective for accounting periods beginning on or after 1 June 2006). IFRIC 9 requires an assessment of whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when an entity becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. There was no impact on the Group's financial statements from its adoption.

IFRIC 10, Interim Financial Reporting and Impairment (effective for accounting periods beginning on or after 1 November 2006). IFRIC 10 prohibits impairment losses recognised in an interim period on goodwill and investments in equity instruments and on financial assets carried at cost to be reversed at a subsequent balance sheet date. There was no impact on the Group's financial statements from its adoption.

## Notes to the Financial Statements continued

### Standards, amendments and interpretations not yet effected

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2007 but are currently not relevant to the Group's operations:

IFRIC 7, Applying the restatement approach under IAS 29, Financial Reporting in Hyperinflationary Economies (effective for accounting periods beginning on or after 1 March 2006). IFRIC 7 is not relevant to the Group as none of the Group companies has a currency of a hyperinflationary economy as its functional currency.

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 2008 or later periods and which the Group has decided not to adopt early. These are:

IFRS 8, Operating Segments (effective for accounting periods beginning on or after 1 January 2009). This standard sets out requirements for the disclosure of information about an entity's operating segments and also about the entity's products and services, the geographical areas in which it operates, and its major customers. It replaces IAS 14, Segmental Reporting. As this is a disclosure standard it does not have any impact on the results or net assets of the Group.

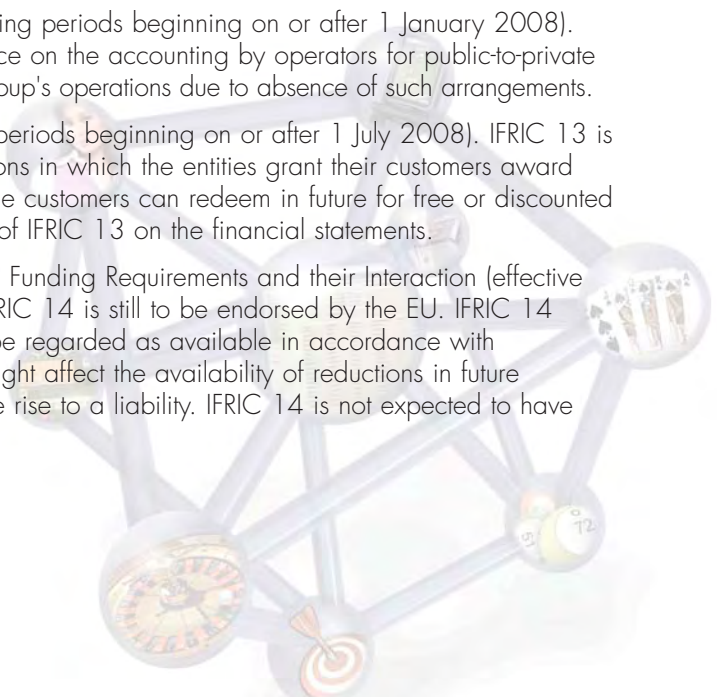
IAS 23, Borrowing Costs (revised) (effective for accounting periods beginning on or after 1 January 2009). The revised IAS 23 is still to be endorsed by the EU. The main change from the previous version is the removal of the option of immediately recognising as an expense borrowing costs that relate to qualifying assets, broadly being assets that take a substantial period of time to get ready for use or sale. Management is currently assessing its impact on the financial statements.

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

IFRIC 12, Service Concession Arrangements (effective for accounting periods beginning on or after 1 January 2008). IFRIC 12 is still to be endorsed by the EU. IFRIC 12 gives guidance on the accounting by operators for public-to-private service concession arrangements. IFRIC 12 is not relevant to the Group's operations due to absence of such arrangements.

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

IFRIC 14, IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective for accounting periods beginning on or after 1 January 2008). IFRIC 14 is still to be endorsed by the EU. IFRIC 14 clarifies when refunds or reductions in future contributions should be regarded as available in accordance with paragraph 58 of IAS 19, how a minimum funding requirement might affect the availability of reductions in future contributions and when a minimum funding requirement might give rise to a liability. IFRIC 14 is not expected to have any impact on the financial statements.



## Notes to the Financial Statements continued

Revised IFRS 3, Business Combinations and complementary Amendments to IAS 27, 'Consolidated and separate financial statements (both effective for accounting periods beginning on or after 1 July 2009). This revised standard and amendments to IAS 27 is still to be endorsed by the EU. The revised IFRS 3 and amendments to IAS 27 arise from a joint project with the Financial Accounting Standards Board (FASB), the US standards setter, and result in IFRS being largely converged with the related, recently issued, US requirements. There are certain very significant changes to the requirements of IFRS, and options available, if accounting for business combinations. Management is currently assessing the impact of revised IFRS 3 and amendments to IAS 27 on the financial statements.

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

### **B. Financial statements in U.S. Dollars**

The financial statements of the Company and its subsidiaries are prepared in United States dollars (the measurement 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 dollars 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 excluding depreciation and other items deriving from non-monetary items which are converted at the rate of exchange used to convert the related balance sheet items. Exchange gains and losses from the aforementioned conversion are recognised in the income statement.

### **C. Basis of consolidation**

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

### **D. Share capital**

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

### **E. Dividend distribution**

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

### **F. Provisions**

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

## Notes to the Financial Statements continued

### G. Property, plant and equipment

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

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

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

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

### H. Long term liabilities

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

### I. Revenue recognition

Royalty income receivable from contracting parties comprises a percentage of the revenue generated by the contracting party from use of the Group's intellectual property in online gaming activities and is recognised in the accounting periods in which the gaming transactions occur. Royalty and other income receivable under fixed-term arrangements are recognised over the term of the agreement on a straight line basis.

### J. Intangible assets

Intangible assets comprise patents, domains, customer list and internally generated software development costs capitalised and are stated at cost less accumulated amortisation. Carrying amounts are reviewed on each balance sheet date for impairment. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount.

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

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

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

## Notes to the Financial Statements continued

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

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

### **K. Income taxes**

Provision for income taxes is calculated in accordance with the tax legislations and applicable tax rates in force at the balance sheet date in the countries the Group companies have been incorporated. Deferred tax is not significant to the Group's operations.

### **L. Share-based payments**

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

### **M. Operating expenses, development costs and sales & marketing expenses**

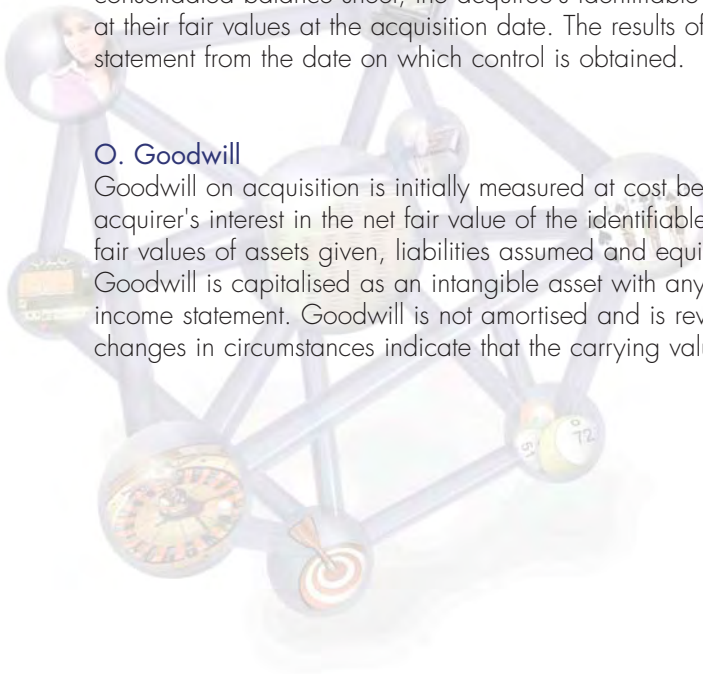
Operating expenses represent the direct costs of the function of providing services to customers. Development costs represent the costs of the development function. Advertising costs are charged to sales & marketing expenses as incurred.

### **N. Business combinations**

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

### **O. Goodwill**

Goodwill on acquisition is initially measured at cost being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Cost comprises the fair values of assets given, liabilities assumed and equity instruments issued, plus any direct costs of acquisition. Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the consolidated income statement. Goodwill is not amortised and is reviewed for impairment, annually or more specifically if events or changes in circumstances indicate that the carrying value may be impaired.



## Notes to the Financial Statements continued

### P. Financial assets

The Group classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. The Group has not classified any of its financial assets as held to maturity.

#### Receivables

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

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

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

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

#### Available-for-sale financial assets

Non-derivative financial assets classified as available-for-sale comprise the Group's strategic investments in entities not qualifying as subsidiaries, associates or jointly controlled entities.

They are carried at fair value with changes in fair value recognised directly in equity. In accordance with IAS 39, a significant or prolonged decline in the fair value of an available-for-sale financial asset is recognised in the income statement. Where available for sale assets are held for the short term with the intention of disposal, they are included in current assets.

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

### Q. Financial liabilities

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

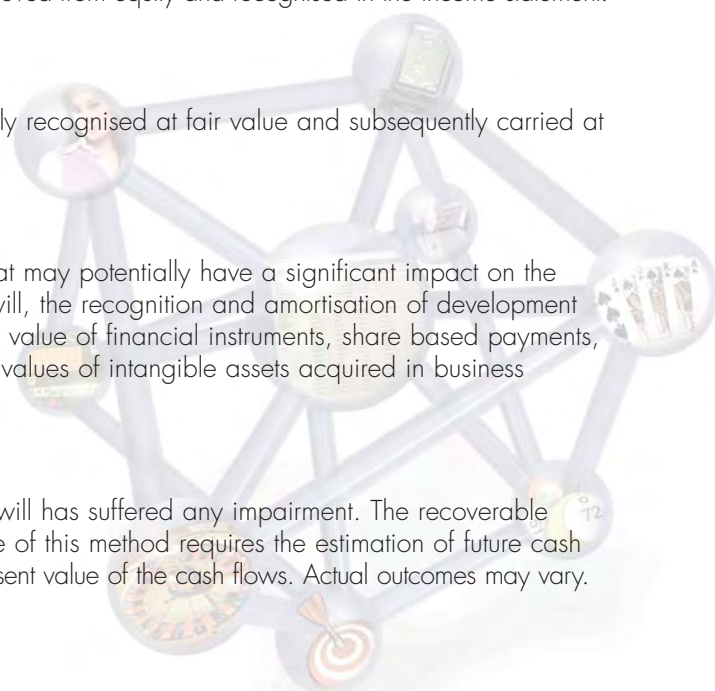
## Note 3 – Critical Accounting Estimates and Judgements

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

### Estimates and assumptions

#### A. Impairment of goodwill

The Group is required to test, on an annual basis, whether goodwill has suffered any impairment. The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the choice of a discount rate in order to calculate the present value of the cash flows. Actual outcomes may vary.



## Notes to the Financial Statements continued

### B. Recognition and amortisation of development cost and the useful life of property, plant and equipment

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

### C. Fair value of financial instruments

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

### D. Share based payments

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

### E. Legal Proceedings and contingent liabilities

Management regularly monitors the key risks affecting the Group, including the regulatory environment in which the Group operates. Provision will be made if it is possible that there will be an outflow of economic benefit.

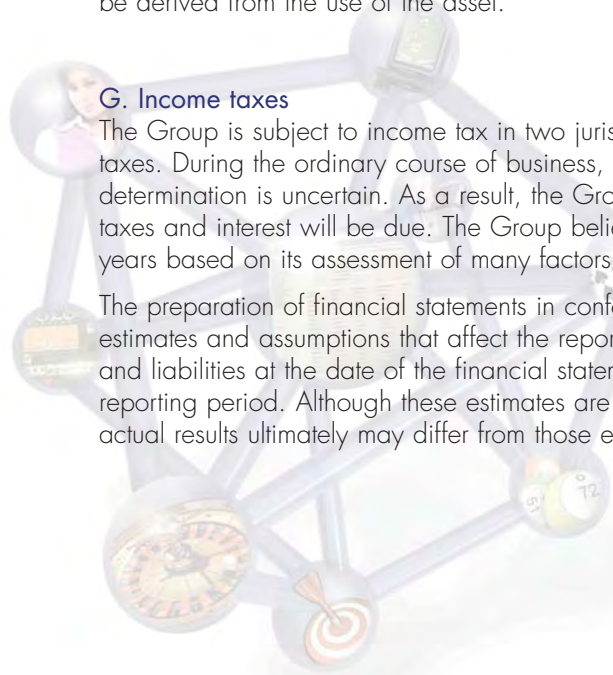
### F. Determination of fair value of intangible assets acquired in a business combination

The fair value of the customer list acquired in a business combination is based on the discounted cash flows expected to be derived from the use of the asset.

### G. Income taxes

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

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.



# Notes to the Financial Statements continued

## Note 4 – Segment Information

The directors consider that the Group has one business segment. Revenues are derived from the following geographic regions:

	December 31,	
	2007 US\$000	2006 US\$000
Canada	53,072	57,882
Philippines	8,967	11,926
Curacao and Antigua	22,314	18,944
Rest of World	19,251	1,326
	<b>103,604</b>	<b>90,078</b>

Segmentation 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. Revenues are derived from the following products (excluding US contributions):

	December 31,	
	2007 US\$000	2006(*) US\$000
Casino	74,740	47,282
Poker	27,440	7,441
Other	1,424	884
	<b>103,604</b>	<b>55,607</b>

(\*)Excluding US contribution

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

	December 31,	
	2007 Assets US\$000	2006 Assets US\$000
Estonia	4,732	3,251
Israel	1,557	661
Philippines	522	-
Isle of Man	536	360
Bulgaria	527	258
British Virgin Islands	198,436	111,907
	<b>206,310</b>	<b>116,437</b>

# Notes to the Financial Statements continued

Estonia  
Israel  
Philippines  
Isle of Man  
Bulgaria  
British Virgin Islands

December 31,	
2007 Liabilities US\$000	2006 Liabilities US\$000
811	486
1,220	385
3	-
97	115
142	58
<b>77,609</b>	<b>10,567</b>
<b>79,882</b>	<b>11,611</b>

Estonia  
Israel  
Philippines  
Isle of Man  
Bulgaria  
British Virgin Islands

December 31,	
2007 Capital additions US\$000	2006 Capital additions US\$000
1,341	1,824
325	123
96	-
12	223
225	103
<b>64,356</b>	<b>4,047</b>
<b>66,355</b>	<b>6,320</b>

## Note 5 – Operating Profit

DIRECTORS COMPENSATION:  
Short term benefits of directors  
Share based benefits of directors  
Bonuses to executive directors

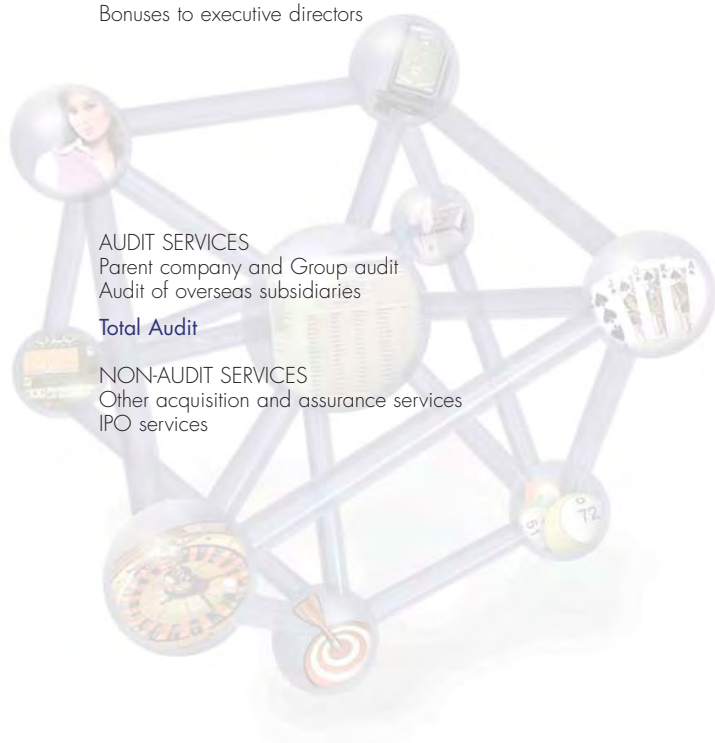
For the year ended December 31,	
2007 US\$000	2006 US\$000
1,747	910
1,026	241
514	587
<b>3,287</b>	<b>1,738</b>

AUDIT SERVICES  
Parent company and Group audit  
Audit of overseas subsidiaries

### Total Audit

NON-AUDIT SERVICES  
Other acquisition and assurance services  
IPO services

For the year ended December 31,	
2007 US\$000	2006 US\$000
198	148
36	32
<b>234</b>	<b>180</b>
<b>188</b>	<b>90</b>
-	176
<b>422</b>	<b>446</b>



# Notes to the Financial Statements continued

## Note 6 – Financing Income and Costs

	For the year ended December 31,	
	2007 US\$000	2006 US\$000
FINANCE INCOME		
Bank interest received	3,804	3,361
Exchange differences	1,184	277
	<b>4,988</b>	3,638
FINANCE COST		
Interest paid	(21)	(40)
Financial cost- discounting of deferred consideration (note 12)	(1,619)	-
Bank charges	(110)	(61)
	<b>(1,750)</b>	(101)
Net financing income	<b>3,238</b>	3,537

## Note 7 – Taxation

	For the year ended December 31,	
	2007 US\$000	2006 US\$000
CURRENT INCOME TAX		
Income tax on profits of subsidiary operations	517	130
Provision for prior periods (*)	317	215
Total tax charge	<b>834</b>	345

The majority of profits arose in the British Virgin Islands. No tax is assessed in the British Virgin Islands, the Company's country of incorporation. The tax charge shown above arises from the different tax rates applied in subsidiaries' jurisdictions.

(\*) On May 23, 2006, the Israeli subsidiary of the Company "Techplay Marketing Ltd" ("Techplay") signed a tax ruling with the Israeli Tax Authorities ("ITA") according to which Techplay will be assessed on an agreed "cost plus" basis commencing in 2002. The total charge agreed was \$532 thousand, of which \$215 thousand had already been recognised in 2006. The income tax charge for 2007 reflects the new basis.



# Notes to the Financial Statements continued

## Note 8 – Earnings Per Share

A. Earnings per share has 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 December 31,	
	2007 In cents	2006 In cents
Basic	19	29
Diluted	18	28
	<b>US\$000</b>	<b>US\$000</b>
Profit for the year	<b>41,507</b>	60,414
	<b>Number</b>	<b>Number</b>
DENOMINATOR – BASIC		
Weighted average number of equity shares	<b>214,715,335</b>	210,168,682
DENOMINATOR – DILUTED		
Weighted average number of equity shares	<b>214,715,335</b>	210,168,682
Weighted average number of option shares	<b>10,476,036</b>	7,962,839
Weighted average number of shares	<b>225,191,371</b>	218,131,521

### B. Adjusted earnings per share

The adjusted earnings per share present the profit for the year before certain significant non cash expenses included in the income statement, being the decline in fair value of available for sale investments, the loss on disposal on available for sale investment, the impairment of software on acquisition, the amortisation of the customer list on acquisition, the finance cost on discounting of deferred consideration, the employee stock option expense and charges relating to the founders' cash contribution, as the directors believe that the adjusted profit represents more closely the underlying trading performance of the business.

	For the year ended December 31,	
	2007 In cents	2006 In cents
Basic – adjusted	32	32
Diluted – adjusted	31	31
	<b>US\$000</b>	<b>US\$000</b>
Profit for the year	<b>41,507</b>	60,414
Decline in fair value of available for sale investments	<b>18,269</b>	-
Loss on disposal of available for sale investment	<b>654</b>	-
Impairment of software on acquisition	<b>275</b>	-
Amortisation on acquisition	<b>4,233</b>	-
Finance cost on discounting of deferred consideration	<b>1,619</b>	-
Employee stock option expense	<b>2,645</b>	703
Charges related to founders cash contribution	-	6,566
Adjusted profit for the year	<b>69,202</b>	67,683

The loss on disposal of the available for sale investment and the impairment of software on acquisition, whilst not individually material, have been included above as they are linked to larger transactions (see note 12 and 16).

## Notes to the Financial Statements continued

	For the year ended December 31,	
	<b>2007</b>	2006
	<b>In cents</b>	In cents
DENOMINATOR – BASIC		
Weighted average number of equity shares	<b>214,715,335</b>	210,168,682
	<b>Number</b>	Number
DENOMINATOR – DILUTED		
Weighted average number of equity shares	<b>214,715,335</b>	210,168,682
Weighted average number of option shares	<b>10,476,036</b>	7,962,839
Weighted average number of shares	<b>225,191,371</b>	218,131,521

### Note 9 – Employee Benefits

Total staff costs comprise the following:

	December 31,	
	<b>2007</b>	2006
	<b>US\$000</b>	US\$000
Salaries and wages	<b>18,507</b>	10,851
Founders cash contribution to employees	-	6,566
Employee stock option expenses	<b>2,645</b>	703
	<b>21,152</b>	18,120

	December 31,	
	<b>2007</b>	2006
	<b>Number</b>	Number
AVERAGE NUMBER OF EMPLOYEES (INCLUDING DIRECTORS)		
Operating	<b>285</b>	176
Development	<b>180</b>	73
Marketing	<b>73</b>	37
General and administration	<b>8</b>	6
	<b>546</b>	292

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.

At 31 December 2007, options issued under this scheme were as follows:

- 7,524,666 shares vesting between 1 December 2006 and 30 November 2008 at exercise prices between \$2.5 and \$4.5 per share
- 3,159,500 shares vesting between 2 February 2007 and 30 December 2009 at exercise prices between \$3.24 and \$7.48 per share
- 2,346,400 shares vesting between 31 December 2007 and 30 December 2010 at exercise prices between \$6.19 and \$7.79 per share
- 992,000 shares vesting between 3 October 2008 and 31 December 2011 at exercise prices between \$6.9 and \$7.68 per share

The fair value of the options that were granted in respect of equity settled schemes is recognised as an expense in the income statement of 2006 and 2007 at the amount of \$2,645,000 and \$703,000, respectively.

## Notes to the Financial Statements continued

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

	December 31,		December 31,	
	2007	2006	2007	2006
	Number of options	Number of options	Weighted average exercise price	Weighted average exercise price
			US\$	US\$
Outstanding at the beginning of the year	10,096,737	6,011,600	3.49	2.88
Granted during the year	3,588,400	4,535,500	7.42	4.19
Forfeited	(70,334)	(42,600)	(4.82)	(2.5)
Exercised	(1,820,557)	(407,763)	(2.81)	(2.5)
Outstanding at the end of the year	11,794,246	10,096,737	4.78	3.49

The weighted average share price at the date of exercise of options was 7.08 and 4.56 in 2007 and 2006 respectively.

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

Expiry date	Exercise price	2007	2006
December 1st 2010	Between \$2.5 and \$4.5	3,911,645	5,561,237
Between February 6th 2011 and December 11th 2011	Between \$3.24 and \$5.75	4,294,201	4,535,500
Between 15 May 2012 and 31 December 2012	Between \$6.19 and \$7.79	3,588,400	-
		<b>11,794,246</b>	<b>10,096,737</b>

The fair value of the options granted under the ESOP is estimated as at the date of grant using the Black-Scholes model. The following table gives the assumptions made during the years ended 31 December 2006 and 2007:

For options granted on 6 February 2006, 1 March 2006, 28 March 2006, 21 June 2006, 11 October 2006, 11 December 2006			
Dividend yield (%)			5%
Expected volatility (%)			26.3% to 76.8%
Risk free interest rate (%)			4.5%
Expected life of options (years)			1 to 3
Weighted average exercise price (\$)			4.35 to 5.75
For options granted on 15 May 2007, 16 May 2007, 18 June 2007, 13 August 2007, 26 September 2007, 3 October 2007, 10 October 2007, 20 November 2007, 31 December 2007			
Dividend yield (%)			5%
Expected volatility (%)			50%
Risk free interest rate (%)			4.5%
Expected life of options (years)			1 to 4
Weighted average exercise price (\$)			6.19 to 7.79

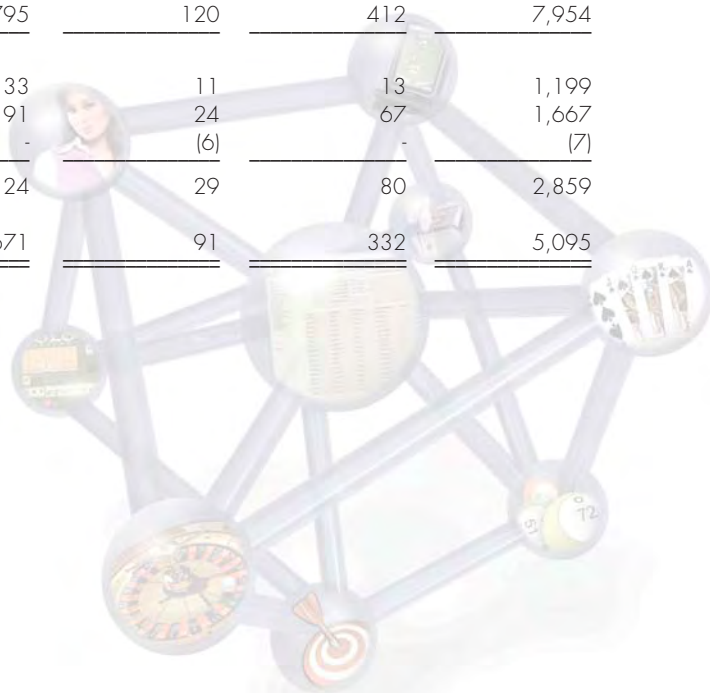
The volatility assumption, measured at the standard deviation of expected share price return, is based on a statistical analysis of daily share price over a period starting from the initial date of floatation through the grant date.

# Notes to the Financial Statements continued

## Note 10 –Property, Plant and Equipment

	Computers US\$000	Office furniture and US\$000	Motor vehicles US\$000	Leasehold improvements US\$000	Total US\$000
Cost -					
As of January 1, 2006	1,313	117	-	39	1,469
Additions	2,100	274	151	222	2,747
Disposals	(2)	-	-	-	(2)
As of December 31, 2006	<u>3,411</u>	<u>391</u>	<u>151</u>	<u>261</u>	<u>4,214</u>
Accumulated depreciation-					
As of January 1, 2006	521	14	-	-	535
Charge	623	19	11	13	666
Disposals	(2)	-	-	-	(2)
As of December 31, 2006	<u>1,142</u>	<u>33</u>	<u>11</u>	<u>13</u>	<u>1,199</u>
Net Book Value -					
As of December 31, 2006	<u><u>2,269</u></u>	<u><u>358</u></u>	<u><u>140</u></u>	<u><u>248</u></u>	<u><u>3,015</u></u>

	Computers US\$000	Office furniture and US\$000	Motor vehicles US\$000	Leasehold improvements US\$000	Total US\$000
Cost -					
As of January 1, 2007	3,411	391	151	261	4,214
Additions	2,447	231	-	128	2,806
Assets acquired on business combinations (note 12)	774	173	-	23	970
Disposals	(5)	-	(31)	-	(36)
As of December 31, 2007	<u>6,627</u>	<u>795</u>	<u>120</u>	<u>412</u>	<u>7,954</u>
Accumulated depreciation-					
As of January 1, 2007	1,142	33	11	13	1,199
Charge	1,485	91	24	67	1,667
Disposals	(1)	-	(6)	-	(7)
As of December 31, 2007	<u>2,626</u>	<u>124</u>	<u>29</u>	<u>80</u>	<u>2,859</u>
Net Book Value -					
As of December 31, 2007	<u><u>4,001</u></u>	<u><u>671</u></u>	<u><u>91</u></u>	<u><u>332</u></u>	<u><u>5,095</u></u>



# Notes to the Financial Statements continued

## Note 11 – Intangible Assets

	Patents US\$000	Domain names US\$000	Source code US\$000	Development costs (internally generated) US\$000	Goodwill US\$000	Total US\$000
Cost -						
As of January 1, 2006	76	173	100	1,234	262	1,845
Additions	1,724	14	-	1,835	-	3,573
As of December 31, 2006	<u>1,800</u>	<u>187</u>	<u>100</u>	<u>3,069</u>	<u>262</u>	<u>5,418</u>
Accumulated amortisation -						
As of January 1, 2006	10	80	100	267	-	457
Provision	258	-	-	348	-	606
As of December 31, 2006	<u>268</u>	<u>80</u>	<u>100</u>	<u>615</u>	<u>-</u>	<u>1,063</u>
Net Book Value -						
As of December 31, 2006	<u>1,532</u>	<u>107</u>	<u>-</u>	<u>2,454</u>	<u>262</u>	<u>4,355</u>

	Patents US\$000	Domain names US\$000	Source code US\$000	Development costs (internally generated) US\$000	Customer list US\$000	Goodwill US\$000	Total US\$000
Cost -							
As of January 1, 2007	1,800	187	100	3,069	-	262	5,418
Additions	1,700	3	-	3,584	-	-	5,287
Assets acquired on business combinations (note 12)	-	-	275	-	40,318	16,699	57,292
Disposals	-	-	(275)	-	-	-	(275)
As of December 31, 2007	<u>3,500</u>	<u>190</u>	<u>100</u>	<u>6,653</u>	<u>40,318</u>	<u>16,961</u>	<u>67,722</u>
Accumulated amortisation -							
As of January 1, 2007	268	80	100	615	-	-	1,063
Provision	297	-	-	774	4,233	-	5,304
As of December 31, 2007	<u>565</u>	<u>80</u>	<u>100</u>	<u>1,389</u>	<u>4,233</u>	<u>-</u>	<u>6,367</u>
Net Book Value -							
As of December 31, 2007	<u>2,935</u>	<u>110</u>	<u>-</u>	<u>5,264</u>	<u>36,085</u>	<u>16,961</u>	<u>61,355</u>

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

# Notes to the Financial Statements continued

## Note 12 – Acquisitions

In November 2006, the Group signed a purchase agreement with Tribeca Tables Europe Limited (“Tribeca”) in respect of certain non US assets.

The conditions required to acquire control and complete the agreement were satisfied in January 2007. Therefore the agreement has been accounted for as a business combination under IFRS 3 in this reporting period. The contingent consideration for the acquisition has been calculated according to a formula based on the future earnings of the acquired assets. The final consideration is \$59,750 thousands.

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

The intangible assets relate to the recognition of the customer lists and other intangibles acquired as part of the acquisition. These intangibles are being amortised over their estimated useful lives of 8 years. The directors have reassessed the fair value of the assets acquired based on their value in use and as a result the software valued at \$275 thousands on acquisition has been charged to the income statement as an impairment.

	<u>\$'000</u>
Cash consideration to Tribeca	59,750
Expenses	<u>1,267</u>
Total cash consideration	61,017
Finance cost arising on discounting of cash consideration	<u>(2,755)</u>
Present value of consideration including expenses	<u><u>58,262</u></u>
Fair value of customer lists	40,318
Fair value of fixed assets	970
Fair value of software	275
Goodwill	<u>16,699</u>
Present value of the consideration including expenses	<u><u>58,262</u></u>

The payment of the consideration to Tribeca is by way of cash in four instalments on 9 March 2007, 13 August 2007, 13 May 2008 and 13 November 2008, and has been discounted back to present values. As at 31 December 2007, unpaid consideration amounted to \$31,859 thousands before the remaining discounting charge of \$1,136 thousands (net \$30,723 thousands). The amount of consideration paid during the year was \$27,539 thousands.

Of the total finance cost of \$2,755 thousands arising on the discounting of the cash consideration, \$1,619 thousands was recognised in the year. The directors consider that it is impracticable to determine the profit for the year attributable to Tribeca because it is now subsumed within the business.

Following the requirements of IFRS 3, it is impracticable to present the revenues and profit or loss of the Group as though the acquisition had occurred at the beginning of the period, due to lack of information related to the revenues generated by the Tribeca Tables licensees prior to the acquisition date.

The main factors leading to the recognition of goodwill are the synergistic revenues and cross selling opportunities, and cost savings which result in the Group being prepared to pay a premium. The recoverable amount of goodwill is based on value in use. In accordance with IAS 36, the Group regularly monitors the carrying value of its intangible assets, including goodwill. At 31 December 2007 a review was carried out to assess whether the carrying value of goodwill was supported by the net present value of forecast cash flows, based on approved budgets and plans for the next five years. The growth rate and discount rate used were company specific cost of capital percentages and market growth rates. The underlying assumptions of these cash flows are based on Management's past experience and probability expectations for new business generation. The results of the review indicated that there was no impairment of goodwill at 31 December 2007

## Notes to the Financial Statements continued

The key assumptions used by Management to determine the value in use of the customer list are:

1. The income approach was applied for the valuation of the customer list, considering projected revenues deriving from the Tribeca licensees.
2. The annual growth rate attributed to the expected revenues were based on market analysis.
3. The customers are assumed to exist for 8 years.
4. Management has assumed no attrition rate for the first four years and the loss of one average size customer per year for the remaining 4 years.

Management has also reviewed the key assumptions and forecasts for the customer list and the results of the review indicated that there was no impairment of the intangible asset at 31 December 2007.

### Note 13 – Trade Receivables

Customers  
Related party receivable

December 31,	
2007 US\$000	2006 US\$000
10,901	6,257
1,600	-
<b>12,501</b>	<b>6,257</b>

### Note 14 – Other Accounts Receivable

Prepaid expenses  
VAT and other taxes  
Short term investment  
Advances to suppliers  
Funds receivable due to options exercised  
Related party  
Others

December 31,	
2007 US\$000	2006 US\$000
857	269
718	631
38	13
169	19
-	296
3,750	-
85	52
<b>5,617</b>	<b>1,280</b>

### Note 15 – 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.

Playtech Software Limited, Video B Holdings Limited, OU Video B, Techplay Marketing Ltd, OU Playtech, Networkland Ltd, Playtech Bingames Ltd, Playtech Live Ltd, PTVB Management Limited and Playtech Bulgaria EOOD are wholly owned subsidiaries. Tech Corporation, Oriental Support Services, Gamepark Trading Ltd and 800pay Ltd are related by virtue of a common significant shareholder. Emphasis Services Limited ("ESL"), AsianLogic Limited ("ALL") and S-tech Limited are related by virtue of the former chief executive officer and current director interest in those Companies.

## Notes to the Financial Statements continued

The following transactions arose with related parties:

	December 31,	
	2007 US\$000	2006 US\$000
REVENUE		
ESL	3,699	-
S-tech Ltd.	264	18
OPERATING EXPENSES		
Gamepark Trading Limited	-	316
ESL	1,629	-
LOANS		
ESL	1,000	-
INVESTMENT IN RELATED PARTIES		
ESL (note 16b)	5,011	-
SALE OF ASSETS TO A RELATED PARTY		
ESL (note 16a)	3,750	-

The following are year-end balances:

	December 31,	
	2007 US\$000	2006 US\$000
Gamepark Trading Limited	-	1,051
Tech Corporation	-	40
ESL (included in deferred revenue)	10,621	-
<b>Total related party creditors</b>	<b>10,621</b>	<b>1,091</b>
S tech Ltd.	18	-
ESL	5,332	-
<b>Total related party debtors</b>	<b>5,350</b>	-
ALL	15,942	-
<b>Total investment in related party</b>	<b>15,942</b>	-

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

### Note 16 – Investments

- Available for sale investments comprise:
- A. Investment in Foundation Group Limited
- Shares
  - Convertible notes
- B. Investment in AsianLogic

	December 31,	
	2007 US\$000	2006 US\$000
	2,239	-
	16,665	-
	18,904	-
	15,942	-
	34,846	-

## Notes to the Financial Statements continued

A. During 2007 the Group entered into a 10 year software licence agreement with CY Foundation Group Limited ("Foundation"), a company incorporated in Bermuda which during March 2007 re-listed on the Hong Kong Stock Exchange at a price of HK\$1.28 ("Flotation Price"). In connection with the software licence agreement the Group also entered into the following agreements in respect of ordinary shares in Foundation:

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

The above investments have been accounted for as available for sale investments and are reflected as current assets as they will only be held for the short term.

The 53,750,000 shares in Foundation were acquired for \$7,500 thousands, which represented an aggregate discount of 15% to the Flotation Price. These shares have been classified as an available for sale asset. The Group also entered into an agreement to sell 50% of the 53,750,000 shares it acquired in Foundation to ESL for a consideration of \$3,750 thousands payable in September 2007. In September 2007, it was agreed that the payment of this consideration would be deferred until March 2008. As a consequence, the loss from the disposal of \$654 thousands has been reflected in the income statement for the period. The fair value of 50% of the shares at time of acquisition was \$4,403 thousands. The fair value at 31 December 2007 amounted to \$2,239 thousands. In accordance with IAS 39, the decrease in value of \$2,164 thousands has been reflected in the income statement.

The Group acquired the shares in Copernicus for a consideration of \$6,478 thousands. Based on Foundation's share price at this time, the underlying value of the Group's interest in the convertible note amounted to \$32,770 thousands. The Group's interest in the convertible note was transferred in November 2007 to Evermore Trading Limited, a 100% subsidiary of Playtech Software Limited. The Group's interest at 31 December 2007 was \$16,665 thousands. In accordance with IAS 39, the decrease in value from the time of acquisition to 31 December 2007 of \$16,105 thousands has been reflected in the income statement for the period.

Decline of fair value of available for sale investments from the time of acquisition:

- Shares
- Convertible notes

Total decline of fair value of available for sale investments from the time of acquisition

	December 31,	
	2007	2006
	US\$000	US\$000
	2,164	-
	16,105	-
	<b>18,269</b>	-

The Directors consider the fair value of the consideration received by way of discount to the market value of the 53,750,000 Foundation shares of \$1,307 thousands and the fair value of the convertible notes in excess of consideration paid of \$26,292 thousands, to represent deferred income of the software licence agreement. As a consequence, \$27,599 thousands have been included in deferred revenues. Once royalty revenues commence under this software license agreement the deferred revenues will be realised as income over the life time of the software licence agreement.

As at 29 February 2007, the closing price of Foundation shares was HK\$ 0.51 compared to HK\$ 0.65 as at 31 December 2007. This has resulted in a decrease in the fair value of the total available for sale equity shareholding and convertible notes of \$4,040 thousands. This reduction in value is a non-adjusting post balance sheet event and has not therefore been accounted for as at 31 December 2007.

A director of the Group, Tom Hall, is also a director and shareholder of ESL.

## Notes to the Financial Statements continued

B. In December 2007 the Group entered into a share purchase agreement to acquire 246 shares of ESL for a total consideration of \$5,011 thousands. Following the completion of such agreement, AsianLogic Limited ("ALL") was admitted to the AIM market at a price of £1.1162 ("Flotation Price"). Separately and in connection with the entry into a new software license agreement with ESL for a 5 year term, the Group received 467 shares in ESL for no consideration. In addition, the Group entered into a Share Exchange Agreement with ALL, the parent company of ESL, incorporated in the British Virgin Islands. Pursuant to the Share Exchange Agreement, ALL acquired all 713 of the Group's shares in ESL in consideration for the issue of 7,130,000 shares in ALL.

The 246 shares in ESL were acquired for \$5,011 thousands, which represented an aggregate discount of 15% to the Flotation Price. The same discount which a number of other pre IPO investors were offered. These shares have been classified as an available for sale asset. The fair value at 31 December 2007 amounted to \$5,500 thousands. The increase in value of \$489 thousands has been classified as an available for sale reserve (including foreign exchange differences of \$(101) thousands).

The Group received the 4,670,000 shares in ALL in consideration for agreeing a lower licence fee percentage in the software licence agreement with ESL. Based on ALL's share price at this time, the underlying value of the Group's interest in the shares amounted to \$10,622 thousands. The Group's interest at 31 December 2007 was \$10,442 thousands. The decrease in value, created due to the changes in the exchange rates, from the time of acquisition to 31 December 2007 of \$180 thousands has been classified as an available for sale reserve.

The Directors consider the fair value of the consideration received by way of discount to the market value of the 4,670,000 shares, to represent deferred income of the software licence agreement. As a consequence, \$10,621 thousands have been included in deferred revenues, which will be realised as income over the lifetime of the software licence agreement.

The total value of available for sale investments in ALL at 31 December 2007 amounted to \$15,942 thousands.

As at 29 February 2007, the closing price of ALL shares was £1.01 compared to £1.12 as at 31 December 2007. This has resulted in a decrease in the fair value of the total available for sale shareholding of \$1,651 thousands. This reduction in value is a non-adjusting post balance sheet event and has not therefore been accounted for as at 31 December 2007.

### Note 17 – Cash And Cash Equivalents

Cash at bank  
Deposits

December 31,	
2007 US\$000	2006 US\$000
15,994	4,339
70,497	97,064
<b>86,491</b>	<b>101,403</b>

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

Funds attributed to jackpots

For the year ended December 31,	
2007 US\$000	2006 US\$000
<b>3,131</b>	1,642

# Notes to the Financial Statements continued

## Note 18 – Shareholders Equity

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

Authorised

Issued and paid up

December 31,	
2007 Number of Shares US\$000	2006 US\$000
N/A(*)	N/A(*)
<b>215,561,342</b>	213,741,096

On 24 February 2006, the Group repurchased all of its 1,000,000 outstanding ordinary issued shares of \$0.01 par value and cancelled them. The existing shareholders then subscribed for and were issued and allotted by the Group, 200,000,000 ordinary shares of no par value for an aggregate subscription amount of \$10,000.

During the year 1,820,557 of shares were exercised under the ESOP scheme.

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

### B. Distribution of Dividend

In March 2007, the Group distributed \$15,000,000 as a final dividend for 2006.

In October 2007, the Group distributed \$13,125,000 as an interim dividend for 2007.

No dividends were waived.

### C. Reserves

The following describes the nature and purpose of each reserve within owners equity:

Reserve	Description and purpose
Additional paid in capital	Share premium (i.e. amount subscribed for share capital in excess of nominal value)
Employee stock option reserve	Amount in respect of employee stock option benefit
Available for sale reserve	Changes in fair value of available for sale investments (note 16)
Retained earnings	Cumulative net gains and losses recognised in the consolidated income statement

## Note 19 – Trade Payables

Suppliers

Progressive and other operators' jackpots

Customer in credit

Related parties

Other

December 31,	
2007 US\$000	2006 US\$000
<b>1,657</b>	2,932
<b>3,131</b>	1,642
<b>472</b>	-
-	1,091
-	2
<b>5,260</b>	5,667

# Notes to the Financial Statements continued

## Note 20 – Other Accounts Payables

	December 31,	
	<b>2007</b> <b>US\$000</b>	2006 US\$000
Payroll and related expenses	<b>3,100</b>	2,354
Accrued expenses	<b>108</b>	320
Deferred consideration (note 12)	<b>30,723</b>	-
Other payables	<b>45</b>	9
	<b><u>33,976</u></b>	<u>2,683</u>

## Note 21 – 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 Marketing and advertising
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

# Notes to the Financial Statements continued

## Note 22 – Financial Risks

The Group's financial assets are shown on the face of the balance sheet. The Group is exposed to interest rate risk, currency risk, credit risks and market price risks relating to the financial instruments it holds. The risk management policies employed by the Group to manage these risks are discussed below.

### A. Interest rate risk

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

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

A 1% change in deposit interest rates would impact on the profit before tax by between \$500 thousands and \$1,000 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.

	<u>2007</u> <u>US\$000</u>	<u>2006</u> <u>US\$000</u>
A provision for doubtful debtors is included within trade receivables that can be reconciled as follows:		
At 1 January	<b>289</b>	-
Charged/(credited) to income statement	<b>118</b>	289
Utilised	<b>(181)</b>	-
At 31 December	<u><b>226</b></u>	<u>289</u>
The ageing of trade receivables before provision can be analysed as follows:		
Not past due	<b>10,937</b>	3,118
1-2 months past due	<b>709</b>	3,136
More than 2 months past due	<b>1,081</b>	292
At 31 December	<u><b>12,727</b></u>	<u>6,546</u>

The above balances relate to customers with no default history.

### 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 substantially the same as the Group's primary functional currency (US dollars) and the Group is not substantially exposed to fluctuations in exchange rates in respect of assets held overseas.

Bank deposits are held with high-rated banks.

Foreign exchange risk also arises when Group operations are entered into in currencies denominated in a currency other than the functional currency. The Group's policy is not to enter into any currency hedging transactions.

## Notes to the Financial Statements continued

### D. Market 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 16). 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 2007 includes available for sale investments with a value of \$34,846 thousand which are subject to fluctuations in the underlying share price.

### 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 and repayments on its liabilities.

The Group's policy is to ensure that it will have sufficient cash to allow it to meet its liabilities when they become due.

There is no significant difference between the fair values and carrying values of the Group's financial assets and liabilities.

## Note 23 – Contingent Liabilities

### A. Regulatory

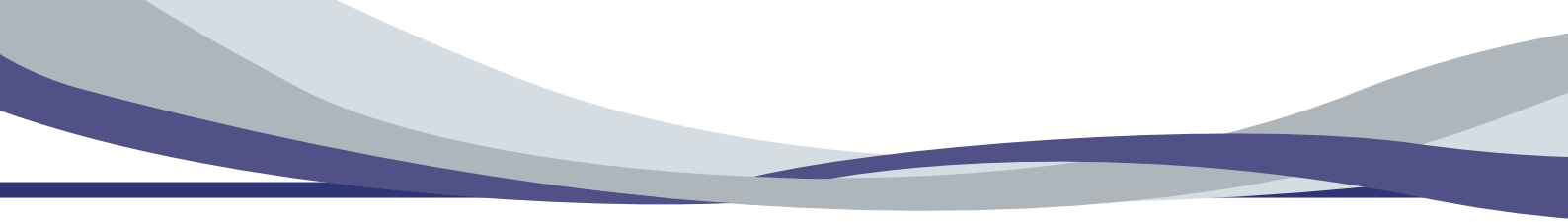
The Group is not a gaming operator and does not provide gaming services to players. From 13 October, 2006, following the approval by the US President of the Unlawful Internet Gambling Enforcement Act 2006 (the "UIGEA"), the Group requested all of its licensees to cease their US facing activity. Such request was accepted and implemented by all licensees and the Group stopped collecting royalties deriving from the activity of US players. The directors believe that the Group has taken all measures necessary to be in full compliance with the UIGEA.

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

### B. Other

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





# Company Information

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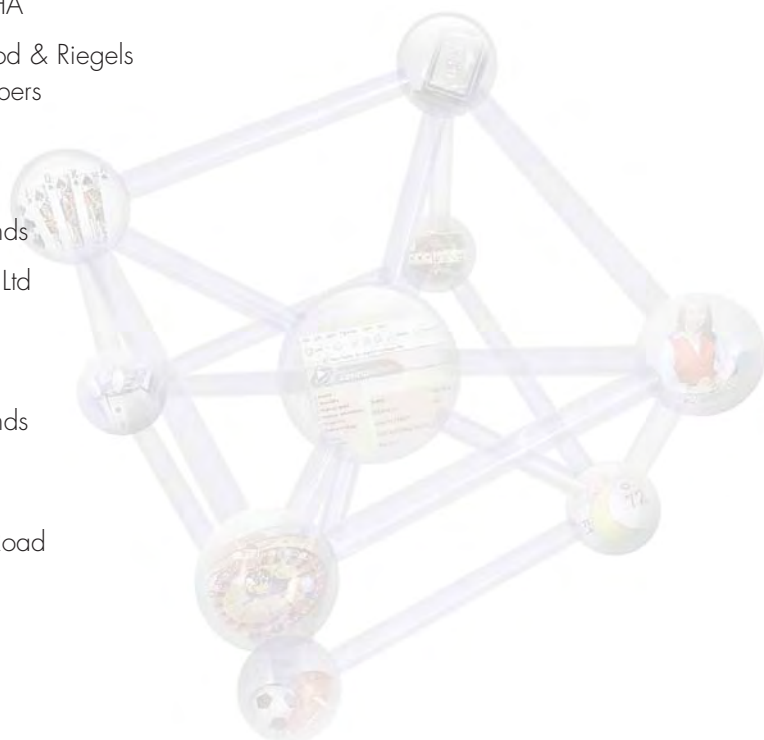
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