SOURCE OF SUCCESS

Playtech plc Annual Report and Accounts for the year ended 31 December 2016

Welcome

Technology driving the customer journey

Playtech is a market leader in the gambling and financial trading industries. Founded in 1999 and listed on the Main Market of the London Stock Exchange, Playtech has more than 5,000 employees in 17 countries.

Acquisitive capability

mobenga a Playtech company
VIRTUE FUSION a Playtech company
Geneity a Playtech company
ASHGAMING® a Playtech company
IntelligentGaming a Playtech company
PokerStrategy.com Learn to win a Playtech company
playmee
PT Turnkey Services a Playtech company
MARKETS.COM
BGT
CFH GROUP ONLINE TRADING. EVOLVED.
QUICKSPIN
eyecon

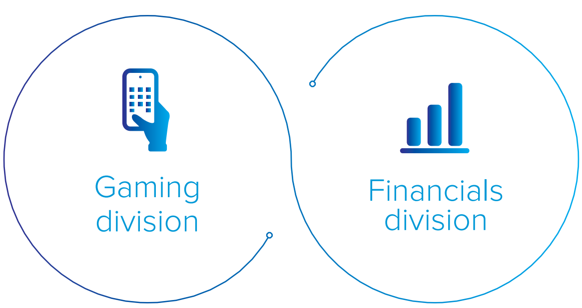
At a glance

Playtech today

I am very excited about the future of our industries and the growth of Playtech. Our continued commercial success should not only be about growing our business, but also about the way we do business.

Mor Weizer
Chief Executive Officer

Our Group structure



Playtech's Gaming division is driven by our omni-channel philosophy, consisting of our platform and business intelligence solutions, product offering and services.

See more on pages 08 to 23

Our Financials division is a rapidly growing vertical in a dynamic and expanding sector of the market.

See more on pages 24 to 27

Our values

Integrity
We strive to be responsible, honest and open in our dealings with each other and with all our stakeholders – licensees, regulators, business partners and suppliers.

Innovation
We endeavour to always be at the forefront of our industry; to lead, develop and deliver new products and services that meet all risk and regulatory compliance measures.

Excellence
We aim for excellence in everything we do; in the delivery of our products and services, in our interaction with the outside world and in working with each other.

Performance
We deliver outstanding performance in the context of the legitimate and realistic expectations of our customers and shareholders.

Key

Main offices

Other offices

No. of employees

Contents

In this report

06

56

98

Find more information on our website:
www.playtech.com

Leading the industry

What sets us apart

As market-leading pioneers with a holistic approach to both internal and external business strategy, Playtech presents a strong case for investment.

1 A unique offering

Omni-channel offers users a unique and seamless journey through technology and compliance tools.

See more on page 12

2 At the forefront of innovation

Our investment into R&D is enhancing the digitalisation of gaming and extending our lead against the competition.

See more on page 31

3 Committed to regulation

We work closely with regulators to ensure they understand the impact of technical changes and specific local requirements.

See more on page 46

4 Successful leadership

A strong, experienced and successful leadership team, together with a management structured to implement strategy and deliver results.

See more on page 56

5 A track record of growth

We have a strong track record of growth across our business through a combination of organic growth and the acquisition of complementary businesses, technology and content.

See more on page 36

6 High shareholder returns

We are committed to returning value to shareholders, as evidenced by the strong compound growth in our regular dividends and the special dividend paid.

See more on page 39

Year in review

Renewals with William Hill, Betfred, Rank and Paddy Power Betfair

One of the strengths of Playtech is our commitment to our customers, 2016 saw the signing of significant new customers with ten new customer go-lives. The trend of securing longer term agreements with key customers continued with nine of our top ten customers on long-term contracts following the renewals with William Hill, Betfred and Rank all renewing in the first two months of 2017 alone.

Strengthening Playtech's position as the leading content provider

May

Playtech acquired Quickspin, a fast-growing Swedish games studio that develops and supplies high-quality video slots to operators, both in online real money gambling as well as in the social gaming market.

See more on page 17

bet365 first to launch Playtech native app

September

bet365 became the first operator to go live with Playtech's new native mobile casino application, offering instant gameplay and improved speed and performance across all iOS and Android devices. bet365 players can download and play games in seconds, with loading speeds up to three times faster than HTML5 equivalents, giving them instant access to the most immersive mobile gameplay experience there is.

Playtech claims top prize at the Global Gaming Awards 2016

September

Playtech was awarded the 'Best Digital Industry Supplier' at the Global Gaming Awards for our unrivalled gaming portfolio, breadth of new business and pioneering Playtech ONE omni-channel solution which has ensured record-breaking results.

Enhancing omni-channel to drive digitalisation of retail

July

Playtech acquired Best Gaming Technology (BGT) for €138m*. BGT's offering combines best-in-class technology with a digital terminal that revolutionises the traditional over-the-counter experience. This creates an incredibly powerful omni-channel solution when coupled with our Playtech ONE infrastructure.

€138m*

Acquired BGT for €138m*

* For 90% of issued share capital.

See more on page 20

Playtech partners with Warner Bros. Consumer Products and DC Entertainment

October

Playtech partners with Warner Bros. Consumer Products on behalf of DC Entertainment, to launch the first two of six slot games based on DC's 1960's Batman Classic TV Series.

Expanding Playtech's Financials division

November

Playtech acquired a 70% interest in Consolidated Financial Holdings A/S (CFH), a technology company with products including a leading Straight Through Processing (STP) brokerage which provides retail brokers with multiasset execution, prime brokerage services, liquidity and complementary risk management tools. The acquisition enhances Playtech's position as it continues to build a B2B offering within its Financials division.

See more on page 26

Playtech Sports launches first virtual retail product with Coral

July

Playtech goes live with our first 'out of the box' retail virtual sports product across 100 UK Coral shops with the potential to deploy it across 1,000 outlets in the next 12 months.

We've been working round the clock on a retail solution and firmly believe we've launched the best product on the market.

Elliott Norris
Head of Virtual at Playtech Sports

Playtech places itself at the forefront of the retail bingo market with acquisition of ECM

October

Playtech acquired bingo software and hardware solutions provider ECM Systems (ECM). ECM supplies software and support services to the UK retail bingo market, including major operators Gala Leisure, Mecca Bingo and the leading independent bingo operators. ECM will empower Playtech to provide omni-channel solutions to the bingo operators by connecting their retail and online operations as well as providing a platform to supply Playtech content.

Important new licensees signed

- PokerStars
- Fortuna
- Sun Bets

See more of our news at www.playtech.com/news

Chairman's statement

Commitment to growth and leadership

Playtech has continued to successfully execute its strategy for strong operational and financial performance, strategic M&A and shareholder returns.

Alan Jackson
Chairman

I am pleased to report that during 2016 Playtech continued to successfully execute its strategy with a strong operational and financial performance, delivering important M&A and significant capital returned to shareholders.

The Gaming division continued to deliver, with exceptional growth in the flagship Casino offering driven by the largest portfolio of games boasting some of the most popular content across the industry. Sports saw a good second half performance following the acquisition of BGT, and later in the year with the newly formed Playtech BGT Sports bringing together all aspects of Playtech's sports offering creating the only true omni-channel, best-in-class sports betting technology. Playtech will always remain a customer focused business and 2016 saw the signing of more than ten new customers with ten new customer go-lives. The trend of securing longer term agreements with key customers continued with nine out of ten now on long-term contracts following the renewals with Paddy Power Betfair, William Hill, Betfred and Rank all renewing in the first two months of 2017 alone.

The Financials division went through a significant transition in the first half of the year with an encouraging performance delivered in the second half.

Towards the end of the year the Group acquired CFH, enhancing Playtech's position as it continues to build a B2B offering within its Financials division.

Playtech spent a total of €240 million on acquisitions during the full year. At the beginning of 2016 Playtech outlined its intention to utilise the capital raised from shareholders to maintain its market leading position by acquiring complementary technologies and premium content. The acquisitions of BGT, Quickspin and ECM will augment organic growth in the Gaming division in 2017, whilst the acquisition of CFH was a landmark transaction for the Financials division. The acquisition of Eyecon in February 2017 demonstrates Playtech's continued focus on value enhancing M&A.

The strength of Playtech's cash flows and the flexibility of its balance sheet enabled the Company to return €296 million to shareholders in 2016 including a €150 million special dividend announced at the time of the half-year results and a €50 million share buyback programme before the year end. Strong cash generation continues to be a key characteristic of the Group and the high levels of shareholder returns had no impact on the Group's acquisition capabilities. In accordance with the new progressive dividend policy adopted in 2016, the 2016 full-year dividend has been increased by 15% taking the total full-year increase to 15%.

Finally, the Board was delighted to announce the appointment of Andrew Smith as Chief Financial Officer following the period end. Andrew replaced Ron Hoffman who became full time CEO of the Financials division. The move has provided a greater depth of management resource and focus on Playtech's Financials division following the acquisitions of Markets Limited and CFH. In addition, the Board was further strengthened in 2016 by the appointment of Claire Milne as a Non-executive Independent Director in July. Claire joined the Board as a recognised industry expert in eGaming and technology law and regulation, with 20 years' experience advising gaming and financial services clients as both an in-house and private practice lawyer. Claire was the Chair of the Isle of Man Gambling Commission, and Playtech is already seeing the benefits of her depth of expertise.

Given the progress outlined above and Playtech's proven ability to achieve its strategic objectives and drive operational performance, the Board remains confident of a strong performance in 2017 and beyond.

A M Jackson

Alan Jackson
Chairman

22 February 2017

Highlights of the year

Continuing success

€708.6m +12%
Revenue (€m)

708.6	2016	
630.1	2015	

€302.2m +20%
Adjusted EBITDA* (€m)

302.2	2016
251.9	2015

€206.2m +0%
Adjusted net profit** (€m)

206.2	2016
205.9	2015

€193.0m +42%
Reported net profit*** (€m)

193.0	2016
135.8	2015

59.8 €cents -3%
Adjusted diluted EPS**** (€cents)

59.8	2016
61.8	2015

32.7 €cents +15%
Total dividend per share***** (€cents)

32.7	2016
28.5	2015

Financial review, see page 38

Group financial highlights

- Total revenues up 12% vs 2015 on a reported basis:
  - 20% revenue growth at constant currency
  - 13% revenue growth excluding acquisitions and at constant currency
  - 48% of Group revenues are regulated (2015: 47%)
- Adjusted EBITDA up 20% on a reported basis and 32% at constant currency
- Adjusted Group EBITDA margin of 42.7% (2015: 40.0%)
- Adjusted Net Profit and Adjusted diluted EPS at constant currency up 42% and 37% respectively
- Improved cash conversion of 94% (2015: 80%) with DSOs***** down 23 days from H1 2016
- Gross cash at period end of €545 million (€469 million adjusted for CFH customer deposits) taking into account:
  - €240 million spent on acquisitions including BGT, CFH, Quickspin and ECM in 2016
  - returning €296 million to shareholders in 2016 including €150m special dividend and €50m via a share buyback
- Full-year dividend per share up 15% in accordance with progressive dividend policy adopted in 2016

* Adjusted numbers relate to certain non-cash and one-off items including amortisation of intangibles on acquisitions, professional costs on acquisitions, finance costs on acquisitions and additional various non-cash charges. The Directors believe that the adjusted profit measures represent more closely the consistent trading performance of the business. A full reconciliation between the actual and adjusted results is provided in Note 5.

** Attributable to the owners.

*** Constant currency numbers exclude the exchange rate impact on the results by using previous period relevant exchange rate and also exclude the total cost/income of exchange rate differences recognised in the period.

**** Weighted average number of shares used in diluted EPS for the 12 months ended 31 December 2015 were adjusted reflect the impact of the convertible bonds.

***** Days sales outstanding.

Our Gaming division

- Strong revenue performance with 21% growth at constant currency led by flagship casino offering
- Strong performance in Sports in H2 2016 following acquisition of BGT
- Regulated Gaming revenues of 42% (2015: 41%)
- Software revenues from mobile of 33% in 2016 (2015: 21%), with 54% of UK revenues from mobile
- 'Locking-in' future growth:
  - Over ten new customers signed in 2016 including Pokerstars, MaxBet and Mr Green with OPAP after the period end
  - Significant contracts renewed, including with Paddy Power Betfair, William Hill, Rank and Betfred in 2017
  - Nine of top ten licensees now on long-term contracts
- Launched Playtech BGT Sports presenting significant opportunity across Europe and South America
- Acquisitions integrated and performing in line with expectations
- Pipeline of new licensees and new structured agreements remains strong

Our Financials division

- Revenue of €65.6 million (2015: €60 million) in 2016 with Adjusted EBITDA of €15.4 million (2015: €15.9 million)
- 2016 results reflect full impact of the business transition
- Encouraging performance and improved KPIs in H2 2016
- B2B offering strengthened by acquisition of CFH in November 2016
- Ron Hoffman has become full time CEO of the Financials division

STRATEGIC REPORT

Contents

Overview of our Gaming division

Our business model

Our business model and strategy help create a sustainable and responsible cycle of value creation for our shareholders.

Our assets

Our services

Our market leading services offer all-encompassing solutions across all platforms for our clients.

See more on pages 22 to 23

Our software

We continually invest in innovative software, encouraging access to best-in-class products for all of our customers.

See more on pages 14 to 15

Our people

Our people make Playtech the success it is and will be in the future. Inclusion and freedom of ideas and identity are central to what we do.

See more on pages 50 to 55

Our financial strength

Playtech has a proven track record of driving shareholder returns through efficient use of capital – augmenting growth through investment in technology and strategic M&A.

See more on pages 38 to 45

What we do and how we do it

Playtech's six strategic pillars enable us to maximise opportunities and create added value for our shareholders.

We pioneer new ideas and technologies

We offer seamless experiences

We develop valuable partnerships

We help our partners differentiate themselves

Support organic growth

Cross-sell products and services

Attract new licensees

Our strategy

Support organic growth

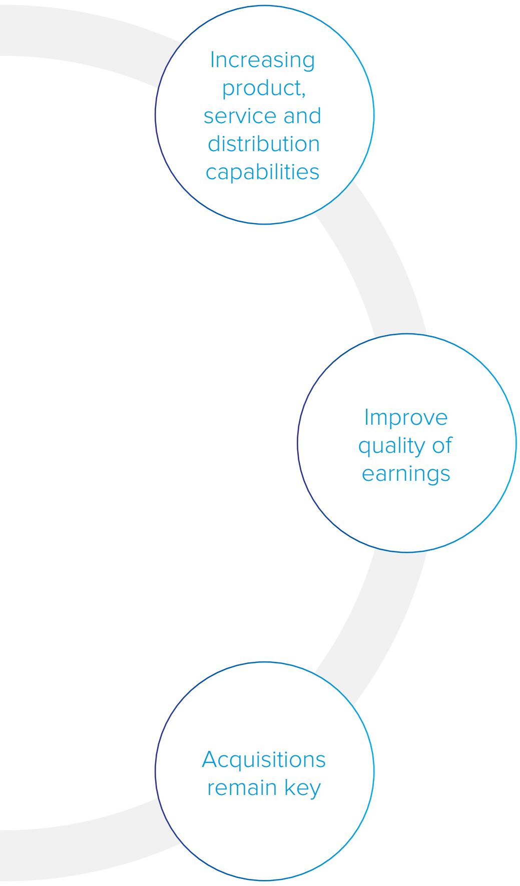
The depth and breadth of Playtech's offering means that we are able to partner with our licensees to deliver some of the most successful and innovative online businesses in the world. In 2016, Playtech achieved organic revenue growth of 13%, ahead of the growth of the underlying global market.

Cross-sell products and services

Playtech's industry leading IMS and BI management systems allow licensees to enhance their customer journey, service and ultimately, their cross-sell ability e.g. Ladbrokes Coral Group and Paddy Power Betfair. In partnering with our licensees, we can support them in entering new product verticals and new geographical markets.

Attract new licensees

The value of Playtech's market leading offering is reflected in the continued momentum of attracting new licensees every year. Playtech has an impressive track record of adding five to ten new licensees every year – attracted by our unique omni-channel offering and the quality of software and technology.



Risk management

Our risk management framework provides a structured and consistent process for identifying, assessing and responding to risks, throughout the business.

See more on pages 46 to 48

Regulation and responsible business

Responsible business practices are critical to protecting our licences to operate, and to delivering long-term commercial success.

See more on pages 50 to 55

Governance

High standards of corporate governance contribute to Playtech's continued success.

See more on pages 56 to 91

Increasing product, service and distribution capabilities

Playtech's philosophy is to offer all product verticals across all distribution channels. Playtech invests to expand its offering to support its licensees with new technologies, avenues to market and products e.g. Playtech Live, virtual racing and casual gaming.

Improve quality of earnings

A strategic focus for Playtech remains to continue to grow its regulated revenue. This has been increasing steadily in the last few years and in 2016 the proportion of regulated revenues at Group level stood at 42%. In 2016 Playtech launched Sun Bingo and created the new Playtech BGT Sports division which should result in growth of regulated revenue in 2017.

Acquisitions remain key

Playtech has an outstanding acquisition track record, investing in new technology, exciting content, and new products. Companies have mostly been acquired on an earn-out basis, enabling Playtech to leverage its existing business and licensee base to create strong synergies. Playtech is focused on making further, similar bolt-on and larger acquisitions.

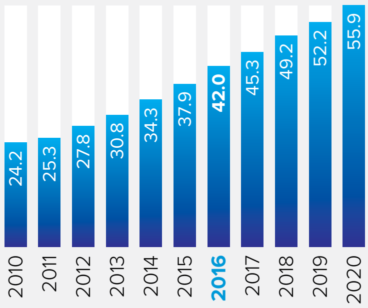
Given the Group's ability to generate cash and the strength of its balance sheet, the Board will continue to target acquisitions which enhance the Group's technology, content and services whilst also growing regulated revenue.

Overview of our Gaming division continued

Responding to our market

The market trends

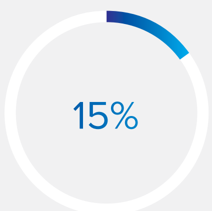
Total online gambling market (€bn)



Global online gambling market 2016 by region

- Europe: 47%
- Asia/Middle East: 28%
- North America: 12%
- Oceania: 6%
- Latin America/Caribbean: 5%
- Africa: 2%

Forecast compound annual growth rate of mobile interactive gambling between 2016 and 2020



Source: H2 Gambling Capital.

The online gambling market

The online gambling market offers a constantly growing and dynamic market place. H2 Gambling Capital estimated that in 2016 Gross Gambling Revenues (GGR defined as amounts staked less prizes) for casino, poker, bingo, sports betting, skill based gaming and lotteries, grew by approximately 11% to €42bn from €38bn in 2015. H2 Gambling Capital predicts this is in addition to a compound annual growth rate of 10% from 2016 to 2020.

Geographical development

The UK remains the most mature and largest online market by player location, data from H2 Gambling Capital shows that in 2016 the UK accounted for 14% of the overall interactive market. China and Japan are the next largest markets with 10% and 11% respectively. Europe remains the leading and largest segment, comprising 47% of the overall market. Europe alone is forecast to grow at a compound annual growth rate of 13% from 2015 to 2018.

Drivers of market growth

In line with the growth of e-commerce across all consumer and leisure related sectors globally, the online gaming market continues to benefit from the transition of land-based revenue to online revenue. Improved broadband penetration and capacity, faster mobile data transfer rates, improved smartphone penetration, a growing number of market participants, along with increased marketing expenditure by operators through a wide range of marketing channels are all driving factors for growth in the industry. In addition, the growing trend of greater acceptance of online gambling as a mainstream leisure pastime is contributing to increasing regulatory regimes appearing globally.

Regulation

Regulation remains a key opportunity for growth in geographical markets. Moving from a predominantly .com regime to a regulated regime presents numerous challenges to operators and suppliers but also creates opportunities, potentially opening up new product verticals and increased marketing activity for operators. A combination of factors determine whether the opportunity will be attractive in the long term; including tax rate, product availability and technical requirements. Playtech is uniquely placed given its strength, geographic diversity and technical acumen to manage these challenges and continue to be the leading supplier in regulated markets.

Europe continues to lead the regulatory movement, with the Czech Republic, Poland and Portugal recently regulated. Holland, Switzerland and Sweden are expected to regulate in the near future. In Latin America, Brazil is a big opportunity, whilst Peru and Uruguay are reviewing historic positions. Finally, Asia and the Indian sub-continent remain interesting and lucrative markets.

How we respond

Mobile

The number of mobile devices in use continues to grow every day. In the gambling sector increasing numbers of players are choosing mobile sports betting and gaming for the convenience it brings. Playtech is at the forefront of mobile development with 33% of revenues generated from mobile devices in 2016. This represents an increase from 22% in 2015 and 16% in 2014. It is forecast that mobile interactive gambling will enjoy a compound annual growth rate of 15% between 2015 and 2020.

Convergence of online and land-based

In line with other consumer and leisure lead sectors a significant industry trend in gambling is the growing convergence of land-based and online market segments. This is principally a result of many of the new entrants in regulated online markets being existing land-based gaming, betting and lottery operators. These operators already have a substantial local presence, well-recognised brands, existing player databases and are familiar with the local regulatory environment. Historically separate in their philosophy and systems, there has been a fundamental shift in both segments towards common techniques for player attraction and retention, such as VIP levels and loyalty schemes. Operators are becoming more aware of the importance of player retention and of incentivising the player on an individual basis regardless of channel. The retention of players and the ability to cross-sell them on to other products provides an opportunity for operators, but also presents substantial technical challenges for them. Playtech has focused much of its recent development efforts on ensuring that it is able to deliver functionality, player management and content across the full range of distribution channels, and to capitalise on this trend of convergence.

Leading the competition

Maintaining and extending our leadership

The single most realistic alternative to partnering with Playtech is for operators to utilise their own proprietary platform together with proprietary and third-party software. Playtech believes this is an increasingly unsustainable and costly business model. Whilst currently accounting for around 30% of the total online gambling market and the trend has been for this to decrease. Playtech enjoys significant scale advantages by being able to leverage operating and development costs of more than 140 licensees, including the top ten European and UK online gambling operators. Playtech's strategy is to offer all product verticals across all distribution channels on an integrated platform that offers a single wallet and sign-on. Playtech is also the only supplier that can offer sophisticated marketing and operational services to drive player acquisition and retention via a modular range of flexible approaches from a full turnkey solution to equity joint ventures or structured agreements. This enables operators to offer their players a true omni-channel approach across land-based/digital/mobile channels, providing the ultimate player experience.

Barriers to entry

Scale

The rapid growth and increased scale of Playtech has enabled the development of a superior platform, more relevant software and more products than other suppliers. New B2B operators or licensees are not able to undertake significant product development as they lack economies of scale. This is even more apparent in new channels coming to market such as mobile, or new products such as virtual racing. Games such as bingo or poker rely on liquidity to satisfy player demand. Networked casino games can also provide significant jackpot opportunities.

Technology

The Playtech operating system is agnostic, allowing upgrades and new features to be rolled out to every operator from a single platform. This enables all operators the benefit of a more advanced offering. Playtech's R&D costs vary from year to year, but are typically around 17% of overall software revenue. This development cost is shared across the licensee base, and the revenue share model offered by Playtech is cost effective when compared to self-development, and allows licensees to remain at the cutting edge of the market. Operators also benefit from product development through two-way feedback with Playtech.

Experience

As Playtech's scale has increased over the 18 years since its incorporation, its knowledge, expertise and offering in all markets have enabled operators to grow their businesses and to diversify into new markets more quickly.

Liquidity

Playtech offers greater liquidity in the bingo and poker markets, and can provide highly progressive jackpots for casino players.

Services

Other barriers to entry are Playtech's expertise in the services environment (marketing, hosting and affiliates) and increasingly longer-term supply contracts and established relationships with licensees.

Overview of our Gaming division continued

Our omni-channel philosophy

Consumers today live and play in a world without restrictions and so do we. A user's experience should be the same no matter what the content, where it is accessed from, when it is played, or on whatever device they play on. The industry term for this is omni-channel. Only Playtech can deliver this – play any game, on any platform and on any device using a single account and a single wallet, anywhere and at any time. This is what we call Playtech ONE.

Playtech ONE

Playtech ONE allows an operator and its customers, a seamless, anytime, anywhere experience across any product, any channel and any device using a single account and single wallet.

Our pioneering innovation has enabled licensees to bridge the retail-online-mobile gap, giving their customers what they want, when they want it, in any location or time and on whatever hardware they choose to use.

Operator results speak for themselves. We offer and enable them with all the tools and technology; they present their players with the ultimate gaming experience; and they generate improved results.

How omni-channel works

Play any game → On any platform → On any device

Using a single wallet anywhere and at any time.Only **Playtech ONE** can deliver this.

5 pillars of omni-channel

1 Wallet

ONE wallet, ONE view, ONE platform

Seamless wallet and balance management, payments, fraud, responsible gaming and compliance tools.

2 Personalisation

Tailored player experience

Bespoke player experience, enabled by segmentation and supported by real-time communication tools.

3 Content

All content, all channels, all devices

Play any product, across all channels, locations and devices.

4 CRM

Data driven in real-time

Automated data-driven, real-time, BI marketing tools and bonus engine.

5 User experience

One way for seamless play

Seamless, responsive and adaptive gameplay across all channels and devices.

Playtech ONE

Platform & intelligence

- Playtech Open Platform (POP)
- Playtech Web Platform
- Information Management System (IMS)
- Business Intelligence Technology (BIT)

See page 14

Products

- Casino
- Playtech live casino
- Sports
- Virtual sports
- Bingo
- Playtech poker
- Retail

See page 16

Services

- Marketing
- Payment advisory
- Financial services
- Hosting services
- Fraud prevention

See page 22

Platform and intelligence

The data-driven journey

Playtech Open Platform (POP)

Extensive games library

Best-performing games

Exclusive content

Playtech's omni-channel Open Platform allows licensees access to more than 600 of the industry's most popular online and mobile in-house and third-party games at any time, across any channel and on any device.

The POP content library includes a comprehensive selection of classic slot games, multi-line video and premium branded slots from our own cutting-edge in-house studios, more than 100 mobile titles and content from 20 of the industry's largest suppliers. All new POP titles are launched simultaneously across mobile and desktop.

Key components include aggregation through one integration; bonusing across all content including third parties; on-going support; real-time content and competitor performance league tables; games development kit; multiple game integration frameworks; seamless third-party wallet integration; single player account across all products; and data integration and warehousing and support for all gaming standards.

Playtech Portal

Full front-end customisation

Huge range of designs, tools and features

Integrate user interface with any Playtech product

Playtech Portal is an open framework designed to integrate content and deliver an unparalleled experience for operators and their players.

It allows operators complete control and flexibility and all the tools they need to configure their customer-facing front-end solutions across any channel and device, is fully optimised across all platforms allowing a seamless offering and experience and is fully integrated into Playtech's industry-leading IMS player management system. Portal supports a multitude of languages and markets and comes complete with full CRM and personalisation, reporting and analytics and player communication tools.

Information Management System (IMS)

Most powerful gaming intelligence platform

Seamless games and platforms transition via single account

Full player lifecycle visibility and control

Playtech's award-winning Information Management System (IMS) is the backbone of our omni-channel product and services portfolio, powering Playtech ONE, and offering licensees all the tools they need to manage their operations in the most efficient and profitable way.

IMS enables our licensees to access all the elements of our unique omni-channel capabilities allowing players to seamlessly transition across games and platforms via a single account and single wallet, while providing operators with simple third-party integration and full visibility and control of the entire player lifecycle.

IMS unifies all Playtech products across all channels, including retail, presenting operators with a single account overview and allowing them to streamline and optimise marketing spend, maximise cross-sell and conversion potential, leverage player loyalty and value and increase revenues by automating key aspects of the player journey.

There is simply no industry equivalent to IMS – gaming's most powerful omni-channel enabler.

Business Intelligence Technology (BIT)

Data-driven marketing tools

Fully automated BI software

Increases lifetime value and revenues

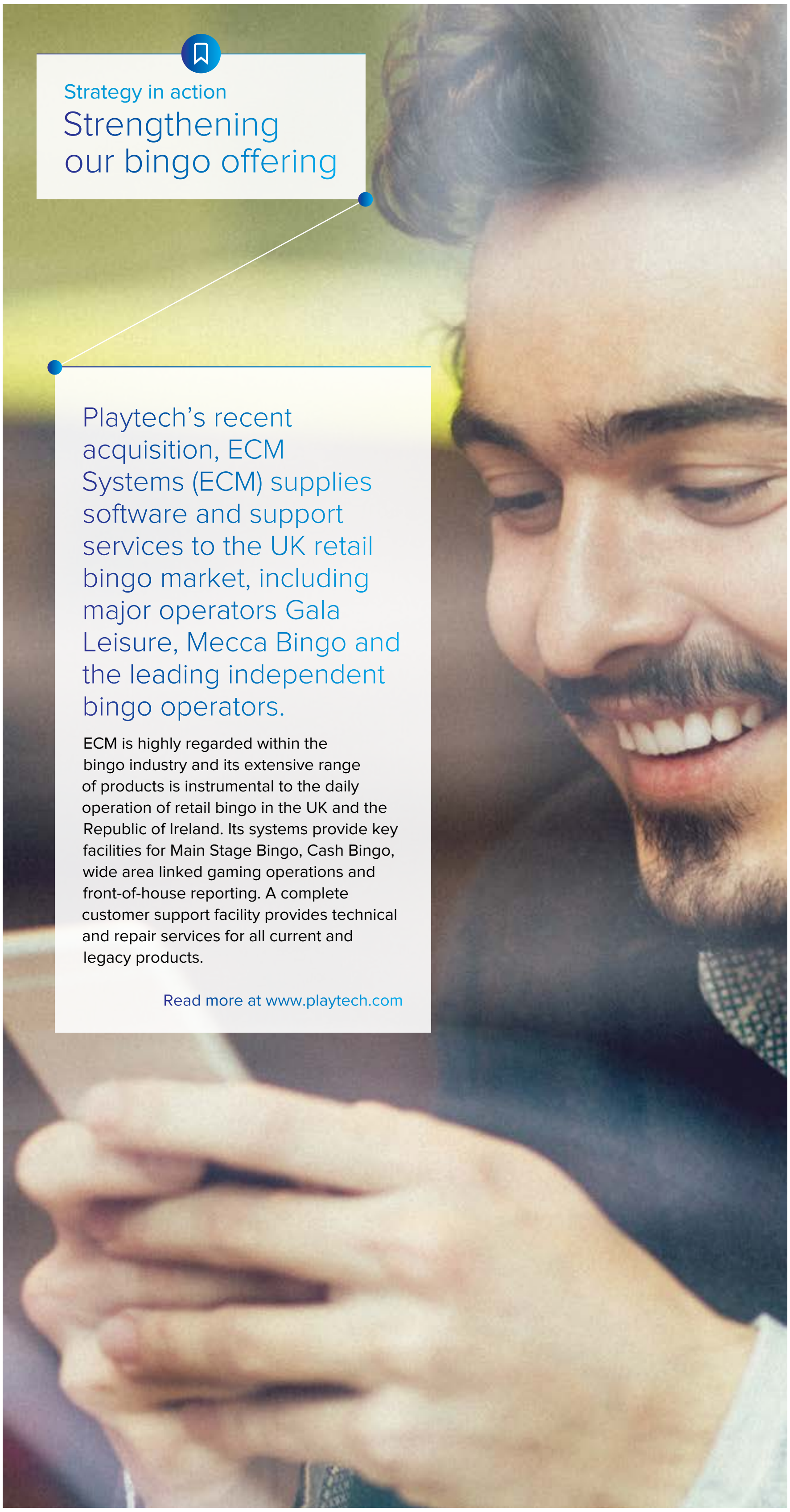
BIT provides new and existing licensees with superior innovation for their next stage of growth. Our unique data-driven, business intelligence marketing technology,exclusive to Playtech, significantly enhances licensee revenues by increasing player experience and lifetime value. BIT revolves around a series of game-changing features including:

The BI platform
- Complete operational overview
  Enables day-to-day and high-level decisions by comparing key metrics against competitors.

Data-driven marketing tools
- The power of personalisation
  Automates and personalises every major aspect of the player journey.

Playtech Analytics
- Real-time decision making
  Real-time tracking and reporting to maximise player value and brand profitability.

Playtech optimiser
- Omni-channel personalisation
  Real-time, easy-to-use personalisation and optimisation engine, powering all of our offering across all channels.



Strategy in action

Strengthening our bingo offering

Playtech's recent acquisition, ECM Systems (ECM) supplies software and support services to the UK retail bingo market, including major operators Gala Leisure, Mecca Bingo and the leading independent bingo operators.

ECM is highly regarded within the bingo industry and its extensive range of products is instrumental to the daily operation of retail bingo in the UK and the Republic of Ireland. Its systems provide key facilities for Main Stage Bingo, Cash Bingo, wide area linked gaming operations and front-of-house reporting. A complete customer support facility provides technical and repair services for all current and legacy products.

Read more at www.playtech.com

Products

The complete product suite

Casino

Complete omni-channel experience

Largest portfolio of best-performing content

Simultaneous mobile-desktop launches

Playtech offers the industry's most extensive portfolio of omni-channel casino content, delivering 600+ of the most innovative titles across all channels, platforms and devices.

As part of our Playtech ONE omni-channel offering, our casino product allows players to access content anywhere, at any time and on any device through a single wallet experience.

Driven by our powerful IMS platform and BIT, Playtech casino delivers industry leading in-house and premium branded games including a large selection of DC Entertainment titles such as Batman Classic TV Series, as well as Top Gun and The Flintstones to name just a few, while our Open Platform offers hundreds more titles which flawlessly integrate with our licensees' websites.

Our commitment to providing new and existing licensees with access to our leading content, powerful platform, and fully automated marketing tools ensures operators deliver the ultimate casino experience to their players.

Our unrivalled offering underlines our position as the industry's leading casino content, software and services provider.

Playtech Live

Complete omni-channel experience

Award-winning back-end platform

Powered by innovation

Playtech's live casino platform and products are designed to provide the most authentic, omni-channel gaming experience supported by a new user interface and experience and cutting-edge platform that uses the latest business intelligence data-driven technology.

Our extensive live product offering, manned by native-speaking dealers, includes all the casino classics such as Blackjack, Baccarat and Roulette in addition to innovative new variants including Unlimited Blackjack, Prestige Roulette and Baccarat and Casino Hold'em.

We use state-of-the-art cameras broadcasting in premium HD quality, offer the fastest streaming and highest up-time in the market, bespoke branding and individual training, establishing the trust and loyalty associated with a real casino experience.

We have dedicated tables with native-speaking dealers for the UK, Italy, Spain and Romania, and others due to an increasing demand in newly regulating markets. Our core focus revolves around unbeatable licensee service, ensuring we outperform our competitors with our world-class omni-channel technology, features, user experience and dedicated support services.

Playtech BGT Sports

Complete omni-channel experience

Unique player segmentation and personalisation tools

Brandable mobile solution, platform, user interface and features

Playtech BGT Sports delivers next generation sports betting solutions, delivering a true omni-channel offering, with content available across any device, any channel and any location.

Working with more than 80 licensees in 24 territories resulting in more than 30,000 live products, we are the powerhouse for sports betting solutions across retail and Self Service Sports Betting Terminals (SSBTs), online and mobile. Our vision is to create a fully integrated, best-in-class sports betting technology offering by drawing on Playtech's technology and infrastructure. Our sports betting platform is robust, secure and highly scalable, integrated with Playtech's award-winning IMS and BIT, offering player segmentation and personalisation, configurable to both large-scale and smaller managed operations.

Our powerful omni-channel mobile platform is also exclusively able to support any channel, any product, on any device, at any time, using one wallet and one account, enabling licensees to track, customise and significantly enhance players' experience, setting us apart as the only true omni-channel offering.

Virtual sports

Complete omni-channel experience

State-of-the-art graphics and motion capture technologies

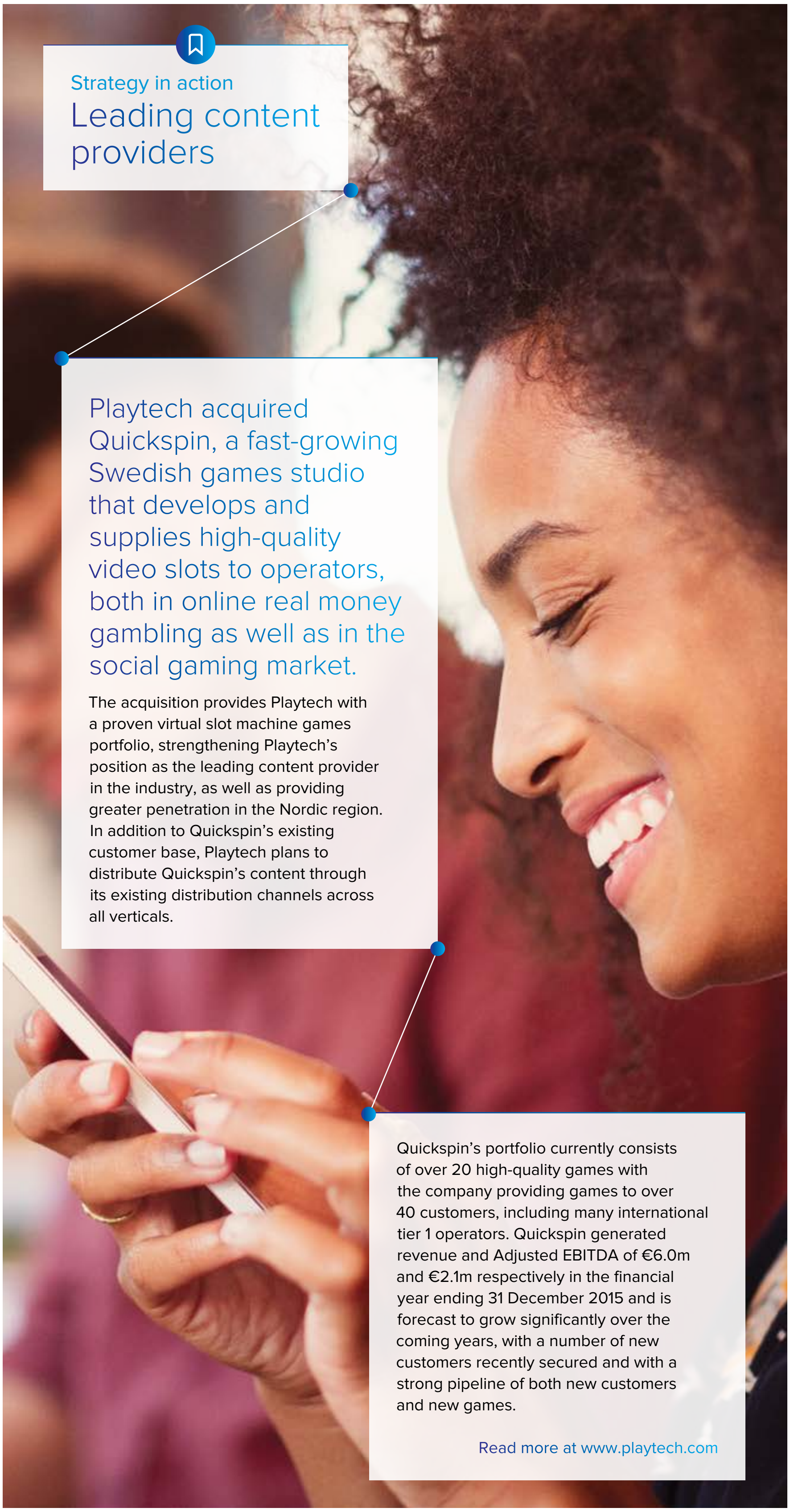
In-game branding, promotions and bespoke events

Our diverse and growing virtual sports offering combines the very latest 3D game graphics and motion capture technology with a highly sophisticated virtual racing simulator across a wealth of sports, including horse racing, tennis, basketball and football.

Our virtual products enable players to bet within the familiar sportsbook environment, with our graphics engine and servers allowing for integrated odds, data feeds and bespoke in-game branding, promotions and tailored races, matches, games and promotional events.

With more than ten years' experience in developing and providing virtual racing simulators, our virtual racing server creates familiarity for the player, ensuring experienced racing fans can follow the form of the runners, enhancing the overall gameplay.

We work closely with well-known racing venues, professional sports players and commentators to design ultra-realistic, high-quality environments, combining leading-edge graphics with CGI techniques, providing an experience comparable only to the real thing.



Strategy in action

Leading content providers

Playtech acquired Quickspin, a fast-growing Swedish games studio that develops and supplies high-quality video slots to operators, both in online real money gambling as well as in the social gaming market.

The acquisition provides Playtech with a proven virtual slot machine games portfolio, strengthening Playtech's position as the leading content provider in the industry, as well as providing greater penetration in the Nordic region. In addition to Quickspin's existing customer base, Playtech plans to distribute Quickspin's content through its existing distribution channels across all verticals.

Quickspin's portfolio currently consists of over 20 high-quality games with the company providing games to over 40 customers, including many international tier 1 operators. Quickspin generated revenue and Adjusted EBITDA of €6.0m and €2.1m respectively in the financial year ending 31 December 2015 and is forecast to grow significantly over the years, with a number of new customers recently secured and with a strong pipeline of both new customers and new games.

Read more at www.playtech.com

Products continued

Bingo

Complete omni-channel experience

Most extensive side-games portfolio

Bespoke bingo client and room variants

Playtech delivers the industry's most complete, omni-channel bingo portfolio, allowing players to enjoy the same seamless experience between all platforms, on any channel and on any device, through one wallet and one account.

Our acquisition of ECM Systems has strengthened our ability to further increase our position as the leading omni-channel bingo provider for both major and independent retail and online operators and includes the capability to deploy content across Electronic Bingo Terminals (EBTs).

We have the largest selection of omni-channel bingo games, variants and side games, with the bingo client and room variants all tailor-made to an operator's brand requirements, giving a truly bespoke look and feel.

Our award-winning IMS platform supports each operation, with data analysis and player segmentation tools enabling the targeting of promotions for the most effective acquisition and retention campaigns.

Our unique offering comes complete with the best performing omni-channel slot games with retail favourites mirrored both online and on mobile.

Poker

Complete omni-channel experience

Innovative game features

Reliable back-end management tools

Playtech's omni-channel poker offering remains unrivalled, and is available on the industry-leading iPoker network, the world's largest .com, regulated poker network.

Our user-friendly service features multiple game types with an extensive selection of table stakes and buy-ins allowing licensees to launch their own fully branded, fully customisable poker rooms, hosting multiple languages and currencies.

Through our award-winning IMS platform, the client remains supported by premium back-end management tools coupled with a powerful marketing system and services, allowing for targeted promotions, bonuses, next generation collusion prevention and detection tools and dedicated 24/7 online support.

Playtech's iPoker network leads the way in network liquidity and a vast array of tournaments, making it the first choice for operators and players alike.

Retail

Complete omni-channel experience

Intuitive player management and tracking tools

600+ games to choose from

Playtech Retail offers a next generation omni-channel network for land-based venues, with seamless player access between each channel.

Operators implement their own content but also benefit from 600+ award-winning Playtech games, as well as exhilarating titles from over 30 of the industry's best suppliers.

Licensees can enjoy total control, segment customers based on overall value to the business and gain full visibility of player lifecycles. Our unique single wallet functionality allows players to effortlessly move between products and channels without the need to withdraw or deposit funds.

With real-time reporting, business intelligence, optimisation and player tracking capabilities, operators manage and modify their activity based on success, while our system also allows operators to segment players based on the value they offer to their business.

Playtech's extensive retail offering caters for a large variety of venues, including casinos, betting shops, bingo halls, high street locations, restaurants, bars, hotels, resorts and cruise ships.

Strategy in action

Acquisition of Eyecon*

* Post period end.

Playtech acquired Eyecon, a specialist supplier of online gaming slots software to an international customer base.

Eyecon was founded in Brisbane, Australia in 1997 and is a specialist software supplier with a particular focus on bingo audiences with an established games portfolio of over 70 games, including the industry-leading soft gaming slot 'Fluffy Favourites'. Eyecon has also developed its own Remote Gaming Server (RGS) which enables it to distribute its content direct to operators and via distributors, such as 888 and Virtue Fusion, Playtech's bingo network.

Eyecon currently derives almost all its revenue from the UK market and in line with Playtech's acquisition strategy, almost all of Eyecon's revenues are fully regulated. The addition of Eyecon's content portfolio strengthens Playtech's position as the leading content provider in this key market. In addition, Eyecon's proprietary RGS and distribution network will strengthen the penetration of Playtech's Virtue Fusion offering.

In order to assist in retaining the knowledgeable and specialist Eyecon team, its founder Scott Murray, has committed to remain with the business for at least three years.

Read more at www.playtech.com

Acquisition of BGT

Driving the digitalisation of retail

BGT is at the vanguard of retail gaming technology in the wagering industry and leads the way as an innovator and provider of sport betting services worldwide.

In July 2016, Playtech announced that it had acquired Best Gaming Technology GmbH (BGT) for €138 million*. The consideration was paid from Playtech's existing cash resources.

Headquartered in Vienna, BGT was founded in 2005 and is the leading provider of sports betting software and solutions for gaming and sports betting operators. Its customer base includes, amongst others, some of the most well established bookmakers in the UK and Spain, such as Betfred, Codere, Coral, Ladbrokes, Paddy Power Betfair and William Hill.

BGT's business model is based on a revenue share of the gross win margin from each SSBT. At the end of FY2016, BGT provided more than 27,000 machines with its betting software to licensed operators with this number forecast to increase significantly over the coming years driven primarily by the roll-out of new SSBTs, compact terminals and tablets as bet entry devices as well as by increased usage of existing SSBTs.

27,000
Installed machines globally

* For a 90% share of ownership.

Platform features

- Smart pricing: set and manage prices across various channels within a single risk system
- Integrated services: accounting systems (SAP, ProAlpha), bank services (HalCash), third-party protocols (NXCS casino protocol)
- Innovative survey and marketing tools for content management, bonus and promotion schemes, and reporting on big data as well as customer tracking
- Incredibly powerful omni-channel solution when coupled with the Playtech ONE infrastructure
- Pricing flexibility with dynamic risk management
- Early cash out: customers can cash out their bets at any time on all channels
- Maximum ARPU from multi-channel customers

BGT's technology

BGT's main product is its proprietary software for self-service betting terminals (SSBTs). Its offering combines class-leading technology with a digital terminal that revolutionises the traditional over-the-counter experience, at times generating more than double the volumes of other SSBT providers. Other products include ePOS and till systems for betting operators and an omni-channel web/mobile betting platform. In addition to supplying many of the most profitable bookmakers in the UK, the acquisition will provide Playtech with greater penetration into the Spanish and Italian markets with several significant potential new customers in the pipeline.

Benefits of the transaction

SSBTs and ePOS systems that digitise retail betting businesses form one of the fastest growing areas for betting companies and one of the most important elements of a true omni-channel offering. BGT's product portfolio will enhance the Playtech ONE omni-channel offering, which enables players to enjoy a seamless, anywhere-anytime gaming experience across any product, channel and device, all using a single account and wallet.

We believe that the future of gaming is for retail operators to digitise their offering, creating a simple and intuitive experience for customers as well as creating an opportunity to extend beyond retail and into online, including web and mobile.

This follows the same trends we see in other commercial sectors around the world with the modernisation and digitalisation of betting shops not only improving the retail experience but also adding a whole new channel as it integrates into an online offering.

BGT is the leading provider of sports betting software and solutions for gaming and sports betting operators in what is one of the fastest growing verticals of our industry. BGT offers the market's most sophisticated retail sports solution which is also both modularised and flexible, allowing Playtech to quickly integrate with its own platform. As the only company that will offer FOBTs and SSBTs, all integrated with the world's leading online platform and products, Playtech will realise the potential of a true omni-channel offering for the benefit of both consumers and operators.

Mor Weizer
Chief Executive Officer

The opportunity in sports

When I founded BGT in Vienna, Austria, in mid-2005 I had the vision of a high-end provider for the sports betting industry with a focus on self-service systems. Whilst other suppliers focused on online and digital, I focused BGT on land-based technology.

Having worked through some challenging years in the beginning, BGT has become the number one sports betting technology provider for land-based products worldwide, founded on our goals of making sports betting fun, providing high-end technology, being a reliable partner and offering best in class services to our customers.

BGT is at an inflexion point in its development as we penetrate into new markets whilst upgrading our products at a phenomenal speed. I believe that becoming part of the Playtech family will allow Playtech and BGT to take omni-channel to the next level.

Armin Sageder
Chief Executive Officer
of Playtech BGT Sports

Services

Playtech Turnkey Services

Comprehensive set of tools and skills

Player acquisition and retention

Levels playing field for new operators

As part of our Playtech ONE offering, operators and their customers are presented with a seamless, anytime, anywhere experience, across any product, any channel and any device using a single account and wallet.

Playtech's Turnkey Services (PTTS) offer all-encompassing solutions across all platforms by supplying product design, operational management, internal and external marketing tools, fully customisable applications and around the clock interactive player support.

PTTS is designed to deliver material value and expertise to licensees across key elements of player acquisition and retention, together with the opportunity to realise substantial cost savings by outsourcing operational services.

Marketing services

Unbeatable industry experience and expertise

Access to 50,000+ affiliates

Optimisation driven

Playtech offers in-depth marketing services based on decades of expertise from gaming industry experts.

Our offering includes affiliate marketing services and access to 50,000+ affiliates with the tools to push our licensees' products through the world's leading e-gaming affiliate programme; dedicated affiliate product managers; branding during affiliate tradeshows; and multilingual services to suit all online marketing requirements.

Our experienced team of media buyers build multi-language campaigns and offer daily campaign tracking, with a strong focus on optimisation so as to obtain maximum return on investment.

We offer unbeatable Search Engine Optimisation skills with full-scope promotion within the dominant search engines by our developers and SEO experts, in addition to effective optimisation across all relevant languages using the appropriate keywords.

Our turnkey solutions bring more than a decade of expertise to assist those new operators preparing to enter highly competitive online regulated markets, including access to some of the most powerful marketing affiliates.

Payment advisory

Expert consultancy services

All payment queries dealt with

Extensive choice of payment methods

Our professional consultants provide advice on all payment issues related to cashier, processing, payments, risk management and financial performance, creating and simplifying the implementation of processing and payment models.

With an extensive choice of more than 50 existing payment methods, including credit card processing gateways, acquirers, e-wallets, EFT, bank draft payout options via local banks worldwide, wire transfer and prepaid cards, a payment model can be customised to meet the specific requirements of each individual client.

Customer support services

24/7 email and phone support

Unrivalled response times

Service at the heart of Playtech philosophy

Comprehensive customer support is crucial to the success of a gaming brand, from sign-ups, through to deposit, play and withdrawal.

Our email and telephone customer support is accessible 24/7, met by our team of highly skilled professionals with industry-leading customer response times.

Financial reporting services

Unmatched reporting and analysis

Broad range of services

Real-time online monitoring

Our advanced financial reporting and analysis tools offer our customers a comprehensive portfolio of financial services coupled with the ability to review and monitor a selection of online activities, all in real time.

Our world-class financial tools include player payout approval/decline, dispute withdrawal requests, wagering calculations, procedure submittal, document review and much more.

Hosting services

Expansive industry experience

Tried, tested, trusted

Understand operator's specific requirements

With years of industry experience, our hosting services are world class. We give you peace of mind and work to ensure your operation remains reliable and secure at all times, providing DDoS prevention; DNS management; third-party services; geo-location services; maintenance services and client and banner hosting amongst others.

We are experts in and lead the industry in omni-channel gaming, software and services, so we understand operators' specific business needs, therefore our customers can rely on us to foresee every possible threat and issue, prevent unplanned system failure and ensure businesses are running safely and at their maximum potential.

Fraud prevention

Next generation tracking technology

Rapid suspicious activity detection

Automated alerts

As the gaming industry continues to grow, so too do the number of fraudsters keen to take advantage of the huge revenues earned by operators.

Our state-of-the-art tracking technology allows for the rapid detection of suspicious behaviour and the prevention of illegal activity, while our top tier management tools monitor deposits and withdrawals, track player activity and deliver automated alerts.

Markets.com

The home for traders

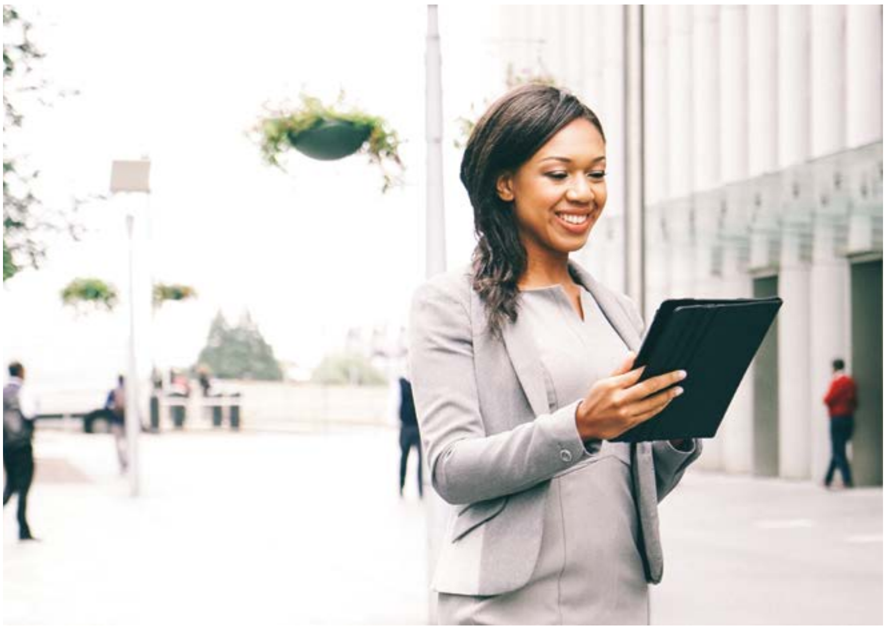
Markets.com is a fast-growing provider of online financial trading platforms for B2C and B2B customers. Markets.com offers Contracts for Difference (CFDs) for online traders on more than 2,000 underlying global financial instruments comprising equities, indices, commodities, exchange-traded funds (ETFs) and foreign exchange.

B2C platforms

Markets.com's proprietary web and mobile trading platforms are available to use online or downloadable for Android and Apple devices, on Google Play and the App Store and are available in 15 languages.

Both the web and mobile platforms are in-house developed, and specially designed to be intuitive, powerful and robust, catering for all levels of traders.

In Markets.com's Trading Central area, B2C customers can access data charts and other tools, including MACD, RSI, SMA, Support and Resistance, pivot points and over 50 other studies.



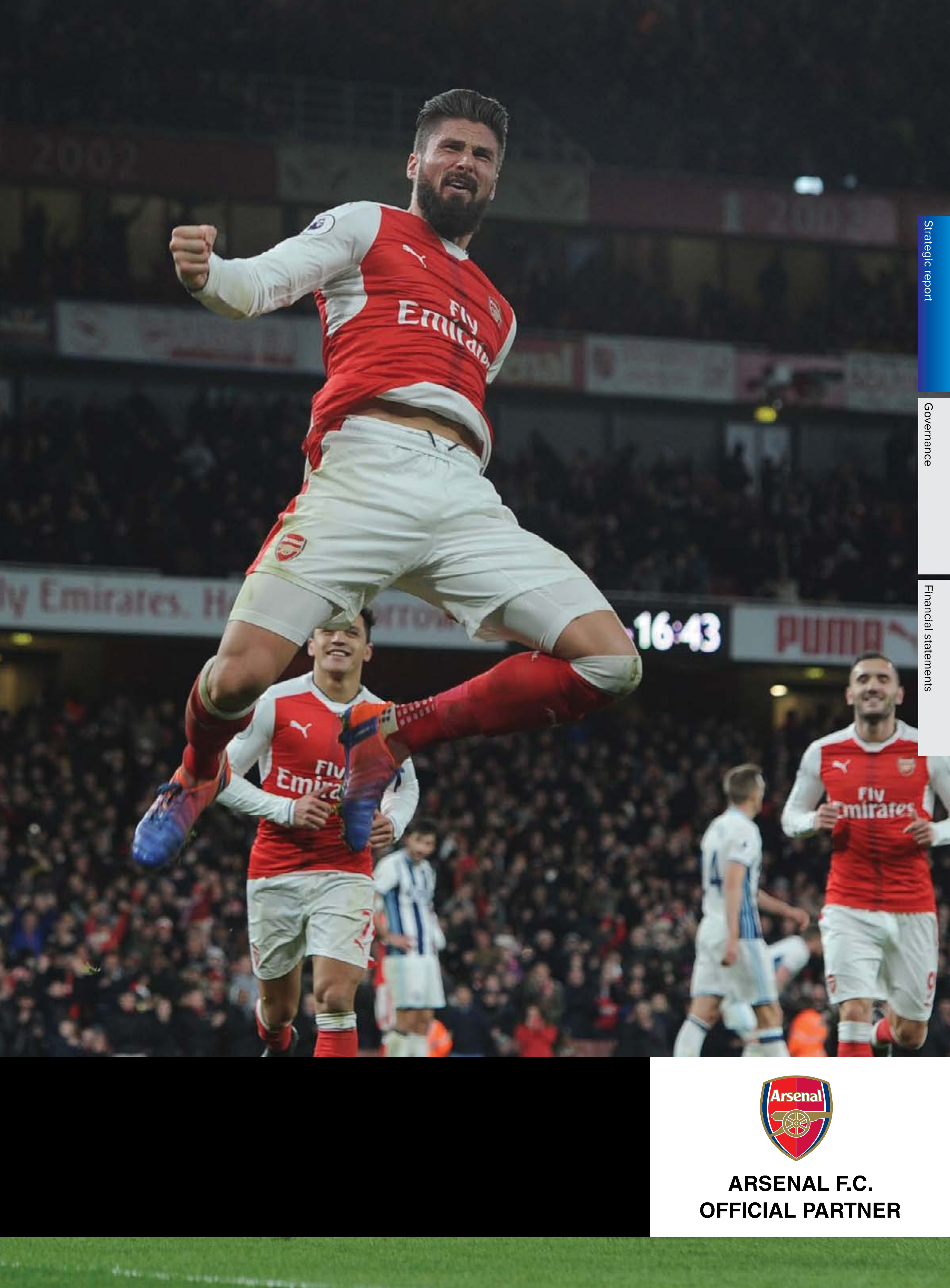
B2B platform

Playtech's Financials division offers a full turnkey solution to operators in the financials trading space by utilising the software and infrastructure behind Markets.com as a B2B offering.

B2C operators utilising the Playtech Financials platform benefit from robust, reliable technology coupled with access to competitive spreads and exceptional, round-the-clock customer support.

Playtech has augmented its B2B offering with the acquisition of STP brokerage service provider CFH – see pages 26 and 27 for further details.

MARKETS.COM
WHERE THE WORLD COMES TO TRADE



ARSENAL F.C.
OFFICIAL PARTNER

CFH acquisition

Building our B2B offering

The acquisition of CFH will strengthen Playtech's offering in the B2B market of financial trading and provide the foundation for future acquisitions as well as to become one of the only businesses to offer proprietary, dedicated B2C and B2B platforms to clients.

450
Customers and partners worldwide

80
Countries served

In November 2016 Playtech was pleased to announce the acquisition of a 70% stake in Consolidated Financial Holdings AS (CFH). CFH offers a Straight-Through Processing brokerage service which provides retail brokers multi-asset execution, prime brokerage services, liquidity and complementary risk management tools.

The agreement will back Playtech's target of creating a business-to-business financial software offering and will provide a significant growth opportunity for CFH by providing it access to Playtech's greater scale and financial strength.

Benefits of the acquisition

- CFH will remain a provider of STP processing and, due to Playtech's scale and financial strength, will be able to provide its customers with improved trading terms and more attractive margins
- CFH customers will have access to a deeper pool of liquidity through the addition of intra group liquidity arrangements, enabling more competitive prices and faster execution
- CFH will have access to the Playtech Financials division's wide range of CFD instruments which CFH will be able to offer on its clearing system over time
- CFH will benefit from Playtech's leading technological superiority to further develop its offering and improve client experience

Within the CFH Group there is:

CFH Clearing

FX Prime brokerage and regulated by the FCA and run out of London, providing institutional clients (mainly other retail forex brokers) with multi-asset Execution, Prime Brokerage services and trading technology.

CFH Systems

Technology company run out of Copenhagen, which serves Forex brokers and banks, offering end-to-end white-label solutions with extensive back office access and fully customisable front-end trading platforms, supporting brokers running both STP and market making models.

Tradimo

An online trading school and education website.

Chief Executive Officer's review

Respect, innovation, progression

We remain confident of strong performance in 2017 driven by both organic growth and the acquisitions made in 2016.

Mor Weizer
Chief Executive Officer

Our results

48%
Revenues from regulated markets (2015: 47%)

10
Ten new customer wins

33%
Of software revenues from mobile

€296m
Returned to shareholders

Overview: executing on our strategy

I am proud to report that 2016 saw Playtech deliver on its operational and strategic objectives.

The double-digit growth reported in the Gaming division at the half year has continued into the second half including the announcement of new licensees, new content and features for customers and important long-term renewals. The repositioning of our Financials division also produced an encouraging performance in the second half of the year.

Playtech has continued to successfully execute its strategy of acquiring complementary businesses, including enhancing our omni-channel offering and adding further premium content, with the acquisitions of BGT, Quickspin and ECM. In addition, the acquisition of Eyecon post the period end further strengthens Playtech's position and extending its reach into new areas. The acquisition of CFH in November significantly enhanced Playtech's B2B offering in the Financials division.

Our balance sheet strength and continued substantial cash generation enabled us to execute the two cornerstones of our strategy, firstly to continue the programme of strategic acquisitions to further strengthen our market leading position, and secondly to focus on shareholder returns by returning €150 million through a special dividend and launch a €50 million share buyback programme in 2016. This commitment was underlined by the move to a progressive dividend policy to provide shareholders with more certainty and consistency of dividend payments.

Gaming division

Overview

The Gaming division delivered another strong year achieving 21% reported revenue growth at constant currency, with a good contribution from existing and new customers.

Licensees

I am pleased to report that operationally Playtech had a strong 2016 from an operational perspective, achieving one of our key strategic objectives of 'locking-in' future growth for the business.

This year saw the launch of several important customers including Pokerstars, Sun Bingo, Mr Green, Maxbet, Win2day and Victor Chandler with further significant new licensees signed in 2016 including Fortuna and others still to launch. In total, more than ten new licensees launched in the year with a number of relationships already secured and expected to go-lives in 2017.

The strength of Playtech's offering and commitment to its licensees is clearly evidenced by the length of its relationships with its customers. Many important agreements were renewed in 2016 and the beginning of 2017 with nine out of Playtech's top ten licensees now on long-term contracts, including Paddy Power Betfair, William Hill, Rank and Betfred.

While we have been successful in extending relationships into new verticals and new geographies, due to regulatory changes in Europe, Latin America and elsewhere, we are seeing a fundamental change in the type of licensees we do business with. Given our experience of regulated and newly regulated markets, Playtech is seeing an increase in early stage customers in new or emerging regulatory regimes. Over a short period, as the new regulatory framework is being introduced, these operators become amongst the largest and best performing online operators in the new markets.

As most retail gaming operators lack the operational capabilities required to successfully operate an online gaming arm they seek a strong technology partner. In many cases, they often also lack the digital infrastructure to support their retail arm, and through its unique omni-channel solution, Playtech is the obvious choice to provide better CRM, technology, premium products and a best of breed operational skills, expertise and capabilities. Accordingly, Playtech remains focused on regulated and newly regulated jurisdictions.

Our pipeline of new licensees and structured agreements remains strong, driven by newly regulated and soon-to-be-regulated markets. We have relationships with the leading retail gaming operators in every commercially viable jurisdiction and expect the regulatory shift identified several years ago, to continue being the Company's largest growth opportunity.

Customer concentration

As outlined at the half-year results, in future we will be presenting customer concentration on a new basis to more accurately reflect the reality of how we operate.

Historically we have presented our largest licensee as a single customer. However, this licensee is a licensed distributor for many smaller licensees who sit beneath the distributor. The aggregator model is common in Asia and used by different B2B and services providers. Playtech has always used licensed distributors and local companies to establish itself across the region given the importance of understanding the culture and the importance of having the right partner – not just any partner.

This model serves us well as it provides us with access to local gaming specialists who truly understand the culture, the key people and the most relevant potential operators. They ensure that all operators go through a strict due diligence process and that they maintain all relevant permits and licences as well as serve them locally by using local personnel who share the same languages and culture.

Following the reclassification at the half year the revenue from our top five licensees stood at 36% compared to 42% at the 2015 year end. The trend of diversification in our customer base continued from the previous year at all levels, with the top 15 licensees accounting for 66% of revenues, down from 73% at the 2015 year end.

Chief Executive Officer's review continued

Regulated markets

Our focus remains on regulated markets which represent the future of our ever-evolving industry. During the period we continued to strengthen our position and extend our reach in regulated markets by supporting the organic growth of our customers in the UK, Italy, Spain, Denmark and Finland. Additionally, we established our presence in newly regulated markets such as Mexico, Bulgaria and Romania working with existing and new retail gaming companies.

Regulated revenues in the Gaming division grew both in absolute terms and as a percentage of total revenues despite strong growth in soon and yet to be regulated markets and a weaker Sterling. Looking forward to 2017, we will see the percentage of revenues from regulated markets further improve. This will be predominantly driven by the continued growth of our licences in regulated markets, as operators reallocate their marketing budgets and focus on regulated and soon to be regulated markets, and also within Playtech we will see the full-year impact from Sun Bingo, BGT, ECM and Eyecon.

The strong momentum that we experienced in recent years is expected to continue as Playtech benefits from the growth of its customers and signs new licensees in regulated markets. In addition, a significant number of countries are well advanced in their legislation processes across Europe, Latin America and elsewhere while other important markets are considering regulating in the coming future.

Playtech ONE: omni-channel offering

Playtech ONE is the industry's only true integrated omni-channel offering. Playtech ONE allows operators to develop a seamless inclusive approach to channels, products and platforms. A true, commercial omni-channel offering is not just an integrated solution connecting products or games delivered to customers or the same games offered across different channels. Instead, omni-channel is a comprehensive solution that shares the same infrastructure and CRM (through Playtech's IMS) across retail, web and mobile environments, allowing a seamless journey between the different channels, products and platforms as well as cross platform functionality improving the offering to players and creating an eco-system that incentivises the players to remain loyal to the operators. The one CRM and infrastructure provides operators with a single view across all customer activity and allows them to tailor promotions and bonuses across channels and verticals. It also provides operators with the ability to deliver a fully personalised offering and successfully target players through cross-product marketing.

Our proven track record of working with operators in regulated markets demonstrates that there is an overlap in the demographics of retail and online, that traditional retail customers playing online are more valuable; and that the acquisition costs associated with such players are far lower when compared to direct acquisition channels. A number of operators have been pre-occupied in recent years with the digitalisation of retail, concentrating on taking retail online, in reality retail and online form part of one experience and channel for customers. Accordingly, we believe that an omni-channel solution will inevitably be implemented by most retail businesses that have or intend to launch an online gaming arm.

We truly believe that the convergence between retail and online is inevitable due to the combination of two factors – the fact that a large number of retail gaming businesses still operate legacy systems that do not fit players' demand and more than ever understand the importance of digitising their retail infrastructure. In addition, the significant opportunity in the online space capitalising the investments made into the brand that usually comes with better cash conversion due to lower capex and opex investments and better margins.

Mobile

Across all verticals mobile continues to be a key driver of increased player activity with revenues from mobile accounting for 33% of overall software revenues, an increase of 50% on the same period last year.

Importantly Playtech saw an 80% increase in Gaming mobile penetration during the year. With increases across all verticals except for Sports, with the Sports figure affected by the previously disclosed loss of certain Mobenga contracts and the inclusion of BGT in the second half. Unsurprisingly given the maturity of the UK gaming market and the quality of its mobile networks, there still exists a material difference between the UK and the rest of the world, with mobile accounting for 54% of UK software revenues, but only 24% for the rest of the world. This highlights not only how developed the UK market is, but also the significant opportunity in other parts of the world.

Mobile remains an important element of omni-channel and is an integral part of every development cycle for our products alongside retail and web. Accordingly, we have reorganised internally to ensure we streamline the development lifecycle to include a sophisticated mobile solution that includes native apps and not just HTML5 or an HTML5 based solution as most other companies do.

Product

Playtech continues to lead innovation and can deploy unmatched research and development resources, all of which is available to our licensees.

Live casino

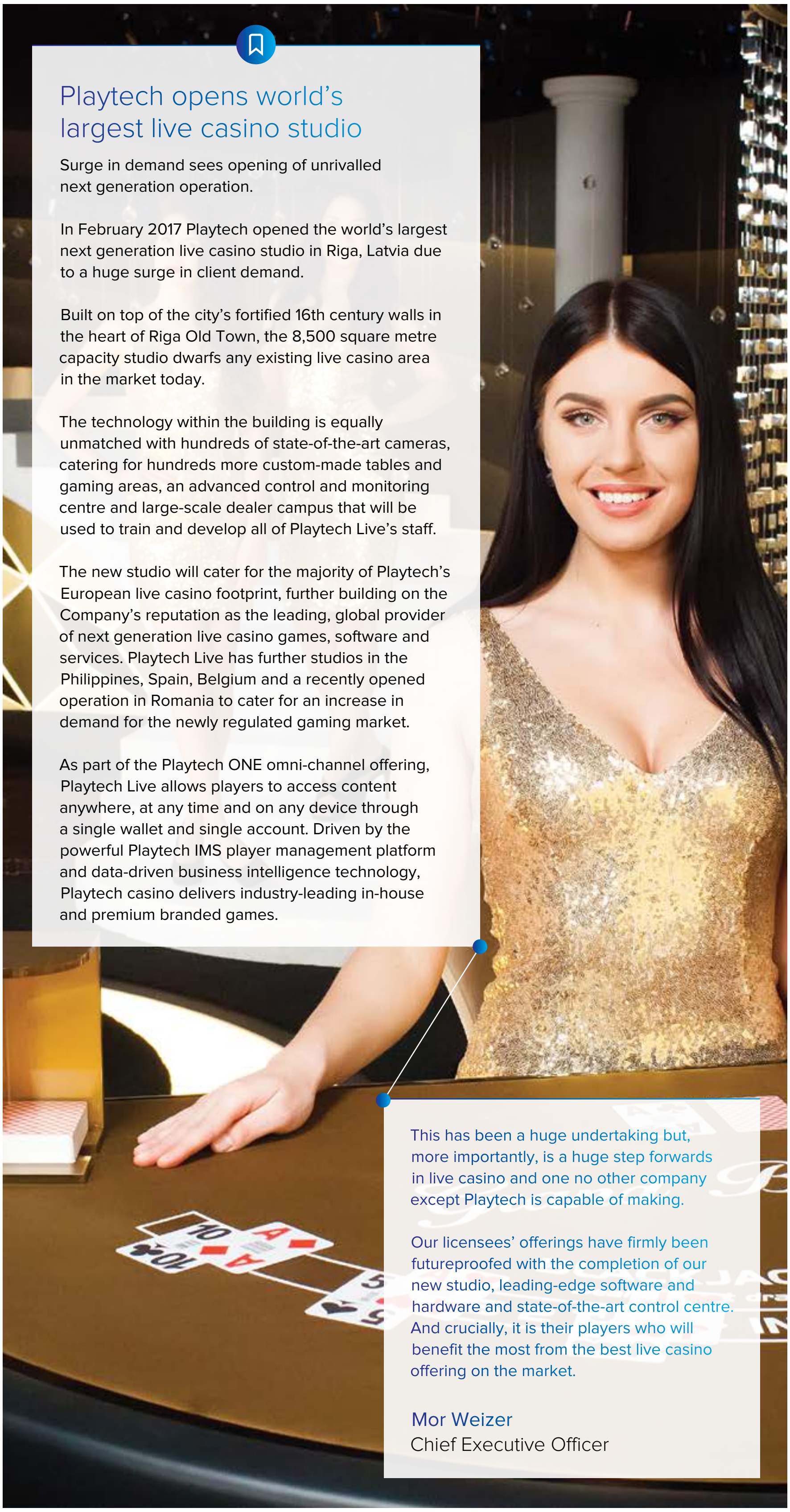
Playtech remains focused on live casino given the strong growth we have seen across all our licensees. We believe positive momentum will continue in 2017 and beyond and have continued to develop our live casino offering. Throughout the year new launches and releases have included innovative concepts, games and features, as well as never-before-seen real native apps that prove to be very successful and appealing to customers. We have also continued to develop our relationships with customers and worked closely to ensure success and accelerated growth in their live casino operations.

In early 2017 Playtech revealed its latest ground-breaking Augmented Reality experience within a spectacular Age of the Gods™ Live environment.

The augmented reality roulette – themed around Playtech's smash-hit suite of Age of the Gods™ games and due to be launched later this year – uses the latest augmented reality technology to significantly heighten the live experience with 3D graphics that can be configured to suit any operator requirements, players experience a range of visuals depending on the outcome of each game round.

The game concept is aimed at not only creating a next generation gaming experience, but also giving Playtech licensees greater flexibility and further opportunities to cross-sell to a new demographic of player who would either have not previously considered or who could potentially re-connect to live casino.

In addition, we also opened two new Live studios in the past few months in Latvia and Romania due to the high levels of customer demand.



Playtech opens world's largest live casino studio

Surge in demand sees opening of unrivalled next generation operation.

In February 2017 Playtech opened the world's largest next generation live casino studio in Riga, Latvia due to a huge surge in client demand.

Built on top of the city's fortified 16th century walls in the heart of Riga Old Town, the 8,500 square metre capacity studio dwarfs any existing live casino area in the market today.

The technology within the building is equally unmatched with hundreds of state-of-the-art cameras, catering for hundreds more custom-made tables and gaming areas, an advanced control and monitoring centre and large-scale dealer campus that will be used to train and develop all of Playtech Live's staff.

The new studio will cater for the majority of Playtech's European live casino footprint, further building on the Company's reputation as the leading, global provider of next generation live casino games, software and services. Playtech Live has further studios in the Philippines, Spain, Belgium and a recently opened operation in Romania to cater for an increase in demand for the newly regulated gaming market.

As part of the Playtech ONE omni-channel offering, Playtech Live allows players to access content anywhere, at any time and on any device through a single wallet and single account. Driven by the powerful Playtech IMS player management platform and data-driven business intelligence technology, Playtech casino delivers industry-leading in-house and premium branded games.

This has been a huge undertaking but, more importantly, is a huge step forwards in live casino and one no other company except Playtech is capable of making.

Our licensees' offerings have firmly been futureproofed with the completion of our new studio, leading-edge software and hardware and state-of-the-art control centre. And crucially, it is their players who will benefit the most from the best live casino offering on the market.

Mor Weizer
Chief Executive Officer

Strategic report
Governance
Financial statements

Chief Executive Officer's review continued

Live casino continued

Built on top of the city's fortified 16th century walls in the heart of Riga Old Town in Latvia, the 8,500 square metre capacity studio dwarfs any existing live casino area in the market today. The technology within the building is equally unmatched with hundreds of state-of-the-art cameras, catering for hundreds more custom-made tables and gaming areas, an advanced control and monitoring centre and large-scale dealer campus that will be used to train and develop all of Playtech Live's staff. Every inch of the new operation has been conceptualised, designed and delivered with a future-first approach with all Playtech Live common and Live dedicated licensee areas remodelled to accommodate the latest software and hardware presenting players with the ultimate, never-before-seen gaming experience.

The second studio, a state-of-the-art live casino studio facility in Bucharest, Romania will cater for demand in licensees in the newly regulated Eastern European country.

New content

We launched over 55 new games in the year, including the innovative and exciting Age of the Gods™ suite, a great addition to our own industry leading game intellectual property. This has been a highly successful launch and has been very popular with licensees and is based on an extensive data analysis ahead of the game's development to ensure its appeal to customers.

Playtech's scale also allows it to launch branded content. After the period end, in February 2017 Playtech signed its largest ever, multi-year, exclusive branded games content deal with Warner Bros. Consumer Products, on behalf of DC Entertainment, to license and develop an extensive catalogue of iconic DC-branded film and television properties into leading omni-channel casino games, with the deal being announced at the start of ICE 2017. Drawing from the worlds of such Warner Bros. Pictures titles as Batman v Superman: Dawn of Justice, The Dark Knight Trilogy, Suicide Squad and the Studio's upcoming action adventure Justice League, Playtech, the world's leading gaming content and software, systems and services supplier, will develop a series of omni-channel DC-branded slot, bingo and roulette games, available across multiple channels and devices.

As a result of extensive development during 2016 Playtech launched post period end an industry first new slot game, Tiki Paradise, that rewards customers with unique enhanced experiences, features and bonuses through the use of omni-channel play.

Launched across all channels and devices with Coral throughout its 1,800 shop estate, Tiki Paradise is a true omni-channel game that rewards players as they unlock enhanced features and functionality by playing in-shop, online and on mobile, made possible due to Playtech's cutting-edge platform technology and unified system that enables cross-channel play.

Given the first feedbacks and performance we are confident that omni-channel content will play a key role in the success of our omni-channel approach and will become a necessary and important element of the offering provided by retail and online operators delivering a single coherent user experience across retail, online and mobile. The game is equally beneficial to the licensees as it both increases omni-channel sign ups and incentivises the players to remain loyal to the brand within the eco-system created between retail and online in the most efficient and responsible way. The launch of Tiki Paradise is the first of a series of new omni-channel games expected to launch in the coming months.

Gaming division performance by vertical

Casino

Casino, Playtech's flagship offering, continues to go from strength to strength, with revenue increasing 23% on a constant currency basis in 2016. Casino contributed €354.6 million to reported revenues in 2016, with mobile revenues seeing a 113% increase in mobile penetration.

This exceptional performance was driven by a mixture of existing and new business, including growth from UK customers such as Ladbrokes, Sky and BGO, with a particularly strong performance from both Live and Asia, where we have added new customers as well as improved our commercial terms.

The casino offering is at times mistakenly regarded as casino games offered on operators' sites under the casino tab while the Playtech casino platform is a lot more. Integrated with the Playtech infrastructure and information management system the Playtech casino platform provides online casino operators with the most advanced and sophisticated feature-rich solution that allows operators to better control their offering.

Playtech's cutting-edge casino platform enables operators to maximise player value by offering a full suite of real-time player incentives and engagement tools. The platform allows for industry standard bonusing, such as deposit match bonuses, together with more sophisticated mechanics, including automated cashback, free-spins, golden chip (for table and card games) and game play bonuses. All these promotional methods can be controlled and configured by the operator, allowing for stringent liability and monetary control. To illustrate the platform's sophistication, gameplay bonuses allow the operator to incentivise players based on the outcome of a specific hand of black jack or spin of a roulette wheel. All promotional types can be triggered by a player event, but Playtech has also developed the ability to automate some of the player journeys by developing business intelligence (BI) algorithms to trigger the qualification of such incentives. Furthermore, players can be targeted with personalised login/logout messages and communications, segmented cross-promotion messages in-game and, 'game adviser,' possibly one of the system's most effective tools. Game adviser is a real-time BI driven recommendation engine that suggests other games the player might be interested in, dependent on many game-specific variables, including volatility, win hit frequency and win distribution.

During the period, we invested heavily into the entire casino platform and focused on its key strength as the largest distributor of games. With its unrivalled knowledge and experience of omni-channel game content, Playtech has built a ground-breaking new games platform that will change the way slot games are built, tested, certified, delivered and distributed. Our revolutionary platform uses a modelling approach instead of a coding approach, resulting in faster development and more cost-effective casino content delivery than ever before.

This unified approach to rapid omni-channel game deployment enables operators seeking differentiation and customisation to integrate bespoke games in record time and under budget.

The new games platform technology is now being rolled out across a number of Playtech's content creation units and, looking ahead, it positions Playtech as not only the world's leading software and platform provider, but also a true pioneer and world leader in games content creation.

Services

Services grew 4% in the full year on a constant currency basis, in line with the growth reported at the half year, reflecting the continued transition from .com to regulated revenue streams strengthened through the white-label offering, resulting in a higher proportion of regulated revenues for this vertical.

The significant efficiencies achieved at the beginning of 2016, changing the operational structure to localised operations in jurisdictions where we service our customers, will result in approximately €9 million of savings on an annualised basis, although investment in the business means that this will not simply drop through to the bottom line given the local investment required.

We are also making significant progress in certain markets such as Mexico and Spain, where we have established a broader relationship as part of structured agreements with local companies. This is an example of the opportunity in an increasing number of regulated jurisdictions and soon to be regulated markets, where well recognised retail brands intend to launch an online gaming arm, seek a strategic partner that can equip them with not only best of breed technology and products but a sophisticated tool box of online operational capabilities they usually lack. The success Playtech enjoyed in previous years and the successful launch of new partners in key markets we believe that the Services division will continue to see strong growth in the coming years and will play a key role in our future success.

Bingo

In line with the trend identified at the interim results, despite high levels of activity at the operator level, Bingo saw a small decline in revenue at constant currency for the full year. This was a result of continuing trend for increased bonusing from operators. As outlined previously this approach is part of an industry wide strategy to utilise bingo as an acquisition channel, cross-selling strategy driving further revenues into other verticals, predominantly casino. We believe this approach will strengthen Playtech's position in the long term as our Playtech ONE omni-channel offering will allow operators to successfully cross-sell across all products and all verticals.

Late in the year, the Company successfully migrated The Sun Bingo to the Playtech platform as part of an initial five-year relationship. While the technical migration was successful, the low quality of the data provided during the migration meant it required additional analysis to ensure that the information is correctly segmented into different types of VIPs to better utilise the customer base. The Sun Bingo brand remains amongst the best and strongest brands in the industry and continues to attract high levels of new players, and Playtech remains committed to ensure the success of The Sun Bingo through the delivery of better products, data analysis and services.

The end of 2016 and the start of 2017 also saw two significant acquisitions which have enhanced our Bingo and omni-channel offering.

ECM is highly regarded within the bingo industry and its extensive range of products is instrumental to the daily operation of retail bingo in the UK and the Republic of Ireland. Its systems provide key facilities for Main Stage Bingo, Cash Bingo, wide area linked gaming operations and front-of-house reporting. A complete customer support facility provides technical and repair services for all current and legacy products.

Eyecon, announced post the period end, is a further example of driving revenue across verticals. The acquisition strengthens Playtech's Bingo distribution network whilst offering industry leading slots content such as the Fluffy Favorites game and others which will all be available to Playtech bingo licensees.

Contributing to society

Playtech employees are sharing their knowledge, skills and expertise as a way of contributing to the long-term success of the communities where we operate. From mentoring to charitable initiatives to equipping more women to enter the technology industry. For instance, during 2016/2017, Playtech in the UK hosted a series of meetup groups on various technical subjects. These forums bring together Playtech employees, industry experts, professionals and customers from different communities in order to share knowledge and insights related to specific technical applications. In addition, the series enables participants to explore how the application of these technologies can improve business performance and team collaboration, while they are also able to explore career development opportunities within Playtech, as well as other sponsors or guest speakers at the events.

See more on page 52

Chief Executive Officer's review continued

Sports

Growth in Sports slowed in the second half of 2016 following the loss of the Mobenga contracts which came into effect at the end of H1. Ultimately performance for the full year increased 2% at constant currency, with the inclusion of BGT for much of H2 offsetting the loss of the contracts.

We believe that our approach to Sports is unique in the industry. Playtech is focusing on delivering an omni-channel sports solution to licensees. As we are seeing across all retail industries the convergence of e-commerce and physical retail is a two-way process. Playtech's omni-channel offering can offer a fully integrated retail, online and mobile solution allowing licensees to offer a seamless customer journey through online and in-store integration. As outlined above this allows retail operators to launch an online gaming arm in newly regulated markets, partnering with Playtech to utilise their retail base and footprint and become the largest and best performing online bookmakers in a relatively short period of time.

Accordingly, following the acquisition of BGT in July 2016, in November we launched the new Playtech BGT Sports division (PBS). The new division brings together Playtech Sports companies BGT, Geneity, Mobenga, Unilogic and Playtech's internal Sports Trading team and contains more than 600 employees. Playtech BGT Sports will provide a 'bricks-to-clicks' fully integrated sports betting technology solution based on Playtech's unique omni-channel platform. With Dr Armin Sagader appointed as CEO of the new division we believe that PBS will continue to revolutionise retail and online businesses alike.

Post the period end, PBS announced that it has signed a three-year agreement with OPAP, the leading Greek betting and lottery operator, for the supply of self-service betting terminals (SSBTs), relevant software and services, as well as the subsequent introduction of an Over-the-Counter (OTC) sports betting solution. Under the agreement, PBS will supply software and services for a combination of full-sized SSBTs, as well as the recently launched compact SSBTs, with the initial roll-out of machines commencing in 2017 followed by the rollout of an OTC solution in 2018. PBS will provide a fully managed service to OPAP including trading and over 25,000 in-play markets.

Virtual sports

Working with Warner Bros. Studios the virtual sports product began life in the summer of 2015 using the most advanced systems and technology available today. Following almost a year-long process of exhaustive and record-breaking motion capture initiatives at Warner Bros. Studios and 3D design and modelling work at the Playtech Studios, both in the UK, Playtech virtual products using professional sportsmen and women in competition conditions and techniques and technology used in films such as Avatar, Godzilla and James Bond's Quantum of Solace, in order to capture hundreds of hours of movement and footage, the result of which is as close to the real game as anyone has ever achieved with compelling graphics, gameplay and extensive betting opportunities. All Playtech's virtual sports products are future proof and developed with tournament, matches and leagues in mind. Playtech also concentrated heavily on back-end simulation, ensuring real-life football, tennis and basketball was replicated from a gameplay, user experience and an odds and betting perspective.

The first half of 2016 saw the launch of a pioneering virtual product in 2016, including best ever virtual Tennis and a Virtual Sports Football Accumulator or Acca across all platforms, channels and devices. Replicating a real-life football Acca, the Virtual Sports Football Accumulator 'out of the box' product has been rolled out across 100 UK Coral shops with the potential to deploy it across 1,000 outlets in the next 12 months.

Land-based

Land-based increased markedly in 2016, primarily reflecting the revenues from BGT which were included from July 2016 onwards and the organic growth of what was referred to as land-based vertical. As discussed at the interim results in August 2016, it is worth noting that from 2017 onwards, the Land-based vertical will be removed with revenues from this vertical allocated into Casino, Sports, Bingo and Other as appropriate. Removing Land-based reflects the true omni-channel nature of our offering. Revenues from BGT will be included in the Sport vertical going forward. A detailed breakdown of the reallocation is on pages 39 to 40.

Poker

The online Poker market remains challenging with revenues down 17% for the fully year at constant currency. Playtech remains dedicated to the poker product, and we believe poker remains an important part of the full product offering of operators. However, it remains a low margin vertical and accordingly operators focus on investing in cross selling into casino. Notwithstanding, in some markets such as France where only sports betting and poker are allowed, poker remains a very valid product vertical. Playtech also gains from the natural conversion of certain players to the poker product. We also believe that Poker will continue to attract recreational players to the product and is utilising it cross-product expertise to develop new poker experiences such as an Age of the Gods™ themed poker experience.

Financials division

The year was a transformational one for Playtech's Financials division, which today finds itself at an inflection point following the re-positioning of the business and the structural changes in the industry. This necessitated Ron Hoffman to take full-time control of the business as its Chief Executive. Under Ron's leadership we anticipate the Financials division will capitalise on its position and realise the significant opportunities before it.

There has been continuous development in the regulatory landscape across different jurisdictions in the industry, including the UK and Europe. Tighter on-boarding controls have been imposed on brokers; there are now greater restrictions on marketing and promotions; companies are required to provide enhanced AML procedures; and, more recently, new leverage limitations were introduced.

In the face of this more demanding regulatory framework, the 2016 results reflect the full impact of the business transition completed in the first half of the year. Our experience of new regulatory frameworks learned in the Gaming division prompted improvements to our business model, including the cessation of relationships with Introducing Brokers and the decision to move from a salesperson-based approach to automated funnels for customer acquisition.

The second half of the year saw a significant improvement in the performance of the Financials division with a small improvement in revenues, encouraging KPIs and the benefits of cost reductions flowing through.

In the B2C Markets.com business, we have grown active customers by 7%. This reflects an improvement in the attrition rate and an increase in the attractiveness of Markets' platform, following its continued development and addition of further features, such as live trader's trends, more relevant notifications and personalised customer communications relevant to their trading history.

The performance improvement of Markets.com is even more visible in the number of first time depositors, which increased by almost 60% compared to the first half of the year. This reflects a significant growth trajectory, which we anticipate will translate into an increased number of active customers, increased revenues and EBITDA. These will be driven by efficient marketing initiatives through our unique media buying technology and automated customer acquisition funnels.

In November 2016, Playtech announced the acquisition of CFH, a technology company with products including a leading Straight Through Processing (STP) brokerage which provides retail brokers with multi-asset execution, prime brokerage services, liquidity and complementary risk management tools. The acquisition significantly enhances Playtech's position as it continues to build a B2B offering within its Financials division. CFH's wholly owned subsidiary, CFH Clearing Limited is regulated by the Financial Conduct Authority (FCA) and Playtech received regulatory approval from the FCA as part of the acquisition process.

CFH is uniquely positioned in the market with $1.5 billion in direct interbank credit lines with tier 1 banks, liquidity providers and prime brokers, including Barclays, Goldman Sachs, UBS, Jefferies and more.

We see significant opportunities following the acquisition, including enabling CFH customers to enjoy a deeper pool of liquidity and an expanded variety of tradable instruments. In addition, we see significant cross-selling opportunities to offer our unique trading platform, CRM and back office systems to a selective range of customers which will fit the relevant profile, increasing our market reach and cater for further stickiness with our customers.

The acquisition completed on 30 November 2016 meaning that €1.8 million of new revenue has been contributed to our consolidated accounts for 2016; and in 2017 CFH's contribution has met expectations, with a healthy pipeline of further customers to be on-boarded.

In summary, 2016 has seen our Financials division establish the foundations needed to capture future growth. We now have an efficient, compliant and competitive business model offering an industry leading B2B and B2C solution. This young industry is experiencing the development of appropriate regulation which will only improve the customer experience and our model is well placed to gain market share as the regulatory framework continues to evolve. As the industry continues to mature and non-compliant companies exit the sector the Financials division's unique B2C and B2B model of will create opportunities to play a potential role in industry consolidation.

M&A

We have been pleased with Group's M&A activity in 2016, having spent €240 million on acquisitions. After the period end, we spent a further initial consideration of £25 million (€29 million) on Eyecon.

Quickspin

In May Playtech announced the acquisition of Quickspin, a fast-growing Swedish games studio that develops and supplies high-quality video slots to operators, both in online real money gambling as well as in the social gaming market.

Headquartered in Stockholm, Quickspin's portfolio currently consists of over 20 games which the company provides to over 40 customers, including many international tier 1 operators. Quickspin generated revenue and Adjusted EBITDA of €6.0 million and €2.1 million respectively in the financial year ending 31 December 2015 and is forecast to grow significantly over the coming years, with a number of new customers recently secured and with a strong pipeline of both new customers and new games.

The acquisition provides Playtech with a proven virtual slot machine games portfolio, strengthening its position as the leading content provider in the industry, as well as providing greater penetration in the Nordic region. In addition to Quickspin's existing customer base, Playtech plans to cascade Quickspin's content through its existing distribution channels across all verticals.

Playtech will pay a maximum consideration of €50 million based on 2017 and 2018 EBITDA levels. The maximum consideration of €50 million comprises an initial payment of €24 million for 100% of the shares of Quickspin on a cash-free/debt-free basis with the remaining maximum consideration of €26 million payable on an earn-out basis by reference to Quickspin's EBITDA in 2017 and 2018.

The founders of the business, Daniel Lindberg (CEO), Joachim Timmermans (CPO) and Mats Westerlund (CCO), who are all industry veterans and highly regarded in the online gambling market, will remain with the business for at least three years from completion.

Chief Executive Officer's review continued

BGT

In July 2016, Playtech announced the strategic acquisition of Best Gaming Technology GmbH (BGT) for €138 million (for 90% of the issued share capital). The consideration was paid from Playtech's existing cash resources.

Headquartered in Vienna, BGT was founded in 2005 and is the leading provider of sports betting software and solutions for gaming and sports betting operators. Its customer base includes some of the most well established bookmakers in the UK and Spain, such as Betfred, Codere, Coral, Ladbrokes, Paddy Power Betfair and William Hill.

BGT's main product is its proprietary software for self-service betting terminals (SSBTs). Its offering combines class-leading technology with a digital terminal that transforms the traditional over-the-counter experience, at times generating more than double the volumes of other SSBT providers. Other products include ePOS and till systems for betting operators and an omni-channel web/mobile betting platform. In addition to supplying many of the most profitable bookmakers in the UK, the acquisition will enable Playtech to achieve greater penetration into the Spanish and Italian markets, with several significant potential new customers in the pipeline.

SSBTs and ePOS systems that digitise retail betting businesses form one of the fastest growing areas for betting companies and one of the most important elements of a true omni-channel offering given the priority and focus provided by the majority of retail operators many of which are bookmakers with sports being their core business. BGT's product portfolio will enhance the Playtech ONE omni-channel offering, which enables players to enjoy a seamless, anywhere-anytime gaming experience across any product, channel and device, all using a single account and wallet.

BGT's business model is based on a revenue share of the gross win margin from each SSBT. At the end of FY2016, BGT provided approximately 27,000 SSBTs with its betting software to licensed operators with this number forecast to increase significantly over the coming years, driven primarily by the roll-out of new SSBTs, compact terminals and tablets as bet entry devices as well as by increased usage of existing SSBTs.

Playtech acquired 90% of the issued share capital of BGT with the remaining 10% retained by Dr. Armin Sageder, BGT's founder and CEO, who will remain with BGT for at least three years from completion. Playtech has a call option to purchase the remaining 10% of BGT at a valuation of 6x BGT's 2019 EBITDA, subject to maximum consideration of €55 million for the 10% holding, with Dr. Sageder having certain put options over his 10% holding at the same valuation. Dr. Sageder may also be entitled to an additional payment of €5 million subject to the achievement of certain operational milestones.

In FY2015, BGT generated revenues of €41.6 million, with all of these revenues coming from regulated markets; and over three quarters of revenues coming from the SSBT software segment. BGT generated Adjusted EBITDA of €12.9 million in FY2015 and €12.5 million of Adjusted EBITDA in the first six months of 2016. In 2015, BGT generated profit before tax of €6.0 million and had gross assets of €35.9 million as at the year end.

Playtech acquired BGT on a forecast 2016 EBITDA multiple of less than 7x, a highly attractive multiple for an asset of this quality, which has a track record of significant growth and which is expected to continue to achieve significant growth going forwards in both revenues and profit, including margin expansion. The acquisition is expected to generate high single-digit earnings accretion for Playtech in the first full year of ownership.

The acquisition of BGT was central to the foundation of Playtech BGT Sports in November this year which combined BGT, Geneity, Mobenga, Unilogic and Playtech's internal Sports Trading team.

ECM

In October 2016 Playtech acquired bingo software and hardware solutions provider ECM Systems (ECM). ECM supplies software and support services to the UK retail bingo market, including major operators Gala Leisure, Mecca Bingo and the leading independent bingo operators.

ECM is highly regarded within the bingo industry and its extensive range of products is instrumental to the daily operation of retail bingo in the UK and the Republic of Ireland. Its systems provide key facilities for Main Stage Bingo, Cash Bingo, wide area linked gaming operations and front-of-house reporting. A complete customer support facility provides technical and repair services for all current and legacy products.

Given the inevitable change across the gaming industry bingo operators had to revamp and digitize their retail offering. Accordingly, the last few years have seen ECM invest in expanding its digital strategy. As a result, ECM is the leading provider and licensor of digital bingo software for a wide range of handheld tablets known as Electronic Bingo Terminals (EBT), and this generates a significant proportion of its revenues. The digitisations of the bingo halls together which is based on the ECM infrastructure and technology will serve Playtech well and will allow it to integrate ECM into Playtech world's largest bingo network and offer a true omni-channel that will not only provide better tools to the bingo hall operators as they use one single set of integrated infrastructure but will also provide a seamless journey and better experience across the different channels.

The acquisition of ECM positions Playtech at the forefront of the retail bingo market in the UK. It also empowers Playtech to provide omni-channel solutions to the bingo operators by connecting their retail and online operations as well as providing a platform to supply Playtech content.

For FY2016, ECM reported revenues of £9.1 million and Adjusted EBITDA of £4.5 million. Playtech has paid approximately £14.9 million for 90% of the issued share capital of ECM. The remaining 10%, which is subject to put and call options capped at £1.1 million, is held by Allen Richardson who will remain as CEO of the business for the next three years.

CFH

November this year saw the Playtech Financials division announce the acquisition of Consolidated Financial Holdings A/S (CFH) for an initial consideration of €39.8 million for 70% of CFH's diluted share capital. The remaining 30% will be subject to put and call options between Playtech and CFH's management team, who are remaining with the business, and which can be exercised in 2019. CFH is a technology company with products including a leading Straight Through Processing (STP) brokerage which provides retail brokers with multi-asset execution, prime brokerage services, liquidity and complementary risk management tools. CFH's wholly owned subsidiary, CFH Clearing Limited (CFH Clearing) was regulated by the Financial Conduct Authority and as a result of the acquisition Playtech received FCA regulatory approval.

Through its proprietary ClearVision technology, CFH's services to customers include providing liquidity control and customisation capabilities; real time risk management tools; and cloud-based back office.

CFH Clearing is one of the top STP venues in the world with award-winning liquidity services and $1.5 billion in direct interbank credit lines with tier 1 banks, liquidity providers and prime brokers including Barclays, Goldman Sachs, UBS, Jefferies and BNP Paribas. Through its relationships with liquidity providers and prime brokers, CFH is currently able to offer liquidity on approximately 110 instruments.

CFH's revenue and Adjusted EBITDA generated for the year ended 31 December 2015 was $19.2 million (€17.6 million) and $5.7 million (€5.2 million) respectively.

As a result of the acquisition CFH will have access to the Playtech's Financials division's wide range of CFD instruments which CFH will be able to offer on its clearing system over time. Playtech will also allow CFH to offer a deeper pool of liquidity through the addition of intra group liquidity arrangements, enabling more competitive prices and faster execution. Moreover, CFH will benefit from Playtech's leading technological superiority to further develop its offering and improve client experience.

The acquisition of CFH is a major step forward in the development of our financial division B2B offering given the hundreds of brokers CFH has a relationship with, an advanced sophisticated offering and technology, coverage of an enlarged number of instruments as well as the ability to provide an attractive liquidity pool.

Eyecon

Following the period end in February 2017, Playtech announced the acquisition of the entire issued share capital of Eyecon Limited and Eyecon Pty. Ltd (together 'Eyecon'), a specialist supplier of online gaming soft slots and a bingo slots specialist software to a number of bingo networks and other international operators for a maximum total consideration of £50 million.

Eyecon was founded in Brisbane, Australia in 1997 and is a specialist software supplier with a particular focus on bingo audiences with an established games portfolio of over 70 games, including the industry-leading soft gaming slot 'Fluffy Favourites'. Eyecon has also developed its own Remote Gaming Server (RGS) which enables it to distribute its content direct to operators and via distributors, such as the entire 888 bingo network including 888 own bingo brand and Virtue Fusion, Playtech's bingo network which integrated only a selected few games so far with the intention to offer the entire portfolio of Eyecon games across the network for the benefit of its licensees and their customers, who will now have access to the same portfolio of Eyecon games offered elsewhere.

Eyecon currently derives almost all its revenue from the UK market and in line with Playtech's acquisition strategy, almost all of Eyecon's revenues are fully regulated. The addition of Eyecon's content portfolio strengthens Playtech's position as the leading content provider in this key market. In addition, Eyecon's proprietary RGS and distribution network will strengthen the penetration of Playtech's Virtue Fusion offering.

The maximum consideration of £50 million (c.€58 million) comprises an initial payment of £25 million (c.€29 million) on a cash free/debt free basis, representing a multiple of c.8x Eyecon's current run-rate EBITDA. An additional consideration of up to £25 million is payable on an earn-out basis of 6x Eyecon's EBITDA in the period to June 2019 (subject to certain adjustments) less the initial payment.

To assist in retaining the knowledgeable and specialist Eyecon team, its founder Scott Murray, has committed to remain with the business for at least three years.

Current trading and outlook

Average daily revenue in the Gaming division for the first 51 days of Q1 2017 was up 27% on Q1 2016 (32% at constant currency) and up 11% on Q4 2016 (10% at constant currency). Excluding acquisitions, average daily revenue in the Gaming division for the first 51 days of Q1 2017 was up 9% on Q1 2016 (12% at constant currency) and up 11% on Q4 2016 (up 10% at constant currency).

The Financials division has performed in line with expectations in 2017 to date. Markets.com KPIs continue to be encouraging against a backdrop of low volatility and CFH continues to perform well with B2B volumes in line with expectations.

Playtech continues to focus on M&A to augment organic growth and its M&A pipeline remains healthy.

Given the progress we have made in 2016, delivering on our strategic objectives, we remain confident of strong performance in 2017 driven by both organic growth and the acquisitions made in 2016.

Mor Weizer
Chief Executive Officer

22 February 2017

Financial review

Confident financial management

2016 has seen Playtech once again deliver a strong financial performance with total reported revenues and Adjusted EBITDA up 12% and 20% respectively compared to 2015.

Andrew Smith
Chief Financial Officer

Presentation of results

The Directors believe that in order to best represent the trading performance and results of the Group, the reported numbers should exclude certain non-cash and one-off items including amortisation of intangibles on acquisitions, professional costs on acquisitions, finance costs on acquisitions, and additional various non-cash charges.

The Directors believe therefore that Adjusted EBITDA and Adjusted Net Profit more accurately represent the trading performance of the business and are the key performance metrics used by the Board when assessing the Group's financial performance. A full reconciliation between the actual and adjusted results is provided in Note 5 of the financial statements.

Given the significant fluctuations in exchange rates in the period, the underlying results are presented in respect of the above measures after excluding acquisitions and on a constant currency basis to best represent the trading performance and results of the Group.

Current presentation

	2015 €m	2016 €m	Change	Constant currency change
Casino	308.7	354.6	15%	23%
Services	155.6	151.6	-3%	4%
Sport	32.2	30.9	-4%	2%
Land-based	29.8	57.1	92%	108%
Bingo	20.5	17.8	-13%	-1%
Poker	11.2	9.1	-19%	-17%
Other	12.1	21.9	81%	89%
Gaming division	570.1	643.0	13%	21%
Financials division	60.0	65.6	9%	11%
Total revenue	630.1	708.6	12%	20%

Future presentation

	2015 €m	2016 €m	Change	Constant currency change
Casino	328.8	374.1	14%	22%
Services	155.6	151.6	-3%	4%
Sport	34.5	58.4	69%	82%
Land-based	–	–	–	–
Bingo	20.5	19.8	-3%	10%
Poker	11.2	9.1	-19%	-17%
Other	19.5	30.0	54%	62%
Gaming division	570.1	643.0	13%	21%
Financials division	60.0	65.6	9%	11%
Total revenue	630.1	708.6	12%	20%

Overview

2016 has seen Playtech once again deliver a strong financial performance with total reported revenues and Adjusted EBITDA up 12% and 20% respectively compared to 2015. In addition, Playtech executed its M&A strategy, investing cash of €240 million in acquisitions including BGT, Quickspin, ECM and CFH, whilst returning €296 million to investors through progressive dividends, a special dividend and a €50 million share buy back programme.

Significant fluctuations in currency exchange rates, mainly in Sterling, due to macro-economic events had a material effect on the financial results of the year across all key metrics. On a constant currency basis, revenues, Adjusted EBITDA and Adjusted Net Profit, increased by 20%, 32% and 42% respectively. When further excluding the effect of acquisitions, reflecting the underlying performance of the business, revenues, Adjusted EBITDA and Adjusted Net Profit increased by 13%, 28% and 48% respectively.

The percentage of total regulated revenues for the Gaming division increased by 1% in 2016 to 42% with Sun Bingo launched towards the end of the third quarter of the year, together with the acquisitions of BGT and ECM, all contributing fully regulated revenue streams to our top line.

Adjusted EBITDA was up 20% in the period, or 32% at constant currency and 28% when further excluding acquisitions. Group Adjusted EBITDA margin increased from 40% in 2015 to 43%, and from 40% to 44% at constant currency, despite a greater contribution from lower margin areas of the business such as white-label, the Financials division and casual. This improved margin is a result of tight cost control to create sustainable efficiencies across all areas of the business as well as improved commercial terms in Asia, which increased revenues with no material additional cost.

Playtech continues to be highly cash generative and once again delivered strong operating cash flows of €251.4 million, representing high conversion from Adjusted EBITDA. When excluding cash movements, which are not reflected in Adjusted EBITDA, such as movements in jackpot liabilities, customer security deposits and changes in client equity, cash from operating activities represented a 94% conversion to Adjusted EBITDA.

Playtech has a very strong balance sheet with cash and cash equivalents of €544.8 million at the end of the year, or Adjusted Gross cash of €392.0 million net of cash held on behalf of client funds, progressive jackpot and security deposits. Together with the available-for-sale investments, which stood at €230.3 million at year end, Playtech has considerable available resources to execute its strategy.

Financial review continued

Revenue

Total reported revenue increased by 12% to €708.6 million (2015: €630.1 million) and by 20% on a constant currency basis, with underlying growth of 13% (after excluding acquisitions at constant currency).

New presentation of Gaming revenues by vertical

From the 2017 interim results onwards, Playtech will be removing the land-based vertical which reflects the true omni-channel nature of the offering by allocating revenues which were defined as land-based revenues to the relevant product verticals.

The revenues from land-based were allocated as follows:

- Videobet and Videobet interactive to Casino;
- Retail sport revenues, which are mainly BGT, to Sports;
- Retail bingo revenues, generated by ECM to Bingo; and
- IGS, including other sale of machines, to Other.

From the old presentation of the verticals to the new there was an increase in the 2016 Casino revenue figure of €19.5 million and in Sport an increase of €27.5 million. Bingo saw a €2.0 million increase while Other increased by €8.1 million.

Casino continues to be the biggest product vertical, adding €45.9 million of revenues in the period, taking Casino revenues to €354.6 million, with growth of 23% at constant currency and 21% when excluding acquisitions. Mobile Casino revenues more than doubled over 2015, pushing mobile penetration to 29% compared to 16% in 2015. The main growth drivers in both total Casino and Mobile Casino were the continued growth in Asia, which more than tripled its mobile penetration compared to 2015; and the growth in the UK's casino mobile revenues, reaching more than 50% in penetration, led by top operators, including Ladbrokes, GalaCoral, Bet365 and Sky. The growth in Casino is predominantly from core casino, e.g. slots and roulette, with addition growth generated by Playtech Live casino and the Playtech Open Platform.

Services revenues increased by 4% on a constant currency basis, whilst decreasing by 3% on a reported basis. The decrease on a reported basis is mainly due to a faster decline in .com revenues, mostly reflected in marketing and affiliation services revenues, than the increase in regulated revenues. The increase in regulated services revenues were mainly generated from structured agreements, such as Caliente and Marca, and a moderate increase in white-label operations revenues.

Sport revenues increased in 2016 by 2% on a constant currency basis after excluding acquisitions, decreasing on a reported basis by 4% to €30.9 million. The decrease on a reported basis, as previously indicated, is mainly due to the loss of three Mobenga contracts with UK licensees. When excluding the aforementioned licensees, Sports grew by 53%, on a reported basis, mainly from growth in Ladbrokes and Caliente.

Land-based revenues increased by 9% at constant currency, after excluding the acquisitions of BGT and ECM and by 92% on a reported basis. The underlying growth driven mainly by growth from IGS and a one-off sale income from Elite gaming, which should start producing recurring revenues at the end of Q3 2017.

Bingo revenues decreased by 1% on a constant currency basis and reported Bingo revenues decreased by 13%. Bingo remains a gateway to maximise value by attracting players and then cross-sell them to Casino and other product verticals. Bonusing schemes by operators were the main reasons for the decrease, while KPIs, such as active players per week, bets per week and gross gaming win per week, at an all-time high. If Bingo casino side games are added to the revenues reported in the Bingo line item, the total revenues would be €28.9 million. During the year, key contracts were renewed, such as Paddy Power Betfair, William Hill and others, securing Playtech's strong position in this important vertical.

Adjusted EBITDA and Adjusted EBITDA margin

	2016 €'000	2015 €'000
EBITDA	291,852	234,011
Employee stock option expenses	6,940	4,904
Professional expenses on acquisitions	3,441	6,181
Irrecoverable deposit and professional fees on abandoned acquisitions	–	6,792
Adjusted EBITDA	302,233	251,888
Adjusted EBITDA margin	42.7%	40.0%
Adjusted EBITDA on a constant currency basis	331,586	251,888
Adjusted EBITDA margin on a constant currency basis	44.0%	40.0%
EBITDA related to acquisitions at constant currency	(29,774)	(16,774)
Underlying adjusted EBITDA	301,812	235,114
Underlying adjusted EBITDA margin	47.1%	41.4%

Poker reported revenues have decreased by 19% compared to 2015, as the entire market continues to be challenging. Poker is still an important vertical in the operators' offering and Playtech remains dedicated to the product.

Other revenues grew by 81% mainly due to Casual games revenues which enjoyed a significant uplift in the second half of the year following the launch of the Narcos branded game.

Revenues in Financials division

Playtech completed the acquisition of Markets Limited on 8 May 2015 with the acquisition of CFH completing on 30 November 2016 with the respective financial performance from these companies consolidated into Group results from these dates.

2016 revenue in the Financials division was €65.6 million, up 9% versus 2015. CFH contributed €1.8 million to 2016 revenues from completion.

As presented in the 2015 final results and 2016 interim results, since Playtech entered into the financial vertical, the regulatory backdrop under which it operates has become increasingly developed, with tighter restrictions and controls imposed on brokers across all aspects of the business.

The first half results reflected the full impact of the business transition and improvements made due to the regulatory changes, including the cessation of relationships with Introducing Brokers; moving away from binary options; fundamental changes in onboarding processes; financial promotions as well as the transition made from a salesperson based approach to automated funnels for customer acquisition and retention initiatives.

Following these changes, the second half of 2016 saw a material improvement in performance with encouraging KPIs. Total active CFD customers were up 10% in H2 2016 with total first time CFD depositors up 37%. As discussed at the time of the interim results in 2016, the second half of the year also benefited from further reductions in the cost base made in June 2016 with headcount now reduced by a third since the acquisition in May 2015.

Adjusted EBITDA and Adjusted EBITDA margin

The Adjusted EBITDA margin increased significantly from 40.0% in 2015 to 42.7% in 2016 and 44.0% on a constant currency basis. When excluding the effect of acquisitions, the margin increased to 47.1%. This improved margin is a result of tight cost control to create sustainable efficiencies across all areas of the business as well as improved commercial terms in Asia, which increased revenues with no material additional cost.

Adjusted EBITDA for the Financials division was €15.4 million, against an Adjusted EBITDA of €15.9 million in 2015. The reduction in EBITDA compared to the prior period was a direct result of the reduced revenue arising from lower volatility in 2016 when compared to 2015, together with the consequences of the business enhancements in building a solid foundation for future growth.

It is worth noting that Adjusted EBITDA margin will become a less relevant metric for the Group over time as due to the greater contribution from lower margin areas of the business such as white-label, the Financials division and casual.

Cost of operations

Adjusted operating expenses increased by 7%, from €378.2 million to €406.3 million in 2016 and by 12% on a constant currency basis.

Revenue-driven costs comprise mainly of white-label related costs, such as brand fees gaming taxes, processing fees and others, fees paid to sales agents and licence fees paid to third parties, including games developers, IP owners and branded content, which are typically calculated as a share of the licensee revenues generated. Revenue-driven costs as a proportion of total revenue increased from 6% in 2015 to 7% in 2016, mainly due to additional cost related to Sun Bingo.

Cost of operations

	2016 €'000		2015 €'000	
Adjusted operating expenses	406,325		378,198	
Less revenue-driven costs	52,004		36,026	
Adjusted operating expenses excluding revenue-driven costs	354,321		342,172	
Employee-related costs	190,023	53%	181,711	53%
Cost of service	51,076	14%	48,242	14%
Operational marketing costs	41,366	12%	45,773	13%
Admin and office costs	34,320	10%	28,702	9%
Other costs	24,473	7%	26,129	8%
Travel, exhibition and marketing costs	13,063	4%	11,615	3%
Adjusted operating expenses excluding revenue-driven costs	354,321		342,172	

Financial review continued

Adjusted profit and Adjusted EPS

	2016 €'000	2015 €'000
Profit attributable to owners of the parent	193,030	135,810
Amortisation on acquisitions	44,318	41,751
Impairment of intangible assets	12,335	–
Non-cash accrued bond interest	9,802	9,388
Employee stock option expenses	6,940	4,904
Professional costs on acquisitions	3,441	6,181
Movement in deferred and contingent consideration	832	1,088
Profit on disposal of investment in associates	(64,459)	–
Irrecoverable deposit and professional fees on abandoned acquisitions	–	6,792
Adjusted profit attributable to owners of the parent	206,239	205,914
Adjusted basic EPS (in €cents)	65.7	67.5
Adjusted diluted EPS (in €cents)	59.8	61.8
Constant currency impact	72,110	(10,578)
Adjusted profit for the year attributable to owners of parent on constant currency	278,349	195,336
Adjusted net profit on constant currency related to acquisitions	(6,673)	(11,333)
Underlying adjusted profit – attributable to owners of the parent	271,676	184,003

Employee-related costs increased by 5%, and decreased by 4% after excluding acquisitions. The decrease is mainly due to the weakening of the Sterling compared to Euro and due to a cost reduction plan that was executed towards the end of the first half of 2016, which resulted in a decrease of about 500 employees when comparing the headcount at the end of 2016 to the end of 2015, excluding acquisitions made during the year. Capitalised development costs increased by 1%, to 15% of total employee related costs to €34.2 million (2015: €28.6 million), reflecting 36% and 34% out of development employee related costs in 2016 and 2015 respectively. The increase in the capitalisation rate is mainly due to the development of the CFD trading platform and the development of the Sportsbook system, including BGT, together with new games and platform capabilities.

Cost of service comprises mainly of dedicated development teams cost, charged back to licence, hosting and software license cost. During 2016 B2B marketing cost was reclassified from cost of service to operational marketing cost and the comparative numbers were adjusted accordingly. The decrease is mainly as a result of last year's expiration of a licensing agreement for certain real money and social games IP.

Admin and office costs increased by 20% and by 11% excluding acquisitions, mainly due to expansion of existing offices. As a proportion of adjusted non-revenue-related costs of operation remained broadly at the same level as in 2015.

Operational marketing costs include marketing cost for B2B and white-label activity of the Gaming division and B2C marketing costs in the Financials division. These costs were reclassified from revenue-driven costs and cost of service, including in the 2015 comparative to better reflect the operational marketing costs of the business. In 2016 there was a 10% decrease and a 26% decrease when excluding acquisitions, mainly linked to the decrease in marketing revenues.

Finance income, financial cost and tax

Foreign exchange rate losses of €44.7 million during 2016, compared to a gain of €10.6 million in 2015 is the main reason that adjusted net finance cost was €37.2 million in 2016 compared to an adjusted net finance income of €9.4 million in 2015, together with higher interest cost, due to a full term of interest on the debt facility, which were offset by dividends from the available for sale investment in Ladbrokes of €3.7 million (2015: €2.3 million) and Plus500 of €8.2 million (2015: zero).

The Company is tax registered, managed and controlled from the Isle of Man, where the corporate tax rate is set at zero. The Group's main trading subsidiaries are registered either in the Isle of Man, British Virgin Islands, Alderney, Gibraltar or Cyprus, where effective tax rates are low or set at zero. Other subsidiaries (normally related to the Group's development centres) are located in other jurisdictions and operate on a cost-plus basis, and are taxed on their residual profits. The tax charge in 2016 was €6.3 million (2015: €5.6 million).

Adjusted profit and Adjusted EPS

Adjusted profit remained at the same level as in 2015, significantly impacted by fluctuations in currency exchange rates, mainly in Sterling, resulting in unrealised exchange rate losses. On a constant currency basis, Adjusted Net Profit increased by 42% compared to 2015.

Adjusted diluted EPS was down 3%, whilst Adjusted diluted EPS on a constant currency basis was up 37%, impacted by an increase in shares from the placing in June 2015 and a decrease due to the share buyback executed in December 2016. Adjusted diluted EPS is calculated on the basis of a weighted average number of shares in issue during 2016 of 347.5 million which includes the shares underlying the convertible bond issued in November 2014. The diluted EPS and the adjusted diluted EPS amounts for 2015 was adjusted to reflect the impact of the convertible bonds.

Total amortisation and impairments in the period was €87.5 million (2015: €70.8 million), an increase generated mainly by new acquisitions and impairment of certain intangible assets of €12.3 million, the largest of these relating to the impairment of goodwill of Pokerstrategy, following a decline in the Poker market and loss of key customer. When excluded, amortisation decreased by a marginal 3%.

Cash flow

Playtech continues to be highly cash generative and once again delivered strong operating cash flows of €251.4 million.

Cash conversion

Operating cash conversion improved from 80% to 94% from Adjusted EBITDA when adjusted for jackpots, security deposits and client equity. Since the timing of cash inflows and outflows for jackpots, security deposits and client equity only affects operating cash flow for technical accounting reasons, and not EBITDA, adjusting these cash fluctuations is essential to truly reflect the quality of revenues and cash collection.

The increase in cash conversion reflects the improvement in the Gaming division days sales outstanding (DSO) from 48 days at the end of 2015 and 60 days at the first half of 2016 to 40 days at the end of the year. As indicated previously the higher trade receivables in prior periods were part of regular course of business, as there were no changes to customers' payment terms or revenue recognition methods.

Net cash outflows from investing activities totalled €219.7 million in the period. €240.2 million relates to consideration paid for acquisitions including BGT, Quickspin, ECM, CFH and others. Cash outflows from financing activities included €96.1 million of annual and interim dividend payments, €149.6 million of special dividend payment and a €49.8 million share buyback programme.

Balance sheet and financing

As at 31 December 2016, cash and cash equivalents amounted to €544.8 million, a decrease of €313.1 million compared to the end of 2015, following the €245.7 million paid in dividend and special dividend during the year, €49.8 million of share buy back, total acquisitions of €240.2 million and the exchange rate losses of €44.7 million. Playtech acquired Eyecon after year the end for an initial amount of £25 million.

Progressive, operators' jackpots and security deposits decreased by €16.6 million to €46.8 million and client funds and deposits increased by €62.3 million, including the client funds acquired from CFH, to €106.1 million, from the end of 2015. Cash and cash equivalents net of cash held on behalf of client funds, progressive jackpot and security deposit is €392.0 million

Total available-for-sale investments were €230.3 million, a decrease compared to the end of 2015, mainly due a depreciation in value of holdings in Plus500 and in Ladbrokes and exchange rate losses in total of €53.9 million, which was set off by additional shares in Ladbrokes, which were received on 1 November 2016, following the completion of the merger between Ladbrokes and Coral Group, in total of €44.5 million.

Contingent and deferred consideration liability increased to €209.1 million, mainly due to the redemption liabilities on Quickspin, BGT and CFH acquisitions.

Dividend

To provide greater certainty and consistency of dividend payments, the Board adopted a progressive dividend policy in 2016 which allows the Board to reflect its confidence in the growth and cash generation of the business without being tied to a firm percentage payout as one-off items can impact results, such as the impact from foreign exchange which we saw in 2016.

Playtech's intention to grow dividends from the current level in line with the underlying performance of the business on a smoothed basis and to continue to pay the dividend split approximately one-third as an interim dividend and two-thirds as a final dividend.

In October 2016 the Company paid an interim dividend of 11.0 €cents per share (2015: 9.6 €cents per share), an increase of 15%.

The Board has recommended a final dividend of 21.7 €cents per share (2015: 18.9 €cents), an increase of 15% over 2015, taking the total dividend for 2016 to 32.7 €cents per share being a total payout of €96 million, or €246 million including the €150 million special dividend paid in November and December 2016. The final dividend is subject to shareholder approval at the AGM in May 2017.

For those shareholders wishing to receive their dividends in Sterling the last date for currency elections is 12 May 2017.

Timetable

Ex-dividend date:	4 May 2017
Record date for dividend:	5 May 2017
Currency election date:	12 May 2017
Payment date:	2 June 2017

Andrew Smith
Chief Financial Officer

22 February 2017

Risks and uncertainties

Minimising our risk

The risks outlined below are those principal risks and uncertainties that are material to the Group. They do not include all the risks associated with Group activities and are not set out in any order of priority.

How these risks are identified is described in the Corporate Governance section on pages 63 and 64. Achieving Playtech's strategic objectives while minimising the key risks the business faces will deliver sustainable and long-term growth.

Change in risk key

↑ Up → No change ↓ Down NEW New risk

Gaming division

Financials division

Risks relating to both the Gaming and Financials divisions

Risk	Likelihood/impact and change from prior year	Mitigation	Category
Regulation – licensing requirements			
The Group holds a number of licences for its activities from regulators. Loss of all or any of these licences may adversely impact on the revenues and/or reputation of the Group.	Likelihood: Low Impact: High →	Playtech has a fully resourced compliance team, which constantly monitors Group activities and ensures they are compliant with regulatory and licensing requirements.	Regulatory
Regulation – local requirements			
New licensing regimes may impose conditions. For example, introduction of a requirement to locate significant technical infrastructure within the relevant territory or to establish and maintain real-time data interfaces with the regulator. Such conditions present operational challenges and may prohibit the ability of licensees to offer the full range of the Group's products.	Likelihood: Low Impact: Medium →	Playtech works closely with regulators to ensure regulators understand the impact of technical changes and specific local requirements.	Regulatory
Taxation			
Given the environment in which the Group operates, the business is exposed to continuously evolving rules and practices governing the taxation of e-commerce activity in various jurisdictions. Adverse changes to tax rules and changes may increase the Group's underlying effective tax rate and reduce profits available for distribution.	Likelihood: Low Impact: Medium →	Management remains fully informed of developments in domestic and international tax laws within jurisdictions where the Group has a local presence, whether the presence is driven by assets and/or people. In conjunction with consultation with the Group's professional advisers, management seeks to ensure that evolving tax rules and practices are carefully considered in advance of actual enactment and implementation of changing laws and practices which, together with ensuring that appropriate discipline is strictly adhered to, minimises the risk that potentially adverse consequences will significantly impact the Group's underlying effective tax rate.	Regulatory

Economic environment			
A downturn in consumer discretionary spend or macro-economic factors outside of Playtech's control could result in reduced spend by consumers on gambling and financial trading and the Group's revenues would fall.	Likelihood: Low Impact: Medium →	Playtech's customers and licensees are geographically diverse, which should mitigate reliance on any particular region. Management closely monitors business performance and, if a downturn were to occur, remedial action commensurate with the nature and scale of the slowdown could be taken.	Economic environment
Cash management – acquisitions			
Playtech have significant cash balances, which may be used to acquire other businesses. Such acquisitions may not deliver the expected synergies and/or benefits and may destroy shareholder value.	Likelihood: Low Impact: Medium →	The Company has made a number of very successful, value creating acquisitions and has an established process in place and experienced staff to conduct thorough due diligence before completing any transaction.	Business operations
Cash management – cash balances			
Foreign exchange volatility could impact the Group's financial position.	Likelihood: High Impact: Medium ↑	The Group holds currency in various denominations and our operations are geographically diverse. The Group finance team continually review cash balances to ensure that this risk is mitigated effectively.	Economic environment
Key employees			
The Group's future success depends in large part on the continued service of a broad leadership team including Executive Directors, senior managers and key personnel. The development and retention of these employees along with the attraction and integration of new talent cannot be guaranteed.	Likelihood: Medium Impact: Medium →	The Group provides a stimulating professional environment and has a comprehensive performance evaluation system to identify key talent and to ensure that key personnel are appropriately rewarded and incentivised through a mixture of salary,v annual bonus and long-term incentives linked to the attainment of business objectives and revenue growth.	Business operations
IT security			
The risk of impairment to our operations for example through cyber and distributed denial of service (DDoS) attacks, technology failure or terrorist attack continues to be one that the Group considers to be significant. System failure could significantly affect the services offered to our licensees.	Likelihood: Medium Impact: High →	The Group adopts industry standard protections to detect any intrusion or other security breaches, together with preventative measures safeguarding against sabotage, hacking, viruses and cybercrime. The Group works continuously to improve the robustness and security of the Group's information technology systems.	Business operations

Risks and uncertainties continued

Risk	Likelihood/impact and change from prior year	Mitigation	Category
Market exposure			
The fair value of financial assets and financial liabilities could adversely fluctuate due to movements in market prices of foreign exchange rates, commodity prices, equity and index prices.	Likelihood: Medium Impact: Medium →	Market exposure is monitored 24 hours a day on a real-time basis, using our proprietary automated reporting systems to measure client exposure on all open positions. Where exposure levels and client behaviour reaches certain levels, whether in total or on specific instruments, our risk management policy requires that mitigating actions, such as reducing exposure through hedging or liquidity arrangements, are considered.	Economic environment
Regulatory – capital adequacy			
The requirement to maintain adequate regulatory capital may affect the Group's ability to conduct its business and may reduce profitability.	Likelihood: Low Impact: Medium →	Our proprietary automated reporting system is used to monitor capital adequacy 24 hours a day on a real-time basis. This is considered within pre-determined limits, set by the risk management committee, which include an approved level of 'buffer' to ensure that levels determined by our regulators are not breached. Where the capital adequacy levels approach the pre-determined limits, necessary steps are taken to ensure that exposures are managed so as to not fall foul of regulatory requirements.	Regulatory
Trading volume			
Low volatility within foreign exchange rates, commodity prices, equity and index prices may reduce profitability.	Likelihood: Low Impact: Medium ↓	Trading volumes are monitored in real-time and the number of instruments available for clients to trade continues to increase in order to ensure that potential for market volatility is captured within our offering. Where markets become volatile within specific instruments, our technology allows for specific and tailored material to be released which highlights such instances to attract trading volume.	Economic environment
Regulatory – data protection			
The requirements of the new EU General Data Protection Regulations (GDPR) will come into force in May 2018. This places onerous responsibilities on data controllers and processors who have users in the EU regardless of where the data is held or processed.	Likelihood: High Impact: Medium NEW	In 2016, the Group appointed a new Data Protection Officer (DPO) who works closely with the Chief Security Office (CSO) and Risk Committee to continuously strengthen our defences against cybercrime and comply with future regulatory changes, including the EU General Data Protection Regulation. We continue to invest in the security of our systems and processes to meet the needs of our business customers. A continual assessment of information security risks has resulted in the implementation of multiple layers of assurance and audit activities leading to an enhancement of our security controls and our ability to reduce the likelihood of unauthorised access and to reduce the impact of any successful attack.	Regulatory

Regulatory – preventing financial crime			
New regulations requiring companies to take action in preventing financial crime are being developed. These include a new Anti-Money Laundering (AML) directive coming into force on 26 June 2017 and calls for improved Anti-Bribery and Corruption (ABC) regulations.	Likelihood: High Impact: Low NEW	The Board and Risk Committee have oversight of AML and ABC risk. The compliance and regulatory affairs team have day to day oversight of AML and ABC policy and implementation. Training is provided to all levels of employee throughout the year. The Group regularly reviews and refreshes its strategic and operational policies and procedures to take into account changes in regulatory and policy landscape, best practices, business changes and changes in risk appetite. The Group also participates in an industry wide initiative to combat money laundering, Gambling Anti-Money Laundering Group. The Group takes a zero tolerance approach to bribery and corruption. Policies and operational procedures will be refreshed in 2017 to ensure alignment with evolving regulatory frameworks.	Regulatory
Regulatory – responsible gambling			
Responsible gambling is a material concern to society as well as a regulatory priority. Licensing requirements are regularly updated to ensure that companies in the sector provide a safe environment for consumers. Recent trends have seen an additional regulatory focus on treating customers fairly and conducting marketing and advertising in a responsible manner.	Likelihood: Medium Impact: Medium NEW	The Group provide a wide range of tools to help its licensees protect players and enable responsible gambling control. The effectiveness of these tools are monitored and use of data analytics to enhance player protection in both B2C and B2B markets is being explored. New policies and guidance in B2C operations for responsible advertising and marketing have been developed and supported by training delivered by legal and compliance teams. Promotions and advertisements are also reviewed by our legal and compliance teams to ensure they adhere to regulatory requirements.	Regulatory
Intellectual property rights			
The Group's primary commercial activity is as a licensor of gambling software. The Group predominantly owns the intellectual property (IP) rights in that gambling software, including the IMS which is key to maintaining our competitive advantage. Any claim that the Group doesn't own its IP (by a licensee or a third party), or any copying of the Group's IP by a third party, could have a significant effect on revenues. In addition, the Group licenses intellectual property from third parties, including creation of very successful branded games. Any loss of such IP rights could lead to a decline in casino revenues.	Likelihood: Low Impact: Medium NEW	The Group puts into place contractual clauses with its licensees and suppliers to protect its intellectual property.	Business and legal
Business continuity planning			
Loss of revenue, reputational damage or breach of regulatory requirements may occur as a result of a business or location disruptive event.	Likelihood: Medium Impact: Medium ↓	A dedicated business continuity specialist was hired in October 2016 to increase the focus on ensuring all business continuity plans are up to date and complete. Completed plans will also be tested to ensure effectiveness and training will be provided to key staff members.	Business operations

Regulation and responsible business

Promoting integrity

Playtech is committed to designing, developing and providing the world's best and most responsible gambling and financial trading technology. As a rapidly growing, global FTSE 250 Company, we recognise that taking into account the needs of all of our stakeholders is critical to creating long-term value and maintaining our position as a leader in regulated markets.

I am very excited about the future of our industry and the growth of Playtech. Our continued commercial success should not only be about growing our business, but also about the way we do business.

Mor Weizer
Chief Executive Officer

Introduction

In 2016, the industry continued to face an increase in stakeholder interest on the important social challenges confronting it, including responsible gambling and advertising, treating customers fairly, data protection and anti-money laundering (AML). Playtech is committed to constructive engagement with policymakers, regulators and other stakeholders in order to strengthen policy and regulatory frameworks on these topics.

Governance and engagement

The Group's Risk Committee is responsible for overseeing responsible business and ethics commitments and performance. More information about the Risk Committee is available in the Governance section of this report on page 63.

In 2016, Playtech enhanced its oversight of these matters by appointing Claire Milne as the lead Board member responsible for anti-bribery, anti-money laundering, ethics and social responsibility. Claire works with the Chair of the Risk Committee to ensure these matters are adequately represented at Board level.

The Regulatory Affairs and Compliance function executes the day-to-day strategy on ethics, social responsibility, compliance and regulatory issues. In 2016, the team expanded and strengthened its capacity with five new hires. The team works with the functional and divisional leadership to ensure that these issues are embedded in processes and operations across Playtech.

Externally, Playtech engaged with gambling industry peers, regulators and stakeholders throughout 2016, both through one-on-one engagement as well as through industry associations and initiatives. We are active participants in, and supporters of, the Remote Gambling Association (RGA), International Masters of Gaming Law (IMGL), International Association of Gaming Regulators (IAGR), International Association of Gaming Advisors (IAGA), the UK National Online Self-Exclusion Scheme (NOSES), the Gambling Anti-Money Laundering Group (GAMLG) and the Institute for Business Ethics.

Enabling responsible gambling

Online gambling continues to grow as a popular source of entertainment. Playtech recognises that many individuals and organisations have concerns about the role and impact of online gambling in society. Playtech shares these concerns and is committed to strengthening its approach to responsible gambling. We are committed to engaging with governments and society to ensure that our operations, products and services are contributing positively to enabling end users to play safely and responsibly. In doing so, we strive to conduct business and create products that:

- Prevent gambling from being a source of crime or being used to support crime;
- Ensure that gambling is conducted in a fair and open way; and
- Protect under 18s and other vulnerable persons from being harmed or exploited by gambling.

Our approach is supported by our policies and procedures related to responsible gambling and responsible advertising as well as training for relevant staff. As expectations and regulations evolve, Playtech will ensure that its approach to responsible gambling is aligned to reflect these changes. This is an evergreen process and strengthening our approach to responsible gambling in both our B2B and B2C operations is a key priority.

Our approach in B2B operations

Playtech's Information Management Solution (IMS) provides licensees with the latest responsible gambling tools. The IMS includes controls and can be configured to ensure fair play through fraud-detection services and to facilitate responsible gambling tools for players, including:

- Deposit and bet limits;
- Reality checks;
- Session time limits; and
- Self-exclusion tools.

As part of our B2B operations, Playtech also runs a poker network. Within this network, Playtech employs its analytical skills to proactively identify 'at-risk' play and unusual betting patterns that could indicate a responsible gambling and/or anti-money laundering issue. Once the team identifies potential issues, it escalates these issues to licensees to take action. In 2016, escalations to licensees regarding collusion represented 0.59% of total unique accounts on the network. Escalations to licensees regarding anti-money laundering concerns represented 0.06% of total unique accounts on the network. In 2016, a pilot to identify and escalate patterns of play that indicate problem gambling was implemented and data will be available in 2017.

In 2017, Playtech will continue to explore how to help licensees more effectively identify and engage with 'at-risk' players as well as developing enhanced tools to combat fraud and manage risk in licensees' operations.

Our approach in B2C operations

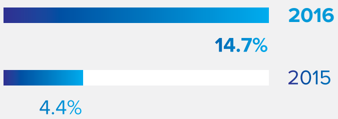
Playtech uses a suite of responsible gambling tools within its B2C operations. These include reality checks, time-outs and deposit limits, and we report player data in accordance with local regulations wherever we operate. During 2016, Playtech introduced enhanced processes to improve detection of harmful play and strengthen early intervention with players. Playtech recognises that our processes can be further improved and potentially automated. We are exploring the use of data analytics to identify and engage with 'at-risk' players to this effect.

Regulation and responsible business continued

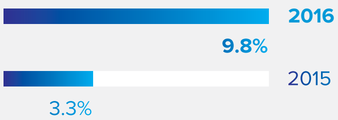
In 2016, there was a significant increase in the uptake of responsible gambling tools, including self-exclusion.

Use of responsible gambling tools – B2C

Proportion of customers self-excluding*



Proportion of customers using RG tools**



* Number of self-exclusions as a percentage of total unique customers within Playtech's B2C operations in the UK.
** RG tools comprise reality checks, time-outs and deposit limits.

Partnership and collaboration

We believe that no one company alone can tackle the root causes and impacts of problem gambling in society. This is why we collaborate, support and partner with many organisations whose aim is to support responsible gambling, including:

- Participating in and shaping the development of the National Online Self-Exclusion System in the UK;
- Collaborating with GamCare to support efforts to continuously improve operational responsible gambling activity; and
- Sponsoring 2016 GambleAware's annual Harm Minimisation Conference as well as providing financial support for their activities and research.

Minimising integrity risk

Playtech takes a zero tolerance approach to bribery, corruption and money laundering. During 2016, Playtech continued to strengthen its policies and procedures on anti-bribery and corruption and anti-money laundering and deployed additional training for its staff through a mix of face to face and virtual learning modules.

Playtech also refreshed its anti-money laundering policy and operational procedures, including its know your customer (KYC) procedures. Furthermore, the Group joined the Gambling Anti-Money Laundering Group, an industry wide initiative to combat money laundering in the gambling sector.

In addition, the Compliance function added resources dedicated to compliance on these topics and the Financials division introduced a new code of conduct and new controls with regards to anti-bribery and corruption.

In 2017 Playtech will continue to enhance and strengthen the quality of AML and ABC training provided to all colleagues. We will also review and update our policies and procedures in light of the 4th Anti-Money Laundering Directive (AMLD), strengthen risk assessment models and reflect changes in licensing and regulatory requirements.

Safeguarding data

We recognise that the trust of our licensees, customers and employees is dependent upon our ability to safeguard data. In 2016, Playtech appointed a new Data Protection Officer (DPO) who will work closely with the Chief Security Officer (CSO) and Risk Committee to strengthen our defences against cybercrime and comply with future regulatory changes, including the EU General Data Protection Regulation. We continue to invest in the security of our systems and processes to meet the needs of our business customers. A continual assessment of information security risks has resulted in the implementation of multiple layers of assurance and audit activities, leading to an enhancement of our security controls. As a result, the likelihood of unauthorised access and the impact of any successful attack have both been reduced.

Contributing to the local economy

Playtech employs over 5,000 people in 17 countries; one of the key ways that Playtech creates economic value in its markets of operation is through local tax payments and employment of individuals. The Group is committed to meeting its legal and ethical obligations to pay tax while also fulfilling its commitment to shareholders to maximise value through tax efficient management. Playtech recognises that tax affairs – including fairness and transparency – are topics of significant interest to governments and society. Furthermore, tax policy and regulatory requirements for companies – particularly in the e-commerce arena – are developing and changing. As a result, Playtech is committed to managing its approach in the ever-evolving e-commerce environment in order to ensure it aligns with the changing nature of tax regimes in the regions and markets of operation.

Tax governance and responsibilities

The tax strategy of the Playtech Group is governed by the Board of Directors and monitored by the Audit Committee. The Audit Committee reviews the tax strategy annually as part of its considerations in connection with the audited financial statements.

The Chief Financial Officer (CFO) is responsible for developing and managing the Group's tax strategy. The CFO is supported by the Treasury, Finance and Accounting functions; comprising qualified accountants in multiple jurisdictions. The CFO and Treasury function are also assisted by external advisers on a country-by-country basis. The Group's external tax advisers are selected based upon their reputation, knowledge and expertise in local markets, together with their expertise in the gambling sector.

The CFO and the Finance function constructively engage with tax authorities in the markets where the Group operates.

Approach to tax

The Playtech Group's tax policy is based upon the following principles:

- We manage our tax affairs in line with the Group's governance framework and tax strategy;
- We act responsibly with respect to our tax obligations;
- We comply with tax requirements and disclosure obligations in accordance with local applicable regulations;
- We strive to manage an efficient tax environment that is informed by:
  - The numerous jurisdictions where we operate; and
  - The Group's employee footprint, which is based on local expertise and talent pools in those markets;
- We conduct intra-group transactions (transfer pricing) on an independent, arm's length basis; and
- We engage constructively with local tax authorities.

As a global company, Playtech operates in many markets. Playtech selects the location of its operations based on commercial and operational factors, that extend well beyond tax, including: a widely available pool of technical talent, the linguistic capabilities in these jurisdictions, the location of our licensees, labour and operational cost factors.

The Playtech Group is headquartered in the Isle of Man, where it is centrally managed and controlled. This location was chosen as a jurisdiction in which to develop the head office function due to shareholders benefitting from an Isle of Man company falling under the remit of the City Code on Takeovers and Mergers.

Playtech has offices in 17 countries with the majority of its development and technical operations in the Ukraine, Estonia, Latvia and Bulgaria. These locations are well known for being among the best technology hubs with a large population of well educated, technical experts. Our presence in some markets, such as Austria and Australia, is a result of acquisitions. In each of these locations, our payments to government include corporate tax, local employment tax, sales tax, property tax, licensing fees, duties and taxes.

The corporate tax charge for the year was €6.3 million (2015: €5.6 million), and our effective tax rate was 3% (2015: 4%). In addition to the corporate tax, the tax charge for gaming taxes on the Group's white-label operations is €6.6 million. Please refer to page 123, Note 8 for additional information.

Our people

With more than 5,000 people in 17 different countries, we rely on diverse backgrounds, cultures and nationalities to remain successful and serve a wide range of international operators. We embrace different cultures, genders, ethnicities, social backgrounds and beliefs in the workplace. In 2017, Playtech will review its approach to diversity and inclusion with a focus on increasing female representation at senior levels within the organisation. Playtech is also committed to upholding the principles embodied in the Universal Declaration of Human Rights and the International Labour Organization's Declaration on Fundamental Principles and Rights at work. In 2016, Playtech codified its commitment to human rights and combatting modern slavery and will continue to review its risks associated with these issues. We will also update our statement on combatting modern slavery and take actions to further embed human rights policies into our procurement and HR processes in 2017.

Gender diversity (on 31 December 2016)

Employees

Men **3,039/60.2%**

Women **2,007/39.8%**

Senior managers

Men **88.5%**

Women **11.5%**

Directors

Men **85.7%**

Women **14.3%**

Managing our environmental footprint

As a predominantly online gaming software supplier, our environmental footprint is limited compared to that of our peers with industrial operations. Our biggest environmental impacts are caused by the energy we consume in our offices and datacentres. Our energy usage creates greenhouse gas (GHG) emissions which in turn contribute to climate change. We recognise that climate change is one of the biggest challenges facing society, and we are committed to reducing our carbon footprint by being as efficient as we can.

In 2017, we will review opportunities to reduce our carbon footprint, identifying energy hotspots within our business. As we are growing fast and through acquisitions, our carbon reduction ambitions are likely to be relative rather than absolute. We will continue to strengthen our reporting systems, data quality and approach to data collection and analysis.

Greenhouse gas emissions

	2016
Energy consumption*	**13,213,044 kWh**
Scope 1 GHG emissions (gas)**	**342 tonnes CO_2e**
Scope 2 GHG emissions (electricity)***	**7,025 tonnes CO_2e**
Total GHG emissions scope 1 and scope 2	**7,367 tonnes CO_2e**
CO_2e intensity	**1.46 tonnes CO_2e/employee**

* Absolute data is an estimate based on 91% actual data coverage by headcount.

** Using the Department for Environment, Food & Rural Affairs (DEFRA) 2016 gas conversion factor (CO_2e).

*** Using the DEFRA 2016 electricity conversion factor (CO_2e) for all UK locations and the latest International Energy Agency (IEA) conversion factors for all non-UK sites (CO_2).

Regulation and responsible business continued

Contributing to our local communities

We encourage our employees to play an active role in their communities. Many contribute time, skills, in-kind and volunteering services and financial support to charitable organisations and causes. The following are just a few stories about how employees are making a difference in their communities.

Inspiring the next generation of female IT professionals in Estonia – Playtech's founding country

Playtech Estonia has a mission to share knowledge, skills and expertise to encourage and equip more women to enter the technology industry. In 2016 the team in Estonia engaged in a variety of activities and events, including graduate technology conferences, mentoring and hosting panels & discussions to encourage more women and girls to enter the IT sector. In November 2016, Playtech Estonia sponsored the 'Tech Sisters' community which organises a series of hands-on technology-focused workshops and regular networking events. These are available to anyone of any level of IT expertise and experience, and focus on bringing more diversity into the field of IT or, in the words of one of our Estonian colleagues, "to encourage women and girls of all ages to take a leap into this wonderful world". The team will continue to inspire and encourage, nurture and grow new female talent – not just in Playtech but across the country.

Using skills based volunteering to game for good

For the last four years, Daniel Fairs, a Playtech games artist, has volunteered his gaming skills to raise funds for the charity 'SpecialEffect'. SpecialEffect designs and produces games and games equipment for people who previously were unable to play due to their disabilities or special needs. A large portion of the money raised has gone to designing custom software and hardware for specific needs such as developing a one-button control system for severely restricted wheelchair users, a one-handed control for amputee war veterans and eye recognition software for sufferers of locked-in syndrome in order for them to play games using their eyes.

From my first Commodore 64 to a Sega Mega Drive and then an Xbox to a more sophisticated PC, games have been such an important part of my life that if I can help someone with a disability who can't play then I'm always happy to give up some of my spare time to do that.

SpecialEffect

Partnering with GamCare to support the UK's first youth-targeted initiative on problem gambling

Since 2013, Playtech has supported GamCare's Youth Outreach Programme. The long-term aim of the programme is to bring about a reduction in gambling-related harm in young people.

The programme pilot included delivering awareness workshops to young people in schools, colleges and Pupil Referral Units across Bristol and the South West of the UK, as well as one-to-one screening and outreach services to those affected by their own or someone else's gambling. 113 children and young people were screened during the pilot, and a total of 53 young people received tailored help and support as a result of this. This was the first youth-targeted initiative around problem gambling in the UK.

Frontline professionals were also trained to deliver workshops, as well as how to identify warning signs of problematic gambling and how to intervene sensitively. This laid the foundation for the next phase of work, to develop further 'youth hubs' in the North West (Liverpool and Manchester), Birmingham and London. This includes developing materials to deliver sessions to young people and youth professionals, as well as upskilling counsellors to treat young people should they need one-to-one help and support.

Playtech's support was instrumental in helping GamCare extend its pilot work in Bristol and the South West, which ultimately supported 3,000 young people and a further 150 frontline professionals. The extension to a third year helped GamCare reach over 1,000 additional young people and train 50 additional professionals directly.

3,000
Young people supported by the programme

150
Frontline professionals who work with vulnerable young people have been supported by the programme

Feedback during the pilot phase from young people and professionals

This has helped me understand gambling better and it will help me in the future.

Most helpful to learn what practical abilities to take away and use with young people and also identifying signs of a problem gambler.

YoYo Games & Humble Bundle: partnering to deliver social and commercial value

YoYo Games partnered with Humble Bundle to use specialist gaming knowledge and experience to provide consumers with affordable downloadable content whilst also raising over half a million pounds towards worthy causes. Humble Bundle bundles games and books as part of a cheaper time-set 'bundle' and at a price determined by the purchaser, with a proportion of the cost going to humanitarian causes. The money raised through this partnership has been allocated to the humanitarian-aid organisation, Médecins Sans Frontières/Doctors Without Borders (MSF) as well as other charities.

GOVERNANCE

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1

Alan Jackson

Non-executive Chairman

Appointment to the Board:
Alan was appointed to the Board in 2006 on the Company's flotation on the Alternative Investment Market and became Chairman in October 2013.

Career:
Alan has over 40 years' experience in the leisure industry. From 1973 to 1991, he occupied a number of positions at Whitbread, both in the UK and internationally, principally as Managing Director of Beefeater Steak Houses and also the Whitbread restaurant division where he was responsible for the creation and development of the Beefeater, Travel Inn and TGI Friday brands and was responsible for Whitbread's international restaurant development. In 1991, he founded Inn Business Group plc, which was acquired by Punch Taverns plc in 1999. He was Chairman of The Restaurant Group plc from 2001 until he retired from this position in 2016. He stepped down from his role as Deputy Chairman and Senior Non-executive Director at Redrow plc in September 2014.

Skills, competences and experience:
Having held several Board positions in both an executive and non-executive capacity in a variety of listed companies in the UK, he brings substantial experience of working in public and private companies, along with strategic and leadership experience.

Board Committees:
He is Chairman of the Nominations Committee and a member of the Remuneration and Risk & Compliance Committees.

2

Mor Weizer

Chief Executive Officer

Appointment to the Board:
Mor was appointed as Playtech's Chief Executive Officer in May 2007.

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

Skills, competences and experience:
Mor is a qualified accountant and brings considerable international sales and management experience in a hi-tech environment and extensive knowledge of the online gambling industry. Until June 2013 he was a Non-executive Director of Sportech PLC as the Company's representative, and resigned when Playtech disposed of its shareholding.

Board Committees:
He chairs the Management Committee and attends the Remuneration, Risk & Compliance and Nominations Committees at the invitation of the Chairs of those Committees.

3

Andrew Smith

Chief Financial Officer

Appointment to the Board:
Andrew was appointed as Playtech's Chief Financial Officer on 10 January 2017, having joined the Group in 2015.

Career:
Having qualified as a solicitor with Ashurst in 2001, Andrew moved into investment banking, first with ABN AMRO and then with Deutsche Bank, specialising in both the Technology and Leisure sectors. Andrew joined Playtech in 2015 as Head of Investor Relations.

Skills, competences and experience:
Andrew brings a wealth of financial, capital markets and M&A experience to the Board and has been integral to Playtech's operational and strategic progress since joining the business.

Board Committees:
Andrew sits on the Management Committee and attends meetings of the Audit Committee and the Risk & Compliance Committee at the invitation of the Chairs of those Committees.

4

Andrew Thomas
Senior Non-executive Director

Appointment to the Board:
Andrew was appointed to the Board in June 2012, shortly before the Company's admission to the Main Market.

Career:
Andrew has enjoyed a career as an accountant and businessman, much of which has been within the leisure industry. Andrew is currently Chairman of Randalls Limited, a family-owned pub company in Jersey, where he lives. Andrew previously served as Chairman of The Greenalls Group plc and as a Non-executive Director of a number of private and public companies. He is the founding partner of the Cheshire-based accounting firm, Moors Andrew Thomas & Co. LLP. Andrew is a member of the Institute of Chartered Accountants in England & Wales and a member of the Institute of Taxation.

Skills, competences and experience:
Andrew combines many years' detailed experience of advising on taxation matters, with financial expertise both as a Chartered Accountant and sitting as a Non-executive Director of a number of publicly listed companies.

Board Committees:
Andrew chairs the Audit Committee, which oversees the work of the internal auditors and sits on the Remuneration, Nomination and Risk & Compliance Committees. He is also the Senior Independent Non-executive Director.

5

Paul Hewitt
Non-executive Director

Appointment to the Board:
Paul was appointed to the Board in August 2015.

Career:
Paul is a qualified accountant, and his recent executive responsibilities included being the Deputy Group Chief Executive and Chief Financial Officer of the Co-Operative Group from 2003 to 2007; and Finance and IT Director of the RAC plc from 1999 to 2003. Since starting to build a portfolio of non-executive roles in 2007, Paul has helped many management teams adapt their business models to respond to, and anticipate, changes in their regulatory environments, including as Non-executive Director and Chairman of the Audit Committee of Tesco Bank from 2012 to 2014.

Skills, competences and experience:
Paul brings a wealth of experience across a variety of sectors, including in the financial services industry.

Board Committees:
Paul is Chair of the Risk & Compliance Committee and sits on the Audit Committee, Remuneration Committee and Nominations Committee.

6

John Jackson
Non-executive Director

Appointment to the Board:
John was appointed to the Board in January 2016.

Career:
John is a qualified accountant and his previous roles include Group Chief Executive of Jamie Oliver Holdings Limited from 2007 to 2015 and Group Retail and Leisure Director of Virgin Group Limited from 1998 to 2007. He is currently Non-executive Chairman of Rick Stein Group, a senior independent director of Game Digital plc; and a Non-executive Director of Wilkinson's Hardware Stores Limited.

Skills, competences and experience:
John brings a wealth of consumer industry experience combined with a strong accountancy and finance background.

Board Committees:
John is Chair of the Remuneration Committee and sits on the Audit Committee, Risk & Compliance Committee and Nominations Committee.

7

Claire Milne
Non-executive Director

Appointment to the Board:
Claire was appointed to the Board in July 2016.

Career:
Claire has a master's degree from The Johns Hopkins University, Baltimore, is a member of The Law Society of Scotland, a Manx Advocate and a Writer to Her Majesty's Signet. She is a member of the Institute of Directors, the Licensing Executive Society and the Society for Computers and the Law, a General Member of the International Masters of Gaming Law and was Chair of the Isle of Man Gambling Supervision Commission from 2007-2012. She is currently a Partner and Team Leader within the Intellectual Property and Science & Technology teams for Appleby in the Isle of Man.

Skills, competences and experience:
Claire is a recognised industry expert in eGaming and technology law and regulation, with over 20 years' experience advising gaming and financial services clients as an in-house and private practice lawyer.

Board Committees:
Claire sits on the Remuneration Committee, Risk & Compliance Committee, Audit Committee and Nominations Committee.

Note:
Ron Hoffman served as an Executive Director and Chief Financial Officer throughout the financial year ended 31 December 2016. Ron moved from his position as an Executive Director and Chief Financial Officer in January 2017 to become full-time Chief Executive Officer of Playtech's Financials division.

Chairman's introduction to governance

The Board is committed to high standards of corporate governance.

Alan Jackson
Chairman

Dear Shareholder

I am pleased to present Playtech's Governance Reports to shareholders.

This was a busy year for the Group during which time the Board has been able to provide strategic leadership and I would like to pass on my gratitude for the enthusiasm and dedication which the Directors and senior management have demonstrated. We have, however, continued to focus on ensuring that we have an appropriate governance framework in place. The Board is committed to high standards of corporate governance which it considers to be central to the effective management of the business and to maintaining the confidence of investors.

The Board has confidence in the future of the Group and sees significant growth opportunities, and remains focused on looking for such opportunities in regulated and soon-to-be regulated markets. We continue to work closely with regulators in various markets to ensure our compliance with local laws and regulations.

The second half of the year saw the expansion of our Financials division through the acquisition of 70% of Consolidated Financial Holdings A/S. The regulatory backdrop under which our Financials division operates has become increasingly developed and, against this backdrop, we are taking a risk based approach with an ongoing review of our business model to further enhance compliance, control and oversight, setting industry-leading standards in these areas.

At the beginning of the year, we appointed two experienced Internal Auditors to report directly to the Head of Internal Audit. This was in recognition of the increasing levels of complexity in relation to internal controls and our commitment to having a dedicated in-house function. Our relationship with PricewaterhouseCoopers continues to be a co-sourced arrangement, with PwC providing support to the Internal Audit Team.

We continued to listen to and understand the views of our shareholders. In addition to the usual processes, we met with institutional shareholders, particularly around results announcements and at different investor conferences with a focus on the strategic vision of the Group and the quickly evolving developments in our industry in terms of innovation, regulation and tax.

The Board continues to strive to ensure that the Group's governance structure protects the sustainability of its businesses and the communities in which it operates, while maximising shareholder value and treating all shareholders fairly. The Board also sets the tone for the Company. The way in which it conducts itself, its attitude to ethical matters, its definitions of success and the assessment of appropriate risk, all define the atmosphere within which the executive team works.

The Board is cognisant of the need to strike a careful balance to ensure that shareholders and other stakeholders are appropriately protected by robust processes and procedures while providing an environment that fosters an entrepreneurial spirit that allows our senior management team and employees to continue to deliver the year-on-year growth that we have achieved in recent years. This balance enables us to clearly focus on the key risks facing the Group but to be flexible enough in our approach to accommodate changes resulting from developments in our strategy or changes in the regulatory environment.

We have set out in the following sections how we seek to manage the principal risks and uncertainties facing the business with further details on our governance framework, to explain how our corporate governance practices support our strategy.

The Annual General Meeting (AGM) is an important opportunity for the Board to meet with shareholders, particularly those who may not otherwise have the chance to engage with the Board and senior management. Our 2017 AGM is scheduled for 10.00 am on 17 May 2017 at The Sefton Hotel, Douglas, Isle of Man and we look forward to seeing you there.

Alan Jackson
Chairman

22 February 2017

Directors' governance report

Introduction

Responsibility for corporate governance lies with the Board, which is committed to maintaining high standards of corporate governance and is ultimately accountable to shareholders. The report which follows explains our most important governance processes and how they support the Group's business. In particular, we have applied the principles of good governance advocated by the UK Corporate Governance Code (the "Code"). The Code applied to Playtech throughout the financial year ended 31 December 2016. A copy of the Code is available at www.frc.org.uk/Our-Work/Codes-Standards/Corporate-governance/UK-Corporate-Governance-Code.aspx.

Compliance statement

We continued to make improvements during the year both to our Board structure and our governance procedures and I am delighted to be able to report that it is the view of the Board that the Company has been fully compliant with the principles of the Code during 2016 save in relation to C.3.1 of the Code.

As regards C.3.1 of the Code and, as noted in last year's report, the Board reviewed the position during the course of the year and following the appointment of John Jackson as a Non-executive Director in January 2016, the Chairman stepped down as a member of the Audit Committee in February 2016. The Committee now consists of four independent Non-executive Directors.

Claire Milne was appointed as a Non-executive Director on 8 July 2016. Claire is a recognised expert in eGaming and technology law and regulation, with 20 years' experience advising gaming and financial services clients as an in-house and private practice lawyer and was, at the time of her appointment, and continues to be, a Partner and Team Leader within the Intellectual Property and Science and Technology teams for Appleby (Isle of Man) LLC (the "Firm"). The Firm has provided, and continues to provide, regulatory and legal advice to the Company from time to time, however, given the overall size of the Firm and the relatively small scale of fees received, this relationship was not considered to impact on her independence. In addition, in order to reinforce her independence, it was agreed that following her appointment, Claire would not be involved in the provision of advice by the Firm to the Group, her remuneration from the Firm would not be linked, directly or indirectly, to the receipt of fees from the Group, and that any potential residual conflicts will be managed carefully.

The Company's auditor, BDO LLP, is required to review whether the above statement reflects the Company's compliance with the Code by the Listing Rules of the UK Listing Authority and to report if it does not reflect such compliance. No such negative report has been made.

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

Directors' governance report continued

The Board

Composition

As at 31 December 2016, the Board comprised the Non-executive Chairman, the Chief Executive Officer, the Chief Financial Officer, and four independent Non-executive Directors. The list of Directors holding office during the year to 31 December 2016 and their responsibilities are set out on pages 56 to 57.

With the exception of Claire Milne who was appointed as a Non-executive Director in July 2016, the Directors served throughout the financial year.

John Jackson was appointed as a Non-executive Director on 1 January 2016.

Ron Hoffman stepped down as an Executive Director and Chief Financial Officer on 10 January 2017.

Andrew Smith was appointed as an Executive Director and Chief Financial Officer on 10 January 2017.

Director's name	Title
Alan Jackson	Non-executive Chairman
Mor Weizer	Executive Director, Chief Executive Officer
Andrew Smith	Executive Director, Chief Financial Officer (appointed on 10 January 2017)
Andrew Thomas	Non-executive Senior Independent Director
Paul Hewitt	Non-executive Director
John Jackson	Non-executive Director (appointed on 1 January 2016)
Claire Milne	Non-executive Director (appointed on 8 July 2016)
Ron Hoffman	Executive Director, Chief Financial Officer (stepped down on 10 January 2017)

The Non-executive Directors are all considered by the Board to be independent of management and free of any relationship which could materially interfere with the exercise of their independent judgement, as explained above.

The Company Secretary acts as secretary to the Board and its Committees and his appointment and removal is a matter for the Board as a whole. The Company Secretary is a member of the Group's management team and all the Directors have access to his advice and services.

Board operation

The roles of the Chairman (Alan Jackson) and the Chief Executive Officer (Mor Weizer) are separated, clearly defined and their respective responsibilities are summarised below.

Chairman

- Overall effectiveness of the running of the Board;
- Ensuring the Board as a whole plays a full part in the development and determination of the Group's strategic objectives;
- Keeping the other Directors informed of shareholders' attitudes towards the Company;
- Safeguarding the good reputation of the Company and representing it both externally and internally;
- Acting as the guardian of the Board's decision-making processes; and
- Promoting the highest standards of integrity, probity and corporate governance throughout the Company and particularly at Board level.

Chief Executive Officer

- Executive leadership of the Company's business on a day-to-day basis;
- Developing the overall commercial objectives of the Group and proposing and developing the strategy of the Group in conjunction with the Board as a whole;
- Responsibility, together with his senior management team, for the execution of the Group's strategy and implementation of Board decisions;
- Recommendations on senior appointments and development of the management team; and
- Ensuring that the affairs of the Group are conducted with the highest standards of integrity, probity and corporate governance.

Matters considered by the Board in 2016

Month	Material matters considered
January	• Review of operations • Appointment of John Jackson as a Non-executive Director • Budget approval
February	• Review of the 2015 financial results and approval of the Annual Report and Accounts for 2015 • Consideration of a final dividend • Review of merger & acquisition opportunities
March	• Review of operations – Markets Ltd. • Review of merger & acquisition opportunities • Consideration of forthcoming regulatory changes in key markets
April	• Review of Asian markets • Review of operations • Regulatory Affairs and Compliance
May	• Three-year Strategic Plan • Prepare for AGM • Consideration of proposed acquisition of BGT • Review of Legal Report • Approval of Quickspin acquisition
June	• Review of Operations – Markets Ltd. • Acquisition of BGT • Review of Investor Relations report • Review of new Market Abuse Regulations
August	• Ratification of Clare Milne's appointment as a Non-executive Director • Review of interim results • Consideration of interim dividend • Review of Legal & Compliance
October	• Appointment of General Counsel • Consideration of proposal to acquire CFH • Review of operations
November	• Approval of CFH acquisition • Review of HR • Board evaluation
December	• Share buyback • Board evaluation

Directors' governance report continued

How the Board functions

In accordance with the Code, the Board is collectively responsible for the long-term success of the Company. The Board provides entrepreneurial leadership for the Company within a framework of prudent and effective controls that enable risk to be assessed and managed. The Board sets the Company's strategic aims, and ensures that the necessary resources are in place for the Company to meet its objectives and reviews management performance.

The Board meets regularly and frequently, with nine meetings scheduled and held in 2016. During the year, it was also necessary for the Board to hold one unscheduled Board meeting by telephone in accordance with the articles of association, in connection with the share buyback programme announced in December 2016.

During the year, the Chairman met the other Non-executive Directors in the absence of the Executive Directors to re-confirm and take account of their views. All Non-executive Directors have sufficient time to fulfil their commitments to the Company.

In addition to receiving reports from the Board's Committees, reviewing the financial and operational performance of the Group and receiving regular reports on M&A, legal, regulatory and investor relations matters at the Board meetings, the other key matters considered by the Board during 2016 are set out in the table on page 61.

Board meetings are generally held at the registered office of the Company on the Isle of Man, although during the year a meeting was held in each of Jersey and Cyprus.

Directors are provided with comprehensive background information for each meeting and all Directors were available to participate fully and on an informed basis in Board decisions. In addition, certain members of the senior management team including the Chief Operating Officer, the General Counsel, the Head of Regulatory and Compliance and the Head of Investor Relations are invited to attend the whole or parts of the meetings to deliver their reports on the business. Any specific actions arising during meetings are agreed by the Board and a comprehensive follow-up procedure ensures their completion.

Details of the attendance of the Directors at meetings of the Board and its Committees are set out in the table below.

Responsibility and delegation

The Chairman is primarily responsible for the efficient functioning of the Board. He ensures that all Directors receive sufficient relevant information on financial, business and corporate issues prior to meetings. The Chief Executive Officer's responsibilities focus on co-ordinating the Group's business and implementing Group strategy. Regular interaction between the Chairman and Chief Executive Officer between meetings ensures the Board remains fully informed of developments in the business at all times.

There remains in place a formal schedule of matters specifically reserved for Board consideration and approval, which includes the matters set out below:

- Approval of the Group's long-term objectives and commercial strategy;
- Approval of the annual operating and capital expenditure budgets and any changes to them;
- Major investments or capital projects;
- The extension of the Group's activities into any new business or geographic areas, or to cease any material operations;
- Changes in the Company's capital structure or management and control structure;

Number of meetings	Board	Audit	Remuneration	Nominations	Risk
Alan Jackson	10 of 10	1 of 4	8 of 8	2 of 2	4 of 4
Mor Weizer	10 of 10	–	–	–	–
Ron Hoffman	9 of 10	–	–	–	–
Claire Milne	4 of 10	2 of 4	4 of 8	0 of 2	2 of 4
John Jackson	10 of 10	4 of 4	8 of 8	2 of 2	4 of 4
Andrew Thomas	10 of 10	4 of 4	8 of 8	2 of 2	4 of 4
Paul Hewitt	10 of 10	4 of 4	8 of 8	2 of 2	4 of 4

- Approval of the Annual Report and Accounts, preliminary and half-yearly financial statements; interim management statements and announcements regarding dividends;
- Approval of treasury policies, including foreign currency exposures and use of financial derivatives;
- Ensuring the maintenance of a sound system of internal control and risk management;
- Entering into agreements that are not in the ordinary course of business or material strategically or by reason of their size;
- Changes to the size, composition or structure of the Board and its Committees; and
- Corporate governance matters.

In addition, the Board has adopted a formal delegation of authorities memorandum which sets out levels of authority for employees in the business.

The Board has delegated certain of its responsibilities to a number of Committees of the Board to assist in the discharge of its duties. The principal Committees currently are the Audit Committee, the Remuneration Committee, the Risk & Compliance Committee and the Nominations Committee. The minutes of each of these Committees are circulated to and reviewed by their members. The Company Secretary is secretary to each of these Committees. The terms of reference for each of the Committees are available to view on the Company's website www.playtech.com.

Audit Committee

The Audit Committee's key objectives are the provision of effective governance over the appropriateness of the Group's financial reporting, including the adequacy of related disclosures, the performance of both the internal and external audit function, and the management of the Group's systems of internal control, business risks and related compliance activities.

The Audit Committee's report is set out on pages 67 to 69 and details the Audit Committee's membership, activities during the year, significant issues that it considered in relation to the financial statements and how those issues were addressed. The report also contains an explanation of how the Committee assessed the effectiveness of the external audit process and the approach taken in relation to the appointment or reappointment of the auditors.

Remuneration Committee

The Remuneration Committee is responsible for making recommendations to the Board on remuneration policy for the Chairman, Executive Directors and senior management.

The Directors' Remuneration Report is set out on pages 70 to 85 and contains details the Remuneration Committee's membership, activities during the year and the policy on remuneration. The Chairman of the Remuneration Committee attends the Annual General Meeting to respond to any questions that shareholders might raise on the Remuneration Committee's activities.

Risk & Compliance Committee

Under the Code, the Board is responsible for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives. The Board should maintain a sound system of risk management and internal control systems (Main Principle C.2).

The Risk & Compliance Committee is chaired by Paul Hewitt. The other members of the Committee are Alan Jackson (Non-executive Chairman), Andrew Thomas (Non-executive Director), John Jackson (Non-executive Director) and Claire Milne (Non-executive Director). Ian Ince (Head of Regulatory and Compliance) and Robert Penfold (Head of Internal Audit) attend the Committee. The Company Secretary, Brian Moore, is secretary to the Committee.

In addition, PwC LLP, in their capacity as providers of co-sourced internal audit services, and members of the Group's senior management including the Chief Security Officer, the Chief Executive Officer, Chief Financial Officer and Chief Operating Officer may be invited to attend meetings to present matters or for the Committee to have the benefit of their experience.

The primary responsibilities delegated to, and discharged by, the Committee include:

- Review management's identification and mitigation of key risks to the achievement of the Company's objectives;
- Monitor incidents and remedial activity;
- Agree and monitor the risk assessment programme including, in particular, changes to the regulation of online gambling and the assessment of licensees' suitability;
- Agree on behalf of the Board and continually review a risk management strategy and relevant policies for the Group, including the employee code of conduct, anti-bribery policy, anti-money laundering policy and wider social responsibility issues;
- Satisfy itself and report to the Board that the structures, processes and responsibilities for identifying and managing risks are adequate; and
- Monitor and procure ongoing compliance with the conditions of the regulatory licences held by the Group.

Directors' governance report continued

The Risk & Compliance Committee met formally four times during the year and in addition held a number of conference calls throughout the year, and a summary of the key matters considered by the Committee during 2016 are set out below:

- Monitor the regulatory position in a number of jurisdictions including those which are of relative importance to the Group financially and those where changes may represent a risk or opportunity for the Group;
- Consider the costs and regulatory requirements for the Group to seek relevant licences in newly regulating markets;
- Applications by or on behalf of the Group for licences in existing or newly regulated markets;
- Monitor developments in relation to changes in the regulatory regime in the United Kingdom and receiving reports in relation to the likely impact on the Group and the need for entities within the Group to apply for licences;
- Consider the overall effectiveness of the compliance strategy and the regulatory risks to the Group's operations and revenues;
- Receive and consider reports on discussions with, and the results of audits by regulators;
- Monitoring compliance with regulatory licences held in all jurisdictions and adapting procedures, products and technology as appropriate;
- Review reports by PwC as external advisers on risk management; consideration of the risks identified from the Group's risk register and of the effectiveness of actions taken to mitigate such risks; and
- Consideration of the key risks associated with the Financials division.

The Committee has been kept informed of any changes to the regulatory position in any significant jurisdiction where the Group, through its licensees, and Financials division, may be exposed and updated on progress in relation to agreed action items on a regular basis. The Committee can also convene meetings on a more frequent basis or as when matters arise, if it is determined that enhanced monitoring of a specific risk is warranted.

A table setting out the principal significant risks identified by the Group (including with the oversight and input of the Risk & Compliance Committee) and the mitigating actions that have been undertaken by the Group in relation to these is set out on pages 44 to 47 of this report.

Nominations Committee

The Board is required by the Code to establish a Nominations Committee which should lead the process for Board appointments and make recommendations for appointments to the Board. A majority of members of the Nominations Committee should be independent Non-executive Directors. The Nominations Committee's key objective is to ensure that the Board comprises individuals with the necessary skills, knowledge and experience to ensure that it is effective in discharging its responsibilities.

The Nominations Committee comprises Alan Jackson (Chairman), Andrew Thomas, Paul Hewitt, John Jackson and Claire Milne.

The Nominations Committee reviews the structure, size and composition of the Board and its Committees and makes recommendations with regard to any changes considered necessary in the identification and nomination of new Directors, the reappointment of existing Directors and appointment of members to the Board's Committees. It also assesses the roles of the existing Directors in office to ensure that there continues to be a balanced Board in terms of skills, knowledge, experience and diversity. The Nominations Committee reviews the senior leadership needs of the Group to enable it to compete effectively in the marketplace. The Nominations Committee also advises the Board on succession planning for Executive Director appointments although the Board itself is responsible for succession generally.

The Nominations Committee has not set itself any formal targets for diversity, including gender, and believes that appointments should be based on merit, compared against objective criteria, with the ultimate aim of ensuring the Board has the right skills, knowledge and experience that enable it to discharge its responsibilities properly.

The Nominations Committee meets on an as-needed basis. Two formal meetings were held in 2016. The meetings focused on the consideration of candidates for the appointment of additional Non-executive Directors that led, after a process involving the review of a number of potential candidates, to the appointment of Claire Milne in July 2016. No external search consultancy was used in the appointment of Claire Milne; however a list of candidates from a range of backgrounds was prepared and the Nominations Committee agreed a shortlist to be considered. The Nominations Committee went on to recommend Claire Milne's appointment as a Non-executive Director of the Company having considered in detail her skills, knowledge and experience particularly with regard to eGaming and technology law and regulation. Claire Milne will formally stand for election at the next Annual General Meeting to be held on 17 May 2017.

Disclosure Committee

The Disclosure Committee ensures accuracy and timeliness of public announcements of the Company and monitors the Company's obligations under the Listing Rules and Disclosure and Transparency Rules of the UK Listing Authority. Meetings are held as required. At the date of this report the Disclosure Committee comprises Andrew Thomas (Chairman of the Audit Committee), Andrew Smith (Chief Financial Officer), Alex Latner (General Counsel) and Brian Moore (Company Secretary).

Management Committee

The senior management committee is the key management committee for the Group. The standing members of the Committee are Mor Weizer (Chief Executive Officer), Andrew Smith (Chief Financial Officer), Shimon Akad (Chief Operating Officer), Uri Levy (VP Business Development), Ian Ince (Head of Regulatory and Compliance), Brian Moore (Company Secretary) and Alex Latner (General Counsel). Other members of senior management are invited to the Committee as and when required. The Committee considers and discusses plans and recommendations coming from the operational side of the business and from the various product verticals, in the light the Group's strategy and capital expenditure and investment budgets, including the implications of those plans (in areas such as resources, budget, legal and compliance). The Committee either approves the plans or as necessary refers the proposal for formal Board review and approval in accordance with the Company's formal matters reserved for the Board.

Board tenure

In accordance with the Company's articles of association, every new Director appointed in the year is required to stand for re-election by shareholders at the Annual General Meeting ("AGM") next following their appointment. Also, under the articles of association, at each AGM one-third of the Directors (excluding any Director who has been appointed by the Board since the previous AGM) or, if their number is not an integral multiple of three, the number nearest to one-third but not exceeding one-third shall retire from office (but so that if there are fewer than three Directors who are subject to retirement by rotation under the articles one shall retire).

Notwithstanding the provisions of the articles of association, the Board has decided to comply with the Code requirements that Directors of companies in the FTSE 250 Index submit themselves for re-election annually. Therefore, all Directors are seeking their reappointment at this year's AGM.

The Board has collectively agreed that the Directors proposed for re-election at this year's AGM have made significant contributions to the business since their last re-election and each has a key role to play in the formulation of the Group's future strategy.

In certain circumstances, Directors are entitled to seek independent professional advice under an agreed Board procedure, which would then be organised by the Company Secretary, and in this regard the Company would meet their reasonable legal expenses.

Balance of the Board

The Board comprises individuals with wide business experience gained in various industry sectors related to the Group's current business and it is the intention of the Board to ensure that the balance of the Directors reflects the changing needs of the business.

The Board considers that it is of a size and has the balance of skills, knowledge, experience and independence that is appropriate for the Group's current business. While not having a specific policy regarding the constitution and balance of the Board, potential new Directors are considered on their own merits with regard to their skills, knowledge, experience and credentials.

The Non-executive Directors continue to contribute their considerable collective experience and wide-ranging skills to the Board and provide a valuable independent perspective; where necessary constructively challenging proposals, policy and practices of executive management. In addition, they help formulate the Group's strategy.

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. Alan Jackson, in discussion with the Senior Non-executive Director, undertook a review of the performance of individual Directors. Andrew Thomas as Senior Non-executive Director considered the performance of Mr Jackson taking into account the views of the Executive Directors. There were no material areas of concern highlighted and the main outcome of the evaluation this year was to shape and define the Board's objectives for the coming year, continuing the focus on Group strategy and ensuring the structures, capabilities and reporting are in place to achieve the Board's goals.

A review of the Board's effectiveness was conducted in late 2016. This review was carried out by Independent Audit Limited, using their Thinking Board online assessment service. Independent Audit Limited have no other connection to the Company and are considered by the Board to be independent. The Board is in the process of considering the findings from this review and will continue to adopt and implement plans to further develop the effectiveness of the Board during 2017.

Newly appointed Directors can expect a detailed and systematic induction on joining the Board. They meet various members of senior management and familiarise themselves with all core aspects of the Group's operations. On request, meetings can be arranged with major shareholders. Members of senior management are invited to attend Board meetings from time to time to present on specific areas of the Group's business.

Directors' governance report continued

Relationship with shareholders

Primary responsibility for effective communication with shareholders lies with the Chairman, but all the Company's Directors are available to meet with shareholders throughout the year. Alan Jackson, Mor Weizer and Ron Hoffman met with a number of shareholders to discuss the Company's business strategy throughout the year. The Executive Directors prepare a general presentation for analysts and institutional shareholders following the interim and full-year announcements. Details of these presentations together with the Group's financial statements and other announcements can be found on the investor relations section of the Company's website. Further presentations are also prepared following significant acquisitions and whenever the Board considers it beneficial to shareholders to do so. Regular meetings with shareholders and potential shareholders are also held by the Head of Investor Relations, and in conjunction with either the Chief Executive Officer or the Chief Financial Officer.

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

The Company's largest shareholder is Brickington Trading Limited ("Brickington"). Brickington is a wholly owned subsidiary of a trust, the ultimate beneficiary of which is Teddy Sagi, one of the Group's founders. In connection with the Company's premium listing on the main market of the London Stock Exchange, the Company and Brickington entered into a relationship agreement, pursuant to which Brickington has agreed that: (i) it will vote its shares in such a manner so as to procure that each member of the Group is capable of carrying on its business independently of Brickington and its associates; and (ii) it will not exercise any of the voting rights attaching to its shares in such a manner so as to procure any amendment to the articles of association which would be inconsistent with, undermine or breach any of the provisions of the relationship agreement. Brickington also agreed that all transactions and relationships between it (or any of its associates) and the Company will be on arm's length terms and on a normal commercial basis.

On 2 December 2016, the Company and Brickington entered into a variation to the relationship agreement (the "Relationship Agreement"), whereby the rights afforded to Playtech in the Relationship Agreement will remain in place for so long as Brickington's holding (together with its associates) remains at at least 15% of the issued share capital. As Brickington's shareholding is now below 30% of the issued share capital, it would no longer have the power to nominate two Non-executive Directors of the Company.

The Board believes that the provisions of the Relationship Agreement provides reassurance that Brickington will not seek to exercise its shareholding capriciously and re-enforces the independence of the Company.

The Board confirms that, during 2016:

- The Company has complied with the independence provisions included in the Relationship Agreement;
- So far as the Company is aware, the independence provisions included in the Relationship Agreement have been complied with by Brickington and its associates; and
- So far as the Company is aware, the procurement obligations included in the Relationship Agreement, have been complied with by Brickington and its associates.

Separately, Mr Sagi entered into an agreement with the Company in 2012 pursuant to which he will, as and when requested to do so by the Board, provide advisory services to the Company for a nominal fee of €1 per annum until either Mr Sagi ceases to be interested (whether legally or beneficially) in any ordinary shares or either party terminates the agreement following its fifth anniversary, whichever is the earlier. During the year, the Company has sought advisory services on occasion in relation to certain significant strategic matters.

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

Investor relations and communications

The Company has well-established Investor Relations (IR) processes, which support a structured programme of communications with existing and potential investors and analysts. Executive Directors and members of the IR team participated in a number of investor events, attending industry conferences and regularly meet or are in contact with existing and potential institutional investors from around the world, ensuring that Group performance and strategy is effectively communicated, within regulatory constraints. Other representatives of the Board and senior management meet with investors from time to time. The Head of IR provides regular reports to the Board on related matters, issues of concern to investors, and analysts' views and opinions.

Whenever required, the Executive Directors and the Chairman communicate with our joint brokers Canaccord Genuity and Goodbody to confirm shareholder sentiment and to consult on governance issues.

During 2016, 36 regulatory announcements were released informing the market of acquisitions, corporate actions, important customer contracts, financial results, the results of Annual General Meetings and Board changes. Copies of these announcements, together with other IR information and documents, are available on the Group website www.playtech.com.

Summary

In presenting this report, and having monitored, reviewed or approved all shareholder communications in 2016 and since the end of the financial year, the Board is confident that it has presented a balanced and understandable assessment of the Company's position and prospects.

Alan Jackson
Chairman

22 February 2017

Audit Committee report

Composition

The Audit Committee comprises four independent Non-executive Directors and is chaired by Andrew Thomas, who is a qualified Chartered Accountant and member of the Institute of Taxation. Therefore Andrew has recent relevant financial experience, in compliance with the Code provision C3.1, and was appointed to chair the Committee on his appointment to the Board in June 2012. The other members of the Audit Committee are Paul Hewitt, John Jackson and Claire Milne, all Non-executive Directors. The Committee is authorised to obtain independent advice if considered necessary.

The Chief Financial Officer attended all meetings of the Audit Committee by invitation, and the Vice President of Finance was invited to attend the meetings of the Committee that considered the audited accounts and the interim financial statements, as was the external auditor, BDO LLP ("BDO"). The members of the Committee were also able to meet the auditors without any Executive Directors being present in order to receive feedback from them on matters such as the quality of interaction with management. The Chairman of the Committee also met with BDO separately on several occasions to discuss matters involving the audit process.

During the year, the Chairman of the Audit Committee met, individually and in private, with members of the management team in order to understand more fully the context and challenges of Playtech's business operations and thereby ensure the Committee's time was used most effectively. The activities of the Committee members during the last year have enabled it to gain a good understanding of the culture of the organisation, the risks and challenges faced and the adequacy and timeliness of the action being taken to address them.

Responsibilities

The Audit Committee's primary function is to assist the Board in fulfilling its financial oversight responsibilities. The Board is required by the Code to establish formal and transparent arrangements for considering how it should apply required financial reporting standards and internal control principles and also for maintaining appropriate relationships with the Company's external auditors, BDO. The Committee's terms of reference can be viewed on the Company's website www.playtech.com.

In particular, the Code calls for the description of the work of the Audit Committee to include the significant issues considered in relation to the financial statements and how they were addressed, how the Committee assessed the effectiveness of the external audit process, the approach of the Committee to appointing the auditors and how objectivity and independence are safeguarded relative to non-audit services.

The primary responsibilities delegated to, and discharged by, the Committee included:

- Monitoring and challenging the effectiveness of internal control and associated functions;
- Approving and amending Group accounting policies;
- Reviewing and ensuring the integrity of interim and annual financial statements, in particular the actions and judgements of management in relation thereto before submission to the Board;
- Monitoring the implementation of the Company's Code of Business Ethics ("Code of Ethics") and compliance with their provisions;
- Reviewing the Company's arrangements for its employees to raise concerns, anonymously or in confidence and without fear of retaliation, about possible wrongdoing in financial reporting or other matters arising under the Code of Ethics;
- Reviewing promptly all reports on the Company from the internal auditors and reviewing and assessing the annual internal audit plan;
- Monitoring the external auditor's independence and objectivity, including the effectiveness of the audit services;
- Monitoring and approving the scope and costs of audit; and
- Ensuring audit independence and pre-approving any significant non-audit services to be provided by the auditor.

Audit Committee's activities

In 2016, the Audit Committee met formally four times.

Matters that were considered by the Committee during the year included:

- Valuation of available-for-sale investments held by the Group;
- Management of the Group's cash balances (in particular the effectiveness of the Group's treasury management and hedging practices) and stability of the Group's banking relationships;
- Adoption of an updated risk register for the Group;
- Effectiveness of the Group's system of internal controls and risk management;
- Entry into related party transactions and structured agreements;
- Updates on people risk, and cybersecurity risks;
- Review of internal audit plan;
- Results of internal audit reviews, management action plans to resolve any issues arising and the tracking of their resolution; and
- Review of Committee terms of reference.

Its work also included reviewing the final and interim financial statements and matters raised by management and BDO. After discussions with both management and the external auditor, including the consideration of acquisition accounting relating to Markets Limited, the Committee determined that the key risks of misstatement of the Group's financial statements, related to the following areas (which are described in the relevant accounting policies and detailed in the Notes to the financial statements on pages 109 to 153.

Audit Committee report continued

Revenue recognition

The Audit Committee reviewed the judgements made in respect of revenue recognition, in particular to assess the recognition of revenue from arrangements with customers and partners where the Group is to be remunerated other than by way of a simple revenue share arrangement, and undertook a review of key contracts. Following this review, the Committee concluded that the timing of revenue recognition continues to be in line with IFRS requirements. BDO performed detailed audit procedures on revenue recognition and reported their findings to the Committee, which was satisfied as a result of the review process that the approach taken by the Group in the financial statements was appropriate.

Business combinations

The Audit Committee reviewed the judgements made in connection with the accounting treatment for business combinations during the year, together with the assessment of related liabilities in connection with deferred and contingent consideration. The Committee reviewed the purchase price allocations (prepared by professional advisers), together with the underlying judgements and forecasts used to determine the fair value of intangible assets, put and call options, and contingent consideration, and satisfied itself that the approach to the accounting treatment taken by the Group was appropriate and in accordance with IFRS requirements and accounting practice. In particular, the Committee reviewed and considered Board papers prepared to support the assessment of the fair value of contingent consideration at 31 December 2016 in respect of the 2015 acquisition of Markets Limited, based on the most up to date information available and computation of the potential liability under the terms of the share price agreement.

Goodwill and intangible assets

During the year, the Audit Committee also considered the judgements made in relation to the valuation methodology adopted by management to support the carrying value of goodwill and other intangible assets to determine whether there was a risk of material misstatement in the carrying value of these assets and whether an impairment should be recognised. The Committee considered the assumptions, estimates and judgements made by management to support the models that underpin the valuation of intangible assets in the balance sheet. Business plans and cash-flow forecasts prepared by management supporting the future performance expectations used in the calculation were reviewed. The Committee received a report on the outcome of the impairment review performed by management. The impairment review was also an area of focus for the external auditor, who reported their findings to the Committee. The Committee satisfied itself that no material impairments were required to the carrying value of goodwill or other intangible assets.

Legal, regulatory and taxation

Given the developing nature of the gambling sector in many countries across the world, there is a risk that potential material legal or regulatory matters are not disclosed or provided for in the financial statements and therefore the Committee considered with the Group's compliance and legal departments whether there were any known instances of material breaches in regulatory and licence compliance that needed to be disclosed or other claims that required provisions to be made in the financial statements. In particular, the Committee considered forthcoming changes in the regulatory environment in a number of jurisdictions in which the Group's licensees operate. The Committee considered the control systems adopted to identify potential regulatory issues and the compliance control systems operating in the Group. Discussions were held with the Head of Regulatory and Compliance. Following this review, the Committee were satisfied that adequate provisions and disclosures were being made for any potential contingent liabilities.

The Audit Committee reviewed and approved the overall tax management and strategy of the Group during the year in light of external and internal advice sought by management and reviewed how the Group considers tax as part of its overall business planning. Consideration was given to transfer pricing studies carried out on behalf of the Group in the period, and assessed, in respect of earlier studies, whether there had been any change in the basis of operations in the relevant territories. Furthermore, given that the tax rules and practices governing the e-commerce environment in which the Group operates continue to evolve, based on the aforementioned external and internal advice received, the Audit Committee considered developments and pending changes in domestic and international tax laws and was satisfied that adequate tax provisions and disclosures were being made for any potential liabilities.

Related party transactions

The Audit Committee examined the practices and procedures adopted by the Group to ensure that related party transactions are conducted on arm's length terms. The Committee considered the processes followed in relation to such transactions that were entered into during 2016 and concluded that the process had worked effectively and that the related party transactions with entities that are related by virtue of a common significant shareholder had been properly conducted on an arm's length basis and appropriately disclosed in the financial statements. BDO undertook a review of this area as part of its audit work.

Financial statements

The Group's financial statements are reviewed by the Audit Committee in advance of their consideration by the Board. The Committee confirms that it is satisfied that the auditor has fulfilled its responsibilities with diligence and professionalism.

Having undertaken the processes described above, the Committee is satisfied that the financial statements appropriately address the critical judgements and key estimates (both in respect to the amounts reported and the disclosures).

On the basis of the above, the Committee consider that the Annual Report and Accounts, taken as a whole, is fair, balanced, understandable and provide the information necessary for shareholders to assess the Group's performance, business model and strategy.

Internal control

At the beginning of 2016, we appointed two experienced Internal Auditors to report directly to the Head of Internal Audit. This was in recognition of the increasing levels of complexity in relation to internal controls and a desired commitment to have a dedicated in-house function. The historical Internal Audit relationship between PricewaterhouseCoopers LLP (PwC) and Playtech is therefore now a co-sourced arrangement, with PwC continuing to provide support to the Internal Audit Team given their experience of the Group and the specialist services they offer.

During the year, the Internal Audit Team performed a number of reviews over both individual entities and central functions such as Finance, IT and HR. The results of these audits were reported to the Audit Committee on a regular basis, with recommendations made by Internal Audit and corresponding management actions being reviewed and challenged, where appropriate. In addition to regular feedback of audit results, the Internal Audit Team monitor completion of management actions and provide updates of these to the Audit Committee on a quarterly basis.

An Internal Audit Plan for 2017 was developed by the Internal Audit Team and agreed with the Audit Committee at the November 2016 Audit Committee meeting. Internal Audit will carry out audits in accordance with this plan using a risk based approach and continue to maintain effective lines of communication with the Audit Committee and key management. The Internal Audit Team will also be utilised to provide assurance over corporate governance matters and for ad hoc projects, where necessary.

The Board confirms that any necessary action will be taken to remedy any significant failings or weaknesses identified from any Internal Audit reviews. The system of internal controls and audit is designed to ensure local legal and regulatory compliance and manage, rather than eliminate, the risk of failure to achieve business objectives. It can therefore only provide reasonable and not absolute assurance against material misstatement or loss.

Auditor's independence

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

- A review of non-audit related services provided by BDO and related fees;
- A discussion with the auditor of a written report detailing all relationships with the Group and any other parties which could affect independence or the perception of independence;
- A review of the auditor's own procedures for ensuring independence of the audit firm and partners and staff involved in the audit, including the periodic 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.

BDO's audit in respect of the year ended 31 December 2015 was subject to review by the FRC's Audit Quality Review team during the year as part of its routine program of audit firm quality inspection program. In line with its policy, the Committee was provided with a copy of the review findings. The Committee discussed the findings of the review with the audit engagement partner and consider that the points raised have been addressed as part of the audit of 31 December 2016 year end.

During the year the auditors undertook certain specific pieces of non-audit work (including work in relation to tax matters and the evaluation of potential acquisition targets). BDO were selected to undertake these tasks due to their familiarity with the gambling industry. In order to maintain BDO's independence and objectivity, BDO undertook its standard independence procedures in relation to those engagements. Further details of the non-audit fees are included in Note 6 to the financial statements on page 122.

The Audit Committee will continue to assess the effectiveness and independence of the external auditors. In doing so, the Audit Committee will consider a formal tender process in accordance with the provisions of the Code. The Audit Committee will continue to comply with the Competition Commission Order relating to the statutory audit market for FTSE 350 companies, which came into effect from 1 October 2014. The Audit Committee expects a formal tender process to be held no later than 2018.

Andrew Thomas
Chairman of Audit Committee

22 February 2017

Remuneration report – annual statement

Dear Shareholder

On behalf of the Board, I welcome the opportunity to present the Remuneration Committee's report on Directors' remuneration for the year to 31 December 2016. This report, as required by the Code, describes how the Board has applied the principles of the Code to Directors' remuneration.

Although Playtech is an Isle of Man incorporated entity and, as such, is not required to comply with the UK regulations on Directors' remuneration, we recognise the importance of shareholder transparency. Accordingly, we can confirm that the Company adheres to the UK regulations and the report below is divided into: (i) this Annual Statement; (ii) the Remuneration Policy Report containing the Group's Remuneration Policy, as approved by shareholders at the 2014 AGM (the Policy) and (iii) the Annual Report on Remuneration (or ARR) that reports on the implementation of the Company's stated Remuneration Policy for the year to 31 December 2016.

During 2016, the Committee reviewed the Policy, taking close account of the business strategy, current and emerging market practice and the best practice expectations of institutional investors, to ensure it remained fit for purpose. In particular, the Committee wishes to ensure that the Policy will ensure that executive remuneration:

- Is aligned to the delivery of the Group's business strategy;
- Is appropriate in terms of quantum taking into account the experience of the executives and market data for organisations of a similar size and complexity;
- Is sufficiently flexible to cope with changes to the Group over the life of the policy; and
- Will strengthen the alignment between executives and shareholders;

and therefore will be in the best interests of shareholders to ensure future growth of the Group.

At the time of publishing this report, the Committee was in consultation with major shareholders on the proposed changes to the Policy and therefore the new policy which will be put to a vote in May 2017 will be published separately. In line with the UK regulations, the existing Policy will be put to a binding vote at the forthcoming AGM and the revised policy will be put to a binding vote at the General Meeting to be held immediately following the AGM.

The ARR and this Statement will be the subject of an advisory shareholder resolution at the forthcoming AGM.

Philosophy

Our Remuneration Policy, which is set out in more detail in this report, is designed to reward the contributions of senior management as well as incentivise them to maintain and enhance Playtech's position as the software and services provider of choice to the gambling sector and deliver in line with Playtech's M&A strategy.

Remuneration is delivered via fixed remuneration and simple and transparent incentive-based plans enabling the Executive Directors to be rewarded for delivering strong financial performance and sustainable returns to shareholders. In fast moving sectors such as ours we need to apply the policy flexibly in order to deliver the right level of overall pay to Directors.

Performance outcome for 2016

2016 was an extremely busy year for Playtech with outstanding operational and financial performance. Progress has been driven through strong organic growth and successful acquisitions and strategic agreements.

This excellent performance resulted in achieving impressive results across our key financial performance measures including growth in revenue of 12%, Adjusted EBITDA 20%, Adjusted Net Profit remained flat and Adjusted diluted EPS decreased by 3% due to the placing in June 2015. The 2016 results significantly exceeded both internal forecasts and external market expectations against a backdrop of an ever evolving regulatory and tax landscape.

Given the strong financial and operational results, the Remuneration Committee considered that the Executive Directors had exceeded both the challenging financial targets and the other strategic objectives given to them at the start of 2016, including successful negotiations with new and existing customers, expanding the business in regulated and soon-to-be regulated markets, strengthening the Group's regulatory functions in light of increased regulation in the UK and elsewhere and the continuing integration of Markets Limited and our new acquisitions during the year including BGT, Quickspin, ECM and CFH. Accordingly, in recognition of this strong performance, the Committee has, consistent with our Remuneration Policy, awarded a bonus of 200% of actual salary earned during the year to the CEO and 150% of actual salary earned during the year to the former CFO. Ron Hoffman served as CFO throughout 2016 until he stepped down in January 2017. The Committee is very comfortable that this level of bonus reflects the delivery of superior financial performance together with the strong personal performance of the Executive Directors during 2016. Further details of the bonuses are set out in the ARR.

As outlined in our Annual Report for 2015, the Remuneration Committee considered the position of grants to Executive Directors pursuant to the Group's Long Term Incentive Plan 2012 and made grants to them in December 2016. Further details of the grants are set out in the ARR. No LTIP awards vested by reference to performance in 2016 as the first awards under the LTIP were only granted in 2015.

The Committee is satisfied that the total remuneration of the Executive Directors is reasonable in the context of performance delivered and is below the total remuneration delivered in comparable businesses in the Gaming sector.

Ron Hoffman stepped down as an Executive Director and Chief Financial Officer on 10 January 2017 and was replaced in both roles by Andrew Smith with effect from the same date.

Implementation of Remuneration Policy for 2017

The Company will be proposing changes to the Remuneration Policy at a General Meeting immediately following the forthcoming AGM in May 2017 from that presented and approved at the AGM held in May 2014. Full details of the proposed changes will be set out in the notice to that General Meeting. The Remuneration Committee believes the proposed changes will reinforce the Company's strategy to create a business with significant scale and a full product and service capability, underpinned by a pre-eminent technology platform. We believe that an appropriate Remuneration Policy and incentive framework can support the Company's strategy in the current economic environment and help to retain and motivate our management team in order to assist in driving strong returns for our shareholders.

The Remuneration Committee encourages dialogue with the Company's shareholders and will discuss any proposed changes to our policy with major institutional investors ahead of the 2017 AGM. The Committee and I hope we can count on your continued support at the 2017 AGM and at the General Meeting to be held immediately after this.

John Jackson
On behalf of the Remuneration Committee

22 February 2017

Remuneration Policy report

The Remuneration Policy was approved by shareholders at the 2014 AGM, with the expectation it would be applied for a period of three years from that date. The Remuneration Policy is re-presented here for completeness and transparency. Some minor amendments have been made to (i) references to particular years, (ii) page and Note references, and (iii) the removal of the Total Remuneration Opportunity charts which were in relation to 2014 pay levels. The full original report can be viewed at http://playtech-ir.production.investis.com/~/media/Files/P/Playtech-IR/results-reports-webcasts/2016/2015-report-and-accounts.pdf.

As outlined in the Annual Statement, at the time of publication of this report the Committee was still in consultation with shareholders on a proposed revised policy. Therefore, in line with UK regulations, shareholders will be asked to formally reapprove the existing policy as set out below, before being asked to approve the revised policy at a General Meeting immediately following the 2017 AGM. Once the terms of the new policy have been confirmed, full details of it will be set out in the notice of the General Meeting.

The Remuneration Committee reviews the Company's remuneration philosophy and structure each year to ensure that the remuneration framework remains effective in supporting the Company's strategic objectives, is in line with best practice and fairly rewards individuals for the contribution that they make to the business, having regard to the international nature, size and complexity of the Group's operations and the need to attract and motivate employees of the highest calibre.

Remuneration packages are designed to reward the Executive Directors and members of the senior management team fairly for their contributions, whilst remaining within the range of benefits offered by similar companies in the sector.

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

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

The Committee believes that its Remuneration Policy creates a coherent and appropriate framework for remunerating Executive Directors and other senior executives of the Company and draws a clearer link between performance and reward. The details of this policy are clearly set out in the following pages.

The Committee considers that the targets set for the different components of performance related remuneration are both appropriate and sufficiently demanding in the context of the business environment and the challenges with which the Group is faced as well as complying with the provisions of the Code.

Remuneration Policy for Executive Directors

The following table gives an overview of the Remuneration Policy for the Executive Directors:

Element and maximum	Purpose and link to strategy	Operation	Maximum	Performance targets
Salary	To attract, retain and motivate high calibre individuals for the role and duties required. To provide market competitive salary relative to the external market. To reflect appropriate skills, development and experience over time.	Normally reviewed annually by the Committee, effective in June. Takes account of the external market and other relevant factors including internal relativities and individual performance.	Other than when an executive changes roles or where benchmarking indicates individual salaries require realignment, annual increases will not exceed the general level of increases for the Group's employees, taking into account the country where the executive ordinarily works. Where benchmarking indicates that any individual salaries require realignment, these may be spread over a period of time if the required adjustment is particularly large.	N/A
Bonus	Clear and direct incentive linked to annual performance targets. Incentivise annual delivery of financial measures and personal performance. Corporate measures selected consistent with and complement the budget and strategic plan.	Paid in cash.	Normally 150% of salary for the CEO (but 200% in very exceptional circumstances as described below) and 100% of salary for other Executive Directors (but 150% in very exceptional circumstances). The additional limit will only be used in truly exceptional circumstances where performance significantly exceeds the targets already set for bonus and reflects the unique and challenging environment in which the Company operates.	Based on a mixture of financial performance (including Adjusted EBITDA) and performance against strategic objectives. No less than 70% of the bonus will be dependent on financial performance. Bonus is paid on a sliding scale of 0% for threshold increasing to 100% for maximum performance.

Remuneration policy report continued

Element and maximum	Purpose and link to strategy	Operation	Maximum	Performance targets
Long Term Incentive Plan (LTIP)	Aligned to key strategic objective of delivering strong returns to shareholders and earnings performance.	Grant of performance shares, restricted shares or options. Awards may be subject to clawback in certain circumstances.	150% and 100% of salary in performance shares for the CEO and CFO respectively.	Performance measured over three years. Performance targets aligned with the Group's strategy of delivering strong returns to shareholders and earnings performance. 25% of the awards vest for threshold performance.
Pension	Provide retirement benefits.	Provision of cash allowance.	5% of salary.	N/A
Other benefits	To help attract and retain high calibre individuals.	Provision of private medical, permanent health insurance, life insurance and rental and accommodation expenses on relocation. Non pensionable.	N/A	N/A
Share ownership guidelines	The Company has a policy of encouraging Directors to build a shareholding in the Company.	Executive Directors are required to retain 50% of the net of tax out-turn from the vesting of awards under the LTIP until a shareholding with a minimum value has been achieved.	N/A	N/A
Non-executive Directors	To provide a competitive fee for the performance of NED duties, sufficient to attract high calibre individuals to the role.	Fees are set in conjunction with the duties undertaken.	Other than when an individual changes roles or where benchmarking indicates fees require realignment, annual increases will not exceed the general level of increases for the Group's employees.	N/A

Explanation of chosen performance measures and target setting

Performance measures have been selected to reflect the key performance indicators which are critical to the realisation of our business strategy and delivery of shareholder returns.

The performance targets are reviewed each year to ensure that they are sufficiently challenging. When setting these targets the Committee will take into account a number of different reference points including, for financial targets, the Company's business plan and consensus analyst forecasts of the Company's performance. Full vesting will only occur for what the Remuneration Committee considers to be stretching performance.

Policy on recruitment or promotion of Executive Directors

Base salary levels will be set to reflect the experience of the individual, appropriate market data and internal relativities. The Remuneration Committee may feel it is appropriate to appoint a new Director on a below market salary with a view to making above market and workforce annual increases over a number of years to reach the desired salary positioning subject to individual and Company performance.

Normal policy will be for the new Director to participate in the remuneration structure detailed above, including the maximum incentive levels of 350% and 250% of salary for the Chief Executive Officer and Chief Financial Officer respectively. The Committee may decide that different performance criteria will apply to awards made in the year of appointment from those stated in the policy above. The Committee may also provide relocation expenses/ arrangements, legal fees and costs.

The variable pay elements that may be offered will be subject to the maximum limits stated in the policy table. The Remuneration Committee may consider it necessary and in the best interests of the Company and its shareholders to offer additional cash and/or make a grant of shares (including use of awards made under section 9.4.2 of the Listing Rules) in order to compensate the individual for remuneration that would be forfeited from the current employer. Where possible such awards would be structured to mirror the value, form and structure of the forfeited awards or to provide alignment with existing shareholders.

In the case of an internal promotion, any commitments entered into prior to the promotion shall continue to apply. Any variable pay elements shall be entitled to pay out according to its original terms on grant.

For the appointment of a new Chairman or Non-executive Director, the fee arrangement would be set in accordance with the approved remuneration policy in force at that time.

Service contracts and exit payments

Executive Directors

The service agreements of the Executive Directors are with PTVB Management Limited, a wholly owned Isle of Man incorporated subsidiary of the Company. The service agreement of the outgoing Chief Financial Officer, Ron Hoffman, was entered into on 5 December 2012 and effective from 1 January 2013 and the service agreement of the Chief Executive Officer was amended effective from 1 January 2013. Both service agreements are for an indefinite term and provide for formal notice of 12 months to be served to terminate the agreement, either by the Company or the Director. Mr Hoffman stepped down as an Executive Director and Chief Financial Officer in January 2017. Andrew Smith was appointed as an Executive Director and Chief Financial Officer on 10 January 2017. His service agreement is for an indefinite term and provides for formal notice of six months to be served to terminate the agreement, either by the Company or the Director. Set out in the table below are the other key terms of the Executive Directors' terms and conditions of employment.

Provision	Detail
Remuneration	Base salary and benefits. Company car. Private health insurance for Director and dependents. Life assurance. 30 days' paid annual leave in the case of the CFO and 30 days' paid annual leave in the case of the CEO. Participation in annual bonus plan, subject to plan rules. Participation in LTIP, subject to plan rules. Contribution equal to 5% of salary to personal pension plan.
Change of control	No special contractual provisions apply in the event of a change of control.
Notice period	12 months' notice on either side for the CEO and six months' notice for the CFO.
Termination payment	The Company may make a payment in lieu of notice equal to basic salary plus benefits for the period of notice served.
Restrictive covenants	During employment and for 12 months thereafter.

Remuneration policy report continued

A bonus is not ordinarily payable unless the individual is employed and not under notice on the payment date. However, the Remuneration Committee may exercise its discretion to award a bonus payment for the notice period served (not on garden leave).

The LTIP rules provide that other than in certain 'good leaver' circumstances awards lapse on cessation of employment. Where an individual is a 'good leaver' the Committee's policy is for the award to vest on the normal vesting date (or cessation of employment in the event of death) following the application of performance targets and a pro-rata reduction to take account of the proportion of the vesting period that has elapsed. The Committee has discretion to partly or completely dis-apply pro-rating or to permit awards to vest on cessation of employment. The Committee acknowledges that Executive Directors leave for a variety of reasons that do not necessarily fall within the prescribed categories in the plan rules. It therefore retains discretion to deem an individual to be a 'good leaver' in accordance with the plan rules and in making that decision will take into account the performance of the individual in office and their reason for leaving.

Non-executive Directors

The Non-executive Directors each have specific letters of appointment, rather than service contracts. Their remuneration is determined by the Board within limits set by the articles of association and is set taking into account market data as obtained from independent Non-executive Director fee surveys and their responsibilities. Non-executive Directors are appointed for an initial term of three years and, under normal circumstances would be expected to serve for additional three-year terms, up to a maximum of nine years, subject to satisfactory performance and re-election at the Annual General Meeting as required.

On his appointment as Chairman of the Board being announced, Alan Jackson entered into a new letter of appointment (effective from 9 October 2013) when Roger Withers announced his decision to retire as Chairman of the Board in August 2013.

The table below is a summary of the key terms of the letters of appointment for the Non-executive Directors.

In accordance with provision B.3.2 of the Code the letters of appointment of the Non-executive Directors are available for inspection at the Company's registered office and will be available before and after the forthcoming AGM.

Consideration of employment conditions elsewhere

The Remuneration Committee when setting the policy for Executive Directors takes into consideration the pay and employment conditions through the Company as a whole.

In determining salary increases for Executive Directors, the Committee considers the general level of salary increase across the Company. Typically salary increases will be aligned with those received elsewhere in the Company unless the Remuneration Committee considers that specific circumstances require a different level of salary increase for Executive Directors.

The Company extends its annual bonus plan and share awards to senior management and other key members of the workforce as the Remuneration Committee feels that it is important to incentivise and retain these employees in order for the Company to continue its development.

Consideration of shareholder views

The Company is committed to engagement with shareholders and will seek major shareholders' views in advance of making significant changes to its remuneration policies.

Name	Date	Term	Termination
Alan Jackson	29 August 2013	Until third AGM after appointment unless not re-elected.	120 days' notice on either side or if not re-elected, disqualification or commits gross misconduct.
Andrew Thomas	19 June 2012	Until third AGM after appointment unless not re-elected.	120 days' notice on either side or if not re-elected, disqualification or commits gross misconduct.
Paul Hewitt	27 August 2015	Until third AGM after appointment unless not re-elected.	90 days' notice on either side or if not re-elected, disqualification or commits gross misconduct.
John Jackson	1 January 2016	Until third AGM after appointment unless not re-elected.	90 days' notice on either side or if not re-elected, disqualification or commits gross misconduct.
Claire Milne	8 July 2016	Until third AGM after appointment unless not re-elected.	90 days' notice on either side or if not re-elected, disqualification or commits gross misconduct.

Legacy arrangements

For the avoidance of doubt, in approving the Remuneration Policy, authority is given to the Company to honour any commitments previously entered into with current or former Directors that have been disclosed previously to shareholders.

The policy described above includes some flexibility to allow the Remuneration Committee discretion to increase the maximum bonus payment to an Executive Director; it was considered that given the unique, fast-changing and challenging environment in which the Group operates, the Committee needed some discretion if, acting fairly and reasonably it feels that the pay-out is inconsistent with the Company's overall performance taking account of any factors it considers relevant.

Discretion vested in the Remuneration Committee

The Remuneration Committee will operate the annual bonus and LTIP according to their respective rules (or relevant documents) and in accordance with the Listing Rules where relevant. The Committee retains discretion, consistent with market practice, in a number of regards to the operation and administration of these plans. These include, but are not limited to, the following in relation to the LTIP:

- The participants;
- The timing of grant of an award;
- The size of an award;
- The determination of vesting;
- Discretion required when dealing with a change of control or restructuring of the Group;
- Determination of the treatment of leavers based on the rules of the plan and the appropriate treatment chosen;
- Adjustments required in certain circumstances (e.g. rights issues, corporate restructuring events and special dividends); and
- The annual review of performance measures and weighting, and targets for the LTIP from year to year.

In relation to the annual bonus plan, the Remuneration Committee retains discretion over:

- The participants;
- The timing of a payment;
- The determination of the amount of a bonus payment;
- Determination of the treatment of leavers; and
- The annual review of performance measures and weighting, and targets for the annual bonus plan from year to year.

In relation to both the Company's LTIP and annual bonus plan, the Committee retains the ability to adjust the targets and/or set different measures if events occur (e.g. material acquisition and/or divestment of a Group business) which cause it to determine that the conditions are no longer appropriate and the amendment is required so that the conditions achieve their original purpose and are not materially less difficult to satisfy. Given the unique, fast-changing and challenging environment in which the Group operates, the Remuneration Committee considers that it needs some discretion if, acting fairly and reasonably, it feels that the pay-out is inconsistent with the Company's overall performance taking account of any factors it considers relevant. Any use of the above discretions would, where relevant, be explained in the Annual Report on Remuneration and may, as appropriate, be the subject of consultation with the Company's major shareholders.

Annual report on remuneration

The sections of this report subject to audit have been highlighted.

Directors' emoluments (in €) (Audited)

Executive Director	Mor Weizer 2016	Mor Weizer 2015	Ron Hoffman 2016	Ron Hoffman 2015
Salary[1]	703,801	761,425	493,443	480,656
Bonus[2]	1,359,371	1,306,113	711,470	636,094
Long-term incentives	208,952	313,176	87,707	130,488
Benefits[3]	26,077	29,663	28,200	30,099
Pension	48,130	39,043	30,624	24,033
Total emoluments	2,346,331	2,449,420	1,340,978	1,301,370

1 Basic salary of the Executive Directors is determined in Pounds Sterling and then converted into euros at the average exchange rate applicable during the relevant financial year for the purpose of this report. As noted on page 80, the salary for Mor Weizer was increased from £550,000 to £600,000 with effect from 1 June 2016 and the salary for Ron Hoffman was increased from £375,000 to £425,000 with effect from 1 June 2016.
2 The figure for bonuses in 2016 above represents a payment as determined by the Remuneration Committee for the Executive Directors given the excellent performance during the period and by reference to their actual salary earned during the year to 31 December 2016. The bonuses were determined in Pounds Sterling and then converted into euros at the exchange applicable as at 31 December 2016. Details of (a) how the annual performance bonus for the Executive Directors was determined; and (b) the timing of bonus payments, is set out below.
3 Benefits include private medical insurance, permanent health insurance, car and life assurance.

Non-executive Directors' emoluments (in €) (Audited)

Director	Fees 2016	Fees 2015	Annual bonus 2016	Annual bonus 2015	Benefits 2016	Benefits 2015	Pension 2016	Pension 2015	Total emoluments 2016	Total emoluments 2015
Alan Jackson[3]	468,461	531,251	–	–	10,528	–	–	–	478,989	531,251
Andrew Thomas	121,995	138,347	–	–	–	–	–	–	121,995	138,347
Paul Hewitt	121,995	47,620	–	–	–	–	–	–	121,995	47,620
John Jackson[1]	121,995	N/A	–	N/A	–	N/A	–	N/A	121,995	N/A
Claire Milne[2]	55,904	N/A	–	N/A	–	N/A	–	N/A	55,904	N/A

1 John Jackson was appointed as a Non-executive Director on 1 January 2016.
2 Claire Milne was appointed as a Non-executive Director on 8 July 2016.
3 Alan Jackson was provided with a company car during the year

Determination of 2016 bonus

In accordance with the Company's Remuneration Policy, the CEO and CFO had the opportunity to earn a normal bonus in respect of 2016 of 150% and 100% of salary respectively and a further 50% of salary each in exceptional circumstances. The 2016 performance was assessed against a mixture of financial and non-financial targets.

The financial targets (representing 70% of bonus opportunity) were based on the achievement of Adjusted EBITDA of €287 million payable on a scale of 90%-105% around this target, with 0% of bonus payable below 90% of target and 100% of bonus payable for on or over 105% of target.

Adjusted EBITDA was selected as an appropriate measure as it is the key financial performance metric of the Company, most closely representing the underlying trading performance of the business and is calculated after adding back certain non-cash charges, cash expenses relating to professional costs on acquisitions, gains on sale of investments and certain one-off charges as set out in the financial statements on page 121. The non-financial performance targets were selected to underpin key strategic objectives of the Group, in particular recognising the challenges of expanding the business into regulated and soon-to-be regulated markets and strengthening the Group's regulatory functions in light of increased regulation in the UK and elsewhere.

When reviewing the performance during 2016 the Committee noted that the Adjusted EBITDA for the financial year ended 31 December 2016 was €302.2 million (consolidated) with €286.6 million for the Gaming division and the balance for the Financials division, representing a 20% increase on the prior year. This was achieved at the same time as significant improvements in other key financial indicators including growth in revenue 12%. Adjusted Net Profit remained flat and adjusted EPS decreased by 3% due to the placing in November 2016. The operational highlights set out in the Strategic Report on page 5 demonstrate that a number of the key strategic objectives set for executives have already been successfully implemented, particularly as regards securing business in regulated and soon-to-be regulated markets. The Committee also took account of the exceptional work and effort undertaken as part of the continuing integration of Markets Limited and the acquisitions of Quickspin, BGT and CFH.

The Committee considered that performance in 2016 was excellent as it far surpassed expectations and the targets set at the start of the financial year and was achieved in the wake of Brexit and volatile currency markets. The Committee felt it was fair and reasonable to recognise this exceptional Group and individual performance of the Executive Directors. The Committee therefore approved the use of the facility within the approved policy whereby up to an additional 50% of salary can be payable to Executive Directors in exceptional circumstances where performance significantly exceeds the targets set. On this basis the Committee approved additional bonuses of 50% of salary for the CEO and CFO.

Accordingly, the Committee determined that the bonus payable for 2016 was €1,359,371 for the CEO (200% of salary) and a bonus of €711,470 for the CFO (150% of salary).

The bonus payments were awarded based on the actual salary earned in the calendar year 2016.

The Committee is satisfied that the annual bonus payments to Executive Directors are a fair reflection of corporate and individual performance during the year and that overall remuneration is not excessive given the size and complexity of the Group's business and the industry in which it operates.

LTIP awards (Audited)

On 21 December 2016, the following awards were made to Executive Directors under the LTIP:

	Type of award	Total number of awards	Aggregate market value (€)	% of award vesting for threshold performance	Performance period
Mor Weizer	Nil-cost option	110,038	1,019,528[1]	25%	1.1.16 – 31.12.18
Ron Hoffman	Nil-cost option	51,193	474,315[1]	25%	1.1.16 – 31.12.18

1 Awards represent 150% and 100% of salary respectively based on a share price on grant of 789.5 pence.

When considering these awards, the Committee took into account the long delay in making the awards due to the Company being in an almost constant close period during 2015 and 2016. Therefore, it was decided that the vesting period would commence from 1 March 2016. In the normal course of events these awards will vest on the third anniversary of the start of the vesting period, 1 March 2019, subject to the satisfaction of the performance conditions.

Awards granted in 2016 are subject to the achievement of a mixture of performance conditions: 70% of the award is subject to a performance condition that the Company's simple annual EPS growth must match a threshold determined by the Committee for 25% of this portion of the award to vest, increasing to full vesting for achieving a maximum performance level. EPS will be measured over three financial years commencing with the financial year in which the award is granted. The remaining 30% of the award is subject to a performance condition comparing the Company's total shareholder return (TSR) against the FTSE 250 (on a ranked basis). The TSR tranche shall vest 25% for median performance increasing straight line to full vesting for upper quartile performance.

Annual report on remuneration continued

The EPS tranche shall vest over a number of shares determined as follows:

Company's simple annual EPS growth	% of EPS tranche that vests
15% or more per annum	100%
Between 6% and 15% per annum	On a straight line basis between 25% and 100%
6% per annum	25%
Less than 6% per annum	0%

When setting the EPS performance range the Committee considered both internal financial targets and external market consensus. The target range is considered to be challenging given the current view of the business and wider macroeconomic factors, but is achievable without incentivising any undue risk behaviour.

Termination payments (Audited)

No termination payments to Directors were made in 2016.

Payments to past Directors (Audited)

There were no payments made to past Directors in 2016.

Implementation of Policy for 2017

Salary pay review

The Remuneration Committee takes into account individual performance and experience, the size and nature of the role, the relative performance of the Company, pay policy within the Company (including the general pay and employment terms of all employees in the Group) and salaries in comparable companies.

Mr Weizer's salary was set at £600,000 with effect from 1 June 2016.

Mr Hoffman stepped down as an Executive Director and Chief Financial Officer on 10 January 2017.

Mr Smith was appointed as an Executive Director and Chief Financial Officer on 10 January 2017. His salary was set at £325,000 with effect from appointment.

The Committee considers that the salaries of both the Executive Directors remain below the mid-market position. In view of this, the Committee intends to re-evaluate the salaries for both Executive Directors as part of the annual review in 2017, which is expected to commence in June.

The current basic salary levels of the Executive Directors are:

- M. Weizer: £600,000 (equivalent to €731,970 at the average exchange rate between Sterling and Euro used in the accounts) which was effective from 1 June 2016; and
- A. Smith £325,000 (equivalent to €396,484 at the average exchange rate between Sterling and Euro used in the accounts) which was effective from 10 January 2017.

Fees currently payable to Non-executive Directors are:

- Chairman: £384,000 (equivalent to €468,461 at the average exchange rate between Sterling and Euro used in the accounts); and
- Non-executive Director base fee: £100,000 (equivalent to €121,995 at the average exchange rate between Sterling and Euro used in the accounts).

The Non-executive Director fees recognise core responsibilities and additional duties as Chair of a Board Committee.

Benefits and pension

Benefit and pension provision will continue to be set in line with the approved policy.

Annual bonus

For 2017, bonuses for the Executive Directors will be based on the following:

	Performance target	Weighting
Adjusted EBITDA	Commercially confidential	70%
Non-financial and strategic objectives	Commercially confidential	30%

When setting the Adjusted EBITDA target, the Committee was mindful of a number of factors and believes that the targets set are very challenging.

The level of bonus payable by reference to the financial performance of the Company will be determined on a sliding scale based on the Company's budget for the forthcoming financial year.

The annual bonus will be subject to recovery and withholding provisions in relation to material misstatement, gross misconduct, material error in calculation and for a serious reputational event. These provisions will apply for a period of three years after payment.

Long Term Incentive Plan (LTIP)

Awards made to Executive Directors will vest on the third anniversary of grant subject to (i) participants remaining in employment (other than in certain 'good leaver' circumstances) and (ii) achievement of challenging performance targets.

Awards granted in 2017 will continue to be subject to a combination of EPS growth (70% of awards) and relative TSR (30% of awards). Threshold performance will result in 25% of each element vesting.

As with the awards granted in 2016, the relative TSR measure will be measured against the FTSE 250 (on a ranked basis) over three financial years and require at least median performance for 25% of this portion of the award to vest, increasing to full vesting for upper quartile performance.

EPS will be measured over three financial years. At the time of preparing this report EPS targets for 2017 have not been determined by the Remuneration Committee. The EPS targets will be stretching and demanding and will be set out in Stock Exchange announcements when made.

LTIP awards granted from 2017 will be subject to recovery and withholding provisions in relation to material misstatement, gross misconduct, material error in calculation and for a serious reputational event. These provisions will apply for a period of three years post vesting.

Awards may be satisfied by the issue of new shares, market purchase shares or may be cashed-out, subject to the tax treatment in the hands of the recipient.

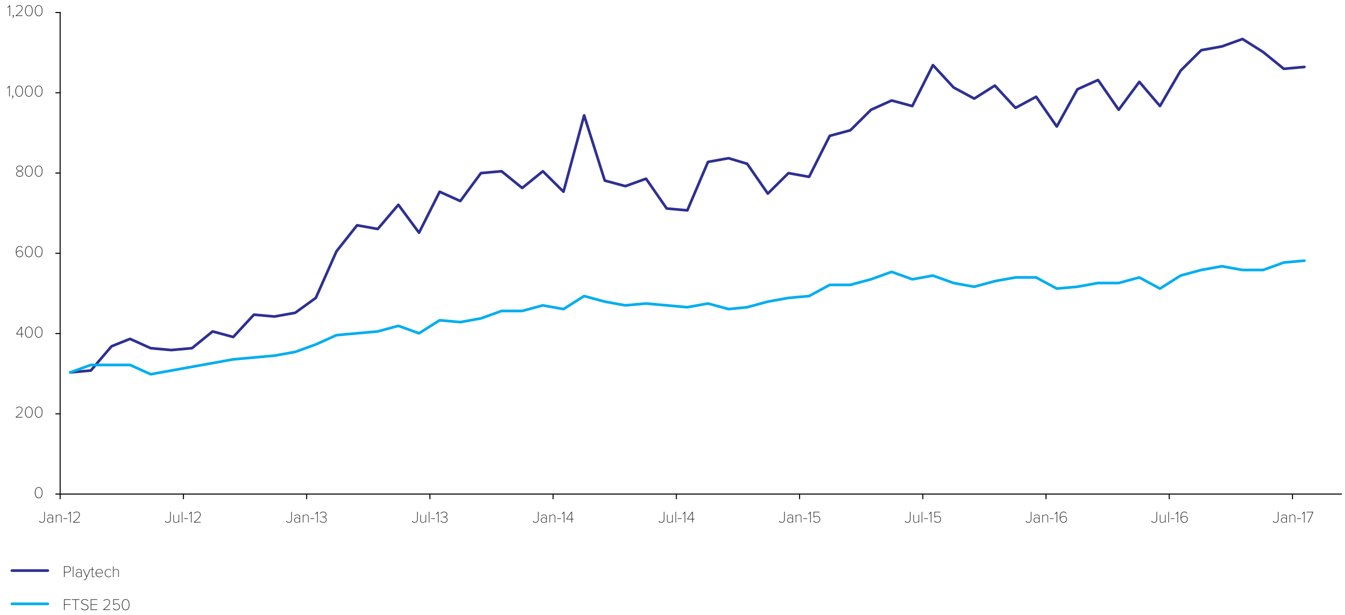
Dilution limits

All of the Company's equity based incentive plans (other than the Option Plan which was established before the Company's admission to AIM in 2006) incorporate the current Investment Association Guidelines on headroom which provide that overall dilution under all plans should not exceed 10% over a ten-year period in relation to the Company's issued share capital (or reissue of treasury shares), with a further limitation of 5% in any ten-year period for executive plans. The Committee monitors the position and prior to the making of any award considers the effect of potential vesting of options or share awards to ensure that the Company remains within these limits. Any awards which are required to be satisfied by market purchased shares are excluded from such calculations. No treasury shares were held or utilised in the year ended 31 December 2016.

Annual report on remuneration continued

Review of performance

The following graph shows the Company's total shareholder return (TSR) performance over the past five years: the Company's TSR is compared with a broad equity market index. The index chosen here is the FTSE 250, which is considered the most appropriate published index.



The Remuneration Committee believes that the current Remuneration Policy and the supporting reward structure provide a clear alignment with the strategic objectives and performance of the Company. To maintain this relationship, the Remuneration Committee constantly reviews the business priorities and the environment in which the Company operates. The table below shows the total remuneration of Mor Weizer over the last five years and his achieved annual variable and long-term incentive pay awards as a percentage of the plan maxima.

	Year ending 31 December					
	2011	2012	2013	2014	2015	2016
Total remuneration (€'000)	808	800	1,381	1,740	2,449	2,346
Annual bonus (%)[1]	34%	150%	150%	200%	175%	200%
LTIP vesting (%)[2]	–	–	–	–	–	–

1 For the financial year ended 31 December 2012, Mor Weizer decided in light of his overall aggregate remuneration, to waive approximately three-quarters of his earned bonus for that year.

2 As awards previously granted were share options without performance conditions, under the Regulations they are not required to be shown in this table.

Percentage change in remuneration of Chief Executive Officer

In the financial year ended 31 December 2016, Mr Weizer's salary was increased by 9% effective 1 June 2016 and was awarded an exceptional bonus of 200% of salary compared with 175% of salary in the year ended 31 December 2015. On a value basis the increase was 4% which reflects the 9% increase in salary and also in part reflected movements in exchange rates. The average percentage changes for all UK-based full-time employees were a 3% decrease and a 35% decrease in salary and benefits respectively mainly due to significant fluctuations in exchange rates in the period, and 2% increase in bonus payments. The UK workforce was chosen as a comparator group as the Remuneration Committee looks to benchmark the remuneration of the Chief Executive Officer with reference mainly to the UK market (albeit that he has a global role and responsibilities, and remuneration packages across the Group vary widely depending on local market practices and conditions).

Relative importance of spend on pay

The following table sets out the amounts paid in share buybacks, dividends, and total remuneration paid to all employees as follows:

Pay-outs (€m)	2016 €m	2015 €m	Change %
Dividends[1]	102.8	91.0	13%
Share buy backs	49.9	–	N/A
Total employee remuneration[2]	241.4	224.6	7%

1 The total dividend in respect of the year ended 31 December 2016 is calculated on the basis that the shareholders approve the proposed final dividends of 21.7 €cents per share.
2 Total employee remuneration for continuing and discontinued operations, includes wages and salaries, social security costs, share-based payments and pension costs for all employees, including the Directors. The average number of employees, including Executive Directors and part-time employees in continuing and discontinued operations was 5,254 during the financial year to 31 December 2016.

Directors' interests in ordinary shares (Audited)

Director	Ordinary shares 2016	Ordinary shares 2015	Share options 2016	Share options 2015	Total interests at 31 December 2016
Executive Directors[1, 2, 3]					
Mor Weizer	36,000	36,000	213,116	103,078	249,116
Ron Hoffman (resigned 10 January 2017)	10,000	10,000	94,404	43,211	104,404
Andrew Smith (appointed 10 January 2017)	–	–	22,501	13,084	22,501
Non-executive Directors					
Alan Jackson	15,000	15,000	–	–	15,000
Andrew Thomas	7,500	7,500	–	–	7,500
Paul Hewitt	2,524	–	–	–	2,524
John Jackson	–	–	–	–	–
Claire Milne	–	–	–	–	–

1 Mor Weizer and Ron Hoffman currently hold shares to the value of 50% and 19% of salary (based on salaries as of 31 December 2016 respectively and based on the closing share price on 31 December 2016). The Committee will continue to monitor progress towards the share ownership guidelines of 100% of salary.
2 Share options are granted for Nil consideration.
3 These options were granted in accordance with the Rules of the Playtech Long Term Incentive Plan 2012 (the "Option Plan"). Options under the Option Plan are granted as Nil cost options and in the case of Executive Directors exclusively, the options vest and become exercisable on the third anniversary of the notional grant date. Unexercised options expire ten years after the date of grant, unless the relevant employee leaves the Group's employment, in which case the unvested options lapse and any vested options lapse three months after the date that the employment ends.

None of the Non-executive Directors have any options over shares in the Company.

Annual report on remuneration continued

Role and membership

The Remuneration Committee is currently comprised entirely of five independent Non-executive Directors as defined in the Code. John Jackson was appointed as Chair on 1 February 2016. The other members are Andrew Thomas, Alan Jackson, Paul Hewitt and Claire Milne.

Details of attendance at the Remuneration Committee are set out on page 62 and their biographies and experience on pages 56 to 57.

The Committee operates within agreed terms of reference detailing its authority and responsibilities. The Committee's terms of reference were reviewed and updated during 2016 and are available for inspection on the Company's website www.playtech.com and include:

- Determining and agreeing the policy for the remuneration of the CEO, CFO, the Chairman and other members of the senior management team;
- Review of the broad policy framework for remuneration to ensure it remains appropriate and relevant;
- Review of the design of and determine targets for any performance-related pay and the annual level of payments under such plans;
- Review of the design of and approve any changes to long-term incentive or option plans; and
- Ensuring that contractual terms on termination and payments made are fair to the individual and the Company and that failure is not rewarded.

The Remuneration Committee also considers the terms and conditions of employment and overall remuneration of Executive Directors, the Company Secretary and members of the senior management team and has regard to the Company's overall approach to the remuneration of all employees. Within this context the Committee determines the overall level of salaries, incentive payments and performance related pay due to Executive Directors and senior management. The Committee also determines the performance targets and the extent of their achievement for both annual and long-term incentive awards operated by the Company and affecting the senior management. No Director is involved in any decisions as to his/her own remuneration.

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

During the year the Remuneration Committee received material assistance and advice from the Company Secretary (who is also secretary to the Committee).

The Remuneration Committee has a planned schedule of at least four meetings throughout the year, with additional meetings and calls held when necessary. During 2016, the Committee met in person eight times and these meetings, together with a number of conference calls, addressed a wide variety of issues, including:

Month	Principal activity
January	Review of bonus and other incentivisation arrangements in relation to Executive Directors and certain members of senior management.
February	Set financial targets for 2016 bonuses.
March	Review of Remuneration Policy for Non-executive Directors.
June	Review of LTIP criteria.
August	Review of senior management salaries.
October	Review of Remuneration Policy for Executive Directors.
November	Review of senior management incentives.
December	Approval of grant of Nil cost options for a limited number of Group personnel.

External advisers

New Bridge Street (a trading name of Aon Hewitt Limited) is the Committee's independent adviser. New Bridge Street is a member of the Remuneration Consultants Group and is a signatory to its Code of Conduct. New Bridge Street does not provide any other services to the Company. New Bridge Street was paid €94,534 in relation to advice provided during 2016.

Engagement with shareholders and shareholder voting

The Remuneration Committee is committed to ensuring open dialogue with shareholders in relation to remuneration and would normally consult with major shareholders regarding any significant future changes to remuneration policy.

The voting outcome at the AGM held on 18 May 2016 in respect of the Directors' Remuneration Report for the year ended 31 December 2015 was as follows:

	For	Against	Withheld
Approval of Remuneration Report	196,846,079 (83.08%)	40,076,752 (16.92%)	3,774,607

At 17 May 2016, the issued share capital of the Company was 322,624,603 ordinary shares of no par value.

By order of the Board

John Jackson
Chair of the Remuneration Committee

22 February 2017

Directors' report

The Directors are pleased to present to shareholders their report and the audited financial statements for the year ended 31 December 2016.

The Directors' Report should be read in conjunction with the other sections of this Annual Report: the Strategic Report, Corporate Responsibility Report and the Remuneration Report, all of which are incorporated into this Directors' Report by reference.

The following also form part of this report:

- The reports on corporate governance set out on pages 56 to 85;
- Information relating to financial instruments, as provided in the Notes to the financial statements; and
- Related party transactions as set out in Note 28 to the financial statements.

Annual Report and Accounts

The Directors are aware of their responsibilities in respect of the Annual Report. The Directors consider that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy. The Statement of Directors' Responsibilities appears on page 94.

Principal activities and business review

The Group's principal activities are the development and licensing of software and the provision of ancillary services for the online and land-based gambling industries and since its acquisition of Markets Limited in May 2015, an online trading platform to retail customers which enables them to trade CFDs (Contracts for Difference) on a variety of instruments which fall under the general categories of Foreign Exchange Commodities. In November 2016, the Company acquired 70% of Consolidated Financial Holdings A/S, which provides retail brokers with multi-asset execution, prime brokerage services, liquidity and complementary risk management tools. Playtech plc is a public listed company, with a premium listing on the Main Market of the London Stock Exchange. It is incorporated and domiciled in the Isle of Man.

The information that fulfils the requirement for a management report as required by Rule 4.1.5 of the Disclosure and Transparency Rules applicable to the Group can be found in the Strategic Report on pages 6 to 53 which also includes an analysis, the development, performance and position of the Group's business. A statement of the key risks and uncertainties facing the business of the Group at the end of the year is found on pages 44 to 47 of this Annual Report and details of the policies and the use of financial instruments is set out in Note 2 to the financial statements.

Directors and Directors' indemnity

The Directors of the Company who held office during 2016 and to date are:

	Appointed	Resigned
Alan Jackson	28.03.2006	–
Mor Weizer	02.05.2007	–
Andrew Thomas	19.06.2012	–
Ron Hoffman	31.12.2012	10.01.2017
Andrew Smith	10.01.2017	–
Paul Hewitt	27.08.2015	–
John Jackson	01.01.2016	–
Claire Milne	08.07.2016	–

All of the current Directors will stand for re-election at the forthcoming Annual General Meeting.

Save as set out in Note 28 to the financial statements, no Director had a material interest in any significant contract, other than a service contract or contract for services, with the Company or any of its operating companies at any time during the year.

As at the date of this report, an indemnity is in place under which the Company has agreed to indemnify Alan Jackson who held office during the year ended 31 December 2016, to the extent permitted by law and by the Company's articles of association, in respect of all liabilities incurred in connection with the performance of his duties as a Director of the Company or its subsidiaries. A copy of the indemnity is available for review at the Company's registered office. The Company also purchased, and maintained throughout 2016, Directors' and Officers' Liability Insurance in respect of itself and its Directors.

Corporate governance statement

The Disclosure and Transparency Rules require certain information to be included in a corporate governance statement in the Directors' Report. Information that fulfils the requirements of the corporate governance statement can be found in the Governance Report on pages 54 to 85 and is incorporated into this report by reference.

Disclaimer

The purpose of these financial statements (including this report) is to provide information to the members of the Company. The financial statements have been prepared for, and only for, the members of the Company, as a body, and no other persons. The Company, its Directors and employees, agents and advisers do not accept or assume responsibility to any other person to whom this document is shown or into whose hands it may come and any such responsibility or liability is expressly disclaimed.

The financial statements contain certain forward-looking statements with respect to the operations, performance and financial condition of the Group. By their nature, these statements involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of these financial statements and the Company undertakes no obligation to update these forward-looking statements. Nothing in this document should be construed as a profit forecast.

Results and dividend

The results of the Group for the year ended 31 December 2016 are set out on pages 104 to 153. On 22 February 2017, the Board recommended the payment of a final dividend for the year ended 31 December 2016 of 21.7 €cents per share which will be paid to shareholders on the register as at 5 May 2017. The payment of the final dividend requires shareholder approval which will be sought at the Company's Annual General Meeting to be held at the Sefton Hotel, Douglas, Isle of Man on 17 May 2017. If approved, the final dividend will be paid on 2 June 2017 and together with the interim dividend of 11.0 €cents per share paid on 25 October 2016 and a special dividend representing 46.0 €cents per share paid on 6 December 2016 makes a total dividend (expressed in €) of 78.7 €cents per share for the year.

Shareholders who wish to receive their final dividend in Sterling rather than Euros will be required to return currency election forms to the Company's registrars by 12 May 2017. Currency election forms are contained with the notice of Annual General Meeting that accompanies the Annual Report and further copies are available from the Company's website www.playtech.com.

Going concern, viability, responsibilities and disclosure

The current activities of the Group and those factors likely to affect its future development, together with a description of its financial position, are described in the Strategic Report. Principal risks and uncertainties affecting the Group, and the steps taken to mitigate these risks are described on pages 44 to 47. Critical accounting estimates affecting the carrying values of assets and liabilities of the Group are discussed in Note 3 to the financial statements.

During 2016, the Board carried out a robust assessment of the principal risks facing the Group, including those factors that would threaten its future performance, solvency or liquidity. This ongoing assessment forms part of the Group's three-year strategic plan.

After making appropriate enquiries and having regard to the Group's cash balances and normal business planning and control procedures, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. As part of this assessment, the Directors prepared a three-year forecast considering the going concern status for the period to December 2018 in accordance with the Company's Three Year Plan, which is considered to be an appropriate period over which the Group can predict its revenue, cost base and cash flows with a higher degree of certainty, as opposed to more arbitrary forms of forecasts based solely on percentage increases. Notwithstanding, due to the significant cash reserves and projected profitability over the next 12 months, the Directors have no reason to believe that the Group's viability will be threatened over a period longer than that covered by the positive confirmation of long-term viability above. Given the above, the Directors continue to adopt the going concern basis in preparing the accounts.

Directors' report continued

Significant shareholdings

As of 31 January 2017 the Company had been advised of the following significant shareholders each holding more than 3% of the Company's issued share capital, based on 317,344,603 ordinary shares in issue:

Shareholder	%	No. of ordinary shares
Brickington Trading Limited	21.93	69,582,169
Morgan Stanley	3.80	12,070,148
Fidelity Mgt & Research	3.63	11,505,382
DNB Asset Mgt	3.39	10,769,638
Legal & General Investment Mgt	3.11	9,880,740

The persons set out in the table above have notified the Company pursuant to Rule 5 of the Disclosure and Transparency Rules of their interests in the ordinary share capital of the Company.

The Company has not been notified of any changes to the above shareholders between 31 January 2017 and the date of this report.

Capital structure

As at 31 January 2017, the Company had 317,344,603 issued shares of no par value. The Company has one class of ordinary share and each share carries the right to one vote at general meetings of the Company and to participate in any dividends declared in accordance with the articles of association. No person has any special rights of control over the Company's share capital.

The authorities under the Company's articles of association granted at the last Annual General Meeting for the Directors to issue new shares for cash and purchase its own shares remain valid until the forthcoming Annual General Meeting when it is intended that resolutions will be put forward to shareholders to renew the authority for the Company to issue shares for cash and purchase its own shares.

Following an announcement on 6 December 2016, the Company carried out a share buyback programme and purchased and cancelled a total of 5,280,000 ordinary shares at a cost of €50 million, which was funded from the Company's existing cash resources.

Articles of association

The Company's articles of association do not contain any specific restrictions on the size of a shareholder's holding.

Voting rights

Subject to any special rights or restrictions as to voting attached to any shares by or in accordance with the articles of association, on a show of hands every member who is present in person or by proxy and entitled to vote has one vote and on a poll every member who is present in person or by proxy and entitled to vote has one vote for every share of which he is the holder.

Restrictions on voting

No member shall, unless the Board otherwise determines, be entitled to vote at a general meeting or at any separate meeting of the holders of any class of shares, either in person or by proxy, in respect of any share held by him or to exercise any right as a member unless all calls or other sums presently payable by him in respect of that share have been paid to the Company. In addition, any member who having been served with a notice by the Company requiring such member to disclose to the Board in writing within such reasonable period as may be specified in such notice, details of any past or present beneficial interest of any third party in the shares or any other interest of any kind whatsoever which a third party may have in the shares and the identity of the third party having or having had any such interest, fails to do so may be disenfranchised by service of a notice by the Board.

Transfer

Subject to the articles of association, any member may transfer all or any of his or her certificated shares by an instrument of transfer in any usual form or in any other form which the Board may approve. The Board may, in its absolute discretion, decline to register any instrument of transfer of a certificated share which is not a fully paid share or on which the Company has a lien. The Board may also decline to register a transfer of a certificated share unless the instrument of transfer is: (i) delivered for registration to the registered agent, or at such other place as the Board may decide, for registration; and (ii) accompanied by the certificate for the shares to be transferred except in the case of a transfer where a certificate has not been required to be issued) by the certificate for the shares to which it relates and/or such other evidence as the Board may reasonably require to prove the title of the transferor and the due execution by him of the transferor, if the transfer is executed by some other person on his behalf, the authority of that person to do so, provided that where any such shares are admitted to AIM, the Official List maintained by the UK Listing Authority or another recognised investment exchange.

Amendment of the Company's articles of association

Any amendments to the Company's articles of association may be made in accordance with the provisions of the Isle of Man Companies Act 2006 by way of special resolution.

Appointment and removal of Directors

Unless and until otherwise determined by the Company by ordinary resolution, the number of Directors (other than any alternate Directors) shall not be less than two and there shall be no maximum number of Directors.

Powers of Directors

Subject to the provisions of the Isle of Man Companies Act 2006, the memorandum and articles of association of the Company and to any directions given by special resolution, the business of the Company shall be managed by the Board, which may exercise all the powers of the Company.

Appointment of Directors

Subject to the articles of association, the Company may by ordinary resolution appoint a person who is willing to act to be a Director, either to fill a vacancy, or as an addition to the existing Board, and may also determine the rotation in which any Directors are to retire. Without prejudice to the power of the Company to appoint any person to be a Director pursuant to the articles of association, the Board shall have power at any time to appoint any person who is willing to act as a Director, either to fill a vacancy or as an addition to the existing Board, but the total number of Directors shall not exceed any maximum number fixed in accordance with the articles of association. Any Director so appointed shall hold office only until the next Annual General Meeting of the Company following such appointment and shall then be eligible for re-election but shall not be taken into account in determining the number of Directors who are to retire by rotation at that meeting.

Retirement of Directors

At each Annual General Meeting one-third of the Directors (excluding any Director who has been appointed by the Board since the previous Annual General Meeting) or, if their number is not an integral multiple of three, the number nearest to one-third but not exceeding one-third shall retire from office (but so that if there are fewer than three Directors who are subject to retirement by rotation under this Article one shall retire).

Removal of Directors

The Company may by ordinary resolution passed at a meeting called for such purpose or by written resolution consented to by members holding at least 75% of the voting rights in relation thereto, remove any Director before the expiration of his period of office notwithstanding anything in the articles of association or in any agreement between the Company and such Director and, without prejudice to any claim for damages which he may have for breach of any contract of service between him and the Company, may (subject to the articles) by ordinary resolution, appoint another person who is willing to act as a Director in his place. A Director may also be removed from office by the service on him of a notice to that effect signed by all the other Directors.

Directors' report continued

Significant agreements

There are no agreements or arrangements to which the Company is a party that are affected by a change in control of the Company following a takeover bid, and which are considered individually significant in terms of their impact on the business of the Group as a whole.

The rules of certain of the Company's incentive plans include provisions which apply in the event of a takeover or reconstruction.

Related party transactions

Details of all related party transactions are set out in Note 28 to the financial statements. Internal controls are in place to ensure that any related party transactions involving Directors or their connected persons are carried out on an arm's length basis and are disclosed in the financial statements.

Political and charitable donations

During the year ended 31 December 2016, the Group made charitable donations of €433,513 (2015: €208,888), primarily to charities that fund research into and treatment of problem gambling but also to a variety of charities operating in countries in which the Company's subsidiaries are based.

The Group made no political donations during this period (2015: Nil).

Sustainability and employees

Information with respect to the Group's impact on the environment and other matters concerning sustainability can be found on pages 48 to 53. Applications for employment by disabled persons are always fully and fairly considered, bearing in mind the aptitude and ability of the applicant concerned. The Group places considerable value on the involvement of its employees and has continued to keep them informed of matters affecting them as employees and on the performance of the Group and has run information days for employees in different locations across the Group during the year. Some employees are stakeholders in the Company through participation in share option plans. Information provided by the Company pursuant to the Disclosure and Transparency Rules is publicly available via the regulatory information services and the Company's website, www.playtech.com.

Branches

The Company's subsidiaries Playtech Retail Limited and PT Turnkey Services Limited have established branch offices in the Philippines. It is intended that PT Turnkey Services Limited will establish a branch in Gibraltar as will another of the Company's subsidiaries, Playtech Software Limited.

Regulatory disclosures

The information in the following tables is provided in compliance with the Listing Rules and the Disclosure and Transparency Rules (DTRs).

The DTRs also require certain information to be included in a corporate governance statement in the Directors' Report. Information that fulfils the requirements of the corporate governance statement can be found in the Governance Report on pages 58 to 66 and is incorporated into this Directors' Report by reference.

Disclosure table pursuant to Listing Rule 9.8.4C

Listing Rule	Information included	Disclosure
9.8.4(1)	Interest capitalised by the Group.	None
9.8.4(2)	Unaudited financial information.	None
9.8.4(4)	Long-term incentive scheme only involving a Director.	None
9.8.4(5)	Directors' waivers of emoluments.	None
9.8.4(6)	Directors' waivers of future emoluments.	None
9.8.4(7)	Non pro-rata allotments for cash.	None
9.8.4(8)	Non pro-rata allotments for cash by major subsidiaries.	None
9.8.4(9)	Listed company is a subsidiary of another.	N/A
9.8.4(10)	Contracts of significance.	None
9.8.4(11)	Contracts of significance involving a controlling shareholder.	Brickington Trading Limited, the Company's largest shareholder, ceased to be a controlling shareholder on 2 December 2016. The Notes to the financial statements set out details of transactions with the Company's former controlling shareholder.
9.8.4(12)	Waivers of dividends.	None
9.8.4(12)	Waivers of future dividends.	None
9.8.4(14)	Agreement with a controlling shareholder.	See disclosure against LR 9.8.4(11).

Directors' report continued

Additional information provided pursuant to LR9.8.6

Listing Rule	Information included	Disclosure
9.8.6(1)	Interests of Directors (and their connected persons) in the shares of the Company at the year end and not more than one month prior to the date of the notice of AGM.	See page 83.
9.8.6(2)	Interests in Playtech shares disclosed under DTR5 at the year end and at not more than one month prior to the date of the notice of AGM.	See page 88.
9.8.6(3)	The going concern statement.	See page 87.
9.8.6(4)(a)	Amount of the authority to purchase own shares available at the year end.	26,982,460 ordinary shares which authority will expire at the AGM and will be renewed.
9.8.6(4)(b)	Off market purchases of own shares during the year.	None
9.8.6(4)(c)	Off market purchases of own shares after the year end.	None
9.8.6(4)(d)	Non pro-rata sales of treasury shares during the year.	None
9.8.6(5)	Compliance with the main principles of the UK Corporate Governance Code.	See the statement on page 59.
9.8.6(6)	Details of non-compliance with the UK Corporate Governance Code.	See the statement on page 59.
9.8.6(7)	Re Directors proposed for re-election: the unexpired term of their service contract and a statement about Directors without a service contract.	The Chairman and the Non-executive Directors serve under letters of appointment described on page 76.

Additional information under Rule 4.1 of the Disclosure and Transparency Rules

DTR	Requirement	How fulfilled
4.1.3	Publication of Annual Financial Report within four months of the end of the financial year.	This document is dated 22 February 2017 being a date less than four months after the year end.
4.1.5	Content of Annual Financial Report.	The audited financial statements are set out on page 97 to page 153. The information that fulfils the requirement for a management report can be found in the Strategic Report on pages 6 to 53. The Statement of Directors' Responsibilities can be found on page 94.
4.1.6	Audited financial statements.	The audited financial statements set out on page 97 to page 53 comprise consolidated accounts prepared in accordance with IFRS and the accounts of the Company.
4.1.7	Auditing of financial statements.	The financial statements have been audited by BDO LLP.
4.1.8 & 4.1.9	Content of management report.	The Strategic Report on pages 6 to 53, includes an analysis, using financial key performance indicators, of the development, performance and position of the Company's business, a review of the Company's business and on pages 44 to 47 a description of the principal risks and uncertainties.
4.1.11(1)	Important events since the year end.	The Strategic Report on pages 6 to 53 gives details of the acquisition of Eyecon Limited and Eyecon Pty. Ltd (together "Eyecon").
4.1.11(2)	Future development.	The Strategic Report on pages 6 to 53 gives an indication of the likely future development of the Company.
4.1.11(3)	Research & development.	The Strategic Report on pages 6 to 53, gives an indication of ongoing research and development activities.
4.1.11(4)	Purchase of own shares.	See disclosure pursuant to LR9.8.6(4) above.
4.1.11(5)	Branch offices.	See the statement on page 40.
4.1.11(6)	Use of financial instruments.	See Note 2 to the audited financial statements on pages 109 to 116.
4.1.12 & 13	Responsibility statement.	See the statement of the Directors on page 94.

Directors' report continued

Statement of Directors' responsibilities

The Directors have elected to prepare the Annual Report and the financial statements for the Company and the Group in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS).

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

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

- Select suitable accounting policies and then apply them consistently;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements; 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.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In addition, the Directors at the date of this report consider that the financial statements taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's performance, business model and strategy.

Website publication

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

Directors' responsibilities pursuant to DTR4

Each of the Directors, whose names and functions are listed within the Governance section on pages 56 to 57 confirm that, to the best of their knowledge:

- The Group financial statements, which have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- The Annual Report includes a fair review of the development and performance of the business and the financial position of the Group and the Company, together with a description of the principal risks and uncertainties that they face.

Annual General Meeting

The Annual General Meeting in 2016 was held in May in Douglas, Isle of Man. With the exception of Andrew Thomas and Paul Hewitt, who were delayed due to adverse weather conditions, all Directors were present and made themselves available to answer questions from shareholders. The Annual General Meeting provides an opportunity for the Directors to communicate personally performance and future strategy to non-institutional shareholders and for those shareholders to meet with and question the Board. All Directors plan to be present at the 2017 Annual General Meeting. All results of proxy votes are read out, made available for review at the meeting, recorded in the minutes of the meeting and communicated to the market and via the Group website.

The Annual General Meeting for 2017 will be held at the Sefton Hotel, Douglas, Isle of Man, IM1 2RW on Wednesday 17 May 2017 at 10.00 am. The notice convening the Annual General Meeting for this year, and an explanation of the items of non-routine business, are set out in the circular that accompanies the Annual Report.

Auditors

So far as each Director is aware, at the date of the approval of the financial statements there is no relevant audit information of which the Company's auditors are unaware. Each Director has taken all the steps that they ought to have taken as a Director in order to make themselves aware of any information needed by the Group's auditors for the purposes of their audit and to establish that the auditors are aware of that information.

A resolution to reappoint BDO LLP as the Company's auditors will be submitted to the shareholders at this year's AGM.

Approved by the Board and signed on behalf of the Board

Andrew Smith
Chief Financial Officer

22 February 2017

FINANCIAL STATEMENTS

Contents

Independent auditors' report
To the members of Playtech plc

Opinion on financial statements of Playtech Plc
In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the parent company's affairs as at 31 December 2016 and of the group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Isle of Man Companies Act 2006.

We have audited the financial statements of Playtech plc for the year ended 31 December 2016 which comprise the:

- Consolidated Statement of Comprehensive Income;
- Consolidated and Parent Company Balance Sheets;
- Consolidated and Parent Company Statements of Changes in Equity;
- Consolidated and Parent Company Statements of Cash Flows; and
- Notes to the financial statements.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

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

The purpose of this report and restrictions on its use by persons other than the members of the Company, as a body
Our report is made solely to the Company's members, as a body, in accordance with section 80C of the Isle of Man Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters that we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Our assessment of risks of material misstatement
In preparing the financial statements, the directors made a number of subjective judgements and significant accounting estimates that involved making assumptions and considering future events that are, by their nature, inherently uncertain (see note 3 to the consolidated financial statements). We primarily focussed our work in these areas by assessing the directors' judgements against available evidence, including the risk of management override and bias, forming our own judgements and evaluating the disclosures in the financial statements.

We set out below the risks that had the greatest impact on our audit strategy and scope. This is not a complete list of all risks or areas of audit focus identified by our audit. We discussed these areas of focus with the Audit Committee. The Audit Committee's consideration of these matters is set out on page 68:

Title	Risk	Our response
Revenue recognition	The Group has a number of revenue streams. The details of the accounting policies applied during the period are given in note 2 to the financial statements. Management make certain judgements around revenue recognition and the treatment of contractual arrangements for revenue streams entered into by both the Gaming and Financials divisions. There is a potential risk that revenue is recorded incorrectly from a timing perspective and inappropriately recognised on a gross versus net basis.	We assessed the design and implementation of the controls over the Group's revenue cycles. We assessed whether the revenue recognition policies adopted by the Group comply with IFRS as adopted by the European Union and Industry standard. We tested revenue through substantive procedures. Our work included the use of IT audit data analytic techniques to underpin our substantive testing of the revenue recognised by both the Gaming and Financials divisions. We reviewed a sample of key contracts entered into during the year to assess whether the revenue had been recognised in accordance with the Group's accounting policy, appropriately from a timing perspective and whether any other terms within the contract had any material accounting or disclosure implications.
Impairment of Goodwill, capitalised development costs and other intangibles	In accordance with IAS 36, the Group monitors the carrying value of goodwill and other intangibles for indications of impairment. The Group performs annual impairment reviews for goodwill, for other intangibles where there are indicators of impairment and for capitalised development costs relating to projects not launched as at the year end. Impairment reviews require significant judgement from management and are inherently based on assumptions in respect of future profitability. IAS 36 also requires management to test intangible assets not yet available for use (such as projects in development) for impairment. If the carrying value of these assets exceeds their recoverable amount there is a risk of material misstatement in the carrying value of these assets.	We considered whether there were any indications of impairment in respect of intangible assets. The audit team, which includes valuation specialists, challenged the appropriateness of the key assumptions used in the discounted cash flow models prepared by management and applied sensitivities to assess the potential impairment of goodwill and those assets where indications of impairment were present. Our work was based on our assessment of the historical accuracy of the Group's estimates in previous periods, our understanding of the commercial prospects of the assets, identification and analysis of changes in assumptions from prior periods and an assessment of the consistency of assumptions across the impairment reviews. We selected a sample of projects not yet launched at the balance sheet date and confirmed that there remains a future intent to launch. Further to this we reviewed the results of management's impairment review of these assets on a portfolio basis. We considered the appropriateness of the related disclosure provided in the Group financial statements.

Independent auditors' report continued
To the members of Playtech plc

Title	Risk	Our response
Compliance risk – Legal, regulatory and taxation	The Group has compliance obligations that range from administration of their licences to assessing the impact of changes in country-specific and pan-regional rules and regulations on its businesses. The nature of the e-commerce business and operational structure of the Playtech Group requires management judgement with regard to the assessment and interpretation of domestic and international tax laws. The taxation of e-commerce is still an evolving matter for tax authorities. The Group makes certain provisions and disclosures required under IFRS for outstanding legal and regulatory disputes based on Management's best estimate of where there is a probable outflow of economic benefits. Where the Group does not consider the likelihood of a provision being probable, the Group will disclose the existence of a contingent liability (unless that likelihood of occurrence is considered to be remote when no disclosure is required). Given the continual changes in the regulatory environment of the gambling and financial trading sectors in many countries across the world, there is a risk that potential material legal, regulatory or taxation matters are not disclosed or provided for.	We considered how the Group monitors legal and regulatory developments and their assessment of the potential impact on the business, and also considered the internal and external advice taken in respect of these developments. We discussed with Management how they manage, control and operate Group companies in the countries in which they are registered. This included how the Group manages its tax strategy as part of the overall business planning and how the Group monitors the rules and practices governing the taxation of e-commerce activity that is evolving in many countries. We discussed with the Group's Compliance and Legal teams whether there were any known instances of material breaches in regulatory and licence compliance that required disclosure or required provisions to be made in the financial statements. We discussed the assertions of the Group's Compliance and Legal teams with the Group's principal external legal advisors, with no material matters to report. As part of the audit team, we have tax specialists who reviewed and evaluated the risks in the jurisdictions in which Playtech has a significant physical presence. As part of this process we liaised with the local audit teams and tax specialists in those jurisdictions to assess the provisioning for current and deferred taxes. We considered the latest externally prepared advice received by management with regard to any exposure to taxation in existing or proposed territories in which the Group operates or intends to operate. We reviewed disclosures prepared by the Group in respect of contingent liabilities.
Related party transactions	There is a risk that disclosures in respect of related party transactions are incomplete or that the assertion that related party transactions are on an arm's length basis is unsupported.	We assessed the design and implementation of the Group's policies and procedures in respect of the capturing of related party transactions. We obtained a list of related parties from Management. We gave consideration to the completeness of the list based on our knowledge of related parties and confirmations received by the Company from identified related parties. We ensured all transactions and balances with those entities identified as related parties were disclosed in accordance with IAS 24, including consideration of whether material transactions with the substantial shareholder or companies under their control were correctly disclosed as being on an arm's length basis.

Title	Risk	Our response
Business combinations	The Group completed the following principal acquisitions in the year: • Quickspin AB • Patelle Limited (Best Gaming Technology, BGT) • ECM Systems Holdings • Consolidated Financial Holdings A/S (CFH) Management are required to make significant judgements in assessing the fair values of consideration including contingent consideration (whether arising on acquisitions made in the current year or previous years) and of the assets and liabilities acquired. Management have engaged external valuations experts to undertake the purchase price allocation exercise required. In respect of the acquisitions of BGT, ECM and CFH, put and call options were agreed as part of the acquisitions in relation to the shareholdings retained by the vendors being 10%, 10% and 30% respectively. In accordance with IFRS, management assessed whether the put and call option is at fair value and the resulting accounting treatment. Management determined that the terms of the options did not meet the definition of being at fair value under the standard and as such the fair value of the shares which are subject to the put and call option has been recognised as a liability of the Group. As such there is a risk in respect of the accounting for and the valuation applied to the options.	We challenged the assumptions underpinning the significant judgements and estimates used by management in the assessment of the fair values of the assets and liabilities acquired and consideration paid including; underlying cash flow projections, royalty rates, discount rates applied and the long term growth rates. We used our valuation specialists to review and evaluate the identified intangible assets and consider the judgemental areas and those subject to significant estimation. We challenged management's assessment of the fair value of contingent consideration in respect of acquisitions made in the current year and previous periods, including principally the level of expected profitability over the forecast period. We considered the terms of the put and call options agreements and the accounting treatment adopted to confirm that requirements of accounting standards have been met. We considered the valuation applied to each of the put and call options including the basis of valuation, the key inputs and the discount rate applied.

Scope of the audit of the financial statements performed in accordance with ISAs (UK and Ireland)

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the group and its environment, including the group's system of internal control, and assessing the risks of material misstatement in the financial statements at the group level.

In determining the scope of our audit we considered the level of work to be performed at each component in order to ensure sufficient assurance was gained to allow us to express an opinion on the financial statements of the Group as a whole.

We tailored the extent of the work to be performed at each component, either by us, as the Group audit team, component auditors within the BDO network or non-BDO member firms, based on our assessment of the risk of material misstatement at each component.

We have obtained an understanding of the entity-level controls of the Group as a whole which assisted us in identifying and assessing risks of material misstatement due to fraud or error, as well as assisting us in determining the most appropriate audit strategy.

Classification of components

The 3 components that are considered significant (defined as those that were greater than 15% of Adjusted EBITDA, or where the risks of the component were significantly different to the group risks) were audited by the Group audit team.

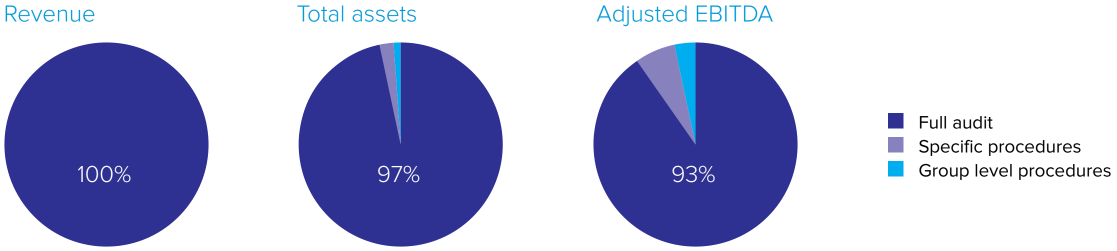
Independent auditors' report continued
To the members of Playtech plc

The Group audit team centrally performed the audit of 100% of group revenue and the audit of 100% of intangible assets including development costs using the materiality levels set out below.

For the 22 components not considered significant, the component auditors were asked to perform review procedures or specific scope procedures on certain balances based on their relative size, risks in the business and our knowledge of those entities appropriate to respond to the risk of material misstatement.

Review and specific scope procedures were performed by the Group audit team or BDO network firms on 18 reporting components and by 4 non-BDO member firms on a further 4 reporting components.

Summary audit scope



Based on the above scope we were able to conclude that sufficient and appropriate audit evidence had been obtained as a basis to form our opinion on the group financial statements as a whole.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. For planning, we consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Level of materiality applied and rationale

We consider Adjusted EBITDA to be the critical performance measure for the Group. Using this benchmark we set materiality at €13.0m (2015: €12.5m) being 4.4% (2015: 5%) of Adjusted EBITDA. In setting this level of materiality we considered the quantum of materiality was appropriate in comparison to other benchmarks: 1.8% of revenue; 0.6% of total assets. Our materiality level is higher than in previous years reflecting the continued growth in the results of the Group.

Performance materiality was set at 75% of materiality. In setting the level of performance materiality we considered a number of factors including the expected total value of known and likely misstatements (based on past experience and other factors) and Management's attitude toward proposed adjustments.

Component materiality

We set materiality for each component of the Group based on a percentage of materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from €3.15m to €6.3m.

Agreement with the Audit Committee

We agreed with the Audit Committee that we would report to the Committee all audit differences individually in excess of €500k. We also agreed to report differences below these thresholds that, in our view, warranted reporting on qualitative grounds.

Matters on which we are required to report by exception	
Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the Report and Accounts is: • materially inconsistent with the information in the audited financial statements; or • apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Company acquired in the course of performing our audit; or • is otherwise misleading. In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the Report and Accounts is fair, balanced and understandable and whether the Report and Accounts appropriately discloses those matters that we communicated to the Audit committee which we consider should have been disclosed.	We have nothing to report in respect of these matters.
Under the Listing Rules we are required to review the part of the corporate governance statement relating to the company's compliance with the provisions of the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R (2). The Listing Rules also require that we review the directors' statements set out on page 87 regarding going concern and longer term viability.	We have nothing to report in respect of these matters.

Statement regarding the directors' assessment of principal risks, going concern and longer term viability of the company

We have nothing material to add or to draw attention to in relation to:

- the directors' confirmation in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures in the annual report that describe those risks and explain how they are being managed or mitigated;
- the directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; or
- the directors' explanation in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Matthew White
For and on behalf of BDO LLP

Chartered Accountants
London
United Kingdom
22 February 2017

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

Consolidated statement of comprehensive income
For the year ended 31 December 2016

	Note	2016 Actual €'000	2016 Adjusted* €'000	2015 Actual €'000	2015 Adjusted* €'000
Revenue	4	708,558	708,558	630,086	630,086
Distribution costs before depreciation and amortisation		(345,934)	(340,790)	(331,705)	(327,791)
Administrative expenses before depreciation and amortisation		(70,772)	(65,535)	(64,370)	(50,407)
EBITDA		291,852	302,233	234,011	251,888
Depreciation, amortisation and impairment		(107,600)	(50,947)	(85,398)	(43,647)
Finance income	7a	13,270	13,270	14,631	14,631
Finance cost	7b	(61,119)	(50,485)	(15,666)	(5,190)
Share of profit from joint ventures	13a	146	146	229	229
Share of loss from associates	13b	(693)	(693)	(5,856)	(5,856)
Profit on disposal of investment in associate	13c	64,459	–	–	–
Profit before taxation		200,315	213,524	141,951	212,055
Tax expenses	8	(6,303)	(6,303)	(5,646)	(5,646)
Profit for the year		194,012	207,221	136,305	206,409
Other comprehensive income for the year:					
Items that may be classified to profit or loss:					
Change in fair value of available-for-sale equity instruments	14	(53,868)	(53,868)	1,160	1,160
Exchange gains arising on translation of foreign operations		14,251	14,251	3,491	3,491
Total items that may be classified to profit or loss		(39,617)	(39,617)	4,651	4,651
Total comprehensive income for the year		154,395	167,604	140,956	211,060
Profit for the year attributable to:					
Owners of the parent		193,030	206,239	135,810	205,914
Non-controlling interest		982	982	495	495
		194,012	207,221	136,305	206,409
Total comprehensive income attributable to:					
Owners of the parent		153,543	166,752	140,236	210,340
Non-controlling interest		852	852	720	720
		154,395	167,604	140,956	211,060
Earnings per share for profit attributable to the owners of the parent during the year:					
Basic (€cents)	9	61.4	65.7	44.5	67.5
Diluted (€cents)	9	58.8	59.8	43.7	61.8

* Adjusted numbers relate to certain non-cash and one-off items including amortisation of intangibles on acquisitions, professional costs on acquisitions and irrecoverable deposit and abandoned acquisitions, finance costs on acquisitions, change in fair value of available-for-sale investments in the income statement, non-cash accrued bond interest and additional various non-cash charges. The Directors believe that the adjusted profit measures represent more closely the consistent trading performance of the business. A full reconciliation between the actual and adjusted results is provided in Note 5.

Consolidated statement of changes in equity
For the year ended 31 December 2016

	Additional paid in capital €'000	Available-for-sale reserve €'000	Retained earnings €'000	Employee benefit trust €'000	Convertible bond option reserve €'000	Put/Call options reserve €'000	Foreign exchange reserve €'000	Total attributable to equity holders of parent €'000	Non-controlling interest €'000	Total equity €'000
Balance at 1 January 2016	638,209	1,964	592,051	(27,495)	45,392	–	3,266	1,253,387	7,308	1,260,695
Changes in equity for the year										
Total comprehensive income for the year	–	(53,021)	193,030	–	–	–	13,534	153,543	852	154,395
Dividend paid	–	–	(245,734)	–	–	–	–	(245,734)	–	(245,734)
Exercise of options	–	–	(1,937)	2,078	–	–	–	141	–	141
Employee stock option scheme	–	–	6,812	–	–	–	–	6,812	128	6,940
Share buyback	(10,445)	–	(39,384)	–	–	–	–	(49,829)	–	(49,829)
Acquisition of minority interest	–	–	(5,974)	–	–	–	–	(5,974)	(1,320)	(7,294)
Non-controlling interest acquired on business combination	–	–	–	–	–	(34,341)	–	(34,341)	14,746	(19,595)
Balance at 31 December 2016	**627,764**	**(51,057)**	**498,864**	**(25,417)**	**45,392**	**(34,341)**	**16,800**	**1,078,005**	**21,714**	**1,099,719**

	Additional paid in capital €'000	Available-for-sale reserve €'000	Retained earnings €'000	Employee benefit trust €'000	Convertible bond option reserve €'000	Put/Call options reserve €'000	Foreign exchange reserve €'000	Total attributable to equity holders of parent €'000	Non-controlling interest €'000	Total equity €'000
Balance at 1 January 2015	324,774	804	537,692	(36,154)	45,392	–	–	872,508	675	873,183
Changes in equity for the year										
Total comprehensive income for the year	–	1,160	135,810	–	–	–	3,266	140,236	720	140,956
Dividend paid	–	–	(81,805)	–	–	–	–	(81,805)	–	(81,805)
Issue of share capital (net of issue cost)	313,032	–	–	–	–	–	–	313,032	–	313,032
Exercise of options	403	–	(4,381)	8,659	–	–	–	4,681	140	4,821
Employee stock option scheme	–	–	4,735	–	–		–	4,735	169	4,904
Acquisition of minority interest	–	–	–	–	–	–	–	–	131	131
Non-controlling interest acquired on business combination	–	–	–	–	–	–	–	–	5,473	5,473
Balance at 31 December 2015	638,209	1,964	592,051	(27,495)	45,392	–	3,266	1,253,387	7,308	1,260,695

Consolidated balance sheet
As at 31 December 2016

	Note	2016 €'000	2015 €'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	72,893	51,337
Intangible assets	12	1,014,635	750,872
Investments in equity accounted associates & joint ventures	13	39,026	51,778
Available-for-sale investments	14	230,278	237,100
Other non-current assets	15	26,861	20,830
		1,383,693	1,111,917
CURRENT ASSETS			
Trade receivables	16	73,744	74,632
Other receivables	17	73,966	27,806
Cash and cash equivalents	18	544,843	857,898
		692,553	960,336
TOTAL ASSETS		2,076,246	2,072,253
EQUITY			
Additional paid in capital	19	627,764	638,209
Available-for-sale reserve		(51,057)	1,964
Employee Benefit Trust	19	(25,417)	(27,495)
Convertible bonds option reserve	21	45,392	45,392
Put/Call options reserve		(34,341)	–
Foreign exchange reserve		16,800	3,266
Retained earnings		498,864	592,051
Equity attributable to equity holders of the parent		1,078,005	1,253,387
Non-controlling interest		21,714	7,308
TOTAL EQUITY		1,099,719	1,260,695
NON CURRENT LIABILITIES			
Loans and borrowings	20	200,000	200,000
Convertible bonds	21	266,230	256,429
Deferred revenues		3,454	3,235
Deferred tax liability	24	40,443	14,049
Contingent consideration and redemption liability	22	204,550	141,347
Other non-current liabilities		1,627	1,175
		716,304	616,235
CURRENT LIABILITIES			
Trade payables	23	28,171	17,411
Progressive operators' jackpots and security deposits		46,759	63,340
Client deposits		76,229	–
Client funds		29,863	43,761
Tax liabilities		11,732	5,910
Deferred revenues		4,456	4,355
Contingent consideration	22	4,577	4,491
Other payables	25	58,436	56,055
		260,223	195,323
TOTAL EQUITY AND LIABILITIES		2,076,246	2,072,253

The financial information was approved by the Board and authorised for issue on 22 February 2017.

Mor Weizer
Chief Executive Officer

Andrew Smith
Chief Financial Officer

Consolidated statement of cash flows

	Note	2016 €'000	2015 €'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit after tax		194,012	136,305
Adjustments to reconcile net income to net cash provided by operating activities (see below)		67,085	69,950
Income taxes paid		(9,731)	(5,487)
Net cash provided by operating activities		251,366	200,768
CASH FLOWS FROM INVESTING ACTIVITIES			
Loans and deposits advanced		(9,162)	(6,386)
Acquisition of property, plant and equipment	11	(26,224)	(27,327)
Return on investment in joint ventures and associates	13c	1,844	2,362
Acquisition of intangible assets	12	(13,019)	(4,331)
Acquisition of subsidiaries		(240,225)	(228,414)
Cash of subsidiaries on acquisition		100,244	49,487
Capitalised development costs	12	(36,176)	(31,357)
Investment in equity-accounted associates	13b,13c	(1,701)	(25,503)
Investment in available-for-sale investments	14	–	(209,797)
Return on available-for-sale investments	7a	11,894	2,311
Proceeds from sale of property, plant and equipment		145	398
Acquisition of minority interest		(7,329)	(598)
Net cash used in investing activities		(219,709)	(479,155)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid to the holders of the parent	19	(245,734)	(81,805)
Issue of share capital, net of issue costs		–	313,032
Share buyback	19	(49,829)	–
Interest paid on convertible bonds and bank borrowing		(4,594)	(2,685)
Proceeds from bank borrowings	20	–	200,000
Exercise of options		141	4,818
Net cash (used in)/from financing activities		(300,016)	433,360
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(268,359)	154,973
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		857,898	692,347
Exchange (losses)/gains on cash and cash equivalents		(44,696)	10,578
CASH AND CASH EQUIVALENTS AT END OF YEAR		544,843	857,898

Consolidated statement of cash flows continued

	Note	2016 €'000	2015 €'000
ADJUSTMENT TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Income and expenses not affecting operating cash flows:			
Depreciation	11	20,092	14,578
Amortisation	12	75,173	69,610
Impairment		12,335	1,210
Share of profit from joint ventures	13a	(146)	(229)
Share of loss from associates	13b	693	5,856
Non-cash transaction		(30,686)	–
Non-cash accrued bond interest		9,802	9,388
Income tax expense	8	6,303	5,646
Employee stock option plan expenses	10	6,940	4,904
Movement in deferred and contingent consideration		832	1,088
Return on available-for-sale investments		(11,894)	(2,311)
Exchange losses/gains on cash and cash equivalents		44,696	(10,578)
Other		(191)	230
Changes in operating assets and liabilities:			
Increase/(decrease) in trade receivables		12,258	(29,010)
Increase in other receivables		(43,551)	(3,169)
Increase/(decrease) in trade payables		4,969	(6,842)
Increase/(decrease) in progressive, operators jackpot, security deposits		(16,582)	5,973
Decrease in client funds		(17,512)	(6,496)
Increase/(decrease) in other payables		(5,910)	12,353
Decrease in deferred revenues		(536)	(2,251)
		67,085	69,950

Acquisition of subsidiary

	Note	2016 €'000	2015 €'000
Acquisitions in the year			
A. Acquisition of Best Gaming Technology GmbH	26b	138,490	–
B. Acquisition of Consolidated Financial Holdings A/S	26d	38,927	–
C. Acquisition of Quickspin AB	26a	24,461	–
D. Acquisition of ECM Systems Holdings Ltd	26c	25,038	–
E. Other acquisitions	26e	9,545	–
Acquisitions in previous years			
A. Acquisition of Yoyo Games Limited	27a	1,808	14,427
B. Acquisition of Markets Limited	27b	–	207,987
C. Other acquisitions		1,956	6,000
		240,225	228,414

Non-cash transaction

	Note	2016 €'000	2015 €'000
Disposal of investment in associate			
Fair value of Ladbrokes Coral plc shares received	13c	44,477	–
Cost related to the software and services agreement		(5,312)	–
Disposal of investment in associate	13c	(6,893)	–
Profit on disposal of investment in associate		32,272	–
Impairment of investment in associate	13b	(1,586)	–
Net profit on disposal of investment in associate		30,686	–

Notes to the financial statements

Note 1 – General

Playtech plc and its subsidiaries (the "Group") develop unified software platforms for the online and land-based gambling industry, targeting online and land-based operators. Since May 2015 the Group also offered an online trading platform to retail customer which enabled them to trade CFD (Contracts for Differences) on a variety of instruments which fall under the general categories of Foreign exchange, commodities, equities and indices. In the context of this activity, the Group acts as a market-maker in a predominantly B2C environment. Following the acquisition of CFH in November 2016, the Group also provides B2B clients with technology for liquidity and clearing. Playtech's gaming applications – online casino, poker and other P2P games, bingo, mobile, live gaming, land-based terminal and fixed-odds game are fully inter-compatible and can be freely incorporated as stand-alone applications, accessed and funded by the operators' players through the same user account and managed by the operator by means of a single, powerful management interface.

Basis of preparation

The Directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future and that it is therefore appropriate to adopt the going concern basis in preparing its financial statements.

Note 2 – Significant accounting policies

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

Accounting principles

This financial information has been prepared in accordance with International Financial Reporting Standards, International Accounting standards and interpretations (collectively IFRS) issued by the International Accounting Standards Board (IASB) as adopted by the European Union ("adopted IFRSs"). In the current year the Group has adopted all of the new and revised standards and interpretations issued by the IASB and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB, as they have been adopted by the European Union, that are relevant to its operations and effective for accounting periods beginning on 1 January 2016.

New standards, interpretations and amendments effective from 1 January 2016

There are no new standards, interpretations or amendments which are effective for periods beginning on or before 1 January 2016 which have a material effect on the Group's financial information.

The Directors are still considering the potential impact of IFRS 15: Revenue from contracts with customers, and IFRS 9: Financial Instruments, but do not expect these standards to have a material effect on the Group's future financial information. The Directors are still considering the potential impact of IFRS 16: Leases but expect a material adjustment to arise on transition as the Group has material lease commitments. Other than as noted, the Directors do not expect that any other new standards, interpretations and amendments which are effective for periods beginning after 1 January 2016 to have a material effect on the Group's future financial information.

Basis of consolidation

Where the Company has control over an investee it is classified as a subsidiary. The Company controls an investee if all three of the following elements are present: power over the investee; exposure to variable returns from the investee; and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

The consolidated financial information presents the results of the Group as if they formed a single entity. Intercompany transactions and balances between Group companies are therefore eliminated in full.

The consolidated financial information incorporates the results of business combinations using the acquisition method. In the statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date on which control ceases.

Notes to the financial statements continued

Note 2 – Significant accounting policies continued

Foreign currency

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

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

The financial information of the Financials division is prepared in US dollars (the functional currency), which is the currency that best reflects the economic substance of the underlying events and circumstances relevant to the Financials division. The transactions and balances are converted into the presentation currency of Euros as follows:

- Assets and liabilities – at the rate of exchange applicable at the balance sheet date; and
- Income and expense items – at average exchange rates applicable at the period of recognition of those items;
- Equity – at historic rate.

Exchange gains and losses from the aforementioned conversion are recognised in the foreign exchange reserve.

Revenue recognition

The Group's principal revenue streams and their respective accounting treatments are discussed below:

Royalty income

Royalty income relating to licensed technology and the provision of certain services provided via various distribution channels (online, mobile or land-based interfaces). Royalty income is based on the underlying gaming revenue earned by our licensees and is recognised in the accounting periods in which the gaming transactions occur.

Trading income

Trading income represents gains (including commission) and losses arising on client trading activity, primarily in contracts for difference on shares, indexes, commodities and foreign exchange. Open client positions are carried at fair market value and gains and losses arising on this valuation are recognised in revenue as well as gains and losses realised on positions that have closed.

Fixed-fee income

Other revenue includes revenue derived from the provision of certain services and licensed technology for which charges are based on a fixed fee and stepped according to the usage of the service/technology in each accounting period. Income is recognised over the period of service once the obligations under the contracts have passed. Where amounts are billed and obligations not met, revenue is deferred.

Fixed-term arrangements

Other income receivable under fixed-term arrangements is recognised as revenue over the term of the agreement on a straight-line basis.

Distribution costs

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

Share-based payments

Certain employees participate in the Group's share option plans which commenced with effect from 1 December 2005. The fair value of the equity settled options granted is charged to the consolidated statement of comprehensive income on a straight-line basis over the vesting period and the credit is taken to equity, based on the Group's estimate of shares that will eventually vest. Fair value is determined by the Black-Scholes and Binomial valuation models. The share options plan does not have any performance conditions other than continued service. Where equity settled share options are settled in cash at the Group's discretion the debit is taken to equity.

The Group has also granted awards to be distributed from the Group's Employee Benefit Trust. The fair value of these awards is based on the market price at the date of the grant, some of the grants have performance conditions.

Note 2 – Significant accounting policies continued

Income taxes and deferred taxation

Provision for income taxes is calculated in accordance with the tax legislations and applicable tax rates in force at the balance sheet date in the countries in which the Group companies are incorporated.

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

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

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

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

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

Dividend distribution

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

Property, plant and equipment

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

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

	%
Computers and gaming machines	20-33
Office furniture and equipment	7-33
Freehold and leasehold buildings and improvements	10-20, or over the length of the lease
Motor vehicles	15

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

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

Business combinations

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

Notes to the financial statements continued

Note 2 – Significant accounting policies continued

Put/Call options

Where a Put/Call option is entered into over the non-controlling interest the ownership risks and rewards of the shares relating to the option are analysed to determine whether the equity is attributable to the non-controlling interest or the parent. The non-controlling interest is recognised if the risks and rewards of ownership of those shares remain with them.

A financial liability is recorded to reflect the option. All subsequent changes to the liability (other than the cash settlement) are recognised in profit or loss.

Where the significant risks and rewards of ownership remain with the non-controlling interest the non-controlling interest continues to be recognised and is allocated its share of profits and losses.

Where the significant risks and rewards of ownership reside with the controlling interest, the financial liability recognised offsets the non-controlling interest.

Investments in subsidiary undertakings

Investments in subsidiary undertakings are recognised at cost less, if any, provision for impairment.

Intangible assets

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

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

	%
Domain names	Nil
Internally generated capitalised development costs	20-33
Technology IP	13-33
Customer lists	In line with projected cash flows or 7-20
Affiliate contracts	5-12.5
Patents and licences	Over the expected useful lives 10-33

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

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

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

Note 2 – Significant accounting policies continued

Goodwill

Goodwill represents the excess of the cost of a business combination over, in the case of business combinations completed prior to 1 January 2010, the Group's interest in the fair value of identifiable assets, liabilities and contingent liabilities acquired and, in the case of business combinations completed on or after 1 January 2010, the total acquisition date fair value of the identifiable assets, liabilities and contingent liabilities acquired.

For business combinations completed prior to 1 January 2010, cost comprised the fair value of assets given, and liabilities assumed, plus any direct costs of acquisition. Changes in the estimated value of contingent consideration arising on business combinations completed by this date were treated as an adjustment to cost and, in consequence, resulted in a change in the carrying value of goodwill.

For business combinations completed on or after 1 January 2010, cost comprises the fair value of assets given and liabilities assumed, plus the amount of any non-controlling interests in the acquired business. Contingent consideration is included in cost at its acquisition date fair value and, in the case of contingent consideration classified as a financial liability, remeasured subsequently through profit or loss. For combinations completed on or after 1 January 2010, direct costs of acquisition are recognised immediately as an expense in the consolidated statement of comprehensive income, within administrative costs.

Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the consolidated income statement. Goodwill is not amortised and is reviewed for impairment, annually or more specifically if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment of non-financial assets

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

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

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

Associates and structured agreements

Where the Group has the power to participate in (but not control) the financial and operating policy decisions of another entity, it is classified as an associate or structured agreements, as appropriate. Associates are initially recognised in the consolidated statement of financial position at cost. Subsequently associates are accounted for using the equity method, where the Group's share of post-acquisition profits and losses and other comprehensive income is recognised in the consolidated statement of profit and loss and other comprehensive income (except for losses in excess of the Group's investment in the associate unless there is an obligation to make good those losses).

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

Notes to the financial statements continued

Note 2 – Significant accounting policies continued

Joint ventures

The Group is a party to a joint arrangement when there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the Group and at least one other party. Joint control is assessed under the same principles as control over subsidiaries.

The Group classifies its interests in joint arrangements as either:

- Joint ventures – where the Group has rights to only the net assets of the joint arrangement; or
- Joint operations – where the Group has rights to both the assets and obligations for the liabilities of the joint arrangement.

In assessing the classification of interests in joint arrangements, the Group considers:

- The structure of the joint arrangement;
- The legal form of joint arrangements structured through a separate vehicle;
- The contractual terms of the joint arrangement agreement; and
- Any other facts and circumstances (including any other contractual arrangements).

The Group accounts for its interests in joint ventures in the same manner as investments in associates (i.e. using the equity method – refer above).

Any premium paid for an investment in a joint venture above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the investment in joint venture. Where there is objective evidence that the investment in a joint venture has been impaired the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

The Group accounts for its interests in joint operations by recognising its share of assets, liabilities, revenues and expenses in accordance with its contractually conferred rights and obligations.

Financial assets

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

Loans and receivables

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

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

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

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Where cash is on deposit with maturity dates greater than three months, it is disclosed within other receivables.

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

Note 2 – Significant accounting policies continued

Financial assets continued

Available-for-sale financial assets

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

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

Financial liabilities

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

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

The Group's liability in connection with client funds includes customer deposits offset by the fair value of open positions, the movement on which is recognised through profit or loss. Such open positions are classified as short-term financial derivatives in the balance sheet.

Liability components of convertible loan notes are measured as described further below.

Loans and bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the consolidated balance sheet. Interest expense in this context includes initial transaction costs and premia payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Fair value measurement hierarchy

IFRS 7 and IFRS 13 require certain disclosure which requires the classification of financial assets and financial liabilities measured at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the fair value measurement (see Note 30). The fair value hierarchy has the following levels:

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

The level in the fair value hierarchy within which the financial asset or financial liability is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement. Financial assets and financial liabilities are classified in their entirety into only one of the three levels. The Group measures its available-for-sale investments at fair value – refer to Note 14 for more detailed information in respect of the fair value measurement.

Share capital

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

Employee Benefit Trust

Consideration paid/received for the purchase/sale of shares subsequently put in the Employee Benefit Trust is recognised directly in equity. The cost of treasury shares held is presented as a separate reserve (the 'Employee Benefit Trust reserve'). Any excess of the consideration received on the sale of treasury shares over the weighted average cost of the shares sold is credited to retained earnings.

Share buyback

The Group cannot hold treasury shares under the Group's memorandum and articles of association and therefore the shares are cancelled after the buyback.

Notes to the financial statements continued

Note 2 – Significant accounting policies continued

Convertible bond

The proceeds received on issue of the Group's convertible bond are allocated into their liability and equity components. The amount initially attributed to the debt component equals the discounted cash flows using a market rate of interest that would be payable on a similar debt instrument that does not include an option to convert. Subsequently, the debt component is accounted for as a financial liability measured at amortised cost until extinguished on conversion or maturity of the bond, where the option meets the definition of an equity instrument. The remainder of the proceeds is allocated to the conversion option and is recognised in the 'Convertible bond option reserve' within shareholders' equity.

Long-term liabilities

Long-term liabilities are those liabilities that are due for repayment or settlement in more than 12 months from balance sheet date.

Provisions

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

Leases

Where substantially all of the risks and rewards incidental to ownership are not transferred to the Group (an 'operating lease'), the total rentals payable under the lease are charged to the consolidated statement of comprehensive income on a straight-line basis over the lease term. The aggregate benefit of lease incentives is recognised as a reduction of the rental expense over the lease term on a straight-line basis.

Non-controlling interests

Non-controlling interest is recognised at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. The total comprehensive income of non-wholly owned subsidiaries is attributed to owners of the parent and to the non-controlling interests in proportion to their relative ownership interests.

Adjusted results

The Directors believe that in order to best represent the trading performance and results of the Group, the reported numbers should exclude certain non-cash and one-off items including the below. Accordingly, these are the key performance metrics used by the Board when assessing the Group's financial performance. Such exclusions include:

- Material non-cash items, e.g. amortisation of intangibles on acquisition, change in fair value of available-for-sale investments in the income statement and Employee Share Option Plan expenses; and
- Material one-off items, e.g. gain on sale of investment in associates, professional services cost related to acquisitions, irrecoverable deposit and professional fees on abandoned acquisitions and other exceptional projects.

Underlying adjusted results exclude the following items in order to present a more accurate 'like for like' comparison over the comparable period:

- The impact of acquisitions made in the period or in the comparable period; and
- Specific material agreements, adjustments to previous years or currency fluctuations affecting the results in the period and the comparable period.

A full reconciliation of adjustments is included in Note 5.

Note 3 – Critical accounting estimates and judgements

The preparation of financial information 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 information 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.

The areas requiring the use of estimates and critical judgements that may potentially have a significant impact on the Group's earnings and financial position are detailed below.

Estimates and assumptions

Impairment of goodwill and other intangibles

The Group is required to test, on an annual basis, whether goodwill, intangible assets not yet in use and indefinite life assets have suffered any impairment. The Group is required to test other intangibles if events or changes in circumstances indicate that their carrying amount may not be recoverable. The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the choice of a discount rate in order to calculate the present value of the cash flows. Such estimates are based on management's experience of the business, but actual outcomes may vary. More details including carrying values are included in Note 12.

Amortisation of development costs and other intangible assets and the useful life of property, plant and equipment

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

Changes to estimates can result in significant variations in the amounts charged to the consolidated statement of comprehensive income in specific periods. More details including carrying values are included in Notes 11 and 12.

Compliance risk – Legal, regulatory and taxation

Legal proceedings and contingent liabilities

Management regularly monitors the key risks affecting the Group, including the regulatory environment in which the Group operates. A provision will be made where there is a present obligation from a past event, a transfer of economic benefits is probable and the amount of costs of the transfer can be estimated reliably. In instances where the criteria are not met, a contingent liability may be disclosed in the notes to the financial information. More details are included in Note 31.

Income taxes

The Group is subject to income tax in jurisdictions in which its companies are incorporated and registered and judgement is required in determining the provision for income taxes. The Group is basing its tax provisions on current (and enacted but not yet implemented) tax rules and practices, together with advice received from professional advisers, and believes that its accruals for tax liabilities are adequate for all open enquiry years based on its assessment of many factors including past experience and interpretations of tax law. The Group constantly monitors changes in legislation and updates its accruals accordingly. The principal risks relating to the Group's tax liabilities, and the sustainability of the underlying effective tax rate, arise from domestic and international tax laws and practices in the e-commerce environment continuing to evolve, including the corporate tax rates in jurisdictions where the Group has a significant asset or people presence. More details are included in Note 8.

Regulatory

The Group's subsidiary, Safecap Investments Limited ("Safecap"), is primarily regulated by the Cyprus Securities and Exchange Commission. The regulatory environment is regularly changing and imposes significant demands of the resources of the subsidiary. As the subsidiary's activities expand, offering new products and penetrating new markets, these regulatory demands will inevitably increase. The increasing complexity of the Group's operations require training and recruitment be tailored to meet these regulatory demands and the costs of compliance are expected to increase.

In addition to the above, Safecap manages its capital resources on the basis of capital adequacy requirements as prescribed by its regulator, together with its own assessment of other business risks and sensitivities which may impact the business. Capital adequacy requirements are monitored on a real-time basis, including a 'buffer' which is deemed sufficient by management to ensure that capital requirements are not breached at any time.

Notes to the financial statements continued

Note 3 – Critical accounting estimates and judgements continued

Structured agreements
For all arrangements structured in separate vehicles the Group must assess the substance of the arrangement in determining whether it meets the definition to be classified as an associate or joint venture. Factors the Group must consider include:

- Structure;
- Legal form;
- Contractual agreement; and
- Other facts and circumstances.

Upon consideration of these factors, the Group has determined that all of its arrangements structured through separate vehicles give it significant influence but not joint control rights to the net assets and are therefore classified as associates.

Share-based payments
The Group has a share-based remuneration scheme for employees. The fair value of share options is estimated by using the Black-Scholes and Binomial models, on the date of grant based on certain assumptions. Those assumptions are described in Note 10 and include, among others, the dividend growth rate, expected share price volatility, expected life of the options and number of options expected to vest.

Determination of fair value of intangible assets acquired on business combinations
The fair value of the intangible assets acquired is based on the discounted cash flows expected to be derived from the use of the asset. Further information in relation to the determination of fair value of intangible assets acquired is given in Notes 26 and 27.

Determination of the fair value of contingent consideration and redemption liability
The fair value of contingent consideration and redemption liability is based on the probability of expected cash flow outcomes and the assessment of present values using appropriate discount rates. Recognition of Put/Call options over non-controlling interest is based on consideration of the ownership risks and rewards of the shares relating to the option to determine whether the equity is attributable to the non-controlling interest or the parent. Further information in relation to the determination of the fair value of contingent consideration is given in Notes 26 and 27.

Note 4 – Segment information

The Group's reportable segments are strategic business units that offer different products and services.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-makers have been identified as the management team including the Chief Executive Officer and the Chief Financial Officer.

The operating segments identified are:

- Gaming: including Casino, Services, Sport, Bingo, Poker and land-based; and
- Financials: including B2C and B2B CFD.

The Group-wide profit measures are Adjusted EBITDA and Adjusted Net Profit (see Note 5). Management believes the adjusted profit measures represent more closely the underlying trading performance of the business. No other differences exist between the basis of preparation of the performance measures used by management and the figures in the Group financial information.

There is no allocation of operating expenses, profit measures, assets and liabilities to individual products within the segments.

Note 4 – Segment information continued

Year ended 31 December 2016

	Casino €'000	Services €'000	Sport €'000	Land-based €'000	Bingo €'000	Poker €'000	Other €'000	Total Gaming €'000	Total Financials €'000	Consolidated €'000
Total revenue	354,595	151,557	30,915	57,048	17,846	9,092	21,913	642,966	65,592	708,558
Adjusted EBITDA								286,863	15,370	302,233
Adjusted Net Profit								190,338	16,883	207,221
Total assets								1,881,342	194,904	2,076,246
Total liabilities								797,588	178,939	976,527

Year ended 31 December 2015

	Casino €'000	Services €'000	Sport €'000	Land-based €'000	Bingo €'000	Poker €'000	Other €'000	Total Gaming €'000	Total Financials €'000	Consolidated €'000
Total revenue	308,712	155,625	32,206	29,749	20,468	11,241	12,079	570,080	60,006	630,086
Adjusted EBITDA								236,022	15,866	251,888
Adjusted Net Profit								192,176	14,233	206,409
Total assets								1,911,203	161,050	2,072,253
Total liabilities								672,164	139,394	811,558

In 2016, there were two licensees (2015: two licensees) who individually accounted for more than 10% of the total gaming revenue and the total revenue of the Group. Aggregate revenue from these licensees totalled €255.4 million (2015: €192.3 million).

Geographical analysis of revenues by jurisdiction of gaming licence

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

	2016 €'000	2015 €'000
Philippines	257,002	199,608
UK	188,847	179,510
Rest of World	81,595	64,141
Antigua	28,891	53,512
Gibraltar	25,410	30,285
Malta	25,341	10,798
Italy	17,132	15,591
Spain	12,654	6,209
Curacao	6,094	10,426
	642,966	570,080

Notes to the financial statements continued

Note 4 – Segment information continued

Geographical analysis of non-current assets

The Group's information about its non-current assets by location of the domicile are detailed below:

	2016 €'000	2015* €'000
British Virgin Islands	560,528	571,446
Isle of Man	208,603	192,452
Austria	162,097	–
UK	108,915	90,550
Sweden	76,670	24,714
Cyprus	61,690	53,560
Denmark	51,583	–
Luxemburg	51,352	65,874
Gibraltar	32,322	37,032
Netherland	19,159	18,579
Latvia	13,947	11,243
Rest of World	36,827	46,467
	1,383,693	1,111,917

The Group's information about its non-current assets by location of the assets are detailed below:

	2016 €'000	2015* €'000
British Virgin Islands	552,766	571,447
UK	349,190	316,565
Austria	162,097	–
Sweden	76,670	24,714
Cyprus	50,018	53,560
Gibraltar	32,322	37,032
Denmark	37,261	–
Isle of Man	27,664	32,311
Netherland	15,959	18,579
Latvia	13,947	11,243
Malta	12,601	–
Philippines	6,711	12,929
Rest of World	46,487	33,537
	1,383,693	1,111,917

* 2015 comparative numbers were adjusted to reflect the location of intangible assets based on the location of the underlying acquired businesses rather than the location of the acquirer.

Note 5 – Adjusted items

The following tables give a full reconciliation between adjusted and actual results:

	2016 €'000	2015 €'000
Distribution costs before depreciation and amortisation	345,934	331,705
Employee stock option expenses	(5,144)	(3,914)
Adjusted distribution costs before depreciation and amortisation	340,790	327,791
Administrative expenses before depreciation and amortisation	70,772	64,370
Employee stock option expenses	(1,796)	(990)
Professional fees on acquisitions	(3,441)	(6,181)
Irrecoverable deposit and professional fees on abandoned acquisitions	–	(6,792)
Total adjusted items	(5,237)	(13,963)
Adjusted administrative expenses before depreciation and amortisation	65,535	50,407
Depreciation – distribution costs	17,887	12,653
Depreciation – administrative costs	2,205	1,925
Amortisation – distribution costs	75,173	69,610
Impairment	12,335	1,210
Total depreciation and amortisation	107,600	85,398
Amortisation of intangibles on acquisitions – distribution costs	(44,318)	(41,751)
Impairment	(12,335)	–
Adjusted depreciation and amortisation	50,947	43,647
Revenue	708,558	630,086
Constant currency impact	45,608	–
Revenue on constant currency basis	754,166	630,086
Revenue related to acquisitions on a constant currency basis	(113,311)	(62,881)
Underlying revenue	640,855	567,205
EBITDA	291,852	234,011
Employee stock option expenses	6,940	4,904
Professional expenses on acquisitions	3,441	6,181
Irrecoverable deposit and professional fees on abandoned acquisitions	–	6,792
Adjusted EBITDA	302,233	251,888
Constant currency impact	29,353	–
Adjusted EBITDA on constant currency basis	331,586	251,888
EBITDA related to acquisitions on constant currency basis	(29,774)	(16,774)
Underlying Adjusted EBITDA	301,812	235,114
Profit for the year – attributable to owners of parent	193,030	135,810
Amortisation of intangibles on acquisitions	44,318	41,751
Impairments	12,335	–
Profit on disposal of investment in associates	(64,459)	–
Employee stock option expenses	6,940	4,904
Professional expenses on acquisitions	3,441	6,181
Irrecoverable deposit and professional fees on abandoned acquisitions	–	6,792
Non-cash accrued bond interest	9,802	9,388
Movement in deferred and contingent consideration	832	1,088
Adjusted profit for the year – attributable to owners of the parent	206,239	205,914
Constant currency impact	72,110	(10,578)
Adjusted net loss/(profit) related to acquisitions on constant currency basis	278,349	195,336
Adjusted net profit related to acquisitions on constant currency basis	(6,673)	(11,333)
Underlying adjusted profit for the year – attributable to owners of the parent	271,676	184,003

Notes to the financial statements continued

Note 6 – EBITDA

EBITDA is stated after charging:

	2016 €'000	2015 €'000
Directors' compensation		
Short-term benefits of Directors	2,231	2,359
Share-based benefits of Directors	297	444
Bonuses to Executive Directors	2,071	1,942
	4,599	4,745
Auditors' remuneration		
Group audit and parent company (BDO)	362	362
Audit of subsidiaries (BDO)	599	544
Audit of subsidiaries (non-BDO)	207	194
Total audit fees	1,168	1,100
Non-audit services provided by parent company auditor and its international member firms		
Corporate finance services related to acquisitions	320	883
Other non-audit services	133	60
Tax advisory services	418	213
Total non-audit fees	871	1,156
Development costs (net of capitalised development costs of €35.5 million (2015: €29.7 million)	88,036	80,988

Note 7 – Financing income and costs

	2016 €'000	2015 €'000
A. Finance income		
Interest received	1,376	1,741
Return on available-for-sale investments	11,894	2,311
Exchange differences	–	10,579
	13,270	14,631
B. Finance cost		
Finance cost – movement in contingent consideration	(832)	(1,088)
Exchange differences	(44,696)	–
Notional interest expenses on convertible bonds	(9,802)	(9,388)
Nominal interest expenses on convertible bonds	(1,485)	(1,485)
Bank charges and interest paid	(4,304)	(3,705)
	(61,119)	(15,666)
Net financing cost	(47,849)	(1,035)

Note 8 – Taxation

	2016 €'000	2015 €'000
Current income tax		
Income tax on profits of subsidiary operations	9,652	7,759
Deferred tax (Note 24)	(3,349)	(2,113)
Total tax charge	6,303	5,646

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

	2016 €'000	2015 €'000
Profit before taxation	200,315	141,951
Tax at effective rate in Isle of Man	–	–
Higher rates of current income tax in overseas jurisdictions	6,303	5,646

The Group is tax registered, managed and controlled from the Isle of Man where the corporate tax rate is set to zero. The majority of profits arise in the Isle of Man and British Virgin Islands, in which the corporate tax rate is set to zero as well. The Group's subsidiaries are located in different jurisdictions. The subsidiaries are taxed on their residual profit.

The deferred tax is due to the reversal of temporary differences arising on the identification of the intangible assets acquired in the current and prior years.

Note 9 – 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 is as follows:

	2016 Actual €'000	2016 Adjusted €'000	2015 Actual €'000	2015 Adjusted €'000
Profit for the year attributable to owners of the parent	193,030	206,239	135,810	205,914
Add interest on convertible bond	11,287	1,485	10,873	1,485
Earnings used in diluted EPS	204,317	207,724	146,683	207,399
Basic (€cents)	61.4	65.7	44.5	67.5
Diluted (€cents)	58.8	59.8	43.7	61.8

Notes to the financial statements continued

Note 9 – Earnings per share continued

	2016 Actual Number	2016 Adjusted Number	2015 Actual* Number	2015 Adjusted* Number
Denominator – basic				
Weighted average number of equity shares	314,130,671	314,130,671	305,086,266	305,086,266
Denominator – diluted				
Weighted average number of equity shares	314,130,671	314,130,671	305,086,266	305,086,266
Weighted average number of option shares	2,326,838	2,326,838	411,618	411,618
Weighted average number of convertible bonds	31,059,798	31,059,798	30,170,356	30,170,356
Weighted average number of shares	347,517,307	347,517,307	335,668,240	335,668,240

* Earnings used in diluted EPS and the weighted average number of shares used in diluted EPS for 2015 were adjusted to reflect the impact of the convertible bonds.

As at 31 December 2016, none (2015: none) of the outstanding share options were included in the calculation of diluted EPS as their exercise price is greater than the weighted average share price during the year (i.e. they are out of the money) and therefore it would not be advantageous for the holders to exercise those options. The total number of options in issue is disclosed in Note 10.

Note 10 – Employee benefits

Total staff costs comprise the following:

	2016 €'000	2015 €'000
Salaries and employee-related costs	234,410	219,676
Employee stock option costs	6,940	4,904
	241,350	224,580
Average number of employees:		
Distribution	4,782	4,837
General and administration	472	324
	5,254	5,161

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

- Playtech 2005 Share Option Plan ("the Plan") and Israeli plans, options granted under the plans vest on the first day on which they become exercisable which is typically between one to four years after grant date;
- GTS 2010 Company Share Option Plan ("CSOP"), options granted under the plan vest on the first day on which they become exercisable which is three years after grant date; and
- Long Term Incentive Plan 2012 ("LTIP"), awards (options, conditional awards or a forfeitable share award) granted under the plan vest on the first day on which they become exercisable which is typically between 18 to 36 months after grant date.

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

During 2012, the Group amended some of the rules of the equity based Plan. The amendments allow the Group, at the employee's consent, to settle fully vested and exercisable options for cash instead of issuing shares.

The Group granted 203,487 and 1,500,529 Nil cost awards in December 2015 and December 2016 respectively.

Note 10 – Employee benefits continued

At 31 December 2016, options under these schemes were outstanding over:

	2016 Number	2015 Number
Shares vested between 21 June 2007 and 21 June 2009 at an exercise price of $5.75 per share	–	1,667
Shares vested between 21 June 2007 and 21 June 2009 at an exercise price of £3.16 per share	–	10,000
Shares vested between 11 December 2007 and 11 December 2009 at an exercise price of £2.21 per share	–	5,334
Shares vested between 18 June 2008 and 18 June 2010 at an exercise price of £3.96 per share	3,750	6,267
Shares vested between 31 December 2008 and 31 December 2010 at an exercise price of $7.68 per share	–	3,000
Shares vested between 31 December 2008 and 31 December 2010 at an exercise price of £3.86 per share	5,000	7,000
Shares vested between 25 April 2009 and 25 April 2012 at an exercise price of £4.35 per share	10,000	10,000
Shares vested between 28 November 2009 and 28 November 2012 at an exercise price of £3.20 per share	29,952	37,518
Shares vested on 22 May 2012 at an exercise price of £4.155 per share	20,000	20,000
Shares vested between 18 April 2012 and 18 April 2013 at an exercise price of £5.12 per share	23,200	23,200
Shares vested between 26 August 2012 and 26 August 2013 at an exercise price of £4.16 per share	35,811	37,111
Shares vested on 10 March 2015 at an exercise price of £3.5225 per share	49,000	73,000
Shares vested on 23 June 2016 at an exercise price of £3.48 per share	–	13,000
Shares will vest between 17 June 2016 and 17 June 2017 at Nil cost	28,713	57,425
Shares vested on 21 December 2016 at Nil cost	64,935	99,291
Shares will vest on 1 March 2018 at Nil cost	146,919	146,919
Shares will vest between 1 September 2016 and 1 March 2018 at Nil cost	383,071	56,568
Shares will vest on 1 March 2019 at Nil cost	246,728	–
Shares will vest between 1 September 2017 and 1 March 2019 at Nil cost	677,338	–
Shares will vest on 21 December 2019 at Nil cost	111,720	–
	1,836,137	607,300

Total number of shares exercisable as of 31 December 2016 is 376,213 (2015: 247,097).

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

	2016 Number of options	2015 Number of options	2016 Weighted average exercise price	2015 Weighted average exercise price
Outstanding at the beginning of the year	607,300	1,209,873	$6.99, £1.52	$5.27, £3.64
Granted	1,500,529	360,203	Nil	Nil
Forfeited	(13,215)	(25,041)	Nil	£4.44
Exercised	(258,477)	(937,735)	$6.99, £0.87	$4.99, £3.64
Outstanding at the end of the year	1,836,137	607,300	£0.38	$6.99, £1.52

Included in the number of options exercised during the year are 14,061 options (2015: Nil) where a cash alternative was received.

The weighted average share price at the date of exercise of options was £8.718 (2015: £8.036).

Notes to the financial statements continued

Note 10 – Employee benefits continued

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

Expiry date	Exercise price	2016 Number	2015 Number
Between 6 February 2016 and 11 December 2016	Between \$4.35 and \$5.75 and between £1.72 and £3.16	–	17,001
Between 15 May 2017 and 31 December 2017	Between \$7.19 and \$7.79 and between £3.39 and £3.96	8,750	16,267
Between 25 April 2018 and 31 December 2018	\$4.35 and between £3.17 and £5.31	39,952	47,518
Between 22 May 2019 and 6 November 2019	Between £3.70 and £4.16	20,000	20,000
Between 18 April 2020 and 26 August 2020	Between £4.16 and £5.12	59,011	60,311
Between 10 March 2021 and 16 December 2021	Between £2.30 and £3.52	49,000	73,000
21 June 2022	£3.48	–	13,000
17 December 2024	Nil	93,648	156,716
17 December 2025	Nil	529,990	203,487
Between 21 December 2026 and 31 December 2026	Nil	1,035,786	–
		1,836,137	607,300

Markets ESOP

Options granted under TradeFX 2009 Global Share Option Plan ("TradeFX Plan") vest on the first day on which they become exercisable which is typically between one to four years after grant date.

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

Total number of share options exercisable as of 31 December 2016 is 55,734 (2015: 10,126).

	2016 Number	2015 Number
Shares vested between 1 June 2011 and 31 December 2016 at an exercise price of \$4 per share	3,800	4,089
Shares vested between 1 November 2013 and 31 December 2016 at an exercise price of \$12 per share	4,338	5,537
Shares vested between 1 December 2015 and 31 December 2016 at an exercise price of \$70 per share	47,596	500
	55,734	10,126
Shares vesting between 1 January 2016 and 31 August 2016 at an exercise price of \$4 per share	–	2,749
Shares vesting between 1 January 2016 and 31 May 2017 at an exercise price of \$12 per share	612	10,838
Shares vesting between 1 January 2017 and 31 August 2020 at an exercise price of \$70 per share	103,715	145,186
	104,327	158,773
	160,061	168,899

Note 10 – Employee benefits continued

The following table illustrates the number and weighted average exercise prices of share options for the ESOP:

	2016 Number of options	2015 Number of options	2016 Weighted average exercise price	2015 Weighted average exercise price
Outstanding at the beginning of the year	168,899	60,300	$60.7	$6.58
Granted through the year	11,000	139,486	$70	$70
Forfeited	(12,410)	(29,838)	$36.75	$1.33
Exercised	(7,428)	(1,049)	$9.17	$4
Outstanding at the end of the year	160,061	168,899	$66.64	$60.7

Included in the number of options exercised during the year are 1,049 options (2014: 25) where a cash alternative was received.

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

	2016 Number	2015 Number
Share options to be expired between 1 June 2020 and 1 August 2022 at an exercise price of $4 per share	3,800	6,838
Share options to be expired between 1 September 2022 and 1 November 2023 at an exercise price of $12 per share	4,950	16,375
Share options to be expired between 1 December 2024 and 10 March 2025 at an exercise price of $70 per share	151,311	145,686
	160,061	168,899

Notes to the financial statements continued

Note 11 – Property, plant and equipment

	Computers and gaming machines €'000	Office furniture and equipment €'000	Motor vehicles €'000	Freehold and leasehold buildings and improvements €'000	Total €'000
Cost					
At 1 January 2015	54,857	5,721	456	15,341	76,375
Additions	13,435	2,490	202	11,200	27,327
Acquired through business combinations	621	435	–	66	1,122
Disposals	(1,723)	(190)	(144)	(9)	(2,066)
Foreign exchange movements	1	3	–	–	4
At 31 December 2015	67,191	8,459	514	26,598	102,762
Accumulated depreciation					
At 1 January 2015	33,617	1,581	180	2,678	38,056
Charge	10,770	1,856	83	1,869	14,578
Disposals	(976)	(172)	(61)	–	(1,209)
At 31 December 2015	43,411	3,265	202	4,547	51,425
Net book value					
At 31 December 2015	23,780	5,194	312	22,051	51,337
At 31 December 2014	21,240	4,140	276	12,663	38,319

	Computers and gaming machines €'000	Office furniture and equipment €'000	Motor vehicles €'000	Buildings and leasehold buildings and improvements €'000	Total €'000
Cost					
At 1 January 2016	67,191	8,459	514	26,598	102,762
Additions	17,816	2,560	284	5,564	26,224
Acquired through business combinations	14,392	1,049	–	44	15,485
Disposals	(246)	(126)	(92)	(169)	(633)
Foreign exchange movements	53	23	1	1	78
At 31 December 2016	99,206	11,965	707	32,038	143,916
Accumulated depreciation					
At 1 January 2016	43,411	3,265	202	4,547	51,425
Charge	15,419	1,922	136	2,615	20,092
Disposals	(206)	(60)	(64)	(199)	(529)
Foreign exchange movements	27	8	–	–	35
At 31 December 2016	58,651	5,135	274	6,963	71,023
Net book value					
At 31 December 2016	40,555	6,830	433	25,075	72,893

Note 12 – Intangible assets

	Patents, domain names and licences €'000	Technology IP €'000	Development costs €'000	Customer list & affiliates €'000	Goodwill €'000	Total €'000
Cost						
As of 1 January 2015	23,168	26,661	90,145	226,840	205,097	571,911
Additions	4,331	–	31,357	–	–	35,688
Assets acquired on business combinations	35,059	16,416	2,177	81,536	261,834	397,022
Impairment of intangible assets	–	–	(1,210)	–	–	(1,210)
Foreign exchange movements	333	105	41	775	2,282	3,536
As of 31 December 2015	62,891	43,182	122,510	309,151	469,213	1,006,947
Accumulated amortisation						
As of 1 January 2015	8,674	13,149	44,346	124,597	–	190,766
Provision	5,713	3,930	20,249	35,448	–	65,340
Foreign exchange movements	(6)	(25)	30	(30)	–	(31)
As of 31 December 2015	14,381	17,054	64,625	160,015	–	256,075
Net book value						
As of 31 December 2015	48,510	26,128	57,885	149,136	469,213	750,872
As of 31 December 2014	14,494	13,512	45,799	102,243	205,097	381,145

	Patents, domain names and licences €'000	Technology IP €'000	Development costs €'000	Customer list & affiliates €'000	Goodwill €'000	Total €'000
Cost						
As of 1 January 2016	62,891	43,182	122,510	309,151	469,213	1,006,947
Additions	1,305	11,714	35,649	–	–	48,668
Disposals	–	–	–	–	(5,312)	(5,312)
Assets acquired on business combinations	13,536	38,560	–	79,261	158,992	290,349
Impairment of intangible asset	–	–	–	–	(12,335)	(12,335)
Foreign exchange movements	1,391	527	574	3,344	9,699	15,535
As of 31 December 2016	79,123	93,983	158,733	391,756	620,257	1,343,852
Accumulated amortisation						
As of 1 January 2016	14,381	17,054	64,625	160,015	–	256,075
Provision	5,901	8,872	22,818	34,273	–	71,864
Foreign exchange movements	157	167	214	740	–	1,278
As of 31 December 2016	20,439	26,093	87,657	195,028	–	329,217
Net book value						
As of 31 December 2016	58,684	67,890	71,076	196,728	620,257	1,014,635

The Group amortisation charge of €75.2 million (2015: €69.9 million) also includes €3.3 million (2015: €4.2 million) in relation to the release of the buyout of reseller agreement (Note 17).

Notes to the financial statements continued

Note 12 – Intangible assets continued

In accordance with IAS 36, the Group regularly monitors the carrying value of its intangible assets, including goodwill. Goodwill is allocated to 11 (2015: 14) cash generating units ("CGU"). Following the restructure of the Sports division, the previous CGUs' of Mobenga, Geneity and other acquisitions were combined to form the Sports CGU in accordance with IAS 36. Management determines which of those CGUs' are significant in relation to the total carrying value of goodwill as follows:

- Carrying value exceeds 10% of total goodwill; or
- Acquisition during the year; or
- Contingent consideration exists at the balance sheet date.

Based on the above criteria in respect of the goodwill, management has concluded that the following are significant:

- Markets, with a carrying value of $265.3, €252.3 million (2015: $265.3 million, €240.6 million);
- Services, with a carrying value of €100.0 million (2015: €108.6 million);
- BGT, with a carrying value of €88.3 million (2015: Nil);
- Quickspin, with a carrying value of €26.8 million (2015: Nil);
- CFH, with a carrying value of €23.9 million (2015: Nil);
- Casino product, with a carrying value of €34.0 million (2015: €34.0 million); and
- ECM Systems, with a carrying value of €9.4 million (2015: Nil).

The recoverable amounts of all the CGUs have been determined from value in use calculations based on cash flow projections from formally approved budgets covering a one-year period to 31 December 2017 in addition to two to three year forecasts. Beyond this period, management has applied an annual growth rate of between 2% and 5% based on the underlying economic environment in which the CGU operates. Management has applied a discount rates to the cash flow projections between 11.9% and 13.9% (2015: between 12.0% and 18.4%).

The results of the review indicated that there was an impairment of goodwill of three CGUs' in a total amount of €12.3 million at 31 December 2016, which has been charged to the income statement. Management has also reviewed the key assumptions and forecasts for the customer lists, brands and affiliates, applying the above same key assumptions. The results of the reviews indicated that except the above, there was no impairment of the intangible assets at 31 December 2016.

Note 13 – Investments in equity accounted associates & joint ventures

	2016 €'000	2015 €'000
Investment in joint ventures comprise:		
A. Investment in International Terminal Leasing	2,091	3,388
Investment in equity accounted associates:		
B. Investment in associates	11,612	17,254
C. Investment in structured agreements	25,323	31,136
	39,026	51,778

A. Investment in International Terminal Leasing

On 8 March 2011, the Group entered into an agreement with Scientific Games to form a partnership called International Terminal Leasing ("ITL"), which relates to the strategic partnership with Scientific Games Corporation.

The Group's future profit share from this joint venture varies depending on the commercial arrangements in which ITL and its partners enter into with third parties. However, the Group's share of profit is expected to be between 20%-50%.

The Group received a return on investment of €1.4 million during the year (2015: €2.4 million).

Note 13 – Investments in equity accounted associates & joint ventures continued

A. Investment in International Terminal Leasing continued

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

	€'000
Investment in joint venture at 1 January 2016	3,388
Share of profit in joint venture	146
Return of investment	(1,443)
Investment in joint venture at 31 December 2016	**2,091**

B. Investment in associates

Investment in BGO

In August 2014, the Group acquired 33.33% of the shares of BGO Limited for a total consideration of £10 million (€12.5 million). In 2015 the Group invested an additional £0.7 million (€0.9 million).

The purpose of this investment is to further enhance BGO gaming applications on the Group's platform and to enable BGO to further invest in its successful brands and grow into international markets.

Other individually immaterial investments

During the year the Group paid €0.2 million additional consideration to non-controlling investments acquired in previous years (2015: €6.6 million and €0.3 million additional consideration to non-controlling investments).

Total associates:

	€'000
Investment in associates at 1 January 2016	17,254
Investment in associates in the year	220
Investment in associate acquired on business combination	5
Share of loss	(693)
Impairment of investment in associate	(1,586)
Subsidiary acquired in steps (Note 26e)	(3,588)
Investment in associates at 31 December 2016	**11,612**

Aggregated amounts relating to BGO Limited are as follows:

	2016 €'000	2015 €'000
Total non-current assets	77	328
Total current assets	5,958	8,544
Total non-current liabilities	(3,521)	–
Total current liabilities	(4,475)	(7,662)
Revenues	40,609	33,974
Loss	(3,484)	(15,437)

Notes to the financial statements continued

Note 13 – Investments in equity accounted associates & joint ventures continued

C. Investment in structured agreements

During the year the Group entered into two new structured agreements (2015: three structured agreements), which include agreements covering software licensing and services provisions with Nil initial investment cost and invested additional €1.4 million in existing agreement (2015: three agreements of a total cash investment of €8.9 million and additional €9.3 million invested in existing agreements). These structured agreements are individually immaterial.

Movement in structured agreements:

	€'000
Investment in structured agreements at 1 January 2016	31,136
Investment in structured agreements in the year	1,481
Return on investment in structured agreement	(401)
Disposal of investment in Ladbrokes agreements	(6,893)
Investment in structured agreements at 31 December 2016	25,323

Ladbrokes software and services agreement

In 2013, the Group entered into a landmark transaction with Ladbrokes plc ("Ladbrokes"), which includes three significant agreements covering software licensing, marketing and advisory services.

As part of the advisory services agreement, the Group through its marketing division will have significant influence over the financial and operational decision-making of the Ladbrokes digital business. The Group will receive a share of profit based on the EBITDA performance of the Ladbrokes digital business in the financial year ended 31 December 2017 over and above that achieved in the financial year ended 31 December 2012, as adjusted (the "Base EBITDA").

On 27 July 2015, the Group agreed to an early settlement of its marketing services subject to the completion of the merger between Ladbrokes and Coral.

On 1 November 2016, the merger was completed. The Group received €44.5 million (£40 million) satisfied by way of the issue of shares in Ladbrokes Coral plc. A further £35 million in cash is to be received upon delivery of key operational milestones by the Group but, in any event, within 42 months following completion of the merger.

Upon completion the Group disposed of the investments relating to the Ladbrokes software and services agreements. Profit on disposal is calculated as follows:

Income from Ladbrokes:

	€'000
Ladbrokes Coral plc shares fair value as at 1 November 2016	44,477
Present value of cash receivable (using a 5.0% discount rate)	38,100
Cost related to the software and services agreement	(9,639)
Disposal of investment in associate	(6,893)
Profit on disposal of investment of associate	66,045
Impairment of investment in associate (Note 13b)	(1,586)
Net profit on disposal of investment of associate	64,459

Note 14 – Available-for-sale investments

	2016 €'000	2015 €'000
Investment in available-for-sale investments at 1 January	237,100	24,219
Investment in the year (Note 13c)	44,477	209,797
Unrealised valuation movement recognised in equity	(53,868)	1,160
Foreign exchange movements	2,569	1,924
Investment in available-for-sale investments at 31 December	230,278	237,100

	2016 €'000	2015 €'000
Available-for-sale financial assets include the following:		
Quoted:		
Equity securities – UK	225,280	226,015
Equity securities – Asia	4,998	11,085
	230,278	237,100

The fair value of quoted investments is based on published market prices.

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

Note 15 – Other non-current assets

	2016 €'000	2015 €'000
Loans to customers	7,293	7,199
Loan to affiliate	4,382	2,825
Rent and car lease deposits	3,758	3,312
Guarantee for gaming licences	2,000	2,000
Related parties (Note 28)	5,050	3,561
Deferred tax	2,025	–
Non-current prepayments	740	766
Other	1,613	1,167
	26,861	20,830

Notes to the financial statements continued

Note 16 – Trade receivables

	2016 €'000	2015 €'000
Customers	71,506	72,341
Related parties (Note 28)	2,238	2,291
	73,744	74,632

Note 17 – Other receivables

	2016 €'000	2015 €'000
Prepaid expenses	17,054	14,340
VAT and other taxes	9,675	6,785
Advances to suppliers	2,141	380
Buyout of reseller agreement	–	3,308
Proceeds from disposal of investment (Note 13c)	39,865	–
Related parties (Note 28)	228	–
Other receivables	5,003	2,993
	73,966	27,806

Note 18 – Cash and cash equivalents

	2016 €'000	2015 €'000
Cash at bank	409,158	501,336
Deposits	135,685	356,562
	544,843	857,898

The Group held cash balances which include monies held on behalf of operators in respect of operators' jackpot games and poker and casino operations and client funds with respect to CFD and client deposits in respect of liquidity and clearing activity.

	2016 €'000	2015 €'000
Funds attributed to jackpots	31,589	30,886
Security deposits	15,172	32,454
Client deposits	76,229	–
Client funds	29,863	43,761
	152,853	107,101

Note 19 – Shareholders' equity

A. Share capital

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

	2016 Number of shares	2015 Number of shares
Authorised*	N/A	N/A
Issued and paid up	317,344,603	322,624,603

* The Group 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.

In 2015 the Group issued 29,050,000 shares of no par value.

In 2016 the Group has cancelled 5,280,000 shares as part of share buyback for a total consideration of €49,829,000.

B. Employee Benefit Trust

In 2014 the Group established an Employee Benefit Trust by acquiring 5,517,241 shares for a total consideration of €48.5 million. During the year 244,416 shares (2015: 855,749) were issued as a settlement for employee share option exercises with a cost of €2.1 million (2015: €8.7 million), and as of 31 December 2016, a balance of 3,035,673 (2015: 3,280,089) shares remains in the trust with a cost of €25.4 million (2015: €27.5 million).

C. Share options exercised

During the year 258,477 (2015: 81,986) share options were exercised. The Group cash-settled 14,061 share options during the year (2015: Nil).

D. Distribution of dividend

In May and June 2016, the Group distributed €60,810,670 as a final dividend for the year ended 31 December 2015 (18.9 €cents per share).

In October 2016, the Group distributed €35,274,873 as an interim dividend in respect of the period ended 30 June 2016 (11.0 €cents per share).

In December 2016, the Group distributed €149,648,301 as special dividend (46.0 €cents per share).

E. Reserves

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

Reserve	Description and purpose
Additional paid in capital	Share premium (i.e. amount subscribed for share capital in excess of nominal value)
Available-for-sale reserve	Changes in fair value of available-for-sale investments (Note 14)
Employee Benefit Trust	Cost of own shares held in treasury by the trust
Put/Call options reserve	Fair value of put options as part of business acquisition
Foreign exchange reserve	Gains/losses arising on retranslating the net assets of overseas operations
Convertible bond option reserve	Amount of proceeds on issue of convertible debt relating to the equity component (i.e. option to convert the debt into share capital)
Retained earnings	Cumulative net gains and losses recognised in the consolidated statement of comprehensive income

Notes to the financial statements continued

Note 20 – Loans and borrowings

The loan balance as of 31 December 2016 is €200 million (2015: €200 million). The loan is a revolving credit facility available until July 2018. Interest payable on the loan is based on a margin on Euro libor rates.

Note 21 – Convertible bonds

On 12 November 2014 the Group issued €297.0 million of senior, unsecured convertible bonds due 2019 and convertible into fully paid ordinary shares of Playtech plc (the "Bonds"). The net proceeds of issuing the Bonds, after deducting commissions and other direct costs of issue, totalled €291.1 million.

The Bonds were issued at par and will be redeemed (if not converted before) on 19 November 2019 at their principal amount. The Bonds bear interest at 0.5% per annum, payable annually in arrears on 19 November.

Upon conversion, Bondholders are entitled to receive ordinary shares at the conversion price of €10.1325 per ordinary share, subject to adjustment in respect of (i) any dividend or distribution by the Company, (ii) a change of control and (iii) customary anti-dilution adjustments for, inter alia, share consolidations, share splits and rights issues.

The fair value of the liability component, included in non-current borrowings, at inception was calculated using a market interest rate for an equivalent instrument without conversion option of 4%.

The fair value of the liability component, which is immateriality different to the amortised cost, of the Bonds (including accrued interest) at 31 December 2016 amounted to €266.2 million (2015: €256.4 million), which was calculated using cash flow projections discounted at 4%.

The fair value at inception of the equity component of the bonds at 31 December 2016 was €45.4 million (2015: €45.4 million).

Note 22 – Contingent consideration and redemption liabilities

	2016 €'000	2015 €'000
Non-current contingent consideration consists:		
Acquisition of Markets Limited (Note 27b)	139,133	138,196
Acquisition of Quickspin AB (Note 26a)	24,143	–
Acquisition of Patelle Limited (Note 26b)	4,792	–
Other acquisitions (Note 27c)	1,645	3,151
	169,713	141,347
Non-current redemption liability consists:		
Acquisition of Consolidated Financial Holdings A/S (Note 26d)	17,102	–
Acquisition of Patelle Limited (Note 26b)	16,593	–
Acquisition of ECM Systems Holdings Limited (Note 26c)	1,142	–
	34,837	–
Total non-current contingent consideration and redemption liability	204,550	141,347
Current contingent consideration consists:		
Acquisition of ECM Systems Holdings Limited (Note 26c)	3,061	–
Acquisition of Consolidated Financial Holdings A/S (Note 26d)	336	–
Acquisition of Yoyo Games Limited (Note 27a)	–	2,036
Other acquisitions (Note 27c)	1,180	2,455
	4,577	4,491

Note 23 – Trade payables

	2016 €'000	2015 €'000
Suppliers	23,235	14,907
Customer liabilities	3,932	1,292
Related parties (Note 28)	573	200
Other	431	1,012
	28,171	17,411

Note 24 – Deferred tax liability

The deferred tax liability is due to temporary differences on the acquisition of certain businesses.

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

	2016 €'000	2015 €'000
At the beginning of the year	14,049	4,904
Arising on the acquisitions during the year (Note 26)	29,743	11,258
Reversal of temporary differences, recognised in the consolidated statement of comprehensive income (Note 8)	(3,349)	(2,113)
	40,443	14,049

Note 25 – Other payables

	2016 €'000	2015 €'000
Payroll and related expenses	37,626	35,147
Accrued expenses	16,328	15,955
Related parties (Note 28)	1,309	353
Other payables	3,173	4,600
	58,436	56,055

Notes to the financial statements continued

Note 26 – Acquisitions during the year

A. Acquisition of Quickspin AB

On 24 May 2016, the Group acquired 100% of the shares of Quickspin AB ("Quickspin"). Quickspin is a Swedish games studio that develops and supplies high quality video slots to operators, both in online real money gambling as well as in the social gaming market.

The Group paid total cash consideration of €24.5 million (SEK 228.4 million) and additional consideration capped at €26.0 million (SEK 242.9 million) in cash will be payable subject to achieving target EBITDA.

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

	Fair value on acquisition €'000
Property, plant and equipment	123
Intangible assets	26,996
Trade and other receivables	1,249
Cash and cash equivalent	535
Trade payables	(935)
Deferred tax liability	(6,074)
Net identified assets	21,894
Goodwill	26,802
Fair value of consideration	48,696

	€'000
Cash consideration	24,461
Non-current contingent consideration	26,019
Finance cost arising on discounting of contingent consideration	(1,784)
Fair value of consideration	48,696
Cash purchased	(535)
Net cash payable	48,161

Adjustments to fair value include the following:

	Amount €'000	Amortisation %
Customer relationship	18,645	6.7
IP Technology	5,499	20
Brand	2,852	16.7

The main factor leading to the recognition of goodwill is the time to market benefit, large pipeline of operators, revenue stream from new games and new licensees and assembled work force with vast experience in the virtual slot machines games. In accordance with IAS 36, the Group will regularly monitor the carrying value of its interest in Quickspin.

Note 26 – Acquisitions during the year continued

A. Acquisition of Quickspin AB continued

The key assumptions used by management to determine the value in use of the Customer relationship and Brand within Quickspin are as follows:

- The relief from royalty approach;
- The royalty rate was based on a third-party market participant assumption for the use of the Customer relationship and Brand;
- The discount rate assumed is equivalent to the WACC for the Customer relationship and Brand; and
- The growth rates and attrition rates were based on market analysis.

The key assumptions used by management to determine the value in use of the IP Technology within Quickspin are as follows:

- The with and without model, taking into account the time and additional expenses required to recreate the IP Technology and the level of lost cash flows in the period;
- The discount rate assumed is equivalent to the WACC for the IP Technology; and
- The growth rates and attrition rates were based on market analysis.

Management has not disclosed Quickspin contribution to the Group profit since the acquisition nor has the impact the acquisition would have had on the Group's revenue and profits if it had occurred on 1 January 2016 been disclosed, because the amounts are not material.

B. Acquisition of Patelle Limited

On 13 July 2016, the Group acquired 90% of the shares of Patelle Limited. Patelle owns 100% of Best Gaming Technology GmbH ("BGT"). BGT is an Austrian leading provider of sports betting software and solutions for gaming and sports betting operators. The remaining 10% of the shares are held by the founder and CEO of BGT.

The Group paid total cash consideration of €138.5 million.

The Group has a call option to purchase the remaining 10% of BGT at a valuation of six times 2019 EBITDA capped at €55.0 million. The founder and CEO of BGT have certain put options over his 10% holding at the same valuation. The fair value of this option was recognised as non-current liability and reflected in the Groups' statement of changes in equity. The fair value as of 31 December 2016 was €16.6 million.

The founder and CEO of BGT may also be entitled to an additional payment of €5.0 million subject to the achievement of certain operational milestones.

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

	Fair value on acquisition €'000
Property, plant and equipment	11,832
Intangible assets	64,815
Trade and other receivables	11,150
Cash and cash equivalent	5,698
Trade and other payables	(16,331)
Deferred tax liability	(16,141)
Non-controlling interest	(6,102)
Net identified assets	54,921
Goodwill	88,283
Fair value of consideration	143,204

Notes to the financial statements continued

Note 26 – Acquisitions during the year continued

B. Acquisition of Patelle Limited continued

	€'000
Cash consideration	138,490
Non-current contingent consideration	5,000
Finance cost arising on discounting of contingent consideration	(286)
Fair value of consideration	143,204
Cash purchased	(5,698)
Net cash payable	137,506

Adjustments to fair value include the following:

	Amount €'000	Amortisation %
Customer relationship	39,503	6.7
IP Technology	16,883	20
Brand	8,177	10
Other	252	20

The main factor leading to the recognition of goodwill is the time to market benefit, revenue stream from newly developed terminals and assembled work force with vast experience in self-service betting terminals ("SSBT") sector. In accordance with IAS 36, the Group will regularly monitor the carrying value of its interest in BGT.

The key assumptions used by management to determine the value in use of the Customer relationship, IP Technology and Brand within BGT are as follows:

- The relief from royalty approach;
- The royalty rate was based on a third-party market participant assumption for the use of the Customer relationship and Brand;
- The discount rate assumed is equivalent to the WACC for the Customer relationship, IP technology and Brand; and
- The growth rates and attrition rates were based on market analysis.

Since the acquisition date, BGT has contributed €25.0 million to the Group revenue, €8.9 million to the Adjusted EBITDA and €5.0 million to the Adjusted Net Profit. The combined Group revenue as if BGT acquisition had occurred on 1 January 2016 would have been higher by €29.0 million, the combined Group Adjusted EBITDA and Adjusted Net Profit would have been higher by €10.5 million and €4.0 million.

Note 26 – Acquisitions during the year continued

C. Acquisition of ECM Systems Holdings Ltd

On 20 October 2016, the Group acquired 90% of the shares of ECM Systems Holdings Limited ("ECM"). ECM is a bingo software and hardware solutions provider to the UK retail bingo market. The remaining 10% of the shares are held by the founder and CEO of ECM.

The Group paid total cash consideration of €25.0 million (£22.4 million). The Company will pay €3.1 million (£2.7 million) as additional working capital adjustment in the beginning of 2017.

The Group has a call option to purchase the remaining 10% of ECM at a valuation of 6 times 2019 EBITDA capped at £1.1 million (€1.2 million). The CEO of ECM have certain put options over his 10% holding at the same valuation. The fair value of this option was recognised as non-current liability and reflected in the Groups' statement of changes in equity. The fair value as of 31 December 2016 was €1.1 million. The Group paid to an escrow account the fair value of the option.

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

	Fair value on acquisition €'000
Property, plant and equipment	2,127
Intangible assets	8,713
Trade and other receivables	1,354
Cash and cash equivalent	12,133
Trade and other payables	(1,852)
Deferred tax liability	(1,742)
Minority	(2,071)
Net identified assets	18,662
Goodwill	9,437
Fair value of consideration	28,099

	€'000
Cash consideration	25,038
Current deferred consideration	3,061
Fair value of consideration	28,099
Cash purchased	(12,133)
Net cash payable	15,966

Notes to the financial statements continued

Note 26 – Acquisitions during the year continued

C. Acquisition of ECM Systems Holdings Ltd continued

Adjustments to fair value include the following:

	Amount €'000	Amortisation %
Customer relationship	5,290	10
IP Technology	2,273	12.5
Brand	1,150	10

The main factor leading to the recognition of goodwill is the substantial market presence and business reputation. In accordance with IAS 36, the Group will regularly monitor the carrying value of its interest in ECM.

The key assumptions used by management to determine the value in use of the Customer relationship, IP Technology and Brand within ECM are as follows:

- The relief from royalty approach;
- The royalty rate was based on a third-party market participant assumption for the use of the Customer relationship and Brand;
- The discount rate assumed is equivalent to the WACC for the Customer relationship, IP technology and Brand; and
- The growth rates and attrition rates were based on market analysis.

Management has not disclosed ECM's contribution to the Group profit since the acquisition nor has the impact the acquisition would have had on the Group's revenue and profits if it had occurred on 1 January 2016 been disclosed, because the amounts are not material.

D. Acquisition of Consolidated Financial Holdings A/S

On 30 November 2016, the Group acquired 70% of the shares of Consolidated Financial Holdings A/S ("CFH"). CFH is a technology company with products including a Straight Through Processing brokerage which provides retail brokers with multi-asset execution, prime brokerage services, liquidity and complementary risk management tools. The remaining 30% of the shares are held by the founder and CEO of CFH.

The Group paid total cash consideration of €38.6 million ($41.0 million). The Company will pay €0.3 million ($0.3 million) as additional working capital adjustment in the beginning of 2017.

The Group has a call option to purchase the remaining 30% of CFH at a valuation of six times 2018 EBITDA capped at a total consideration of $76.6 million less the initial consideration. The founder and CEO of CFH have certain put options over his 30% holding at the same valuation. The fair value of this option was recognised as a non-current liability and reflected in the Groups' statement of changes in equity. The fair value as of 31 December 2016 was €16.9 million.

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

	Fair value on acquisition €'000
Property, plant and equipment	214
Intangible assets	26,446
Trade and other receivables	3,338
Cash and cash equivalent	80,463
Trade and other payables	(6,364)
Client funds	(76,952)
Deferred tax liability	(5,246)
Non controlling interest	(6,570)
Net identified assets	15,329
Goodwill	23,927
Fair value of consideration	39,256

Note 26 – Acquisitions during the year continued

D. Acquisition of Consolidated Financial Holdings A/S continued

	€'000
Cash consideration	38,927
Current contingent consideration	329
Fair value of consideration	39,256
Cash purchased	(80,463)
Net cash payable	(41,207)

Adjustments to fair value include the following:

	Amount €'000	Amortisation %
Customer relationship	14,322	10
IP Technology	11,019	10-14.3
Brand	1,105	10

The main factor leading to the recognition of goodwill is the substantial market presence and business reputation. In accordance with IAS 36, the Group will regularly monitor the carrying value of its interest in CFH.

The key assumptions used by management to determine the value in use of the Customer relationship, IP Technology and Brand within CFH are as follows:

- The relief from royalty approach;
- The royalty rate was based on a third-party market participant assumption for the use of the Customer relationship and Brand;
- The discount rate assumed is equivalent to the WACC for the Customer relationship, IP technology and Brand; and
- The growth rates and attrition rates were based on market analysis.

Management has not disclosed CFH's contribution to the Group profit since the acquisition nor has the impact the acquisition would have had on the Group's revenue and profits if it had occurred on 1 January 2016 been disclosed, because the amounts are not material.

Notes to the financial statements continued

Note 26 – Acquisitions during the year continued

E. Other acquisitions

During the period, the Group acquired the shares of various companies for a total consideration of €13.1 million. One of these subsidiaries was acquired in steps, with previous consideration of €2.4 million paid to acquire the previously recognised associate.

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

	Fair value on acquisition €'000
Property, plant and equipment	1,189
Intangible assets	4,387
Trade and other receivables	683
Cash and cash equivalent	1,415
Trade and other payables	(4,989)
Deferred tax liability	(94)
Net identified assets	2,591
Goodwill	10,543
Total fair value of consideration	13,134

	€'000
Cash consideration	9,545
Conversion of previously recognised associate	3,589
Fair value of consideration	13,134
Cash purchased	(1,415)
Net cash payable	11,719

Adjustments to fair value include the following:

	Amount €'000	Amortisation %
Customer relationship	1,501	6.7-10
IP Technology	2,886	20-33.33

The main factor leading to the recognition of goodwill is the unique workforce and time to market benefit. In accordance with IAS 36, the Group will regularly monitor the carrying value of its interest in these acquisitions.

The key assumptions used by management to determine the value in use of the IP Technology within these acquisitions are as follows:

- The income approach, in particular, the multi period excess earnings method;
- The discount rate assumed is equivalent to the WACC for the IP Technology; and
- The growth rates and attrition rates were based on market analysis.

Management has not disclosed other acquisitions contribution to the Group profit since these acquisitions nor has the impact the acquisition would have had on the Group's revenue and profits if it had occurred on 1 January 2016 been disclosed, because the amounts are not material.

Note 27 – Acquisitions in prior year

A. Acquisition of Yoyo Games Limited

On 13 February 2015, the Group acquired 100% of the shares of Yoyo Games Limited ("Yoyo"). Yoyo is the home of Game Maker: Studio™ ("GMS"), a mobile driven cross-platform casual game development technology that enables developers to create games using a single programming code and then publish them to run natively across most common platforms.

The Group paid total cash consideration of €14.4 million ($16.4 million) and additional consideration capped at €2.2 million ($2.5 million), of which €1.8 million was paid in current year.

B. Acquisition of Markets Limited (previously named TradeFX Limited)

On 8 May 2015, the Group acquired 95.05% of the shares of Markets Limited ("Markets"), 91.1% on fully diluted basis. The sellers included a company related to the significant shareholder, Telesphere Services Limited.

Markets is an online CFDs broker and trading platform provider, operates a platform for CFDs trading across multiple channels. In addition, Markets provides a turnkey offering, including a white-label solution, for B2B clients, in return for a revenue share.

The Group paid total cash consideration of €208 million, and additional consideration capped at €250 million in cash will be payable subject to achieving target EBITDA (Note 22).

C. Other acquisitions

During the period the Group acquired 100% of the shares of various companies for a total initial consideration of €3.5 million and additional consideration capped at €4.9 million in cash will be payable subject to the achievement of certain operational targets.

Note 28 – 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. Also, a party is considered to be related if a member of the key management personnel has the ability to control the other party.

Skywind Holdings Limited ("Skywind"), SafeCharge Limited, Crossrider Technologies Ltd ("Crossrider"), Royalfield Limited, Easydock Investments Ltd. ("Easydock"), Selfmade Holdings, Glispa GmbH, Anise Development Limited and Anise Residential Limited (together "Anise") and Telesphere Services Ltd (Note 27b) are related by virtue of a common significant shareholder.

Joint venture and the structured agreements are associates of the Group by virtue of the Group's significant influence over those arrangements.

Notes to the financial statements continued

Note 28 – Related parties and shareholders continued

The following transactions arose with related parties:

	2016 €'000	2015 €'000
Revenue including revenue from associates		
Skywind	1,683	1,562
Structured agreements and associates	12,904	35,531
Share of profit in joint venture	146	229
Share of loss in associates	(693)	(5,856)
Operating expenses/(credit)		
SafeCharge Limited	6,150	6,674
Crossrider	2,615	2,472
Structured agreements	1,309	1,910
Anise	1,037	1,174
Skywind, net of capiltalised cost	82	3,438
Glispa GmbH	28	6
Selfmade Holdings	11	52
Royalfield Limited	4	(272)
Easydock	1	358
PT Games	–	220
Interest payable		
Niceidea	–	46
The following are year-end balances:		
Intangible assets		
Skywind	4,128	1,037
Cash and cash equivalent		
Safecharge Limited	2,968	5,341
Niceidea	–	1,596
Structured agreements and associates	5,050	1,965
Total non-current related party receivables	5,050	3,561
Structured agreements and associates	1,971	1,435
Skywind	267	582
Crossrider	228	266
PT Games Limited	–	8
Total current related party receivables	2,466	2,291
SafeCharge Limited	200	200
Structured agreements	1,682	353
Total related party payables	1,882	553

Following Hilary Stewart-Jones stepping down from the Board on 1 January 2016, Niceidea and PT Games are no longer related parties.

On 31 December 2016, Brickington held 21.93% (31 December 2015: 33.61%) of Playtech plc shares.

Mr Teddy Sagi, the ultimate beneficiary of a trust that owns Brickington, provides advisory services to the Group for a total annual consideration of €1. Brickington ceased to be a controlling shareholder as defined under the listing rules when its holding fell below 25%. The relationship agreement remains in place, all transactions with the controlling shareholder or their associates were made at an arms length.

The details of key management compensation (being the remuneration of the Directors) are set out in Note 6.

Note 29 – Subsidiaries

Details of the Group's principal 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 Limited	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 Limited	Israel	100%	Marketing and advertising.
Video B Holding Limited	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 Limited	Isle of Man	100%	Management.
Evermore Trading Limited	British Virgin Islands	100%	Holding company.
Playtech Services (Cyprus) Limited	Cyprus	100%	Activates the ipoker network in regulated markets. Owns the intellectual property of GTS, Ash and Geneity businesses.
VB (Video) Cyprus Limited	Cyprus	100%	Trading company for the Videobet product to Romanian companies.
Techplay S.A. Software Limited	Israel	100%	Develops online software.
Technology Trading IOM Limited	Isle of Man	100%	Owns the intellectual property rights of Virtue Fusion business.
Gaming Technology Solutions Limited	UK	100%	Holding company of VS Gaming and VS Technology.
VS Gaming Limited	UK	100%	Develops software and casino games.
VS Technology Limited	UK	100%	Develops EdGE platform.
Virtue Fusion (Alderney) Limited	Alderney	100%	Online bingo and casino software provider.
Virtue Fusion CM Limited	UK	100%	Chat moderation services provider to end users of VF licensees.
Playtech Software (Alderney) Limited	Alderney	100%	To hold the Company's Alderney Gaming licence.
Intelligent Gaming Systems Limited	UK	100%	Casino management systems to land-based businesses.
VF 2011 Limited	Alderney	100%	Holds licence in Alderney for online gaming.
PT Turnkey Services Limited	British Virgin Islands	100%	Holding company of the Turnkey Services group.
PT Turnkey EU Services Limited	Cyprus	100%	Turnkey services for EU online gaming operators.
PT Entertenimiento Online EAD	Bulgaria	100%	Poker & Bingo network for Spain.
PT Marketing Services Limited	British Virgin Islands	100%	Marketing services to online gaming operators.
PT Operational Services Limited	British Virgin Islands	100%	Operational & hosting services to online gaming operators.
Tech Hosting Limited	Alderney	100%	Alderney Hosting services.
Paragon International Customer Care Limited	British Virgin Island & branch office in the Philippines	100%	English customer support, chat, fraud, finance, dedicated employee services to parent company.

Notes to the financial statements continued

Note 29 – Subsidiaries continued

Name	Country of incorporation	Proportion of voting rights and ordinary share capital held	Nature of business
CSMS Limited	Bulgaria	100%	Consulting and online technical support, data mining processing and advertising services to parent company.
TCSP Limited	Serbia	100%	Operational services for Serbia.
S-Tech Limited	British Virgin Islands & branch office in the Philippines	100%	Live games services to Asia.
PT Advisory Services Limited	British Virgin Islands	100%	Holds PT processing Advisory Ltd.
PT Processing Advisory Limited	British Virgin Islands	100%	Advisory services for processing & cashier to online gaming operators.
PT Processing EU Advisory Limited	Cyprus	100%	Advisory services for processing & cashier for EU online gaming operators.
PT Network Management Limited	British Virgin Islands	100%	Manages the ipoker network.
Playtech Mobile (Cyprus) Limited	Cyprus	100%	Holds the IP of Mobenga AB.
Playtech Holding Sweden AB Limited	Sweden	100%	Holding company of Mobenga AB.
Mobenga AB Limited	Sweden	100%	Mobile sportsbook betting platform developer.
Ash Gaming Limited	UK	100%	Develops interactive gambling and betting games.
Geneity Limited	UK	100%	Develops Sportsbook and Lottery software.
Factime Limited	Cyprus	100%	Holding company of Juego.
Juego Online EAD	Bulgaria	100%	Gaming operator. Holds a licence in Spain.
PlayLot Limited	British Virgin Islands	100%	Distributing lottery software.
PokerStrategy Ltd.	Gibraltar	100%	Operates poker community business.
Videobet Interactive Sweden AB	Sweden	100%	Trading company for the Aristocrat Lotteries VLTs.
V.B. Video (Italia) S.r.l.	Italy	100%	Trading company for the Aristocrat Lotteries VLTs.
PT Entertainment Services LTD	Antigua	100%	Holding gaming licence in the UK.
Markets Limited	British Virgin Islands	95.256%	Owns the intellectual property rights and marketing and technology contracts of the Financials division.
Safecap Limited	Cyprus	95.256%	Primary trading company of the Financials division. Licensed investment firm and regulated by Cysec.
TradeFXIL limited	Israel	95.256%	Financials division sales, client retention, R&D and marketing.
ICCS BG	Bulgaria	95.256%	Financials division back office customer support.
Stronglogic Services Limited	Cyprus	95.256%	Maintains the Financials division marketing function for EU operations.
Yoyo Games Limited	UK	100%	Casual game development technology.
Quickspin AB	Sweden	70%	Owns video slots intellectual property.
Best Gaming Technology GmbH	Austria	90%	Owns sports betting intellectual property solutions and primary trading company for sports betting.
ECM Systems Holdings Ltd	UK	90%	Owns bingo software intellectual property and bingo hardware.
Consolidated Financial Holdings AS	Denmark	70%	Owns the intellectual property which provides brokerage services, liquidity and risk management tool.
CFH Clearing Limited	UK	70%	Primary trading company of CFH Group.

Note 30 – Financial instruments and risk management

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

A. Market risk

Market risk changes in line with fluctuations in market prices, such as foreign exchange rates, interest rates, equities and commodities prices. These market prices affect the Group's income or the value of its holding in financial instruments.

Exposure to market risk

In the Financials division, the Group has exposure to market risk to the extent that it has open positions. The Group's exposure to market risk at any point in time depends primarily on short-term market conditions and client activities during the trading day. The exposure at each reporting date is therefore not considered representative of the market risk exposure faced by the Group over the year.

The Group's exposure to market risk is mainly determined by the clients' open position. The most significant market risk faced by the Group on the CFD products it offers changes in line with market changes and the volume of clients' transactions.

Interest rate risk

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

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

During the year the Group advanced loans to affiliates and customers for a total amount of €5.5 million (2015: €2.3 million). The average interest on the loans is 5%.

A 1% change in deposit interest rates would impact on the profit before tax by €55 thousands.

B. Credit risk

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

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

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

Notes to the financial statements continued

Note 30 – Financial instruments and risk management continued

B. Credit risk continued

Wherever possible and commercially practical the Group invests cash with major financial institutions that have a rating of at least A- as defined by Standard & Poors. While the majority of money is held in line with the above policy, a small amount is held at various institutions with no rating. The Group also holds small deposits in Cypriot and Spanish financial institutions, as required by the respective gaming regulators that have a rating below A-. The Group holds approximately 4% of its funds (2015: 2%) in financial institutions below A- rate and 2% in payment methods with no rating (2015:3%).

	Total €'000	Financial institutions with A- and above rating €'000	Financial institutions below A- rating and no rating €'000
At 31 December 2016	544,843	476,904	67,939
At 31 December 2015	857,898	813,164	44,734

The Group has no credit risk to clients since all accounts have an automatic margin call, which relates to a guaranteed stop such that the client's maximum loss is covered by the deposit. The Group has risk management and monitoring processes for clients' accounts and this is achieved via margin calling and close-out process.

The ageing of trade receivables that are past due but not impaired can be analysed as follows:

	Total €'000	Not past due €'000	1-2 months overdue €'000	More than 2 months past due €'000
At 31 December 2016	73,744	55,928	5,325	12,491
At 31 December 2015	74,632	47,945	12,849	13,838

The above balances relate to customers with no default history and management estimate full recoverability given the provision below.

A provision for doubtful debtors is included within trade receivables that can be reconciled as follows:

	2016 €'000	2015 €'000
Provision at the beginning of the year	86	908
Charged to income statement	795	–
Provision acquired through business combination	404	–
Utilised	(153)	(822)
Provision at end of year	1,132	86

Related party receivables included in Note 16 are not past due.

C. Currency risk

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

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

Foreign exchange risk also arises when Group operations are entered into, and when the Group holds cash balances, in currencies denominated in a currency other than the functional currency.

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

Note 30 – Financial instruments and risk management continued

D. Equity price risk

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

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

The Group's balance sheet at 31 December 2016 includes available-for-sale investments with a value of €230.3 million (2015: €237.1 million) which are subject to fluctuations in the underlying share price.

A change of 1% in share price will have an impact of €2.3 million on the consolidated statement of comprehensive income and the fair value of the available-for-sale investments will change by the same amount.

E. Capital disclosures

The Group seeks to maintain a capital structure which enables it to continue as a going concern and which supports its business strategy. The Group's capital is provided by equity and debt funding. The Group manages its capital structure through cash flow from operations, returns to shareholders primarily in the form of dividends and the raising or repayment of debt.

F. Liquidity risk

Liquidity risk arises from the Group's management of working capital and the financial charges on its debt instruments.

Financials division liquidity risk

Positions can be closed at any time by clients and can also be closed by the Group, in accordance with the Group's margining rules. If after closing a position a client is in surplus, then the amount owing is repayable on demand by the Group. When client positions are closed, any corresponding positions relating to the hedged position (if applicable) are closed with brokers.

Liquidity risk arises if the Group encounters difficulty in meeting obligations which arise following profitable positions being closed by clients. This risk is managed through the Group holding client funds in separately segregated accounts whereby cash is transferred to or from the segregated accounts on a daily basis to ensure that no material mismatch arises between the aggregate of client deposits and the fair value of open positions, and segregated cash. Through this risk management process, the Group considers liquidity risk to be low.

	2016 €'000	2015 €'000
Client deposits	46,581	64,875
Open positions	(16,897)	(21,114)
Client funds	29,864	43,761

CFH trades on a matched principal basis and financial instruments are used to hedge all client positions. The management of market risk in respect of matching of derivatives is through automated tools, together with active monitoring and management by senior personnel under the supervision of its directors. CFH's liquidity obligations are monitored daily and it is adequately capitalised with a steady revenue stream to meet its day to day obligations. CFH client deposits balance as at 31 December 2016 was €76.2 million.

Notes to the financial statements continued

Note 30 – Financial instruments and risk management continued

F. Liquidity risk continued

Financials division liquidity risk continued

The following are the contractual maturities (representing undiscounted contractual cash flows) of the Group's financial liabilities:

	Total €'000	Within 1 year €'000	1-2 years €'000	2-5 years €'000
2016				
Trade payables	28,171	28,171	–	–
Other accounts payable	58,436	58,436	–	–
Loans and borrowings	200,000	–	200,000	–
Progressive and other operators' jackpots	46,759	46,759	–	–
Client funds	106,092	106,092	–	–
Contingent consideration and redemption liability	209,127	4,577	204,550	–
Other non-current liabilities	1,627	–	–	1,627
2015				
Trade payables	17,411	17,411	–	–
Other accounts payable	56,055	56,055	–	–
Loans and borrowings	200,000	–	–	200,000
Progressive and other operators' jackpots	63,340	63,340	–	–
Client funds	43,761	43,761	–	–
Contingent consideration	145,838	4,491	141,347	–
Other non-current liabilities	1,175	–	–	1,175

G. Total financial assets and liabilities

The fair value together with the carrying amount of the financial assets and liabilities shown in the balance sheet are as follows:

	2016 €'000 Fair value	2016 €'000 Carrying amount	2015 €'000 Fair value	2015 €'000 Carrying amount
Amount				
Cash and cash equivalent	544,843	544,843	857,898	857,898
Available-for-sale investments	230,278	230,278	237,100	237,100
Other assets	174,571	174,571	123,268	123,268
Deferred and contingent consideration and redemption liability	209,127	209,127	145,838	145,838
Convertible bonds	266,230	266,230	256,429	256,429
Loans and borrowings	200,000	200,000	200,000	200,000
Other liabilities	148,319	148,319	102,190	102,190

Available-for-sale investments are measured at fair value using level 1. Refer to Note 14 for further detail. These are the Group's only financial assets and liabilities which are measured at fair value.

Note 31 – Contingent liabilities

As part of the Board's ongoing regulatory compliance process, the Board continues to monitor legal and regulatory developments and their potential impact on the Group.

Management is not aware of any contingencies that may have a significant impact on the financial position of the Group.

Note 32 – Operating lease commitment

The Group has a variety of leased properties. The terms of property leases vary from country to country, although they tend to be tenant repairing with rent reviews every two to five years and many have break clauses. Total operating lease cost in the year was €14.7 million (2015: €13.8 million).

The total future value of minimum lease payments is due as follows:

	2016 €'000	2015 €'000
Not later than one year	15,257	15,846
Later than one year and not later than five years	38,470	44,001
Later than five years	1,249	8,370
	54,976	68,217

Note 33 – Post balance sheet events

Acquisition of Eyecon Pty. Ltd

On 7 February 2017, the Group acquired 100% of the shares of Eyecon Pty. Ltd ("Eyecon"), a specialist supplier of online gaming slots software.

The Group paid in cash £25.0 million and additional consideration of up to £25.0 million, is payable in cash subject to achieving target EBITDA.

As of the approval date of the financial statements by the Board and due to the proximity to the reporting date, the Group had not completed the valuation of the fair value of the intangible assets and liabilities acquired and accordingly these disclosures are not provided in the financial statements.

Company statement of changes in equity
For the year ended 31 December 2016

	Additional paid in capital €'000	Available-for-sale reserve €'000	Convertible bond reserve €'000	Retained earnings €'000	Total equity attributable to holders of parent €'000
Balance at 1 January 2016	638,209	(7,714)	45,392	158,225	834,112
Changes in equity for the year					
Total comprehensive income for the year	–	(30,690)	–	262,990	232,300
Dividend paid	–	–	–	(245,734)	(245,734)
Exercise of options	–	–	–	(1,937)	(1,937)
Share buy back	(10,445)	–	–	(39,384)	(49,829)
Employee stock option scheme		–	–	4,478	4,478
Balance at 31 December 2016	**627,764**	**(38,404)**	**45,392**	**138,638**	**773,390**
Balance at 1 January 2015	324,774	–	45,392	271,528	641,694
Changes in equity for the year					
Total comprehensive income for the year	–	(7,714)	–	(28,603)	(36,317)
Dividend paid	–	–		(81,805)	(81,805)
Exercise of options	403	–	–	(4,367)	(3,964)
Issue of share capital	313,032	–	–	–	313,032
Employee stock option scheme	–	–	–	1,472	1,472
Balance at 31 December 2015	638,209	(7,714)	45,392	158,225	834,112

Company balance sheet
As at 31 December 2016

	Note	2016 €'000	2015 €'000
NON-CURRENT ASSETS			
Property, plant and equipment		167	109
Intangible assets		169	177
Investments	1	215,948	211,740
Available-for-sale investments	2	173,928	160,141
Other non-current assets		1,737	279
		391,949	372,446
CURRENT ASSETS			
Trade and other receivables	3	732,436	523,095
Cash and cash equivalents	4	158,478	541,321
		890,914	1,064,416
TOTAL ASSETS		1,282,863	1,436,862
EQUITY			
Additional paid in capital		627,764	638,209
Available-for-sale reserve		(38,404)	(7,714)
Convertible bond reserve		45,392	45,392
Retained earnings		138,638	158,225
Equity attributable to equity holders of the parent	5	773,390	834,112
NON CURRENT LIABILITIES			
Long-term loan	6	200,000	200,000
Convertible bond	7	266,230	256,429
		466,230	456,429
CURRENT LIABILITIES			
Trade payables and other payables	8	43,243	146,321
		43,243	146,321
TOTAL EQUITY AND LIABILITIES		1,282,863	1,436,862

Company statement of cash flows

	2016 €'000	2015 €'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit	262,990	(28,603)
Adjustments to reconcile net income to net cash provided by operating activities (see below)	(299,465)	(236,467)
Net cash used in operating activities	(36,475)	(265,070)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(125)	(67)
Investment in available-for-sale investments	–	(148,044)
Net cash used in investing activities	(125)	(148,111)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid to the holders of the parent	(245,734)	(81,805)
Share buy back	(49,829)	–
Issue of share capital	–	313,032
Proceeds from borrowing	–	200,000
Exercise of options	(1,937)	(3,964)
Net cash used in financing activities	(297,500)	427,263
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(334,100)	14,082
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	541,321	521,299
Exchange (losses)/gains on cash and cash equivalents	(48,743)	5,940
CASH AND CASH EQUIVALENTS AT END OF YEAR	158,478	541,321

	2016 €'000	2015 €'000
ADJUSTMENT TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Income and expenses not affecting operating cash flows:		
Depreciation	67	59
Amortisation	8	28
Employee stock option plan expenses	270	85
Disposal of investment in associate	(44,477)	–
Exchange loss/(gains) on cash and cash equivalents	48,743	(5,940)
Changes in operating assets and liabilities:		
(Increase)/decrease in trade and other receivables	(210,799)	(342,409)
Interest accrued	9,802	9,389
Increase in trade and other payables	(103,079)	102,321
	(299,465)	(236,467)

Non-cash transaction

	2016 €'000	2015 €'000
Disposal of investment in associate		
Fair value of Ladbrokes Coral plc shares received	44,477	–
Net profit on disposal of investment in associate	44,477	–

The Company's registered address is St George's Court, Upper Church Street, Douglas, Isle of Man, IM1 1EE.

Notes to the Company financial statements

Note 1 – Investments

	2016 €'000	2015 €'000
Investment in subsidiary undertaking – Cost	215,948	211,740

Details of investments in subsidiary undertakings 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 Limited	British Virgin Islands	100%	Main trading company of the Company, owns the intellectual property rights and licenses the software to customers.
Video B Holding Limited	British Virgin Islands	100%	Trading company for the Videobet software, owns the intellectual property rights of Videobet and licenses it to customers.
PTVB Management Limited	Isle of Man	100%	Management.
Technology Trading IOM Limited	Isle of Man	100%	Owns the intellectual property rights of Virtue Fusion business.
PT Turnkey Services Limited	British Virgin Islands	100%	Holding company of the Turnkey Services Company.
Playtech Holding Sweden AB Limited	Sweden	100%	Holding company of Mobenga AB.
PlayLot Limited	British Virgin Islands	100%	Distributing lottery software.
Roxwell Investments Limited	Isle of Man	100%	Holds the Employee Benefit Trust.
PT Gaming Limited	Isle of Man	100%	Holding company of Factime investments Ltd.
Dowie Investments LTD	Isle of man	100%	Holding company of Markets company.

Note 2 – Available-for-sale investments

Available-for-sale investments comprise:

	2016 €'000	2015 €'000
Investment in available-for-sale investments at 1 January	160,141	19,811
Additions	44,477	148,044
Unrealised valuation movement recognised in equity	(30,690)	(7,714)
Investment in available-for-sale investments at 31 December	173,928	160,141

All of the available-for-sale assets are equity securities quoted in the UK.

The fair value of quoted investments is based on published market prices.

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

Notes to the Company financial statements continued

Note 3 – Trade and other receivables

	2016 €'000	2015 €'000
Other receivables	1,238	1,077
Amounts due from subsidiary undertakings	691,333	522,018
	692,571	523,095

Note 4 – Cash and cash equivalents

	2016 €'000	2015 €'000
Cash at bank	67,094	229,781
Deposits	91,384	311,540
	158,478	541,321

Note 5 – Shareholders' equity

A. Share capital

	2016 Number of shares	2015 Number of shares
Authorised	N/A*	N/A*
Issued and paid up	317,344,603**	322,624,603**

* The Company has no authorised share capital but is authorised under its memorandum and articles of association to issue up to 1,000,000,000 shares of no par value.
** In 2016 the Company has cancelled 5,280,000 shares as part of a share buy back for a total consideration of €49,829,000.

B. Share option exercised

During the year 244,416 (2015: 81,986) share options were exercised. The Company cash-settled 14,061 share options during the year (2015: Nil).

C. Distribution of dividend

In May and June 2016, the Company distributed €60,810,670 as a final dividend for the year ended 31 December 2015 (18.9 €cents per share).

In October 2016, the Company distributed €35,274,873 as an interim dividend in respect of the period ended 30 June 2016 (11.0 €cents per share).

In December 2016, the Company distributed €149,648,301 as special dividend (46.0 €cents per share).

Note 5 – Shareholders' equity continued

D. Reserves

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

Reserve	Description and purpose
Additional paid in capital	Share premium (i.e. amount subscribed for share capital in excess of nominal value)
Available-for-sale reserve	Changes in fair value of available-for-sale investments (Note 14)
Convertible bond option reserve	Amount of proceeds on issue of convertible debt relating to the equity component (i.e. option to convert the debt into share capital)
Retained earnings	Cumulative net gains and losses recognised in the consolidated statement of comprehensive income

Note 6 – Loans and borrowings

The loan balance as of 31 December 2016 is €200 million (2015: €200 million). The loan is a revolving credit facility available until July 2018. Interest payable on the loan is based on a margin on Euro libor rates.

Note 7 – Convertible bonds

On 12 November 2014 the Company issued €297.0 million of senior, unsecured convertible bonds due 2019 and convertible into fully paid ordinary shares of Playtech plc (the "Bonds"). The net proceeds of issuing the Bonds, after deducting commissions and other direct costs of issue, totalled €291.1 million.

The Bonds were issued at par and will be redeemed (if not converted before) on 19 November 2019 at their principal amount. The Bonds bear interest at 0.5% per annum, payable annually in arrears on 19 November.

Upon conversion, Bondholders are entitled to receive ordinary shares at the conversion price of €10.1325 per ordinary share, subject to adjustment in respect of (i) any dividend or distribution by the Company, (ii) a change of control and (iii) customary anti-dilution adjustments for, inter alia, share consolidations, share splits and rights issues.

The fair value of the liability component, included in non-current borrowings, at inception was calculated using a market interest rate for an equivalent instrument without conversion option of 4%.

The fair value of the liability component, which is immateriality different to the amortised cost, of the Bonds (including accrued interest) at 31 December 2016 amounted to €266.2 million (2015: €256.4 million), which was calculated using cash flow projections discounted at 4%.

The fair value at inception of the equity component of the Bonds at 31 December 2016 was €45.4 million (2015: €45.4 million).

Note 8 – Trade and other payables

	2016 €'000	2015 €'000
Suppliers and accrued expenses	3,182	3,715
Payroll and related expenses	14,980	14,736
Amounts owed to Company undertakings	25,081	127,870
	43,243	146,321

Five-year financial summary

	2016 €'000	2015 €'000	2014 €'000	2013 €'000	2012 €'000
Income statement					
Total revenues	708.6	630.1	457	367.2	317.5
Associate income	–	–	–	18.1	50.6
Gross income	708.6	630.1	457	385.3	368.1
Adjusted EBITDA	302.2	251.9	207.1	159.4	186.7
Adjusted net profit	206.2	205.9	190.8	148.3	168.3
Balance sheet					
Non-current assets	1,383.7	1,111.9	494.2	470.8	589.2
Current assets	692.5	960.3	759.8	595.2	195.2
Current liabilities	260.2	195.3	105	117.6	181.9
Non-current liabilities	716.3	616.2	275.7	27.4	88.4
Net assets	1,099.7	1,260.7	873.2	921	514.2
Equity					
Additional paid in capital	627.8	638.2	324.8	323.2	310.5
Available-for-sale reserve	(51.1)	2	0.8	1.6	17.2
Employee benefit trust	(25.4)	(27.5)	(36.2)	–	–
Convertible bonds option reserve	45.4	45.4	45.4	–	–
Put/Call options reserve	(34.3)	–	–	–	–
Foreign exchange reserve	16.8	3.3	–	–	–
Retained earnings	498.8	592.1	537.7	596.3	186.4
Non-controlling interest	21.7	7.3	0.7	–	–
Statistics					
Basic adjusted EPS (in €cents)	65.7	67.5	65.9	50.7	58.1
Diluted adjusted EPS (in €cents)	59.8	61.8	65.6	50.2	57.1
Ordinary dividend per share (in €cents)	32.7	28.5	26.4	23.2	23.2
Share price low/high	710.5p/946.5p	636p/924p	579p/836.5p	422.5p/761.5p	262.25p/435p

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