Playtech Limited

CONSOLIDATED FINANCIAL STATEMENTS

As of December 31, 2005

(In U.S dollars)

FINANCIAL STATEMENTS

As of December 31, 2005

(In U.S dollars)

CONTENTS

Director and Advisers

Director	:	Nomicom Limited
Company Secretary	:	Trea Secretarial Limited
Registered Office	:	Road Town Tortola British Virgin Islands
Auditors	:	BDO Stoy Hayward LLP 8 Baker Street London

Playtech Limited
Director's responsibility statement

The director is 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.

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

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 director 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.

Report of the independent auditors
To the director of Playtech Limited

We have audited the group financial statements (the " financial statements") of Playtech Limited for the year ended 31 December 2005 which comprise the group income statement, the group balance sheet, the group cash flow statement, the group statement of change in shareholders' equity and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of the director and auditors

The director's responsibilities for preparing the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Directors' responsibility statement.

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 in accordance with IFRSs as adopted by the European Union.

Our report has been prepared pursuant to the terms of our engagement letter 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 letter 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 director in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the group 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 2005 and of its profit for the year then ended.

Emphasis of matter

Without qualifying our opinion, we draw attention to the fact that a resolution was passed on 24 February 2006 to pay a dividend of $21,000,000 to the shareholders of the company at that date.

BDO STOY HAYWARD LLP
Chartered Accountants
London

March 16, 2006

BALANCE SHEET

In USD

	Note	As of December 31, 2005		2004
CURRENT ASSETS				
Cash and cash equivalents	4	17,995,350		11,298,144
Trade receivables		4,188,887	(*)	1,847,840
Related parties and shareholders	9A	-		1,127,098
Loan to shareholders	5	-		12,818,410
Other accounts receivables	6	336,949	(*)	147,934
		22,521,186		27,239,426
LONG TERM LOANS		60,406		(*)17,504
FIXED ASSETS, NET	7	933,488		487,450
INTANGIBLE ASSETS, NET	8	1,388,293		412,433
TOTAL ASSETS		**24,903,373**		**28,156,813**
CURRENT LIABILITIES				
Credit in banks		-		2,118
Trade payables		2,986,705	(*)	1,699,661
Related parties	9B	918,545		105,560
Other accounts payables	10	1,197,013	(*)	646,584
		5,102,263		2,453,923
ACCRUED SEVERANCE PAY		13,252		7,703
NON-CURRENT LIABILITIES	11	69,345		1,735
SHAREHOLDERS' EQUITY	12			
Share capital		10,000		10,000
Additional paid in capital		100,000		100,000
Employee stock option reserve		21,259		-
Accumulated profit		19,587,254		25,583,452
		19,718,513		25,693,452
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**24,903,373**		**28,156,813**

(*) Reclassified

Nomicom Limited Director	February 23, 2006
	Date of confirmation of the financial statements

INCOME STATEMENT

In USD

	Note	For the year ended December 31, 2005		For the year ended December 31, 2004
Revenues		47,595,948		26,439,884
Cost of sales		(4,675,576)		(3,959,048)
Gross income		42,920,372		22,480,836
Sales & Marketing expenses		(5,417,137)	(*)	(3,212,859)
Development costs		(1,020,800)		(731,430)
General & Administrative expenses		(930,704)		(1,189,853)
		(7,368,641)		(5,134,142)
Operating profit	14	35,551,731		17,346,694
Financing income (expenses), net	15	148,803		(30,587)
Other expenses, net		(4,458)	(*)	-
Income before taxation		35,696,076		17,316,107
Tax expenses	16	(22,520)		(31,743)
Income from continued activity		35,673,556		17,284,364
(Loss) gain on disposal of subsidiary	1J	(4,649)		767,758
Net income for the year		**35,668,907**		**18,052,122**
Earnings per share				
Basic	18	35.67		18.64
Diluted	18	35.59		18.64
Earnings per share from Continued activity				
Basic	18	35.67		17.61
Diluted	18	35.59		17.61

(*) Reclassified

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

In USD

	Share Capital	Additional paid in capital	Employee stock option reserve	Accumulated Profit	Total
Balance at 1 January 2004	9,300	100,000	-	7,531,330	7,640,630
Re-issuance of shares	700	-	-	-	700
Net income 2004	-	-	-	18,052,122	18,052,122
Balance at December 31, 2004	10,000	100,000	-	25,583,452	25,693,452
Employee stock option scheme	-	-	21,259	-	21,259
Share issue costs	-	-	-	(665,105)	(665,105)
Dividend distributed	-	-	-	(41,000,000)	(41,000,000)
Net income 2005	-	-	-	35,668,907	35,668,907
Balance on December 31, 2005	10,000	100,000	21,259	19,587,254	19,718,513

Share issue costs have been incurred in respect of a proposed share issue.

STATEMENT OF CASH FLOWS

In USD

	For the year ended December 31, 2005	For the year ended December 31, 2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Income from continued activity	35,673,556	17,284,364
Net cash provided by (used in) operating activities (see below)	(1,098,472)	824,694
Net cash provided by operating activities	34,575,084	18,109,058
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash out of consolidation- appendix B	(4,649)	(6,933)
Cash in to consolidation – appendix C	50,507	-
Acquisition of fixed assets	(695,590)	(600,985)
Capitalized development costs and acquisition of intangible assets	(368,193)	(361,660)
Net cash used in investing activities	(1,017,925)	(969,578)
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan to shareholders, net	(15,086,861)	(8,975,708)
Related parties and shareholders, net	1,094,146	72,523
Security deposits, net	25,098	-
Dividend paid	(12,889,828)	-
Repayment of long-term loans to shareholders	-	(1,377,244)
Short-term credit, net	(2,508)	133
Net cash used in financing activities	(26,859,953)	(10,280,296)
INCREASE IN CASH AND CASH EQUIVALENTS	6,697,206	6,859,184
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	11,298,144	4,438,960
CASH AND CASH EQUIVALENTS AT END OF YEAR	17,995,350	11,298,144
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Income and expenses not affecting operating cash flows:		
Depreciation	312,785	251,907
Amortization	121,830	59,390
Capital loss	4,458	-
Accrued severance pay	5,549	360
Employee stock option plan expenses	21,259	-
Share issue costs	(665,105)	-
Changes in operating assets and liabilities:		
Increase in trade receivables	(2,341,047)	(1,662,779)
Decrease in related parties	7,367	-
Decrease (increase) in other receivables	(173,335)	462,388
Increase in trade payables	1,287,044	1,612,206
Increase in other payables	320,723	101,222
	(1,098,472)	824,694

STATEMENT OF CASH FLOWS

In USD

	For the year ended December 31, 2005	For the year ended December 31, 2004
NON CASH TRANSACTIONS – APPENDIX A		
Other payables	-	10,030
Tangible fixed assets, net	-	18,323
Other receivables	-	(28,353)
Loan to shareholders	27,905,271	-
Dividend	(27,905,271)	-
CASH OUT OF CONSOLIDATION – APPENDIX B		
Other receivables	-	299,368
Related parties – maturities on long term loan & receivables	-	(217,942)
Related parties - long term loan & receivables	-	(915,478)
fixed assets, net	-	205,238
Trade payables	-	(67,926)
Other payables	-	(77,951)
(Loss) gain from disposal of investment	(4,649)	767,758
Cash out of consolidation	(4,649)	(6,933)
CASH IN TO CONSOLIDATION – APPENDIX C		
Other receivables	(15,680)	-
Shareholders	(10,000)	-
Related parties	838,570	-
Fixed assets, net	(67,691)	-
Intangible assets, net	(467,878)	-
Other payables	34,805	-
Goodwill	(261,619)	-
Cash in to consolidation	50,507	-

NOTE 1 – GENERAL

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

On 12 December, 2002 Playtech Limited and Playtech B.V. both companies owned by the same shareholders at the same ownership percentage at that time, signed an agreement to transfer all assets and liabilities (excluding short term Bank Overdraft of $14,697) at their book value, from Playtech B.V. to Playtech Limited. The transfer was effected on October 1, 2002.

B. Playtech (Cyprus) Limited ("Playtech Cyprus"), a wholly owned subsidiary of Playtech Limited, was incorporated in Cyprus on 25 April 2001, as an International Business Company with limited liability. Playtech Cyprus designs, develops, and manufactures online gaming software, through its subsidiaries.

C. Techplay Marketing Ltd ("Techplay"), a wholly owned subsidiary was incorporated in Israel on 1 April, 2002. Techplay manages marketing and advertising aspects of Playtech Cyprus.

D. On 1 April, 2002, Playtech Cyprus acquired all the net assets of Technogama N.V., a related company, including a wholly owned subsidiary, Playtech Corporation ("Corporation"), for a total consideration of $1.00. Corporation provides website hosting and customer services.

E. On 1 October 2002, Playtech Cyprus acquired 100% of the share capital of OU Playtech Estonia ("Estonia"), for a total consideration of $1.00. Estonia designs, develops and manufactures online software such as online casinos and online games (poker, bingo, and skill games) and provides maintenance services for the software.

F. On 31 December 2002, Playtech Cyprus acquired the share capital of Playtech Live Limited. ("Live"), a company incorporated in Cyprus. The company did not conduct any activities during the reported period.

G. On 28 October 2003, Playtech Cyprus acquired the share capital of Networkland Limited ("Networkland"), a company incorporated in British Virgin Islands.

H. On 3 December 2003 Playtech Cyprus acquired the share capital of Playtech Bingames Limited ("Bingames"), a company incorporated in British Virgin Islands. The company remained dormant during the reported period.

I. On 28 August, 2005, the Company established PTVB Management Limited ("PTVB"), a wholly owned subsidiary incorporated in the Isle of Man. PTVB did not conduct any activities during the reported period. PTVB will centralize the management activity of the group.

J. On June 15, 2004, Playtech Cyprus signed a share transfer agreement with Kostos Trading Ltd, a related party, in which the former will sell its holdings in Playtech Corporation Ltd for the amount of $392,687, which will be repaid in 60 consecutive monthly installments. According to the agreement, Playtech Corporation Ltd will remain obligated to repay the Playtech Cyprus the outstanding loan as per its book value of $740,733. The loan is to be repaid in 60 consecutive monthly installments, carrying an annual interest of 3%. These loans have been paid in full.

NOTE 1 – GENERAL (Cont.)

K. The assets and liabilities of Techonline Corporation sold were as follows:

Cash and cash equivalents	6,933
Other receivables	299,368
Tangible fixed assets, net	205,238
Trade payables	(67,926)
Other payables	(77,951)
Related parties - long term receivables	(740,733)
Fair value of the net assets sold	(375,071)
Proceeds from disposal	392,687
Gain on disposal	767,758

The net cash outflow from the disposal of investment undertaking is as follows:

Cash and cash equivalents disposed	(6,933)
Cash proceeds from disposal	-
Net cash outflow from disposal	(6,933)

Note 19 details the effect on the Income statement of the discontinued operations.

L. On 26 October, 2005, the company liquidated Technogama, a dormant subsidiary of the company ("Technogama") . At the date of liquidation the assets and liabilities of Technogama were as follows:

Cash and cash equivalents disposed	(1,549)
Disposal costs	(3,100)
Loss from disposal of investment in subsidiary	(4,649)

The net cash outflow from the disposal of investment undertaking is as follows:

Cash and cash equivalents disposed	(1,549)
Cash paid for the liquidation	(3,100)
Net cash outflow from disposal	(4,649)

NOTE 1 – GENERAL (Cont.)

M. On 12 October 2005, the Company acquired 100% of the share capital of Video B Holdings Limited (“ Videobet”), a company incorporated in British Virgin Islands, including a wholly owned subsidiary, OU Video B, for a consideration of $10,000. Videobet designs, develops, and manufactures the Videobet gaming platform. Before the acquisition, Videobet was a related party by virtue of ultimate common beneficial shareholders.
The assets and liabilities acquired were as follows:

Cash and cash equivalents	50,507
Other receivables	15,680
Amount due from related parties	10,000
Tangible fixed assets, net	67,691
Intangible assets ,net	467,878
Other payables	(24,805)
Amount due to related parties	(838,570)
Fair value of net liabilities acquired	(251,619)
Consideration for the acquisition	10,000
Goodwill	261,619

The net cash inflow from the acquisition undertaking is as follows:

Cash and cash equivalents acquired	50,507
Cash consideration from acquisition	-
Net cash inflow from acquisition	50,507

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:

In the current year, the Company has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (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 2005. The adoption of these new and revised Standards and Interpretations has not resulted in any significant changes to the Company’s accounting policies nor have they had a material effect on the amounts reported for the current or prior years.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management’s best knowledge of current events and actions, actual results ultimately may differ from those estimates.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Cont.)

B. Financial Statements in U.S. Dollars:

The financial statements 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 Company.

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 recognized in the income statement.

C. Cash and Cash Equivalents:

Cash and cash equivalents consist of cash, money market funds and certificates of deposits with a maturity of three months or less.

D. Trade receivables

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 company will not be able to collect amounts due according to the original terms of receivables. Bad debts are written off when identified.

E. Trade payables

Trade payables are recognized and carried at the original transaction value.

F. Share capital

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

G. Dividend distribution

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Company's shareholders.

H. Provisions

Provisions are recognized when the company has a present obligation as a result of past events, if it is probable that an outflow of funds will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Cont.)

I. Fixed Assets:

Fixed assets comprise of computer hardware and software 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:

	%
Computer hardware and software	33.33
Office furniture and equipment	7.00
Leasehold improvements	10.00

Subsequent expenditures are included in the assets carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits will flow to the company 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.

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

J. 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.

K. 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. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill on acquisitions after 31 March 2004 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.

L. Revenue Recognition:

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

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Cont.)

M. Intangible assets

Intangible assets comprise patents, domains and software development costs capitalized and are stated at cost less accumulated amortization. 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.

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

	%
Domains	Nil
Goodwill	Nil
Capitalized development costs	33.33
Source code	33.33
Live patent	10

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

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

N. 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 Company's operations.

O. 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, based on the Group's estimate of shares that will eventually vest. Fair value is determined by the Black & Scholes valuation model.

P. Borrowing costs

Borrowing costs are recognized as an expense when incurred

Q. Advertising Costs:

Advertising costs are charged to expenses as incurred.

NOTE 3 – SEGMENT INFORMATION

The director considers that the Company has one business segment. Revenues are derived from the following geographic regions:

	December 31,	
	2005	2004
Americas and Caribbean	41,967,648	25,947,024
Rest of World	5,628,300	492,860
	47,595,948	26,439,884

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

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

	December 31,	
	2005	2004
	Assets US$000	Assets US$000
Estonia	1,197	908
Israel	622	294
Cyprus	22,067	14,124
British Virgin Islands	1,017	12,831
	24,903	28,157

	December 31,	
	2005	2004
	Liabilities US$000	Liabilities US$000
Estonia	305	275
Israel	373	214
Cyprus	3631	1,973
British Virgin Islands	876	2
	5,185	2,464

NOTE 3 – SEGMENT INFORMATION (Cont.)

	December 31, 2005 Capital additions US$000	December 31, 2004 Capital additions US$000
Estonia	548	372
Israel	139	62
Cyprus	9	21
Rest of world	-	114
	696	569

NOTE 4 – CASH AND CASH EQUIVALENTS

The Group held balances on behalf of end users in respect of jackpot games. The balances held at the year end are set out below and the liability is included in trade payables:

	For the year ended December 31, 2005	For the year ended December 31, 2004
Funds attributed to jackpots	1,826,206	1,305,192

NOTE 5 – LOAN TO SHAREHOLDERS

As of December 31, 2004 the Company had a short term, interest free, loan of $12,818,410 to its shareholders. The loan was repaid in full by the distribution of dividend in December 1, 2005.

NOTE 6 – OTHER ACCOUNTS RECEIVABLE

	December 31, 2005	December 31, 2004
Prepaid expenses	68,562	90,992
Public institutes	231,003	43,312
Short term investment	25,014	10,845
Security deposits	-	2,155
Advances to suppliers	10,096	-
Shareholders	-	630
Others	2,274	-
	336,949	(*) 147,934

NOTE 7 –FIXED ASSETS, NET

	Computers and software	Office furniture and equipment	Leasehold improvements	Total
CONSOLIDATED				
Cost -				
As of January 1, 2005	621,298	66,671	-	687,969
Acquired with subsidiary	87,906	4,406	-	92,312
Additions	610,986	45,517	39,087	695,590
Disposals	(7,207)	-	-	(7,207)
As of December 31, 2005	1,312,983	116,594	39,087	1,468,664
Accumulated Depreciation-				
As of January 1, 2005	194,550	5,969	-	200,519
Acquired with subsidiary	24,361	260	-	24,621
Charge	304,752	7,644	389	312,785
Disposals	(2,749)	-	-	(2,749)
As of December 31, 2005	520,914	13,873	389	535,176
Net Book Value -				
As of December 31, 2005	792,069	102,721	38,698	933,488
As of December 31, 2004	426,748	60,702	-	487,450

In 2005, Depreciation expenses of $241,179, $4,702, $46,067 and $20,837 are charged to Cost of sales, General administrative expenses, Sales and Marketing expenses and development costs, respectively.

NOTE 8 – INTANGIBLE ASSETS, NET

	Live Patent	Domain names	Source Code	Development Costs	Goodwill	Total
CONSOLIDATED						
Cost -						
As of January 1, 2005	75,000	137,532	100,000	435,047	-	747,579
Acquired with subsidiary	-	25,000	-	442,878	-	467,878
Additions	1,000	10,796	-	356,397	261,619	629,812
As of December 31, 2005	76,000	173,328	100,000	1,234,322	261,619	1,845,269
Accumulated Amortization -						
As of January 1, 2005	1,875	80,000	88,999	164,272	-	335,146
Provision	7,667	-	11,001	103,162	-	121,830
As of December 31, 2005	9,542	80,000	100,000	267,434	-	456,976
Net Book Value -						
As of December 31, 2005	66,458	93,328	-	966,888	261,619	1,388,293
As of December 31, 2004	73,125	57,532	11,001	270,775	-	412,433

Amortization expenses of $108,484 and $13,346 were charged to Direct costs and Development costs, respectively. Management believes that Domain names are stated at fair value.

NOTE 9 – 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 (Cyprus) Ltd, Video B Holdings Limited, OU Video B, Techplay Marketing Ltd, OU Playtech, Networkland Ltd, Playtech Bingames Ltd, Playtech Live Ltd and PTVB Management Limited are wholly owned subsidiaries. Techonline Corporation, Kostos Trading Ltd, Oriental Support Services, Gamepark Trading Ltd and 800pay Ltd are related by virtue of ultimate common beneficial shareholder. Bayview Technologies Ltd is related by virtue of the former chief executive officer's interest in the Company.

The following transactions arose with related parties:

	December 31,	
	2005	**2004**
Revenue		
Bayview Technologies Ltd	221,442	-
Cost of Sales		
Gamepark Trading Limited	139,983	256,321
Settlement of liabilities on behalf of the entity		
Video B Holdings Ltd	-	24,172

The following are year-end balances:

	December 31,	
	2005	**2004**
A. Video B Holdings Ltd	-	68,290
Techonline corporation	-	32,952
Maturities on loan to Techonline Corporation	-	671,553
Maturities on loan to Kostos Trading Ltd	-	353,418
Oriental Support Services	-	885
Total related party debtors	-	1,127,098
B. Game Park Trading Limited	(382,406)	(68,083)
NAV Ltd.	(27,342)	(26,553)
Techonline Corporation	(164)	-
Gateway For You Ltd	-	(2,662)
Dividend	(204,901)	-
800pay Ltd	(296,000)	-
Com Market ltd.	(7,732)	(8,262)
Total related party creditors	(918,545)	(105,560)

NOTE 10 – OTHER ACCOUNTS PAYABLES

	December 31, 2005	December 31, 2004
Payroll and related expenses	264,627	209,304
Government institutions	138,126	108,475
Accrued expenses	790,574	239,028
Other payables	3,686	89,777
	1,197,013	(*) 646,584

NOTE 11 – NON – CURRENT LIABILITIES

In 2005 the company collected security funds (Hereinafter "Bingo security deposit") from all licensees participating in the Bingo network for ensuring availability of Bingo gaming funds.

NOTE 12 – SHAREHOLDERS EQUITY

A. Share Capital	December 31, 2005	December 31, 2004
	Number of Shares	
Share capital is comprised of shares of 0.01 US$ par value, as follows:		
Authorized	1,050,000	1,000,000
Issued and paid up	1,000,000	1,000,000

During 2003, the Company reduced its share capital by purchasing 700 of its own shares of US$1.00 each, totaling US$700. The capital reduction resulted in decreasing the issued share capital from US$10,000 at the beginning of the year to US$9,300 at year end. The total consideration amount for the acquisition of the shares was $322,500.

During 2004, the Company re-issued 70,000 shares of US$0.01. 60,000 shares were issued to the existing shareholders in consideration for the nominal value of the shares, and an additional 10,000 shares were issued to a new investor for a consideration of $100,100.

On 20 December 2005, the authorized share capital of the Company was increased to $10,500 divided into 1,050,000 ordinary shares of US$0.01 par value.

B. Distribution of Dividend

On December 1st, 2005 the company distributed $41,000,000 as dividend to its shareholders.

NOTE 13 – EMPLOYEE BENEFIT

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 three years after grant date. The overall term of the ESOP is five years. These options are settled in equity once exercised.

As of 31 December 2005, options under this scheme were outstanding over:

- 24,058 ordinary shares $500 each, vesting between 1 December 2006 and 30 November 2008; and
- 1,000 ordinary shares at $800 each, vesting between 1 December 2006 and 30 November 2008.
- 1,000 ordinary shares at $800 each, vesting between 1 March 2006 and 28 February 2009.
- 5,000 ordinary shares at $900 each, vesting between 1 December 2006 and 30 November 2008.

In 1 December 2005, 26,058 options were granted. The fair value of the options that were granted is recognized as an expense in the income statement of 2005 at the amount of $21,259. In addition, 5,000 options were issued for the consideration equal to the fair value of the options at the grant date.
The following table illustrates the number and weighted average exercise prices (WAEP) of shares options for the ESOP.

	December 31,	
	2005	2005
	Number of options	Weighted average exercise price
Granted during the year	31,058	600
Outstanding at the end of the year	31,058	600

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

Expiry date	Exercise price	December 31, 2005
1 December 2010	500	24,058
1 December 2010	900	5,000
1 December 2010	800	2,000
		31,058

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 year ended 31 December 2005:

	2005
Dividend yield (%)	5%
Expected volatility (%)	50%
Risk free interest rate (%)	4.5%
Expected life of options (years)	1,2,3
Weighted average exercise price ($)	600

NOTE 14 – PROFIT FROM OPERATIONS

Profit from operations stated after charging:

	For the year ended December 31,	
	2005	**2004**
Remunerations of key management	427,331	626,256

NOTE 15 – FINANCING INCOME (EXPENSES), NET

	For the year ended December 31,	
	2005	**2004**
Finance income		
Bank interest received	294,864	109,362
Finance cost		
Interest paid	(5,560)	(111,034)
Bank charges	(46,371)	(23,178)
Exchange differences	(94,130)	(5,736)
Total Financing Income (expenses), net	148,803	(30,587)

NOTE 16 – TAXATION

	For the year ended December 31,	
	2005	**2004**
Current income tax		
Income tax on profits of overseas operations	22,520	31,743
Adjustment for over provision in prior periods	-	-
Total tax (credit)/charge	22,520	31,743

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 overseas jurisdictions.

As regards Playtech Cyprus, under Cyprus law, as from 1 January 2003, entities that are not managed or controlled from Cyprus are considered to be non-resident for tax purposes and therefore are not subject to taxation in Cyprus. Management considers that Playtech Cyprus is not managed or controlled from Cyprus and is therefore not subject to taxation in Cyprus from 1 January 2003

NOTE 17 – DIVIDEND

	For the year ended December 31,	
	2005	**2004**
Dividend of $4.1 per share	41,000,000	-

NOTE 18 – EARNINGS PER SHARE

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

	For the year ended December 31, 2005	For the year ended December 31, 2004
Net Income for the year	35,668,907	18,052,122
Denominator – basic		
Weighted average number of equity shares	1,000,000	968,356
Denominator – Diluted		
Weighted average number of equity shares	1,000,000	968,356
Weighted average number of option shares	2,553	-
Weighted average number of shares	1,002,553	968,356

NOTE 19 – DISCONTINUED OPERATIONS

The effect on the Income Statement as a result of discontinuing operations is as follows:

	For the year ended December 31, 2004		
	Total	Ongoing activities	Discontinued activities
Revenues	26,439,884	25,119,267	1,320,617
Operating expenses	(3,959,048)	(2,911,422)	(1,047,626)
Gross profit	22,480,836	22,207,845	272,991
Sales & Marketing expenses	(*) (3,212,859)	(*) (3,212,859)	--
Development costs	(731,430)	(731,430)	--
General and administration expenses	(1,189,853)	(1,155,105)	(34,748)
	(5,134,142)	(5,099,394)	(34,748)
Operating income/(loss)	17,346,694	17,108,451	238,243
Financing expenses, net	(30,587)	(24,468)	(6,119)
Income before taxation	17,316,107	17,083,983	232,124
Tax expenses	(31,743)	(31,743)	--
Total Income after taxation	17,284,364	17,052,240	232,124

NOTE 20 – FINANCIAL RISKS

The Company is exposed to interest rate risk, currency risk and credit risks relating to the financial instruments it hold. The risk management policies employed by the Company 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 company'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.

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 Company 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.

c. Currency risk

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

The company is exposed to foreign exchange risk arising from various currency exposures. The company's policy is not to enter into any currency hedging transactions.

NOTE 21– CAPITAL COMMITMENTS

On 12 September 2005 the Group signed an agreement with Masabi Limited ("Masabi") for the development of the applications and gaming platform for mobile phones. According to the agreement, the Group paid an amount of $100,000 and has committed to pay a further $200,000 to Masabi once the technology has been developed and launched. Additionally, the Group is obliged to pay the costs of various employees working on the development. Once the product has been launched Masabi will also be entitled to receive royalties based on the income earned by the Group from using the technology.

NOTE 22– CONTINGENT LIABILITIES

Management is not aware of any contingencies that may have a significant impact on the financial position of the Group. Management is not aware of any actual, pending or threatened claims against the Group.

NOTE 23– SUBSEQUENT EVENTS

On 1 January 2006, the company terminated its Bingo chat activity. The chat activity services will be granted by Gamepark, a related company, by outsourcing the services to a third party. Bingo related royalties will continue to be charged by the Company. Management considers that there will not be any significant impact on the group's net income from this change.