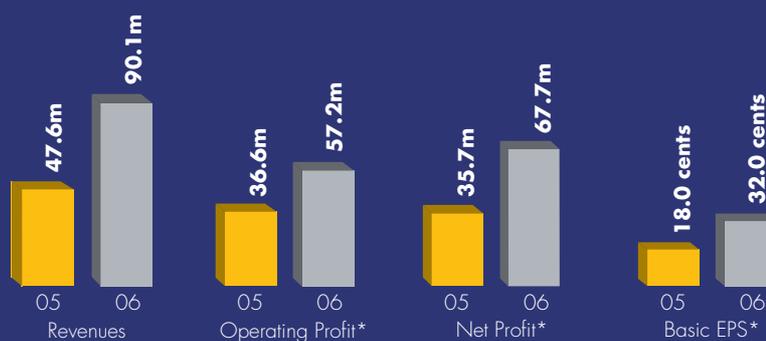


Financial Highlights



*IN 2006 - EXCLUDING FOUNDERS' CASH CONTRIBUTION AND STOCK OPTION EXPENSES OF \$7.3M

Revenues	\$m	2005	2006	Change
Total Revenues		47.6	90.1	89%
Casino Revenues		42.7	77.2	81%
Poker Revenues		2.7	10.9	309%

Revenues – Excluding US	\$m	2005	2006	Change
Total Revenues		22.8	55.6	143%
Casino Revenues		20.5	47.3	131%
Poker Revenues		1.5	7.4	386%

- Recommended final dividend of 7 cents per share

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CEO's Welcome

2006 has been a year of significant progress for Playtech. Our strong set of results demonstrate the flexibility and robustness of our business model in a year that has been marked by a number of challenges. The quality of Playtech's technology and the professional way in which management runs the business is clearly illustrated by the quality of deals, contracts and partnerships that we have announced during the year. Playtech is emerging as the world's leading software provider to the wider gaming industry and we remain fully committed to the development and delivery of our market leading products on an international scale. With a highly active product pipeline, we look forward to the rest of 2007 being a year of further growth and success.



Avigur Zmora
Chief Executive Officer



Chairman's Report



As we approach the end of our first year as a publicly traded listed company, it gives me great pleasure to present the maiden set of final results for Playtech Limited. The year has been filled with considerable challenges but the Group has risen to these challenges to prove the

robustness and flexibility of its business model. The figures presented today are a credit to the management team and all those who work for the Company and I would like to thank the employees and my fellow directors in that regard.

The results were impacted in the fourth quarter by the Group's licensees' complete withdrawal from the United States. Notwithstanding this action, I am pleased to announce that Playtech's total revenues for the year were \$90.1 million. This represented an increase of 89% on the \$47.6 million achieved in 2005. Excluding contributions from the US, revenue for the year totalled \$55.6 million, representing an increase of 143% on the \$22.8 million in 2005. As a result of the strong performance, the Board is pleased to recommend a final dividend of 7.0 cents per share which will give a total dividend for the year of approximately 15.7 cents per share.

The passing of the US Unlawful Internet Gambling Enforcement Act 2006 was a watershed moment for the online gaming industry, forcing many gaming operators to make fundamental changes to their business models. The Group's broad international portfolio of clients, especially in Asia and Europe, meant that the impact of the prompt withdrawal by its licensees from the US market was greatly reduced.

Excellent progress has been made in developing Playtech's strategy of diversifying its business portfolio – both geographically and by product. The Company announced two important deals during the year. The acquisition of certain non-US assets of Tribeca Tables Europe Limited ('Tribeca') pursuant to the conditional agreement signed in November 2006 will transform the Group into the world's leading poker network, and the landmark five-year software licensing agreement with Chinese based Sino Strategic International ('SSI') in December 2006, which gives Playtech invaluable access to the huge Chinese gaming market. Playtech's subsidiary Videobet also announced a long-term licensing contract to supply the Mexican land based gaming

market through Mexican casino operator, Entretenimiento De Mexico S.A. De C.V. ('EMex') in January 2007.

The Group is also increasing the number of platforms through which its software can be delivered and both mobile phone gaming and Server Based Gaming (SBG) terminal products were added to its portfolio during the year. In terms of software product development, Pachinko and Mahjong were added to cater for the Asian market and a significant number of new gaming products are expected to be launched during 2007.

Playtech's total commitment to the constant development of new products and solutions for the dynamic gaming industry is of central importance to today's leading operators. The quality of Playtech's products and the professional way in which it conducts its business was further demonstrated by the signing of a new four year software licensing agreement with PartyGaming plc at the beginning of this year.

It is the Board's firm view that there remains great potential for growth in the international gaming market and this sentiment is clearly reflected in Playtech's continued commitment to expanding its employee base. Playtech has increased the numbers employed at its main software development and support base in Estonia, has opened a new development centre in Bulgaria and is developing the newly acquired Tribeca operations in India and the Philippines. This will bring the Group's total headcount to just under 450 employees.

The Board is very pleased with how Playtech has responded to the challenges and opportunities that it has been presented with over the past year. The Board looks forward to announcing further progress in newly entered growth markets, and other areas, over the following year. The development of multi distribution channels will also help the Group access more traditional gaming sectors, such as land based operators, in addition to offering considerable cross selling opportunities.

In summary, progress made during 2006 is very encouraging. As a result, the Board looks forward to the coming year with both eagerness and confidence.

Roger Withers
Chairman

Chief Executive Officer's Report

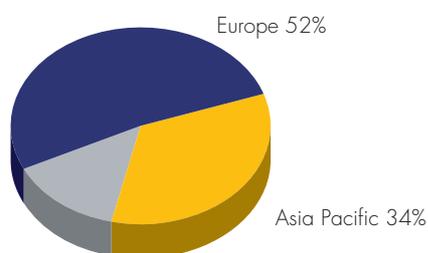


I take great pleasure in delivering Playtech's first set of annual results since the Company floated on the London Stock Exchange's Alternative Investment Market in March 2006. It has been a year of both significant progress and change but overall I feel that this year has shown Playtech to

be both a strong and adaptable company with an outstanding business model.

2006 was a critical year for Playtech and the passing of the US Unlawful Internet Gambling Enforcement Act 2006 materially changed the landscape of the industry. Whilst it forced many gaming operators to radically change their business model to survive in the new international environment, it highlighted the great strength of Playtech as a software provider to the wider gaming industry and clearly vindicated the Board's strategic decision made over three years ago to concentrate on geographical diversification. The Board's prompt reaction to the changing US legal landscape has clearly illustrated Playtech's ability to react quickly and effectively to changes in our dynamic industry. Playtech will continue to strengthen its portfolio through a highly active new product pipeline throughout 2007 coupled with a move into more international locations.

Geographic Diversification* in 2006 - Excluding US



Rest of the World 14%

*Player revenue generated

During last year Playtech's casino business grew by 81% (131% ex-US) and our poker business by 309% (386% ex-US). Stripping out US players, in 2006, 34% of Playtech's player base came from Asia-Pacific and 52% from Europe, representing year on year growth rates of 102% and 178% respectively.

While the casino and poker streams of business remain our main revenue generator, Playtech continues to be committed to the development of its product portfolio. Mobile gaming and Server Based Gaming ('SBG') terminals were added to the Company's delivery platforms whilst Pachinko and initial versions of Mahjong were added to its games portfolio.

The mobile product that is already running on Playtech's online platforms, offers players access to Playtech's popular casino platform through their mobile phones and we expect that this will be a particularly successful cross selling opportunity for our existing licensees that already run Playtech's online platforms.

Although online gaming has been enjoying extraordinary growth over the past few years, the more established land-based operators still hold approximately 95% of total global gaming activity. Playtech is well positioned to penetrate the SBG market as terminals become of growing importance to land-based operators. While traditional terminal suppliers will need to make significant investment to adapt to this new demand, Playtech has applied the technology used in its award winning online products to the SBG market and is now considered to be one of the market leaders in this arena.

All Playtech products are designed to allow the best cross selling opportunities in the market. Cross selling between land-based, online and mobile is easily done utilising a single account offering and a unified back office system. We expect it to be the main selling point of Playtech and Videobet products in the future. Such cross selling capabilities will result in better revenues for both Playtech and its licensees.

Contract Wins and Strategic Goals

During the final quarter of 2006, Playtech announced two very significant agreements, the first of which was the acquisition of certain non-US assets of Tribeca Tables Europe Limited ('Tribeca'), announced in November 2006 and the second was a landmark five-year software licensing agreement with Chinese based Sino Strategic International ('SSI') announced in December 2006.

The migration of the Tribeca poker network onto the Playtech platform is expected to create the world's largest shared liquidity pool in poker gaming and will, therefore, provide outstanding growth opportunities for the Group

Chief Executive Officer's Report continued

and its licensees. We expect the full completion of this deal, including the full integration of Tribeca's highly skilled staff based in the Philippines and India, by the end of March 2007. From this date the acquisition is expected to be earnings enhancing and is in line with our strategy to be the leading software provider of all the products that we offer.

The Board is excited by the prospects for the Asian gaming market and is, therefore, fully committed to the development of its Asian games portfolio. Playtech's license agreement with SSI will deliver its Peer to Peer (P2P) games to approximately 600 SSI gaming outlets throughout China. This is a significant deal for Playtech and provides the Company with an important gateway into a huge developing market. Coupled with our long-term focus to provide the right products to the Asian market, this agreement also further diversifies the Group's geographical reach.

On 2 January 2007, Playtech announced a new long-term software licensing agreement with PartyGaming plc ('PartyGaming'). Under the terms of the four-year agreement, Playtech will license its software to several PartyGaming branded websites on an exclusive basis. The Board sees this as a great opportunity to work with the leading online gaming company and is a real endorsement of the Playtech product. We believe that Playtech's software will compliment PartyGaming's existing products whilst providing an additional route to further revenue enhancement. We look forward to a long and successful partnership with PartyGaming.

On 23 January 2007, Playtech's wholly owned subsidiary, Videobet entered into a long-term licensing contract with leading Mexican casino operator, Entretenimiento De Mexico, S.A. De C.V. ('EMex'). Under the terms of the three-year contract, EMex will add the Videobet server based gaming product to its existing and future gaming estates. This deal is the first significant step for Playtech's land-based offering, and is consistent with the Company's strategy to leverage its expertise into the lucrative land-based market.

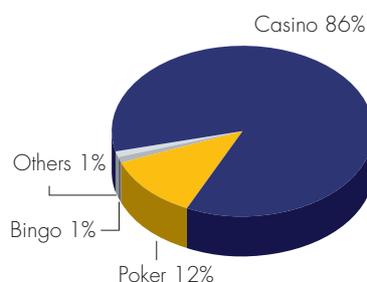
Site Development and Expansion

Playtech is fully committed to the development and delivery of market leading software products to the international gaming sector. In order to achieve this, the Company is

continually strengthening its development capabilities and as a result improving delivery time to market. In addition to the development centre in Estonia, which is the centre for casino, poker and SBG products, Playtech has opened a new development centre in Bulgaria that will be primarily focused on the Company's bingo products.

The agreement with Tribeca provides Playtech with an opportunity to develop Tribeca's centres in India and the Philippines. This will not only offer the clear geographic advantage of delivery into the fast growing Asian markets but will also help in the production and development of Asia specific gaming products that are increasingly being demanded by our licensees. We extend a warm welcome to our new employees and look forward to working with them to supply the Asian market with the best and most relevant products.

Revenue by Product 2006



A review of the successes achieved this year would not be complete without mentioning the outstanding contribution made by our employees. Playtech's reputation is built on the quality of its people and while the sector as a whole was forced to reduce manpower due to changes in the US landscape, Playtech continued to expand its workforce. This has allowed the Company to maintain the flexibility for which it has become renowned and to meet with licensee requirements, product development and client production. We passionately believe in investing in our people and this commitment will ensure our growth throughout 2007.

On behalf of the Board, I would like to extend my thanks to all our employees for their tremendous efforts throughout 2006 and look forward to making 2007 an even better year for Playtech.

Chief Executive Officer's Report continued

Current Trading and Outlook

The 2007 year has started strongly. In the first half of 2007, Playtech is on track to launch a number of P2P games exclusively for the Asian market, including Cho Dai Di and Do Di Dzhoh. These will be added to our existing suite of poker games and will help the Group further build its presence in Asia.

With Playtech increasing the ways in which it can deliver its gaming software through, for example, mobile phones and terminals, further growth can be expected through the cross selling opportunities that this presents.

We have quickly established a market leading position in the SBG market, the technology of which is based on Playtech's outstanding online gaming software. All evidence points towards the fact that SBG will play an increasingly important role in the international gaming market and Playtech is in an ideal position to take advantage of the growth opportunities that this offers. The deal with EMex illustrates this well and other similar deals will no doubt follow this year.

Playtech is also developing its centre in Bulgaria as a dedicated resource for the development of its existing bingo

product. Previously, this game did not represent an important part of Playtech's gaming portfolio but our research suggests that an improved Bingo product, coupled with the right level of support will create a revenue stream that is much more meaningful to the Group.

We look forward into 2007 with great enthusiasm and expect it to be a year of further growth, both geographically and through new product development. Our continuing commitment to our employees, who are the driving force behind Playtech's success, will help increase the Group's momentum and further establish its position as the world's leading supplier of software to the international gaming industry.



Avigur Zmora
Chief Executive Officer



Financial and Operational Review

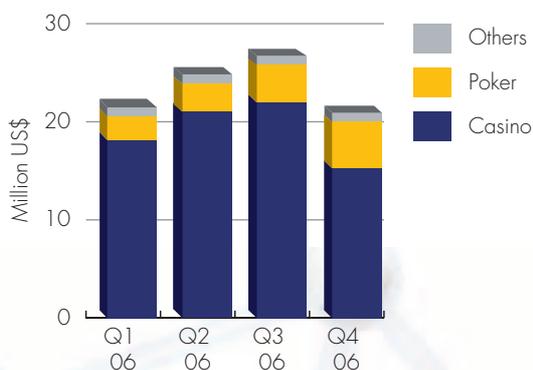


Playtech is pleased to announce the financial results for the year ended 31 December 2006, our maiden set of final results as a publicly quoted company. Given the challenges faced by the Group, Playtech has registered an extremely robust performance. This was despite the

results in the final quarter of the year being affected by the complete and immediate withdrawal from the United States following the passing of the US Unlawful Internet Gambling Enforcement Act 2006.

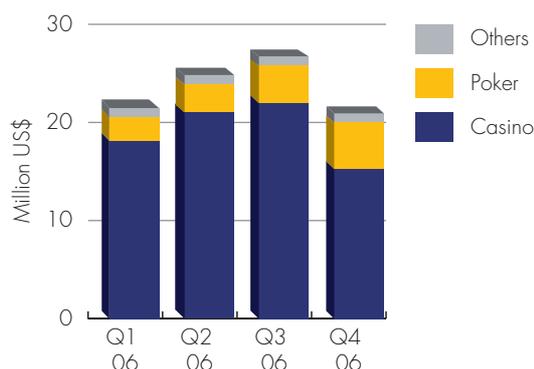
Total revenues for the year were \$90.1 million which represented an increase of 89% on the \$47.6 million achieved in 2005. Casino revenues for the year totalled \$77.2 million, an increase of 81% from \$42.7 million in 2005. Poker revenues for the year totalled \$10.9 million, an increase of 309% from the \$2.7 million in 2005.

Revenue by Quarters



On a pro forma basis, which excludes contributions from the US, revenues for the year totalled \$55.6 million, representing an increase of 143% on the \$22.8 million in 2005. On the same basis, casino revenues for the year totalled \$47.3 million, an increase of 131% from the \$20.5 million in 2005. Poker revenues for the year totalled \$7.4 million, an increase of 386% from the \$1.5 million in 2005.

Revenue by Quarters – Excluding US



The last quarter of 2006, which is traditionally a strong quarter, was materially affected by the complete and immediate withdrawal from the United States. Total revenue was \$17.4 million which represented an increase of 13% on the \$15.3 million in the last quarter of 2005. Casino revenues for Q4 2006 totalled \$14.3 million, an increase of 5% from \$13.5 million in Q4 2005. Poker revenues for the year totalled \$2.7 million, an increase of 116% from the \$1.2 million in Q4 2005.

Excluding contributions from the US, revenue for Q4 2006 totalled \$16.3 million, representing an increase of 110% on the \$7.8 million in Q4 2005. On the same basis, casino revenues for Q4 2006 totalled \$13.4 million, an increase of 98% from the \$6.8 million in Q4 2005. Poker revenues for Q4 2006 totalled \$2.6 million, an increase of 239% from the \$0.8 million in Q4 2005.

Net profit after tax for 2006 was \$60.4 million, an increase of 69% over 2005. Adjusted net profit* after tax, for 2006 was \$67.7 million, an increase of 90% over 2005. The adjusted EPS* for the year, based on weighted average shares outstanding of 210,168,682, is 32 cents per share compared to the prior year which was 18 cents per share. Fully diluted EPS* for 2006 was 31 cents per share compared to 18 cents per share in 2005.

The Group's operating profit margin was influenced by the provision of a one-time cash contribution from the founders of the Company to Playtech's employees in the first half of the year, amounting to \$6.6 million and employee stock option expenses amounting to \$0.7 million. The provision for this was accounted for in accordance with generally accepted accounting principles and did not have any

Financial and Operational Review continued

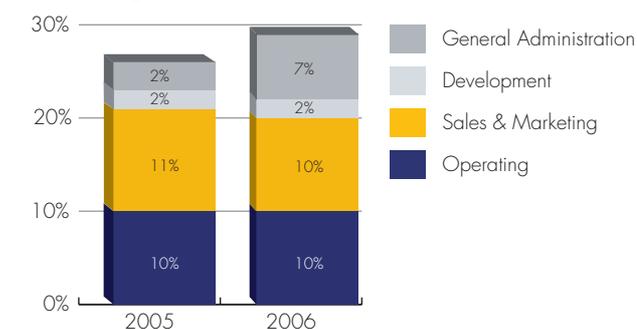
cash impact on the Company. In addition, the operating profit was influenced by the reduction in revenue contribution from our licensees' US players in the fourth quarter of 2006. Excluding cash contribution and employee stock option expenses, the operating profit margin decreased to 72% from 75% in 2005.

*In 2006 - excluding one time founders cash contribution and employee stock option expenses of \$7.3 million.

Cost of Operations

As Playtech's business has grown, the Group has significantly increased its number of employees, which included further hiring by our Estonian and Israeli operations and the formation of a new R&D subsidiary in Bulgaria. Furthermore, we have incurred additional cost associated with becoming a publicly traded company. As a result, cost of operations during 2006, excluding the founders' cash contribution and employee stock option expenses, increased by 112% to \$25.6 million compared to \$12.1 million in 2005.

Cost Margin



*In 2006 - excluding founders' one-time cash contribution to employees and options charge totalling \$7.3 M

Given the Board's expectation about the Company's prospects in 2007, the withdrawal of Playtech's licensees from all their US facing activity had little or no impact on costs nor did it require any restructuring of the cost base.

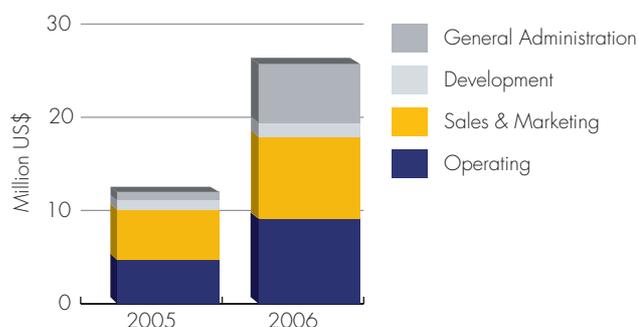
Operating activity is mainly conducted in Estonia through two of our subsidiaries. Operating expenses were \$9.2 million, representing an increase of 97% over 2005, although operating costs remained at the same percentage of revenue as 2005.

Sales and Marketing expenses were \$8.9 million, representing an increase of 65% on 2005. This was mainly as a result of salary increases attributable to the

recruitment of sales staff, an increase in reseller fees that are paid as a percentage of revenue and an increase in the number of trade shows attended during the year.

Development costs increased by 53% on the previous year to \$1.6 million. These costs are associated with investment into the improvement of existing products. The cost of new products are capitalised and amortised as part of the operating expenses when they are launched.

Cost Breakdown



*In 2006 - excluding founders' one time cash contribution to employees and options charge totalling \$7.3 M

General and administrative expenses, before the founders' one time cash contribution to employees, were \$6.5 million, an increase of 568% over 2005.

In line with generally accepted accounting principles, the founders' one time cash contribution to employees of \$6.6 million is included as a one-time expense under General and Administrative expenses. Due to the fact that this contribution is fully payable by the founders' trust directly to employees, there is no cash impact on the Group. Employee stock option expenses in 2006 amounted to \$0.7 million.

Financial Income and Taxation

Cash is generally held in short-term US dollar deposits. Such deposits have generated in 2006 a financial income of \$3.6 million.

Only the Bulgarian and Israeli subsidiaries have a taxable income, which is charged on a cost plus basis. Following an agreement signed with the Israeli Tax Authorities during 2006, the Israeli subsidiary paid \$0.2 million in back taxes.

Financial and Operational Review continued

Dividend

The Board has recommended a final dividend of 7.0 cents per share. Once approved and paid, this will give an aggregate dividend for the 2006 year of approximately \$33.5 million or approximately 15.7 cents per share.

During 2006 the Company paid dividends to the amount of \$39.5 million, of which \$21 million was paid prior to the admission onto the Alternative Investment Market as a final dividend for 2005. \$18.5 million was paid as an interim dividend in October 2006.

Balance Sheet

Cash and cash equivalents as at 31 December 2006 amount to \$101.4 million, representing 87% of the balance sheet (2005: 72%).

The trade receivables balance as at 31 December 2006 represents mainly amounts due by licensees for the month of December 2006.

Intangible assets mainly consist of patent and intellectual property rights and development costs of new products such as the Poker platform, mobile platform, and the Videobet product. The development of Mahjong and other Asian games is also included under this section.

Cash Flow

The Group generated cash of \$72.6 million in 2006 from operating activities (2005: \$35.2 million).

The Group cash usage in investing activities was \$6.5 million (2005: \$1.0 million), which mainly accounted for capitalised development costs relating to the Videobet, mobile and Mahjong products and the acquisition of fixed assets.

The Group's financing activities generated \$17.2 million from net IPO proceeds of \$56.2 million, less the dividend payment to shareholders of \$39.5 million. In 2005 the usage amounted to \$27.5 million that mainly related to the repayment of shareholders' loans and the dividend payment.

Acquisition

In November 2006 Playtech signed a conditional agreement to acquire certain non-US assets and undertakings of Tribeca Tables Europe Limited. The consideration for this acquisition is calculated according to a formula based on Playtech's earnings from the acquired assets. For example if the annualised revenue generated from this acquisition over the measurement period is \$16.0 million, the consideration to be paid to Tribeca will be approximately \$75.0 million. The final consideration will be adjusted upon Playtech's realised revenues. The maximum consideration that the Company will be liable to pay is \$139.0 million, which will be paid in the event that the annualised revenue generated from the acquisition, over the measurement period, exceeds \$29 million. The consideration is not subject to any minimum amount. The Tribeca assets acquisition will be accounted for in the financial statements of 2007.



Shuki (Moshe) Barak
Chief Financial Officer



Board of Directors

Roger Withers (aged 64) 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.

Avigur Zmora (aged 33), Chief Executive Officer

Avigur joined the Playtech Group in July 2002 as Chief Financial Officer leading to his appointment as Chief Executive Officer in February 2006. 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.

Shuki (Moshe) Barak (aged 38), Chief Financial Officer

Shuki joined the Playtech Group as Chief Financial Officer in February 2006 having previously been financial controller of ImageSat International N.V. a leading provider of satellite imagery services to worldwide customers. Prior to this, Shuki worked at Arthur Andersen in Israel where he qualified as a certified public accountant.

Rafael Ashkenazi (aged 32), 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 39), Business Development Director

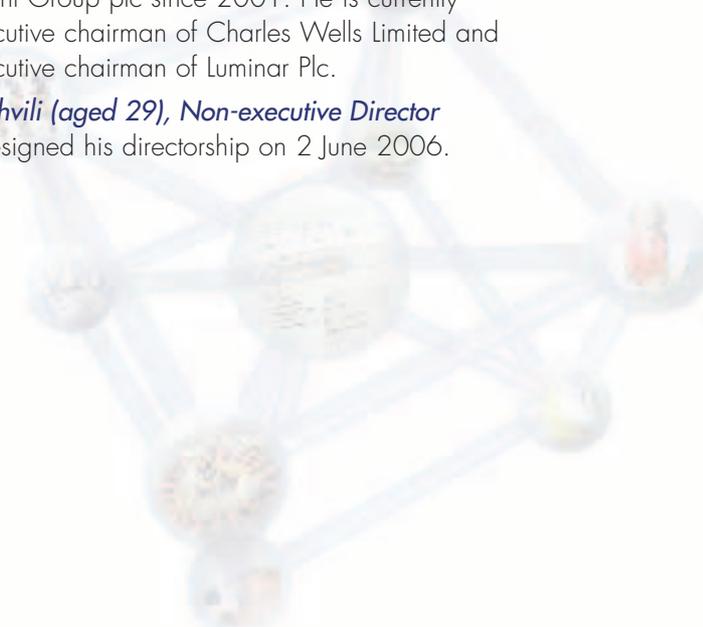
Tom is the Group's Business Development Director and former Chief Executive Officer having been with the Group since 2002. Based in Asia, Tom has been primarily responsible for overseeing global customer growth and the development of customised software solutions for the Asian marketplace. From 1995 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 serves as non-executive chairman of Emphasis Services Limited and as a non executive director of each of Saba Investments Limited and Foundation Limited.

Alan Jackson (aged 64), 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 non-executive chairman of Luminar Plc.

Omer Shvili (aged 29), Non-executive Director

Omer resigned his directorship on 2 June 2006.



Corporate Governance

Introduction

The Company recognizes the importance of the principles of good corporate governance and the Board is pleased to report its commitment to such 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 four Executive and two Non Executive Directors. Pursuant to the Code, the chairman is not considered to be independent as he holds options in the Company. However, the other Non Executive Director 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 approximately eight times each year. The Board is responsible for overall Group strategy, acquisition and investment policy, approval of major capital expenditure projects and consideration of significant financing matters. It reviews the strategic direction of the Group, their codes of conduct, their annual budgets, their progress towards achievement of these budgets and their capital expenditure programmes. In addition, the Directors have access to the advice and services of the Company Secretary and all Directors are able to take independent professional advice in the furtherance of their duties if necessary. All Directors, in accordance with the Code, will submit themselves for re-election at least once every three years.

Board Committees

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

Audit Committee

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

The Audit Committee met twice during 2006 following admission of the Company's shares on AIM on 28 March 2006. One of those meetings was also attended by a representative of the Company's external auditors. The Committee intends to meet three times a year in future. At least once a year the Committee meets with representatives of the external auditors of the Company without any Executive Directors being present, except by invitation of the Committee.

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

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 2006 following admission of the Company's shares on AIM on 28 March 2006. In future, the Committee will 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 has not met in 2006 following admission of the Company's shares on AIM on 28 March 2006. In future, the Committee will 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	12	11
	Audit	2	2
	Remuneration	2	2
Alan Jackson (appointed on 28 March 2006)	Board	12	12
	Audit	2	2
	Remuneration	2	2
Avigur Zmora (appointed on 24 February 2006)	Board	14	14
Moshe Barak (appointed on 24 February 2006)	Board	14	14
Rafael Ashkenazi (appointed on 24 February 2006)	Board	14	14
Thomas Hall (appointed on 24 February 2006)	Board	14	14
Omer Shvili (appointed on 28 March 2006 and resigned on 2 June 2006)	Board	2	1

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 other Non-Executive Director, intend to undertake a review of the performance of individual Directors. The 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.

Internal Control

Given the Company's size and the nature of its business, the Board does not consider that it is necessary to have an internal audit function. An internal audit function will be established as and when the Group is of an appropriate size.

Independence of Auditors

The Board will undertake a formal assessment of the auditor's independence each year, which will include:

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



Directors' Report

The Directors present their report and the audited financial statements for the year ended 31 December 2006.

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 2006 are set out on pages 20 to 23 show revenues of US\$90.1 million and a net profit after tax of US\$60.4 million.

Dividends

The Board has recommended the payment of a final dividend of 7.0 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 2006 year and to date are:

	Appointed	Resigned
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	
Omer Shvili	28.03.2006	2.06.2006
Nomicom Limited	25.06.2004	24.02.2006

Substantial Shareholdings

As at 31 December 2006, the Company had not received any notices from shareholders advising of their interests in 3% or more of the Company's existing share capital other than the founders, whose details were set out in the Company's admission document and percentages are set out as follows:

Shareholders	%*	No. of ordinary shares
Brickington Trading Limited	45.79	97,866,667
Interexpo Trading Limited	4.11	8,774,200

*Assuming a total issued share capital of 213,741,096 as at 31 December 2006.

Related Party Transactions

Details of all related party transactions are set out in note 9 to the Financial Statements.

Directors' Report continued

Corporate Governance

The Directors' statement on Corporate Governance is set out on pages 10 to 12.

Political and Charitable Donations

The Company made no political or charitable donations during the year ended 31 December 2006.

Future Prospects

The Board looks forward into 2007 with great enthusiasm and expect it to be a year of further growth, both geographically and through new product development. The Group's continuing commitment to its employees, who are the driving force behind Playtech's success, will help increase the Group's momentum and further establish its position as the world's leading supplier of software to the international gaming industry.

AGM

The Annual General Meeting will be held at The Sefton Hotel, Harris Promenade, Douglas, Isle of Man IM1 2RW on 2 May 2007 at 11am. A notice of the meeting is attached to this Annual Report.

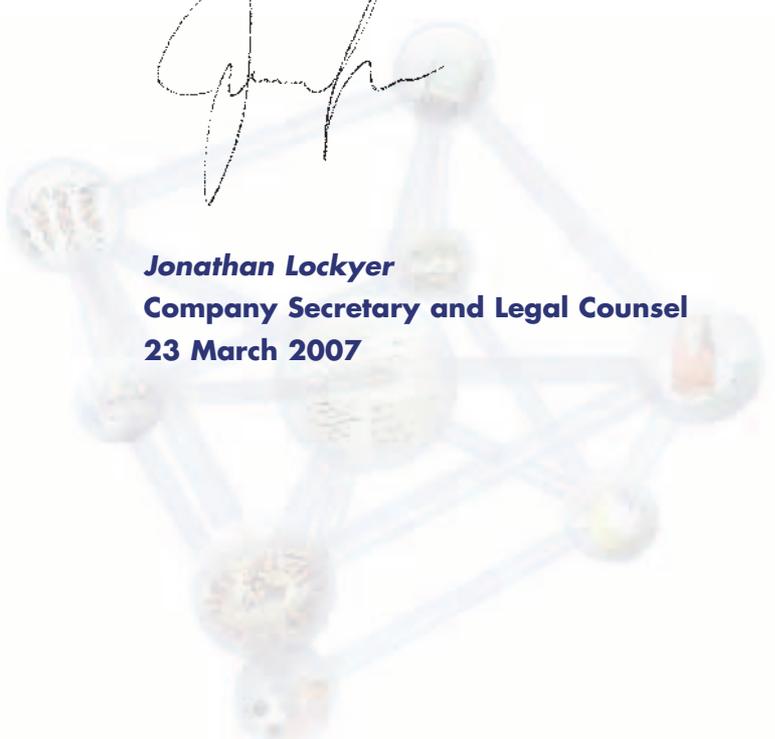
Auditors

A resolution to reappoint BDO Stoy Hayward 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
23 March 2007



Remuneration Report

The Directors' emoluments, benefits and shareholdings during the year ended 31 December 2006 were as follows:

1. Directors' Emoluments (in US Dollars)

Director	Salary/Service Fee	Bonuses ⁽⁵⁾	Benefits	Option charges	Total emoluments
EXECUTIVE					
Avigur Zmora	275,000		60,000	138,000	473,000
Thomas Hall	75,000				75,000
Shuki Barak ⁽⁶⁾	110,000		34,000	16,000	160,000
Rafi Ashkenazi	124,000	4,000	41,000	33,000	202,000
NON-EXECUTIVE					
Roger Withers ^{(1) (2) (3)}	213,000			54,000	267,000
Alan Jackson ^{(1) (2) (3)}	71,000				71,000
Omer Shvili ⁽⁴⁾					

Notes

⁽¹⁾ Member of the Audit Committee (the chairman sits on this Committee as there are insufficient other Non-Executive Directors appointed to constitute the Committee and the board also considers his experience and qualifications to be of such value to the Committee as to make any lack of independence (by virtue of being the chairman of the Company and a shareholder in 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.

⁽²⁾ Member of the Remuneration Committee

⁽³⁾ Member of the Nomination Committee

⁽⁴⁾ Omer Shvili resigned as a director of the Company on 2 June 2006.

⁽⁵⁾ The Remuneration Committee has not yet determined the allocation of bonuses for the year ended 31 December 2006.

⁽⁶⁾ Shuki Barak's employment commenced in February 2006.



Remuneration Report continued

2. Directors' Interests

2.1 Interests of Directors in ordinary shares

Ordinary Shares

	As at 31.12.2006 Number of Ordinary Shares	Percentage of issued share capital	As at 31.12.2005 Number of Ordinary Shares	Percentage of issued share capital
Roger Withers	19,333	0.009%	Nil	–
Avigur Zmora	500,000	0.23%	1,000,000 ⁽¹⁾	0.48%
Thomas Hall	3,050,000	1.43%	Nil	–
Shuki Barak	2,220	0.001%	Nil	–
Rafi Ashkenazi	5,555	0.0026%	Nil	–
Alan Jackson	5,000	0.002%	Nil	–
Omer Shvili	Nil	–	Nil	–

⁽¹⁾ Assuming the effective share split of 200:1 which occurred on 24 February 2006

2.2 Interests of Directors in Options

	Number of Ordinary Shares under option	Date of Grant	Exercise price per Ordinary Share	Earliest Exercise Date	Expiry of exercise period
Roger Withers	200,000	28 March 2006	£2.57	28 March 2007	27 March 2011
Alan Jackson	–	–	–	–	–
Avigur Zmora	1,000,000 ⁽¹⁾	1 December 2005	US\$4.50	1 December 2006	30 November 2010
Avigur Zmora	400,000 ⁽²⁾	6 February 2006	US\$4.50	6 February 2007	30 November 2010
Avigur Zmora	500,000	11 October 2006	US\$3.24	11 October 2007	10 October 2011
Thomas Hall	–	–	–	–	–
Shuki Barak	200,000	1 December 2005	US\$4.00	1 March 2007	30 November 2010
Rafi Ashkenazi	200,000	1 December 2005	US\$4.00	1 December 2006	30 November 2010
Rafi Ashkenazi	200,000	11 October 2006	US\$3.24	11 October 2007	10 October 2011
Omer Shvili	–	–	–	–	–

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

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

No options were exercised during 2006.

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.

Remuneration Report continued

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 a share option scheme in accordance with 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 Group's employment, in which case the unvested options lapse and any vested options lapse three months after the date that the employment ends.

Other Incentive Schemes

The Company has begun a review of its current remuneration and benefits packages and incentive scheme arrangements, and expects to propose certain changes during 2007.



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 of any information needed by the Company'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 2006 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 within the financial statements. Our responsibilities do not extend to any other information.

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

Basis of audit opinion

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

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

Opinion

In our opinion the consolidated 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 2006 and of its profit for the year then ended.

In our opinion the information given in the Directors' report is consistent with the financial statements.

Emphasis of matter - regulatory issues

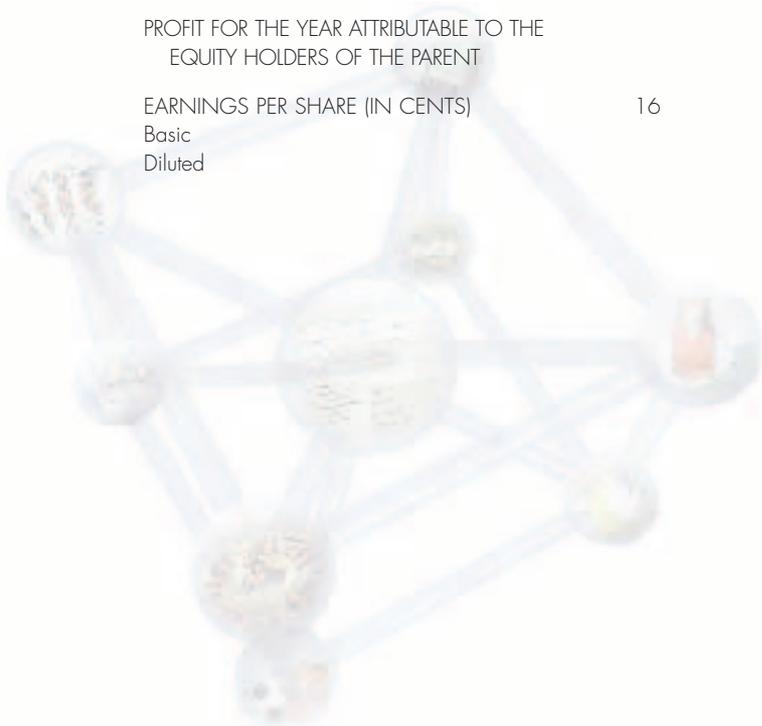
In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosures made in the financial statements concerning the uncertainty over the actions, if any, that certain regulatory authorities may take. Further information is set out in note 21, which states that the Directors consider that no provision is necessary in respect of this matter.

Financial Statements

Consolidated Income Statement

U.S. Dollars in thousands

	Note	For the year ended 31 December,																	
		2006	2005																
Revenues	13	90,078	47,596																
Operating expenses		(9,247)	(4,676)																
Sales & marketing expenses		(8,941)	(5,421)																
Development costs		(1,567)	(1,021)																
General & administrative expenses		(13,101)	(936)																
		(32,856)	(12,054)																
<table border="1"> <tbody> <tr> <td>Operating profit before charges related to founders' cash contributions to employees and employee stock option expenses</td> <td></td> <td>64,491</td> <td>35,564</td> </tr> <tr> <td>Charge related to founders' cash contributions to employees</td> <td>17</td> <td>(6,566)</td> <td>-</td> </tr> <tr> <td>Employee stock option expense</td> <td></td> <td>(703)</td> <td>(22)</td> </tr> <tr> <td>Total</td> <td></td> <td>(7,269)</td> <td>(22)</td> </tr> </tbody> </table>				Operating profit before charges related to founders' cash contributions to employees and employee stock option expenses		64,491	35,564	Charge related to founders' cash contributions to employees	17	(6,566)	-	Employee stock option expense		(703)	(22)	Total		(7,269)	(22)
Operating profit before charges related to founders' cash contributions to employees and employee stock option expenses		64,491	35,564																
Charge related to founders' cash contributions to employees	17	(6,566)	-																
Employee stock option expense		(703)	(22)																
Total		(7,269)	(22)																
Operating profit	13	57,222	35,542																
Financing income	14	3,638	295																
Financing cost	14	(101)	(146)																
Profit before taxation		60,759	35,691																
Tax expenses	15	(345)	(22)																
PROFIT FOR THE YEAR ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT		60,414	35,669																
EARNINGS PER SHARE (IN CENTS)	16																		
Basic		29	18																
Diluted		28	18																



Financial Statements continued

Consolidated Balance Sheet

U.S. Dollars in thousands

		As of 31 December,	
	Note	2006	2005
NON-CURRENT ASSETS			
Intangible assets	7	4,355	1,388
Property, plant and equipment	6	3,015	934
Other non-current assets		127	60
		<u>7,497</u>	<u>2,382</u>
CURRENT ASSETS			
Cash and cash equivalents	4	101,403	17,995
Trade receivables		6,257	4,189
Other accounts receivables	5	1,280	337
		<u>108,940</u>	<u>22,521</u>
TOTAL ASSETS		<u>116,437</u>	<u>24,903</u>
EQUITY AND LIABILITIES			
Share capital	11	–	10
Additional paid in capital		56,370	100
Employee stock option reserve	12	725	22
Retained earnings		47,731	19,587
Equity attributable to equity holders of the parent		<u>104,826</u>	<u>19,719</u>
NON-CURRENT LIABILITIES			
Other non-current liabilities		46	82
CURRENT LIABILITIES			
Trade payables	8	7,394	2,987
Related parties	9	1,091	918
Other accounts payables	10	3,080	1,197
		<u>11,565</u>	<u>5,102</u>
TOTAL EQUITY AND LIABILITIES		<u>116,437</u>	<u>24,903</u>

The financial statements were approved by the board and authorised for issue on 23 March, 2007



Avigur Zmora
Chief Executive Officer



Shuki (Moshe) Barak
Chief Financial Officer

Financial Statements continued

Consolidated Statement of Changes in Equity

U.S. Dollars in thousands

	Share capital	Additional Paid in Capital	Employee stock options reserve	Retained earnings	Total
Balance at 1 January 2005	10	100	-	25,583	25,693
CHANGES IN EQUITY FOR THE PERIOD					
Profit for the year	-	-	-	35,669	35,669
TOTAL RECOGNISED INCOME AND EXPENSE FOR THE PERIOD	-	-	-	35,669	35,669
Dividend paid	-	-	-	(41,000)	(41,000)
Share issue costs	-	-	-	(665)	(665)
Employee stock option scheme	-	-	22	-	22
Balance at 1 January 2006	<u>10</u>	<u>100</u>	<u>22</u>	<u>19,587</u>	<u>19,719</u>
CHANGES IN EQUITY FOR THE PERIOD					
Profit for the year	-	-	-	60,414	60,414
TOTAL RECOGNISED INCOME AND EXPENSE FOR THE PERIOD	-	-	-	60,414	60,414
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>725</u>	<u>47,731</u>	<u>104,826</u>



Financial Statements continued

Consolidated Statement of Cash Flows

U.S. Dollars in thousands

	For the year ended 31 December,	
	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	60,759	35,696
Tax	(345)	(22)
Net cash provided by (used in) operating activities (see below)	12,213	(436)
Net cash provided by operating activities	72,627	35,238
CASH FLOWS FROM INVESTING ACTIVITIES		
Loss from disposal of investment	-	(5)
Cash acquired with subsidiary	-	51
Long term deposits	(135)	-
Acquisition of fixed assets	(2,747)	(696)
Acquisition of intangible assets	(1,738)	(12)
Capitalised development costs	(1,835)	(356)
Net cash used in investing activities	(6,455)	(1,018)
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan to shareholders	-	(15,087)
Related parties and shareholders	(205)	1,094
Dividends paid	(39,500)	(12,890)
Initial Public Offering proceeds	59,862	-
Exercise of options	733	-
Share issue costs	(3,671)	(665)
Others	17	25
Net cash provided by (used in) financing activities	17,236	(27,523)
INCREASE IN CASH AND CASH EQUIVALENTS	83,408	6,697
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	17,995	11,298
CASH AND CASH EQUIVALENTS AT END OF YEAR	101,403	17,995
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Income and expenses not affecting operating cash flows:		
Depreciation	666	313
Amortisation	606	122
Founders' cash contribution to employees	6,566	-
Employee stock option plan expenses	703	22
Finance income receivable	(3,537)	(149)
Others	18	7
Changes in operating assets and liabilities:		
Increase in trade receivables	(2,068)	(2,341)
Decrease in related parties	377	7
Increase in other receivables	(943)	(173)
Increase in trade payables	4,408	1,287
Increase in other payables	1,880	320
Finance income received	3,537	149
	12,213	(436)

Non Cash Transactions

In 2005, a loan to shareholders of \$27,905,000 was cleared by a dividend.

Notes to the Financial Statements

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.

Playtech develops 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 licensees’ 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

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 2006. 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 Company has chosen not to adopt early those standards which will become applicable in subsequent years. These include IFRS 7 Financial instruments – disclosures, effective for periods beginning 1 January 2009, IFRS 8 Operating segments, effective for periods beginning 1 January 2009 and IFRICs 7 to 12, effective for periods beginning between 1 March 2006 and 1 January 2008. The implementation of these standards is not expected to have a significant impact on the financial statements.

The areas requiring the use of estimates and critical judgements that may significantly impact the Group’s earnings and financial position are revenue recognition and the recognition and amortisation of development costs. However, neither of these areas are likely to have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year.

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.

Included in this note are accounting policies which cover other areas that the Directors consider require estimates and assumptions which have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. These areas include property, plant and equipment, goodwill, share-based payments and contingent liabilities. The accounting policies for these should be read in conjunction with relevant notes.

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

Notes to the Financial Statements continued

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. 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 recognised 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. Interim dividends are recognised when paid.

H. Provisions

Provisions are recognised 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.

I. Property, plant and equipment

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

Depreciation is calculated to write off the cost of fixed assets on a straight line basis over the expected useful lives of the assets concerned. The principal annual 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	15.00

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 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.

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.

Notes to the Financial Statements continued

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 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.

M. Intangible assets

Intangible assets comprise patents, domains and software development costs capitalized 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. The principal annual rates used for this purpose, which are consistent with those of the previous years, are:

Domains	Nil	%
Goodwill	Nil	%
Capitalised development costs	33.33	%
Source code	33.33	%
Patents	Over the expected useful lives	10%-33%

Management believes that the useful life of the domains is indefinite.

Expenditure incurred on developing activities including the Company'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 Company 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.



Notes to the Financial Statements continued

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 Group'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 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.

P. Advertising Costs

Advertising costs are charged to expenses as incurred.

Note 3 – Segment Information

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

U.S. Dollars in thousands

	For the year ended December 31,	
	2006	2005
Canada	57,882	17,116
Philippines	11,926	5,628
Curacao and Antigua	18,944	23,688
Rest of World	1,326	1,164
	90,078	47,596

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.

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

U.S. Dollars in thousands

	Assets	
	December 31,	
	2006	2005
Estonia	3,251	1,197
Israel	661	622
Cyprus	-	22,067
Isle of Man	360	-
Bulgaria	258	-
British Virgin Islands	111,907	1,017
	116,437	24,903

Notes to the Financial Statements continued

U.S. Dollars in thousands

	Liabilities	
	December 31,	
	2006	2005
Estonia	486	305
Israel	385	373
Cyprus	–	3631
Isle of Man	115	–
Bulgaria	58	–
British Virgin Islands	10,567	875
	11,611	5,184

U.S. Dollars in thousands

	Capital additions	
	For the year ended December 31,	
	2006	2005
Estonia	1,822	548
Israel	123	139
Cyprus	–	9
Bulgaria	104	–
Isle of Man	223	–
British Virgin Islands	475	–
	2,747	696

Note 4 – Cash and Cash Equivalents

The Group held cash balances 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:

U.S. Dollars in thousands

	December 31,	
	2006	2005
Funds attributed to jackpots	1,642	1,826

Note 5 – Other Accounts Receivable

U.S. Dollars in thousands

	December 31,	
	2006	2005
Prepaid expenses	269	69
VAT and other taxes	631	231
Short term investment	13	25
Advances to suppliers	19	10
Funds receivable due to options exercised	296	–
Others	52	2
	1,280	337

Notes to the Financial Statements continued

Note 6 – Property, Plant and Equipment

U.S. Dollars in thousands

	Computers	Office furniture and equipment	Leasehold improvements	Total
CONSOLIDATED				
Cost –				
As of January 1, 2005	621	67	–	688
Acquired with subsidiary	88	5	–	93
Additions	611	45	39	695
Disposals	(7)	–	–	(7)
As of December 31, 2005	<u>1,313</u>	<u>117</u>	<u>39</u>	<u>1,469</u>
Accumulated Depreciation –				
As of January 1, 2005	195	6	–	201
Acquired with subsidiary	24	–	–	24
Charge	305	8	–	313
Disposals	(3)	–	–	(3)
As of December 31, 2005	<u>521</u>	<u>14</u>	<u>–</u>	<u>535</u>
Net Book Value –				
As of December 31, 2005	<u>792</u>	<u>103</u>	<u>39</u>	<u>934</u>

In 2005, Depreciation expenses of \$241,000, \$5,000, \$46,000 and \$21,000 were charged to Operating expenses, General administrative expenses, Sales and Marketing expenses and development costs, respectively.

U.S. Dollars in thousands

	Computers	Office furniture and equipment	Motor Vehicles	Leasehold improvements	Total
CONSOLIDATED					
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>2,269</u>	<u>358</u>	<u>140</u>	<u>248</u>	<u>3,015</u>

In 2006, Depreciation expenses of \$499,000, \$32,000, \$80,000 and \$55,000 are charged to Operating expenses, General administrative expenses, Sales and Marketing expenses and development costs, respectively.

Notes to the Financial Statements continued

Note 7 – Intangible Assets, Net

U.S. Dollars in thousands

	Patents	Domain names	Source Code	Development Costs	Goodwill	Total
CONSOLIDATED						
Cost –						
As of January 1, 2005	75	138	100	435	–	748
Acquired with subsidiary	–	25	–	443	–	468
Additions	1	10	–	356	262	629
As of December 31, 2005	<u>76</u>	<u>173</u>	<u>100</u>	<u>1,234</u>	<u>262</u>	<u>1,845</u>
Accumulated Amortisation –						
As of January 1, 2005	2	80	89	164	–	335
Provision	8	–	11	103	–	122
As of December 31, 2005	<u>10</u>	<u>80</u>	<u>100</u>	<u>267</u>	<u>–</u>	<u>457</u>
Net Book Value –						
As of December 31, 2005	<u>66</u>	<u>93</u>	<u>–</u>	<u>967</u>	<u>262</u>	<u>1,388</u>

In 2005, Amortisation expenses of \$108,000 and \$14,000 were charged to Operating costs and Development costs, respectively.

U.S. Dollars in thousands

	Patents	Domain names	Source Code	Development Costs (Internally generated)	Goodwill	Total
CONSOLIDATED						
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 Amortization –						
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>

Amortisation expenses of \$606,000 were charged to Operating expenses. Management believes that Domain names are stated at fair value.

Note 8 – Trade Payables

U.S. Dollars in thousands

	December 31,	
	2006	2005
Suppliers	2,932	250
Progressive and other operators' jackpots	1,642	1,826
Deferred revenues	2,818	911
Other	2	–
	<u>7,394</u>	<u>2,987</u>

Notes to the Financial Statements continued

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, Playtech Software Limited, 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. Tech Corporation, Kostos Trading Ltd, Oriental Support Services, Gamepark Trading Ltd and 800pay Ltd are related by virtue of a common significant shareholder. Bayview Technologies Ltd is related by virtue of the former Chief Executive Officer and current Director interest in the Company.

The following transactions arose with related parties:

U.S. Dollars in thousands

	For the year ended December 31,	
	2006	2005
REVENUE		
Bayview Technologies Ltd	-	221
SALES AND MARKETING		
Gamepark Trading Limited	316	140

The following are year-end balances:

U.S. Dollars in thousands

	December 31,	
	2006	2005
Game Park Trading Limited	1,051	382
NAV Ltd.	-	27
Techonline Corporation	40	-
Dividend	-	205
800pay Ltd	-	296
Com Market Ltd.	-	8
TOTAL RELATED PARTY CREDITORS	1,091	918

Other than the amounts charged to sales and marketing, the movement on the above accounts represents cash transfers.

Notes to the Financial Statements continued

Note 10 – Other Accounts Payables

U.S. Dollars in thousands

	December 31,	
	2006	2005
Payroll and related expenses	751	402
Accrued expenses	2,320	791
Other payables	9	4
	3,080	1,197

Note 11 – Shareholders Equity

	Number of Shares	
	December 31,	
	2006	2005
A. Share Capital		
Share capital is comprised of no par value shares as follows:		
Authorised	N/A(*)	200,000,000
Issued and paid up	213,741,096	200,000,000

On 24 February 2006, the Company 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 Company, 200,000,000 ordinary shares of no par value for an aggregate subscription amount of \$10,000.

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

B. Distribution of Dividend

In March 2006, immediately prior to the IPO, the Company distributed \$21,000,000 as dividend.

In September 2006, the Company distributed \$18,500,000 as an interim dividend for the year 2006.

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
Retained earnings	Cumulative net gains and losses recognised in the consolidated income statement

Notes to the Financial Statements continued

Note 12 – Employee Benefits

Total staff costs (including directors) comprise of the following:

U.S. Dollars in thousands

	For the year ended December 31,	
	2006	2005
Salaries and wages	10,851	4,645
Founders cash contribution to employees	6,566	-
Employee stock option expenses	703	22
	18,120	4,667

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 2006, options under this scheme were outstanding over:

- 4,769,000 ordinary shares at \$2.50 each, vesting between 1 December 2006 and 30 November 2008;
- 400,000 ordinary shares at \$4.00 each, vesting between 1 December 2006 and 30 November 2008; and
- 2,391,000 ordinary shares at \$4.50 each, vesting between 1 December 2006 and 30 November 2008.
- 400,000 ordinary shares at \$4.50 each, vesting on 2 February 2007.
- 200,000 ordinary shares at \$5.03 each (nominated in British pounds), vesting between 28 March 2007 and 27 March 2009; and
- 302,000 ordinary shares at \$5.75 each, vesting between 21 June 2007 and 20 June 2009.
- 900,000 ordinary shares at \$3.24 each, vesting between 11 October 2007 and 10 October 2009.
- 1,142,500 ordinary shares at \$4.35 each, vesting between 11 December 2007 and 10 December 2009.

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 2005 and 2006 at the amount of \$22,000 and \$703,000, respectively.



Notes to the Financial Statements continued

Note 12 – Employee Benefits (Cont.)

The following table illustrates the number and weighted average exercise prices (WAEPP) of share options for the ESOP.

	December 31,		December 31,	
	2006	2005	2006	2005
		Number of options	Weighted average exercise price	Weighted average exercise price
Granted during the year	4,535,500	6,011,600	4.19	2.88
Forfeited	(42,600)	–	(2.5)	–
Exercised	(407,763)	–	(2.5)	–
Outstanding at the end of the year	10,096,737	6,011,600	3.49	2.88

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

Expiry date	Exercise price	December 31,	
		2006	2005
1 December 2010	2.5	4,361,237	4,811,600
1 December 2010	4	200,000	200,000
1 December 2010	4.5	1,000,000	1,000,000
6 February 2011	4.5	1,391,000	–
6 February 2011	4.5	400,000	–
1 March 2011	4	200,000	–
28 March 2011	5.03	200,000	–
21 June 2011	5.75	302,000	–
11 October 2011	3.24	900,000	–
11 December 2011	4.35	1,142,500	–
		10,096,737	6,011,600

Notes to the Financial Statements continued

Note 12 – Employee Benefits (Cont.)

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 2005 and 2006:

	<u>2005</u>
Dividend yield (%)	5%
Expected volatility (%)	50%
Risk free interest rate (%)	4.5%
Expected life of options (years)	1,2,3
Weighted average exercise price (\$)	6.00
	<u>2006</u>
FOR OPTIONS GRANTED ON 6 FEBRUARY 2006	
Dividend yield (%)	5%
Expected volatility (%)	50%
Risk free interest rate (%)	4.5%
Expected life of options (years)	1,2,3
Weighted average exercise price (\$)	4.50
FOR OPTIONS GRANTED ON 1 MARCH 2006	
Dividend yield (%)	5%
Expected volatility (%)	50%
Risk free interest rate (%)	4.5%
Expected life of options (years)	1,2,3
Weighted average exercise price (\$)	4.50
FOR OPTIONS GRANTED ON 28 MARCH 2006	
Dividend yield (%)	5%
Expected volatility (%)	50%
Risk free interest rate (%)	4.5%
Expected life of options (years)	1,2,3
Weighted average exercise price (\$)	5.03
FOR OPTIONS GRANTED ON 21 JUNE 2006	
Dividend yield (%)	5%
Expected volatility (%)	26.3%
Risk free interest rate (%)	4.5%
Expected life of options (years)	1,2,3
Weighted average exercise price (\$)	5.75
FOR OPTIONS GRANTED ON 11 OCTOBER 2006	
Dividend yield (%)	5%
Expected volatility (%)	73.9%
Risk free interest rate (%)	4.5%
Expected life of options (years)	1,2,3
Weighted average exercise price (\$)	5.75
FOR OPTIONS GRANTED ON 11 DECEMBER 2006	
Dividend yield (%)	5%
Expected volatility (%)	76.8%
Risk free interest rate (%)	4.5%
Expected life of options (years)	1,2,3
Weighted average exercise price (\$)	4.35

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 13 – Operating Profit

Profit from operations is stated after charging:

U.S. Dollars in thousands

	For the year ended December 31,	
	2006	2005
Short term benefits of Directors	1,007	–
Share based benefits of Directors	241	–
	1,248	–

In addition to the emoluments disclosed above the Directors will receive a bonus in respect of services provided in 2006. The amount of the Directors' bonus and allocation has not yet been determined.

Note 14 – Financing Income and Costs

	For the year ended December 31,	
	2006	2005
FINANCE INCOME		
Bank interest received	3,361	295
Exchange differences	277	–
	3,638	295
FINANCE COST		
Interest paid	(40)	(6)
Bank charges	(61)	(46)
Exchange differences	–	(94)
	(101)	(146)
Total Financing Income, net	3,537	149

Note 15 – Taxation

	For the year ended December 31,	
	2006	2005
CURRENT INCOME TAX		
Income tax on profits of subsidiary operations	130	22
Provision for prior periods (*)	215	–
Total tax charge	345	22

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 charged on a cost plus 15% basis retroactively starting 2002.

Notes to the Financial Statements continued

Note 16 – 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,	
	2006	2005
	In cents	In cents
Basic	29	18
Diluted	28	18
	US\$000	US\$000
Profit for the year	60,414	35,669
	Number	Number
DENOMINATOR – BASIC		
Weighted average number of equity shares	210,168,682	200,000,000
DENOMINATOR – DILUTED		
Weighted average number of equity shares	210,168,682	200,000,000
Weighted average number of option shares	7,962,839	510,542
Weighted average number of shares	218,131,521	200,510,542

Note 17 – Founders Cash Contribution to Employees

In June 2006, following the IPO, the founders of the Company have allocated \$6,566,000, of their own personal funds, into a trust fund to the benefit of the Company's employees. Earnings per share before founders cash contribution to employees:

	For the year ended December 31,	
	2006	2005
	In cents	In cents
Basic – adjusted	32	18
Diluted – adjusted	31	18
	US\$000	US\$000
Profit for the year	60,414	35,669
Charges related to founders cash contribution	6,566	–
Profit for the period before founders cash contribution to employees	66,980	35,669
	Number	Number
DENOMINATOR - BASIC		
Weighted average number of equity shares	210,168,682	200,000,000
DENOMINATOR - DILUTED		
Weighted average number of equity shares	210,168,682	200,000,000
Weighted average number of option shares	7,962,839	510,542
Weighted average number of shares	218,131,521	200,510,542

Notes to the Financial Statements continued

Note 18 – Subsidiaries

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

Name	Country of incorporation	Proportion of voting rights and ordinary share capital held	Nature of business
Playtech Software Ltd	British Virgin Islands	100%	Main trading company of the Group, owns the intellectual property rights and licenses the software to customers.
OU Playtech (Estonia)	Estonia	100%	Designs, develops and manufactures online software
Techplay Marketing Ltd	Israel	100%	Marketing and advertising
Video B Holding Ltd	British Virgin Islands	100%	Trading company for the Videobet software, owns the intellectual property rights of Videobet and licenses it to customers.
OU Videobet	Estonia	100%	Develops software for fixed odds betting terminals and casino machines (as opposed to online software)
Playtech Bulgaria	Bulgaria	100%	Designs, develops and manufactures online software
PTVB Management Ltd	Isle of Man	100%	Management
Playtech (Cyprus) Ltd	Cyprus	100%	Dormant
Playtech Live Ltd	British Virgin Islands	100%	Dormant
Networkland Ltd	British Virgin Islands	100%	Dormant
Playtech Bingames Ltd	British Virgin Islands	100%	Dormant



Notes to the Financial Statements continued

Note 19 – Financial Risks

The Company is exposed to interest rate risk, currency risk and credit risks relating to the financial instruments it holds. The fair values of financial assets and liabilities are not materially different from book value. 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.

Where the group has generated a significant amount of cash, it will invest in higher earning interest deposit accounts which earned interest at rates of 5% in the year. These deposit accounts are short term and the group is not unduly exposed to market interest rate fluctuations.

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.

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.

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

Note 20 – Capital Commitments

On 13 November 2006, the Company signed a non-US asset purchase agreement with Tribeca Tables Europe Limited ("Tribeca"), a software designer that provides a poker network solution to a number of the world's most respected online poker operators. According to the agreement, the entire Tribeca network will cease its operations in six months from the date of the agreement, by which time the migration of the online poker operators to Playtech's platform is planned to be complete. The consideration for the acquisition is calculated according to a formula based on the future earnings from the acquired assets. The final consideration will be adjusted upon Playtech's realised revenues. The maximum consideration that the Company will be liable to pay is \$139 million, which will be paid in the event that the annualised revenue generated from this acquisition, over the measurement period, exceeds \$29 million. The Company will pay the consideration in cash in four instalments. The first is payable upon satisfaction of specific conditions. The second, third and fourth payments are to be made on the 9th, 18th and 24th month intervals, after the date of the agreement, respectively. As of the date of this report the conditions have not yet been satisfied and the Company has not accounted for this acquisition in the year ended 31 December 2006.

Notes to the Financial Statements continued

Note 21 – Contingent Liabilities

a. Regulatory

The Company is a software provider to the online and land-based gaming industry does not provide gaming services to end users. From 13 October, 2006, following the approval by the US President of the Unlawful Internet Gambling Enforcement Act 2006 (the "UIEGA"), the Company requested all of its licensees to cease using Playtech software for their US facing activity. Such request was accepted and implemented by all licensees and the Company stopped collecting royalties deriving from the licensees' US facing activity. The directors believe that the Company has taken all measures necessary to be in full compliance with UIEGA. The directors are aware of activity by certain regulatory authorities in the US, creating uncertainty as to further actions that may occur, if any. Accordingly, the directors have considered any residual risk arising from the Company's activities and no provision has been made in the financial statements in respect of the possibility of any adverse impact that may arise from such activities.

b. Litigation

On 5 October 2006, Cranway Limited ("Cranway"), a company incorporated in the Isle of Man, has issued proceedings in the English High Court against the Company and a licensee of its software claiming patent infringement. On 23 January 2007, the parties met at a hearing, where the court ruled to strike out Cranway's claims against Playtech and the licensee and it was refused leave to appeal. Pursuant to the High Court rules, Cranway had until 14 February 2007 to file an application for permission to appeal and until 21 February 2007 to serve notice on the Company of such application. To date the Company has not been served with any notice of such application.

c. 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.



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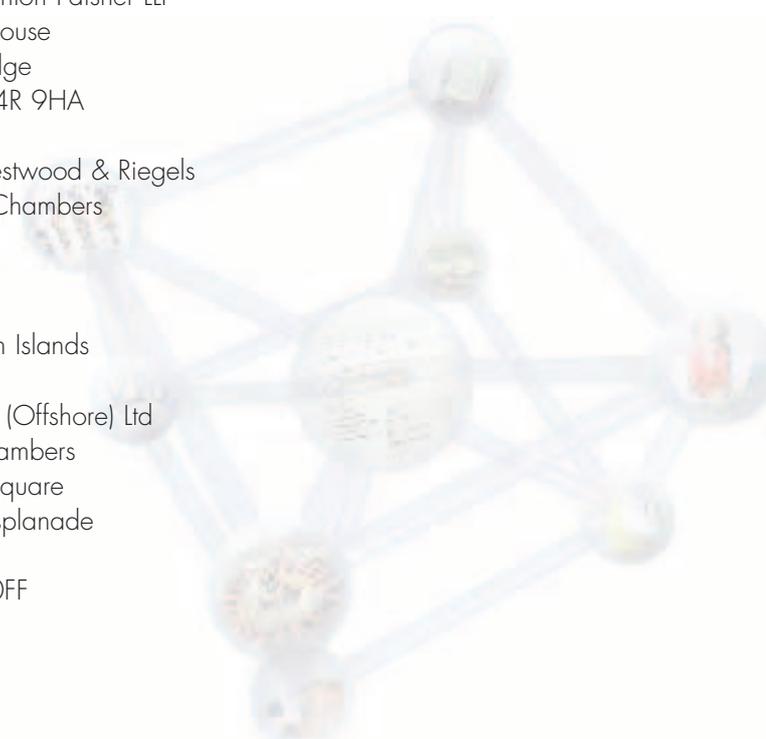
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